REPORT # MR26-007

ENERGY STAR® Retail Products Platform

Strategy Pilot Report

February 11, 2026

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CalMTA is a program of the California Public Utilities Commission (CPUC) and is administered by Resource Innovations.

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1 Executive Summary

The ENERGY STAR® Retail Products Platform (ESRPP) is a national collaborative initiative comprised of ENERGY STAR®, energy efficiency program sponsors and retailers that offers midstream incentives to encourage retailers to stock and promote energy-efficient products. As one of California's newer sponsors of ESRPP, CalMTA designed the ESRPP Strategy Pilot (the Pilot), to study how the Induction Cooking and Room Heat Pump Market Transformation Initiatives (MTIs) could engage with California retailers to increase sales of efficient equipment to targeted environmental and social justice communities (ESJ).

1.1 Strategy Pilot Objectives

The primary Pilot objectives documented in CalMTA planning documents were to:

1. *Learn how ESRPP can be adapted to target identified zip codes that primarily serve ESJ communities*
2. Gather full product category sales data

1.2 Evaluation Purpose

The CalMTA market research and evaluation team, in partnership with CalMTA's data scientist, tracked the pilot activities, interviewed the four participating retailers, and analyzed pilot, sales and market data. The team sought to support the Pilot objectives with these evaluation activities:

1.2.1 Activities related to adapting ESRPP to targeted identified zip codes

- Documenting changes to stocking and promotional practices for selected products at participating stores
- Capturing lessons learned from the Pilot's retailer engagement that can be applied to future MTI interventions

1.2.2 Activities related to sales data

- Identifying a baseline market share of selected products at participating stores and assessing the degree of change after participation

This document is an interim report designed for a broader audience with an interest in CalMTA and the ESRPP that seeks to document the unique efforts of the Pilot to date and to document lessons learned. Separately, a public presentation about the pilot will focus more specifically on implications for upcoming MTI activities and plans.

1.3 Pilot Summary

The MTI team designed the Pilot to learn whether and how the Room Heat Pump and the Induction Cooking Market Transformation Initiatives could engage participating retailers to stock and promote more affordable models of the targeted technologies in environmental and social justice communities (ESJ). The overall goal was to see how the current ESRPP program could be leveraged and adapted to reach consumers shopping for more affordable qualified ENERGY STAR® induction cooking and room heat pump products.

The Pilot began in April 2024 and is scheduled to continue through the end of 2025. Through the Pilot, CalMTA provides a base incentive for every qualified product sold by Home Depot, Lowe's, Best Buy, and the independent stores through the Nationwide Marketing Group in all stores located in the statewide Pilot area. In addition, CalMTA added enhanced incentives for lower cost induction cooking products in stores located in a test area comprising six populous counties and two with comparatively low incomes. The Pilot was able to promote induction cooking products, but just barely began to incent room heat pumps because the supply chain was not ready to provide and stock these products to a sufficient degree.

CalMTA secured participation agreements with The Home Depot, Best Buy, Lowe's, and Nationwide to provide CalMTA with full category sales data for all participating stores in the identified zip codes in California. The MTI team maintains consistent communication with the four participating retailers in the Pilot, including regular quarterly check-ins, which were established at the beginning of 2025, as well as ad-hoc communications to discuss pilot and maintain a working relationship.

1.4 Key Findings and Lessons Learned

The two fundamental implementation tactics being tested by the Pilot appear to be feasible.

- The MTI team successfully developed relationships with ESRPP participating retailers and obtained their engagement for a midstream market intervention.
- In partnership with participating retailers, the team also successfully developed a tiered approach that distinguished offerings between stores based on zip codes. This two-tiered approach was tested with the expectation that it could be used to target services toward ESJ communities. However, several key strategic and operational components of this strategy need refinement, as noted elsewhere in this report.

Furthermore, the Pilot demonstrated that sales data can be obtained that would be needed to properly direct planned midstream interventions and evaluate their effectiveness.

The MTI team attributes these successes to the overall interest and willingness of the ESRPP retailers and strong relationships built with them during the Pilot that made inevitable future customization and iteration possible.

1.5 Detailed Program Related Learnings

- Room heat pumps are not yet as ready for the retail market as induction cooking products, so their promotion with in-store discounts and store-based midstream strategy will need to be implemented on a slower schedule than initially anticipated.

- Retailers who already participate in the ESRPP are open to engaging with the CalMTA team on midstream incentives and the ESJ targeted approach.
- Relationships between the CalMTA Pilot team and the four retailers were productive and seen as mutually beneficial; communication with retailers' merchant teams was a challenge at times, however, and warrants refinement for any full-scale MTI implementation.
- Identifying lower-priced products and setting incentives for them is more complicated than the MTI team expected and needs rethinking or further development.
- Utilizing the manufacturer's suggested retail price (MSRP) as an indicator was not a good representation of the actual sales price as many stores sold the product at different prices from the MSRP.

