Illuminating a New Path to Profits and Preference for Your Business

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Philips Lighting

This session is eligible for
1.5 Continuing Education Hours.

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– Have your badge scanned in and out at the door
– Attend 90% of this presentation
– Fill out the online evaluation for this session:
  www.necanet.org/NNSurvey2017
Overview / Agenda

1. Business / Competitive Overview
2. Case Study Focused on Disruption
3. Disruption and Change in Lighting
4. Opportunities to Create Value Propositions by Creating a Compelling Lighting Retrofit Story
5. Review the Customer Decision Making Process and Relevance
6. What’s next

Competition for Profit

- BARRIERS TO ENTRY
- IMPACT OF SUPPLIERS
- SUBSTITUTE PRODUCTS
- IMPACT OF BUYERS
- Rivalry Among Existing Competitors
Internal Industry Rivalry

- Price Discounting (low bid) – easily matched by competitors
- Sustained Price Competition trains customers to pay less attention to features and service
- Products and Services of rivals are nearly identical
- Competition on dimensions other than price are less likely to:
  - Erode profitability
  - Promote substitutes or new entrants
- Slow Industry Growth = Fight for Market Share

Barriers to Entry

- Supply-side Economies of Scale
- Demand-side Economies of Scale
- Switching Costs
- Capital Requirements
- Incumbent Advantage
- Unequal Access to Distribution
- Restrictive Government Policy
Impact of Suppliers

- Threat of Forward Integration
- Concentration of distributors / manufacturers
- Differentiation of products
- Presence of substitute products
- Switching costs
- Importance of volume to a supplier
- Cost relative to total purchases within the industry

Impact of Buyers

- Buyer Volume
- Buyer Switching Costs compared to Your Switching Costs
- Un-Differentiated / Standard Products or Services
- Substitute Products / Services
- Price Sensitivity
- Impact on Quality and Performance
- Ability to Integrate Backwards
- Bargaining Leverage
- Decision Maker Incentives
Substitute Products

- Relative price performance of substitute products or services
- Relative risk of substitute products or services
- Switching costs
- Buyer propensity to substitute
  - Do without / keep status quo
  - Do the project in-house
  - Alternatives?

How do you compete?

1. Price
2. Convenience / local, familiarity for your customers
3. Social Interaction / Community Activism
4. Value – doing things differently
5. Brand / Reputation
Case Study

vs.

Travel Back to the 1990’s

<table>
<thead>
<tr>
<th>Tm</th>
<th>W</th>
<th>L</th>
<th>L-W-L%</th>
<th>GB</th>
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<tbody>
<tr>
<td>Cincinnati Reds</td>
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<td>48</td>
<td>.579</td>
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<tr>
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<td>Pittsburgh Pirates</td>
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<td>Chicago Cubs</td>
<td>49</td>
<td>64</td>
<td>.434</td>
<td>16.5</td>
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</table>
In the 1990’s…

1. 9,100 brick-and-mortar stores
2. Sophisticated inventory management system small stores couldn’t match
3. In 1994, Viacom buys Blockbuster for $8.4B

From 1997 to 2000

- In 1997, Silicon Valley veteran Reed Hastings founds Netflix, partly out of frustration after being fined $40 by Blockbuster for being late in returning “Apollo 13.”
- In 2000, three guys pitch Blockbuster to buy their DVD by mail idea for $50M
- In 2000, Blockbuster generated $800M in revenue from late fees alone
Fast Forward

- In 2002, Netflix goes public
- In 2004, Blockbuster peaks
- In 2010, Blockbuster files for bankruptcy
- In 2011, Dish Network buys Blockbuster assets for $234M (1,700 retail locations)
- In 2013, Blockbuster closes all US stores

So what happened to Netflix?

- Since 1997, the company had to reinvent itself three (+) times:
  - Pay-per-rental DVD business
  - Subscription rental service
  - Streaming video provider – *valuation dropped 25% during 3 month transition*
  - Content creator

Market Cap of $60.5 Billion
Disruption

“A crisis reveals a gap between what an organization is doing in the present and what it actually needs to do in the future.

