Residential Segmentation Overview Report

East / Central WA / OR & CA Regional Overview

March 2009

Why BPA Undertook this Segmentation Research in Your Region

- **BPA and Western WA utilities in the Puget Sound area have been working together to develop a region-wide, segmented view of retail utility customers.**

- **The goal of the BPA residential segmentation research is to provide the BPA customer utilities localized information about their residential customers. This information will assist the utility in:**
  - Developing new residential energy efficiency programs and services
  - Improving design of existing programs
  - Developing more informed marketing strategies
  - Improving targeting of customer communications

- **What does this mean for your utility? → Insight into how to best market energy efficiency to your individual retail utility customers; the opportunity to benefit from the marketing efforts of BPA throughout your utility customers' regions; the opportunity to share in marketing efforts with other utilities in your region.**

- **What does it mean for Energy Efficiency? → Greater participation by retail utility customers, resulting in greater energy savings**

Methodology

- **The work done for the BPA (non-Puget Sound area) utilities leveraged the existing retail customer segmentation research conducted for Puget Sound Energy (PSE) in December 2007 on two fronts:**
  - It used the existing PSE questionnaire as a starting point for a BPA-specific document, which included 90% of PSE's original content.
  - It used the PSE segments as "starting points" for the development of BPA-specific segments

- **Similar to the PSE research, potential respondents for this research were screened to ensure that:**
  - Each was 18 years of age or older
  - Each could respond to the survey in English
  - The home called was the respondent's primary residence.
  - The respondent was responsible for, or shared responsibility for, making energy related decisions for their primary place of residence (including for any of the following: lighting, insulation, appliance selection, control of heating / cooling thermostat settings, etc.)
  - Respondents could not be a customer of an IOU
  - Respondents were NOT required to know who their electric utility is
  - Respondents were NOT allowed to be an employee of an electric or gas utility company

- **A total of 2,001 customers of the BPA (non-Puget Sound area) utilities in BPA's service territory completed a telephone survey, in English, in September 2008.**
  - Average survey length was 34 minutes and respondents completing the survey received a $10 Visa cash card.

