

A man and two children are on a balcony at night, hanging string lights. The man is standing in the center, holding a string of lights up. To his right, a young boy is also holding a string of lights up. To the left, a young girl is standing and looking towards the man. The balcony has a white lattice railing and a potted plant. The background shows a city skyline at night.

Understanding the Energy Consumer

DRAFT VERSION

A COLLATED UNDERSTANDING OF ENERGY USERS IN NEW ZEALAND
PREPARED BY PSL FOR ERANZ | FEBRUARY 2018

Some General Thoughts

While some people are 'loyal' to energy providers (in that they don't move), there is an overwhelming sense of 'having no real relationship'

The connection is with the 'stuff' that runs on energy, not with the provider

They really only care in key moments of truth:

Bill time

When the power
goes out

When something
goes wrong

There is typically an invisible connection between provider and customer – much like electricity is in their lives – present but not visible

Electricity is a 'right'

People may resent paying their bill

They dislike rising costs / increasing charges

They don't understand why they have to pay 'more' when nothing changes in electricity

Many struggle to understand their bills – but understand the total \$ amount when compared to the previous month – changes here are often important

There is a sense that CONTROL of energy is desirable – but some people struggle to know how to achieve this

The bill is a 'should' not a want

Relationship with provider varies hugely

From genuine loyalty (based on longevity and nothing going wrong) **to moving whenever a better offer comes along** – highly determined by the deeper needs of the consumer

Increasing levels of understanding of the role of the retailer seems to be impacting on market direction – a trend toward ‘why pay more when you don’t have to’

But balanced by a sense of savings being intangible sometimes – may sound cheaper but not work out to be significantly different

- Lack of understanding impacting on perceptions hugely

UNDERSTANDING

Residential

Understanding customers

Customers share differences and similarities in broadly predictable ways

Needs, wants and expectations vary – both in terms of the attitudes toward power and energy providers

Some dimensions of interest

Across studies there appears to be several key dimensions that act as important indicators of different segments

The degree of engagement with energy/energy providers

The way energy is used

The degree of loyalty demonstrated

... using these basic dimensions forms the basis of understanding the residential market

