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Energy Trends

Highlights on consumer energy usage

May 2009

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Introduction

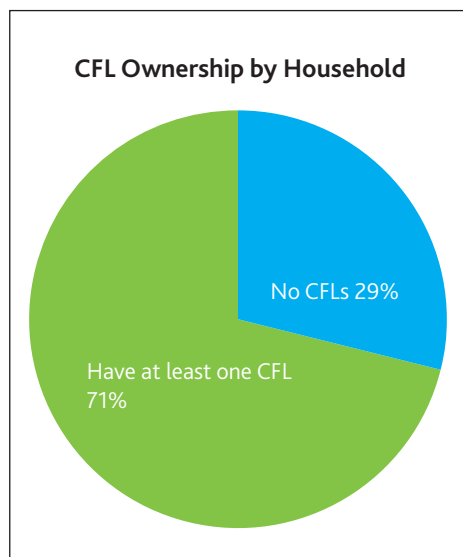
In today's market, consumers find themselves confronted with a changing energy landscape. Rising gasoline prices, environmental concerns, alternative energy sources and a contracting economy have all conspired to offer consumers more energy choices but have also raised many usage questions.

To track the ebb and flow of the energy sector and its impact on consumer behavior, the Nielsen Claritas Convergence Audit was administered, which is an annual survey of more than 32,000 respondents conducted both online and through the mail.

This report highlights some of the survey's more notable trends that emerged in 2008.

CFL Bulbs

Compact Fluorescent Lights (CFLs) have been at the forefront of the green energy movement at the consumer level. With CFL prices coming down and distribution channels continuing to expand, CFL bulbs are now readily available and much more affordable



to the average consumer. This ease of access has been critical to building CFL acceptance in the marketplace.

Seventy-one percent of consumers have at least one CFL bulb currently in their household. Ironically, the demographic groups that could benefit most from the cost savings CFLs offer are also the groups that have lower penetration rates.

CFL ownership is greatest among those with higher incomes and education levels. In addition, home ownership seems to have an impact as renters show lower penetration levels than home owners.

Have at least one CFL in the household

Age

18-34	64%
35-54	70%
55+	74%

Household Income

<\$35,000	61%
\$100,000+	76%

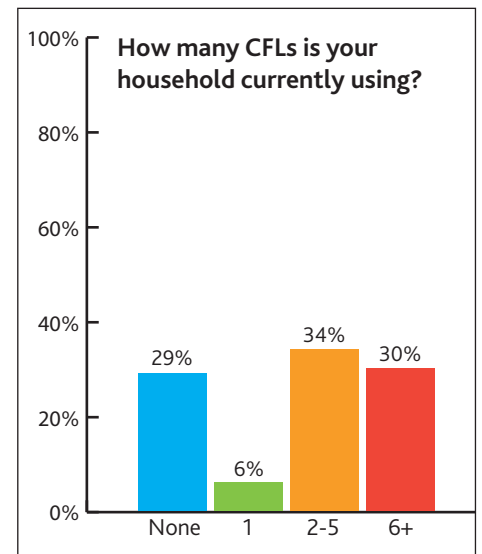
Education

High school graduate or less	63%
College graduate+	74%

Home Ownership

Rent	59%
Own Home	74%

Looking at the number of CFLs found in the household, we see that the majority of CFL owners are not experimenting with just one. Sixty-four percent have two or more and 30% have six or more which likely means that all or most of the bulbs in their house are CFLs.



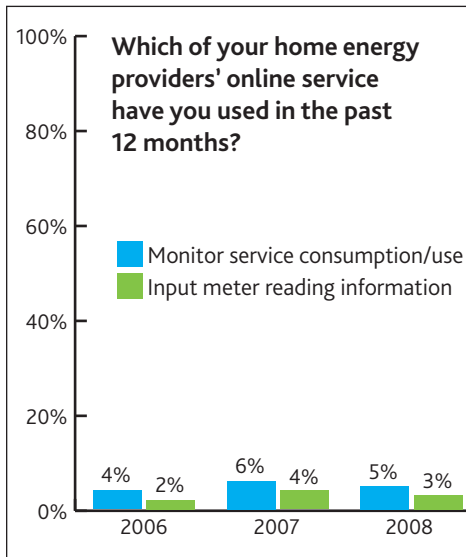
To target households most likely to have six or more CFL bulbs, marketers should look to upscale suburban and rural areas. Using the Nielsen Claritas PRIZM segmentation system, which places consumers into 66 segments based on demographics, lifestyles, shopping patterns and media preferences, CFL purchasers reside in segments like Blue Blood Estates, Big Fish, Small Pond, and Country Squires. Households in these segments fit the heavy CFL usage profile, with average incomes over \$100,000, post-college educations and ages ranging from 35 to 64.

Demand Side Management

While the CFL has seen a significant rise in market acceptance in recent years, many of the services grouped under Demand Side Management (DSM) remain underutilized by the general public. This is due in part to some level of inconsistency in the types of DSM services offered by local utilities.

It is also expected that these services will see an increase in use once SmartGrids come online and energy management becomes more of a common activity for the average consumer.

As SmartGrids proliferate we will see a group of services that rely on online energy management as the cornerstone of their effectiveness. At present however, the use of online resources to manage energy consumption is relatively low and has remained so for the past few years.



