ATCO Infill Program

Focus Group Report

January 2013

THE RIGHT GROUP

► INTELLIGENT ► INNOVATIVE ► RESULTS ►

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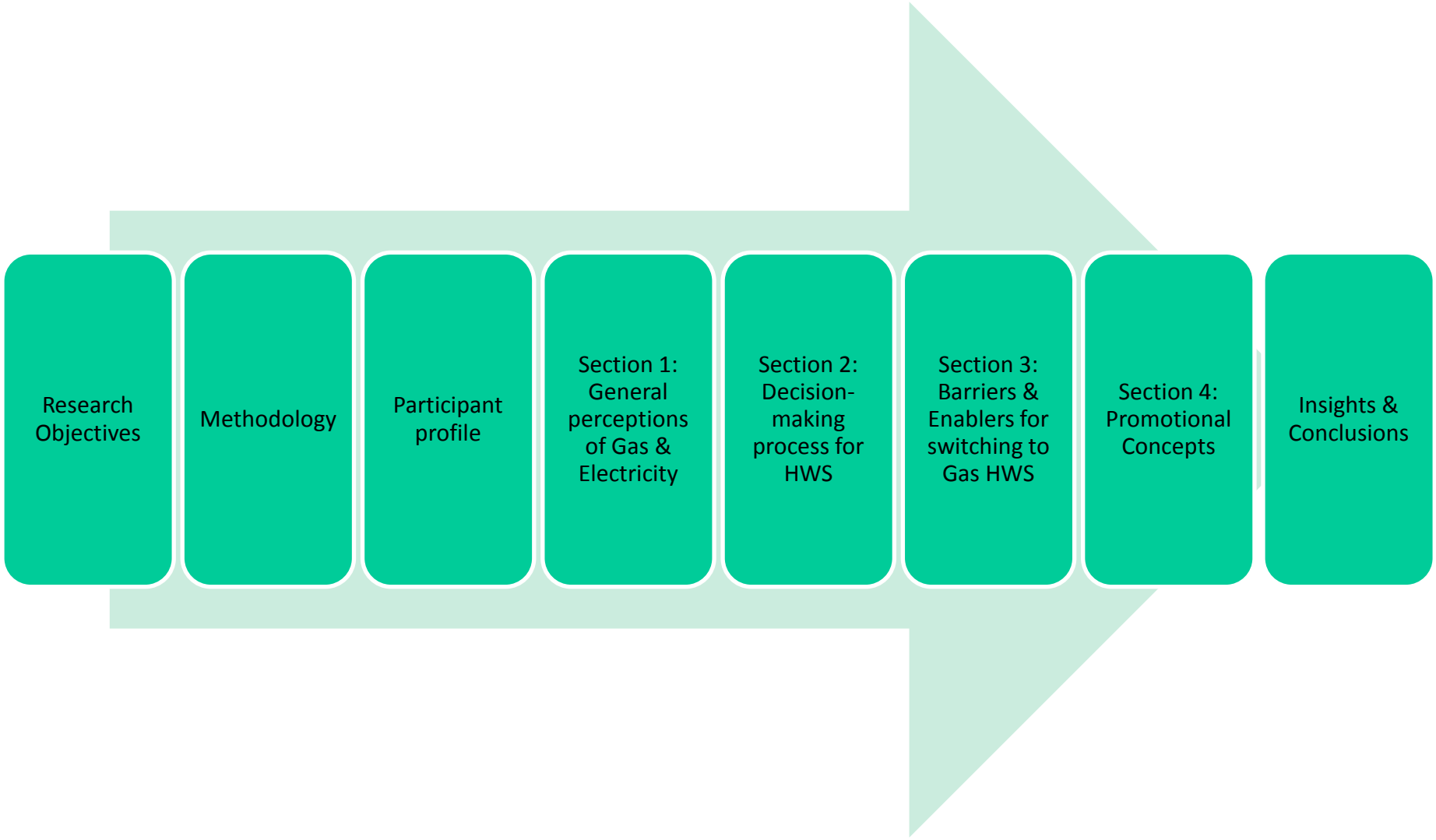
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Research Objectives

The key aim of the research was to:

Identify and recommend which promotional strategies will be most likely to convert non-users to install gas hot water systems (HWS)

Research Objectives

- Feedback on promotional concepts
  - Why consumers like / dislike promotional concepts
  - Which promotional concepts are likely to be successful & why
  - Pricing, timing & media for promotional offers
- Barriers / enablers to switching to gas HWS
- Decision-making process for choosing HWS
- General perceptions of gas versus electricity

Methodology

- Two focus groups were held, one each on the 12th & 13th December 2012:

	Group 1: Connected to gas line but not currently using	**Group 2:** Not connected to the gas line
Recruitment	Recruited initially through reverse-looking up phone numbers of addresses supplied by ATCO. However, issues with this approach meant recruiting turned to sourcing participants from a fieldwork provider's panel.	Recruited from the general public in suburbs ATCO had identified as low gas connection suburbs.
Requirements of participants in both groups	Be owner / occupier of the house they currently live in	
	Not be planning to move out in the next 12 months	
	Decision-maker in regards to purchasing household appliances (such as a HWS)	
	Currently have an electric or electric-boosted solar HWS	

- An incentive of $80 was paid to each participant upon completion of the focus group.
- Focus groups were visual and audio recorded and transcriptions were carried out by a professional transcribing service for analysis.