1.6 Sales and Stocking Trends

Review of induction cooking sales data and discussions with retailers about stocking practices paints a picture of growth in both product availability in stores and their sales. Specifically:

- Sales of induction cooking-related products in participating stores grew from 2.2% of full category sales in the year before the Pilot to 3.8% over time during the Pilot. This increase is likely attributable to natural market factors and an expansion in qualified products on ENERGY STAR's Electric Cooking products list.
- The increase in sales cannot be definitively attributed to the Pilot incentives or strategies, however, as Pilot activity did not materialize at a sufficient scale to suggest potential causal effects.
- All four retailers self-reported increased stocking of induction cooking products at participating stores (both in type and number).

1.7 Observations about the ESJ Strategy

Incidental observations by the market research and evaluation team related to CalMTA's equity strategy suggest a need to revisit and refine the intended approach of relying on differential incentives based on store zip codes. Store zip codes are an imprecise proxy for identifying customers associated with ESJ communities.

1.8 Considerations for Full Scale MTI Planning

- The MTI team should prepare for the level of effort to maintain strong, individualized relationships with participating retailers when employing the ESRPP platform for tailored midstream interventions. (During the Pilot, quarterly meetings proved useful, and engagement increased as relationships grew.)
- The Room Heat Pump MTI may need to adopt a flexible timeline and approach as the products continue to emerge in the market.

- The MTI team should continue to engage with retailers and attempt to incorporate merchant teams in communications when possible, for better insights and alignment with store-level activities.
- Further engagement with retailers is needed to understand how lower-cost products could be identified more smoothly based on MSRPs or another substitute for sales price.
- The MTI team should (continue to) solicit suggestions for types of promotions the retailers and merchant teams think would be effective based on their expertise and motivations.
- For future full-scale market interventions, CalMTA will need to employ more comprehensive market tracking, as planned, to ensure the influence of market transformation activities can be isolated from naturally occurring market forces, such as an overall shift toward induction cooking or room heat pumps.
- CalMTA should review its strategy for addressing equity objectives for induction cooktops and room heat pumps. Considerations to be explored include:
    - Attempt to map stores' likely geographic customer base (or obtaining such information from stores) rather than assuming zip codes capture who shops at each store. Further refinement could include mapping to product categories through the collection of customer zip codes for incented products.
    - For induction cooking specifically:
        - Recognize challenges and limitations in retailer-based equity strategies for the MTI, which warrant further engagement and discussions with retailers in addition to pivoting toward engagement with programs and community-based organizations that the MTI is planning.
            - Consider the appropriate time for entry into the lower-income market and explore non-financial barriers to adoption (e.g. language, signage, cultural barriers).

2 Introduction and Background

2.1 ESRPP background

The ENERGY STAR® Retail Products Platform (ESRPP) is a national collaborative initiative comprised of ENERGY STAR®, energy efficiency program sponsors, and retailers that offers midstream incentives to encourage retailers to stock and promote energy-efficient products. As one of California's newer sponsors of ESRPP, CalMTA designed the ESRPP Strategy Pilot (the Pilot), to study how the Induction Cooking and Room Heat Pump Market Transformation Initiatives (MTIs) could engage with California retailers to increase sales of targeted efficient equipment for environmental and social justice communities (ESJ).

2.2 Strategy Pilot Objectives

The primary Pilot objectives documented in CalMTA planning documents were to:

1) Learn how ESRPP can be adapted to target identified zip codes that primarily serve ESJ communities
2) Gather full product category sales data

The first objective was motivated by CalMTA's commitment to address equity concerns as part of its market transformation initiatives. The intent was to understand how ESRPP can be used to promote lower priced induction cooking products and to offer them to households that reside in areas defined as ESJ communities.

The second objective recognizes the importance of being able to see and track sales data, which provides visibility into the market, enables the program to target its efforts more effectively, and supports evaluation of program effectiveness.

Relatedly, the Pilot also sought to establish relationships with ESRPP retailers. These relationships are essential for an effective midstream intervention using the ESRPP, and it is a prerequisite for obtaining sales data from retailers. As such, the pilot served as a proof of concept and an opportunity to learn how to best engage retailers via the ESRPP for midstream market interventions for the Induction Cooking and Room Heat Pump MTIs.

A third objective linked to the initial pilot plan to hold AC turn-in events was dropped when participating retailers were unable to acquire room heat pumps in time for a summer event.

