Natural Gas Conversion :: Market Study
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More than just research

Anyone can collect data. Being able to apply that data to the market in question, understand it in relation to key stakeholders, and position it according to its intended use is another competence all together. At GreatBlue, we are more than a facility or call center. We are a group of dedicated people who are committed to results. Our cross-functional engagement teams ensure our clients understand the findings so they can effectively build strategic roadmaps for success.
Solutions that focus on strategic and operational needs of clients

Whether direct to clients or through their agencies, we apply our core research methodologies, often applying a mixed methodology to ensure a study that captures both quantitative and qualitative information, to ensure our solutions exceed client expectations.
Expertise in a diverse set of research methodologies

Having conducted millions of surveys and thousands of focus groups over the past 38+ years, our experience in instrument design, data collection and the presentation of those findings in manageable, actionable ways allows us to serve our clients across the spectrum of research studies.

- **Telephone Interviews**: In-house, multi-lingual interviewing capabilities
- **Digital Surveys**: Web + mobile-based survey programs
- **Focus Groups**: State-of-the-Art facilities in CT and MA
- **In-Depth Interviews**: Trained researchers allow us to dive deep in a 1:1 setting
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Project Overview: Process

- GreatBlue was commissioned to conduct comprehensive research among residents in areas targeted for conversion from oil to natural gas.

- The primary goal of the research study was to assess the effectiveness of efforts to inform and educate residents...
  - ...On the process of converting from oil to natural gas,
  - ...The potential drivers and barriers of conversion,
  - ...The value of converting to natural gas and value-adds (rebates, financing, etc.), and
  - ...To gain a deeper understanding into perceptions and satisfaction regarding the process of converting.

- In order to service this research goal, GreatBlue conducted multi-mode research study which included telephone surveys and focus groups among residents living in areas outfitted with a natural gas main and targeted by Gas Sales Representatives.
  - Telephone surveys allowed for high level data analysis, segmentation, and statistically reliable market assessment (i.e. who is likely to convert to natural gas & what do they look like?).
  - Focus groups allowed for insights into hard to reach-hard target audiences, qualitative concerns, procedural issues with conversion.
Project Overview: Segmentation & Insights

- Not all potential customers are the same! Residents can be segmented into four (or more) categories for survey and data testing.
  - "Off-main" / "Neighborhood Expansion" prospects - areas singled out as viable areas for natural gas expansion
  - "On-main" prospects - natural gas is available in the area, but resident does not utilize natural gas
  - Low-use prospects - residents with natural gas in the home for cooking, etc. but not home heating
  - Recently converted prospects - satisfied vs. dissatisfied
- Other potential segments may include, but not be limited to, the following:
  - New homeowners
  - Home builders
  - HVAC contractors (commercial respondents)
  - General contractors (commercial respondents)

- The outcome of this research allowed client to a) more clearly understand, and ultimately set, customer expectations regarding natural gas conversion, b) act on near term opportunities for process improvements and, c) assist in creating a strategic roadmap to increase success rate of conversion projects.
Areas of Investigation

Natural Gas Conversion Market Assessment studies typically leverage quantitative & qualitative research methodology to address the following areas of investigation:

- Current home heating fuel source
- Perceptions of natural gas
- Barriers to using natural gas among non-converts
- Motivating factors and experiences among converts to natural gas
- Customer expectations of conversion process
- Demographic profile of respondents
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Residents positive perception of natural gas

Generally, survey respondents have had a very high perception of natural gas, citing its convenience, supply, and domestically-produced strength as values of the fuel source. In addition, despite safety being typically the lowest rated characteristic, most respondents feel natural gas was just as safe as other fuel sources.

83% report natural gas to be “safer” or “just as safe” as other fuel sources.

Based on all you know or have heard, please rate each of the following characteristics of natural gas as a heating source…

Convenience
Ample supply
Equipment maintenance
American produced
Warmth/comfort
Price
Environmentally friendly
Safe to use
So what’s happening? Why aren’t more people converting?
Don’t count on dissatisfied to drive conversion

A majority of GreatBlue’s past survey respondents reported being satisfied with the current heating equipment in the home, with 66.6% having already replaced the equipment within the last two years. However, the equipment of those that have not yet converted to natural gas is getting older, which may imply they will be in the market to replace this equipment soon...

