



**Ipsos Reid**



## **Direct Energy Communications and Understanding Research – Alberta**

**January 2008**



## Presentation Outline

- ◆ Study Background and Methodology
  
- ◆ Detailed Findings
  - Deregulation
  - Education Campaign
  - Preference and Perception of Rate Calculation
  - Choice
  
- ◆ What Worked & Implications



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## **Study Background and Methodology**



## Study Background

- ◆ This research is the second wave of a study first conducted in September 2007. It follows up an educational campaign launched by Direct Energy in the fall of 2007.
  - This table outlines the different media utilized in the major Alberta markets for the campaign.

Market	Radio	Direct Mail*	Rationale
Calgary	X	X	Both mediums recommended to maximize coverage and achieve campaign education objectives
Edmonton	X	X	Both mediums recommended to maximize coverage and achieve campaign education objectives
Red Deer	X		Test Market 1: Chosen for radio test as there was potential radio spillage from Calgary and Edmonton. If Red Deer chosen as DM test, results might skew due to two types of media exposure.
Lethbridge		X	Test Market 2: DM; similar market to Red Deer in terms of population, number of households and household income.
Grande Prairie	X	X	Test Market 3: Mix would allow for comparison against single media regions
Ft. McMurray		X	Region known for transient households. DM sent to only most established FSAs to avoid transient respondents.

\* final mail piece was unaddressed and targeted only by FSAs.

- ◆ Direct Energy is interested in assessing and measuring consumer understanding and perceptions as they relate to deregulation, choice, competition, and rates/price.



## Methodology

- ◆ The current survey:
  - 1,200 interviews were conducted by telephone between January 23 to January 30, 2008.
  - Interviews were conducted in proportion to the population of the province of Alberta with an augmented sample in Lethbridge and Red Deer.
    - Northern Alberta (n=126)
    - Edmonton CMA (n=334)
    - Central Alberta (n=100)
    - Calgary CMA (n=340)
    - Southern Alberta (n=100)
    - Lethbridge CMA (n=100)
    - Red Deer CMA (n=100)
  - Overall, the average interview length was 13.0 minutes.
  - The confidence (accuracy) limits associated with the results are (at the 95% level):
    - $\pm 2.83$  percentage points for n=1,200.
    - Sub-sample margin of error will be higher.



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## Detailed Findings



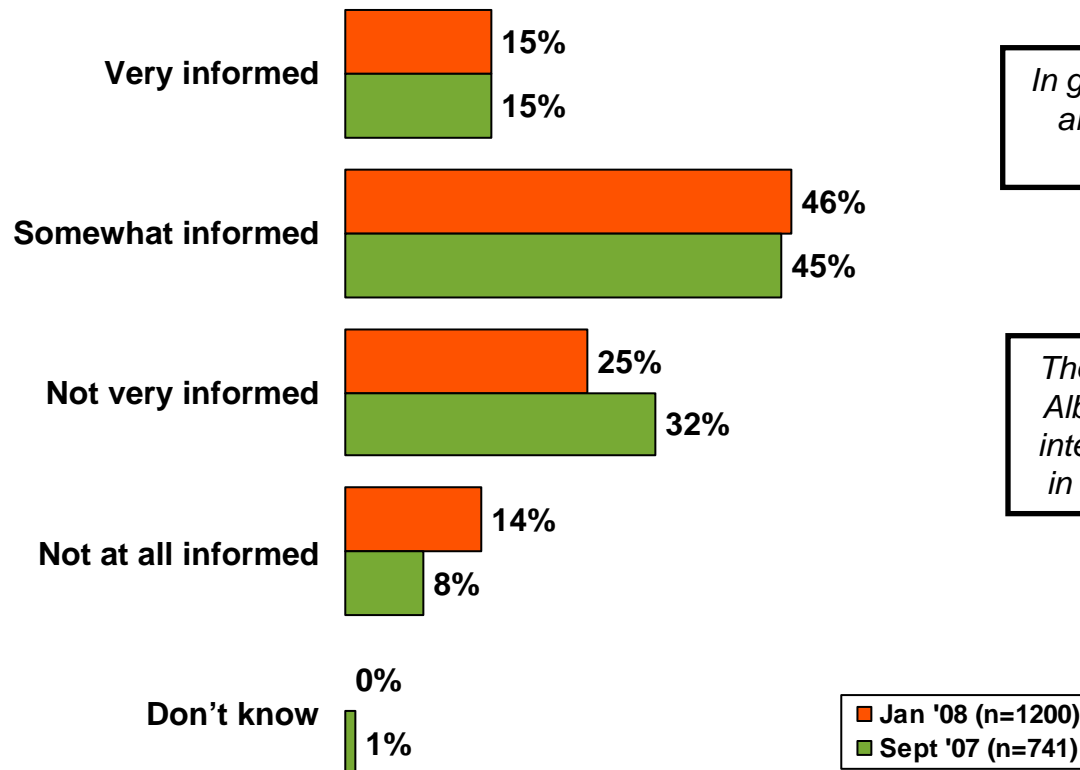
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## Deregulation



## Informed on Choice of Supplier – Total

*D2d. Alberta's electricity and natural gas markets have been opened to competition. This means that Albertans can choose to buy their electricity or natural gas from a competitive retailer. This is also known as deregulation. How informed are you on this issue?*



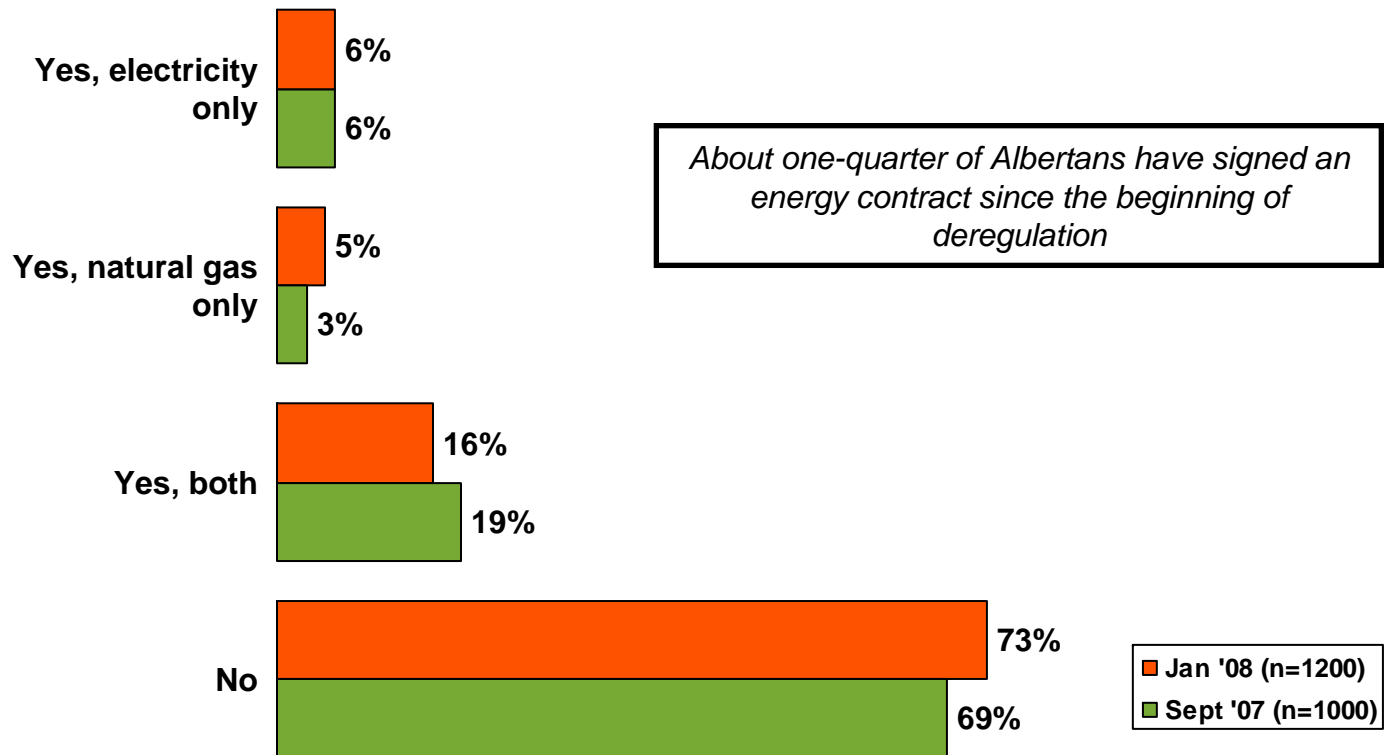
*In general, those that live in urban areas state that they are more informed on choice.*

