

Energy

Listening to the Voice of the Efficiency Customer

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The Best Efficiency Business
(BEB) Series, No. 3
February 2009

A tiny backwater division of a large sprawling corporation has operated far from the limelight for years. Managing to grow sales moderately, the division offers a diverse line of products and services to any and all businesses and individual consumers in the region. Prices are heavily-discounted to move product.

Then, the corporation's CEO shows up; a rarity given the division's immateriality. The CEO brings stunning news; the division is to increase sales fourfold. This spectacular surge is to be pulled off in three years.

As the head of this heretofore marginalized operation, your reaction is a mix of exhilaration and fear. Corporate commits to provide virtually any financial support needed for the massive ramp-up. But you know, intuitively, quadrupling the budget and sales force isn't likely to quadruple sales given tepid customer demand to date.

The story seems far-fetched. Wouldn't any CEO want to be assured first that such a radical turnabout is feasible? Corporations typically study customer sentiment and behaviors with great care before plunging ahead with large bets of the company's resources, and shaping branding, marketing and selling strategies.



However, the story is all-too-familiar to utility managements around the country. Political and regulatory leaders are challenging utilities to increase efficiency “sales” to extraordinary heights and to do so at unheard-of growth rates.

But where are those incisive studies of customers that will inform and produce winning branding, marketing and selling strategies? And what specific strategies will so stir customer demand (creating unprecedented customer awareness and excitement) to give utilities a solid chance to make their numbers? Listening to the voice of the efficiency customer, with provocative customer science, is not just vital but now overdue for the utility Best Efficiency Business (BEB).

**Buying Efficiency,
Inconspicuous Consumption**

“No, you’re not going to invite all the neighbors over to show off your insulation.”

– Steve Nadal, executive director,
American Council for an
Energy-Efficient Economy

The Too-Blasé Efficiency Customer

Might quadrupling the efficiency budget, and doing four times as much of the same, quadruple efficiency sales and megawatt-hour savings? Especially in the current troubled economy, this desirable result is hardly assured.

Most would doubt that the efficiency programs that brought us to this point, borne of a public policy perspective, will be sufficient going forward to sate much greater ambitions. As utilities transform these programs to performance-driven efficiency businesses, they will increasingly concern themselves with whether customer demand, as is, will respond to allow enormous leaps in sales volume.

The evidence is mixed. Some encouraging data suggest there is a slice of the business community and the public that embraces efficiency with unbridled enthusiasm. On the other hand, some sobering data runs counter. Customers in the main seem remarkably indifferent to efficiency value propositions even when prices for efficiency products and services are heavily-discounted.

How confident are we that even deeper discounts (increased subsidies) will be decisive in converting indifferent customers into buyers? Beyond efficient lighting, which has been relatively popular, it’s unclear how customers will react to more sales promotion of the same lineup of products and services.

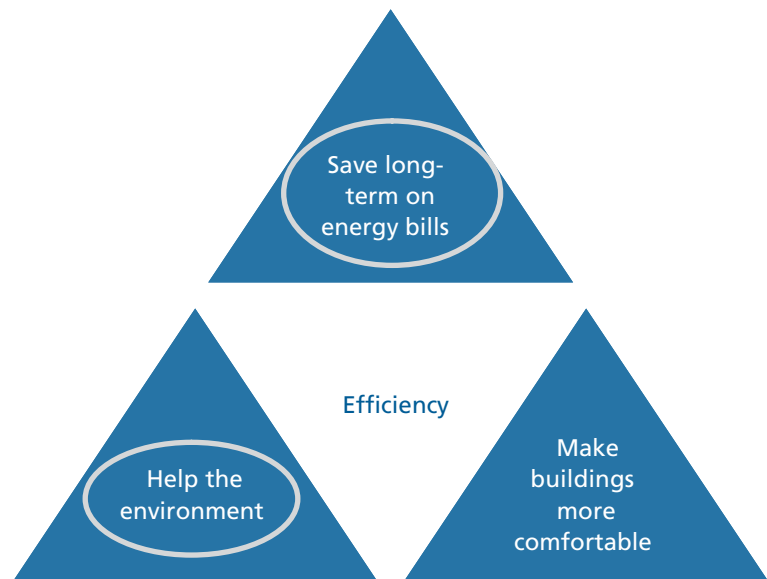
There is already an ample supply of efficiency products and services vigorously marketed through multiple channels. That sales are moderate tells us that customer demand, not supply, should command our attention.

