Consumer Pulse and Market Segmentation Study – *Wave 5*

Executive Summary for Non-SGCC Members.

A full report with detailed findings is available free to SGCC members and for purchase for non-members.

More information on the benefits of membership is available at www.SmartGridCC.org.

SmartGrid consumer collaborative
listen, educate, collaborate

Table of Contents

Smart Grid Consumer Collaborative (SGCC)

The SGCC is a consumer-focused nonprofit organization aiming to promote the understanding and benefits of modernized electrical systems among all stakeholders in the United States. Membership is open to all consumer and environmental advocates, technology vendors, research scientists, and electric utilities for sharing in research, best practices, and collaborative efforts of the group. Learn more at smartgridcc.org.

Market Strategies International

This research was conducted by Market Strategies, a market research consultancy with deep expertise in the energy, technology, communications, financial services, and healthcare industries. Learn more at marketstrategies.com.

Background and Objectives

SGCC has undertaken this *Consumer Pulse* research and analysis to help its members and other stakeholders understand consumer awareness, favorability, expectations, and preferences as they relate to Smart Grid and Smart Grid-enabled programs and technologies.

The analysis in this report is primarily based on the most recent wave of *Consumer Pulse* research, using data collected in October 2014. It also illustrates trends, where possible, by making comparisons to the initial wave of the *Consumer Pulse* research (2011).

Consumer Pulse

The Consumer Pulse study is a national telephone survey sponsored by Smart Grid Consumer Collaborative.

Five waves have been completed, most recently during October 2014. Each wave, 1,000 adult (18+) heads of household are interviewed via phone.

Data are weighted by age, ethnicity, gender and region to align with national population parameters.

The margin of error for the total sample size of 1,000 is +/–3.1 percentage points at a confidence level of 95%.

Statistically significant differences are noted in the report. Statistical significance is a mathematical tool that is used to determine whether the outcome seen is the result of a relationship between specific factors or merely the result of chance. For this study, the confidence level is set at 5 percent and when the results are determined to be statistically significant, it means that we are 95 percent confident that the result did not happen by chance.

Updating the SGCC Segmentation Framework

SGCC first developed a Smart Grid-focused consumer segmentation framework based on the initial, 2011 wave of *Consumer Pulse* research. In this report, the segmentation framework is renewed and updated based on the latest data to reflect today's marketplace for smart energy technology.

Executive Summary

Executive Summary of Key Research Implications

The most recent wave of *Consumer Pulse* research was completed in October 2014. Analysis of the results, presented in this report, lead to several important strategic implications:

- Specific programs and benefits are what appeal to consumers, much more than the technologies behind them, and should increasingly be the focus of stakeholder strategies and of future *Consumer Pulse* studies.
- The benefits of Smart Grid have broad consumer appeal and should be leveraged to build trust. There is an opportunity for more effective communication of the fact that new grid and meter technologies are being implemented in order to serve the interests of customers.
- Interest in innovative pricing programs is quite high, although it varies depending on program design and consumer segment. However, this interest is influenced by consumers' assumptions that may overestimate the potential for savings to some extent. This suggests that stakeholders need to do more to educate consumers about potential savings, in order to set appropriate expectations.
- The updated SGCC Consumer Segmentation has great potential to guide the design and marketing of Smart Grid programs and services for consumers. Provisions have been made to give SGCC member companies access to this valuable tool at low cost. (See below, 2015 Consumer Pulse Residential Customer Segments, and About Segmentation.)