Engaged
with energy

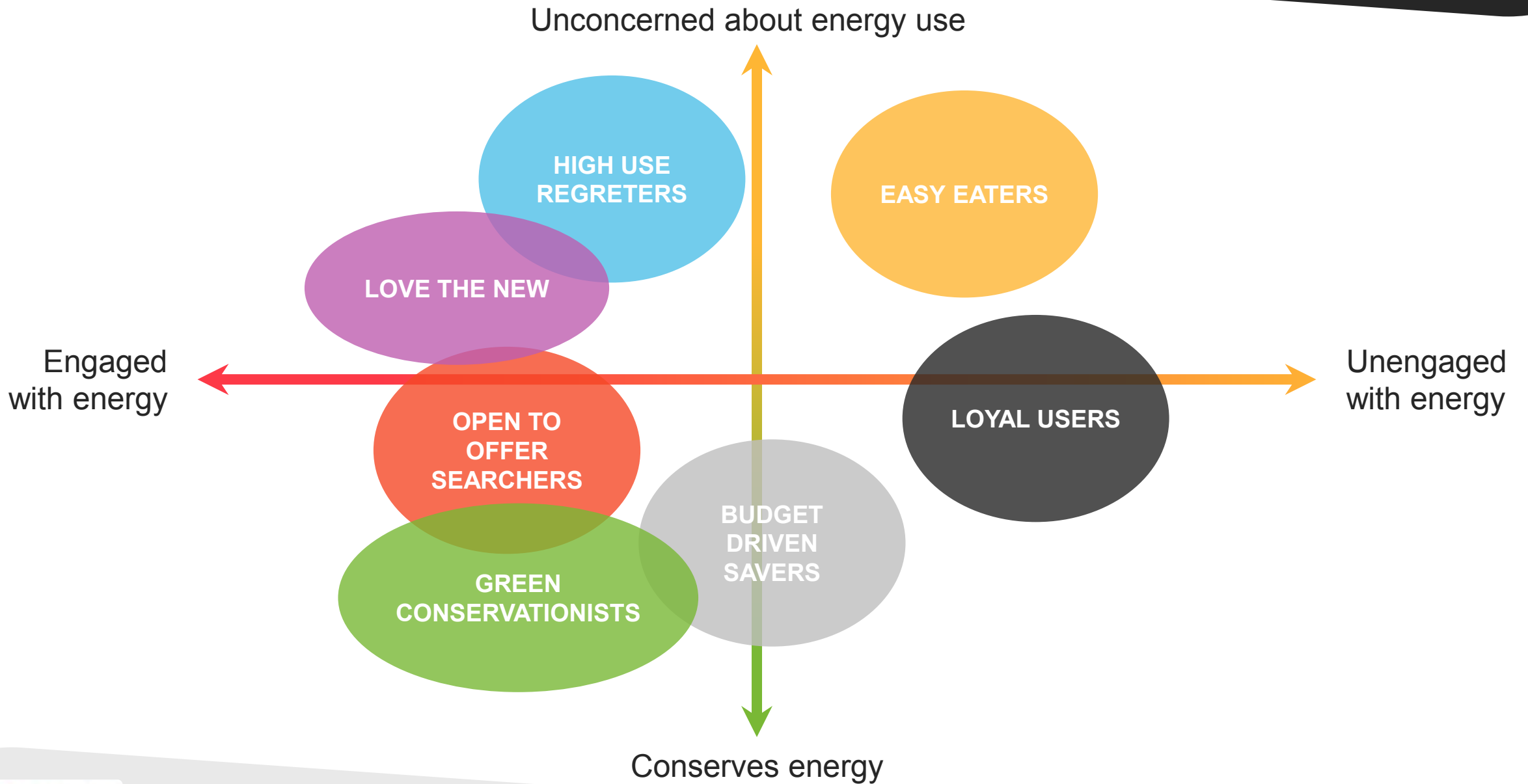


Unengaged
with energy

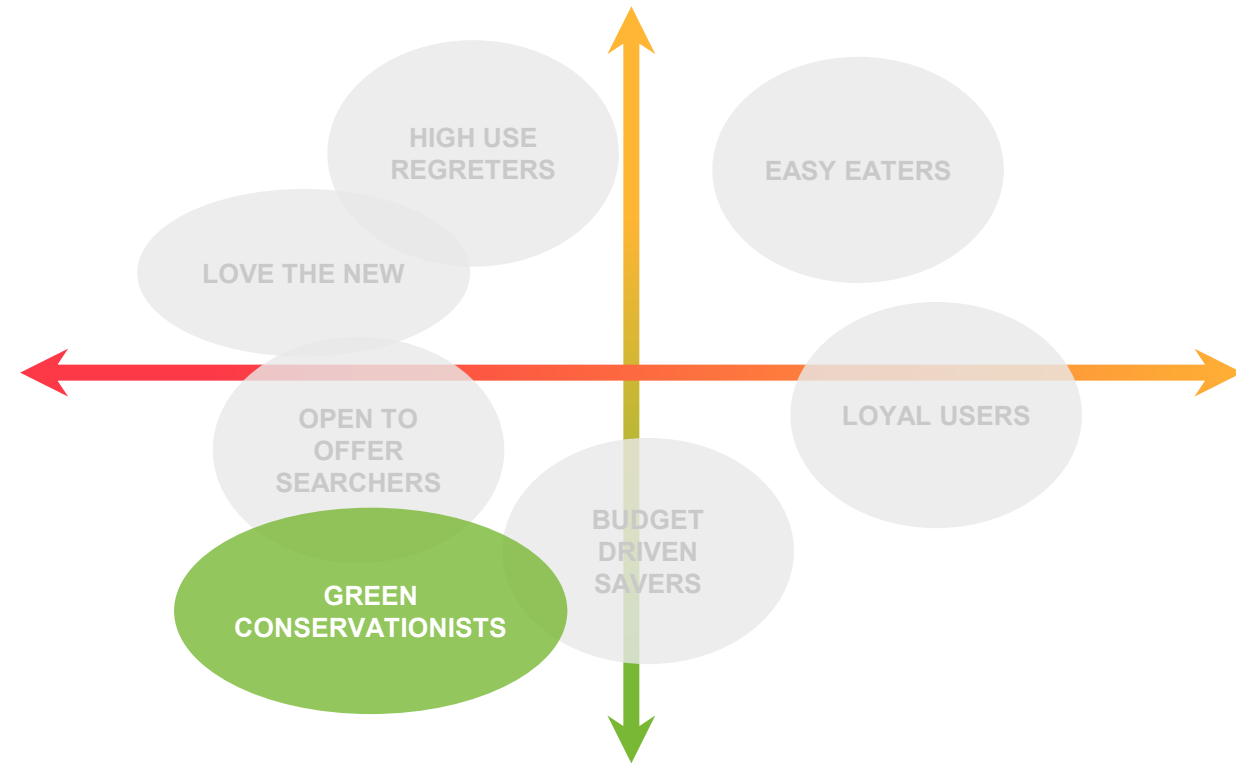
Unconcerned about energy use



Conserves energy



Green Conservationists



Green Conservationists

PSYCHOGRAPHICS

DEMOGRAPHICS



Approx 3-7%

\$ relatively low spend

Preference for supplier with green credentials

Key drivers

Source of energy

Reputation of supplier

Cost for benefit

Overall cost

Access to new conservation technologies

- › **Green Conservationists** are identifiable by their strong ideals toward conservation / energy use – this is not specific to ‘power’ – it is a commitment to ‘doing right’ by the planet
- › GCs try to create environments whereby they can minimise their energy use (e.g. insulated homes) and are extremely interested in energy sources directly from nature
- › Some of this group may try to generate their own energy by harnessing sun/wind technologies
- › May be considered ‘alternative’ by the mainstream
- › Will do whatever they can to minimise their impact on the planet
- › Will spend more to ‘do the right thing’ even though they may not have ‘more’ to do so
- › Very keen to explore new technologies that minimise energy use – even if unaffordable

More likely to feel that:

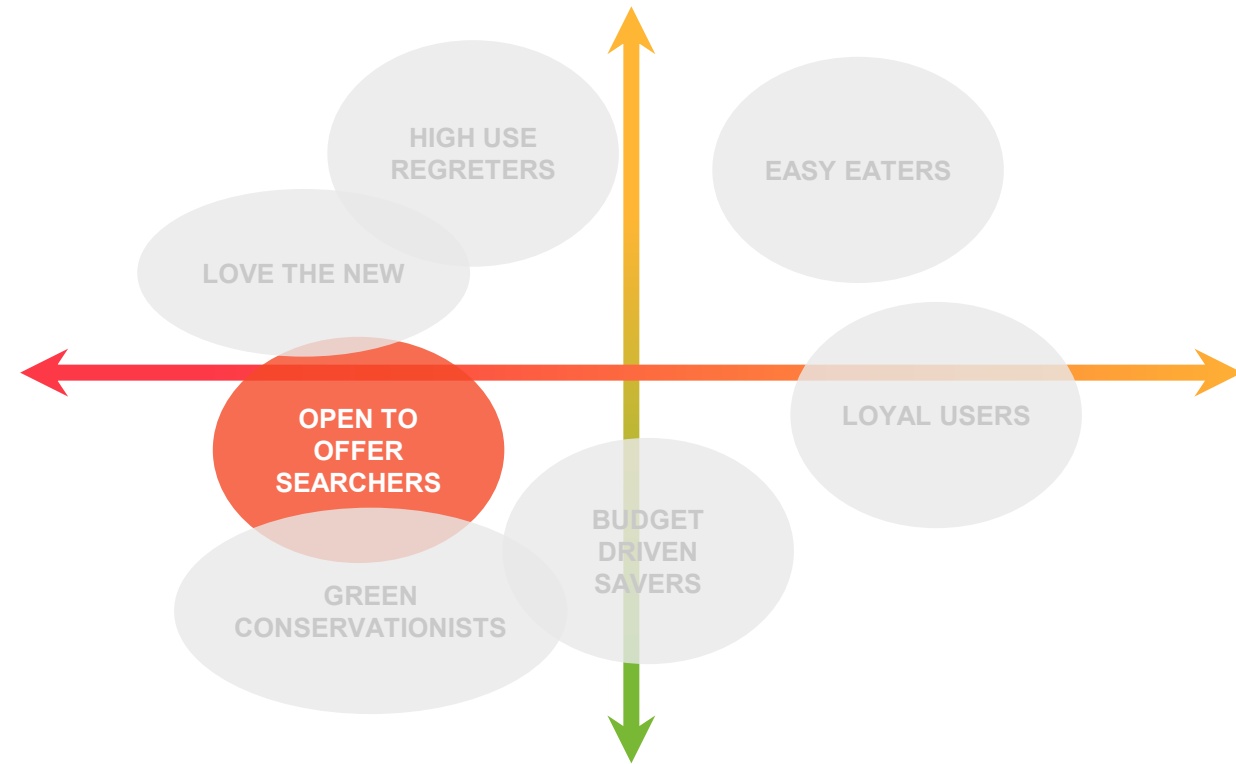
- I go out of my way to ensure energy is conserved in my household
- It is better to do without rather than be wasteful
- I’m deeply concerned about sustainability
- I’m deeply concerned about the environment
- I do whatever I can to ‘be off the grid’
- I prefer to support energy companies that generate energy from sustainable sources
- I’d pay more for ‘green’ energy
- I’m committed to wind and solar energy solutions
- I have created an energy efficient home

Less likely to feel that:

- Comfort is more important than cost
- I’m really not able to control how energy is used in my household
- I don’t care about the source of energy in my household

- Male and female
- Age peaks – younger and older – rarely mid aged
- Less likely to live in main, high density urban areas
- Lower income
- High European skew
- Home owners
- Higher education skew

Open to Offer Searchers



Open to offer Searchers



Approx 9-11%

\$ moderate spend

No preference for supplier

Key drivers

Cheapest price

Discounts

Overall cost

Able to leave

Online services

- › Open to Offer Searchers (OOS) are fundamentally disloyal and don't see any difference in energy suppliers beyond pricing
- › They are strongly driven by 'what's in it for me'
- › They are prepared to do a little work to get a lower price (e.g. they will buy ahead to get lower prices and will study offers from energy suppliers to get the best 'deal')
- › They believe that 'smaller' companies are likely to be cheaper
- › They are relatively unconcerned about the source of energy – they are more concerned with the cost
- › They are repulsed by fixed price offers – this makes them feel trapped
- › They are quite dictatorial in their homes – they 'nag' family members to turn off switches etc.
- › They examine their bill and check numbers

More likely to feel that:

- I don't care where it comes from as long as its cheap
- I don't believe in being loyal to energy suppliers
- I'll change energy suppliers for a better price
- I like being in control as far as possible when it comes to energy
- I'll put in a bit of work to save money
- I've changed energy suppliers at least once in the last 2 years
- I have created an energy efficient home
- I dislike fixed term contracts
- I like to be left alone – I don't need to have a relationship with an energy provider
- Make it easy

