It’s a tumultuous time in the utility industry and it’s clear there’s no proven model for the utility of the future. Is coal really going away? How will the rise of industrial scale solar and distributed energy affect utilities? Will electric cars eventually create a substantial load shift? One thing is certain: the utilities that thrive in the future will be those that use fundamental marketing principals to understand, segment and educate customers on their energy use.

Utilities face an uphill battle in educating residential customers since very few of them understand what a kilowatt-hour is, let alone why they should sign up for a utility cycling program or why a rooftop solar installation could be right for them. What’s more, the recent “Utility Residential Customer Education” survey, conducted through a partnership between NTC Corporate and Utility Dive, revealed that most utilities aren’t applying fundamental marketing principals to their residential customer education programs.

In fact, the industry overwhelmingly believes that financial incentives are the most effective motivator to get residential utility customers engaged with their programs, with 72% of utilities sharing that opinion. While financial incentives could impact increases in short-term engagement with customers, they won’t pay off in the long run. When a utility relies too heavily on pricing, the first four steps of the Marketing Hierarchy are dismissed, thus diverting the utility from a proven path of purchase success.
Driving this point further, the survey goes on to show that, not surprisingly, only 2% of executives believe their current programs (mostly pricing) are doing a “great” job of motivating customers to take the actions they want. So, with this problem in mind, we ask: What’s the best way to improve these programs?

The answer? A brief lesson in Marketing 101. By slowing down and embracing a marketing strategy that starts with customer education fundamentals through Knowledge and Awareness before moving on to Liking, Preference, Conviction and Purchase, utilities will greatly increase the chances of establishing and maintaining positive relationships with their customers. Let’s break this down further to show exactly how this works.

The Marketing Hierarchy theory, popularized in 1961 by Robert J. Lavidge and Gary A. Steiner, shows us that no purchase behavior can be achieved without moving through the six steps of persuasion noted here. The best way to complete this process is in three stages: cognitive (thinking) so that the consumer becomes educated about the offering, affective (feeling) so that the consumer likes the product and lastly, cognitive (behavior) so that the consumer purchases the program.

**6 STEPS TO SUCCESS WITH THE MARKETING HIERARCHY**

1. **Awareness:** This is when the customer becomes cognizant of a utility program. This step can be challenging, as awareness does not always equal understanding. There’s no guarantee the customer will understand an energy program without obtaining more information about it. That’s why dedication to customer education is crucial.

2. **Knowledge:** During this step, the customer begins to gain information about a utility program. In today’s digital world, consumers expect to gather product knowledge at the click of a button. However, the information currently delivered to utility customers can quickly overwhelm them unless presented in an articulated manner.

3. **Liking:** As the term indicates, this step is about ensuring that the customer likes the offered program. It’s important that utilities use trusted channels and techniques, such as recommendations from friends and family, to promote offers. This source of trust will encourage customers to like and then pursue the program the utility has to offer.

4. **Preference:** Because consumers might be offered more than one utility program in the energy space, they could end up participating in any of them. At this stage, the utility wants the consumer to disconnect from rival products and focus only on its particular program. Therefore, it’s vital that the utility highlight benefits and unique selling points so consumers can differentiate from competitor programs when making their choice.

5. **Conviction:** By this point, a utility is ready to influence the customer’s desire to take action or purchase. Utilities should encourage conviction by allowing consumers to test or sample the program. This reassures consumers that the action they take will be a safe one.

6. **Purchase:** Having proceeded through the first five stages, the customer is now convinced and ready to sign up for or purchase a utility’s program. This stage needs to be simple and easy, otherwise the customer will get fed up and walk away without taking action. For example, a variety of different program options can encourage purchase while a complicated and slow website discourages participation.

To download the full survey or for more information on how to improve your utility’s marketing programs, go to [www.ntccorporate.com](http://www.ntccorporate.com)
In the recent “Utility Residential Customer Education” survey, conducted through a partnership between NTC Corporate and Utility Dive, most utilities (76%) reported that residential customer education is a higher priority than it was 10 years ago. In addition, 97% of utilities expect distributed energy to change the way they educate residential utility customers in the next five years. With so many changes taking place in the industry, it’s vital that utilities adopt proven customer engagement strategies and, like the survey report states, “explore the effectiveness of previously untapped resources.”

In terms of messaging and communications, the survey uncovered that, “Direct mail and emailed newsletters were rated by utilities as the most effective tools.” In addition, 72% of the industry believes that financial incentives are the most effective motivator.