…Un fortunately, people are usually most comfortable with what’s most familiar”

Luke Williams, Disrupt: Think the Unthinkable to Spark Transformation in Your Business

How has disruption changed lighting

Original carbon-filament bulb from Thomas Edison. Philips L-Prize Winning LED in 2011

Think for a moment how much lighting has changed since you or your employees entered your business
March 28, 2017

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More than a century of innovation and entrepreneurship

Philips Lighting Founded in 1891

Philips has led, and is leading the way in lighting innovation

<table>
<thead>
<tr>
<th>Home</th>
<th>Government</th>
<th>Cities</th>
<th>Offices</th>
<th>Industry</th>
<th>Stadiums</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making life easier, better, and more personal with the best lighting experience</td>
<td>Reducing energy use and carbon footprint to create a sustainable environment</td>
<td>Empowering cities to become safe, livable, future proof and sustainable</td>
<td>Optimizing buildings and business operations, improving workers' productivity and well-being</td>
<td>Improving efficiency and safety, optimizing operations</td>
<td>Enhancing the experience for fans with flexible lighting</td>
<td>Creating dynamic, personalized shopping experiences with connected systems</td>
</tr>
</tbody>
</table>
CityTouch connected lighting management
CityTouch gives full control over the entire lighting infrastructure including monitoring and accurate energy metering

1 Performance monitoring
   - Always stay informed about the status of your lighting infrastructure
   - Get auto-notification of faults without the need for any scouting
   - Create full transparency and verify service level agreements

2 Remote management
   - Flexibly control lighting from remote
   - Manual override in case of emergency

3 Energy measurement
   - Get real accurate metering data
   - Easily verify energy billing

Waste no time, just plug and play
The City of Los Angeles has chosen to use CityTouch connector nodes to manage the world’s largest street light inventory, regardless of the luminaire manufacturer

"With this technology it’s so headache-free. We just install it and move on. It does have a commissioning process but it’s very simple and automatic. And we love that!"

- Chief of Staff, City of Los Angeles, Public Works
Philips Outdoor Connected Lighting

Growing LED adoption in outdoor application

Need for operational efficiency driving radical changes

USA LED lighting innovation maturity curve (Q1 2017)

Street lighting consume 18% of total energy in municipalities
One step upgrade of LED and lighting system empowers cities / utilities to
- Reduce annual operating budget by 60%
- Eliminate light-out and automate workflow management

Philips Connected Office Lighting

Smarter office, improved decision making, better working environment

Photo: Jack Tillmanns-Foto Focus
Philips Indoor Positioning

Quality energy efficient connected lighting that helps boost customer loyalty and retail sales

PoE Lighting – The Edge Building

- 14 floors, 31 rentable building zones
  - > 6000 luminaires
  - 2500 sensors (scalable to ~ 10,000)
  - 2000 smartphone users connected
The Torre Europa is a skyscraper built by Necso in the AZCA complex in Madrid, Spain.

- **Height:** 397'
- **Floors:** 32
- **Opened:** 1985
- **Province:** Community of Madrid
- **Owner:** Caja de Ahorros y Monte de Piedad de Madrid
- **Construction started:** 1975

**Circa 1985 Skyscraper Lighting Retrofit**

Madrid’s office skyscraper Torre Europa becomes the city’s smartest building and the first building in Spain to turn into a smart office using Philips Lighting’s Power-over-Ethernet technology for connected, sustainable lighting

*November 15, 2016*

Lighting Retrofit Creating Value
Infinorsa Renovates Torre Europa to Attract New Tenants

“...allowing it to charge 20% higher average rents”

That was a peek into disruption that is coming

Product Life Cycle & Adoption

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Now let’s talk about driving business with the majority of your customer base

Lighting Retrofit for Market Majority

“We can convert your lighting to LED and reduce your energy costs!”

How do you develop your lighting retrofit projects?

Existing Customer? New Customer?

Will they buy from us, do it themselves, or bid it out?