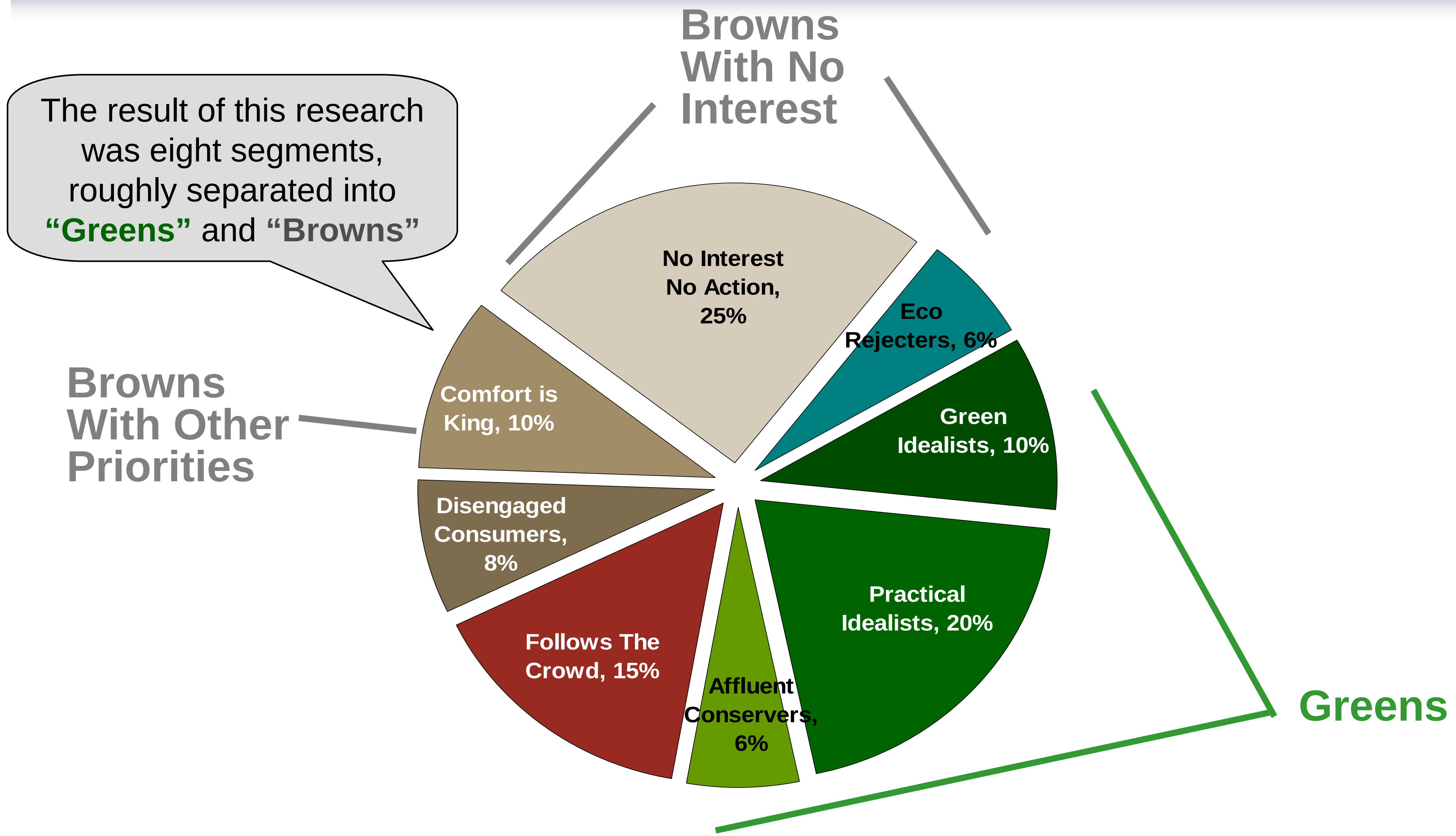
What this Research Will Tell You

- **At a very basic level, this research will give you an understanding of:**
  - The drivers of decision-making for residential customers
  - Current beliefs / perceptions around energy use, energy conservation and the environment
  - Current behaviors with regards to energy use and energy efficiency
  - Some preferences with regards to program participation details, preferred information sources, etc.
  - And, the extent to which each of the above differ systematically across customer groups (or segments)

- **With customer groups, or segments, that differ on the above, you will be able to understand the implications for your utility on:**
  - Types of energy efficiency programs different segments are most likely to be receptive to
  - Degree of effort likely needed to reach the different segments
  - The types of messages that will work best with different segments
  - Potential channels to reach the different segments
  - Potential of each segment to contribute to overall energy efficiency savings (given their size, energy use patterns, etc.)

- **Armed with the above, individual retail utilities will be able to be more effective in reaching – and encouraging desired choices – among target market segments**

BPA, East/Central WA/ OR & CA Segment Summary



BPA, East/Central WA/OR & CA Segment Summary

The result of this research was eight segments, roughly separated into **"Greens"** and **"Browns"**

Greens 36%

Follows The Crowd 15%

Browns 49%

No Interest

Other Priorities

Green Idealists 10%

Practical Idealists 20%

Affluent Conservers 6%

Disengaged Consumers 8%

No Interest, No Action 25%

Eco Rejecters 6%

Comfort Is King 10%

Customer Segments – The Greens

Green Idealists, 10%

- Most concerned with conserving, controlling energy use and costs, the environment and the environmental impact of energy use
- Very aware of connection between conservation activities & their role in protecting the environment
- "Green" utility is very important; most positive opinions of their local utility; willing to accept higher costs for utility's green activities
- Conservation activities above average, similar to the Practical Idealists; great deal of interest in "new programs" tested in the survey, more so than any other segment
- Majority are women; lowest income; smaller homes than most; largest proportion of renters (tied with the No Interest, No Action segment)