*Those least informed are females, Albertans under 55, those without internet, and those who have lived in the province less than 5 years.*



## Contract With Competitive Retailer – Total

D2b. Since the beginning of deregulation, have you ever signed a contract with a competitive electricity or natural gas retailer?





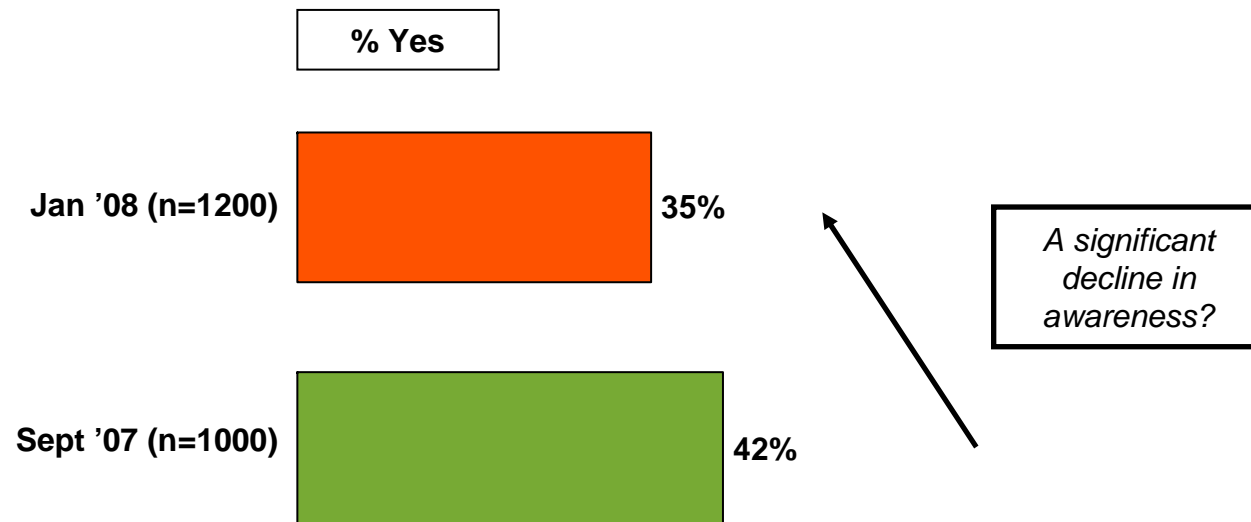
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## Education Campaign



## Awareness of General Communications – Total

*C1b. In the past three months have you seen any communication about your electricity or natural gas rates, or about your choices under deregulation?<sup>1</sup>*



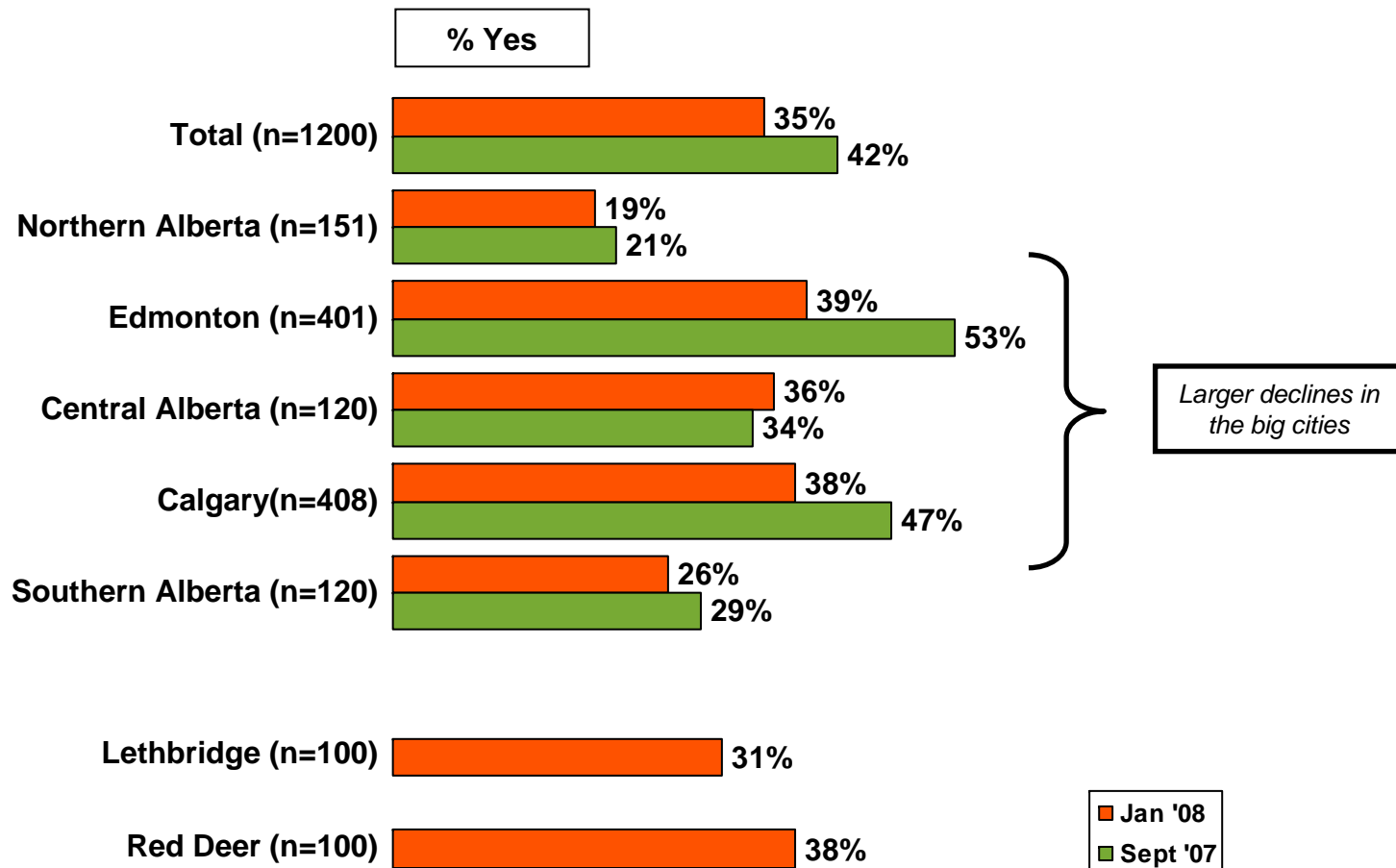
*Recall rate is comparable to other campaigns Ipsos has conducted in the past.*

<sup>1</sup>Question was reworded in Jan '08 from "In the last year, have you seen any advertising letting you know what your choices are?"



