



## Let's Play Money Ball

Research on Low to Moderate Income Customers: Energy Bills & Usage

Jamie Wimberly, CEO, DEFG



## Money Ball

- *Moneyball: The Art of Winning an Unfair Game* is a book by Michael Lewis, published in 2003, about the Oakland Athletics baseball team and its general manager Billy Beane. Its focus is the team's analytical, evidence-based, sabermetric approach to assembling a competitive baseball team, despite Oakland's disadvantaged revenue situation. A film based on the book starring Brad Pitt was released in 2011.

*“At the bottom of the Oakland experiment was a willingness to rethink baseball ... to set about looking for inefficiencies in the game. Looking for, in essence, new baseball knowledge.”*

**How does money ball apply to the utility sector?** Like with baseball, new data and analytics about consumers is increasingly accessible to question key assumptions and basic tenets that have governed the utility sector for decades.



## No. 1: All For One, And One For All

Traditional assumption: Low income customers are largely defined as a segment by income and/ or credit limitations which require programs to assist them in staying current with utility bills. In short, “low income customers” oftentimes means those customers who fit eligibility requirements.

Money ball proposition: Low income customers do have certain circumstances that define the segment; however, like with other customer classes, there needs to be much more focus put on individual preferences and needs in order to successfully engage with those customers.

## Different Needs for Different Circumstances

### “Budget Jugglers”

- Core target—needs to solve a need or problem (payment, disconnect, cash flow, no credit)
- Tend to be single women, 18-24 years of age
- Heavy users of other alternative financial products and/ or payment options
- HH Income: Less than \$50K, average \$30K
- More likely to be unbanked
- Cash flow/Credit Challenged
- Tend to stay for a shorter period of time (as they overcome a short term need)

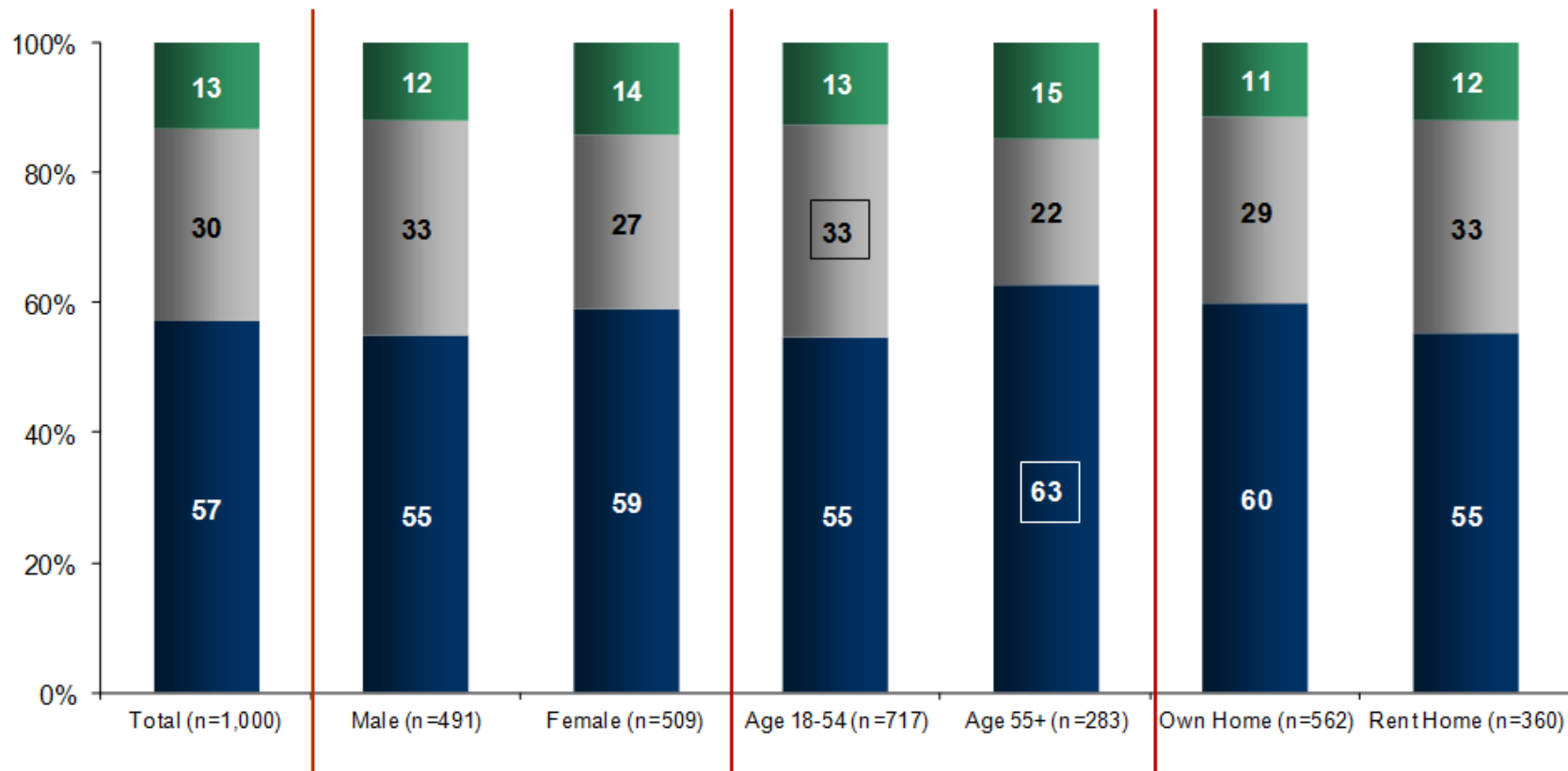
### “Budget Controllers”