Practical Idealists, 20%

- Very concerned with conserving, controlling energy use and costs, the environment and the environmental impact of energy use (slightly less so than Green Idealists)
- Very aware of connection between conservation activities and their role in protecting the environment – but, slightly less so than Green Idealists
- Above average level of conservation activities - Greater or equal participation in activities compared to Green Idealists though fewer appliances purchased in this segment were energy efficient compared to Green Idealists
- "Green" utility is very important; impressions of their local utility lower than that of Green Idealists, though in the satisfactory range
- Some interest in new programs, but much lower than for Green Idealists
- Larger proportion of home owners (97%) than the Green Idealists; homes are larger than most segments

More detail on demographics, segment messaging and perceptions can be found in the "East/Central WA, OR & CA Personalizations". Even greater detail can be found in the "Detailed Findings Report".

Customer Segments – The Greens

- Affluent Conservers, 6%
  - One of most affluent; all are home owners; homes are larger than most segments (all with 3+ bedrooms)
  - Perceptions of natural gas bill suggest they pay significantly more each month than most other segments
  - Least concerned / lowest awareness among the “green” segments with conserving, energy costs, and protecting the environment
  - Despite less awareness and concern, do participate in conservation activities at a rate similar to Green and Practical Idealists; a slightly above average number of CFLs installed, energy efficient appliance purchases, rebate program participation and “other” conservation measures taken (i.e. upgrading insulation)
  - <u>Cost savings</u> still primary motivator behind energy efficient appliance purchases
  - Similar to Practical Idealists, more interested than most in a “green” utility; impressions of their local utility are in satisfactory range, similar to the Practical Idealists

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Customer Segments – In the Middle

- **Follows The Crowd, 15%**
  - “Average” BPA (non-Puget Sound area) customer demographically – slightly more women responders, 55+ years old, most living in single-family detached homes that they own, and incomes of about $52K
  - Saving money and controlling energy costs very important, though not to exclusion of at least some concern with environment / impact of energy use on environment
  - Most see recycling as having biggest environmental impact, followed by installing additional or upgraded insulation or windows
  - Participation in conservation activities (CFLs, energy efficient appliance purchases, etc.) is below average – less than the “green” segments, but doing more than some the “brownest” segments
  - Potential cost savings resulting from conservation activities more important than the environment
  - “Green” utility is much less important than for the green segments
  - Lower opinions of their local utility than the “Greens” though better than some of the brown segments

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Customer Segments – The Browns

- ## Disengaged Consumers, 8%

  - Neither controlling energy costs nor concerns with the environment drive this segments' thinking or behaviors
  - Unengaged when making energy product (or other product) purchase decisions
  - Less likely than most "Browns" to see connection between energy conservation activities & protecting the environment
  - Actual conservation activities, however, slightly above the "average" BPA (non-Puget Sound area) customer, doing more than most "Browns" but less than most "Greens"
  - "Green" utility is less important than the green segments, but more so than most of the brown segments; has some of the lowest opinions of their local utility
  - Demographically similar to the "average" BPA (non-Puget Sound area) customer; most own single-family homes with 3+ bedrooms, have incomes of about $57K, and perceive their electricity bills to be about $100 a month in the summer.

- ## No Interest, No Action, 25%

  - 2nd least concerned with controlling energy use / energy costs and the environmental impact; least likely to notice impact of any changes made
  - Do not see a strong connection between conservation, recycling activities, transportation choices and protecting the environment
  - Conservation activities lower than many segments, particularly in terms of CFL usage, rebate program participation, and "other" conservation activities around the home
  - Very low interest in the "new" programs tested in the survey
  - Looking for their utility to keep costs as low as possible, not to be "green"; opinions of their local utility are low, though better than Eco Rejecters
  - One of lowest earning; one of lowest proportion of home owners / highest proportion of renters; smallest homes (most 1-2 bedrooms); electricity use only slightly below average, despite smaller residences

More detail on demographics, segment messaging and perceptions can be found in the "East/Central WA, OR & CA Personalizations". Even greater detail can be found in the "Detailed Findings Report".

