



Residential Market Segmentation Research

Bonneville Power Administration (BPA) July 2008



Agenda

- Background discussion
- The planned research
- What you will get and how it might be useful
- Example segments, profiles and use of data

Starting Point

- Savings targets for the number of end-customers participating in, and / or the energy savings expected from, energy efficiency programs are increasing
- To support this end result, the region is currently investing more resources in:
 - Developing new residential EE programs and services
 - Improving design of existing programs
 - Developing more informed marketing strategies
 - Improving the targeting of communications with customers
- There is potential value in investments that would build new insights about:
 - Why residential customers do, or do not, choose to participate in EE programs
 - Where / how to target new program communications in ways that will optimize customer response
 - How to “talk to” customers about these opportunities in ways that will optimize their response
- Developing “market segmentation” insights is one of the most powerful tools available to build this kind of insight

How Market Segmentation Can Help

- The idea of market segmentation is pretty simple, of course, to divide people up into groups that are similar on “key dimensions”
- For you – and for other utilities interested in promoting energy efficiency – those “key dimensions” include:
 - Their orientation toward energy efficiency actions
 - The reasons why they would (or would not) take such actions
 - The best ways to motivate them to take actions
 - The best ways to reach them with information
 - The specific program features that might encourage / inhibit their choices
- If appropriate customer segments can be identified, they can be used to support you – and other retail utilities – in:
 - Finding the best targets for energy efficiency programs
 - Developing the most effective messaging for the best targets
 - Identifying the best ways of reaching the best targets

Puget Sound Energy (PSE) Started Down This Path Late Last Year

- PSE wanted to develop these insights specifically in order to support their goals of improving customer penetration of energy efficiency programs
- PSE commissioned Momentum Market Intelligence to conduct primary market research with residential customers, with the goal of developing segmentation insights
 - Was it possible to find customer segments that differed in how likely they were to participate in EE programs, and why?
 - Was it possible to leverage any such differences to design and market EE programs more effectively (i.e., to get higher penetration rates)?
- That research was conducted during the first quarter of this year, and the results are just now being finalized and communicated within PSE

Discussions Between Utilities Led to an Integrated Approach

- Regional utility discussions among PSE, Snohomish, Seattle, Tacoma, and BPA led to the conclusion that there might be value in developing a similar region-wide understanding of customers
 - It was reasonable to suspect that there might be similarities across the region – while also recognizing that that not everyone is the same, even within the Pacific Northwest. Therefore, the research will test the level of similarity and difference in attitudes.
 - If many Northwest utilities used a consistent understanding of customers in building and marketing new energy efficiency programs, there would probably be some value since customers would see consistent messages
- PSE agreed to share the research, and results, of their work, making it possible for other regional utilities to leverage that work and conduct similar research cost-effectively in their own service territories
 - BPA is the first other organization to get started with this work, but Snohomish, Seattle, and Tacoma also plan to do so

What PSE Has Learned

- That their customers can be usefully sorted into seven segments that differ in the way they think about energy efficiency
- Some examples of those segments are:
 - Idealistic Conservers; “True believers,” but with environmental idealism that needs to funneled into real action; very receptive to suggestions for how to conserve
 - Idealistic and Practical with the means to make a difference; they care about the environment, have the means to purchase EE items, and have demonstrated ability to follow through with conservation efforts
 - I could do more if I understood the impact of my choices...; I do some things like buy CFLs, but I’m not sure what the impact is and why I really should do them
 - We’ve done everything we can, right? Open to conserving, but not a priority for them personally

BPA's Goals for the Research

- Understand the drivers of decision making for residential customers as these affect energy efficiency-related behaviors and choices, and the extent to which these drivers differ systematically across customer groups (or segments) and regions
- Provide full descriptive profiles for each of the final customer segments identified, including an assessment of the overall receptivity of each of the different segments to engage in energy efficiency-related behavior
- Understand the implications of the segmentation model(s) for the types of marketing activities and content (messaging, channel selection, and the like) that retail utilities can take that are most likely to be effective in reaching – and encouraging desired choices – among target market segments

Research Tasks

- Survey customers
 - Finalize sample design among regions
 - Finalize questionnaire
 - Pre-test survey
 - Complete Survey
- Conduct segmentation analysis
 - Develop and compare unique segmentation models for each region and for BPA as a whole
 - Determine which model(s) are the best solution for BPA (and for the region as a whole)
- Receive final deliverables
 - Full descriptive profiles for each of the resulting segments, at the total-BPA level, and for each of the regions, including:
 - Key attitudinal differences
 - Key behaviors
 - Key Observable characteristics
 - Awareness / knowledge of EE
 - Core needs / unmet needs
 - Key triggers for energy efficiency product / service adoption
 - Segment “personalizations”
 - Classification algorithms
 - Marketing implications for each segment
 - Project results and implications for energy efficiency marketing