Less likely to feel that:

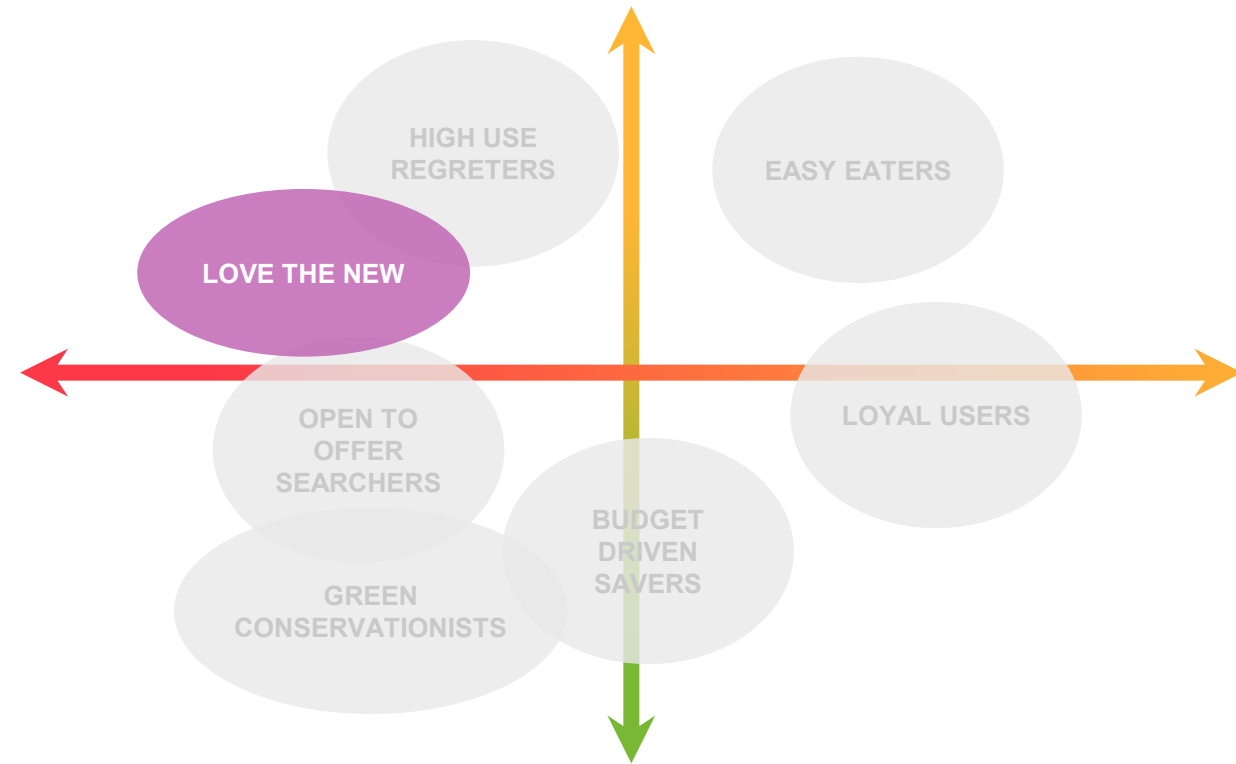
- Comfort is more important than cost
- I'm really not able to control how energy is used in my household
- It's important to stay with a company that knows your history

- Skew male
- More likely to be young-mid aged
- Main centre focus – Auckland skew
- Moderate income
- High European skew
- Home owners
- Educational qualification beyond high school

PSYCHOGRAPHICS

DEMOGRAPHICS

Love the New



More likely to feel that:

- Technology makes our lives better
- I consider myself to be leading edge
- Others often ask me for my opinion
- I have a preference for innovative technology when it comes to energy
- I am often the first to get new technologies
- I'm conscious of the cost of my energy
- I go out of my way to ensure energy is conserved in my household
- I prefer apps to desktop solutions
- I'll put in a bit of effort to save on energy costs

Less likely to feel that:

- It is important to stay with the same energy supplier
- Reliability is more important than innovation
- Comfort is more important than cost
- I'm really not able to control how energy is used in my household

- Skew male
- More likely to be younger
- Moderate/high household income
- European skew
- Home owners
- Tertiary education

- › Love the News (LTN) are fascinated by newness and innovation
- › They are strongly tech focussed in all areas of their life and are keen on technologies that are emerging in energy – they love things such as e-bikes, energy measurement tools, solar and power storage
- › Having said this they are not keen on paying 'top dollar' for energy – they believe that cheapest is 'good' and prefer to invest in the areas 'around' energy rather than the energy itself (e.g. they will pay for solar but seek a 'cheap' energy supplier)
- › They are relatively high demand customers – they do not tolerate poor service or high pricing without value being demonstrated
- › They are not loyal – they tend to go where the mood takes them – often driven by price/discount
- › They like 'newer' energy brands because they see their business models as being 'more today'


