EcoPinion

Banking the Green: Customer Incentives for EE and Renewable

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EcoPinion Survey Report

Banking the Green: Customer Incentives for Energy Efficiency and Renewable Offerings

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Summary

EcoAlign, a strategic marketing agency focused on energy and the environment, conducted a total of 1,000 online interviews in July 2008. The sample is balanced to match the U.S. population by age, gender, region and ethnicity.

This fourth EcoPinion Survey focuses on customer incentives: what type of incentives or promotions will motivate customers to adopt green offerings or program offerings, and how companies, particularly utilities, should deliver and drive customer awareness of customer incentives. The survey results provide further evidence of a green gap between consumers and companies who are in the renewable and green energy space, namely that customers are much more concerned about saving money than taking actions that may benefit the environment.

Consumers have clear preferences on how they like to be communicated with and how they would like to receive any benefits or incentives. If their expectations are met in regard to communications and messaging, the type of incentive received and how it is delivered, then incentives tied to energy efficiency and green offerings could significantly boost customer satisfaction.

Operationally, the survey results have implications in regard to regulations on bill format, program design and information system requirements. For example, utilities and other suppliers will require an increased functionality and capability in customer information systems (CIS) to generate, deliver and track a broader array of incentives.

Top Line Findings

1. When asked how likely you or your family were to use incentives to save money, the majority of Americans actively look for ways to save money and cut costs when there is a direct relationship between their action and

a monetary benefit. Discounts are the most popular incentive with 85 percent of Americans stating that they are extremely likely or very likely to use them, followed by two-for-one offerings (77 percent, extremely likely/very likely) and coupons (75 percent).

2. The survey tested which incentives were most likely to be used by consumers to save money on energy costs. The top two "most likely" incentives to be used by consumers to save money on energy costs are discounts (34 percent) and rebates (22 percent). With the exception of rewards programs (11 percent), all of the other incentives garnered single-digit scores. This finding points to: a) a consumer message to utilities of "show me the money", and b) consumers currently do not have great expectations with regard to the value of incentives provided by utilities.
3. The "Energy Star" label is extremely important to 31 percent of consumers and is very important to another 37 percent, for a total of 68 percent of consumers indicating that the "Energy Star" label has value in regard to their purchasing decisions.
4. Respondents were asked what they would do if they had an extra $200, and could choose from a list of energy saving or renewable offerings. However, 52 percent of Americans responded that they would put an extra $200 in the bank. This response was 43 percent higher than the next highest response of purchasing new energy efficient appliances with 9 percent of consumers giving that response. All the other responses were in the low single digits. This finding, again, points to the fact that Americans prefer to save money over making small investments in energy efficiency or renewable energy.
5. Americans are most interested in having their utility provide coupons to purchase energy efficient light bulbs with 74 percent, followed by purchasing some or all of my power from renewable sources (68 percent) and mail in rebate for purchasing energy efficient appliances (67 percent). Once again, the top responses are linked to consumer desire to save money or cut costs as directly as possible. They want to see the dollars.
6. When asked how they would like to receive information on programs or promotions to reduce energy use or save money, consumers were most interested in receiving information from the utility web site, with 58 percent indicating that the web sites as a means of providing information would be extremely or very useful. Other top responses include: information mailed to customer (55 percent, indicating extremely or very useful), customer service rep (51 percent) and e-mail to customer (50 percent).