Details of the Customer Survey

- Respondents will be interviewed by telephone in a 20-25 minute survey
- Respondent sample to be selected randomly from residential telephone numbers occurring in appropriate zip codes (zip codes representing the service territories of BPA retail utilities, except those utilities participating in regional study)
- Respondents are offered an incentive (\$10) and told the survey is sponsored by BPA
- There will be a total of 2,000 interviews conducted across the geographies covered by the BPA retail utilities, 500 each in four regions. Regions were chosen based on geography and need for minimum of 250,000 customers:
 - Western WA (excluding participating utilities) 461,000 total customers
 - Western OR 287,000 total customers
 - East / Central WA / Eastern OR (and CA) 372,000 total customers
 - Idaho and East (MT / NV / UT / WY) 220,000 total customers
- Some, but an unknown and probably small, number of these interviews will be conducted with your customers

The End Game: What You Get

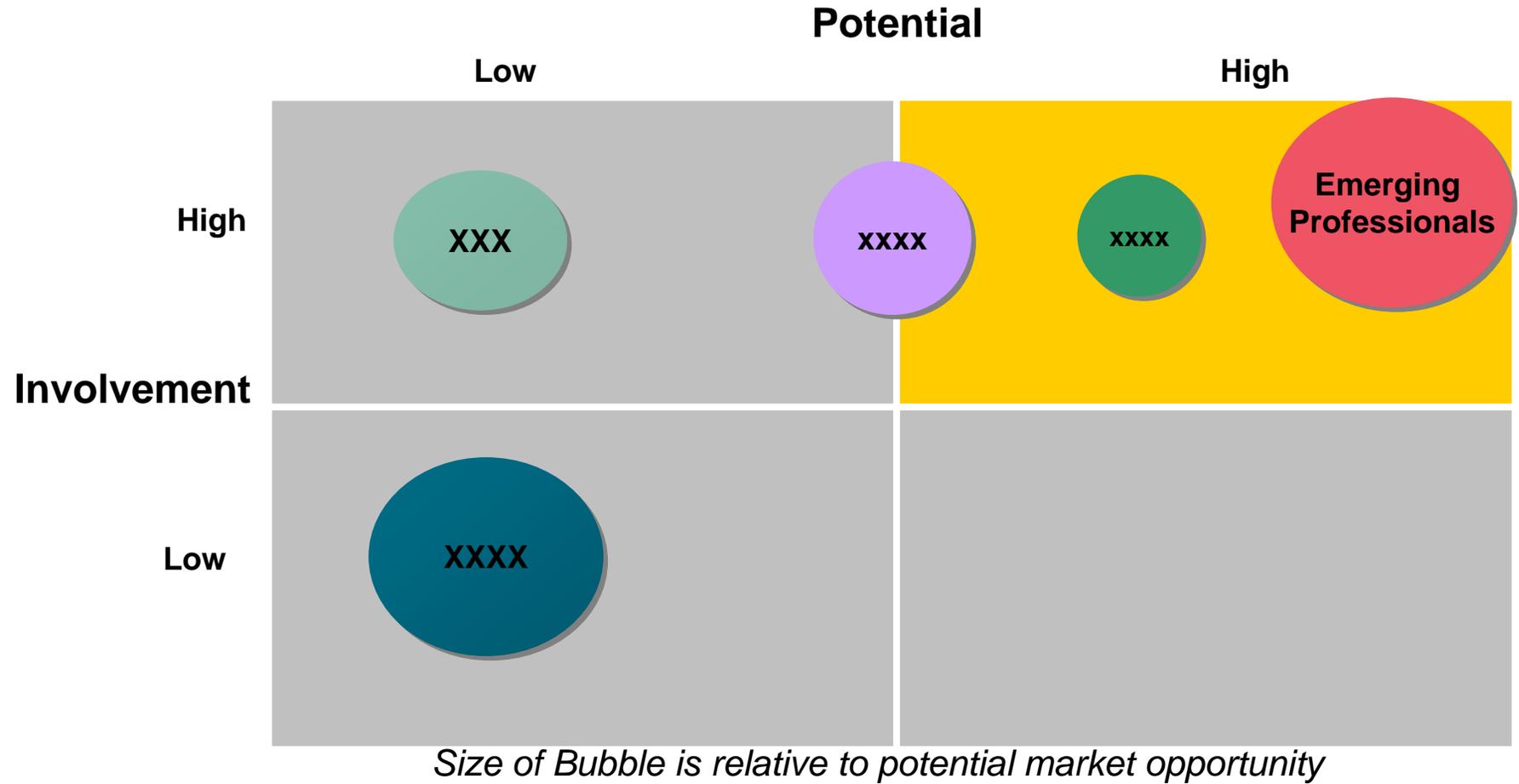
- Information about the approx. 7 types of households in your service territory regarding how they think about energy efficiency
 - Description of the sort of households that fall into each segment
 - How they think about energy efficiency
- Number of customers in each segment in your service territory
 - We'll try to customized this to your service territory, taking into account differences in segment distributions by climate zone and household distribution by rural/suburban/urban
- These are the 3 or 4 (or whatever) segments that represent the best targets for EE programs and services
- Here are the best ways to reach each target segment
 - How to reach them
 - What to say to them (in terms of key messaging points)
- Some utilities may be able to use allocation algorithm to assign segments to customer database