How much time do we spend? Have someone walk the building, to what level of detail, take some pictures, and go back to the office to figure it out.

Investment, Elements of Risk, and Uncertainty Looms
We choose to move forward:  
There usually is a spreadsheet

<table>
<thead>
<tr>
<th>Room Location</th>
<th>Annual Operating Hours</th>
<th># of fixtures &amp; # of lamps</th>
<th>Blended electric rate</th>
<th>Existing Baseline energy consumption In Watts</th>
<th>Proposed Lamp / Fixure</th>
<th>Proposed Lamp / Fixture Watts &amp; Watts per fixture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room</td>
<td>Baseline Watts</td>
<td>Proposed Lamp</td>
<td>Proposed Lamp Watts</td>
<td>Watts per fixture</td>
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<td></td>
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<td>Conference Room</td>
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<td>7000</td>
<td>5.0</td>
<td>10.0</td>
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<tr>
<td>Main Hall</td>
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<td>7000</td>
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<td>10.0</td>
<td></td>
<td></td>
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<tr>
<td>Lobby</td>
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<td>7000</td>
<td>5.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting Rooms</td>
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<td>7000</td>
<td>5.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bathrooms</td>
<td>5000</td>
<td>7000</td>
<td>5.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kitchen</td>
<td>5000</td>
<td>7000</td>
<td>5.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Office</td>
<td>5000</td>
<td>7000</td>
<td>5.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Lounge</td>
<td>5000</td>
<td>7000</td>
<td>5.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The extent of the value proposition with this methodology is …

- We will convert everything to LED
- We will save you a lot of money
- The cost is X, and payback will be in Y number of years
- The LED lamps will last a long time
- There might be a rebate, but I will need to look that up

How much is this going to cost?

You are left with

- Loose leaf papers / notes or maybe a notebook
- Spreadsheet stored on your computer
- Pictures named DSC000115.JPG
- Estimation documents
- Rebate research, cut sheets, etc.
- The thought that you hope that the row you inserted into your spreadsheet added up correctly when you summed up the totals

Hope that you will get the job and they won’t bid it out or do it themselves
There is a better way to develop effective projects that elevate your credibility and drive preference.

Going beyond “we can convert your lighting to LED”.

The simple Philips Lighting Retrofit Tool is designed as a business tool to help Electrical Contractors:
1. Quickly audit an existing facility
2. Evaluate existing and potential lighting system upgrades
3. Customize and build your lighting project
4. Automatically link proposed solutions to utility incentives
5. Develop a business case that creates value for your customer
6. Can seamlessly be used with a smartphone, tablet, and computer
7. Create professional proposals with your company logo and information
8. Effectively manage your labor risks; survey, design, evaluation, building the proposal, and installation

Click below to Login / Register for the Philips Lighting Retrofit Tool

Create Free Account at:
www.philips.com/NECA
Gateway to Create Value for You and Your Customers

At the job site:
Smart Phone or Tablet

At the office:
Laptop Computer

Flexible, Current, & Comprehensive

Manage & Share Projects
Add a new project
View Existing Project
New Lighting Retrofit Solutions for consideration
Delete a Project
Duplicate a Project
Add Site Considerations
Share Project with others
Product Info
Multiple Lighting Categories
Troffer LED Retrofit Kit with Controls

