Challenges & Rewards of Comparing Seven West Coast Segmentation Studies

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Dethman & Associates  Energy Trust of Oregon
Kudos

- Marc Pedersen and Arien Korteland, BC Hydro
- Eric Karlson, Sacramento Municipal Utility District
- Grant Ringel, Puget Sound Energy
- Carol Lindstrom, BPA
- Laura McCrae, Snohomish PUD
- Nancy Oakley, Cathy Carruthers, Nora Doyle, Tacoma Power
### “Who Are You?” Survey Results*

<table>
<thead>
<tr>
<th>PC Forever</th>
<th>Resigned PC</th>
<th>Closet Mac</th>
<th>Bilingual</th>
<th>Mac Rocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Flexibility, price &amp; now it’s ‘my idea.’”</td>
<td>“It’s what I know, it does the job.”</td>
<td>“When I retire I’m getting a MAC.”</td>
<td>“It’s more like a Multiple Personality Disorder.”</td>
<td>“Every time I have to use a PC in the library I want to shoot myself.”</td>
</tr>
<tr>
<td>Me – wannabe playwright</td>
<td>My husband IT guru and gearhead</td>
<td>My daughter the artist</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*N = 3*
Segmentation Logic

- Programs and marketing must reach heterogeneous markets
- Distinct groups exist, based on shared characteristics, needs, preferences
- Segmentation helps assess response and allows tailoring to groups
Utility Segmentations Past

- Useful but limiting
- Tend not to include consumer needs, motivations, insights
- Assume rational man/informed choice economic models

“A significant gap...exists between the level of energy efficiency investment that is economically justified and the level of such investment that is being achieved.”

How This Project Came to Be

- 7 recent residential segmentations conducted by energy agencies in the West
  - Rich data sets
- What can we learn?
- Magical thinking
Project Approach

- Review studies and collect user stories
- Compare
  - Study purposes and methods
  - Segmentation schemes
- Describe
  - Segmentation practice
  - Lessons learned
The 7 Studies

- Energy Trust of Oregon
- Northwest Segmentation (NW)
  - Puget Sound Energy
  - Snohomish PUD
  - Tacoma Power
  - Bonneville Power Administration
- BC Hydro
- Sacramento Municipal Utility District
Purposes Varied

- Develop workable segments
- Better understand customers
- Support marketing/messaging
- Target communications channels
- Develop new programs
- Benchmark for future
- Prioritize targets, predict participation
- Develop “regional playbook”
- Provide wholesale customers tailored information
Methods Varied

- Sample sizes (800 to over 4,000) and frames
- Contact (phone, mail, on-line, combos)
- Length (19–30+ minutes)
- “Dedication”
- Statistics
- Number of segments – 5 to 8
- In-house or out-house design expertise
Variables Varied

- OMG
- 60+ key “basis” and “profile” variables
  - Used in different ways
  - Some identical, some similar, some unique
- Included attitudes, habits/behaviors, values, beliefs, perceptions of utility, participation in programs, consumption, demographics, household characteristics
Schemes Varied

- Green Idealists 10%
- Standard Sounders 15%
- No Interest, No Action 25%
- Comfort is King 9%
- Eco Rejecters 5%
- Educated but Disengaged 7%
- Practical Idealists 23%

- Big Toys, Big Spenders 4%
- Uninvolved Achievers 12%
- Boomers, Buyers, & Browsers 6%
- Young Families 21%
- Senior Savers 9%
- Money Minded Strivers 20%
- Green Echoes 21%
- Green Boomers 7%
- Affluent Conservatives 6%
### Why? *(Do not try to read this slide)*