In contrast, business leaders highlighted in The Association of National Advertisers’ (ANA), Award-winning Campaigns Geared Toward Changing Behavior, rely on very different communications strategies and messaging when it comes to customer engagement and impacting consumer behavior. These award winners invest in live events, cause-marketing, earned media and content marketing, along with traditional advertising. The messaging is more values based, humorous and focused on the future, which is more likely to affect a customer’s purchase behavior than financial incentives alone.

For instance, when Proctor & Gamble’s Ariel brand, a line of laundry detergents based in the United Kingdom, wanted to change consumer energy behavior, the brand launched a consumer education campaign, “Turn to 30°,” to show customers that by making a small change, they could contribute to important sustainability practices for the planet.

Consumers often believed only high temperatures were useful to achieve good results when cleaning their clothes prior to the start of Ariel’s “Turn to 30°” campaign. A dramatic paradigm shift would be needed to help consumers understand the benefits of using lower temperatures when it came to their wash cycles in order to not only conserve energy but adopt other sustainable practices.

Ariel’s challenge was not only to educate consumers that they could get good results at low temperatures, but to widen the context by creating direct links between energy saving and climate change (communicating the small steps we can take to make a difference) and thus generate a much stronger, more high profile call to action while still inspiring and empowering consumers, according to the Marketing Society UK:
Awards for Excellence.
The results of the campaign were astounding. Ariel’s customer education program led to a significant change in consumer behavior regarding water temperature use during a washing machine cycle. Data revealed that prior to the campaign, only 2% of wash loads in the UK were washed at 30°. But independent research conducted after “Turn to 30°” revealed a link between Ariel and 88% of users who washed their clothes at 30°C, as highlighted within the Marketing Society UK report.

HOW PROCTOR & GAMBLE BROUGHT THIS CAMPAIGN TO LIFE

CAUSE MARKETING: Created partnership with the Energy Saving Trust

CONTENT MARKETING: Launched webisodes leveraging personal testimonials from well-known faces linked to energy saving initiatives to enforce call to action

LIVE EVENTS: Held at shopping centers and store events included the Ariel “Do a Good Turn” house with partnerships from the Energy Saving Trust

PLEDGE: Launched a “Do a Good Turn” pledge to create a community that promoted sustainability and energy saving practices

EARNED MEDIA: Articles encouraging consumers to take the “Do a Good Turn” pledge

MICRO-SITE: Launched the campaign’s website, www.doagoodturn.co.uk, further promoted a communal spirit by providing sustainability news updates and encouraging participating in the “Do a Good Turn” pledge
Bottled water consumption skyrocketed during the early 2000s. Brita, filtered water pioneer, was concerned about declining sales and the effect of all the plastic water bottles making their way to landfills. “…a combination of marketing, distribution, bottle design and health had people drinking bottled water to the tune of 8.6 billion gallons a year,” according to the Jay Chiat Strategic Excellence Awards report. Brita had become a second rate option to its more convenient opponent, bottled water. Brita challenged the bottled water industry by partnering with Nalgene to educate consumers through its “Filter for Good” campaign.

Brita conducted a thorough review to reveal the disheartening facts on bottled water.

…if Americans swapped just 10% of their water bottles for Brita water in a sustainable container, it would save nearly 12MM gallons of diesel fuel, prevent more than 100MM pounds of greenhouse gases from entering the atmosphere and keep 213MM pounds of PET plastic out of our landfills, according to the report.

With these facts in mind, Brita and Nalgene had an opportunity to not only change consumers’ behaviors but also make an environmental impact for good by creating a community of Brita water drinkers compelled to make a difference.

Brita created this successful campaign with these elements:

**PLEDGE:** Enticing consumers to take a pledge to stop drinking bottled water

**EARNED MEDIA:** Stories about Brita’s sustainability features versus bottled water

**MICRO-WEBSITE:** Launching FilterForGood.com, where consumers could take the pledge to stop drinking bottled water

**SOCIAL MEDIA:** Consumers taking the pledge (along with advertising) worked well for social media sharing

**LIVE EVENTS:** Brita worked closely with The Sundance Film Festival, where the company encouraged people to stop drinking bottled water

The results were a complete business turnaround for Brita, including a 21% increase in sales!

Utilities can learn from these campaigns as each company spent considerable effort in getting consumers to emotionally connect to an issue while moving through the Marketing Hierarchy of Effects.
In customer funded residential energy efficiency programs, ROI is the fundamental metric used by regulators to measure success. Understanding how to design Evaluation, Measurement and Verification (EM&V) that truly measures ROI for residential education programs has rapidly become a top priority for utility executives.