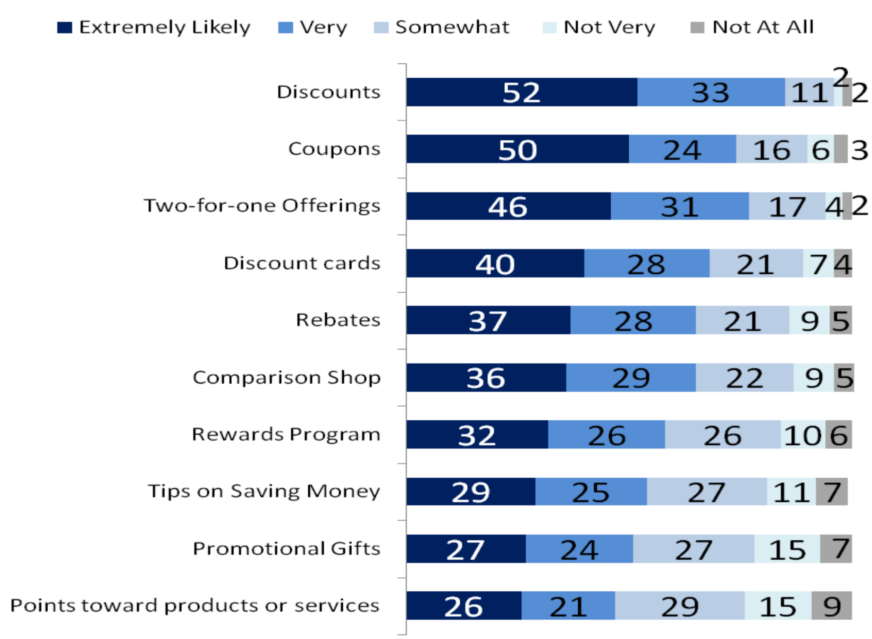
7. Consumers were very clear about how they like to receive their incentive from the utility, with credit on the utility bill being the top answer (50 percent) followed by a check in the mail (34 percent). The finding here indicates that consumers want the benefit to be both visible in dollar terms and sustained over time. All the other responses garnered only single-digit response levels.
8. Consumers would be much more satisfied with their utility if more energy efficiency and/or pricing programs to save energy and utility were offered. 51 percent of respondents indicated that they would be very satisfied and another 38 percent indicated they would be somewhat satisfied. 90 percent of respondents overall would be more satisfied than today, meaning that energy efficiency and pricing programs could be a useful means for utilities to improve their overall customer satisfaction scores.

Consumer Perceptions and Uses of Incentives

The majority of Americans actively looks for ways to save money and cut costs. Incentives are an important part of consumer decision-making, and thus are important for marketing and communications around new energy efficiency and green offerings.

When there is a direct relationship between their action and a monetary benefit, consumers are more likely to use them. Discounts are the most popular incentive with 85 percent of Americans stating that are extremely likely or very likely to use them, followed by two-for-one offerings (77 percent, extremely likely/very likely) and coupons (75 percent).

Q1. How likely are you or your family to use each of the following incentives or means to save money and/or minimize your household expenses?



When the incentive is more indirect, Americans are less likely to use them. “Promotional gifts” and “tips for saving money” received the lowest scores of the possible incentives tested, with a little over half of Americans saying they would be extremely likely/very likely to use the information. Given the number of companies offering tips on how to be green or how to conserve energy, this finding indicates that many consumers do not value that information. The scores would probably have been even lower for information that takes effort, including carbon and cost calculators.

For every possible incentive tested, women were much more likely to use them. Overall, women were over 10 percent more likely to use incentives than men for most of the incentives tested. Regional differences were noted, with Americans in the Northeast relatively more likely than other regions to use incentives.

Role of Incentives to Raise Awareness and Adoption Rates of Energy Efficiency and Green Offerings

As we learned in earlier EcoPinion surveys, a majority of consumers are not familiar with many of the basic terms and concepts associated with energy efficiency and green offerings. In fact, there are strong negatives associated with the term “energy efficiency.” We also learned in EcoPinion Survey No. 2 that consumers, especially consumers that have had no experience with using or buying green offerings, consistently choose a negative attribute associated with those offerings, e.g., “ugly, difficult to maintain and expensive.”

To raise awareness and for greater adoption rates, it is clear that attractive incentives will be needed to fill that gap between current customer perceptions and their willingness to act. However, what incentives should utilities and other green marketers offer?

The top two “most likely” incentives to be used by consumers to save money on energy costs are discounts (34 percent) and rebates (22 percent). With the exception of rewards programs (11 percent), all of the other incentives garnered single-digit scores.