## Awareness of General Communications– By segment

C1b. In the past three months have you seen any communication about your electricity or natural gas rates, or about your choices under deregulation?<sup>1</sup>

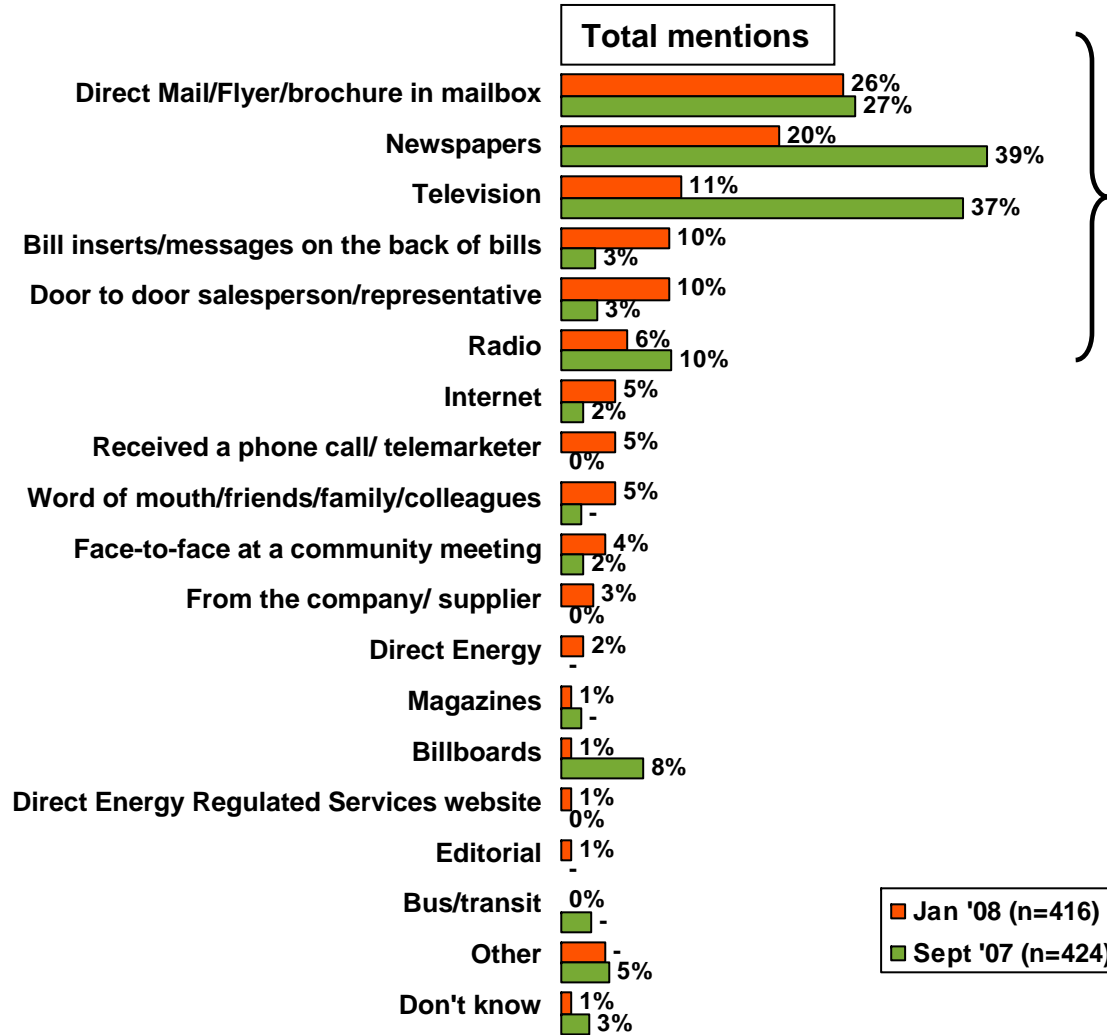


<sup>1</sup>Sept '07 question was, "In the past year have you seen any advertising letting you know what your choices are?"



# Awareness of General Communications– Channel

C1bi. Where did you see/hear/read this?<sup>1</sup>



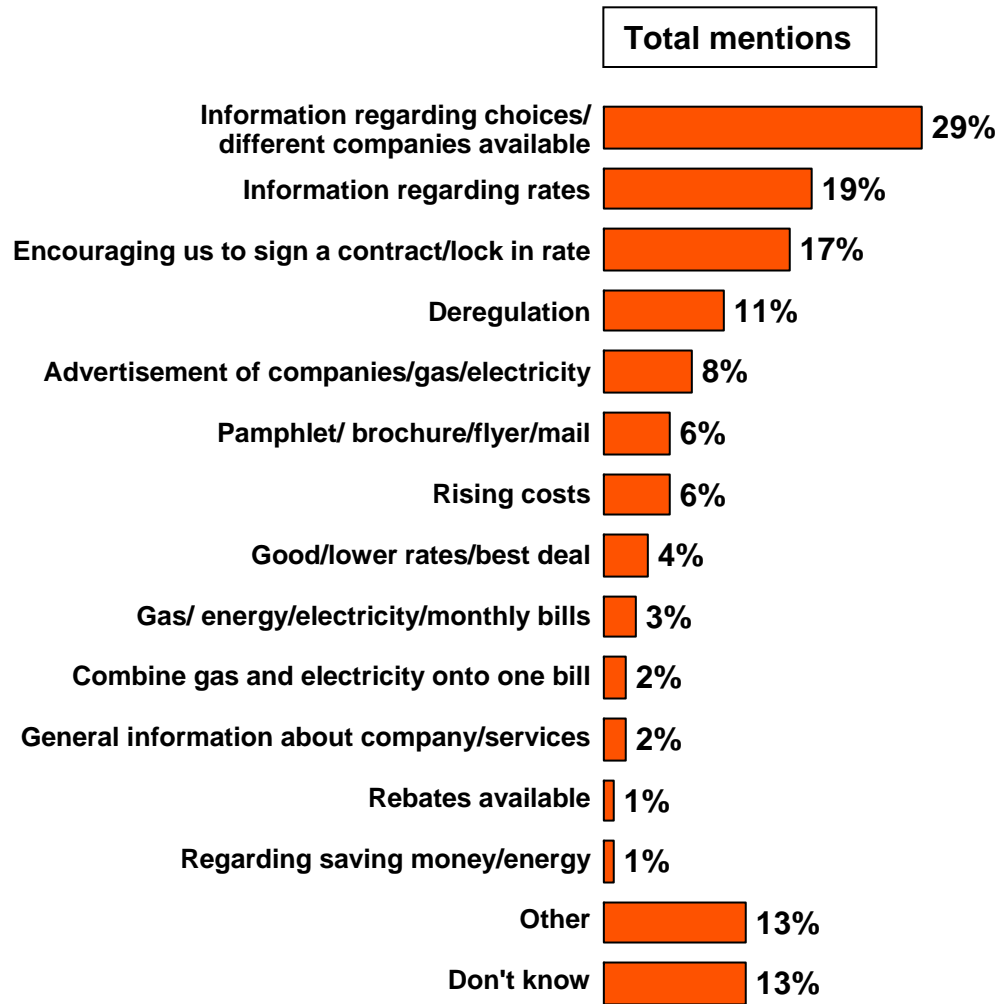
*Traditional media still most frequently recalled by consumers*

Jan '08 (n=416)  
Sept '07 (n=424)



# Awareness of General Communications– Specifics

C1bii. What specifically did you see?