Major Findings: *Consumer Pulse* Wave 5

- Measures of Smart Grid/Smart Meter knowledge and favorability have remained mostly stable throughout the 2011–2014 period. However, there is evidence of a small but statistically significant increase in unfavorability toward both Smart Grid and Smart Meters. These increased unfavorable perceptions underscore the need for more effective proactive communications to explain smart grid benefits.
- The research provides clear evidence that consumers are embracing, and interested in further embracing, technologies that are enabled by the Smart Grid.
- About nine in ten consumers say they believe saving energy helps the environment (94%) and that they try to minimize their impact on the environment through daily actions (87%).
- Consumers give their electric utilities mixed reviews. Four out of five (82%), say they are satisfied with their utility (ratings of 6–10 on a 0–10 overall satisfaction scale). On key measures relating to Smart Grid technology, the majority see no change, although more consumers say that their utility is performing better than it did five years ago than that it is performing worse. On measures relating to trust, they are less supportive of their electric utility. For example, only 58% agree that their utility acts in consumers' best interest. These findings suggest a need, and a win-win opportunity, to build trust by communicating more about how smart technologies are designed to help consumers directly.
- Interest in electric utility energy programs varies by consumer segment and by program design. Few customers currently participate in the four pricing strategies that were tested, and interest in participating varies greatly from Critical Peak Rebates (60% say they would participate) down to Critical Peak Pricing. Time-of-Use and Demand Response pricing plans are in the middle in terms of consumer interest. Many customers expect significant savings from these programs, averaging 25–30%, depending on segment. Based on SGCC research conducted in 2014, saving as much as 40% is possible, in some situations, but the range tends to be from 10–30%. Hence consumer expectations of a 25–30% average savings can be termed high, and interest levels in the programs may be reduced as the potential savings are better understood.

- Consumer participation in electric utility energy products and services is currently low, but interest levels suggest growth opportunities. By far, the highest participation rate is for Online Bill Pay at 20%. Interest, among those not participating, is highest for Incentives & Rebates (80%), although at least 47% of all consumers express interest in all programs and services tested.

Consumer Pulse 2015 Residential Consumer Segments

The *Consumer Pulse* Wave 5 data have been analyzed to identify five consumer segments that exhibit distinctive patterns of awareness, favorability, expectations, and preferences relating to Smart Grid and Smart Grid-enabled programs and technologies.

The five segments vary in size from 15% to 30% of the U.S. adult consumers. They are:

SEGMENT	PERCENT OF CONSUMERS	POINT OF VIEW ON SMART ENERGY
Green Champions	**30%**	"Smart energy technologies fit our environmentally aware, high-tech lifestyles."
Savings Seekers	**20%**	"How can smart energy programs help us save money?"
Status Quo	**18%**	"We're okay; you can leave us alone."
Technology Cautious	**17%**	"We want to use energy wisely, but we don't see how technologies can help."
Movers and Shakers	**15%**	"Impress us with smart energy technology and maybe we will start to like the utility more."

Paths to Practical Application of the SGCC Segmentation

Because this segmentation framework is designed to be adopted at low cost by any SGCC member organization, it offers an effective tool to improve smart energy communications, program planning, and consumer acceptance nationwide. (See About Segmentation)

In 2014, SGCC's *Segmentation Successes* study showed that leading SGCC member utilities are increasingly sophisticated in their ability to apply consumer segmentation to their customers. By leveraging these updated SGCC segments, additional Smart Grid stakeholders can develop more effective programs, services, products, and messaging that appeal to the specific characteristics of these groups.

About Segmentation

"The first commandment of marketing is to segment the market, choose the best segments, and develop a strong position in each chosen segment."