Participant Profile

Group 1
(connected to gas but not currently using):
7 participants

Group 2
(not connected to gas):
10 participants

Participant details

(one participant did not fill in their details)

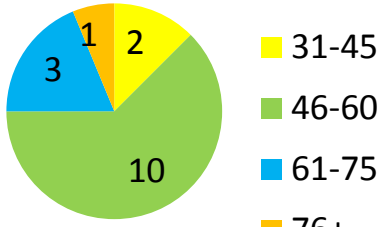
Type of HWS

Solar / electric booster:
11 participants (mostly 2nd+ home owners)

Electric:
5 participants

Age

(no. participants)



The skew of participants to middle aged or older age groups is likely due to home ownership and a home older than 10yrs being pre-requisites of participation.

Suburb

(2 participants did not respond)

Applecross
Beckenham
Calista
Como
Craigie
Hamilton hill
Jandakot
Lesmurdie
Mount Pleasant
Peppermint grove
Thornlie
Wellard
Willetton
Wilson
Woodlands

Male: 9 participants

Female: 7 participants

First home: 8 participants
2nd+ Home: 8 participants

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Section 1: General Perceptions of Gas and Electricity

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The good news for gas…

Environmentally friendly

Gas was seen as a more environmentally-friendly option than electricity in both groups because it creates a smaller carbon dioxide footprint / emissions footprint than electricity. Electricity was perceived as less environmentally friendly. There was some uncertainty as to whether gas was better for the environment than electricity.

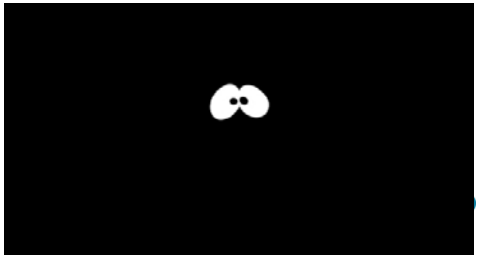
Cheaper

Gas was believed to be cheaper than electricity in terms of running costs, with both previous experience and perceptions influencing this belief. However in Group 2 (not connected) the experience of expensive large gas bottles (non-BBQ) led to concerns that mains gas may also have become more expensive. People are unclear how much cheaper gas is than electricity.

Good for cooking

Gas was preferred as an energy source for cooking in both groups, as people have experienced it in the past and found they prefer gas over electric. A reason that gas was preferred for cooking was the instantaneous nature of heating the elements and turning them off – electric cooktops were believed to stay hotter for longer.

Reliable



Gas was seen as more reliable than electricity as it doesn't stop working when there is a blackout. However there was still some perception in both groups that electricity was needed for gas appliances such as a pilot light.

Section 1: General Perceptions of Gas and Electricity

The not so good news for gas…

Gas-boosted solar installation expensive

Even with a preference for gas-boosted solar, installation costs had put people off getting a gas booster. Further, one participant was unaware it was possible to have a gas-boosted solar HWS.

Electric cooktops safer

Some participants believed that electric cook-tops may be safer than gas, either because they were slower to heat up (and therefore actually worse for cooking than gas) or because the newer electric cooktops were safer to touch.

Safety concerns

Participants in both groups discussed how they had been concerned about gas fumes with unflued heaters and in modern houses which they thought lacked vents.

Supply charges regardless of use

For both groups, there were objections to a gas supply charge being charged at the same rate regardless of the amount of gas usage or number of gas appliances in use. As such, gas was only seen as viable if more than one appliance was being used. Participants had either experienced this for themselves or had heard about it from friends and family.

Section 1: General Perceptions of Gas and Electricity

A question for those not connected to gas:

Have you ever considered getting gas connected to your home?

Installation issues

Previous experience of getting advice regarding gas connection had made it seem a difficult and costly process. Living in units without a gas connection was also seen as making the gas connection process potentially more difficult.

Lack of need

They were happy with current set-up thus hadn't felt any need to investigate a gas connection.

Not available

The gas line didn't run past the house and thus couldn't be connected. Another perception was that the rocky ground in the hills area would make it impossible to lay pipes in the ground for a gas connection. However, gas was still a desired power source for some, and gas bottles were being used to compensate.