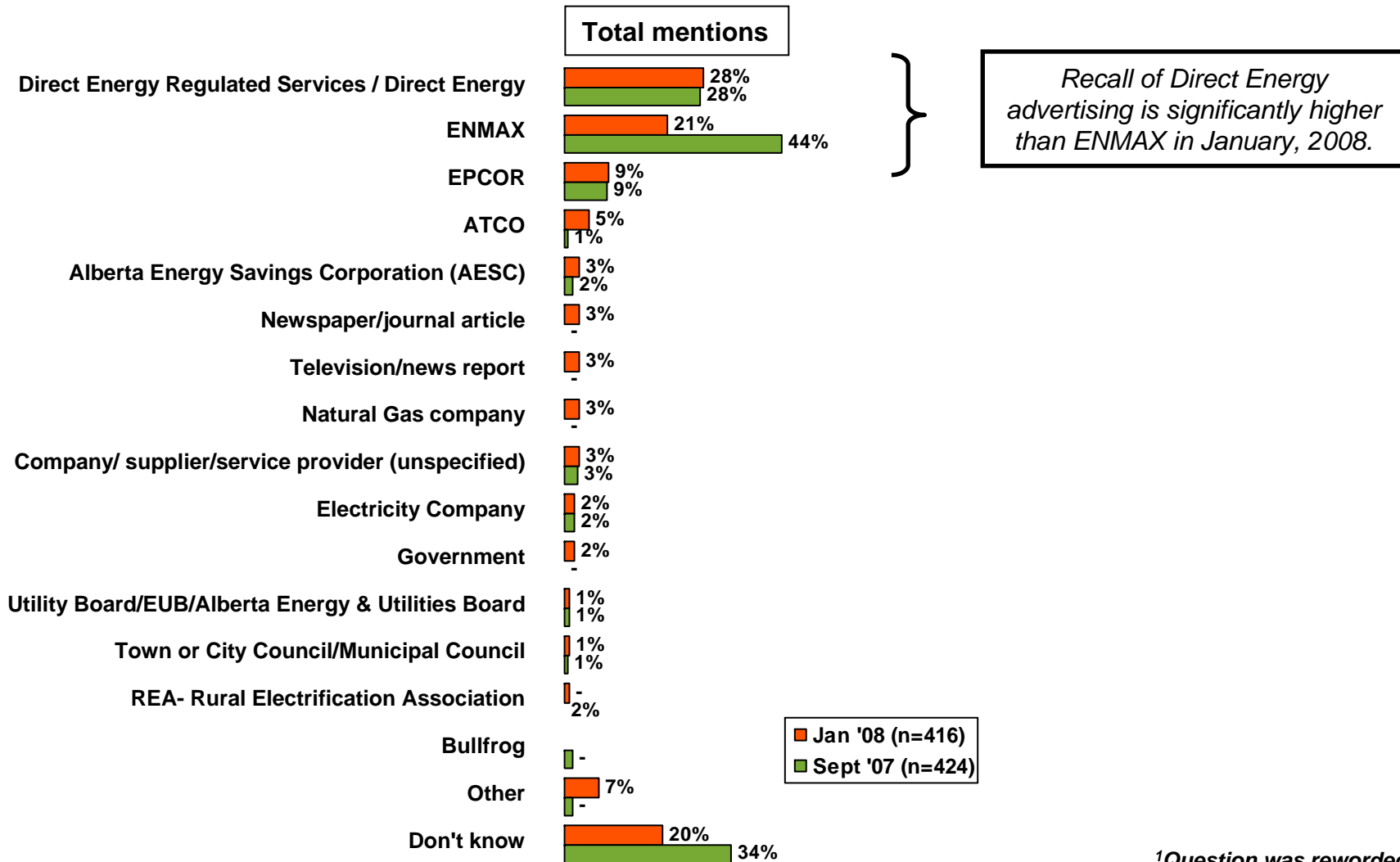
**General Themes:**

Information  
Contracts  
Prices



# Awareness of General Communications– Source

C1c. Who did the communication come from?<sup>1</sup>

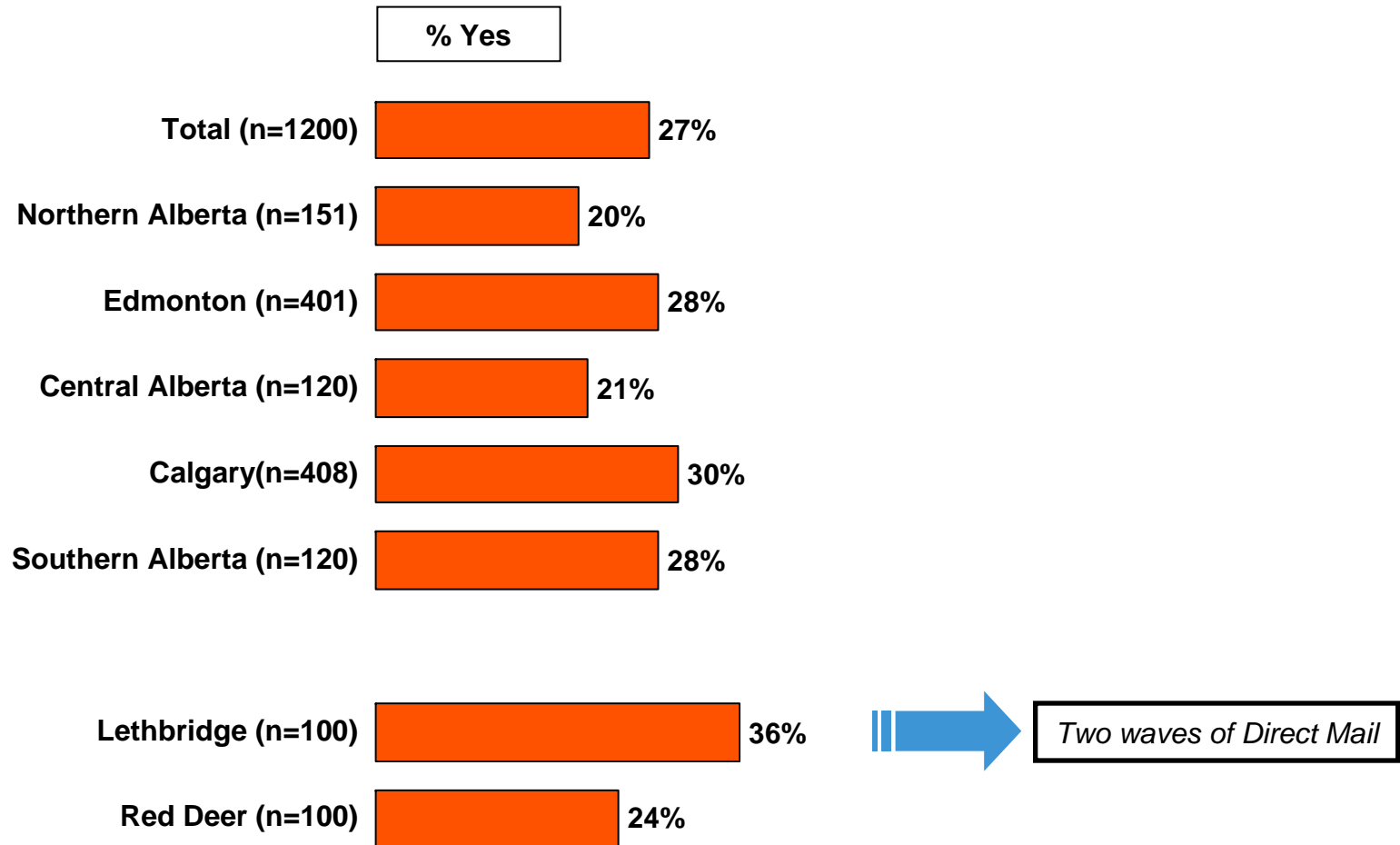