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>ENERGY TRUST 2008 11 BASIS VARIABLES</th>
<th>PSE</th>
<th>SNOPUD</th>
<th>TACOMA</th>
<th>BPA</th>
<th>BC HYDRO 33 BASIS VARIABLES – 10 KEY DRIVERS + 23 OTHERS</th>
<th>SMUD 3 TYPES OF BASIS VARIABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Use</strong></td>
<td>Profile (segments predict use)</td>
<td>Not included</td>
<td>Not included</td>
<td>Profile</td>
<td>Not included</td>
<td>Profile</td>
<td>Basis</td>
</tr>
<tr>
<td><strong>Aware of ETO/Aware of sponsor’s EE programs</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Not included</td>
<td>DK</td>
</tr>
<tr>
<td><strong># of EE programs R aware of</strong></td>
<td>Basis</td>
<td>Not included</td>
<td>Not included</td>
<td>Not included</td>
<td>Not included</td>
<td>Not included</td>
<td>DK</td>
</tr>
<tr>
<td><strong>Aware of OR Tax Credit</strong></td>
<td>Basis</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not included</td>
<td>Not included</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Know where to get renewables info</strong></td>
<td>Basis</td>
<td>Not included</td>
<td>Not included</td>
<td>Not included</td>
<td>Not included</td>
<td>Not included</td>
<td>DK</td>
</tr>
<tr>
<td><strong>Participate in EE programs/get rebates</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Not included</td>
<td>Basis</td>
</tr>
<tr>
<td><strong>Energy Star/EE appliance purchase(s)</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Not included</td>
<td>DK</td>
</tr>
<tr>
<td><strong>CFLs in home (presence/#)</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>DK</td>
</tr>
<tr>
<td><strong>Number of CFLs installed</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>DK</td>
</tr>
<tr>
<td><strong>Home ownership</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Basis</td>
</tr>
<tr>
<td><strong>Home heat source</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Basis</td>
</tr>
<tr>
<td><strong>Household w/children</strong></td>
<td>Basis</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
<td>Profile</td>
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</table>
The End of Magic

- Variables make the scheme
- 28 segments, similar at general level but “devil in the details”
- Lighten up!
How to compare?

- "Triple C" *
  - Concern about and interest in taking action
  - Capacity for savings
  - Conditions that permit action
- Energy use
- Greenness to brownness

Kunkle, Lutzenhisier, Sawyer, Bender – "New Imagery and Directions for Residential Sector Energy Policies"
10 Triple C Segments

- **The Usual Suspects – High priority.** Stable, affluent, homeowners; high green concern; actively saving/participating. BUT high users, can save more.

- **The Well Intentioned – High priority.** Stable mid-income homeowners; high green concern; many barriers; views ≠ actions. Higher users.

- **The Average – High priority.** Stable, less affluent homeowners; low green concern; few actions. Can cut use and want to save money.

- **The Too-Busy – Medium priority.** Stable low-to-mid-income homeowners; families with some green concerns; consumed with other obligations.

- **The Value-Driven – Medium priority.** Mix of older stable homeowners; incomes varied; value stewardship/mother earth. But energy use already low.
Triple Cs Continued

- **The Comfort-Driven – Medium priority.** Stable affluent homeowners; low green concern; interest in home improvement and comfort.

- **The Cost-Driven – Low– Medium Priority.** Often stable homeowners; driven by cost savings, not green. Very low energy use.

- **Tomorrow’s Suspects – Low–medium priority.** Young lower-income renters, strongly green, low use. Can’t do much now but want to.

- **The Young and Clueless – Low priority.** Young lower-income renters, low green concern.

- **The Disinterested – Low priority.** Stable homeowners, low green concern, few hooks. But higher energy use.
The good news is that in our analysis, the high priority segments appear to make up 50–60% of residential customers.
Segmentation in Practice

- Gather strategic customer intelligence
- Collect metrics and refine efforts
- Manage data
- Develop marketing plan, programs, evaluation plan
- Deliver program and marketing

Adapted from Eric Carlson (SMUD) presentation
10 Steps For Success

1. Assemble cross-department team
2. Develop research plan
3. Define Quantitative Variables
4. Develop survey instrument
5. Develop segments/add profile variables
6. Present findings
7. Design programs/marketing
8. Implement
9. Create/apply metrics
10. Learn/revise
Indicators of Integration

- Organizational buy-in
- Usefulness
- Time involved
- Integrated w/customer data
- Used in marketing
- Used in program design
- Used to refine offering
- Short-form questionnaire
Lessons Learned

- No one answer
  - "Although there can be a great deal of sophistication in the analysis stage, segmentation is not a purely scientific pursuit. Sadly, there are no magic buttons to press to generate the “best” segments." — Beth Horn, Ph.D., and Huang, Wei, “Comparison of Segmentation Approaches” Decision Analyst, Inc, 2009.

- Map not the territory but it sure helps navigate

- Journey will change how you think
Lessons

- Significant savings exist, can be prioritized
- Consumers may surprise, captivate you
- Regional approach powerful platform for talking about consumers
Lessons

- Apps show promise – better intelligence, better messaging, better programs, higher response
Lessons

- Successful Segmentation Takes...
  - Experience
  - Judgment
  - Science
  - Flexibility
  - Patience
  - Organizational commitment
  - Doing it!
Thank You

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