2.3 Evaluation Purpose

The CalMTA market research and evaluation team, in partnership with CalMTA's data scientist, tracked the pilot activities, interviewed the four participating retailers, and analyzed sales and contextual data. The team sought to support the Pilot objectives with these evaluation activities:

2.3.1 Activities related to adapting ESRPP to targeted identified zip codes

- Documenting changes to stocking and promotional practices for selected products at participating stores
- Capturing lessons learned from the Pilot's retailer engagement that can be applied to future MTI interventions

2.3.2 Activities related to sales data

- Identifying a baseline market share of selected products at participating stores and assessing the degree of change after participation

2.4 Pilot Summary

As one of the California sponsors of ESRPP, CalMTA designed the ESRPP Strategy Pilot (the Pilot), which began in April 2024, to learn if and how the Induction Cooking and Room Heat Pump Market Transformation Initiatives (MTIs) could engage participating retailers to stock and promote more affordable models of the targeted technologies in predominantly disadvantaged and lower income communities (i.e., environmental and social justice or ESJ communities). The overall goal was to see how the current ESRPP program could be leveraged and adapted to increase stocking and promotions for more affordable qualified ENERGY STAR® induction cooking and room heat pump products in ways that ultimately result in greater sales of these products. In addition, the Pilot sought to access full category sales data for the MTI-targeted products to help guide market strategy and advance retailer engagement once the MTIs move into market deployment. Lessons learned from this pilot will help CalMTA refine the retailer interventions laid out in the MTI plans for both induction cooking and room heat pumps. The current contract period for the Pilot runs through the end of December 2025. This report presents findings and conclusions related to the Pilot objectives for the evaluation period of April 2024-June 2025.

Through the Pilot, CalMTA provides a base incentive for every qualified product sold by Home Depot, Lowe's, Best Buy, and the independent stores through the Nationwide Marketing Group in all stores served by the statewide Pilot. For 187 stores located in a test area (known as "ESJ zip codes") comprising eight California counties, CalMTA pays the retailer an increased incentive for qualified products sold that fall below a certain Manufacturer's Suggested Retail Price (MSRP). For 475 stores located in California, CalMTA pays the retailer a base incentive for qualified products that fall below a certain MSRP. Within the test area, stores were designated as ESJ-located or not ESJ-located based on their zip codes' equity-related characteristics, as described below.

The goal of the higher incentives in the stores designated as serving more ESJ consumers is to influence stores to stock and promote more affordable qualified ENERGY STAR® products. Price thresholds were set by conducting a web scan of advertised retailer sales prices across the induction cooking category prior to the Pilot. That assessment identified price ranges for lower-cost products that were then deemed to qualify for the enhanced incentives.

By May 2024, CalMTA had secured participation agreements with The Home Depot, Best Buy, Lowe's, and Nationwide. These agreements require retailers to provide CalMTA with full category sales data for all participating stores in the identified service territories in California, including historical data from May 2023 to April 2024, and make commercially reasonable efforts to sell qualifying products through participating stores in targeted zip codes.

CalMTA designated the test area and determined the stores within that area as likely to serve more ESJ consumers through the following process. The CalMTA team:

1. Estimated the number of targeted test area zip codes that could be served (ESJ zip codes) to be targeted based on available incentive budget dollars.

2. Selected eight counties for the test area where CalMTA identified a subset of stores primarily serving ESJ consumers. Six of the eight were selected for their large populations, and two others were chosen for their comparatively low incomes and lower pricing by retailers. Counties containing test stores in ESJ zip codes include: Alameda, Contra Costa, Fresno, Kings, Los Angeles, Orange, San Diego and Tulare.

3. Established criteria for separating stores in the test area into ESJ and non-ESJ (based on store location). The criteria were based on:

    a. The CalEnviroScreen CES score that integrates environmental quality and demographic variables (higher CES scores indicate greater "disadvantaged" status and were favored in our selection).

    b. The American Community Survey (ACS) Area Median Income (AMI) metric (lower AMI scores were favored in our selection).

    c. The ACS homeownership metric (higher homeownership was favored in our selection).

4. Separated zip codes within the test area into ESJ and non-ESJ areas.

    a. Zip codes with high scores on ESJ criteria. These are the targeted areas within the test area that were eligible for the bonus incentives if they sold more affordable qualified products ("ESJ zip codes").

    b. Zip codes without high scores on ESJ criteria. These are the comparison group areas within the test area and they received only the base incentive for sales of any ENERGY STAR® qualified product ("Non-ESJ zip codes").

5. No zip codes outside of our eight eligible test counties were made eligible for the higher incentive treatment. They were only eligible for the base incentive for the sale of ENERGY STAR® qualified products.

Overall, 28% of stores participating in the Pilot were eligible for the enhanced incentive. Table 1 shows the number of participating stores by ESRPP retailer and by classification into test areas ("ESJ zip codes") that received enhanced incentives and the rest of the Pilot area ("non-ESJ zip codes").

Table 1. Pilot stores by retailer and test area classification

	The Home Depot	Best Buy	Lowe's	Nationwide	Total
"ESJ zip codes"	88	33	32	36	189
"Non-ESJ zip codes"	132	104	75	167	478

Table 2 outlines the initial product qualification and incentive structure for the ESRPP Pilot that was in effect from May 2024 to December 2025.