Section 2: Decision-making process for Hot Water System

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Section 2: Decision-making process for Hot Water System

The key things participants were looking for in a hot water system were similar across both groups and included:

Running Costs

- Running costs were considered alongside the unit/installation costs to work out an overall cost. This was particularly true of those with solar HWS, as although they had higher capital costs, running costs were greatly reduced and were a reason they had invested in solar.

-An aspect of cost mentioned was efficiency: having a tank the optimal size to ensure only the required amount of water was heated, or having an instantaneous HWS as this only heats the water that is being used. In this respect, in both groups there was some belief that this efficiency meant instantaneous may work out cheaper overall than a tank HWS.

- The length of time the HWS was expected to last was a consideration, particularly for those with solar as the longer their HWS lasted, the longer timeframe for spreading out the relatively high capital cost vs. cheaper running costs.

Speed of Installation

A consideration was how long it would take to get the HWS installed, although this was more likely to affect the company chosen rather than type of HWS selected. This was important because they did not want to be without hot water for extended periods.

Reliability

This related to the hot water lasting as long as required, particularly for those who had multiple people in the home. This meant having the required tank size to service the family.

Environment

The environmental benefits were a consideration if a solar HWS had been chosen.

Removal of old HWS

Removing the old HWS was a draw for those with large solar units; however one person mentioned they had kept their old system because of the valuable copper in it.

Section 2: Decision-making process for Hot Water System

There were two main avenues of research participants have or would use across both groups:

Online

- Use of online resources was discussed both in light of direct past experience and in terms of what participants thought they would do to find out information.
- Online product reviews were an important source of information, either by "googling" the HWS model , Choice magazine online, or discussion forums on the topic of HWS.
- Government websites.
- Manufacturer's / supplier's websites.

Word of Mouth

- Asking friends and family about their various HWS experiences, what they liked or didn't like was an important source of information.
- Plumbers were also a potential source of information, particularly as they can advise which systems they are having to repair more often. There was divergence of opinions of the trustworthiness of tradespeople as sources of information – some felt they could trust their usual plumber, whereas other had some concerns about tradesman having vested interests.

<u>Other avenues for research included:</u>

Suppliers / retailers

- Getting quotes on the HWS and salespeople were a source of information, particularly in regards to comparing prices between suppliers.

Energy company

- The energy companies such as Alinta and Synergy were identified as sources of information

Section 2: Decision-making process for Hot Water System

The final decision on which HWS was or would be chosen was driven mostly by one attribute:

Cost

Cost was the most commonly mentioned driver of a final decision regarding choice of HWS, regardless of which HWS was or would be chosen. Costs involved included both the capital or upfront costs such as connection, installation and appliance costs and the running costs.

Efficiency was also a component of cost in driving the final decision, as heating the required amount of water meant they were only paying for what they needed. This was achieved either through having instantaneous or the right sized tank.

One participant raised the point that a final decision of an individual may differ depending on their fiscal situation at the time. – i.e. whether they outlay more capital cost for a long-term saving or whether they go for the cheaper upfront cost.

Section 2: Decision-making process for Hot Water System

Other attributes that did or may drive a final decision were:

Longevity

-The length of time a unit lasted was important, especially as this meant less hassles with replacement. It also meant a longer time for recouping the cost of installation with a solar HWS.

Capacity

-The ability of the HWS to reliably supply hot water for the length of time required.

Resale value

-The HWS they currently have or a new one they are considering may not be perfectly suited to their needs, but if they were considering selling in the near future they may either keep that existing HWS or install a new one if it would enable a better resale value.

Environment

-The environment was mentioned by two people with solar HWS as a factor influencing their decision on which HWS to purchase.

Section 2: Decision-making process for Hot Water System

A theme present in both groups was the desire for unbiased information on costs: participants felt they didn't know the full details to compare costs as they considered connection, installation, unit and running costs all together.

Comparisons of costs were desired so that people could make more informed decisions regarding their HWS.

However, this information was preferred from a reliable, unbiased source such as a government website; companies were not trusted to give honest information regarding costs.

"Rather than glossy brochures that say buy this, ours is best, and no more. We need to actually have, for example, an engine on the internet where you plug in what your local electricity costs per - and what your local gas costs per - and on all the other variables, what certain suppliers are going to charge for interest and for how long and everything else"

"I think the problem is I don't know what it costs. I'd like to see a comparison, but from a source that I trusted. If it's Company A says I'm better than Company B - but if it was a Government-backed thing that this is cheaper because - with a little bit of science without baffling brains - I'd like to see why it's cheaper"

Section 3: Barriers & Enablers for switching to a Gas Hot Water System

Section 3: Barriers & Enablers for switching to a Gas Hot Water System

Barriers to switching from electric or electric-boosted solar to a gas HWS:

-Cost to install gas when not connected to the gas line

-Cost to install gas even when connected to gas

-Gas unavailable to home – gas line doesn't run past the house

-Supply charges for one appliance

-Gas may be dangerous / had a bad smell

-No issue with electricity cutting out

Section 3: Barriers & Enablers for switching to a Gas Hot Water System

Barriers to switching to gas HWS: Quotes

Female: But you can get solar gas systems where they're a solar system with a gas booster.
Female: For me that sounds ideal.
(On why a gas-booster wasn't chosen):
Female: The installation costs....yes, to re-plumb - basically to take all the plumbing for the gas - from the gas cylinders there when we already had electric it means the whole installation cost was going to be really expensive.