Product Info: Troffer LED Retrofit Kit with Controls

<table>
<thead>
<tr>
<th>Product Family</th>
<th>Short Name</th>
<th>Product Description</th>
<th>Product Sell Price</th>
<th>Minutes to install</th>
<th>View Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>EvoBase Easy Sense</td>
<td>Philips EvoBase 2x4 M 48W, 42W 840 2 SR 7 G1 plus EasySense CPM sensor, 42 W, 8400 Lumens</td>
<td>EvoBase 2x4 M 48W, 42W 840 2 SR 7 G1 plus EasySense CPM sensor</td>
<td>160</td>
<td>18</td>
<td>View/Edit</td>
</tr>
<tr>
<td>EvoBase Easy Sense</td>
<td>Philips EvoBase 2x2 M 36W, 31W 840 2 SR 7 G1 plus EasySense CPM sensor, 31 W, 3600 Lumens</td>
<td>EvoBase 2x2 M 36W, 31W 840 2 SR 7 G1 plus EasySense CPM sensor</td>
<td>155</td>
<td>18</td>
<td>View/Edit</td>
</tr>
<tr>
<td>Evokit with easy sense Evo</td>
<td>Philips Evokit 2x4 P, 42W, 37W 840 2 SR 7 G3 plus EasySense Evo sensor, 37 W, 4200 Lumens</td>
<td>Evokit 2x4 P, 42W, 37W 840 2 SR 7 G3 plus EasySense Evo sensor</td>
<td>235</td>
<td>18</td>
<td>View/Edit</td>
</tr>
<tr>
<td>Evokit with Spacewise</td>
<td>Philips Evokit 2x4 P, 42W, 36W 840 2 0-10-7 G3 plus SpaceWise accessory, 36 W, 4200 Lumens</td>
<td>Evokit 2x4 P, 42W, 36W 840 2 0-10-7 G3 plus SpaceWise accessory</td>
<td>235</td>
<td>18</td>
<td>View/Edit</td>
</tr>
<tr>
<td>Evokit with easy sense Evo</td>
<td>Philips Evokit 2x4 P, 47W, 42W 840 2 SR 7 G3 plus EasySense Evo sensor, 42 W, 4700 Lumens</td>
<td>Evokit 2x4 P, 47W, 42W 840 2 SR 7 G3 plus EasySense Evo sensor</td>
<td>235</td>
<td>18</td>
<td>View/Edit</td>
</tr>
<tr>
<td>Evokit with Spacewise</td>
<td>Philips Evokit 2x4 P, 47W, 42W 840 2 0-10-7 G3 plus SpaceWise accessory, 42 W, 4700 Lumens</td>
<td>Evokit 2x4 P, 47W, 42W 840 2 0-10-7 G3 plus SpaceWise accessory</td>
<td>235</td>
<td>18</td>
<td>View/Edit</td>
</tr>
</tbody>
</table>

Product Information:

- Product Family: evokitwitheasysense
- Product Sell Price: $215
- Minutes to install: 18
- Description: Evokit 2x4 P, 32L, 29W, 840 2 SR 7 G3 plus EasySense Evo sensor

Customize Your Project for Your Customer
Troffer LED Retrofit Kit with Controls

View Product

Product Information

Product Family: evokitwitheasysense

Price to your customer

Minutes to install: Your time to install

Description: Evokit 2x2 P 32L 29W 840 2 SR 7 G3 plus EasySense Evo sensor

Update

Save your settings

Product Info

Add Model # You Specifically Want

<table>
<thead>
<tr>
<th>Product Family</th>
<th>Short Name</th>
<th>Product Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slim Surface Fixture</td>
<td>Philips SLM Surface 6&quot; SQUARE 900 LM 30K 80CRI 120V, 142 W, 981 Lumens</td>
<td>Junction Box Mounted, SLM 6&quot; SQUARE 900 LM 30K 80CRI 120V, 142 W, 981 Lumens</td>
</tr>
<tr>
<td>Slim Surface Fixture</td>
<td>Philips SLM Surface 4&quot; SQUARE 600 LM 30K 80CRI, 9.5 W, 633 Lumens</td>
<td>Junction Box Mounted, SLM 4&quot; SQUARE 600 LM 30K 80CRI, 9.5 W, 633 Lumens</td>
</tr>
<tr>
<td>Slim Surface Fixture</td>
<td>Philips SLM Surface 3&quot; ROUND 400 LM 30K 80CRI, 13.8 W, 988 Lumens</td>
<td>Junction Box Mounted, SLM 3&quot; ROUND 400 LM 30K 80CRI, 13.8 W, 988 Lumens</td>
</tr>
<tr>
<td>Slim Surface Fixture</td>
<td>Philips SLM Surface 5&quot; ROUND 600 LM 30K 80CRI 1, 9.8 W, 628 Lumens</td>
<td>Junction Box Mounted, SLM 5&quot; ROUND 600 LM 30K 80CRI 1, 9.8 W, 628 Lumens</td>
</tr>
</tbody>
</table>
Add a Lamp Product

Specify the lamp model that you want to use

Add a Luminaire Product

Specify the model of the fixture that you want to use
Share and grant permissions to level you want.
Facilitate auditing, peer reviews, etc.