<sup>1</sup>Question was reworded in Jan '08



# Aided Recall of DERS Communications

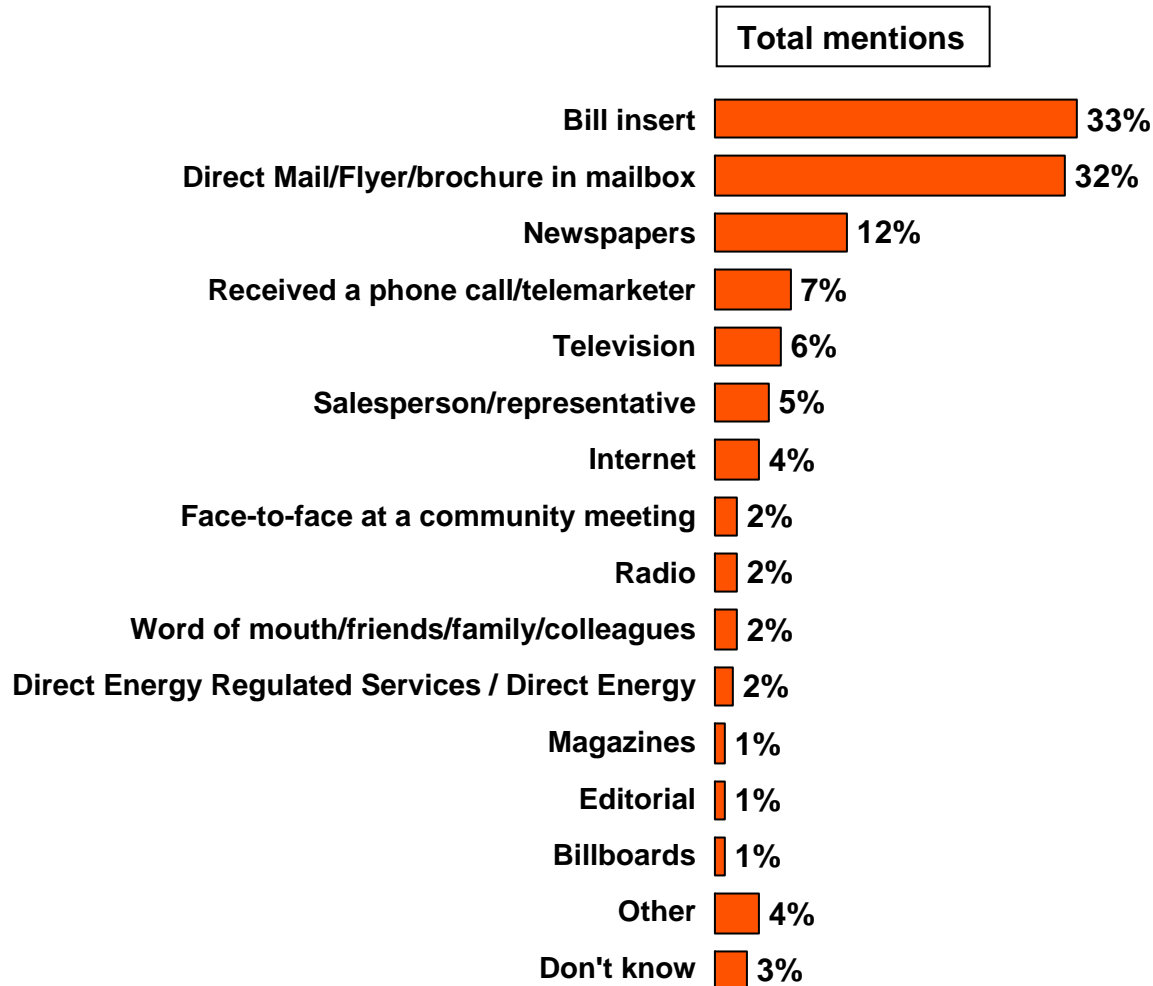
C1e. Do you recall seeing any communication from Direct Energy Regulated Services in the past three months?





