Retailer-Utility Recycling Programs: Close-up on Sears and Consumers Energy

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Agenda

• Overview of RAD Utility-Retailer Partnerships

• Perspectives on How the Partnerships Work
  – Retailer: Sears
  – Utility: Consumers Energy
  – Appliance Recycler: JACO

• Q&A
Overview of RAD Utility-Retailer Partnerships & Opportunities
In 2013, the RAD program consisted of 54 partners: 47 utilities, 4 retailers, 1 manufacturer (and 2 state affiliates)
Utility-Retailer Partnerships

In 2012:

- Increasing number of units jointly processed
- 19 utilities engaged in partnerships
  - 40%+ more utilities than in 2010
  - 4x more units jointly processed
Opportunities

Expanded retailer-utility partnerships can:

• Leverage RAD partner resources to increase the number of units processed each year
• Deepen or broaden geographic coverage
• Increase consumer awareness of appliance recycling programs
Retailer Perspective: Sears
### Sears Holdings: By the Numbers

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates</td>
<td>274,000</td>
</tr>
<tr>
<td>Retail Locations &amp; Distribution Centers</td>
<td>Over 2,500</td>
</tr>
<tr>
<td>Household Shop Rate</td>
<td>Over 50% of U.S. households shop with Sears annually</td>
</tr>
<tr>
<td>Online Visitors Monthly</td>
<td>35 million unique</td>
</tr>
<tr>
<td>Home Services Provider</td>
<td>Nation's largest provider of home services</td>
</tr>
<tr>
<td>Loyalty Programs</td>
<td>One of the fastest growing loyalty programs in history</td>
</tr>
<tr>
<td>Trusted Brands</td>
<td>A family of globally recognized and trusted brands</td>
</tr>
<tr>
<td>Annual Revenue</td>
<td>39.9 billion in annual revenue</td>
</tr>
</tbody>
</table>
Overview of Sears/RAD partnership

• Sears was the 1st retailer to join the RAD program in Oct 2007
• We are a leader in the development of energy-efficient appliances & felt that the partnership was a natural extension
• Protecting the environment & inspiring our members to do the same is important to us
• The RAD partnership contributes to our corporate objectives:

  - Deliver a “WOW” Member Experience
  - Operational Excellence to Drive Profitable Sales
  - Become The World’s Greatest Integrated Retailer
  - Build a Team of Engaged Associates Who Embrace Change and Technology
Overview of Sears/RAD partnership

• Green Leadership team formed in 2009
  – Stemmed from the “Cash for Appliances” program
  – Transitioned into full-time support team for utility programs
    • Mutual customer base
    • ENERGY STAR partners

Since 2008, Sears has recycled over 2 million units!
Utility Program Implementation & Impacts

**Economic & Logistical Concerns**
- Managing processes between 3 organizations
- Identify roles & responsibilities
- Engage sales associates
- Existing contractual agreements

**Trends**
- Momentum driven by state and/or utility mandates
- West Coast saw highest demand for recycling & disposal solutions
- Went from Sears seeking partners to utilities/recyclers seeking Sears

**Impact**
- Sears has seen an avg 15% YoY increase in recycling programs through utility partnerships
- Established processes have led to the creation of Retail Action Council PEER Guidance (Partnerships in Energy Efficiency with Retailers)

**Customer Satisfaction**
- Increase in participation & satisfaction due to simplicity of process, ease of transaction, free haul away + rebate
- Purchase a new ee appliance, haul away the old one for free
The Road to Success

• Well defined processes
  – Identify roles & responsibilities
  – Determine expectations for information flow
  – Develop clear lines of communications between parties

• Scale the program
  – Look for ways to simplify the model
  – Design program from the perspective of:
    1. The customer
    2. The sales associate

• Continue to explore opportunities:
  – Ex: Engage manufacturers to leverage their marketing channels and addt’l rebate dollars to drive program growth and engagement
Utility Perspective: Consumers Energy
Overview

- August 2009 –
  - Implementation of Appliance Recycling Program
  - Providing rebates for refrigerators, freezers, window air conditioners and dehumidifiers
- April 2012 –
  - Began the retail portion of the program with both Sears and ABC
  - Grand opening of 2nd Warehouse in Michigan
Start-up Challenges

- In-store promotion from sales personnel
  - Sales personnel had to learn the details of the program and
  - Added to their limited talk time with the customer

- Systems in place
  - Create a separate measure in our existing system for tracking

- Proper documentation in place of the existing ATO
  - Use Bill of Lading as tracking
    - Includes details such as retailer, customer name, date, ATO number, appliance type and quantity
    - Exclude the other utilities’ appliance collection information
Retail Program Impact

- Impact on 2013 program

2013 Collection
% Retail Collected of Total Program

- 93%
- 7%

Total Retail
% of Sears Collections

- 36%
- 64%

Retail
Standard
Sears
Other Retailer
2013 Environmental Impact of Sears-Consumers Partnership
(based on 1,200 units)