Add site conditions that add time / cost to your project.
These can be added in the rooms or to the entire building.
Tie the project to your own internal project management

State links to Electric Utility list in that state for incentives / rebates

Future benchmarking

Checklist to capture the info you need to avoid making return trips to the job site

Identify “who”
View Project | Operating Hours

Pick menu for building hours / schedule
Peak Load Schedule
Holiday Schedule
Summer/Winter Schedule
Operating Hours Calculated

View Project | Operating Hours

Pick Utility associated with location
Peak Load Cost for Summer & Winter (if applicable)
Energy Cost for Summer & Winter Rates or Peak & Off Peak (if applicable)
Option to include energy inflation.
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View Project | Project Defaults

- Customer Maintenance Cost and Estimated Lamp Life Remaining
- Capture additional savings when controls are utilized
- Save input changes

View Room | Create Rooms

- Treat building as a room – Quick Estimate Room by Room Audit - Detailed
- Outdoor treated just like a room
Input Room Dimensions, Foot Candle Readings, Window & Skylight Info, and Exterior Wall info (if you choose)

Add Room Photo to Room Record
View Room

**Hours of Operation**

- **Start**
  - M-F: 7:00 AM
  - Sat: 12:00 AM
  - Sun: 7:00 AM

- **End**
  - M-F: 8:00 PM
  - M-F Peak: 5:00 PM
  - M-F Off Peak: 10:00 PM
  - Weekends: 3:00 PM

**Occupancy %**

- M-F Peak: 100
- M-F Off Peak: 100
- Weekends: 100

Additional Notes

---

Use building hours or customize hours for this room.
Place to add specific notes from the auditor for the room

---

View Room | Additional Hours

Log Existing Fixtures

<table>
<thead>
<tr>
<th>Fixture Configurations</th>
<th>Light Source Data (per lamp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room</td>
<td></td>
</tr>
<tr>
<td>Room Type</td>
<td></td>
</tr>
<tr>
<td>Number of Fixtures</td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td></td>
</tr>
<tr>
<td>Status</td>
<td></td>
</tr>
<tr>
<td>Task</td>
<td></td>
</tr>
<tr>
<td>Notes</td>
<td></td>
</tr>
</tbody>
</table>

Additional hours to complete

**Log Existing Fixtures**

- **Select Fixture**
  - **Fixture Type**:
  - **Rating**: |
  - **Number of Fixtures**: |
  - **Description**: |
  - **Location**: |
  - **Status**: |
  - **Task**: |
  - **Notes**: |

- **Add New Fixture**

**Update Room**

Scroll to the right to fill out existing fixture information
Add additional considerations that add to the overall cost

Ability to change the operating hours at the fixture level to 24/7 to account for emergency lighting
### View Room | Existing Fixture Schedule

#### Fixture Configurations

<table>
<thead>
<tr>
<th>Remove</th>
<th>Select Fixture</th>
<th>Fixture Name</th>
<th>Fixture Type</th>
<th>Working (MW)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Select Fixture</td>
<td>LF-4</td>
<td>6&quot; Spots</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Select Fixture</td>
<td>LF-5</td>
<td>2x2 Trolley</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Add New Fixture</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

**Add another fixture type to the existing fixture schedule**

#### Log Existing Fixtures

<table>
<thead>
<tr>
<th>Remove</th>
<th>Select Fixture</th>
<th>Fixture Name</th>
<th>Fixture Type</th>
<th>Working (LAH)</th>
<th>Summer Peak</th>
<th>Summer Off-Peak</th>
<th>Winter Peak</th>
<th>Winter Off-Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LF-4</td>
<td>6&quot; Spots</td>
<td></td>
<td></td>
<td>525</td>
<td>1,165</td>
<td>735</td>
<td>1,631</td>
</tr>
<tr>
<td></td>
<td>LF-5</td>
<td>2x2 Trolley</td>
<td></td>
<td></td>
<td>525</td>
<td>3035</td>
<td>735</td>
<td>4248</td>
</tr>
</tbody>
</table>