These findings point to: 1) a message for utilities that consumers want the value to be very visible and 2) consumers currently do not have great expectations in regard to the value of incentives provided by utilities.

There is an interesting generational divide between discounts and rebates, with younger Americans (18 to 34) much more likely to use discounts (41 percent, the highest score by age demographic for discounts) as compared to rebates preferred relatively more (26 percent, the highest score by age demographic for rebates) by older Americans (55+).

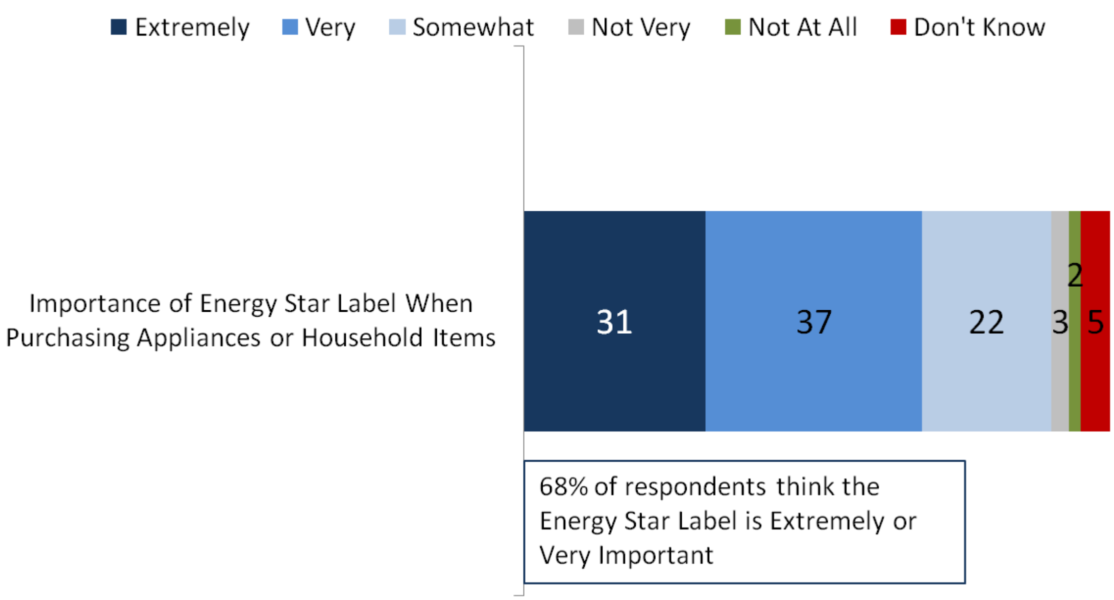
Energy Star Brand Matters

In our last EcoPinion survey ("Branding Green but Seeing Red," March 2008), we found that most companies do not have any brand recognition in the clean tech space, with a few notable exceptions such as General Electric and Toyota. Brands, however, are signifiers of value and context for consumer decision-making on the products and services they buy.

We decided to test the brand recognition and importance of Energy Star, a national standard and certification for energy-efficient consumer products. Many qualifying appliances are clearly marked with Energy Star on their packages. Does a certified brand such as Energy Star matter to consumers?

The "Energy Star" label is extremely important to 31 percent of consumers and is very important to another 37 percent, for a total of 68 percent of consumers indicating that the "Energy Star" label has value in regard to their purchasing decisions.

Q3: How important is the "Energy Star" label to you when purchasing appliances or other household items?