Approx 10-15%

\$ mixed spend

Preference for
'innovative'
suppliers

Key drivers

Cheapest price

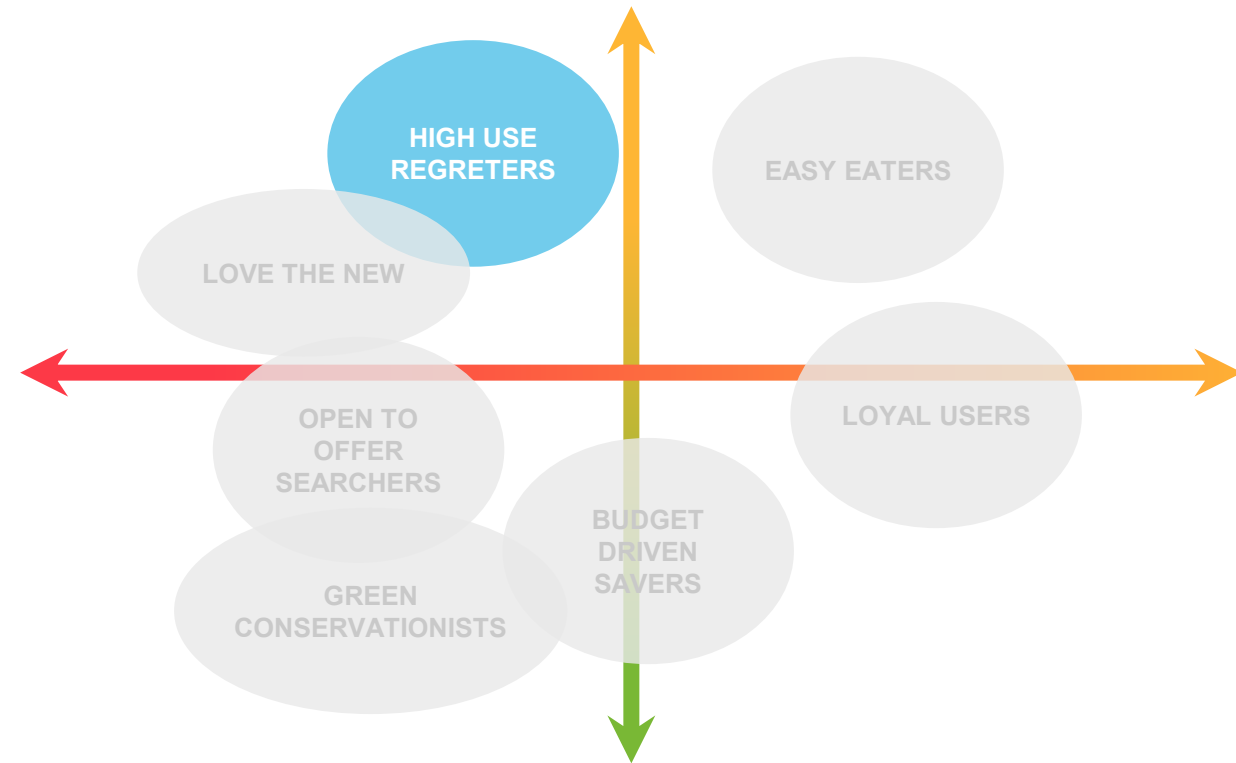
Discounts

Rewards

Good tech

'Add ons' to energy

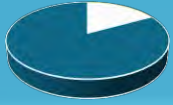
High Use Regreters



High Use Regreters

PSYCHOGRAPHICS

DEMOGRAPHICS



Approx 15-20%

\$ high spend

No supplier preference

Key drivers

Overall cost

Rewards for loyalty

Discounts

Service

Dual fuel

- › High Use Regreters (HURs) feel that they cannot control the use of energy in their home – even though they may prefer to – the presence of teenagers / adult children means that they feel they are ‘fighting a losing battle’ when it comes to energy conservation and their financial situation means that they can afford to ‘not sweat’ the cost – they use lots of energy and feel a bit bad about it – but not bad enough to change!
- › They try to be ‘sensible’ with energy by purchasing high star rated appliances, having a well insulated home and using heat pumps – however the sheer number of appliances they have combined with the number of people in their household creates a pattern of high spend / high use
- › They are not loyal to providers but do not seek out change (they are too busy)– they can be quite negative about some brands for ‘excessive marketing’ - they are open to (but not always seeking out) smaller providers with innovative business models
- › They believe that their spend should give them benefits
- › They believe that their provider should be an advocate for them and acknowledge their loyalty – they like to feel special

More likely to feel that:

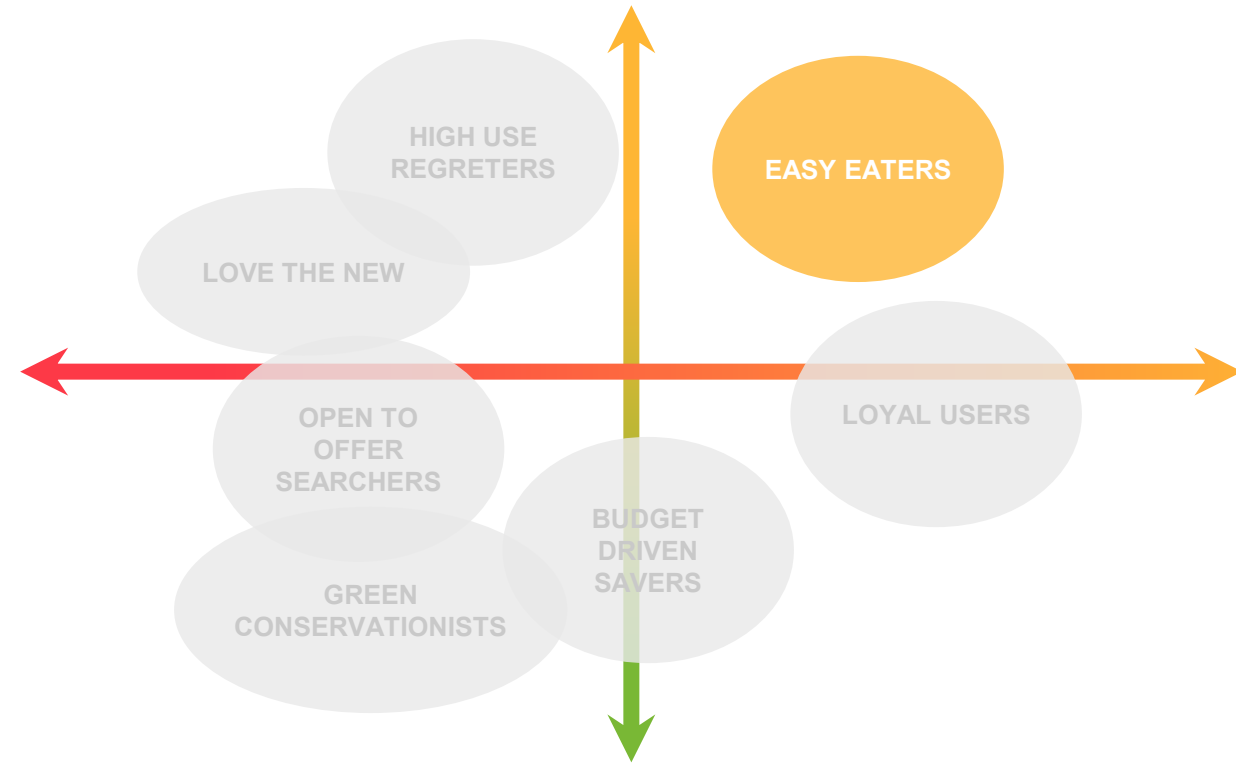
- I find it hard to budget
- I put my family first
- I'd prefer to use less energy
- Quality is more important than cost
- I like loyalty programmes
- I'll spend a little extra to get an energy saving appliance
- I am comfortable financially
- I actively use my preferred loyalty programme(s)
- My energy provider should give back to my community
- Loyal customers should be rewarded

Less likely to feel that:

- I make time to look at my energy use
- I volunteer in the community regularly

- Family Skew, woman dominant
- More likely to be mid aged with teenage kids/adult kids at home
- Moderate - High household income
- Home owners (multiple) or renters in Urban/Suburban areas
- Tertiary education

Easy Eaters





Approx 12-18%

\$ high spend

No supplier preference

Key drivers

Overall cost

Fixed price offers

Discounts

Easy to understand billing

- › Easy Eaters chew through the power due to their relatively large household size – they are distinguished by their desire to not be ‘hassled’ by bills and have everything done smoothly and easily
- › They may be a little wasteful when it comes to energy
- › While not ‘loyal’ in the traditional sense they will often stay with a provider because it is ‘easier’ to do so – they believe that change might come with hassle and therefore avoid it
- › They are not actively looking to switch providers (though can be talked into it by a persistent sales person on their doorstep) – they have very little engagement with energy or energy suppliers hence ‘not thinking about it’ is a common sentiment
- › They are aware of the high cost of their bills but feel powerless to do anything about it
- › They may be poor bill payers and ‘bounce around’ energy providers

More likely to feel that:

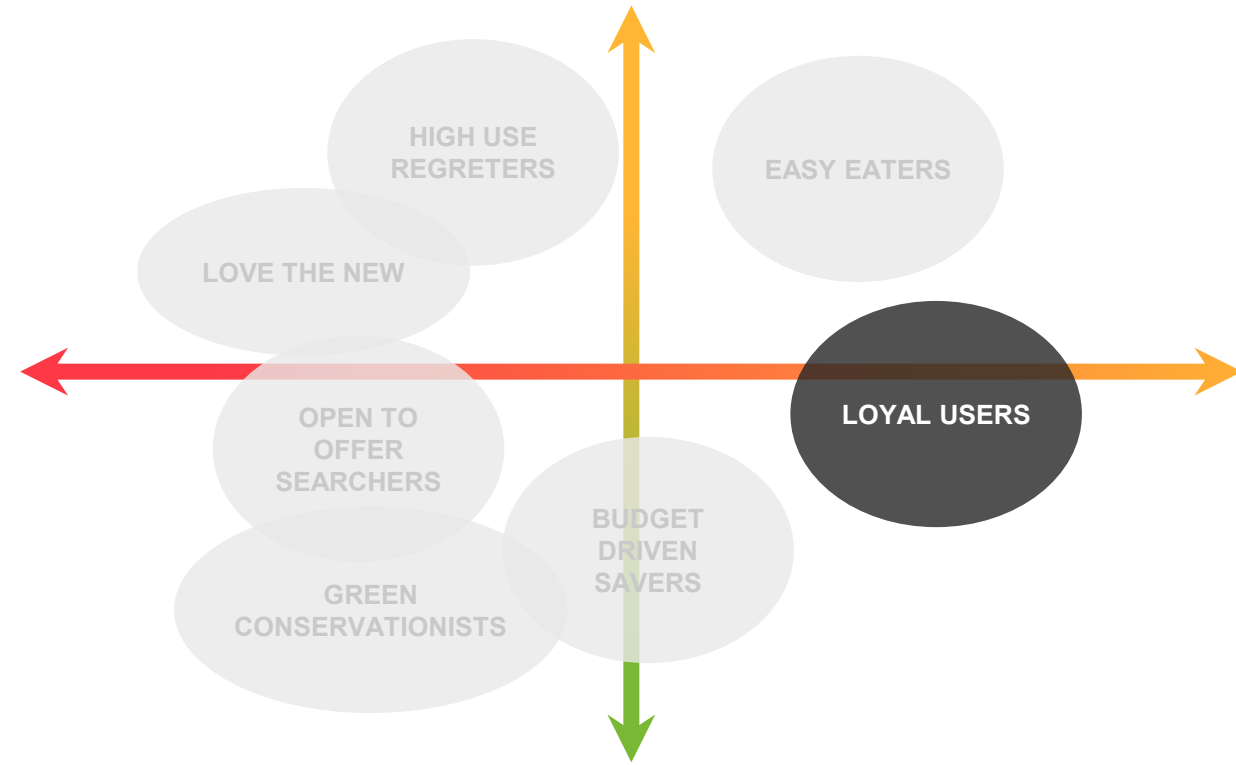
- I find it hard to budget
- I don’t really think about energy
- I have no interest in energy management tools
- Cheap is better
- Comfort is more important than cost
- I prefer things to be simple and easy
- I don’t care about who my energy provider is

Less likely to feel that:

- I make time to look at my energy use
- It is easy to change energy supplier
- Reliability is more important than innovation

- Males and females
- More likely to be younger-mid
- Moderate household income, but low/moderate personal income
- Renters in urban areas (skew) – multi adult homes (skew)
- High school or more than high school education

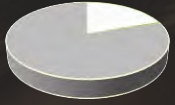
Loyal Users



Loyal Users

PSYCHOGRAPHICS

DEMOGRAPHICS



Approx 17-23%

**\$ low /
moderate spend**

Strongly loyal

Key drivers

Fixed price offers

Discounts

Customer service

Easy to contact

Overall cost

- › Loyal users are identifiable by their long, enduring 'relationship' with their energy supplier
- › Of all segments these folk are likely to be highly satisfied with their supplier
- › They are extremely grateful for any initiatives that target existing customers – and can be a little annoyed that market offers seem to be mostly targeted at acquisition
- › They believe that their energy supplier gives them their 'cheque' (Vector payment) in Auckland
- › They are resistant to offers from other suppliers – seeing no reason to change
- › They are deeply suspicious of 'new' energy suppliers – believing that it should be left to 'the experts'

More likely to feel that:

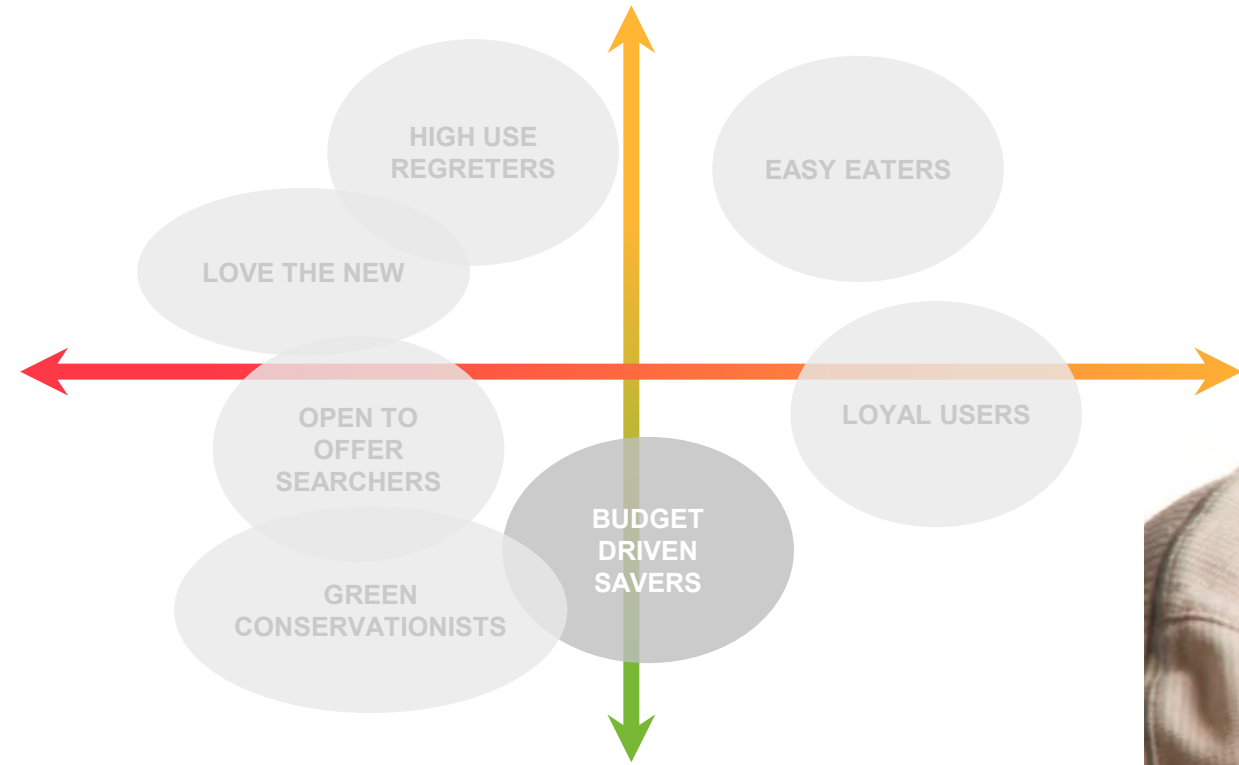
- I find it easy to budget
- I focus on the basics not luxuries
- I am conscious of my energy use
- I have no interest in energy management tools
- Loyalty is very important
- I do not consider myself to be leading edge
- I do not enjoy new technology
- Reliability is more important than innovation
- It is important to give back to your community
- I prefer fixed price offers

Less likely to feel that:

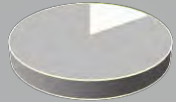
- I make time to look at my energy use
- It is easy to change energy supplier
- Technology makes our lives easier

- Males and females
- More likely to be older
- Low/moderate personal income
- Home owner skew
- Varied educational level

Budget Driven Savers



Budget Driven Savers



Approx 8-15%

**\$ low /
moderate spend**

Strongly loyal

Key drivers

Control of expense

Overall cost

Easy to contact

Good service

- › Budget driven savers do whatever they can to reduce their energy use – not for any ‘green’ reason – it is simply to try and control their expenditure
- › They are fundamentally financially constrained and find making ends meet difficult
- › They are unlikely to have a plethora of household appliances – some not even having regular forms of heating in winter
- › They may be poor bill payers
- › They may lack budgeting skills
- › They may be pre-pay to try and manage their expenditure