**Operating Hours are calculated at the:**
- **Building Level**
- **Room Level**
- **Fixture Level**
You have the option to provide more details

- Existing controls and are they used?
- Lamp Type
- Lamp Base Type

Your Customer’s time to replace and their cost to purchase lamps

Identify voltage of the fixture

Calculated energy savings in KWH and demand KW
View Room | Existing Fixture Schedule

XYZ OFFICE BUILDING

View Room
- Update Room
- Duplicate Room
- New Room
- Delete Room

Existing Fixture Schedule

EXISTING FIXTURE LOG

<table>
<thead>
<tr>
<th>Fixture Name</th>
<th>View/Edit</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP-1</td>
<td></td>
</tr>
<tr>
<td>L-4</td>
<td></td>
</tr>
<tr>
<td>L-2</td>
<td></td>
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<tr>
<td>OF-2</td>
<td></td>
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<tr>
<td>G-1</td>
<td></td>
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<td>L-4</td>
<td></td>
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<tr>
<td>L-3</td>
<td></td>
</tr>
<tr>
<td>L-2</td>
<td></td>
</tr>
</tbody>
</table>

Duplicate Room
Create a new room from scratch

Review & Edit Existing Fixture Log

Ability to edit globally from here
Ability to edit the individual fixtures created in the rooms from a global perspective

All project information is captured

Time for solution development, and to see what we can do for this customer
Do I have all the information?

There is an “Error Tracking” mechanism to make sure that you aren’t missing any vital information to run the analysis.

Retrofit Options Page

Set Time Line for Evaluation
Set Blended Labor Rate
General Fixture Types
Identified Site Considerations
Choose the general solution to apply to the master level solution you want to consider.

Down light solution set examples:

The products from the master level solution automatically populate for those fixtures / lamps.

<table>
<thead>
<tr>
<th>Site Name</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
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</thead>
<tbody>
<tr>
<td>Troffer</td>
<td>Philips Alternative</td>
<td>Philips Alternative</td>
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<td>Downlights</td>
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<tr>
<td>1. Site Considerations</td>
<td>Philips Alternative</td>
<td>Philips Alternative</td>
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<tr>
<td>T1</td>
<td></td>
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<tr>
<td>U1-2</td>
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<td>U1-4</td>
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</tbody>
</table>

Choose the general solution to apply to the master level solution you want to consider.

Down light solution set examples:

The products from the master level solution automatically populate for those fixtures / lamps.

<table>
<thead>
<tr>
<th>Site Name</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Troffer</td>
<td>Philips Alternative</td>
<td>Philips Alternative</td>
</tr>
<tr>
<td>Downlights</td>
<td></td>
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<tr>
<td>1. Site Considerations</td>
<td>Philips Alternative</td>
<td>Philips Alternative</td>
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<td>U1-3</td>
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<td>U1-4</td>
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</tbody>
</table>

The products from the master level solution automatically populate for those fixtures / lamps.
Retrofit Options Page

Information Shown:
- Existing Fixture Name
- Total # of those fixtures
- How many rooms fixture is located with the room names
- Energy Consumption of existing fixture

Information Shown:
- Proposed solution
- New energy consumption
- Link to web for product info

Scenario Analysis – modify option 1 or start from scratch
Change at the master level to see how an alternative solution performs.