Male: I used to live in the hills though a few years ago and it's certainly a consideration in the hills but not on the plains.
(on why it's a consideration)
Male: Because the power just doesn't go out. It's reliable. I mean we've got a pretty good system here.

Female: It's (gas) just not available; they haven't developed the system enough that it's available in all areas.

Male: I think it's $75 a metre to get the copper run from your meter box.
Male: Yeah, it's true.
Male: You don't have to go far and you could have a big bill there.

"The other objection I had to gas is that, if you've only got one appliance to run, you've still got to pay a supply charge for your gas bill as well. I didn't like that because you've got to have electric light, so you pay for your supply charge with your electricity and, then, all your units are just on top of it. If you have gas as well, you pay the supply charge for your gas and your units as well. You might as well just go for one or the other. Until they have gas lights...."

Female: Because I know my mum and dad are pretty ancient now they are just terrified of gas.
(On why they are worried about gas)
Female: I think - I don't know, I don't know but I think maybe when they were young it was something different about the gas.
Male: It's also been a silent killer.

Section 3: Barriers & Enablers for switching to a Gas Hot Water System

Enablers to switching from electric or electric-boosted solar to a gas HWS:

-Cheaper running costs
-Current HWS breaking down / close to breakdown
-Renovations
-Being already connected to the gas line
-Reliable: stays on during power blackouts
-Consistent supply
-Having more than one appliance using gas
-Concern from environment / sustainable
-Instant hot water
-Being able to set the temperature
-Cheap & easy to install if already connected to gas (particularly compared to solar)

Section 3: Barriers & Enablers for switching to a Gas Hot Water System

Enablers to switching to a gas HWS: Quotes

Male: There was one other thing that almost swayed my mind a bit with the gas system. You can get an internal temperature setting device.
Male: If you've got kids, you can actually set the temperature so they can't burn themselves. You can't get that with solar systems. If say you said, okay, we'll free install a temperature setting device, I'd think maybe that's all right.

"I've got gas right there ready to go. I'm looking at moving out and renting my place in the next couple of years. If my solar hot water system died, I probably would consider putting a gas hot water system in because - well, I would look at the cost. I'd research the cost, but, if it was cheaper, I possibly would put in gas as opposed to a solar because it's not benefiting me. It's just benefiting the tenants."

"Well, if you've got gas coming to your house already... If it's coming to your property and you put a heater on the side, it's one metre of connection. To clarity, if you don't have gas on your property, it's not overly easy, but if you've got it there already..."

(On reliability)
Female: Out where we are the power's out more than on.

"The reason I would change is if I was going to decide to put a gas heater in and gas stove and have a lot more appliances. My perception - 25 years ago when I thought about it - was the more gas you used relative to your costs of outlay was less overall. Because I wasn't going to have all those extra units and get them at a cheaper rate, I thought, well, just pull it out. If I was going to need the house for something else or put other appliances in, I might consider...."

Male: We're assuming that gas is cheaper but is it really?
Male: It's left on that reputation.
Female: Depends on your perception.
Male: Do we know for certain that it is?
Female: I think a lot of the - when I did the research a lot of it did come back they were much more cost-effective systems.
Male: Yes, once you've got it installed and all of that.
Female: Yes, once you've paid all those upfront costs.

Section 3: Barriers & Enablers for switching to a Gas Hot Water System

The top reason to switch to gas for both groups was…

Financial savings

Both groups felt there would be financial savings on running costs by switching to gas. There was some belief in Group 2 (not connected to gas) that the capital cost of installation was not where the financial savings were to be had, it was only the running costs where savings could be made. In contrast, Group 1 (those connected to gas) felt that that installation costs may also be cheaper with gas.

Incentives

Group 2 discussed the offer of incentives as a reason to switch to gas, whereas incentives were not a major driver of switching for Group 1. Their view of why incentives would drive switching was based on previous experience with government incentives to install solar.

Efficiency

Efficiency was important but meant different things to different people – for example, to some it meant that only the required amount of water was heated and thus cost savings were made, but others described it as always having hot water available. Both of these aspects of efficiency were important reasons to switch to gas.