# DERS Communications – Channel

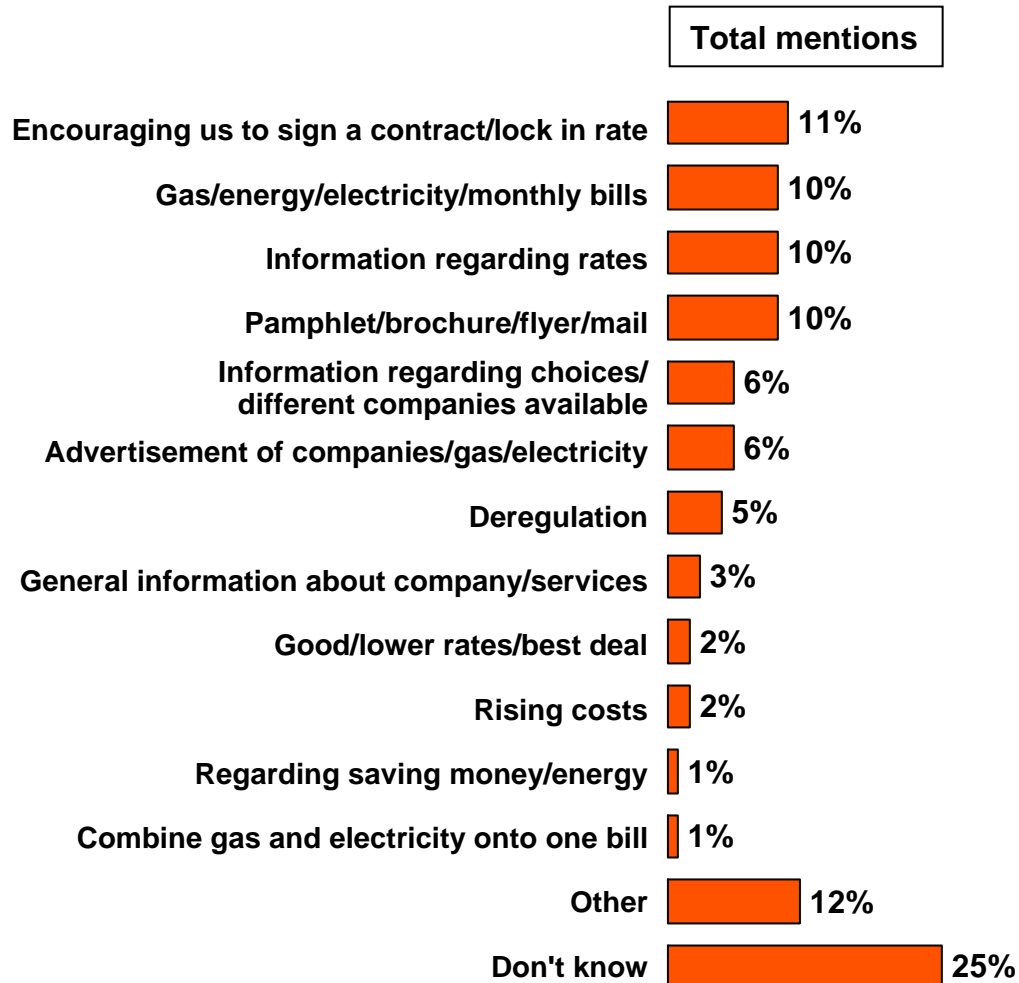
C1e1. Where did you see/hear/read this?





## DERS Communications – Specifics

C1e2a. What specifically did you see?



**General Themes:**

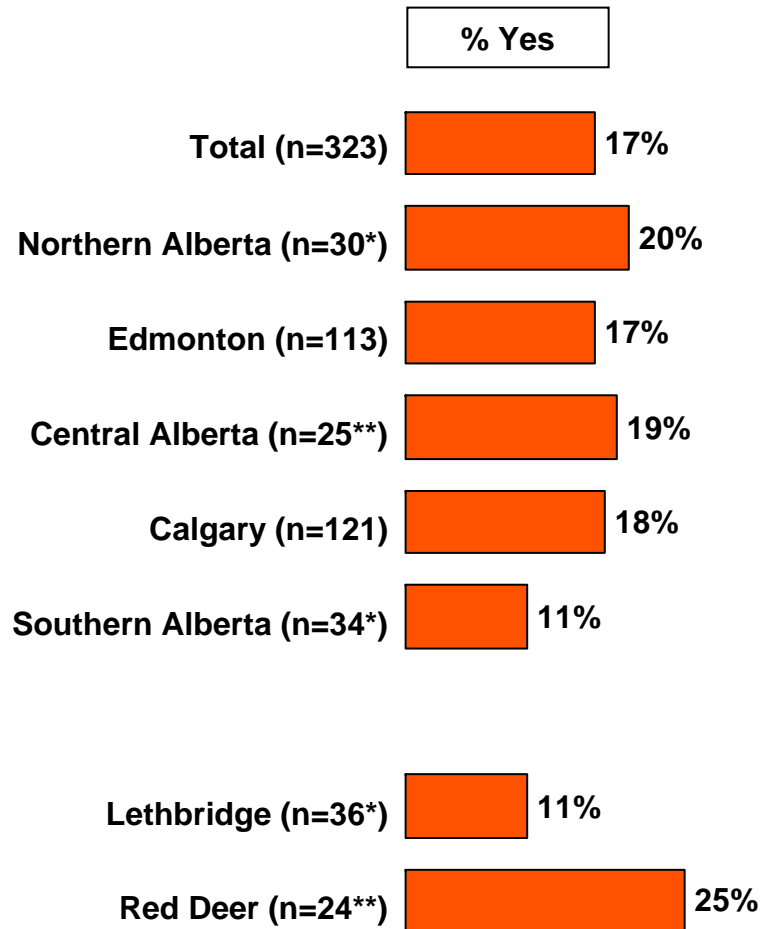
Contracts

Prices/Rates/Bills



## DERS Communications – Uniqueness

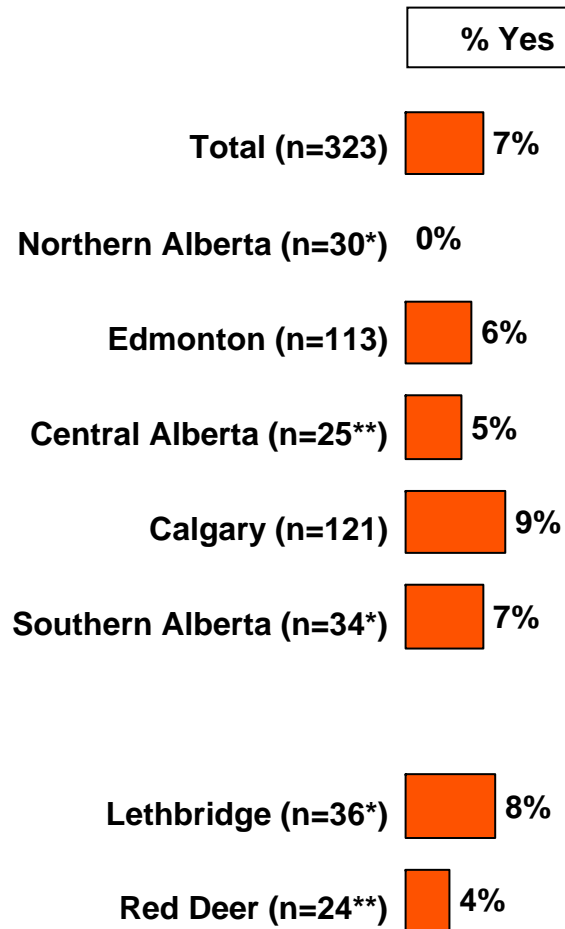
C1f. Based on the Direct Energy Regulated Services communication you saw, do you think they were unique, different and creative compared to other electricity or natural gas ads you may have seen?





## Sought Additional Information

C2. Now that you've seen some communication for Direct Energy Regulated Services did you seek out any additional information?