Customer Segments – The Browns

- Eco Rejecters, 6%
  - Least concerned with controlling energy use / energy costs & environmental impact of these choices
  - Most deny <u>any</u> connection between their actions at home or transportation choices they make and the environment
  - One of the least likely segments to use CFLs or to have purchased an energy efficient appliance in the last 12 months; lower rebate program participation than most segments
  - Extremely low interest in the "new" programs tested in the survey
  - "Green" efforts by the utility is not valued by this segment; satisfaction with their utility lower than for any other segment; utility that keeps cost as low as possible is paramount
  - Vast majority are men; most own slightly larger than average sized homes (most with 3 bedrooms); one of the most affluent segments ($78K); and about average energy use

- Comfort is King, 10%
  - All are home owners; largest homes with most having 4+ bedrooms; more affluent than most
  - One of least concerned / aware in terms of conserving, energy costs, and protecting the environment (though more concerned / aware than Eco Rejecters)
  - Do not see a strong connection between energy conservation and protecting the environment; a significant number make a stronger connection between recycling activities and environment (though, again, more so than the Eco Rejecters)
  - Do participate in conservation activities at a rate similar to the average BPA (non-Puget Sound area) customer; though slightly greater use of CFLs and less than average participation in "other" home conservation actions, like installing upgraded insulation or windows; cost savings primary motivator
  - Unlikely to notice any cost savings from conservation actions taken
  - Not looking for their utility to be "green" or to encourage conservation; satisfaction with local utility is lower than most segments, though higher than for the Disengaged Consumers and Eco Rejecters

More detail on demographics, segment messaging and perceptions can be found in the "East/Central WA, OR & CA Personalizations". Even greater detail can be found in the "Detailed Findings Report".

So, what does it all mean?
Using the Segmentation Data

- **Armed with this information, the next steps in using this information are to:**

  - Identify what your utility believes to be the best targets for energy efficiency program marketing (taking into consideration a number of possible variables, such as size, the potential load they represent, likely receptivity to energy efficiency, etc.)
    - *This is an important step as organizations often do not have the bandwidth to pursue all possible segments at once and there may in fact be segments deemed not worth the effort or money to try to reach.*

  - Determine to what degree the most desirable customer segments can be uniquely targeted vs. a more general approach (targeting all the "Greens" but not the "Browns")
    - *Again, some organizations will simply not have the bandwidth to approach each segment uniquely, necessitating they group some similar segments.*

  - Begin to understand the types of messages / positioning and channels that will work best to reach these customers. Some of these have been identified in the East/Central WA, OR & CA Personalizations Report

  - Determine what, if any, energy efficiency programs could be modified or created to make them more attractive to the best energy efficiency target customers

Segment Prioritization is the First Step in Implementation
East/Central WA/OR & CA Region

	Green Idealists	Practical Idealists	Affluent Conservers	Follows the Crowd	Disengaged Consumers	Comfort is King	No Interest, No Action	Eco Rejecters
Share of East/Central WA/OR & CA Customers	10%	20%	6%	15%	8%	10%	25%	6%
Electricity use / potential use/ size of home	◔	◕	◑	◑	◕	◕	◔	◑
Attitudes Predisposed to EE/ Conservation/ Degree of "Green"	●	◕	◑	◑	◔	○	◔	○
Overall EE/Conservation Participation	●	●	◕	◑	◔	◔	◔	○
Interest in New EE Programs	●	◑	◑	◔	◔	◔	◔	○
Awareness of/ Participation in Rebate Programs	◑	◑	◑	◔	◑	◑	◑	◑
CFL Purchase and Use / Installed	●	◕	◑	◑	◑	◕	◔	◔
Other EE Activities	◔	◕	◕	◑	◑	◔	◔	◔

High		Medium		Low
●	◕	◑	◔	○

More detail on demographics, segment messaging and perceptions can be found in the "East/Central WA, OR & CA Personalizations". Even greater detail can be found in the "Detailed Findings Report".