How satisfied are you with your current home-heating source?

- Very satisfied: 74%
- Somewhat satisfied: 14%
- Somewhat dissatisfied: 7%
- Not at all satisfied: 5%

*Please note: This figure includes natural gas conversion studies that targeted recently converted customers.

How old is the heating equipment of all non-converted prospects?

- More than 10 years: 54%
- 5-10 Years: 19%
- Less than 5 years: 20%
- Don't know: 7%
Age of heating equipment a factor in conversion

GreatBlue’s data indicates, overwhelmingly, there is an ideological preference to converting to natural gas across many segments of residents (based on the previously mentioned positive perceptions).

- “Off-main” prospects have heard of the benefits, wish it was in their neighborhood
- “On-main” prospects tie natural gas to general home improvements, equipment upgrades
- Low-use prospects desire bill consolidation, and recognize the inefficiency of their current home heating system
- Finally, data also indicate new homeowners are seeking natural gas homes at high rate

However, data also indicates a fully functional and operational home heating system is the second biggest deterrent to conversion.

- Behind only “cost of conversion” as primary driver.
- As cost of home heating oil declines, residents indicate “stretching” the life of their home heating system.
Focus Group quotes confirm this…

“The furnace was so old that I had to light it and I was so scared. I told my husband I'm not doing that I'd rather just stay upstairs with the little space heater and you guys figure that out down here. He wanted to buy a used furnace and I told him no; let’s just convert and do it now so that’s when we ended up going and trying to find out through the process.”
“My whole house needed everything new; my furnace was 25 years old, my hot water heater was 20; the air conditioning was 22 years old so I had to replace everything. I did a lot of research. Even if I went with oil I couldn’t get that efficiency.”
Awareness and education may be an issue

Residents tend to lack awareness of current natural gas prices among non-converted prospects, with a significantly higher portion of respondents being “unsure” of how natural gas compared to other home heating sources (53.0%) and, specifically, to home heating oil (50%).

Among all non-converted prospects, how aware are you of current natural gas prices?

- Very aware: 10%
- Somewhat aware: 13%
- Somewhat aware: 5%
- Not at all aware: 64%
- Unsure: 8%
Can I even get natural gas if I wanted to?

When looking specifically at on-main prospects (those that have natural gas in their area but not to their home), data has indicated that 30% of those prospects are not even aware its an option for their home and approximately 23% have looked into the option of natural gas.

Among on-main non-converted prospects, how aware are you that natural gas was available to your home….

- 59% Very aware
- 70% Somewhat aware
- 24% Somewhat unaware
- 11% Not at all aware
- 3% Unsure

Why haven't you looked into natural gas?

- #1 Was not aware it was available (25%)
- #2 Currently satisfied (22%)
“I bounced back and forth, honestly, for about 3 years. It seemed like after every heating season it was like we’ve got to convert. It wasn’t until last summer when friends of ours who moved to our neighborhood with gas and she showed me what it had been costing her in comparison to what they paid the year before; I converted 3 months after seeing the true savings from a comparable house.”
Consultation important to conversion

Opportunities exist to provide a value-add during natural gas conversion negotiations. Approximately three-fifths of respondents reported the provision of recommended contractors (61%) and heating system equipment packages (63%) were important factors when considering the decision to convert to natural gas. More importantly, a majority of respondents (55%) trusted the gas company to recommend such products and/or services.

How much trust do you have in the gas company to provide recommendations for financing options, contractors, and heating equipment systems?

- A great deal of trust: 27%
- Some trust: 28%
- Limited trust: 7%
- No trust: 8%
- Unsure: 30%

61% reported recommended contractors to perform the conversion are important.

63% reported recommended equipment packages for heating systems are important.
Conversion is overwhelming and may seem unnecessary, so keep it simple!

GreatBlue’s data often indicated the process of converting to natural gas can seem overwhelming to respondents and this creates a difficult balancing act for natural gas marketing professionals - providing the information required to explain the process and creating engaging materials that connect with prospects.

- “Off-main” lean towards “town-hall” style events in their neighborhood to discuss the pros/cons.
- “On-main” need more information on the timing, process, and effects on their home.
- Low-use prospects already have the connection to their home, and value information on the equipment upgrades, improved efficiency, etc.
- New homeowners are seeking homes that are “on-main” and want information on gas locator tools, speed of converting.