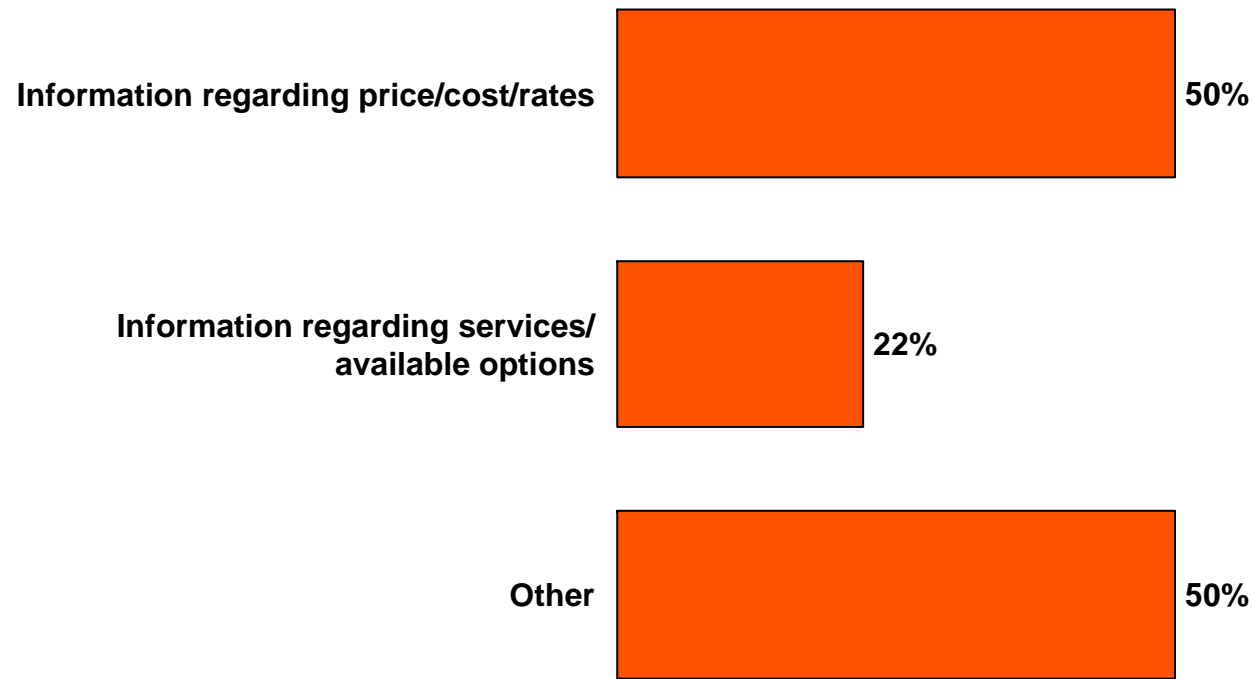


*One-in-ten sought additional information based on the DERS communications recalled.*



## Sought Additional Information – Topic

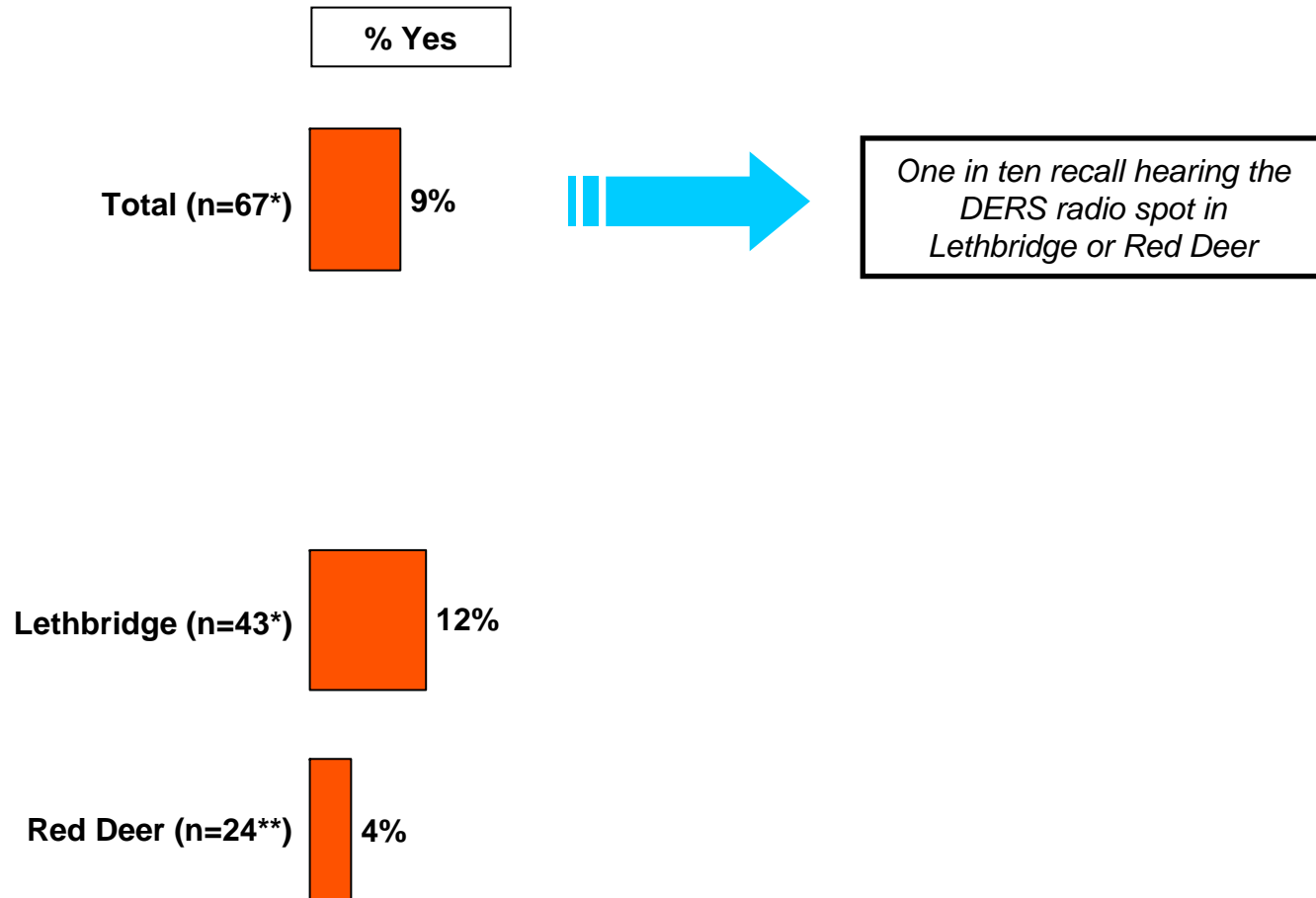
C2a. What specific information did you seek?





## Recall of Energy Quiz Radio Spot

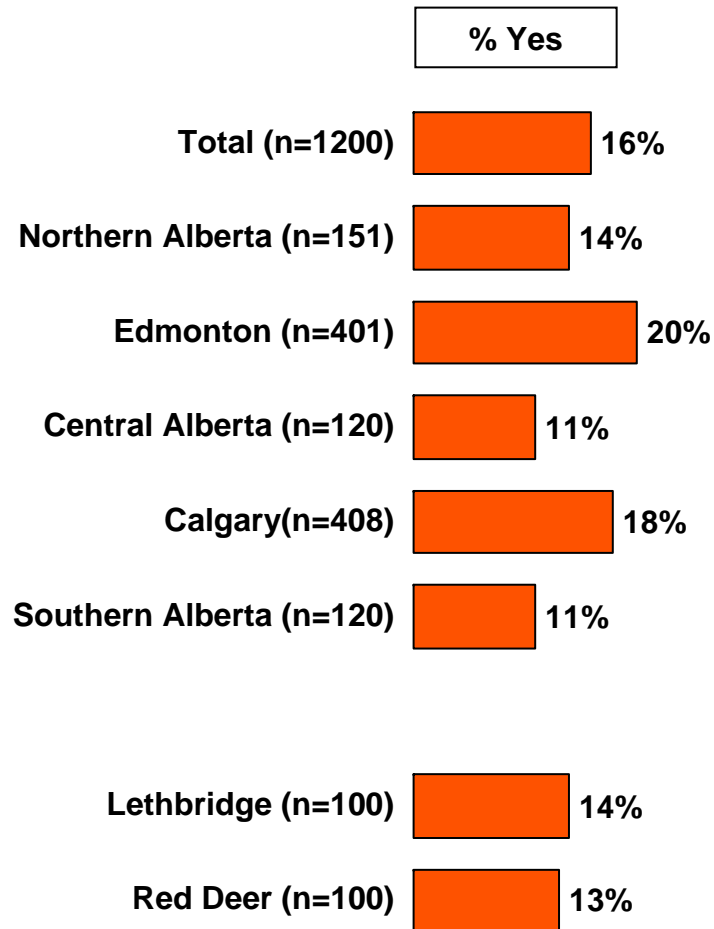
C3a. In the past three months have you heard a radio spot from Direct Energy Regulated Services that introduces a game show host conducting an energy quiz? The quiz educates consumers on why energy prices go up and down.