Table 2. Pilot incentive structure for 2025

Product category	Specifications	Test area ("ESJ zip codes")	Rest of Pilot area ("non-ESJ zip codes")
Induction cooktop	ENERGY STAR® V 1.0	$450 for MSRP <=$1000 $50 for MSRP over $1000	$50
Induction range	ENERGY STAR® V 1.0	$450 for MSRP <=$1500 $50 for MSRP over $1500	$50
Room air conditioner*	ENERGY STAR® Room Air Conditioners Version 5.0 and 6.0 that include "heating mode" with reverse cycle	$450 for MSRP <=$600 $100 for MSRP over $600	$100

*CalMTA began the Pilot with room air conditioners in May of 2024, as room heat pumps are a subset of DOE's Room AC (RAC) product classification but were an emerging product. In 2024, CalMTA collected data on room air conditioning products, and narrowed the focus to room heat pumps beginning in 2025.

The MTI team established initial contact with the retailers with the assistance of the Northwest Energy Efficiency Alliance's (NEEA's) retail channel manager, who acted as an initial liaison between the retailers and CalMTA, due to their existing relationships from the national ESRPP program. Following this, the CalMTA team has maintained consistent communication with the four participating retailers in the Pilot, including regular quarterly check-ins, which were established at the beginning of 2025, as well as ad-hoc communications.

2.5 Program Updates

In January of 2025, the incentive-eligible products in the room air conditioners (RACs) category changed from all RACs to a subset of products in the RAC category that have room heat pump capability. As a newer technology, room heat pumps are not yet readily available in stores. Gathering the sales data for room heat pumps in the early stage of the product's evolution allows CalMTA to monitor how this new technology enters the retail channel. CalMTA will continue to monitor the market to identify optimal timing for revisiting this Pilot component. All changes in Pilot scope were, and will continue to be, shared with CalMTA's Market Transformation Advisory Board (MTAB) to ensure support and alignment.

Based upon the California Public Utilities Commission's recent approval of the RHP MTI and the conditional approval of Induction Cooking MTI, CalMTA will continue retailer contracts, full category sales data collection, and midstream stocking incentives for both products in 2026. The CPUC has requested that CalMTA focus all future induction cooking interventions primarily on 120V induction cooking products. As there are currently no 120V induction products currently in retail, CalMTA has reduced incentives for induction in 2026 to $5 to ensure the program can continue to acquire full category sales data. RHP incentive levels remain unchanged as that program is beginning to see these products coming through retail in small numbers and wants to be able to track this growth over time.

3 Results and Findings

3.1 Achievement of Primary Pilot Objectives

The two MTI strategy approaches being tested by the Pilot appear to be feasible:

- The MTI team successfully developed relationships with ESRPP participating retailers and obtained their engagement for a midstream market intervention.
- In partnership with participating retailers, the team also successfully developed a tiered approach that distinguished offerings between stores based on zip codes. However, several key operational components of this strategy need further refinement.

Furthermore, the Pilot demonstrated that sales data can be obtained that would be needed to properly direct planned midstream interventions and evaluate their effectiveness.

Overall, CalMTA's data collection attempts were new for retailers and caused delays. The MTI team did eventually receive total category sales data monthly for both MTI product categories, including historical data (starting at the beginning of the pilot period with 12 months of historical data from May 2023 to April 2024) for induction cooking and room air conditioning products. This data was critical to understanding sales trends for induction cooking and room air conditioning products and how the MTI could help influence additional stocking and sales.

The MTI team attributes these successes to the overall interest and willingness of the ESRPP retailers and strong relationships built with them during the Pilot that made inevitable customization and iteration possible. Through these relationships, the MTI team also obtained access to the full network of individual stores.

The process of collecting data initially proved more challenging than anticipated, as many retailers did not have data in the requested format readily available to share and the process of delivering required data was more complicated than envisioned. Further complications were created by the addition of the MSRP to data collection efforts as a replacement for actual sales prices, which retailers were unwilling to provide due to their sensitive nature.

3.2 Detailed Market-Related Learnings

Room heat pumps are still nascent to the market

Room heat pumps are not yet as ready for the retail market as induction cooking products, so their promotion with in-store discounts and a store-based midstream strategy will need to be implemented on a slower schedule than initially anticipated. Room heat pumps are largely still an emerging technology that manufacturers are not as ready to sell through retail. Further, one room heat pump model was recalled during the Pilot period, which also contributed to stocking and incentive challenges.

ESRPP retailers will engage with CalMTA

Retailers who already participate in the ESRPP are open to engaging with the CalMTA team on midstream incentives and on the targeted ESJ approach. While sales in stores with enhanced incentives fluctuated throughout the Pilot period, all four retailers noted they understood the goals of the unique approach and showed interest in trying to shift their stocking habits to receive the higher incentives. Some retailers expressed that they struggled with the applicability of the approach in their stores due to product availability and use of MSRP for establishing incentive thresholds.