- Higher-value prospects – want control (budget, cash flow, electricity usage)
- Young families, female decision maker age 25-34
- Moderate users of other alternative financial products and/ or payment options
- HH Income: \$50K-\$80, average \$65K
- More likely to be banked or under-banked
- Cash Flow/Credit Limited
- Tend to stay for a longer period of time (if the experience and value proposition meet expectations)

More than half of consumers feel that their utility provides them with adequate choices; older customers are more likely to say this

## Are Adequate Choices on How to Manage Electricity Usage and/or Monthly Bill Being Provided?

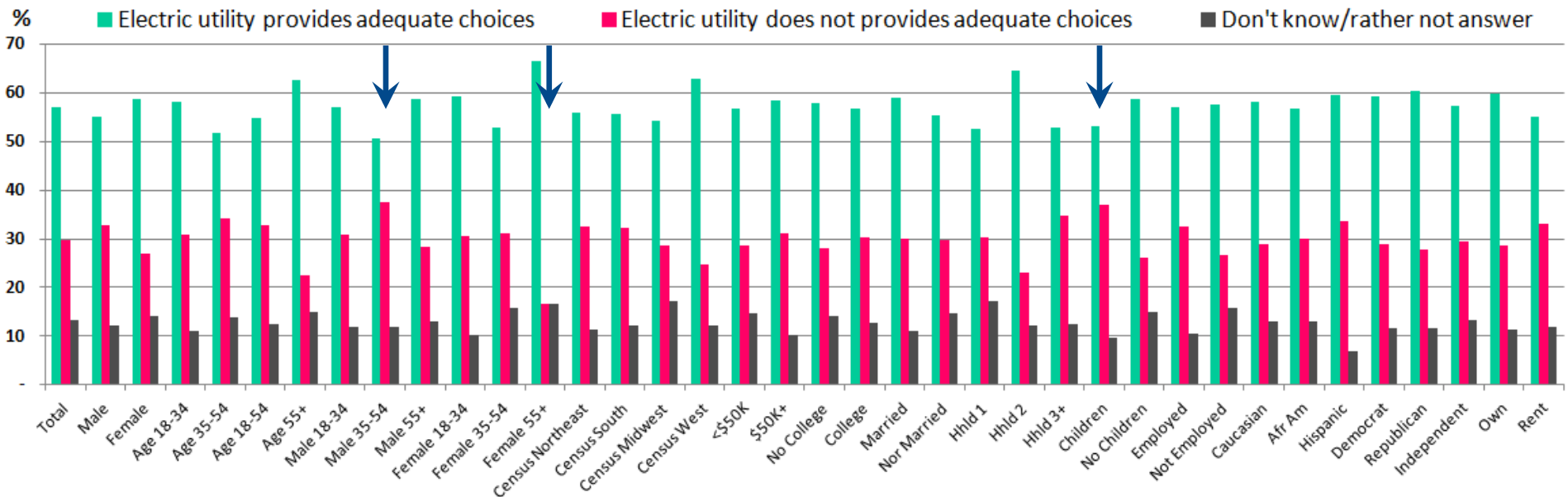
■ Electric utility provides adequate choices ■ Electric utility does not provides adequate choices ■ Don't know/rather not answer



Q.3: Do you believe that your electric utility provides an adequate number of choices to you about how to manage your electricity usage or manage your monthly electric bill?