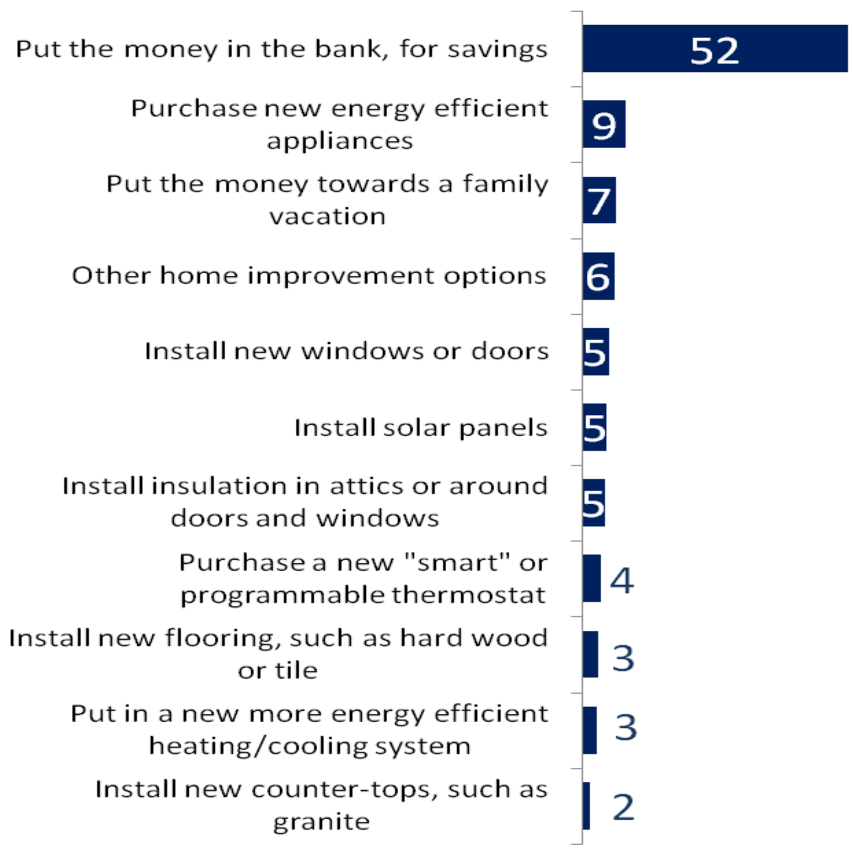
Unlike most green and renewable energy companies that do not have any brand, the “Energy Star” label, however, not only has brand value but broad brand recognition. Only 6 percent of consumers surveyed did not know what the label meant.

Women are more likely than men by approximately 5 percent to value the “Energy Star” label when making purchasing decisions, giving some indication of the relatively greater role women play in making decisions around investments in appliances or other household items, and how women make those decisions.

Show Me the Money

When asked how they would use an extra $200, 52 percent of respondents answered that they would put an extra $200 in the bank. This response was 43 percent higher than the next highest response of purchasing new energy efficient appliances with 9 percent of consumers giving that response. All the other responses were in the low single digits.

Q4: If you had an extra $200, which of the following ways would you be most likely to put the money towards?



This finding is the clearest indication that Americans are much more interested in saving money and cutting costs directly than investing in offerings or technologies that save energy. Lower income Americans (household income of $50K or less) are especially likely to want to put the money in the bank (55 percent) versus Americans that are relatively better off (household income of over $50K) by 6 percentage points.

Almost 10% of respondents said they would purchase new, energy efficient appliances with the extra money. However, only 4% or respondents said they would purchase a programmable thermostat and 3% of respondents said they would install a new, more energy efficient heating/cooling system.

While 6% said they would use the money for home improvement, this percentage increases to 26% if options are combined: Installing new windows/doors, solar panels, insulation, new flooring, and new countertops.