Targeting & Messaging - Specific vs. a More General Approach

- **Once the priority segments are identified you may think about whether it is necessary to create unique messaging and targeting strategies, or even new programs, for each of these individual target segments.**

- **In some cases, it may be determined that, for example, the messaging strategy for a couple of segments may be so similar that creating unique messaging for each simply wouldn't make sense.**

Market together

Green Idealists – Messaging & Marketing Effort
- Probably the easiest to market to
- Will be receptive to a variety of messages from the importance and social responsibility of energy conservation to cost savings.
- Satisfaction with their utility is high, making them likely to trust their utility as a reliable source for energy conservation suggestions.

Practical Idealists – Messaging & Marketing Effort
- One of the easiest segments to market to
- Also receptive to a variety of messages from the importance and social responsibility of energy conservation to cost savings.
- Satisfaction with utility is also high, though not quite as high

Targeting & Messaging - Specific vs. a More General Approach

- **In terms of targeting (through specific direct mail campaigns or otherwise) it may be determined that spending the money to target one segment instead of another will be more lucrative.**
- **The specific characteristics of a segment may also suggest they are better targets for certain kinds of programs.**
- **For example, the small homes, high proportion of renters and low incomes characteristic of the Green Idealists may mean that a CFL program will get more traction than a weatherization program. Also, home improvement programs modified to include a loan component could be targeted to this lower income segment.**
- **On the other hand, the Practical Idealists may be ideal targets for energy efficiency programs related to home improvements in addition to something like a CFL program.**

Market separately

Green Idealists - Targeting
- Some of the smallest homes
- Smaller electricity use than most
- Highest proportion of renters
- Lowest incomes
- Much smaller segment overall
- Actively demonstrating energy efficiency behaviors

Practical Idealists - Targeting
- Houses are larger than most
- Slightly greater electricity use
- Nearly all own their home
- Much higher incomes
- One of the largest segments
- Actively demonstrating energy efficiency behaviors

Extending the Usefulness of the Segmentation Results

- **These results may also spark further questions / suggest further research:**
  - Testing receptivity to a proposed new energy efficiency program / change to an energy efficiency program
  - In-depth research with target customers to understand barriers to engaging in energy conservation actions or programs
  - Communications research with proposed customer targets (testing specific messages and / or communications media such as brochures, newsletters, print ads, TV ads, etc.)
  - Communications channel research to better understand the best channels to reach your intended targets (at a greater level of detail than what is provided in the original research)
- ***Note that for those utilities interested, a set of questions can be provided for administration in future surveys that, when used in conjunction with a gearbox, can assign customers to each of the eight segments with a high degree of accuracy.***

Appendix – Listing of Utilities for East/Central WA/OR & CA Region

- Franklin County PUD #1
- Oregon Trail Electric Consumers Coop, Inc.
- Benton Rural Electric Association
- Coos-Curry Electric Coop, Inc.
- Grant County PUD #2
- Chelan County PUD #1
- Okanogan County PUD #1
- Klickitat County PUD #1
- City of Ellensburg
- City of Richland
- Pend Oreille County PUD #1
- Columbia Basin Electric Coop, Inc.
- Douglas County PUD #1
- Clearwater Power Co.
- Big Bend Electric Coop, Inc.
- Okanogan County Electric Coop, Inc.
- Central Electric Coop, Inc.
- Midstate Electric Coop, Inc.
- Ferry County PUD #1
- Benton County PUD #1
- Columbia Power Coop Association
- Hood River Electric Coop
- Inland Power & Light Co.
- Umatilla Electric Coop Association
- Columbia Rural Electric Association, Inc.
- Modern Electric Water Co.
- Northern Wasco County PUD
- Wasco Electric Coop, Inc.
- Harney Electric Coop, Inc.
- Kittitas County PUD #1
- City of Cashmere
- City of Coulee Dam
- Nespelem Valley Electric Coop, Inc.
- Perry County PUD #1
- Vera Irrigation District No. 15