BONNEVILLE
POWER ADMINISTRATION

Residential Segmentation Overview Report

ID,MT,NV,UT,WY Regional Overview

March 2009

Momentum
Market Intelligence
Predictive Insight

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

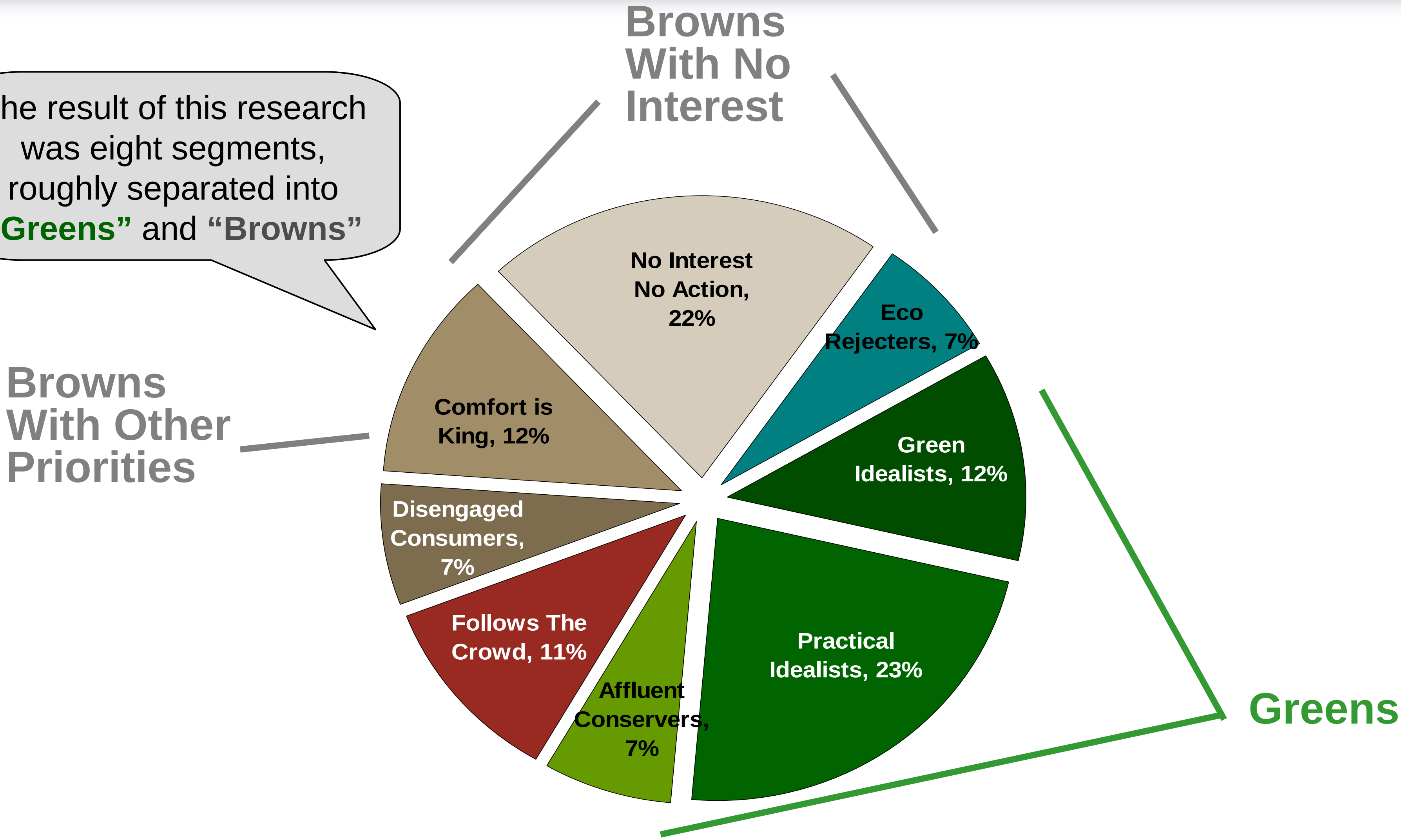
- **At a very basic level, this research will give you an understanding of:**
  - The drivers of decision-making for residential customers
  - Current beliefs / perceptions around energy use, conservation and the environment
  - Current behaviors with regards to energy use and energy efficiency
  - Some 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, ID,MT,NV,UT,WY Region Segment Summary