Example Segment Snapshot Results From Another Industry



	"The future is bright, and I'm ready"	Carded/ Non-Student	High Involvement/ High Potential
	"Working through school is preparing me for the future"	Carded/ Student	High Involvement/ High Potential
BBBB	"I'm young and hip, and these are good times"	Carded/ Student	High Involvement/ Moderate Potential
	"Campus life suits me just fine"	Non-carded/ Student	Low Involvement/ High Potential
	"Life is a struggle, but we get along"	Non-carded/ Non-Student	Low Involvement/ Low Potential

Segment Category Involvement vs. Potential



Emerging Professionals

Who are they?

- CARDED/ NON-STUDENTS
- Large segment
 - Make up more than a third of all young adults (38%), 48% of non-students, and 61% of all carded YAMS

What makes them different?

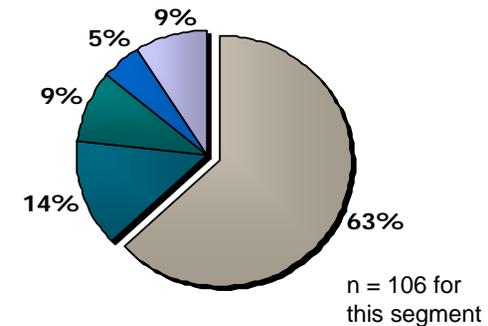
General

- Well educated, with college degrees
- Older, more male, more married
- Most work full time, in more professional arena
- Very confident about the future, their ability to manage their lives, their ability to manage technology, the importance and value of being online, “newness” and brands
- Love technology, have 3+ personal electronics

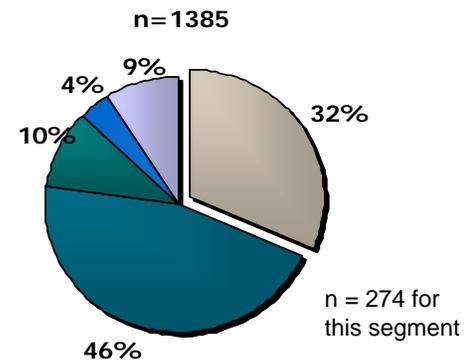
Financial

- Highest revolve / spend of any segment, are more satisfied with their cards
- Bank oriented, would buy other services from their bank
- Responsible for paying their bills, also have loans
- Still prefer to use debit cards and checks more than CCs

% of People



% of Prospects



Emerging Professionals: Key Takeaways

“The future is bright, I’m ready!”

Who are they?	<ul style="list-style-type: none">▪ Well Educated, with College Degrees (non-students)▪ Working FT, in more professional fields
How do they think and act?	<ul style="list-style-type: none">▪ Very confident about the future▪ Like technology and brands
What is their value?	<ul style="list-style-type: none">▪ <u>High Value</u> - high involvement/ high potential▪ Positive about CCs, high spend/revolve
How do we reach them?	<ul style="list-style-type: none">▪ Web/ Mail for learning about CC/ offer▪ Online for application
What CC offer is appropriate?	<ul style="list-style-type: none">▪ Key benefits -Establishing credit history/ shopping online▪ Key features - Low interest rate/ no annual fees



Emerging Professionals

“The future is bright, I’m ready!”

John feels **the year ahead is full of promise**. He is **now 23**, two years removed from **graduating from the University of Wisconsin** with a degree in Chemistry, and now lives with his parents in their home in the suburbs of Milwaukee. After graduating he was offered a great position as a researcher at a large pharmaceutical company. Though he hasn’t hit the “big-time” yet, he is **very confident that he has chosen the right career path**. Also bolstering his outlook on the future was his recent engagement to his girlfriend, Nancy. They plan to move in with each other soon and will be married in the fall.



John believes that he **manages his life well**. He **loves technology** and believe that he uses it to enhance his life. In fact, he prefers to shop online, get his news online, check his account balances online and investigate new financial products online. John has a car loan on his one-year old Acura, and while he feels that he is in too much debt, he says, “I’m really just starting and I’ll pay it off.” In fact, last month he managed to pay off his student loan from college. He **received his car loan from his normal bank, where he thinks he might get other financial services when necessary**.

John has **3 credit cards, and he uses them often**, and while he prefers to use his debit card for everyday purchases, he thinks that cards are important to have and he doesn’t mind using them. He has had good experiences with his cards and the credit card companies. He **doesn’t often pay the full balance of the card, because he knows that his job will allow him to pay it off in the future**. Unlike some of his younger friends, he **does not rely on his parents** to help him with his expenses, including his credit card bill and auto loan.

John thinks that his **career path allows him to enjoy some of the finer things**, including having money to spend on clothes and his favorite electronics including his latest purchase, a multi-media cell phone with Bluetooth, live TV feeds and built-in 3 mega pixel camera.