Reliability

Gas was seen as a reliable source of hot water that lasted even when the power went out. However, there was some conjecture about the reliability of gas in regards to the Varanus Island explosion a few years ago that left people without gas for weeks and also the issue of gas leaks being a potential health threat.

Section 4: Promotional Concepts

Section 4: Promotional Concepts

Group 2 (those not connected to gas) were asked to come up with incentives they felt would encourage people to connect to the gas line and install a gas HWS…

Subsidise connection fee

- Connection was perceived as a significant cost, particularly with the copper involved, making a reduced (or free) connection cost attractive.

"If they - because I can speak for me now, because we're renovating. We're looking at putting gas on and if they said we can do it, basically, free or cheap - cheap or free - then we probably would do it but I think without having done the research I think there would be a significant cost involved in getting it done to our house"

Connection & installation packaged

- Concerns were raised over the need for multiple companies to be involved, resulting in multiple fees being charged.
- Packaging was preferred but seen as an unlikely option to be offered by any one company.

Female: So, if you've got three companies doing something you've got three fees just for turning up.
Male: Three turn-up fees.

(On having one company responsible for connection, installation & unit)
Male: That would be efficient but…
Female: But you wouldn't be able to feasibly do that. I mean because…you can't have a company that just does that - does all of that.

Section 4: Promotional Concepts

Group 1 (connected to gas but not using it for their HWS) were asked to come up with incentives they felt would encourage people who were connected to gas to switch to a gas HWS…..

Subsidise installation costs

"Subsidise installation if capital costs are one of the significant costs, which I don't know. If that capital - the setup - is the stopping point for a lot of people, then a discount on setup or that kind of incentive around the setup."

Removal of old system, particularly the solar as it's a large unit

Male: Remove the old one. You'd have to get the old one removed as well.
Male: Well, otherwise, you've got a redundant solar hot water system stuck on your roof.

Set tariff for a period

"The set tariff for a certain number of years or 12 months perhaps."

Gift with purchase

Male: What about here's a gas heater when you buy a space heater?
Male: Yeah, or a reduced price on your second item or...
Male: Or the other way around. Give them the space heater when you buy a hot water system.
Male: Or a gas-top stove.

Free maintenance for a set time period

"Male: Do gas systems need maintenance?
Female: Yes, they can get leaks.
Male: They can do, but they usually don't.
Male: What about 10 years of free maintenance?
Male: Yeah, that would be good.

Section 4: Promotional Concepts

When the promotional concepts were explored, there were some features highlighted as important regardless of what type of promotion was being considered…

Packaged connection / installation

- Participants in both groups wanted the convenience of having everything organised by the one party – whether it be the retailer or gas company. They didn't want the hassle of having to organise the installation after purchase of the unit.
- This convenience was also related to cost savings, where participants felt that by working together, companies could offer reduced costs to customers. There was some concern however that this method of arranging installation may be more expensive than if people sourced their own installer.
- The connection and installation fees were also an important inclusion, whereby any promotional offer needed to encompass these costs and not just cover the cost of the unit itself. Having connection and installation included in the cost would make it easier to accurately compare costs between different HWS, an important step in deciding which HWS to buy.

Timing of installation

- Being without hot water was of concern to participants, so it was important to ensure the process was organised in such a manner that people were not without hot water for extended periods (e.g. more than 24hrs)
- Being able to have installation happen on the weekend was also desired as it meant people could easily be at home when required.

Replacement costs less than repair costs

- If the cost to replace their current system with gas was less than the cost of repair, the promotional offer was more likely to be accepted. If however, the cost to repair was less, participants felt they would simply stick to what they already had.

Section 4: Promotional Concepts

Participants in both groups were asked to give their feedback on six promotional concepts:

Section 4: Promotional Concepts

Rebate – A popular option

- Easy to understand
  - –The rebate was a concept that was easily understood by participants. In particular, those with solar HWS could relate their past experiences with rebates to inform their opinions regarding how the rebate should work.
- Money towards installation
  - –Both groups felt that if a rebate covered at least part of the cost of installation, this would make the offer more attractive.
- Amount of rebate
  - –There were differences in both groups in terms of what participants felt the amount of the rebate should be. For example, some felt a variable rebate should be implemented that was dependent on a certain factor, such as amount of gas used or the HWS size. Others felt a set dollar figure for a rebate was a more attractive option.
  - –In terms of the level of rebate required for the offer to be attractive, figures from 10% - 25% rebate (at least $100, or up to $300 - $400 depending on cost of installation)
- Government involvement
  - –Unique to Group 2 was discussion about the government's involvement with paying the rebate to customers. They based this on their previous experiences with solar, where the government had offered rebates for purchase and installation.