Recycled:
- 90 tons of metal
- 15 tons of plastic recycled
- 2 tons of glass recycled
- 6 tons of foam insulation
- 2 tons of aluminum (100k aluminum cans!)

and the CO2 emissions avoided is equivalent to keeping 2,400 cars off the road in one year
Program Benefits/Successes

• Capturing and recycling additional units (7% of overall program)
• Potential spillover effect of helping retailer and customer aware of recycling benefits
• Promotes the utility appliance recycling program
• Provides a convenient option for customers
• High satisfaction rate of Sears retail customers participating in the program:
  ✓ Overall Satisfaction
  ✓ Likelihood of Recommending Program
  ✓ Applying to program
  ✓ Convenience of scheduling a pick-up ★
  ✓ Appliance collection ★
  ✓ Satisfaction of rebate
Utility Tips

• Keep the process simple, easy and convenient for the retail salespersons
• Maintain good communication/relationship between utility, recycler, retailer
• Let your customers know!
Appliance Recycler Perspective: JACO
## JACO History

<table>
<thead>
<tr>
<th>Founded</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Business Focus</td>
<td>Recycling used appliances for retail chains (e.g., Sears)</td>
</tr>
<tr>
<td>When Utility Energy Efficiency Programs Started</td>
<td>2001 (for Sacramento M.U.D.)</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Bothell, WA</td>
</tr>
<tr>
<td>Legal Form</td>
<td>Corporation</td>
</tr>
<tr>
<td>Employees</td>
<td>625 as of 12/31/2013</td>
</tr>
<tr>
<td>Employee Turnover</td>
<td>&lt;10% annually</td>
</tr>
<tr>
<td>Permits</td>
<td>Facilities, trucks, and technicians all fully permitted and licensed</td>
</tr>
<tr>
<td>Safety</td>
<td>ISO 14000 safety procedures utilized</td>
</tr>
<tr>
<td>Environmental Compliance</td>
<td>No environmental violations or infractions in the history of the Company</td>
</tr>
</tbody>
</table>
JACO Current Programs

- Over 270 energy efficiency (EE) appliance recycling programs (ARPs) currently being implemented or launched nationally
  - Operations in 35 states
  - 30 recycling facilities
  - 2013 volumes: approximately 450,000 Utility units
    - Overwhelmingly refrigerators and freezers
    - Some room air conditioners and dehumidifiers

- Non-EE ARPs for retailers and landfills
  - 2013 volumes: approximately 600,000 units
    - All types of home appliances
      - Includes many units at EOL (“dead” units)
JACO National Footprint
Warehouse DeManufacturing
SEG De-Manufacturing
Retail Partnership

Our Retail partnership allows the customers to enroll for the rebate in store and have only one home visit.

The retail delivery team delivers the new appliance, qualifies and collects the old unit.

JACO collects the units in bulk from the retail local warehouse

Data collected and recorded, units de-manufactured

First launched in CA with Sears 2008 4 locations
287 Sears locations in 18 states as of 2014 Q1
Consumers - Sears Partnership

Launched April 24, 2012
11 SEARS locations

Over 2,000 units collected since the start from SEARS!

JACO ENVIRONMENTAL
Consumers Retail Materials

1. Please write the Utility Company, your name and confirmation number in the space above.
2. Affix the sticker to the old unit being recycled on the RIGHT SIDE of the unit in the upper left corner PRIOR to the delivery of your new appliance. The team that delivers will haul away the old appliance.

If you have any questions please call: 1-877-395-8764

JACO Environmental
Your Energy Efficiency Program Appliance Recycling Company.

To receive a $50 rebate and FREE haul-away of your old refrigerator or freezer, please follow the steps below.

1. Make sure your old appliance is working, and a minimum of 30 cubic feet in size.
2. With the help of your sales associate, register to have your old appliance removed and recycled at the time of your new appliance delivery.
3. You will receive a 7-digit confirmation number. Write this number along with your name and energy provider on the accompanying slip. For your records, you may also want to write it down for reference.
4. Please print all the information on the RIGHT SIDE of your refrigerator or freezer in the top left corner. PRIOR to your new appliance delivery, the appliance should be empty and placed in a clear area.
5. The team that delivers your new appliance will remove the old unit. Your $50 rebate check will arrive via mail within 6-8 weeks.
CHALLENGES AND IMPROVEMENTS

• Advanced process for handling polyurethane foam insulation
• Hard plastic from interior and crispers being sent to Dell for computer manufacturing

Retail-utility partnerships
• Keep it simple, consistent and easy
• Communication
Discussion

• Other experiences?
  – Interest among retailers or utilities in exploring partnerships?
  – Barriers to partnerships?
  – Best practices, tips, and/or tools that other utilities/retailers in partnerships would like to share?

• How can the RAD program help?
  – Resources?
  – Facilitated dialogue?