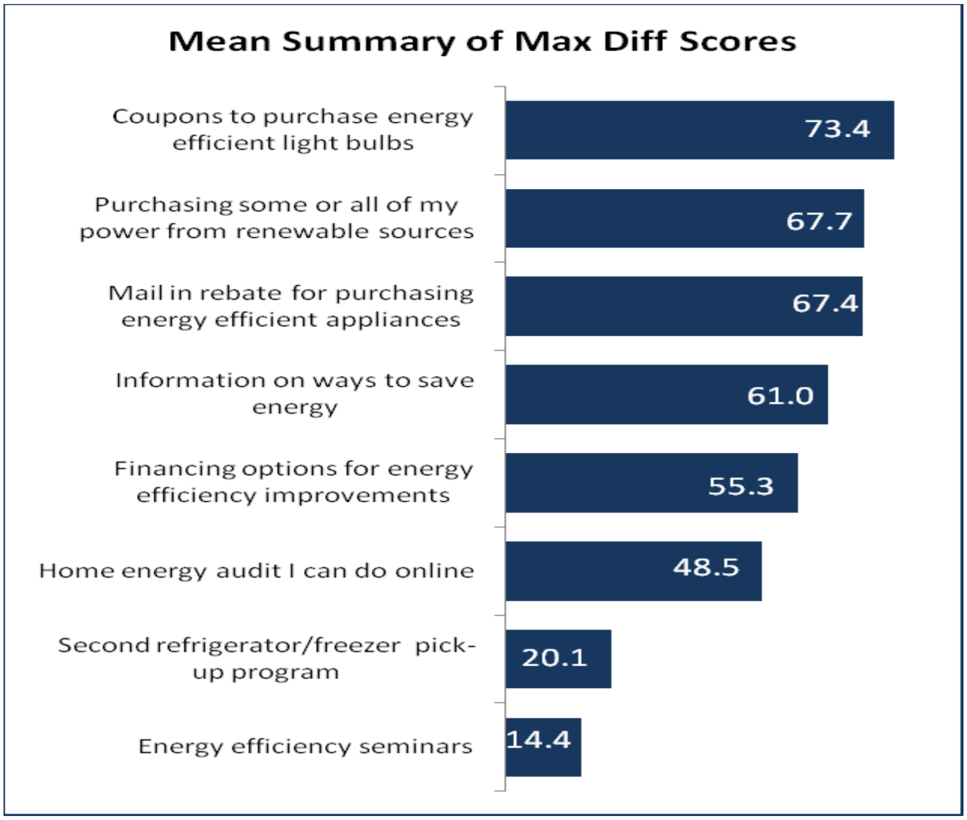
Customer-Friendly Features of Programs and Offerings

Respondents were asked to compare features connected to utility programs and offerings that would be of the most interest and least interest. Americans are most interested in having their utility provide coupons to purchase energy efficient light bulbs with 74 percent, followed by purchasing some or all of my power from renewable sources (68 percent) and mail in rebate for purchasing energy efficient appliances (67 percent). Once again, the top responses are linked to consumer desire to save money or cut costs as directly as possible. They want to see the dollars.

Other features that require more effort or only indirectly linked to saving money fared worse. Most consumers are not interested in energy efficient seminars, with only 14 percent saying they would go to one. Consumers were also not particularly interested in second refrigerator/freezer pick-up programs offered by the utility (20 percent indicating interest), but that could be because they don't plan to buy a new one anytime soon as well.

Surprisingly, older Americans (55+) were much more interested in home energy audits that can be done online (54 percent indicating interest) compared to young Americans (18 to 34, 44 percent indicating interest). But this finding is aligned with previous EcoPinion findings that the older generation is much more inclined to take actions to protect the environment.

Q.5 If your utility company offered to help you be more energy efficient, please indicate which of the following three features would you be most interested in and which would you be least interested in?