Section 4: Promotional Concepts

Trade in - A popular option

- Easy to understand
  - –The trade-in option was easily understood by participants as they had seen such offers before and were familiar with them, such as the "John Hughes" (vehicle trade-in) trade-in offers.
- Removal of old HWS
  - –Removal of the old HWS was important to both groups, particularly if it was a solar HWS due to size & potential difficulty of removal. This would need to be included in the offer, which was believed to be acceptable given the old unit would be worth money to whomever removed the old unit, if it contained copper.
- Money versus gift for trade-in
  - –Participants felt companies could negotiate deals to offer gifts with purchase that would cost a company less than offering cash. However, a gift may not attract all people. For example, offering a cook top or BBQ would attract some people who need these items but not those who don't need these. As such, preference for cash versus a gift for the trade-in was varied.
- Amount of trade-in incentive
  - –There was divergence in how the amount of trade-in would be derived; either a set amount or an amount contingent on the value of the old system. The more attractive option was a set trade-in value - $10 or $20 for an old system wouldn't attract people to the offer.

Section 4: Promotional Concepts

No interest repayment – A good option

- Easily understood
  - – Participants in both groups were immediately familiar with the concept of no interest repayments, and liked the idea because of it. This was particularly true if people did not have the cash to pay the whole amount upfront.
  - – On the other hand, some would prefer to pay the whole amount upfront, as they tended to do this with the majority of their bigger-ticket purchases.

- Lack of trust
  - – Group 2 in particular discussed some concerns they had about interest free offers, talking about additional fees involved in setting up a no-interest repayment plan, such as administration, set-up or bank charges for direct debiting. There was also concern about having to pay high interest rates if the no-interest period was completed before the full cost had been repaid.

- Repayments
  - – A range of 1 – 3 years was seen as ideal for a no-interest period, although a longer period of 5 years was mentioned for the repayment if considering a solar HWS, given the relatively higher cost of the solar HWS.
  - – Repayments were viewed as monthly and were identified as potentially being added to the gas bill.
  - – Around $20 / month was a figure identified for the amount of repayments.

Section 4: Promotional Concepts

Rental of appliance – A confusing option

- Ability to upgrade attractive
  - –As a rental, the expectation was there would be instant repair/replacement if something went wrong, which was convenient. Another benefit identified was the repair/replacement was expected to be included as part of the rental agreement and not a separate fee.
- Rental only for niche situations
  - –The rental of appliance may be good for investment properties, as the ability to have any problems solved quickly was attractive.
  - –One idea mentioned was if people were renovating a bathroom, the rental situation may be attractive for a temporary HWS.
- Confusion over how the rental system would work
  - –If a homeowner decided to sell their property before the end of the rental agreement or they fell behind in payments, there was confusion in regards to what would happen. For example, whether the company would come and uninstall the unit if repayments weren't made. The option to pay out the system was identified, however the confusion suggests there may need to be a substantial amount of explanation for people to understand this kind of offer.
  - –The option of buying the unit at the end of the rental agreement had associations with a "hire purchase" rather than a rental system.
- Cost & length of rental payments
  - –Costs of renting were seen to be higher in the to compensate for both the ability to have repairs done when necessary and the lack of outright purchase.
  - –Rental payments were expected to be based on a percentage of the cost if purchased outright, plus some loading as rental agreements are perceived to do this.
  - –Agreements were seen to last 2 – 5 years

Section 4: Promotional Concepts

Deferred Payment – Not a preferred option

- Prefer upfront payment
  - – The concept of a deferred payment was understood, however participants in both groups tended to prefer paying the whole amount upfront where possible. This was particularly strong in Group 2, with a belief that the "younger generation" would like this kind of offer as they often lived beyond their means, which was not something they did.

- Suitable option for breakdown
  - – In both groups there was the belief that the deferred payment option may be attractive to people if their system had broken down. A loss of hot water was seen as something that needed to be rectified immediately, so if there was a lack of funds, someone may be more open to this offer.
  - – There was some concern raised about still being faced with a large bill later down the track, and that due to this payment in increments would probably still be preferred.

- Additional costs
  - – Participants believed that the deferred payment option would always end up costing more than an upfront payment as the company would somehow need to gain from offering a deferred payment option.

- Length of deferred payment period
  - – 6 – 12 months was seen as a reasonable timeframe for the deferred payment.

Section 4: Promotional Concepts

Prize Draw – Not a drawcard

•Not liked by participants

– Neither group were particularly keen on the prize draw, as it was not an incentive that would strongly motivate them to choose to switch their HWS to gas.

–The only time it may be an influence is if two offers were identical, the one with the chance to win a prize would be chosen. Even given this situation, it was preferred that a different promotion be offered.

– There was a belief in both groups that nobody or very few people win prize draws, which meant the offer was not a strong drawcard for switching to a gas HWS.

•Prize

– The types of prizes suitable were varied and included related prizes such as free water or winning the cost of the HWS. Some preferred smaller, multiple prizes whereas others would prefer one larger prize, such as free water for a year or to win back the cost of the HWS.