Across all segments, residents reported a desire to have their natural gas utility serve as a consultant in the process. They value streamlined targeted MarComm, equipment package recommendations & contractor recommendations.
“If I had almost none of this but the top 3 equipment packages, incentive rebates attached to those packages and here is what you will roughly save monthly like this little thing that would have been great and I would have signed on the dotted line.”
“I remember getting something but it would make sense to have those equipment packages in some form because again if you’ve never converted all these things; the piping, the pumps, and the heaters, and the water equipment [...] at that point my brain has shorted out and I’m going I have no clue what that is and I’m not even going to ask. If that was already part of the package where there were two or three options; good, better, best, that would be awesome.”
Data indicates the assumption should not be made that prospects are not thinking of natural gas conversion in the summer months, in fact reaching out to prospects may alleviate some of their primary concerns regarding conversion. For example, approximately 70% of residents reported there barrier was connected to the length of the process, an overwhelming process, or lack of explanation; all of which can be mitigated with additional time.

Among non-converted prospects, what barriers, if any, currently prevent you from converting your home heating fuel source to natural gas?

- Heating Equipment is new: 18%
- Process seemed overwhelming: 20%
- Will take too long: 20%
- Don’t want lawn destroyed: 10%
- Was not explained to me: 10%
- Nobody asked me: 10%
- All other barriers: 22%

56% of non-converted prospects "likely" to switch primary heating source to natural gas in the future.
“When I initially had the thing approved I had 6 months to convert but I didn’t wait any longer than I did because I wanted it done during a time when I wasn’t needing to heat the house. Summer would have been better and then we could have been much more casual rather than racing the clock.”
“If they had enough timeline communication to provide me with a burn off period but if you’re going to let me know the gas line is coming in August and you tell me in May even I’m not using any oil.”
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Learnings...

- **Always know your research limitations.** No research study is perfect nor will any one study answer all your questions. It is important, though, that you know what you might be missing. GreatBlue uncovered several limitations to initial research studies analyzing natural gas conversion market studies. These include:
  - **Self-reported awareness/understanding vs. actual awareness and understanding** - Residents may think they know more about the costs and process than they actually do!
  - **Capturing non-interested non-convert prospects** - How do you get people who haven’t converted to natural gas and aren’t interested in doing so to give you feedback?
  - **Capturing dissatisfied converts** - Capturing valuable feedback from those that converted but weren’t happy.
  - **Understanding the prospects that are missing** - We think they might be a good prospect, but who’s missing?
  - **Are there any influencers?** - Your team is great, but are contractors or others hindering the process?

- **What did we learn?** After initial studies, GreatBlue began to incorporate several new aspects with traditional research studies to mitigate study limitations. As we’ve already touched on, these included:
  - **Focus groups** - capture the reason behind the response, test MarComm materials, and conceptual ideas.
  - **Segmented studies /oversampling** - ensure surveys represent the various segments of prospects.
  - **Commercial studies** - survey contractors, real estate agents, etc. to understand their role in the process.
How does all of this help?

- **Ability to target your market.** Understand where best to allocate your resources with the highest likelihood of success.
  - “Off-main” - Which neighborhoods are the most likely to convert? How does that likelihood coincide with internal costs of running natural gas pipelines to that area?
  - “On-main” - What do the most likely converts look like? Old, young, new homeowner, affluent, fixed income, etc.?

- **MarComm based on segments.** While no two prospects are the same, segments of prospects may have similar needs, interests, or concerns. A low-use prospect may not be concerned about safety as they have gas in the home, while an off-main prospect may have great concerns over safety if they have never experienced natural gas in the past.

- **Flatten sales cycle.** Its October and everyone wants to convert before winter. Understanding how prospects think and when they are thinking about converting can help utilities proactively flatten their sales cycle by targeting certain prospects in the spring and summer with MarComm, information, and education on the benefits of converting early.

- **Develop regional approaches.** A prospect you don’t even know exists may be moving into service territory tomorrow. Media campaigns, social media outreach, and billboards stretching beyond your service territory may entice potential prospects to the area, while still reaching non-converts in your territory.
Any Questions?