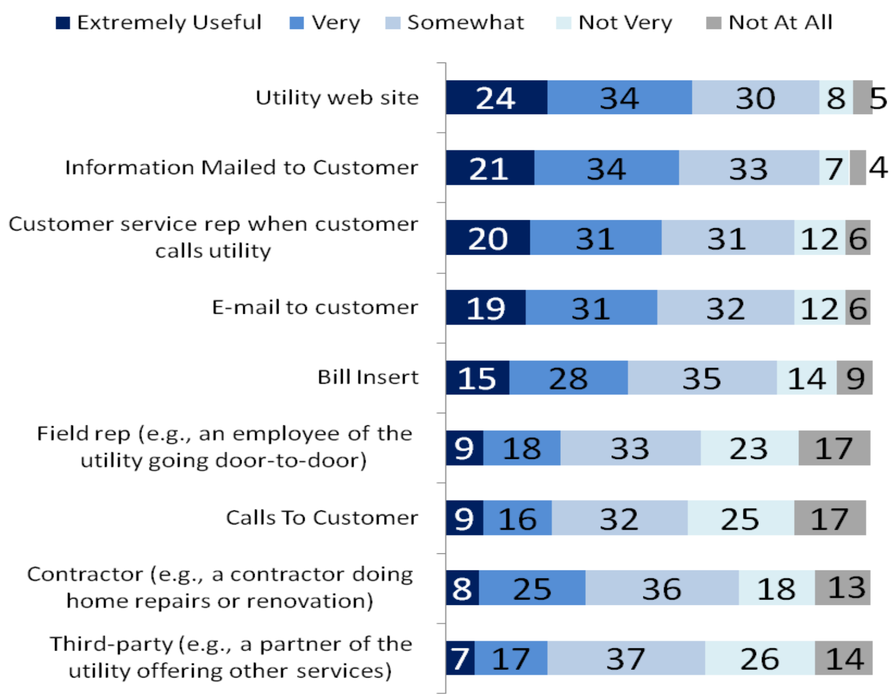
Meeting Customer Expectations for Information and Crediting of Incentives

Consumers were most interested in receiving information from the utility web site, with 58 percent indicating that the web sites as a means of providing information would be extremely or very useful. Other top responses include: information mailed to customer (55 percent, indicating extremely or very useful), customer service rep (51 percent) and e-mail to customer (50 percent).

Not surprisingly, consumers were usually not interested in having the utility call them, with only 25 percent of respondents indicating an interest. Younger Americans (18 to 34), particularly men (36 percent), were much likely to indicate that a call from the utility would be useful.

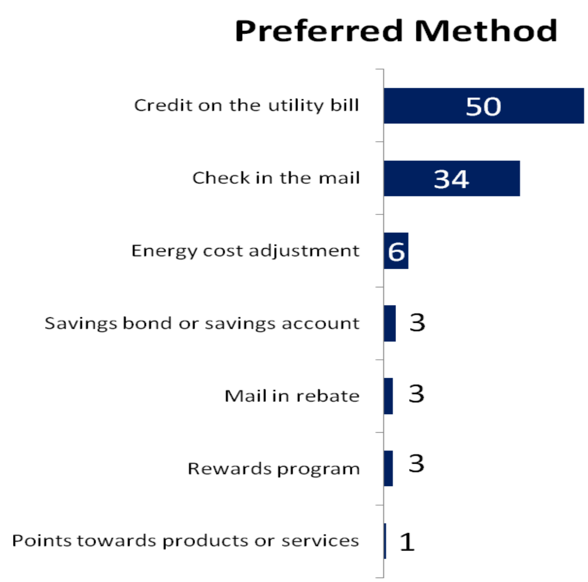
African Americans were much more likely to prefer information mailed to them with 35 percent of African Americans surveyed indicating that response compared with an overall response of 21 percent for all survey respondents.

Q6. How useful would you or a member of your family consider the following means for the utility to provide information on programs or promotions to reduce energy use and save money?



Consumers were very clear about how they like to receive their incentive from the utility, with credit on the utility bill being the top answer (50 percent) followed by a check in the mail (34 percent). The finding here indicates that consumers want the benefit to be both visible in dollar terms and sustained over time. All the other responses garnered only single-digit response levels. 59 percent of older Americans (55+) would like to receive their incentive as a credit on the bill.

Q7. If you were to participate in a utility incentive program for energy efficiency or pricing program, how would you like to receive your incentive from the utility?