Relationships have been key

Relationships between the CalMTA Pilot team and the four retailers were productive and seen as mutually beneficial. All participating retailers expressed willingness to engage with the Pilot and with CalMTA at the state level. Retailers participated in regular communications with the MTI team and sent sales data on a regular basis, though communication with retailers' merchant teams was a challenge as their availability was limited and communications tended to be indirect via the primary retailer contacts. Retailers identified that their merchant teams are largely in charge of stocking practices at stores. Because stocking practices affect product availability and consumer exposure to new technology, merchant teams' stocking choices are one key driver for a successful Pilot and subsequent market transformation. Although communication with the merchant teams was limited, retailers did state they felt the incentives offered through the Pilot influenced their merchant teams to be aware of and stock more eligible induction cooking products. Refinement to require communication with merchant teams is warranted for any full-scale MTI implementation.

More work is needed to identify affordable products

Identifying lower-priced products and setting incentives for them is more complicated than the MTI team expected and the approach needs further development. The Pilot team attempted to identify more affordable induction cooking products and set incentive thresholds for them based on sales price. However, retailers consider actual sales prices to be sensitive data that they were not willing to share. The Pilot team shifted to using the manufacturer's suggested retail price (MSRP), which was readily available, but did not correlate with actual sales prices to the desired level of accuracy, as prices vary across retailers, stores, and promotional periods.

3.3 Sales and Stocking Trends

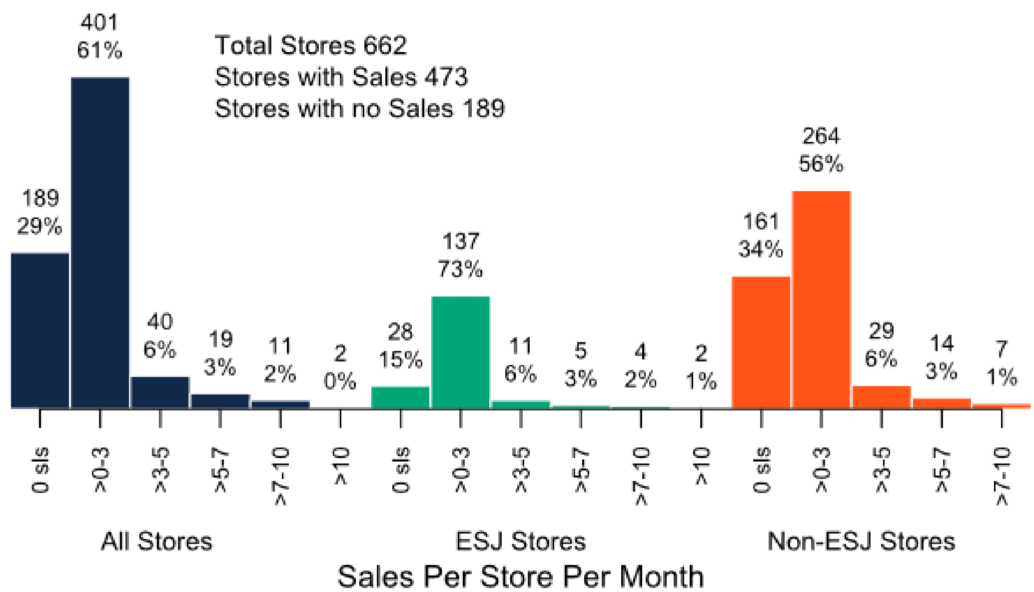
Due to the nascency of room heat pump technology in retail, the Pilot team's review of sales data focused entirely on induction cooking products. These data paint a picture of growth in both product availability in stores and their sales. Mostly, sales data reflects the current state of the market rather than the influence of Pilot activity.

Sales of induction cooking products have been growing slightly

Sales of induction cooking-related products grew slightly and steadily before and during the Pilot. While increasing, sales remain at modest levels overall, however. Specific patterns in sales data the team noted included the following:

Currently, sales of induction cooking products are most often in the range of 1 to 3 units per store per month. Figure 1 displays a frequency distribution of the average monthly sales of these products from each store during the pilot period (in blue). Most stores sold up to three products per month, and sales beyond that level were uncommon. The green and orange parts of the figure show the same metric for the test area (ESJ zip codes) and the rest of the Pilot area (non-ESJ zip codes). Differences between these areas are unlikely to be meaningful, however, as the two areas included varying levels of stores that do not stock qualifying products at all.

Figure 1. Average monthly induction cooking unit sales (all retailers)



Induction cooking sales as a percentage of full category sales had been increasing prior to the Pilot and have continued that trend through the Pilot, as shown in Figure 2. **Qualified products' market share grew from 2.2% of full category sales during the pre-Pilot year to 3.8% during the Pilot**, most likely due to naturally occurring growth in demand and an increase in the products counted as "qualifying" during the measurement period. In interviews, retailers corroborated that the market for induction cooking products is growing among their customers in California as awareness rises.