- Female skew
- More likely to be mature but can also include larger family households
- Low household and personal income
- Home owners and renters, suburban skew,
- Lower educational levels

DEMOGRAPHICS

More likely to feel that:

- I find it hard to budget
- I focus on the basics not luxuries
- I am conscious of my energy use
- I do not consider myself to be leading edge
- I do not enjoy new technology
- I struggle to make ends meet
- I prefer to deal with people
- I go out of my way to ensure energy is conserved in my household
- It is better to do without rather than be wasteful

Less likely to feel that:

- It is easy to change energy supplier
- Technology makes our lives easier
- I’m deeply concerned about sustainability
- I’m deeply concerned about the environment
- I do whatever I can to ‘be off the grid’
- I prefer to support energy companies that generate energy from sustainable sources
- I’d pay more for ‘green’ energy
- I’m committed to wind and solar energy solutions
- I have created an energy efficient home



UNDERSTANDING

Business

Business Users

Business models are far harder to aggregate primarily because there is less research available – this is a hard to reach, difficult to research target

Business is generally separated into SME and Corporate, with some emphasis on different sectors – SME in particular is hard to classify because of the massive levels of diversity

Some consistent commentary

Smaller SME tend to think/behave more like residential customers

Larger business preferring more order/structure in the relationship

Relationship considered important – with some expectation that business will be treated differently to residential (even smaller SME) – sense that business size/\$ spend on energy means they have more ‘right’ to service / attention

Sense that energy is an enabler but also a commodity – those that have an account manager / put their business need out to tender / pitch may form relationships with those they see but not brands, but price wins over relationship unless value added

Change on the basis of cost as increasing (seemingly with business size)

Trends toward sustainability / energy conservation noted

Innovation/tools and technology more highly regarded

Piecing Diversity Together

While much of the information is anecdotal in nature we have attempted to put it into a framework of understanding – this is far less developed due to the input

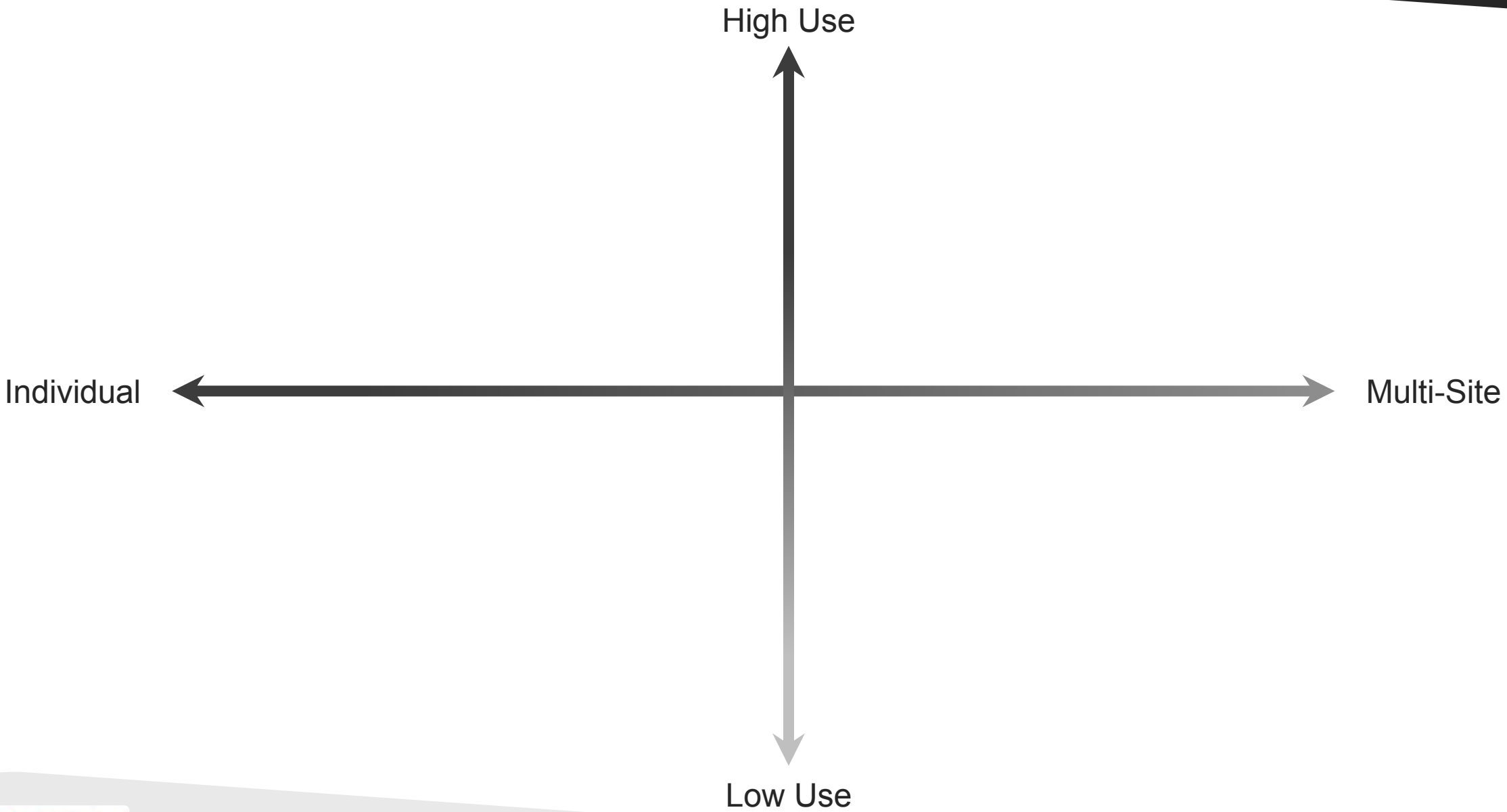
2 dimensions of difference make for consideration:

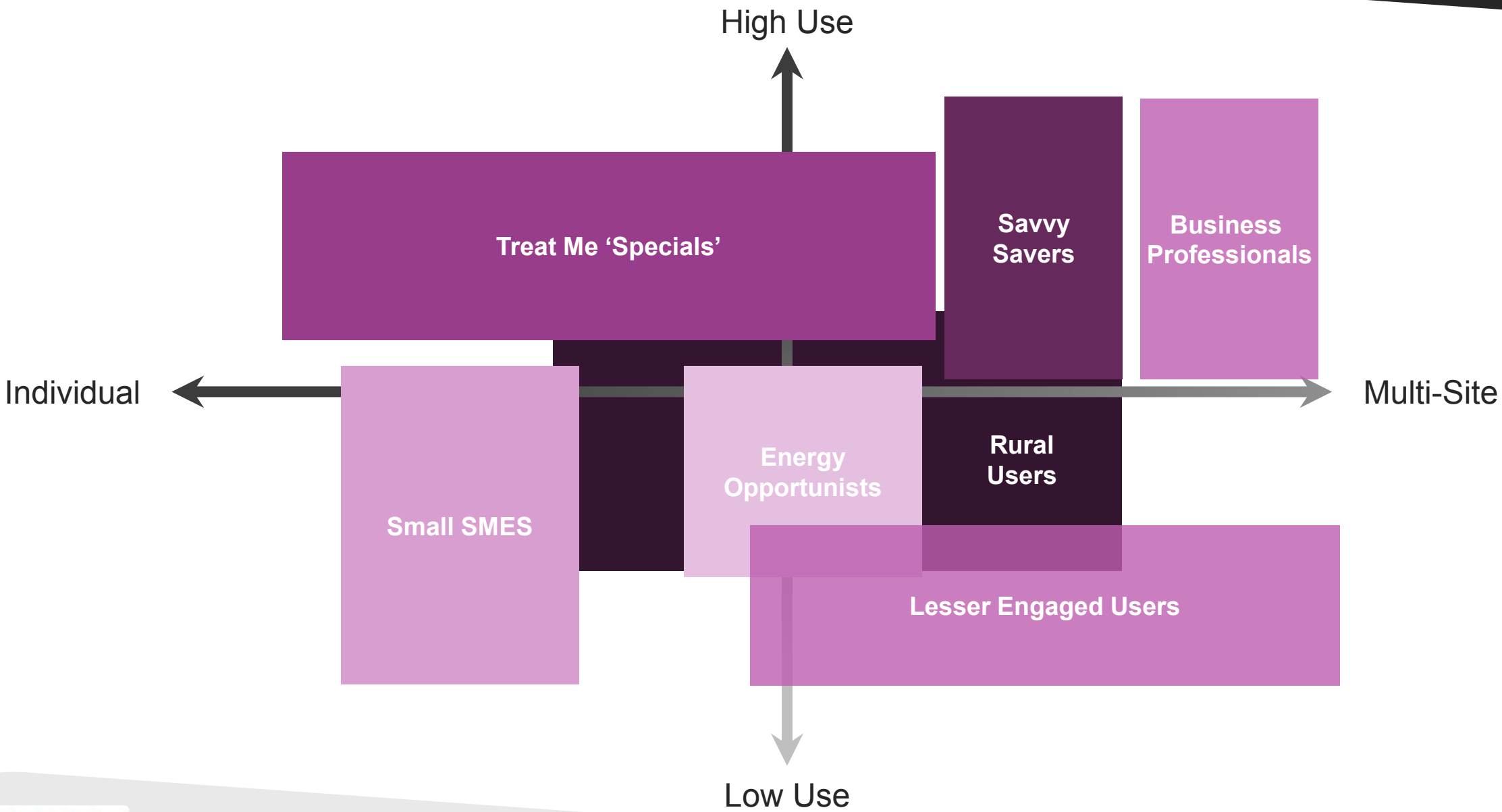
Dimension 1 | **Individual** – multiple site

Dimension 2 | **High use** – low use

Ability to control energy use as important but variable

Reliable supply as imperative across the board





Defining the Segments – Small SMEs



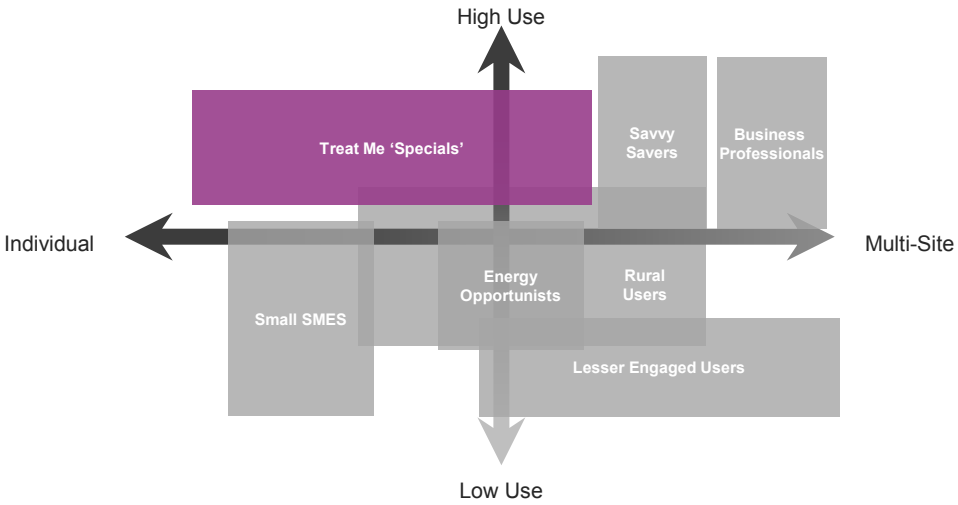
The most diverse of the group – ranging from 1-5 people in the business with a range of sectors to be accounted for

Noted as being similar in that they behave more like residential customers and less like business customers

Cheapest often seen as best

Not necessarily 'expert' at running a business – may be expert at their area of business but not at paperwork

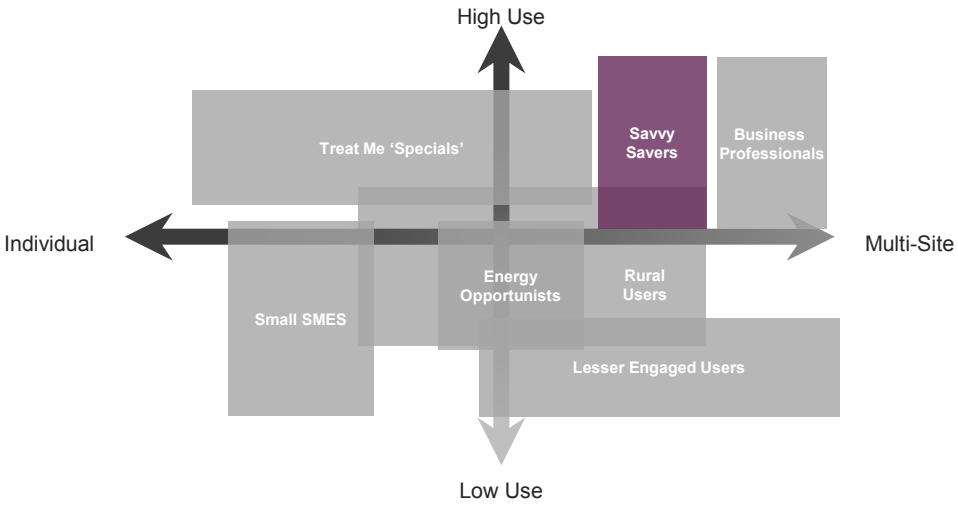
May struggle with bills / cashflow BUT highly dependent on the individual



Treat Me Specials

- › This group is distinctive in that they believe their energy use should give them some 'special' consideration from the energy supplier
- › More likely to want a personal relationship manager
- › More likely to want loyalty rewards
- › More likely to be intolerant of mistakes
- › More likely to be detail oriented when it comes to billing
- › More likely to be dissatisfied overall
- › Less likely to be loyal

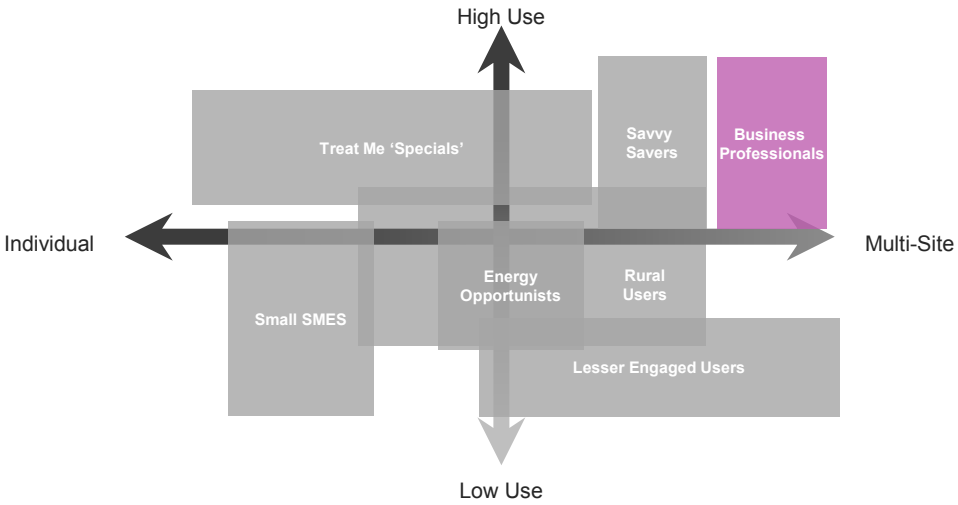




Savvy Savers

- › Large multi-site energy-aware businesses, such as multi store retail organisations, hospitality venues, and to a lesser degree manufacturing
- › May have people on staff to seek savings from the bottom line
- › Seeking reliability and low cost options
- › Will give loyalty if supplier can 'prove' cost effectiveness
- › Interested in new technologies if there are savings to be had

