

B O N N E V I L L E
P O W E R A D M I N I S T R A T I O N



Residential Segmentation Overview Report
Western WA 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 communication
- **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**

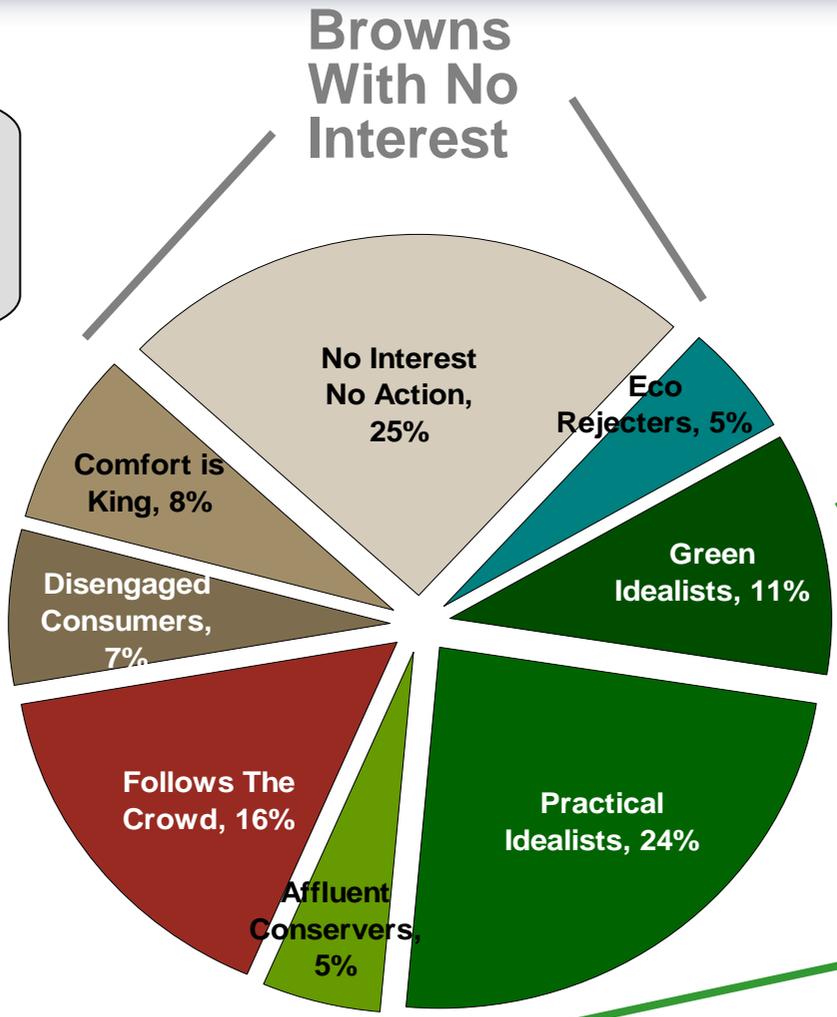
BPA, Western Washington Segment Summary

The result of this research was eight segments, roughly separated into “Greens” and “Browns”