Figure 2. Qualified induction cooking sales as percentage of full category sales (all retailers)

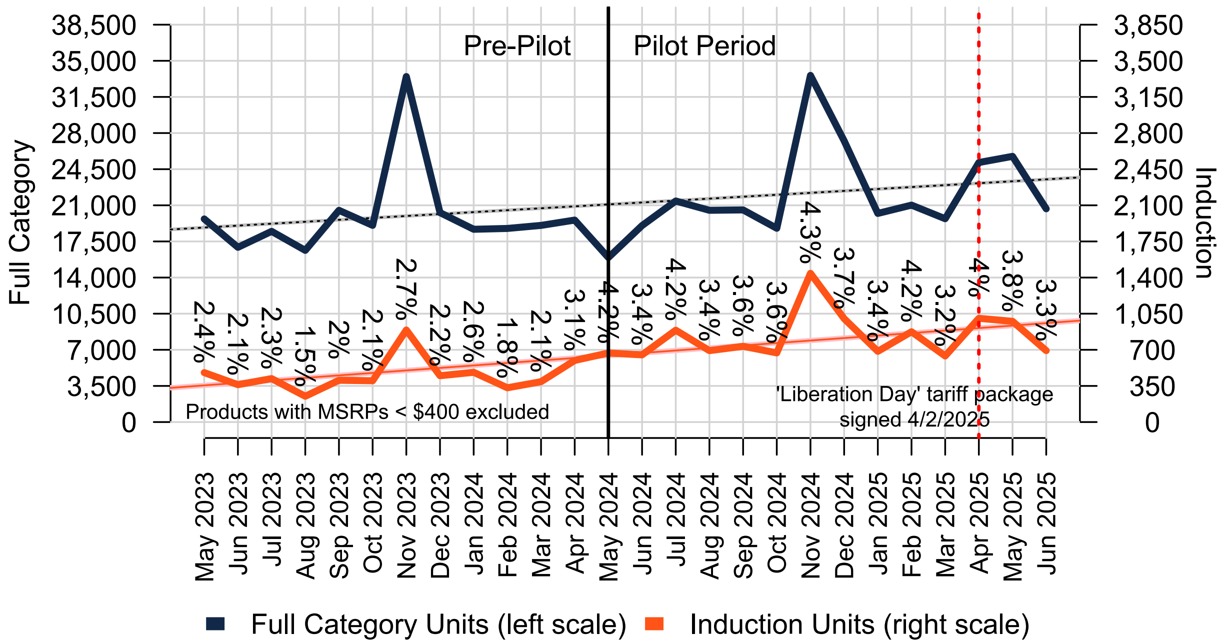
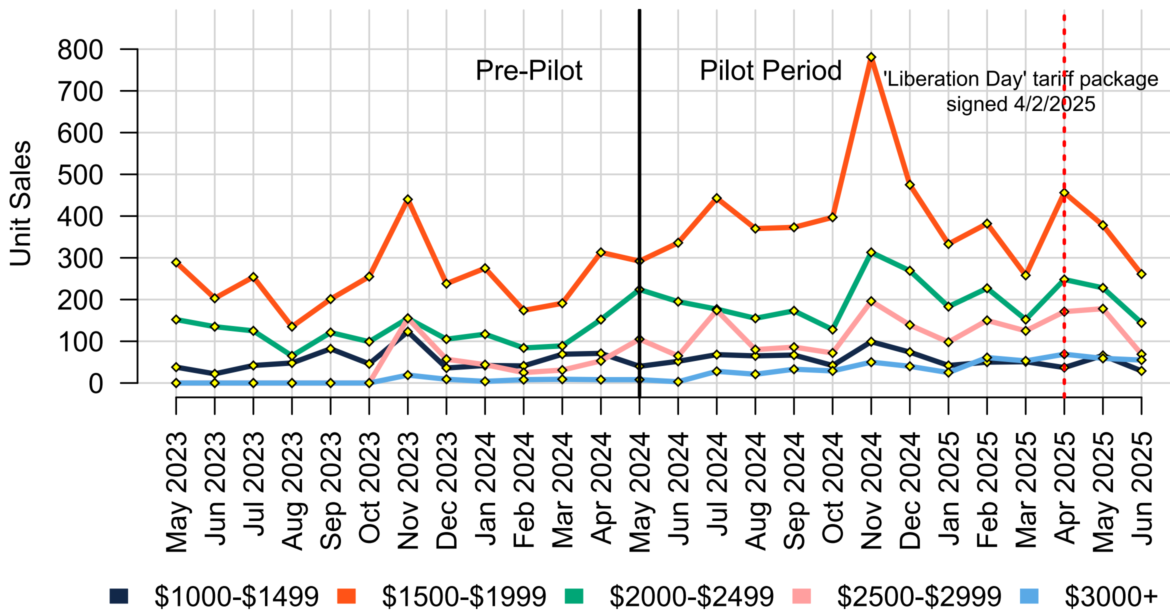


Figure 3 displays the monthly sales of qualified induction cooking products, by their different MSRP price categories. Notably, nearly all the price categories saw an increase in sales across the examined timeframes (pre-Pilot and Pilot periods), signifying an overall growth in induction cooking sales. Mid-range offerings (orange and green lines) exhibited the largest increases in unit sales during this period, indicating retailer interest in offering these products to consumers.