–Prizes would need to be offered regularly as people didn't think they would be motivated to take up the offer if they had to wait long periods before finding out if they won.

Section 4: Promotional Concepts

Who offers the promotions?

Retailers

Participants in both groups most easily identified retailers as the companies which would offer these incentives. Retailers included companies selling units such as Harvey Norman and gas / hot water specialist stores such as Kleenheat.

Upon prompting, the gas company was perceived to potentially be dealing with the retailer regarding the promotion or may even advertise the offer, but ultimately it was the retailer that was perceived to administer the offer. Another idea of involvement with the gas company was applying the promotion (such as a rebate) on the actual tariff people paid.

Government

GOVERNMENT OF WESTERN AUSTRALIA

The government was discussed as a potential source for any of the promotions, particularly the rebate or trade-in scheme. However, management of the promotion was still perceived as through the retailer.

This focus on the government as the promoter of these offers was limited to Group 2, and was discussed in light of their experiences with government offers for solar HWS.

Section 4: Promotional Concepts

When they would be most open to these offers to switch?

- **Breakdown / near breakdown**

  - For both groups, the old system breaking down was when participants felt they would be most open to any promotion to switch to gas, as it was unlikely they would look at switching if nothing was wrong with their current HWS.

  - Being close to breakdown was another time participants felt they may be more open to taking up an offer to switch to gas. For those with solar, a consideration for switching to gas was if the system was near the end of life and they planned to have tenants move in in the near future.

- **Renovations**

  - Renovating was a time that participants felt people may be more open to switching to gas with one of the promotional offers.

- **Electricity price rise**

  - An increase in the cost of electricity was mentioned as a potential time when people may be more open to taking up an offer to switch to gas.

Section 4: Promotional Concepts

Where would they see these promotional offers advertised?

Online (e.g. banner advertising when searches are conducted)

TV guide

Catalogues

TV

Homebuyer shows

Newspapers

Radio

In store (Retailers such as Harvey Norman)

With your bill (Gas or electricity)

Harvey Norman

Section 4: Promotional Concepts

The three most preferred options out of the six promotional concepts for both groups were:

Insights & Conclusions

Insights

1. Switching to a gas HWS is most likely under circumstances where hot water supply is salient in people's minds and there is motivation to change.

Perceptions of expense and effort involved with switching their current HWS (whether connected to gas or not), combined with a desire not to be without hot water for an extended period, means there are four main circumstances under which people would be thinking of and motivated to switch to a gas HWS. This is regardless of the type of promotions on offer:

Breakdown – The strongest motivator for switching

-No matter what incentives are offered to people to switch to a gas HWS, when their current HWS breaks down is likely to be when they are most open to switching.

-When something goes wrong and they are already without hot water (something people really want to avoid) the motivation to act is there.

-In this case, they need to get it fixed now – there may not be time to thoroughly research all their options as being without hot water is not something people will do for long.

Other circumstances that encourage switching

-Near end-of-life

- Inefficiency (either unit is too large/small for requirements, increasing costs)

-Renovations

-These instances still incite a motivation to act, but this is less than the motivation to act at breakdown as people currently still have access to hot water. This is where the research process will likely be longer and more involved, with people seeking information on their options online or through word of mouth from family, friends and tradesmen.

Insights

2. Regardless of promotion type, the packaging of gas connection and installation with purchase of the unit is attractive to people and may encourage switching to gas.

This makes the decision-making process more straightforward. Given switching will involve extra effort for people than remaining with their current HWS, anything that makes the switching process easier will help encourage people to make the switch to gas.

Having the connection and/or installation costs included means people can more accurately gauge the total costs of switching to gas.

- This is an important piece of information that people want before they will consider switching. They don't just look at the cost of the unit when considering which HWS they want, they consider at all costs involved: connection, installation, unit and running costs. This is especially true given connection and installation costs are seen as a significant addition to the total cost to switching.

People don't want the hassle of organising purchase and installation separately.

-Instead, they would prefer it to be packaged. In some ways, this relates again back to cost: if installation is not included in the price of the unit, they would then have to find out costs for themselves which means extra effort.

-Having to first purchase the unit and then arrange installation themselves is also an extra hassle that people don't want.

-Finally, there is some lack of knowledge regarding the process involved with getting the gas connected or installed, thus it is easier for people if the process is all taken care of by someone else. This is particularly true for getting gas connected to multiple-dwelling locations, where people weren't sure whether it was possible to get gas connected to a unit or apartment in a group that was not connected.

Insights

3. Providing information on all costs and potential savings may encourage switching as this is the number one consideration when deciding which HWS to purchase.

Costs considered are not limited to cost of the unit

-When deciding which HWS to purchase, people consider all costs involved such as connection (if not connected to gas), installation, the unit itself and the ongoing running costs. Purchase decisions are based on considering the price of these elements together rather than looking at the cost of one element only. As such, it is important that information on all costs are outlined together rather than in isolation.