When broken down further, it becomes clear that there are major differences between the segments based on such factors as age, gender, household size and presence of children

## Are Adequate Choices on How to Manage Electricity Usage and/or Monthly Bill Being Provided? (detail)



Q.3: Do you believe that your electric utility provides an adequate number of choices to you about how to manage your electricity usage or manage your monthly electric bill?

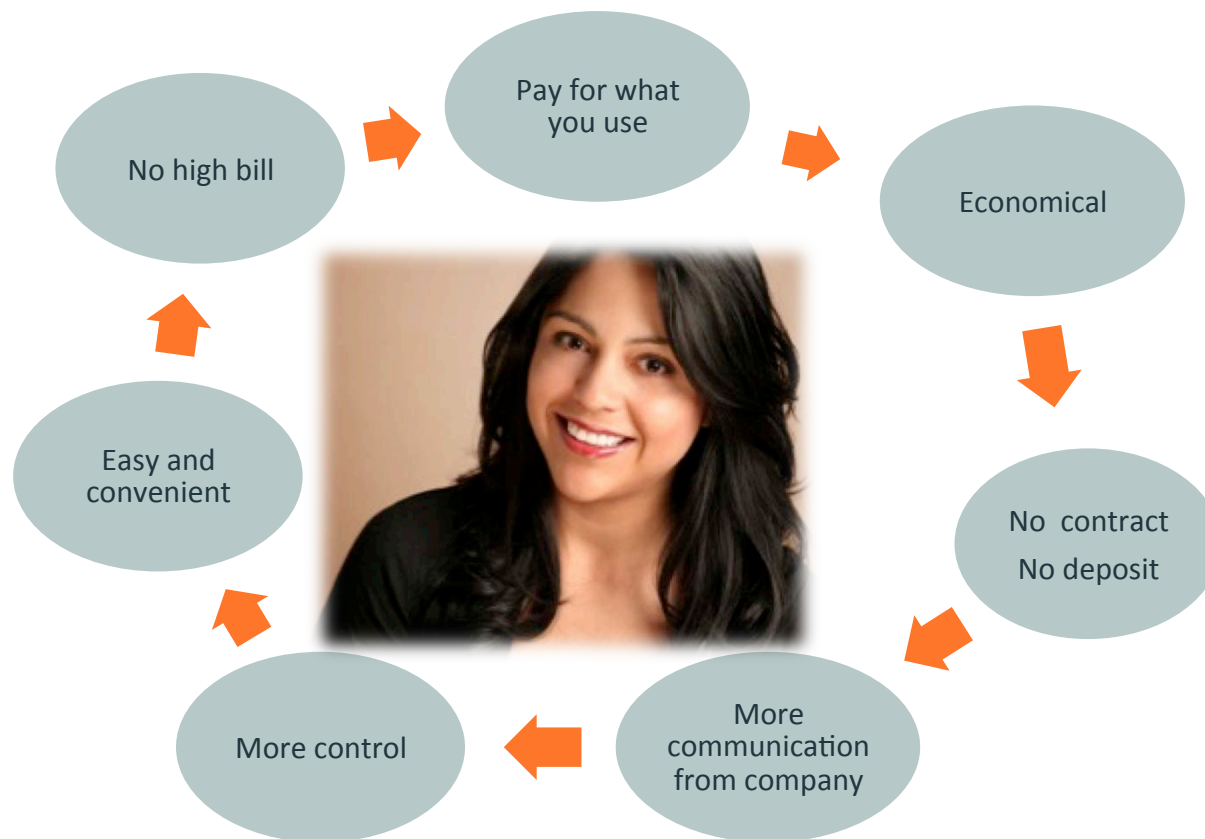


## No. 2: Stop Badgering Customers To Save Energy

Traditional assumption: Utilities have done a good job designing programs that leverage single measures to achieve targets for energy efficiency savings. These measures have largely been engineering-designed and driven. The assumption is that it is in the consumer interest too to save energy, and thus, costs connected to the resource portfolio.

Money ball proposition: It feels like the industry is trying to engage low income customers in a conversation around saving energy that more often than not the customer does not want to have. The utility sector needs to change the frame of reference from an engineering to more of an emotional, empathetic one to fully engage customers. The industry also needs to change its approach and provide customers more options around how the utility charges for energy that allows customers to make their own choice in terms of how much energy they want to use based on comfort, price, household budget, etc.

