

Market Segmentation - *There's More than one Way to Slice A pie*

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Market Segmentation – What is it?



Defining and dividing a large homogenous population into clearly *identifiable groups* based on *similar characteristics*

Market Segmentation in Energy

- Energy industry has been using basic segmentation for years
 - Residential, commercial, industrial, low income





Opinion Dynamics



Identifying a Goal – How Should we Segment?

Dividing into *identifiable groups* on *similar characteristics*

The groups you identify, and who ends up in those groups, can vary dramatically . . .

. . . based on how you approach and define your segments

- There is no universal way to segment. Segments should be based on specific goals.
 - Branding?
 - Messaging?
 - Behaviors?
 - Programs?
 - Products?

Most Segments Focus on Attitudes

Messaging-focused efforts leverage motivations to inspire actions

Environment



- Plant & Animals
- GHG
- Natural Resources

Health



- Environment
- Pollution
- Toxic Waste

Foreign Oil



- Independence
- Security
- Economy

Future Generations



- Survival
- Resources
- Health

. . .But Seek to Change Actions



Segmentation Should Focus with the End in Mind

Attitudes

Awareness

Knowledge

Motivation



**Behavior
Change**

Need for More Granular Segmentation

Type of Segmentation	Description	Examples
Proprietary Segmentation	<ul style="list-style-type: none">• Pre-defined, general segments• Appended to households using geo-coded data	Claritas/Prizm Experian Mosaic Segments
Custom Segmentation	<ul style="list-style-type: none">• Customized segmentation developed for an organizations specific needs• Sizes market overall, often not assigned at the household level	Bonneville Power Authority
Micro-targeting or Propensity Scoring	<ul style="list-style-type: none">• Uses secondary and/or primary data• Develops household level propensity scores	Arizona Public Service

Proprietary Segmentations

- **Pros:**
 - Relatively inexpensive
 - Allows for comparisons across regions
 - Household-level assignments
- **Cons:**
 - Often too many segments
 - Not tailored to energy
 - Must infer how customers will respond to offers

New Empty Nests



S1 The Affluentials

Country Squires



T1 Landed Gentry

Custom Segmentation

- **Pros:**
 - Customized to your specific needs
 - Territory and region specific
 - Greater control over the process
- **Cons:**
 - Not comparable across regions
 - (Often) not assigned to households

Thrifty Conservers



Savvy Savers



Early Adopters



Micro-targeting

- **Pros:**
 - Focuses on probability to act
 - Delivers propensity at the household level
 - Develop unique scores for programs and products
- **Cons:**
 - Requires multiple data sources
 - Relies on clear goals
 - Works best for offerings with data on past program or product adoption



Likely to Participate

Political Science: Micro-Targeting

The 2012 campaign was the first in history to successfully leverage data to micro-target campaign messages at the household level.



Increased Marketing Response Rates

1%

Typical response rate with existing targeting (no targeting, or PRIZM)

4%

New typical response rate using *propensity scores* (typically 80+)

5.7%

Response rate using *propensity scores and high-impact messaging*



10+ years of solar PV

Range of audit & diagnostic services

Duct, insulation & envelope measures



Residential Rebates

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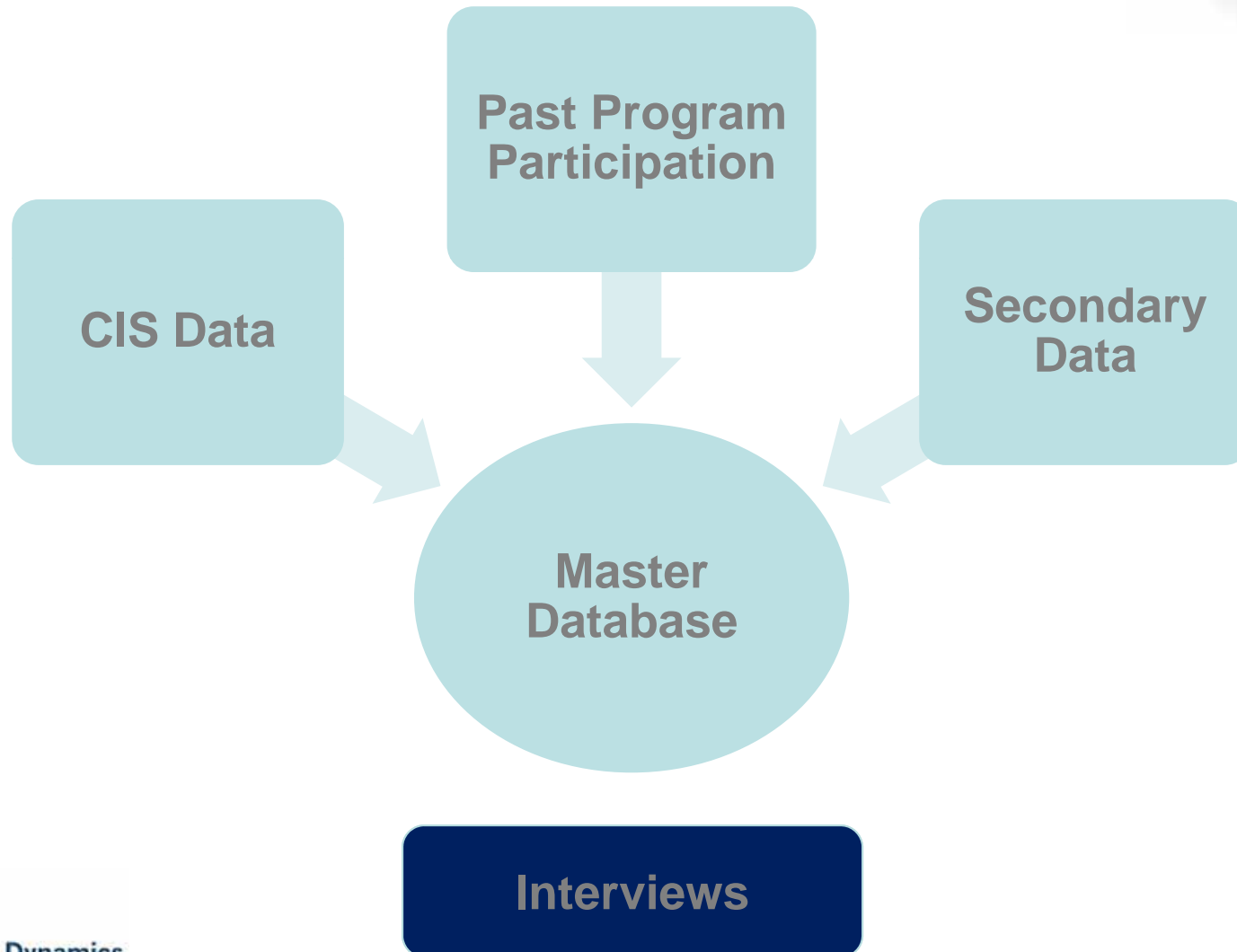
Robust AC Rebates