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



BPA, ID,MT,NV,UT,WY Region Segment Summary

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

Greens 42%

Follows The Crowd 11%

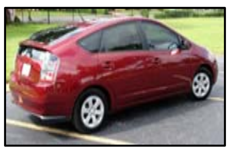
Browns, 48%

No Interest

Other Priorities

Green Idealists 12%

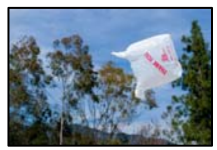
Practical Idealists 23%



Affluent Conservers 7%

Disengaged Consumers 7%

No Interest, No Action 22%

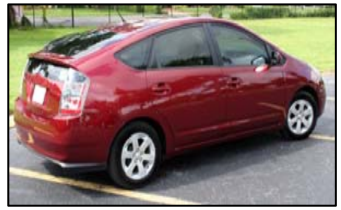


Eco Rejecters 7%

Comfort Is King 12%

Customer Segments – The Greens

- **Green Idealists, 12%**
  - 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 are higher overall than any other segment, though similar to the other "Green" segments; most likely to notice any savings realized from energy efficiency actions taken
  - Express most interest in "new programs" tested in the survey
  - Majority are women; one of segments with lowest income; smaller homes than most; 2nd largest proportion of renters; low natural gas penetration compared to most other segments



- **Practical Idealists, 23%**
  - 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
  - Level of conservation activities very similar to the Green Idealists, though levels of participation in rebate programs *slightly below* Green Idealists
  - "Green" utility is very important (though slightly less so than for Green Idealists); impressions of their local utility slightly less positive than Green Idealists, though still in the satisfactory range
  - Interest in new programs strong, but lower than for Green Idealists
  - Significantly larger proportion of home owners (100%) than the Green Idealists; homes are larger than most segments

More detail on demographics, segment messaging and perceptions can be found in the "ID, MT, NV, UT, WY Personalizations". Even greater detail can be found in the "Detailed Findings Report".

Customer Segments – The Greens

- ## Affluent Conservers, 7%
  - All are home owners; larger homes than many (most with 3+ bedrooms); majority are women
  - Significantly higher N.G. penetration than all other segments in these homes that tend to be much newer than all other segments; perceptions of electric and natural gas bill suggest they pay slightly more each month than most other segments
  - Least concerned / lowest awareness among the “green” segments with conserving, energy costs, and protecting the environment
  - Despite significantly less awareness and concern, do participate in conservation activities at a level very similar to both the Green and Practical Idealists; awareness of rebate programs, however, significantly above the other “green” segments
  - Cost savings still primary motivator behind energy efficient appliance purchase
  - Similar to Practical Idealists, more interested than most in a “green” utility; impressions of their local utility are very positive, even more so than for the Practical Idealists and more so than the Green Idealists in terms of their utilities’ customer service / caring

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Customer Segments – In the Middle

- **Follows The Crowd, 11%**
  - "Average" BPA (non-Puget Sound area) customer demographically – slightly more women responders, most living in single-family detached homes (though there is a small proportion of renters -13%), with incomes of about $51K;
    - Segment deviates slightly from average in terms of age, skewing younger; slightly more than half less than 55 years of age
  - 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 home activities (particularly upgraded insulation and windows) as having the biggest impact on the environment, though the connections made are less strong than for the "green" segments
  - Participate in some conservation activities – more so than most "brown" segments but less so than most "green" segments; greatest participation is with purchasing energy efficient appliances, CFL use, and rebate program participation
  - Potential cost savings more important than the environment when engaging in conservation
  - "Green" utility is much less important than for the "green" segments, though more important than for the "brown" segments
  - Lower opinions of their local utility than the "green" segments, though generally slightly more positive than the "browns"

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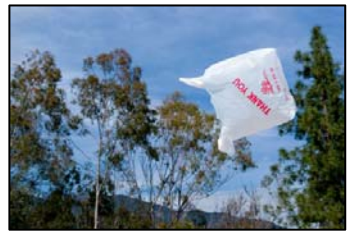
Customer Segments – The Browns

- **Disengaged Consumers, 7%**
  - Neither controlling energy costs nor concerns with the environment drive this segments’ thinking or behaviors
  - Unengaged when making energy product purchase decisions; more interested in making purchases online than other segments
  - Slightly less likely than most “Browns” to see connection between energy conservation activities & protecting the environment
  - Engages in energy conservation activities at a level below that of the “greens”; participation is slightly higher than that of other “brown” segments in terms of energy efficient appliance purchases and CFL use
  - One of the least interested segments in the “new” programs tested in the survey
  - “Green” utility is less important than for the “green” segments, though more important than to the brown segments; a not insignificant number interested in utility pursuing green initiatives even at a higher cost; has some of the lowest opinions of their local utility, more so than any other segment
  - Demographically similar to the “average” BPA (non-Puget Sound area) customer; most own single-family homes with 3-4 bedrooms, have incomes of about $57K, and perceive their electricity bills to be about $85 a month in the summer.