## Customer Value Proposition







## Reimagining the Market



## No. 3: You Have A Situation, I Have A Solution

- Traditional assumption: What is good for the utility is good for the customer. Utilities (and regulators) have oftentimes determined system needs, e.g., reducing peak, and then developed a program to get customers to fill that need, e.g., dynamic pricing.
- Money ball proposition: While there is alignment around the basics, e.g., keeping the lights on, there is a divergence between the customer frame of reference - how they view the product and their needs - and the utility frame of reference around doing business. Once the customer's situation is understood, the right menu of solutions that can be offered.

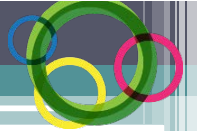


**At the beginning, I was afraid.**

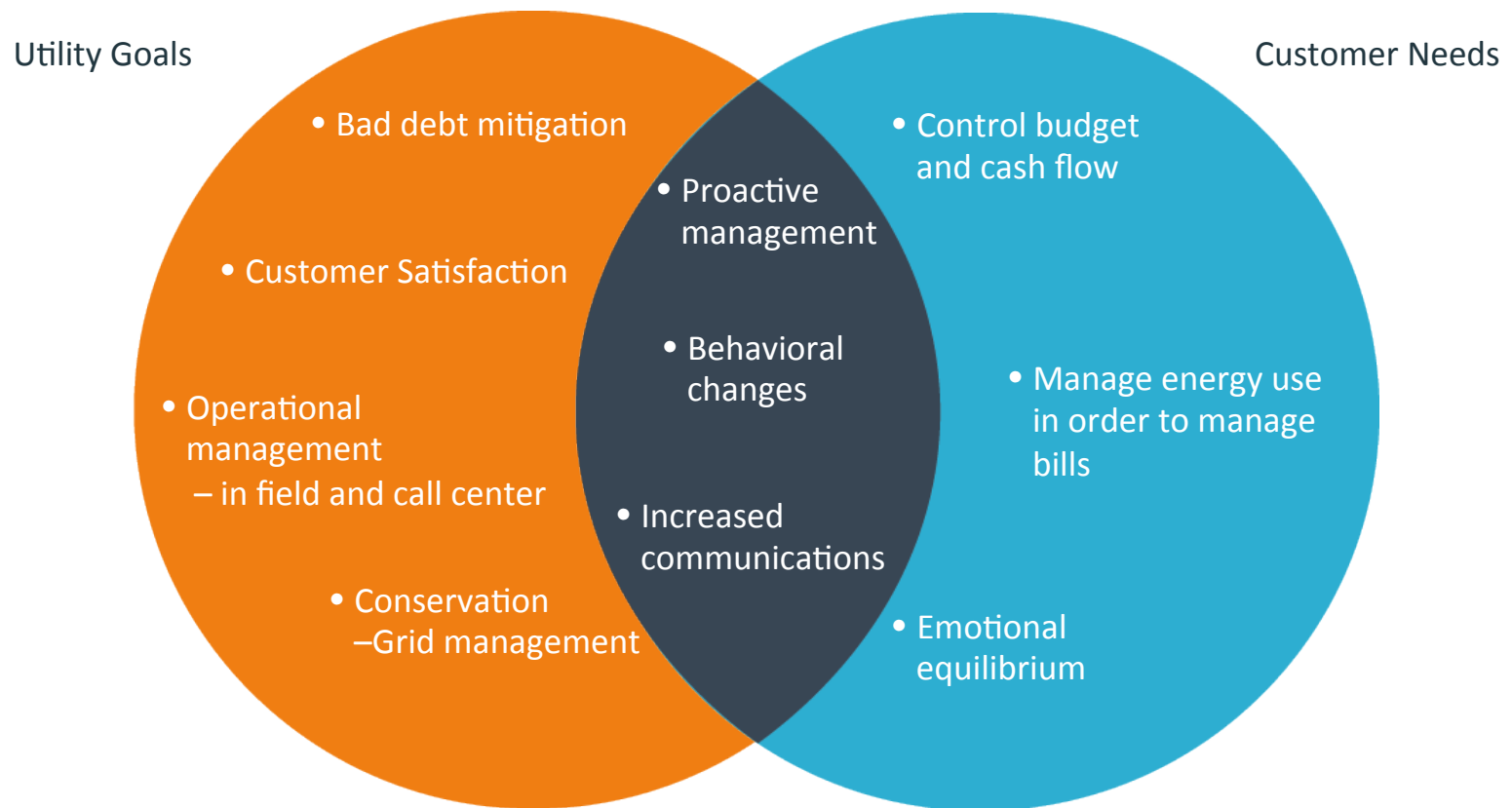
## No. 4: Maybe Money Isn't Everything

Traditional assumption: Most of the cash assistance and energy assistance programs are designed and promoted as saving the customer money. This includes the incentives as well to participate in the programs. The assumption is that low income customers care most about money.