Figure 3. Qualified induction cooking sales by MSRP price category (all retailers)



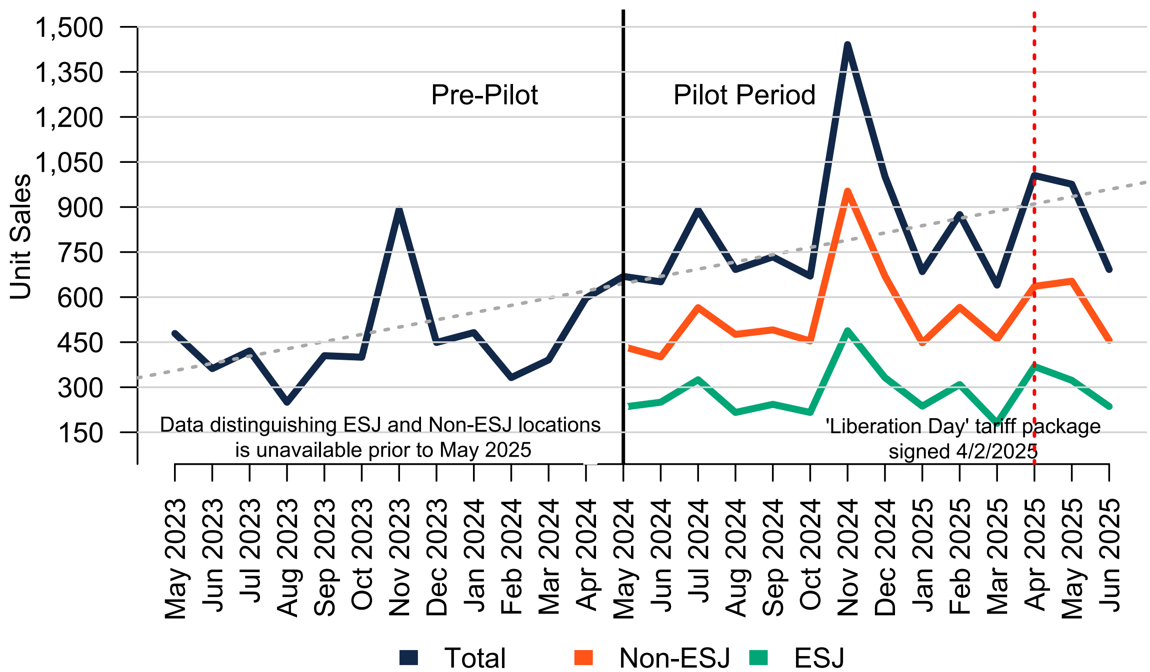
Growth trends have been consistent

Growth in sales of induction cooking products appears to have been consistent before and during the Pilot with no noticeable inflection point when the Pilot began. At a more granular time scale, sales vary greatly through the seasonal sales cycles.

Figure 4 displays the monthly sales of qualified induction cooking products. The sharp increases around larger holidays (July 4th and Black Friday) align with statements from retailers regarding the induction cooking product market. Some contraction can be seen since the introduction of tariffs. Retailers acknowledged tariffs have had some impact on their offerings, especially those manufactured overseas. In some cases, retailers have explored diversifying their product offerings, partly from tariffs and historical effects from the COVID-19 pandemic.

Much of the exhibited growth can be attributed to expanded offerings by manufacturers, but retailers felt the Pilot influenced their merchant teams to stock eligible products in order to offer the available incentives. Additionally, retailers acknowledged they are planning to procure more products in the future.

Figure 4. Monthly sales of qualified induction cooking products (all retailers)



Sales impacts cannot be attributed causally

The increase in sales during the Pilot period cannot be attributed to the Pilot incentives or strategies, as the Pilot remained too limited to allow for quantitative comparison of products sold with enhanced incentives in the test areas (only 40 such products have been sold to-date). Furthermore, the Pilot needed to remain flexible and adapt to mid-Pilot learnings. As such, CalMTA increased the number of qualified products throughout the Pilot period. Retailers did indicate natural growth in demand for these products from which Pilot effects cannot be isolated easily. Full-scale market transformation initiatives will need to address these factors to allow for greater causal measurability.

Merchant teams are stocking induction cooking products

The one retailer merchant team we interviewed directly self-reported increased stocking of induction cooking products (both in type and number). Other retailers corroborated this in the absence of their merchant teams during interviews. Stocking practices are key to generating visibility and awareness, and they are often seen as a positive market progress indicator for market transformation programs. Merchant teams reported that they are focusing more on induction cooking products due to a perceived increase in demand, a focus on ENERGY STAR®-qualified products, and the incentives provided through the Pilot. Furthermore, all four retailers stated their organizations are planning to procure more induction cooking products as the market continues to grow, indicating their outlook on the overall market and increasing demand for the product.

Relatedly, engagement with the retailers and stores has led to greater insights for the MTI team on the factors that influence stocking decisions, such as merchant awareness of the eligible products and incentives.