—Phillip Kotler, Northwestern University, *Ten Deadly Marketing Sins*

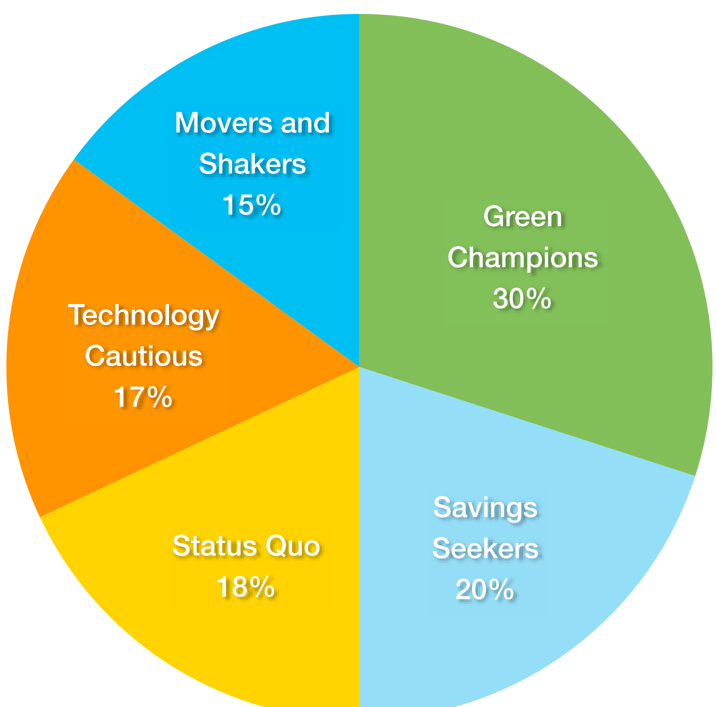
Utilities' have a unique regulatory mandate to provide low-cost and reliable service to every customer in a given geography, in exchange for receiving a guaranteed rate of return on their investments. The utility industry is evolving to integrate information and communications technology in order to modernize the grid, which will result in enhanced consumer services and more consumer control of energy production and expenditures. Segmentation offers the capability to reach every customer better, with more appropriate products and services tailored to their needs.

We know that people are not all alike, that they differ in many ways. If we act as if our customers are all alike, our communications and marketing efforts will be less effective and efficient. It is only now becoming possible, through big data analytics, for some organizations to address each customer as a completely unique individual. Segmentation is an excellent first step on the journey towards "one-to-one marketing."

Segmentation divides customers into groups of individuals who are similar to each other and different from those in other groups. For convenience, we sometimes do this based on available data, such as how much electricity they use, where they live, and various demographic characteristics such as age, income, household size, etc. While helpful for some purposes, this does not work well with Smart Grid issues, because customer motives, priorities, lifestyles, and behaviors do not divide neatly across geographic, demographic, or usage lines.

The SGCC segmentation approach divides residential customers into five distinct segments that are defined holistically in terms of attitudes, values, behaviors, motivations, lifestyles, technology adoption, etc. – as they relate to Smart Grid issues. Importantly, this is a systematic and objective segmentation based on relevant considerations rather than our impressions, best guesses, or wishes.

Segment Breakdown
Consumer Pulse – Wave 5



Segment “Typing”

The segmentation framework is ready to be adopted at low cost by any SGCC member organization. The framework offers a valuable tool to improve Smart Grid/Meter communications, program planning, and consumer acceptance nationwide.

There are two ways that SGCC members can leverage the segmentation at low cost:

- Append commercially available third-party data (10–12 variables) to a customer database in order to categorize all customers by segment.

  Because these third-party data were part of the process used to create the SGCC segments, it is possible to “type” your customers into the segments using only the third party data, without incurring the expense of conducting a new survey. Analysis of the *Consumer Pulse* Wave 5 data show that this approach types people into the segments with more than 55% accuracy.

- Embed 10 questions (along with region code) from the SGCC segmentation into other research instruments that may already be in use, such as ongoing customer satisfaction or brand surveys. Analysis of the *Consumer Pulse* Wave 5 data shows that this approach types people into the segments with more than 77% accuracy. A list of the 10 questions is available to members.

Using the SGCC segments, stakeholders can identify and capture opportunities to design programs, services, and communication strategies targeting the specific needs and preferences of each segment, thereby increasing cost-effectiveness of the likelihood of success.

Note: This executive summary has been designed to share selected findings with interested parties who are not SGCC members. More compete results and analysis are available to SGCC members. We welcome non-members to consider partnering with SGCC on consumer engagement research by becoming members. Please visit **www.smartgridcc.org** or email us at **sgcc@smartgridcc.org**.

Need more information?
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