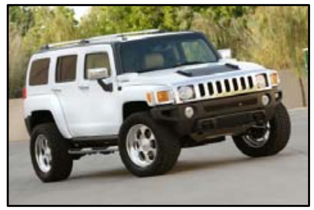
- **No Interest, No Action, 22%**
  - One of least educated, lowest earning, least optimistic about their future, lowest proportion of home owners / highest proportion of renters; smallest homes (most 2-3 bedrooms); perceived electricity use is below average
  - Unconcerned with controlling energy use / energy costs and the environmental impact; one of 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
  - Unengaged when making energy product purchase decisions; energy efficient appliances are not worth paying more for
  - Conservation activities lower than most segments
  - Very low interest in the “new” programs tested in the survey (though greater interest than the Disengaged Consumers and Eco Rejecters)
  - Looking for their utility to keep costs as low as possible, not to be “green”; impressions of their local utility are lower than for most segments except Disengaged Consumers and Eco Rejecters

More detail on demographics, segment messaging and perceptions can be found in the “ID, MT, NV, UT, WY Personalizations". Even greater detail can be found in the "Detailed Findings Report".

Customer Segments – The Browns

- Eco Rejecters, 7%
  - Least concerned with controlling energy use / energy costs & environmental impact of these choices
  - Most deny any connection between their actions at home or transportation choices they make and the environment
  - Least likely to participate in appliance rebate programs, or take "other" energy conservation actions in their homes, and are least likely to notice any savings from those actions if they did do something
  - Despite these beliefs, most purchasing an appliance in the last 12 months did buy an energy efficient model (though probably not by design)
  - Extremely low interest in the "new" programs tested in the survey
  - "Green" efforts by the utility is not valued by this segment, with keeping costs as low as possible of primary importance; some of the lowest satisfaction levels with their utility, though Disengaged Consumers opinions are still lower
  - Majority are men; most own their homes, with most having 3 bedrooms; slightly above average incomes ($60K); perceive below average electricity use and above average natural gas use

- Comfort is King, 12%
  - All are home owners; largest homes with most having 3-4+ bedrooms; perceive slightly above average electricity use; slightly higher AC penetration; more affluent than most
  - One of least concerned / aware in terms of conserving, energy costs, and protecting the environment (particularly with regards to environmental concerns)
  - Do not see a strong connection between energy conservation at the home, transportation choices, and protecting the environment
  - Participates in conservation activities at a rate that is slightly below average in terms of energy efficient appliance purchases, CFL use and "other" energy conservation activities (i.e. upgrading insulation); participation in rebate programs, however, is slightly above average; cost savings primary motivator rather than environmental benefit
  - A utility that keeps costs as low as possible is more important than having a "green" utility; satisfaction with local utility is low, though generally higher than the "brown" segments



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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 ID, MT, NV, UT, WY Personalizations Report

    Determine what, if any, energy conservation 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
ID,MT,NV,UT,WY Region

	Green Idealists	Practical Idealists	Affluent Conservers	Follows the Crowd	Disengaged Consumers	Comfort is King	No Interest, No Action	Eco Rejecters
Share of ID, MT, NV, UT, WY Customers	12%	23%	7%	11%	7%	12%	22%	7%
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 "ID, MT, NV, UT, WY 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 lower 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 better 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
- 2nd highest proportion of renters
- Lower incomes than most ($48K)
- Much smaller segment overall
- Actively demonstrating energy efficiency behaviors

Practical Idealists - Targeting
- Homes are larger than most
- All own their home
- Higher incomes than Green Idealists ($59K)
- Largest segment
- 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 ID,MT,NV,UT,WY Region

- Flathead Electric Coop, Inc.
- Northern Lights, Inc.
- Glacier Electric Coop, Inc.
- Lower Valley Energy
- City of Bonners Ferry
- Energy Northwest Inc.
- Fall River Rural Electric Coop, Inc.
- Salmon River Electric Coop, Inc.
- City of Heyburn
- Missoula electric Coop, Inc.
- Clearwater Power, Co.
- Lost River Electric Coop, Inc.
- United Electric Coop, Inc.
- Vigilante Electric Coop, Inc.
- Wells Rural Electric Co.
- City of Idaho Falls
- Mission Valley Power
- Raft River Rural Electric Coop, Inc.
- Ravalli County Electric Coop, Inc.
- Lincoln Electric Coop, Inc.
- Riverside Electric Co.
- South Side Electric Lines, Inc.
- Harney Electric Coop., Inc.
- City of Delco
- Farmers Electric Co., Ltd.
- Sun River Electric Coop, Inc.
- Brigham City Light & Power
- City of Burley
- Idaho County Light & Power Coop Association, Inc.
- Idaho Power Co.
- Kootenai electric Coop, Inc.
- Logan Light & Power
- Mount Wheeler Power, Inc.
- Sierra Pacific Power Co.
- City of Soda Springs
- City of Troy