3.4 Observations about the MTIs' Retail-Focused ESJ Strategy

The Pilot was designed to test the feasibility of implementing CalMTA's equity-related strategy for retail partners at a tactical level, but the market research and evaluation team also made some incidental observations about the strategy itself that we share here for future consideration.

Store zip codes are an imprecise proxy for identifying customers associated with ESJ communities

The assumption that retail stores in and near ESJ communities reach a meaningful proportion of customers from ESJ communities needs more investigation. Mapping of a small sample of participating store locations (compared to each other, to zip code maps, and to ESJ designated Census tracts) suggests that retail outlets serve customers from a much broader geographic footprint than just the zip codes in which they are located. Stores categorized as being in or near to disadvantaged communities (DACs) based on their zip code may not serve primarily DAC-affiliated customers, and stores not categorized as such may serve some DAC-affiliated customers. The correlation between store location and likely customer draw needs more investigation before CalMTA can confidently use store zip codes as a proxy for serving targeted customer groups to meet equity goals.

Induction cooking products may sell best in wealthy areas initially

A cursory review by the market research and evaluation team of county-level sales across all participating stores showed that the five counties with the highest median household incomes in California dominate the top seven counties of induction cooking sales, although this observation still needs to be cross-checked against any potential influence of the way test and Pilot areas were established.

4 Considerations for Full Scale Program

As noted, the MTI and market research and evaluation teams will jointly assess the overall implications of the pilot learnings for the next stages of market transformation activities for induction cooking and room heat pumps. Lessons documented above will be part of that assessment. Considerations for the future include the following:

- Plan for the level of effort needed to maintain strong, individualized relationships with participating retailers when employing the ESRPP platform for tailored midstream interventions. In some cases, the engagement with retailers may need to allow for some retailer-specific tailoring. For new interventions, those relationships may need to be built afresh. (During the Pilot, quarterly meetings proved useful and engagement increased as relationships grew.)

- Adopt a flexible timeline and approach for room heat pumps as the products continue to emerge. The MTI will need to work with retailers to use ESRPP to promote sales of qualified room heat pumps as they become available. CalMTA could also consider coordinating with other leading states actively pursuing room heat pump units, such as New York.
- Continue to engage with retailers and attempt to incorporate merchant teams in communications when possible. Due to the influence of merchant teams on stores' stocking practices, these communications can be impactful to understand how merchant teams can be engaged by ESRPP incentives to purchase and stock additional eligible items. This will be especially necessary as RHPs continue to enter the market.
- Seek to understand how lower-cost products could be identified based on MSRPs or a substitute more smoothly, and how the two-tiered strategy (if retained for the full MTI rollout) can be modified to account for differences in approaches to selling equipment and engagement of customers at the store level. The MTI team could also explore the feasibility of using web-scraping or in-store research to better track price points for category products.
- Continue to solicit suggestions for types of promotions the retailers and merchant teams think would be effective based on their expertise and motivations. Ideas suggested during the Pilot have included Sales Performance Incentives Funds (SPIFs) and Chefluencer events.
- For future full-scale market intervention, CalMTA should seek to employ more comprehensive market tracking, as planned, to ensure the influence of market transformation activities can be isolated from naturally occurring market forces, such as an overall shift toward induction cooking or room heat pumps. Evolving markets mean that baselines will be shifting and product availability will be fluid as well. The MTI and market research and evaluation teams—along with third-party evaluators—will need to work together, so both are aware of the underlying and changing market dynamics over which the market transformation activities are layered. For the remainder of the Pilot, CalMTA will need to continue to monitor more localized market dynamics and seek to understand qualitatively what influence the Pilot is having, what is happening due to external market forces, and where opportunities for market leverage exist.
- CalMTA should review its strategy for addressing equity objectives for induction cooktops and room heat pumps. Specifically, we suggest that the MTI team:
    - Attempt to map stores' likely geographic customer base (or obtain such information from stores) rather than assume store zip codes capture who shops at each store.
        - In addition, any data that can be gathered on zip codes of end-purchasers of incented or category products would allow even more refined analysis of the degree to which customers from ESJs are being reached.
    - For induction cooking specifically:

    - Ensure that the equity strategy extends beyond retail interventions to ensure a sufficient reach to targeted communities via trade-ally outreach, community-based organizations, and possibly efforts to reach property owners as well.
  - Track sales by income levels and consider the appropriate time for entry into the lower-income market and explore non-financial barriers to adoption.

5 About CalMTA

CalMTA is a program of the California Public Utilities Commission and is administered by Resource Innovations. We work to deliver cost-effective energy efficiency and decarbonization benefits to Californians through a unique approach called market transformation. Market transformation is the strategic process of intervening in a market to create lasting change by removing market barriers or exploiting opportunities, accelerating the adoption of identified technologies or practices. CalMTA-developed market transformation initiatives also aim to advance state goals on demand flexibility, workforce development, and equity. Learn more at http://www.calmta.org/.

6 Appendix A – Interview guides

ESRPP Program Team Interview Guide

ESRPP Retailer Interview Guide