Money ball proposition: While saving money and assistance is certainly important, maybe money isn't everything representing value to low income customers. Research points to other alternative currencies that may be equally important, e.g., time, social status, lifestyle, aspirations, etc.



## Aligning Utility Goals with Customer Needs



Time More Valuable Than Money?

# Dollars = Days?

- Consumers related **dollars to days of electricity**, with less of an association between **dollars and kWh purchased**
- Using prepaid telecom as an example as a surrogate for prepaid electricity can create confusion
- Low income customers have been **early and heavy adopters of prepaid telecom**



## No. 5: Low Income Customers Love Paper

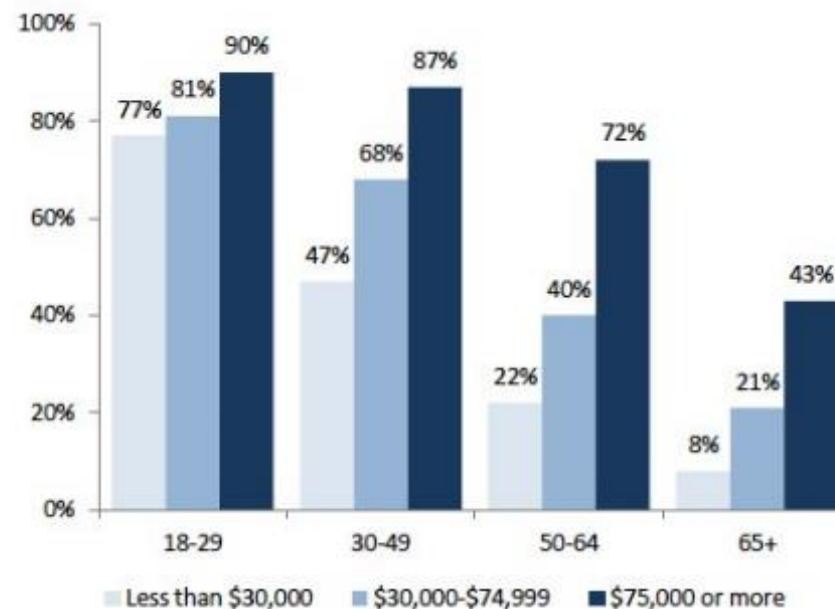
- Traditional assumption: Consumers need to be properly notified when in default situations in their accounts that could lead to disconnection of service. Many state regulations require that utilities send communications through the mail and/ or deliver the message through a rep's visit at the consumer's home. Moreover, many states still require that consumers receive a monthly paper bill.
- Money ball proposition: Low income customers are just as likely to have a smart phone and prefer receive communications via text and/ or e-mail. Given the current uncertainty of the future of the USPS, this is aligned to a mega trend for electronic communications. As a general proposition, a majority of consumers also are open to going paperless to receive their monthly bill.



## Low Income Customers Increasing Use of Smart Phones

### Smartphone ownership by income/age grouping

% within each age/income grouping who own a smartphone (example: 77% of 18-29 year olds with an annual household income of less than \$30,000 are smartphone owners)