Multiple channels are competing for the attention of the customer, likely confusing many in the business community and the public. Indeed the pitches can be inconsonant to the layman. There are those that market efficiency primarily as a way for customers to cut utility bills and so save money over the long-term. Others market efficiency primarily as a way for customers to cut electricity usage and so help the environment.

Efficiency is potentially attractive to different customer segments for different reasons. A business that is not customer-facing, a B2B, is probably less interested in the “help the environment” motivation, as compared to the “save dollars long-term” motivation. A customer-facing business, a B2C, is probably more interested in the help the environment motivation, if only because projecting a pro-environment image might increase its sales.

An appreciable segment of individual consumers can probably be moved by the help the environment motivation, if the value proposition is well-crafted. As for the save dollars long-term motivation, it is difficult to find successful business models in the American economy that rely on the value proposition of investing substantially now for modest savings and an eventual payback.

Why buy efficiency?



Breaking Down Why Many Customers Are Unexcited About Efficiency

The efficiency purchase decision can be thought of as a three-phase sequential process: before purchase, at purchase and after purchase. This simple framework facilitates study of efficiency buyer problems and how these obstacles might be overcome with specific branding, marketing and selling strategies.

Before purchase

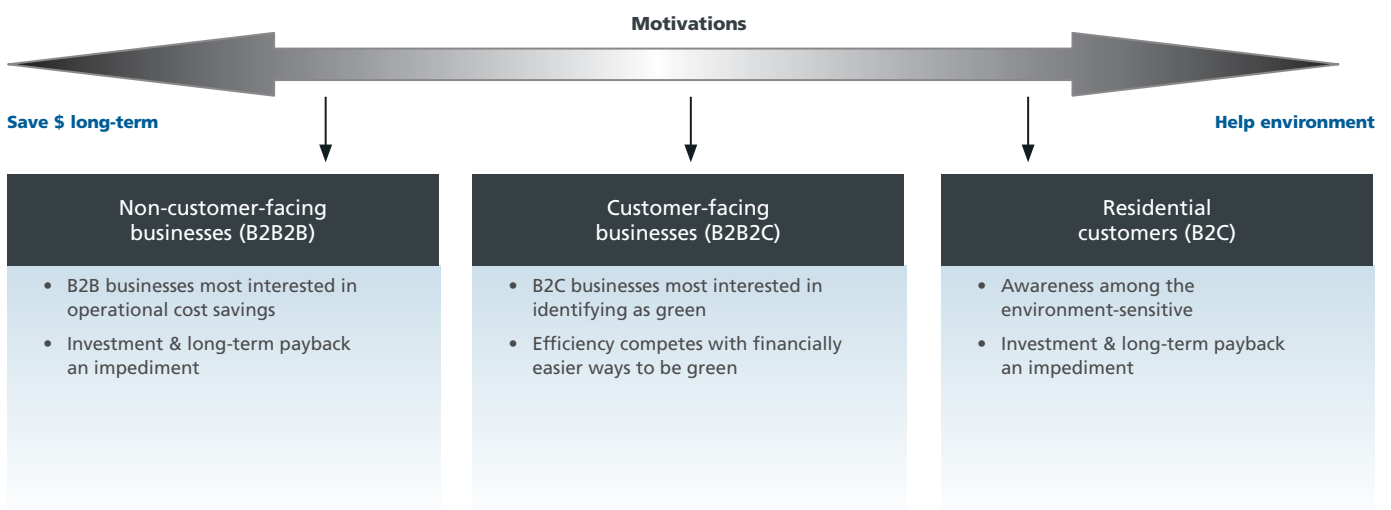
Not a product or service, efficiency is instead an abstract label for a rather varied collection of goods. No one good serves as a focal point or image for customers (though the compact fluorescent bulb comes close).

Efficiency is an attribute of goods. Indeed, electrical devices can be characterized along a relative efficiency continuum. There are very inefficient models of electrical devices, very efficient versions, and gradations in-between.

But electrical devices have numerous attributes that customers consider of some importance, including visual attractiveness, convenience, functional effectiveness, options, etc. Efficiency is just one such attribute, rarely the most consequential for customers, with unclear and uncertain benefits.

A further complication, efficiency can have a negative connotation in American culture, implying a kind of humorless frugality or abstinence. Business models encouraging Americans to live large or enjoy guilty pleasures are more common.

Buyer motivations, segmented



At purchase

The efficiency purchase is not eventful. Little changes and there is little to point to, to signify and celebrate a purchase.

The compact fluorescent bulb has become a significant image in American culture, connoting technological smarts and environmental sensitivity; though the bulb once installed disappears within lighting devices.

