PROSPECTUS

E SOURCE Multi-Client Study

Understanding O&M Practices and Preferences of Commercial End Users

North American commercial businesses spend more than $100 billion each year on the operation and maintenance (O&M) of energy end-use equipment, according to E SOURCE estimates. For corporate energy managers and facilities directors struggling with dwindling budgets and reduced staff, this constitutes a major drain on financial and staff resources. Many are interested in finding vendors who can shoulder the burden and help them control the cost of preventive, predictive, and corrective O&M activities. Not surprisingly, energy service providers (ESPs) are eager to fill that niche, and some are already developing service offerings.

Unfortunately, accurate data on where opportunities exist within specific sectors and geographic regions has been historically unavailable, leaving ESP strategic planners and marketers with many unanswered questions. What are the O&M costs for specific kinds of equipment in the various commercial sectors? Do end users prefer third-party assistance for certain services? Who do they want to buy these services from? What kinds of contracts are customers looking for? How are end users commissioning new and existing equipment? Are there differences in current best practices between, for example, hospitals and retail chains, and how might new technologies improve those practices? Answers to these questions are essential for an ESP's tactical evaluation of the market potential for O&M services among target customers.

In this comprehensive E SOURCE *Multi-Client Study,* we will ask customers about their annual O&M costs, their preferences across a variety of equipment service options, and their interest in beginning to outsource (or continuing to outsource) a wide range of O&M-related functions. The study will target the six key North American commercial market sectors that hold the greatest opportunities for ESPs: retail, healthcare, lodging, grocery, education (primary and secondary), and office buildings.

What Providers Can Learn from This Study

The study will provide ESP strategic planning, marketing, and business development staff with the information they need to target customers for O&M services and to design attractive and relevant service offerings. Our research will highlight specific operational and management characteristics of commercial customers—including building size, types of equipment, number of facilities, energy intensity, and decision-making structure—as well as particular end users' O&M expenses, practices, and needs.

E SOURCE will also provide information on key selling strategies for O&M services. We'll ask customers their preferences on the type, length, and scope of contracts they are looking for and reveal to ESPs the key attributes of a service contract that customers will buy. We'll

discover what capabilities and skill sets customers expect O&M vendors to possess, such as particular industry knowledge, certifications or other types of licenses, and specific experience. And, we'll evaluate whether a trend is developing for comprehensive, "soup-to-nuts" service agreements or if these costs are mostly addressed as a budget item.

This study will also help marketers understand the value that customers see in new and emerging technologies. We'll learn whether they're satisfied with current metering tools, for example, and whether they're interested in leveraging the Internet for remote monitoring and control. In addition, our research will assess existing and new diagnostic technologies that could help ESPs develop service packages customers want and value.

Market Segments

The study will survey midsize and large commercial customers in six market segments in North America: retail, healthcare, lodging, grocery, education (primary and secondary), and office buildings. We will provide subscribers with data on such characteristics as building type, geographic location, number of employees, square footage, and equipment holdings to help them identify promising potential customers. As part of our study, we'll identify and survey key on-site energy decision-makers, including facility and business managers.

Areas of Study

O&M Costs for Commercial-Sector Equipment

How do O&M costs differ by type of equipment, type of facility, and region? In general terms, the answer is "a lot." We'll ask customers about their expenses for operating and maintaining systems for heating (boilers, furnaces, heat pumps, and steam-water converters), refrigeration and cooling (compressors, chillers, and absorption units), air treatment (air heaters, humidifiers, dehumidifiers, fans, and exhaust systems), energy management, and lighting. The results will reveal where the highest potential for O&M services lies.

Customer Understanding of O&M Expenses

Do energy decision-makers in the commercial market really understand how much their firms spend on O&M? Through our quantitative survey of the target market segments, we will determine which end users have an accurate picture of their expenditures and find out why some types of customers may not. Our research will also pinpoint where educational efforts may be needed to show customers the value of third-party O&M contracting.

Reactive Versus Proactive Maintenance

According to the Building Owners and Managers Association (BOMA), there was one maintenance staff worker per 69,500 square feet of office space in 1994. Just five years later, there was one maintenance worker per 77,200 square feet. Under pressure to do more with less, today's O&M managers are often forced to take the minimalist approach. Little (if any) consideration and attention are paid to optimizing building envelope operations—until something goes wrong.

Which customers are likely to fit this profile, and how much could a company save if it were to implement a preventive and predictive approach? How much might different types of customers be willing to pay for help? For customers that already have proactive O&M programs in place, might existing maintenance staff be better used for other activities if ESPs could provide cost-effective on-site support? Answers to such questions are central to assessing the value proposition of any ESP offering O&M services, and our study will supply those answers.

Contract Preferences

It will take more than simply offering relevant O&M services to meet customer needs. Successful ESPs will also have to offer contract terms that satisfy numerous budgetary and operational imperatives. E SOURCE will determine which customers are likely to prefer comprehensive long-term agreements and which will be in favor of an unbundled approach that treats individual pieces of equipment and tasks separately. In addition, we'll find out whether national accounts prefer different service packages for facilities located in regulated versus open energy markets. We'll also look at how O&M decisions are made: Is it the primary responsibility of the maintenance department, finance department, a committee of stakeholders, or are other players involved? The findings from the study will allow us to highlight strategies for drawing the key decision-makers into the process early on.

Continuous Commissioning

New equipment is often commissioned after installation, but it's rarely retested to measure ongoing performance through what's known as continuous commissioning. The development of Internet-based tools has made it significantly easier to remotely monitor building components to learn how efficiently a facility is operating, to troubleshoot problem equipment, and to predict and verify savings from various O&M practices. Our research will identify the continuous commissioning approaches that end users are interested in adopting and explain how ESPs can position themselves to fill this need.

The Tools of the Trade

Beyond competing with other ESPs for the O&M market, what battles will have to be fought to draw customers away from their existing O&M practices in commercial facilities? To help ESPs position the value of their services against best practices already in place, we'll evaluate the technologies now being used for routine maintenance and troubleshooting. We'll also ask customers their preferences for emerging diagnostic technologies and find out whether they are interested in nontraditional options such as insurance against equipment breakage or subpar performance.

Survey Methodology

Focusing exclusively on midsize to large commercial energy users, we'll select a representative sample of businesses that includes local and regional customers as well as national accounts. Our findings will point ESPs to market opportunities and enable them to identify and assess their own unique segmentation schemes.

Quantitative Survey

We'll survey about 1,500 decision-makers by telephone (roughly 250 in each sector) to get a representative view of variations in O&M practices by region, operational activities, and size. Study subscribers will have access to the full data set when the project is complete.

Subscriber Benefits

- A compact disc (CD) and data notebook will contain a compilation of the interview summaries and quantitative data.
- Conference call with a set of PowerPoint slides for review of topline data results.

Future Research

This E SOURCE *Multi-Client Study* looks at just one slice of the total market for commercial sector energy services. As part of our ongoing research, we will be producing a comprehensive market-sizing database for energy-related products and services in the commercial sector. The database will contain detailed information about energy equipment and related expenses for such key end uses as lighting, space heating and cooling, refrigeration, energy management systems, and cooking (where applicable). And we'll use sophisticated simulation software to deliver monthly end-use energy and peak-load profiles. This database will allow ESPs to understand the market, target the right customers, and offer relevant energy services and prices.

Subscribers to this *Multi-Client Study* will be eligible for a discount on this database. We will provide further details on this project in the third quarter of 2001.

For More Information

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