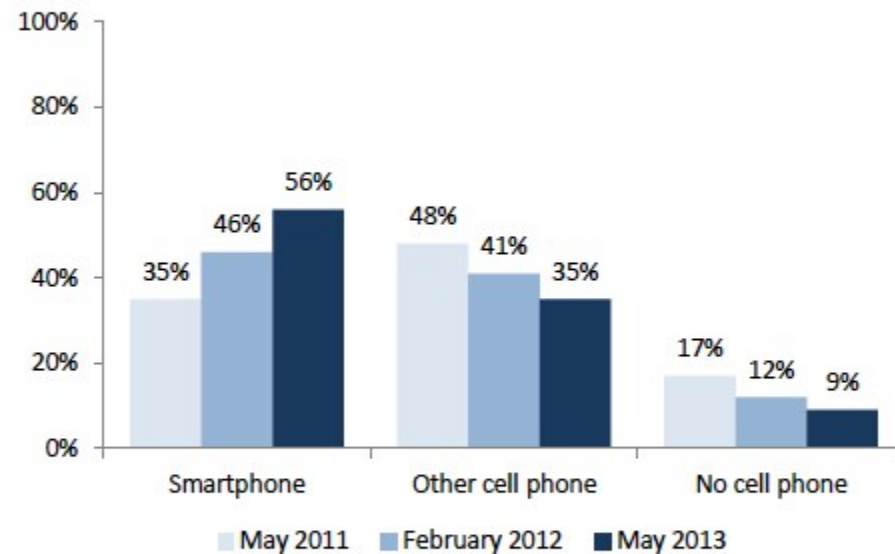


Source: Pew Research Center's Internet & American Life Project, April 17-May 19, 2013 Tracking Survey. Interviews were conducted in English and Spanish and on landline and cell phones. Margin of error is +/-2.3 percentage points based on all adults (n=2,252).

## Smart Phone Ownership Is Part of Intensifying Trend

### Changes in smartphone ownership, 2011-2013

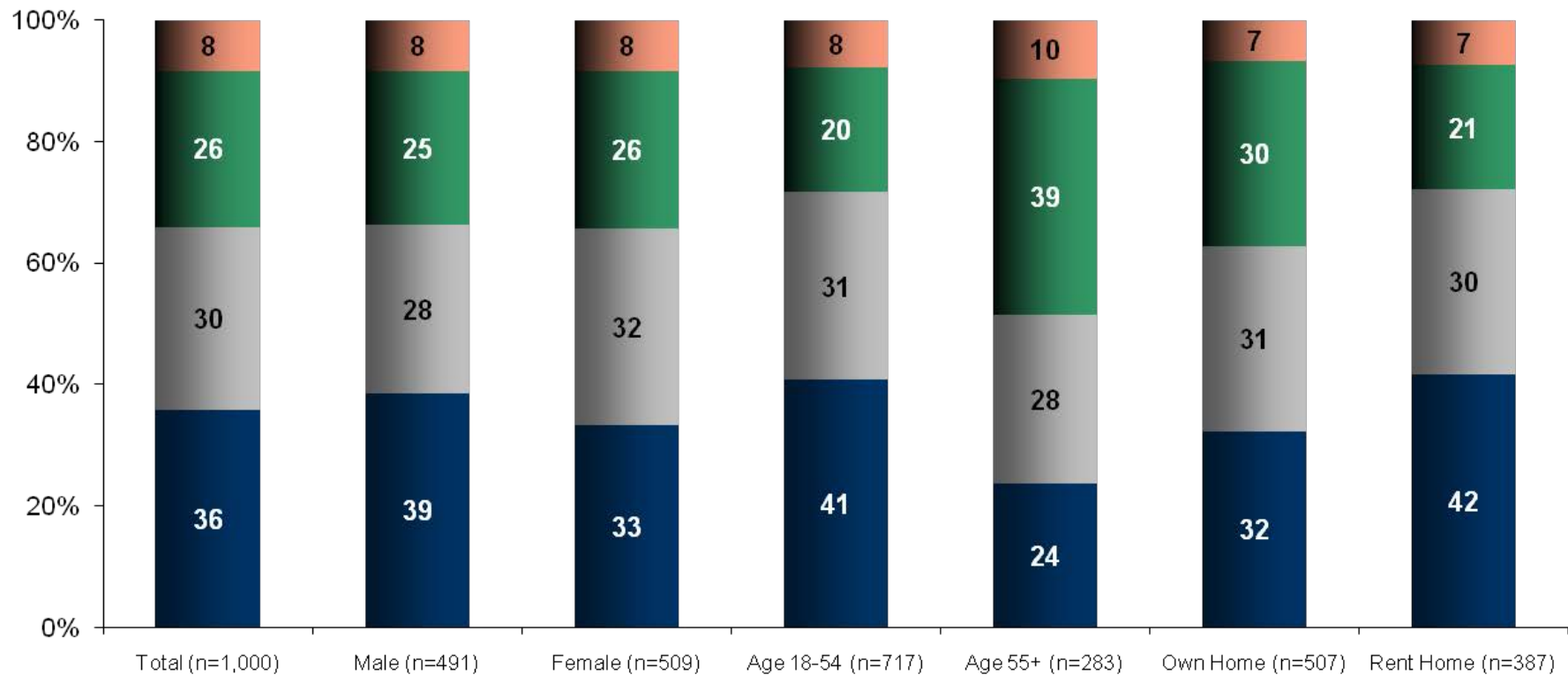
% of all U.S. adults who own...