Jimmy Carter's Sweater



On February 2, 1977, President Jimmy Carter held his first nationwide television address. The new President, donning a winter sweater in the White House, urged the American public to conserve energy "simply by keeping our thermostats, for instance, at 65 degrees during the daytime and 55 degrees at night." Carter was lampooned for suggesting that Americans be frugal, lowering their quality of life in the service of saving energy.

Ever since, conservation has been discredited. Advocates for saving energy have been loath to present programs as conservation. Instead, the argument for saving energy morphed to a free lunch proposition. Americans can be as comfortable as ever before. They can continue to live large (in today's parlance). Still, they can almost effortlessly save energy, just by changing out to more efficient models of their electrical devices, and by better insulating their buildings.

For much of the public, this artificial divide between conservation and efficiency must be confusing. Anyone can see that the fastest and easiest way to cut electricity consumption is by shutting unused electrical devices and adjusting down others a little bit. Indeed, this strange emphasis on efficiency amid a near-silence about conservation implies businesses and consumers need not care much about how much they use electrical devices especially if they are certifiably efficient.

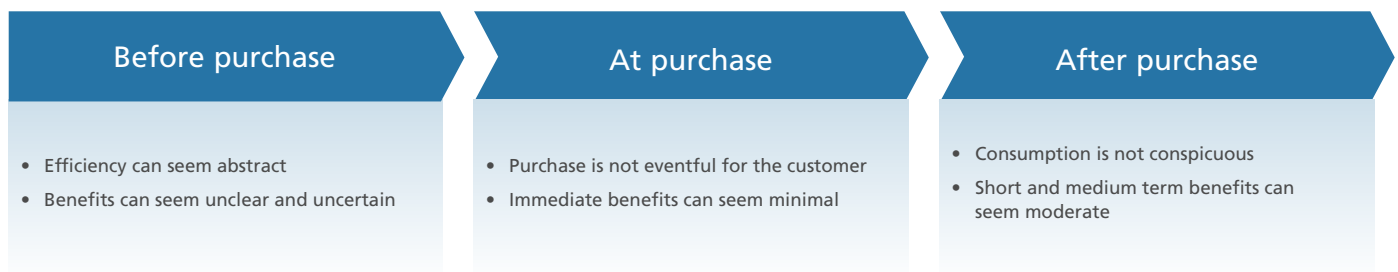
Imagine if a utility BEB gave businesses and consumers a choice as to how they want to cut consumption by a certain amount. Undoubtedly, good choices would be made with mixes of conservation and efficiency. Customers would employ conservation / efficiency strategies based on their own preferences.

After purchase

What changes are enjoyed by the efficiency customer months and years later? It may be the rare customer who, after purchasing efficiency products and services, rips open and proudly looks over the monthly utility bill. Anecdotally, some efficiency customers see little change in their bills (because they've added electrical devices and increased usage, or because of utility rate changes).

Four solar panels on the roof may produce less power than that saved by better roof insulation, but the insulation is out of sight, out of mind. Generally, efficiency products and services are remarkably inconspicuous and their purchase may fade from memory over time.

Three phases of the efficiency purchase



Stirring Customer Demand for Efficiency

Can these efficiency buyer problems be overcome and customer demand stirred? The answer seems to lie in making an efficiency purchase less abstract and more interesting, conspicuous and rewarding.

As a case study, Green Mountain Energy gives customers the option of choosing green (low emission) power. The intent is to make an invisible good, power, tangible and intriguing. But if a customer chooses green power, the choice is not broadcast to neighbors like a parked Prius or solar panels on the roof, lessening the psychic benefit of a purchase.

Many goods succeed in their marketplaces by word-of-mouth recommendations of satisfied customers (physically or nowadays via e-communities). In this business model, customers who have purchased must be both excited and inspired to persuade other customers with similar needs and wants. Arguably, efficiency presently has an insufficient number of word-of-mouth disciples.

University of Georgia Made Efficiency and Conservation Into a Contest

“Residents of Mell and Lipscomb Halls are gearing up to participate in a month-long healthy competition in the name of energy conservation.

The competition kick-off party will be held from 6 to 8 p.m. on Sunday, Feb. 11, in the Mell Hall and Lipscomb Hall lobbies with free pizza and an appearance by the mascots, the Energy Hog and the Efficiency Dawg. This is the first time a competition is being held between UGA residence halls to see which can conserve the most energy.