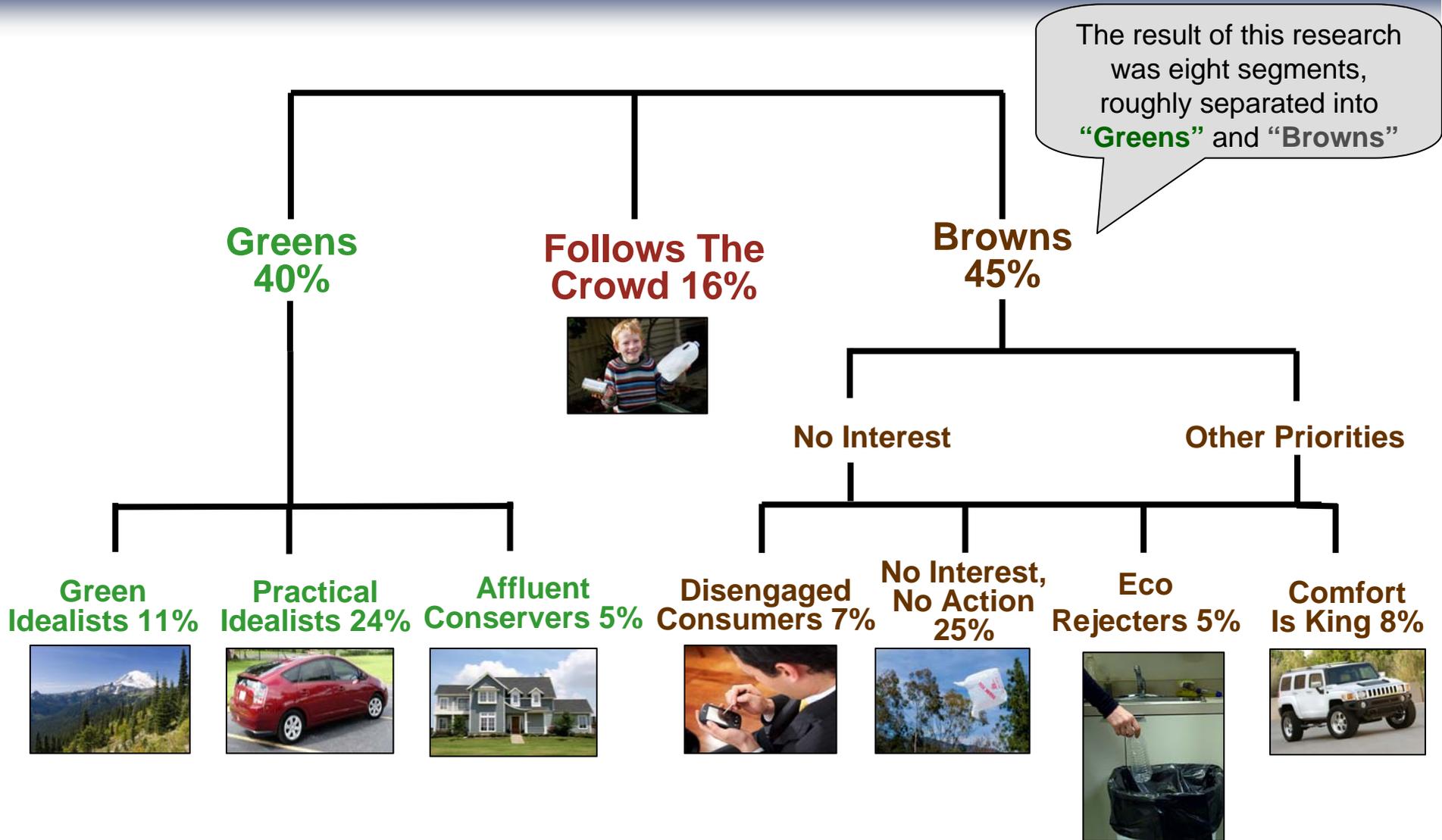
Browns With Other Priorities

Browns With No Interest

Greens



BPA, Western Washington Segment Summary



Customer Segments – The Greens

■ Green Idealists, 11%

- ❑ 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, but slightly below Practical Idealists; great deal of interest in “new programs” tested in the survey
- ❑ Majority are women; lowest income; smaller homes than most; largest proportion of renters (tied with the No Interest, No Action segment)



■ Practical Idealists, 24%

- ❑ 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
- ❑ Highest level of conservation activities - *Slightly* greater use of CFLs, energy efficient appliance purchase & engaging in “other” energy efficiency activities at home (i.e. upgrading insulation) than Green Idealists; participation in rebate programs *slightly* below Green Idealists
- ❑ “Green” utility is very important; impressions of their local utility significantly below Green Idealists, though in the satisfactory range
- ❑ Interest in new programs strong, but much lower than for Green Idealists
- ❑ Larger proportion of home owners (98%) than the Green Idealists; homes are larger than most segments



More detail on demographics, segment messaging and perceptions can be found in the "Western WA Personalizations". Even greater detail can be found in the "Detailed Findings Report".