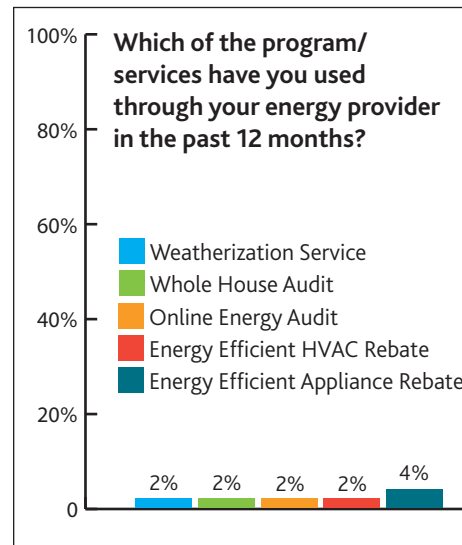
In a similar fashion, additional DSM services that can be purchased through energy providers have thus far seen low adoption rates.

Which of these services does your household have or currently subscribe to through your energy provider?

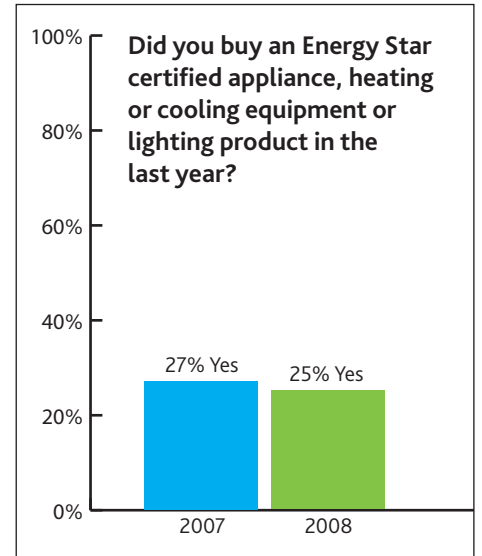
DSM Programs Available Through Energy Providers	2008 Adoption Rates
Real-time pricing	5%
Load management	3%
Time of use rates	5%

PRIZM® segments such as Executive Suites, Winner's Circle and Movers & Shakers are ideal candidates to adopt these newer services (e.g. real-time pricing, time-of-use). This follows suit to CFL behavior, again proving that those less affluent households that could benefit from cost-saving services are not taking advantage of them. Utilities can begin to leverage this by educating these under-penetrated segments and illustrating the cost savings associated with each service.

Keeping with the common theme, home energy efficiency services that include house audits and weatherization are in their infancy.



Energy Star® certified appliances have seen good penetration in the market although it may have reached a plateau.



All of this leads to the conclusion that the majority of consumers have successfully made the jump to CFLs and Energy Star appliances. The challenge will be to entice consumers to take further steps toward energy efficiency. Additional steps will require a scheduled appointment or even more likely a change in the consumer's energy usage behavior. This will undoubtedly be a much harder sell but as CFLs have proven, with education, consumers can be swayed through precise targeting and proper messaging.

Paperless Billing

The drive for paperless billing is not something specific to the energy industry. All corners of business are looking to reduce waste and costs associated with paper bills delivered via standard mail. As Internet access proliferates and security concerns abate, it is expected that more of the general public will accept online billing as a standard practice.

Results from the 2008 Nielsen Claritas Convergence Audit indicate that online services offered by energy providers, which are directly related to bill payments, are having success in the market. Twenty percent of consumers are actively viewing and paying their monthly bills online.

To a lesser extent, only 10% are actually receiving their monthly energy bill via email.

On the opposite end of the spectrum, more complicated online services are as of yet not being used by consumers. The transfer and ordering of new energy conservation solutions exhibits low levels of online usage. This may be caused by the need consumers often have to get questions answered and gather information when the need for these services arises. Expanding on FAQ offerings and making online service representative chat sessions available may aid in increasing the penetration of these services.

The small percentage of households that are likely to use their energy provider's website to establish new service can be found in more urban areas and are often renters—no doubt looking for a quick and convenient way to set-up service in their new apartment before moving out of their current one. PRIZM segments Big City Blues and Boomtown Singles are ideal examples of these households.

Please indicate which of your energy providers' online services you have used in the past 12 months

	2006	2007	2008
View account status/bill	15%	22%	20%
Receive monthly bill via email	10%	12%	10%
Make a payment online	n/a	22%	20%
Connect/establish/transfer services	2%	3%	2%
Order new products or services	2%	2%	2%



In terms of payment options for energy services in the last 12 months, automatic monthly payments are more likely pulled from checking accounts than from credit cards. However, one time credit card payments that are not automatic are on par with checking withdrawals.

The survey showed that automatic monthly withdrawal from a checking account is 16%. Automatic monthly withdrawal from a credit card is 4% and people who pay their bill by credit card (not automatic withdrawal) is 16%.

Conclusion

The current momentum surrounding green initiatives and reduced energy consumption has presented the industry with a golden opportunity. Leveraging the public's new-found interest in green energy will offer a wide forum for energy companies to advance their programs and educate the public. That, however, will also be a great challenge.

As we have seen with the results found in this report, simple lifestyle changes, like CFLs, can pay huge dividends. But the industry must work to move consumers from being relatively passive energy users to active participants, managing and monitoring their own consumption. This change in behavior will take time and will only be possible with effective programs designed to educate the consumer on the benefits. Saving the environment will be motivation enough for some but cost savings will be the key message that will resonate with the market. Marketing dollars, promotion and a heightened emphasis on customer service will be needed to shepherd the public and give them the answers they seek as we all move cautiously into a new era of energy.

Passion for Precision

Nielsen Claritas, an industry leader for nearly 40 years, is the preferred choice of Fortune 500 companies who wish to optimize their customer targeting, media strategies and site analysis decisions. Combining the most passionate team of industry experts with world-class data, software and services, we deliver solutions that help you identify both 'who' and 'where' your best customers and prospects are—with precision.

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