Adam Hinman and Benjamin Cobb, both fourth-year economics majors, are the organizers of the event. Hinman and Cobb are working with the university’s Executive Committee for Energy Conservation to further this cause among the student body.

“Because energy usage is factored into the initial costs of living in the dorms, students have no financial incentive to limit their individual consumption,” Hinman said.

“Some students are taking the lead on campus sustainability, first with raising LEED Tate II concerns, and now with this competition,” Cobb said. The competition between the residence halls aims to create an incentive for students to limit their energy use. “We will provide real-time outputs of energy use, strategies for reduction, and prizes for the residents of the winning building, and we hope to see reductions as high as 50 percent. It all depends on the residents,” said Hinman.

UGA Unplugged, the co-organizer of this event, is a student-led initiative to increase awareness and urge energy conservation on campus. UGA Unplugged was launched last semester by students in Dr. Lynne Sallot’s Public Relations Campaigns class and is being continued by students in her PR Campaigns class this semester.

The university’s Office of Energy Services and the Residence Hall Association are also sponsoring this event. The theme for this competition is, “Don’t Be an Energy Hog, Be an Efficiency Dawg.” The kick-off will feature an appearance of the Energy Hog, sponsored by the College of Agricultural and Environmental Sciences, and UGA’s own Efficiency Dawg.

“The Energy Hog will serve as a campaign staple while serving as a comical reminder not to be energy consumption hogs,” said Lisa Hoffman, a public relations student involved in UGA Unplugged, who came up with the idea of the hog. “The Efficiency Dawg will serve as the Energy Hog’s teacher, as he mentors the hog on how to become a more efficient energy consumer,” Hoffman said.

During the month of competition, residents of Mell and Lipscomb Halls can expect surprises on their doorsteps to encourage interest and participation. Resident Assistants in both halls will also be going on rounds and giving out “Con\$ervation Ca\$h” to residents who are seen conserving energy. At the end of the competition, residents can exchange the accumulated “cash” for raffle tickets to be in the running for a secret prize.”

*University of Georgia Office of Energy Services,
“Current Activities,” February 7, 2007.*

Cool Your Carbon to Dramatically Boost the “Help the Environment” Motivation

Cool Your Carbon is a set of branding, marketing and selling strategies to dramatically boost one of efficiency’s two buyer motivations, to help the environment. Targeting consumer-facing businesses and consumers, these strategies recast the value proposition. The objective is to offer customers a practical rewarding action to directly cut their carbon footprint.

Yes is Cool; No, Uncool



Cool Your Carbon strategies attack one or more of the efficiency buyer problems (e.g., the purchase of efficiency is an inconspicuous consumption). A particular strategy can make efficiency purchases conspicuous and cool.

Several Cool Your Carbon strategies leverage utilities’ rapidly growing investment in the smart grid and advanced meters. The meter can be transformed in customers’ minds to the carbon footprint scale. Customers’ attention can be directed to the meter, and the meter used to drive recognition, contests and prizes, all in the name of cutting carbon.

Customer science empowers a BEB to assess the efficacy of such strategies, or any approach, including those aimed at boosting the save dollars long-term motivation. Whether particular strategies are compelling (increasing customer awareness, interest and excitement), can be rigorously tested and quantified.

Just as efficiency can be recast as cool, inefficiency can be cast as un-cool. In its famous advertising campaign, Apple Computer positioned the Mac user as cool and Windows user as un-cool. Similarly, students at the University of Georgia created an engaging contest with their cool Efficiency Dawg and un-cool Energy Hog.

Representative Cool Your Carbon strategies



Conclusions

The supply-side of the efficiency equation is well-understood and vibrant. There is an ample supply of more efficient electrical devices and building components ready for sale and adoption by businesses and individual consumers.

It is the demand-side of the efficiency equation that has been neglected. While a slice of businesses and consumers are moved by efficiency offerings, it is an all-too-narrow slice to produce the overall numbers expected by political and regulatory leaders, implied by their executive, legislative and regulatory goals. Not nearly enough customers find compelling the two efficiency buyer motivations (save dollars long-term, and help the environment).

What can a BEB do to enlarge efficiency's slice of customers (increase penetration)? Cool Your Carbon is just one approach, a set of branding, marketing and selling strategies all aimed at dramatically boosting the help the environment motivation by recasting the value proposition.

Whichever approach is considered, a BEB will do what any business would when challenged by formidable sales penetration and growth objectives. It will seek out and listen hard to the voice of the customer and rigorously test alternative ways to create rich new streams of willing (perhaps even enthusiastic) buyers. ❖

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