In the recent “Utility Residential Customer Education” survey, conducted through a partnership between NTC Corporate and Utility Dive, most utilities (68%) reported that they were unable to measure ROI for their residential customer education programs. When trying to track ROI, 69% stated they used a cost vs. savings approach. This was followed by load reduction, customer satisfaction and/or enrollment figures, in which each approach was used by just over half of the utilities surveyed.

With 76% of survey respondents reporting that residential customer education is a higher priority for their utility compared to 10 years ago, the ability to track ROI is a necessity. To heighten the challenge, 57% of utilities say the inability to prove ROI is their biggest hurdle to securing funding for their programs.

A simple calculation of cost vs. savings is shortsighted and misleading given the need to engage and educate utility customers to impact their energy efficiency behaviors. As highlighted, this is especially important when applying the six steps of the Marketing Hierarchy.

As you look at the hierarchy, you can see that assessments of ROI, based on purchase alone, capture only the last step in a chain of events leading to sales. Assessing marketing efforts based solely on energy savings, program sign-up or load reduction assumes the other steps in the hierarchy are unimportant in achieving future sales. That couldn’t be further from the truth. “Ignoring the impact of your marketing efforts on each stage of the hierarchy of effects is lazy, short-sighted, and will likely lead to inaccurate decisions,” said Angela Hausman in, “Hierarchy of Effects: Monitoring and Maximizing Your Marketing Efforts.”

So what types of marketing programs can utilities use that ensure easy ROI tracking and follow a proven path to purchase success? One of the best is a K-12 school program. Although these school programs teach students the benefits and basics of energy consumption, it’s not the students who are the true target market for the content. Instead, these programs are designed to ultimately impact the purchase behaviors of the parents – the residential utility customer.
A well designed and executed K-12 residential customer education program targets each of the Marketing Hierarchy steps and delivers clean ROI numbers. Here’s how it works:

**AWARENESS:** Schools offer captive audiences. By presenting a live event and related curriculum to all K-12 students in a number of schools within a utility’s distribution territory, that utility will reach every resident with school age children. This results in precise awareness numbers with no wasted effort.

**KNOWLEDGE:** Schools are designed as a place for teaching and learning. Evaluation and assessment are built into all school programs, with most programs using pre-test/post-test design and execution to confirm ROI.

**LIKING:** This is where the magic of school programs really pays off for utilities. By delivering creative, exciting and fun educational events for students and teachers, the utility drives liking. ROI is easily measured at this step by how many students take the materials home to parents in addition to how many social and traditional media mentions are generated from the in-school events. Finally, by using traditional market research, utilities can measure changes in residential customer attitudes over time.

**PREFERENCE:** Residential customers are asked by their children to participate in the programs offered by the utility. Children are powerful influencers, especially when social issues like environmental stewardship, civic duty and community well-being are the focus.

**CONVICTION:** A key component of any K-12 utility program is the connection between the excitement created in the school through special events and curriculum, and the take-home family activities required by the classroom teacher. It’s during this stage that adult residential utility customers learn about their energy use along with their children, and ROI is measured by reported use of school curriculum at home.

**PURCHASE:** Finally, the critical call to action! K-12 residential education marketing programs must have a direct and easy way for customers to take action. Most effective are micro-sites that drive behavior through the use of energy efficiency kits, energy cycling, lighting programs, and appliance recycling or solar installation.
Even though I do not believe that assessing purchase ROI alone is the best measure of success for a utility, it's still valuable to map the increase in sign-ups or KWh savings to ensure a utility's marketing programs are working. The key is tracking and understanding how earlier elements in the hierarchy, such as Awareness and Knowledge, translate into results. It is within these crucial steps that, as marketers, we ensure consumers move through each stage successfully leading up to purchase.

As we know, customer engagement will only continue to become a higher priority for utility executives over the next few years. For more information on how to improve your utility's marketing programs, download NTC's Utility Residential Customer Education infographic and for additional industry insights get your copy of the "Utility Residential Customer Education" survey report at www.ntccorporate.com.

For more information on how to improve your utility's marketing programs contact Ward Eames at weames@ntccorporate.com.

© The National Theatre for Children 2017

ABOUT NTC

NTC Corporate is an award-winning educational content provider for utilities who need to engage, educate and motivate students, their families and educators. We offer a full range of unique, turnkey marketing programs that engage current and future consumers via the education space. We inspire young people – and their families – to explore important and timely curricular subjects including: wise energy use, electrical and natural gas safety, renewable energy, science, technology, engineering and math (STEM), financial literacy, health and nutrition and environmental literacy, among others. Founded in the U.S. in 1978, NTC is now international with operations throughout North America and Australia.