People are unaware of relative costs of gas vs. electricity

- There is some uncertainty regarding the comparative costs between gas and electricity, particularly in regards to per unit costs. This is information that people want before they will make a decision to switch, as otherwise there is little motivation to change from their current HWS.

Efficiency of the HWS an important consideration relating to cost

- The efficiency of the unit was also part of the cost consideration, where participants perceived that a HWS which only heated up the amount of water required would be cost-efficient and would save them money. This meant either having a tank the ideal size for the household, or having instantaneous where hot water was only heated as it was used. The importance of efficiency suggests a need to highlight this as a feature for encouraging a switch to gas.

-In terms of efficiency, there was some feeling that instantaneous may be a better option due to it heating exactly the amount of water being used, no more or less. With instantaneous being a more expensive option than stored, a potential selling point may be the long-term cost savings that instantaneous could offer through being more efficient. This is especially given people consider both the upfront and long-term costs when making purchase decisions regarding a HWS.

Insights

4. The promotions most likely to encourage switching once it is salient in people's minds and they have a motivation to switch are a rebate, trade-in or a no interest repayment.

Clear preference for promotions

-There was a clear preference for rebate, trade-in and no-interest repayment offers in both groups. These options were easily understood by participants and they felt these options could encourage switching at the times defined above.

Rebate or trade-in may appeal more to an older generation

-Although the no interest period was an attractive incentive to some, there was some dislike and distrust of the no interest period and deferred payment options from the older participants. Instead, these customers prefer to save up and purchase outright. A rebate or trade-in offer may be more attractive to such customers.

No interest repayment may be most attractive at breakdown

- With breakdown providing the strongest chance that someone will switch to a gas HWS, it is important to consider that a no-interest repayment scheme may be a particularly attractive offer at this time. As breakdowns are unplanned events, people may not have the funds to completely replace their HWS. The option to pay the cost in installments in this situation thus may attract people to make the switch to a gas HWS as a replacement.

Removal of the old system – how important is it really?

- The importance of removing the old HWS in the trade-in offer was particularly relevant to solar users, as their HWS were large units that would require significant effort to remove. Thus it may be that removal of the old HWS is of lesser importance to non-solar users than other benefits.

Insights

5. Encouraging solar users to switch to gas is most likely to be successful if the aim is to encourage a gas-boosted solar HWS.

A switch from electric-boosted solar to a gas-only HWS is unlikely

-It may be unlikely that those with a solar HWS will replace it with a gas-only HWS. This is because a primary driver of the choice for a solar HWS was the long-term benefits of cheaper supply, which would be negated if the system was to be switched over to gas before the long-term benefits were realised.

Switching from an electric to a gas-booster has potential

- There is potential to encourage switching from electric to gas-boosted solar, as there was some preference for this despite participants having an electric booster. However, installation costs of a gas booster were seen as barrier, even if gas was connected to the house. Thus there would need to be efforts to highlight the benefits of gas-boosted solar in terms of the costs involved before switching would be considered.

Insights

Decision-making process for a Hot Water System: Summary

Need recognition

- Breakdown
- Near end-of-life
- Inefficient (either unit is too large/small for requirements)
- Renovations

Features sought

- Running costs
- Speed of installation
- Reliability
- Environment (particularly for solar HWS)
- Removal of old HWS (particularly for solar HWS)

Research

- Online
- Word of Mouth

Decision

- Costs
  - Connection, installation, HWS unit & running costs.

Conclusions

1. **Get people thinking that switching to gas is an option when their HWS breaks down, is near breakdown / is old, when they're renovating or when they feel their current HWS is not efficient for their needs.** If switching to gas is salient in people's minds at the times they are motivated and thus most open to switching, there is more potential for switching to become a reality – people need to consider gas in their decision-making before they will switch to it.

2. **In any communication to consumers, include all cost savings relative to electricity, and explain all costs involved in switching.** If people believe they are well-informed about all the costs involved and thus all cost-saving opportunities, they are more likely to be motivated to switch to gas when salience and motivation are high.

3. **In any communication to consumers, make the process of switching appear easy.** If people understand the process of switching and believe it is a relatively straightforward exercise, they will be more open to switching at times of high salience and motivation.

4. **Link promotions to situations where they are most likely to be attractive.** A no-interest repayment offer may be best promoted as a solution to a breakdown situation where lack of hot water necessitates a quick solution, whereas a rebate or trade-in offer may be better promoted as a solution to renovating, near-breakdown or inefficiency issues.

5. **Target electric-boosted solar users for switching to a gas-booster.** There is much more potential for success in targeting a switch to a gas-booster for solar users than trying to get them to switch to a gas-only HWS.

Thank you

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