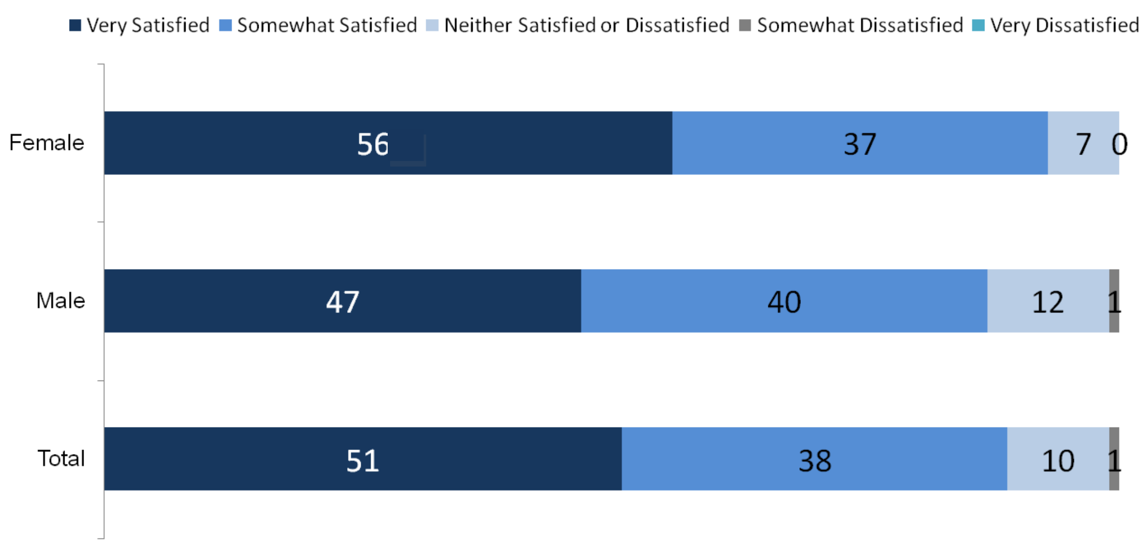


Increasing Customer Satisfaction

The payoff for utilities and other suppliers to provide more energy efficiency and pricing programs is the possibility of significantly greater customer satisfaction.

Consumers would be much more satisfied with their utility if more energy efficiency and/ or pricing programs to save energy and utility were offered. 51 percent of respondents indicated that they would be very satisfied and another 38 percent indicated they would be somewhat satisfied. 90 percent of respondents overall would be more satisfied than today, meaning that energy efficiency and pricing programs could be a useful means for utilities to improve their overall customer satisfaction scores.

Q8. If your utility offered more energy efficiency and or pricing programs to save energy and money than the utility offers today, how much more satisfied or less satisfied would you be with the utility?



Women in particular would be much more satisfied, with 56 percent of women respondents indicating "very satisfied" if more utility programs were offered. Hispanics also would be "very satisfied" with 55 percent giving that response. And families with children were also more likely with 53 percent to be "very satisfied".

What does it all mean?

Utilities and other providers of energy efficiency and green offerings have many challenges facing them. At a high level, utilities need to close the gap between consumer stated intentions and their actual behavior in regard to purchasing decisions and program adoption. The right incentives combined with the right information and delivery will be very important on a going forward basis.

The primary finding of this fourth EcoPinion survey report is that consumers care first and foremost about saving money. The most effective incentives, therefore, directly tie financial benefits to consumer actions.

Messaging

For utilities to be successful with their program offerings, they must effectively and efficiently target their audience when and where they are most receptive to their messaging. Utilities today think of energy efficiency or demand response just as technical products instead of a bundle of technical, functional and emotional benefits. Hence when bringing an energy efficiency program to market they need to think of all aspects of the offering (not just the technical side) including aesthetics, incentives, messaging, reliability, ease of use, savings, channels used to communicate, etc. Right now the utility view of an offering seems to be fragmented and reactive rather then holistic and proactive.

Some of the incentives options chosen from the consumers seem to point to an evaluation of value-added financial services from utilities. When an overwhelming majority of people prefers money in the bank over other saving options it is obvious that people seek control, especially when news of a deteriorating economy is increasingly dominating the news on media.

Control (or lack of it) is highly emotional value tied to one of today's key societal values, freedom of choice, and should be leveraged in messaging.

Utility Operations

Operationally, the survey results have implications with regard to regulations on bill format, program design, and customer information systems.