Planning for PEV

Over 1/2 of customers on TOU; growing CPP



A Wealth of Customer Data

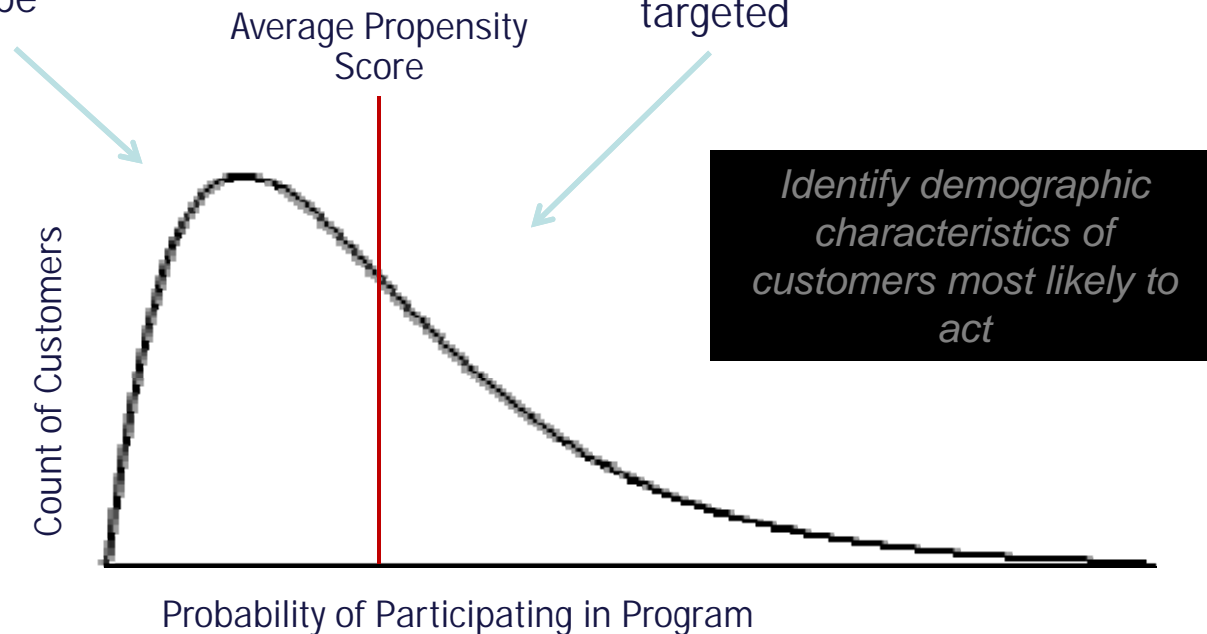


Proposed Opportunity Profiling

- How do we use this information and who are likely candidates to action on products and services?
- Predictive modeling integrates opportunity analysis with data elements that can predict *propensities to act* on based on population characteristics

Customers *below* average should probably not be targeted.

Customers *above* average could be targeted



Snapshot of Propensity Scores

1. Developed “propensity score” for **each** residential customer household for **each** key program group
2. Profiled key differences of customers most likely to participate in **21** efficiency, renewable, and rate-based programs, and pricing products

Account	Name	Home Energy Audit	Solar PV Lease	Demand Response
200102030	Tom Hanks	99	1	86
112123221	Steve Nash	41	89	66
292151312	Shannon Brown	82	94	44

1 = lowest score; poor target for program

Conclusions

- There are many ways to slice the pie
- Begin with the end goal in mind
- Carefully assess your options and make strategic research decisions
- Consider new, results-driven methods when investing in segmentation research

Questions?

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