Can compare up to 5 different solution alternatives!
### Financial Analysis

#### Demand Charges
- **Demand Summer:** $1,000.00
- **Demand Winter:** $74.63
- **Total Demand:** $1,074.63

#### Energy Costs
- **Summer Peak:** $1,066.00
- **Summer Offpeak:** $1,667.00
- **Winter Peak:** $1,753.50
- **Winter Offpeak:** $4,103.50
- **Sub Total:** $8,410.50

#### Total Project Costs
- **Year 1 Energy Conservation Cost:** $3,000.00
- **Year 1 Energy Savings:** $3,000.00

### Energy Savings Analysis by:
- Demand Charges
- Energy Costs
- Time of Year (if applicable)
- Total Energy Savings

---

**Your Biggest Competition**

- Your proposed labor and product sell price to your customer
- Estimated Rebates if applicable
- Total Project Costs
Cash Flow Analysis:
Operational Cost of “Do Nothing” vs. Scenario #1

Annual Cash Flow that goes back into your customer’s bottom line

Export To Proposal
Quick Financial Tutorial

- Return on Investment = \( \frac{\text{savings}}{\text{incremental cost}} \)
  - ROI only considers the short-term (ends at 2.5 years)

- IRR (Internal Rate of Return)
  - any project with an IRR greater than its cost of capital is a profitable one
  - Not a good metric by itself
  - Short term analysis can be skewed
  - Long term analysis may not reflect the true value

- NPV (Net Present Value) considers the life cycle
  - $$ in the future are worth less than $$ today
  - Cost of capital (interest rate)
  - Savings over the life of the installation
  - Incremental cost

...and don’t forget benefits of cash flow
Cash Flow Example

Scenario A

Project Cost: $100K
Annual Savings: $33.3K
Simple Payback: 3 Years
Cash Flow after 5 years is $166.5K

Scenario B

Project Cost: $200K
Annual Savings: $50K
Simple Payback: 4 Years
Cash Flow after 5 years is $250K

If you are doing an ECAP Project (Performance Based Project with Financing), greater Cash Flow pays for more work

Build Your Proposal

XYZ OFFICE BUILDING

Upload Your Logo

For Reference of NECA Now 2017 San Antonio Attendees Only
March 28, 2017

For Reference of NECA Now 2017 San Antonio Attendees Only

You select the section that you want to include

Lighting as a Catalyst for Developing New Business Opportunities

- Energy savings in terms of demand and consumption
- Elevate your expertise with your customer
- Making yourself relevant and forward looking
- Manage risk for your customer and your business
Typical Customer Decision Process

1. Needs Evaluation
2. Research Alternatives
3. Conceptual Solution
4. Structuring The Concept
5. Buying Decision
6. Implementing The Decision

Value Zone

Commodity Zone

The Process Flow of the Philips Lighting Retrofit Tool Lives Here
Logical Sales Process

Identification & Analysis
Working the Sales Build
Closing the Sale

Philips Lighting Retrofit Tool

Philips Lighting is investing in resources to help you be more successful to profitably grow your business

What we did not cover today

- Qualitative aspects of value creation – beyond energy alone
- How to upsell and reposition lighting both quantitatively and qualitatively

Opportunity for continued dialogue and conversation
How Can Philips Lighting Help You

- Collaborate among NECA Premier Partners such as Graybar.
- WebEx or on site trainings
- Arrange to visit us in Somerset NJ
- Participate in special promotions and programs offered by Philips

Lighting Retrofit as a Business Development Tool for NECA Contractors

Attendees will be exposed to Lighting retrofit program development and how to create and sell maximum value for your customers; Review different types of lighting retrofit options and key insights to consider for indoor and outdoor lighting; How to evaluate alternatives and how to package solutions for maximum value; and Communicate the basics of energy and operational savings, utility rates and incentives, and financial impact on cash flow and total cost of ownership, and budgeting.
What Philips is Looking for in 2017

- Feedback and engagement to do more of what you value.
- Creation of NECA Contractor Council(s)
- Direction on what you want to see from us at the National Conference in Seattle this October.

Questions

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www.philips.com/NECA

Up Next: Interactive Break in the Cibolo Canyon Ballroom
- Using Fitness Technology to Keep Track of Your Goals
- The 10-minute Office Workout
- Top 10 Apps-On-the-Go
- Establishing a Personal Brand

Don’t forget to fill out the online evaluation at www.necanet.org/NNSurvey2017