Source: Pew Research Center's Internet & American Life Project April 26-May 22, 2011, January 20-February 19, 2012, and April 17-May 19, 2013 tracking surveys. For 2013 data, n=2,252 adults and survey includes 1,127 cell phone interviews. All surveys include Spanish-language interviews.

# Paperless vs. Monthly Bill

- I would be happy to go paperless and receive billing and payment information electronically
- I would be comfortable going paperless provided I am able to access my past usage and payments history through an online portal/website
- I would prefer a monthly paper summary of my usage and payments to come by U.S. mail
- Don't know

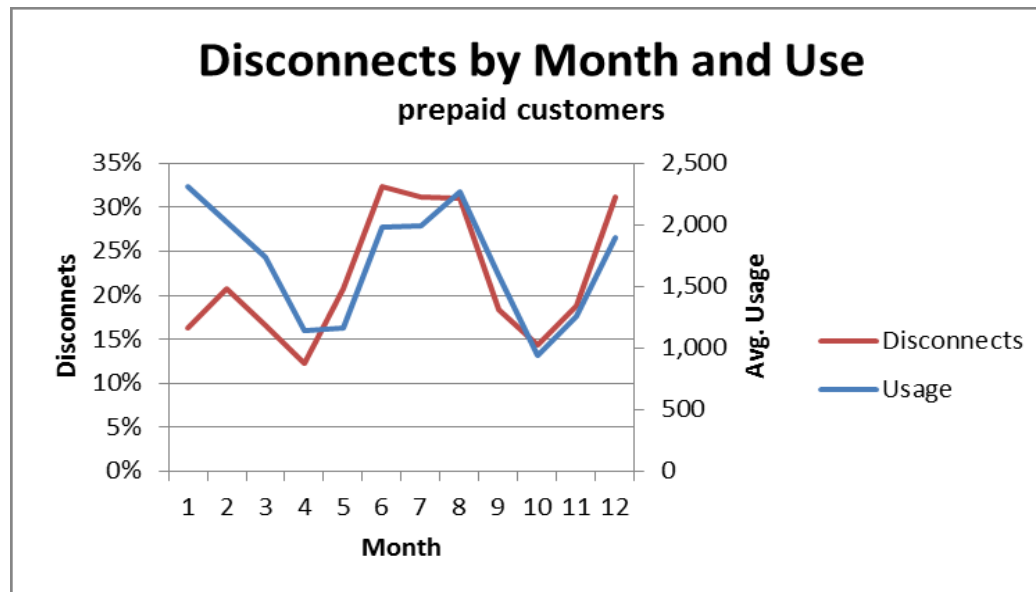


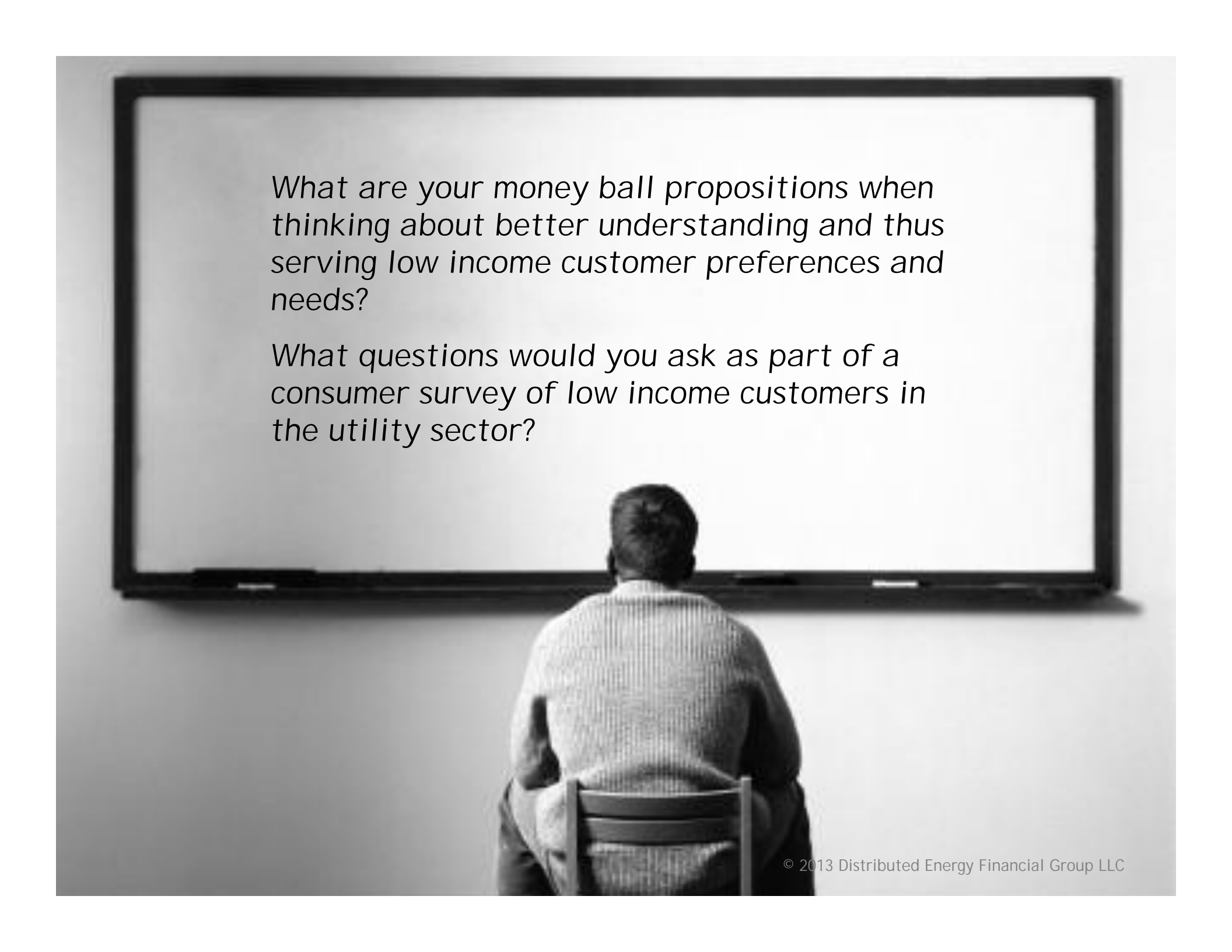
## No. 6: How Essential Is Electricity?

- Traditional assumption: Electricity is an essential service that customers cannot do without to ensure health and livelihoods.
- Money ball proposition: If given the opportunity, consumers may choose to voluntarily disconnect their electricity service for short periods of time for lifestyle or other reasons other than deprivation.

## Evidence of Customer Self Disconnects

- Results show that the higher number of disconnections each month, the higher the customer usage
- Suggests that perhaps disconnects are driven by usage, not as a means to manage household budget/ lower costs; challenges notion that customer deprivation is cause
- High percentages of customers (90+ percent) were reconnected the same day.



A black and white photograph of a person sitting in a chair, viewed from behind, looking at a large whiteboard. The whiteboard contains two paragraphs of text. The person is wearing a light-colored, textured sweater. The whiteboard is mounted on a wall and has a dark border.