Utilities will need to develop a regulatory approach that is consistent with or aimed at changing the rules governing utility communications and incentives for customers. Customer bills, for example, are oftentimes defined with respect to format, information provided, and requirements around what can go into the bill. There are also rules around inserts and other information that can be sent along with the bill. Finally, utilities need to be able to cover the costs of incentives through rates, usually after a regulatory proceeding.

From a program design perspective, the finding around "show me the money" is consistent with other research findings about providing context to information. How does the customer know that saving $20 represents good value in one instance and is worth the time to take action? Did the customer action save 5 percent or 50 percent off the energy bill? The findings in this report support the idea that a platform for information and communications needs to be put in place to provide context for customer decisions.

"Banking the Green" could be a useful information platform because the customer can see what she has in the bank, the customer knows how the money will grow, and the customer has some idea of how well she is doing.

Another design question is around the tools that utilities use for their programs. The challenge is that the tools are oftentimes separate from the offering from a customer perspective. A utility may offer a carbon calculator, for example, but a customer usually cannot sign up for a program offering based on results of the carbon calculator. There is an extra step required. The customer must be able to cross reference the tool's results with the program offering, making an independent qualitative assessment of the value of the offering as compared to the tool's results. Compare that to buying through Amazon, or car purchases where you can read reviews, get customer feedback, get the price and savings, and then purchase, all at the same time. The impact on design of the tool is tremendous.

There is also the question of customer information systems, platforms and the other backroom operations required to enable incentives. For utilities, this is a question not only of cost, but of earnings. First of all, there is increased functionality required for CIS systems to generate, deliver and track the credits. The utility web site has to be overhauled. Finally, the back room integration must provide this information through multiple channels in a synchronized manner. These changes require more sophistication than is available in most utility customer information systems.

What have we learned so far from the four EcoPinion survey reports?

Drawing on the survey findings presented in this report and earlier reports on terminology, we would make the following recommendations to utilities and other providers of energy efficiency and green programs and offerings:

Recommendation No. 1: Test and Validate Terms and Messages

Utility jargon is not understood or valued by consumers. Utilities need to be much more effective on how they communicate about energy efficiency and renewable energy programs and their value proposition.

Recommendation No. 2: Make Savings Visible

Customers care most about savings and managing rising energy costs. The utility needs to emphasize customer benefits upfront, and make the savings visible throughout its participation in the program.

Recommendation No. 3: Make Offerings Visible

Most customers have very little awareness of utility energy efficiency, demand response or renewable energy programs. Customers both expect and want these program offerings, but the utility must do a much better job to educate customers and help them make choices.

Recommendation No. 4: Make Leadership Visible

Leadership starts internally. First, utilities employees are an excellent beta test group for experimentation and messaging. They want to be engaged. Second, leadership starts with the utility, and taking steps to be green will raise credibility to consumers who are considering a new offering.

The potential payoff could be multi-fold: Increased customer satisfaction, meeting program and regulatory objectives, improved communications, and an improved resource mix, to name a few.

For more information about adding questions to future surveys, the EcoPinion subscription series or for customized survey and research efforts, please contact Jamie Wimberly at (202) 483-4443 or jwimberly@ecoalign.com.

For more information about EcoAlign, visit our website at www.ecoalign.com.

Appendix

Methodology:

A total of 1,000 online interviews were conducted in July 2008. The sample is balanced to match the U.S. population by age, gender, region and ethnicity. (Online sample is provided by Survey Sampling International's (SSI) SurveySpot online panel. SSI is recognized as a leading sample provider to the market research industry)

Consumers across the nation were surveyed on their awareness of renewable and green energy suppliers, their electric utility providers, qualities necessary for an environmental leader and the believability of certain marketing statements.

Maximum Difference Analysis (Max-Diff) was used for analyzing possible program or offering features that would be of most interest and least interest to consumers. The Max-Diff survey exercise is based on a measure of customer choice and trade-off, instead of typical rating scale responses. In a Max-Diff exercise, consumers evaluate multiple sets of four to six attributes. For each set, the consumer indicates both the most important item and also the least important item. Responses are analyzed using Hierarchical Bayesian techniques to derive attribute importance scores at the individual respondent level.