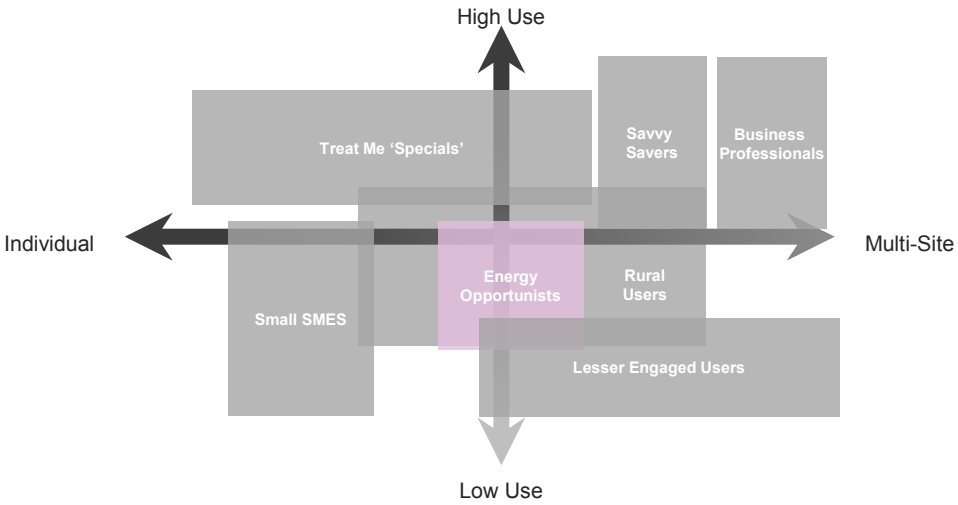




Business Professionals

- › Erring to larger corporate organisations, with in-house procurement people focused on seeking value for the shareholder
- › High demands on service
- › Concerned about CSR, carbon footprint and green issues
- › May have access to consultants for advice
- › May go through regular tender / pitch situations to find a contracted supplier
- › Will likely have KPIs in place
- › May also include larger rural business people who run multiple sites with high use practice (e.g. milking)

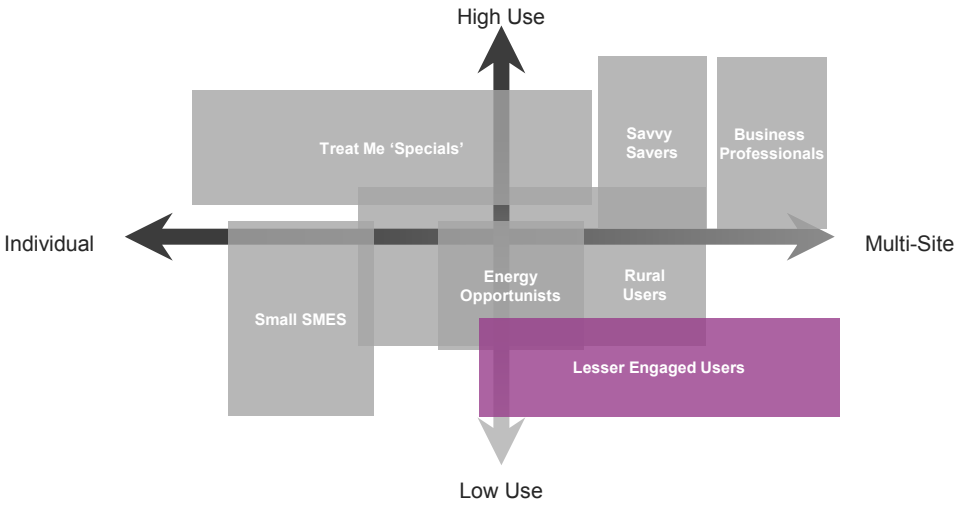




Energy Opportunists

- › Energy-aware businesses who have a strong need for simplified buying, billing and excellent pricing
- › Open to advice but unwilling to pay for it
- › Open to being 'courted'
- › Wanting high service levels, but unwilling to pay for it
- › Wanting rewards, but unwilling to give loyalty for them



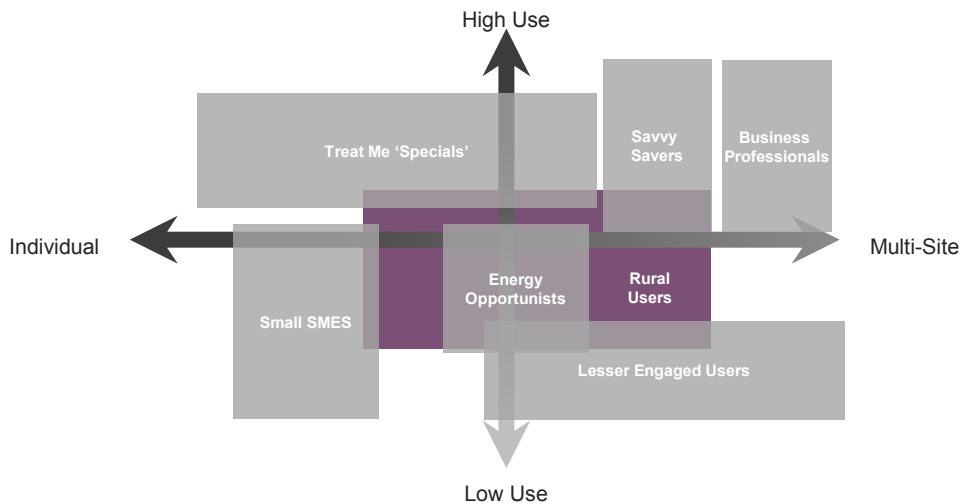


Lesser Engaged Users

- › Need energy but not focussed on it
- › Wanting sharp pricing but not prepared to put in any effort to achieve this
- › Discounts as important
- › Service as important (there when I need them)
- › Not really interested in trends or innovations – business as usual fine by these folk
- › More risk averse than some other groups
- › May need a 'group' decision (so an individual doesn't bear the burden of being responsible) for supplier / to change – influenced by their friends/peers/network
- › Fundamentally inert unless forced to attend to competitive offer



Rural Users



- › Rural users separated out due to their unique attitudes and needs
- › While 'clumped' as a group they are far from homogenous
- › Needs vary depending on seasonal requirements / size of operation / type of rural basis
- › Across the board reports of: stronger need for community connection, understanding of the needs of rural vs. urban to be demonstrated, relationship, alternative supply, issue management
- › Suggestions of: more cynicism in terms of providers (and their promises / offers), strong bottom line focus, practical and tangible as fundamental, 'new' and 'innovative' as good if benefits proven – apart from this may be treated with suspicion



A man and two children are on a balcony at night, hanging a string of warm white lights. The man is in the center, holding the string high. A young boy is on the right, also holding the string. A younger child is on the left, looking towards the camera. The balcony has a white lattice railing and a potted plant. The background shows a city skyline through a glass door.

contact

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