*What are your money ball propositions when thinking about better understanding and thus serving low income customer preferences and needs?*

*What questions would you ask as part of a consumer survey of low income customers in the utility sector?*

## Next Steps

### Annual Consumer Survey

- Draft the annual consumer survey of low income customers in the utility sector
- Distribute for review and comment
- Conduct the survey in November
- Draft findings and recommendations
- Issue survey report and discuss via webcast in January 2015

### NYU Student Competition

- Teams of NYU grad students have been given the challenge to come up with innovative approaches and products for low income consumers in the utility sector, and tasked with: 1) research, 2) offering/ product development, and 3) campaign pitch.
- Four finalist teams will present in December 2014. The LIEIF members and other guests will be invited to be judges.

## Contact

Jamie Wimberly, CEO, DEFG  
Office: 202-483-4443 — [jwimberly@defgllc.com](mailto:jwimberly@defgllc.com)

Nat Treadway, Managing Partner, DEFG, LIEIF Project Manager  
Office: 713-729-6244 — [ntreadway@defgllc.com](mailto:ntreadway@defgllc.com)

Darren Brady, Executive VP, DEFG  
Office: 425-890-5152 — [dbrady@defgllc.com](mailto:dbrady@defgllc.com)

Cindy O'Dwyer, Esq., VP, DEFG  
Office: 914-419-8493 — [codwyer@defgllc.com](mailto:codwyer@defgllc.com)



Persons interested in low income energy issues should “Join Our Mailing List” and receive the publication announcements at: <http://defgllc.com/publications/>

### DEFG Research Consortia



A Project of DEFG



Prepay Energy  
Working Group



Low Income Energy  
Issues Forum



ABACCUS