Customer Segments – The Greens

■ Affluent Conservers, 5%

- ❑ One of most affluent; all are home owners; 2nd largest homes on average (all with 3+ bedrooms)
- ❑ Perceptions of electric and 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
- ❑ While greatest importance placed on recycling, a comparatively high number of CFLs installed, energy efficient appliance purchases, rebate program participation and “other” energy efficiency measures taken (i.e. upgrading insulation); greater energy efficient appliance rebate program participation than for either Practical or Green Idealists
- ❑ Cost savings 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, 16%

- ❑ “Average” BPA (non-Puget Sound area) customer demographically – slightly more women responders, 55+ years old, most living in single-family detached homes, and incomes of about \$56K
- ❑ 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
- ❑ Participate in some conservation activities – less so than the most active “green” segments, but more so than some of the “brown” segments
- ❑ Do purchase CFLs and energy efficient appliances as well as make some “other” energy efficient changes (i.e. installing upgraded insulation); potential cost savings more important than the environment
- ❑ “Green” utility is much less important than for the green segments
- ❑ Some of the lowest opinions of their local utility, particularly in terms of providing reliable and green power, providing good customer service, caring about their customers and being trustworthy.



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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
- ❑ Less likely than most "Browns" to see connection between energy conservation activities & protecting the environment
- ❑ Actual conservation activities, however, similar to the "average" BPA (non-Puget Sound area) customer, doing more than most "Browns" but less than most "Greens"; relatively few bought any appliances in the past 12 months, but a significant proportion still managed to buy energy efficient models; some also purchase CFLs or do things like upgrade their windows
- ❑ "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 or less bedrooms, have incomes of about \$66K, 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 the 2nd lowest of any segment; energy efficient appliances are not worth paying more for; very unengaged purchasers
- ❑ 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"; impressions of their local utility are low, though better than some brown segments – particularly the Disengaged Consumers and 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 similar to other segments, despite smaller residences



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Customer Segments – The Browns

■ Eco Rejecters, 5%

- ❑ 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 use CFLs or to have purchased an energy efficient appliance in the last 12 months; no rebate program participation
- ❑ 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, though impressions of the utility providing fair and reasonable rates is higher than for other brown segments
- ❑ Majority are men; most own average sized homes (3 bedrooms or less); about average incomes; and about average energy use



■ Comfort is King, 8%

- ❑ All are home owners; largest homes with most having 4+ bedrooms; above average energy use; more affluent than most
- ❑ One of least concerned / aware in terms of conserving, energy costs, and protecting the environment
- ❑ 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
- ❑ Do participate in conservation activities at a rate similar to the average BPA (non-Puget Sound area) customer particularly in terms of energy efficient appliance purchase, CFL use and participation in “other” conservation activities (i.e. upgrading insulation); cost savings primary motivator
- ❑ A utility that keeps costs as low as possible is paramount; satisfaction with local utility is lower than most 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 conservation, 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 Western WA 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

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.



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.



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
- One of the highest electricity using segments
- 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 Western WA Region

- City of Centralia
- City of McCleary
- Ohop Mutual Light Co.
- Orcas Power & Light Co.
- Peninsula Light Co.
- City of Port Angeles
- Clallam County PUD #1
- Clark County PUD #1
- Cowlitz County PUD #1
- Grays Harbor County PUD #1
- Klickitat County PUD #1
- Lewis County PUD #1
- Mason County PUD #1
- Skamania County PUD #1
- Wahkiakum County PUD #1
- Pacific County PUD #2
- Mason County PUD #3
- City of Steilacoom
- Tanner Electric Coop