## Awareness of Energy Quiz Website

C8. Are you aware of the Direct Energy Regulated Services website [energyquiz.ca](http://energyquiz.ca)?

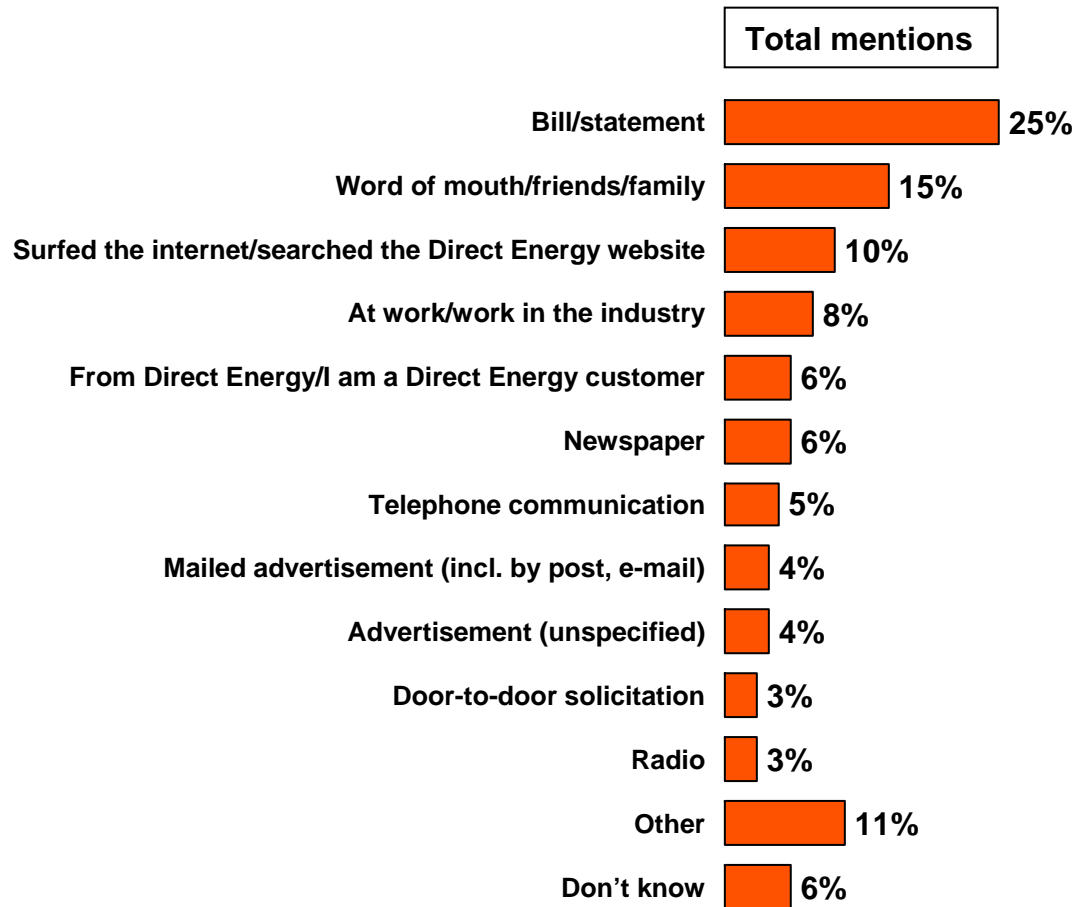


*Awareness of the Energy Quiz website is generally higher in urban areas*



## Awareness of Website – Channel

C9. Where did you hear about this website?

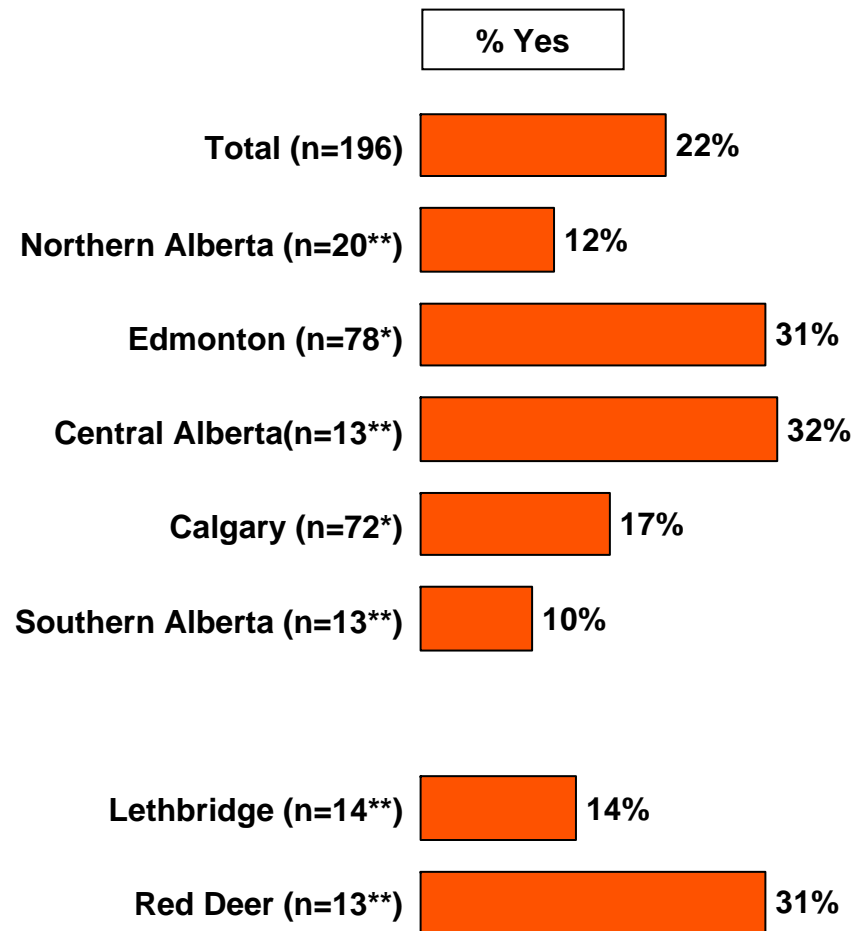


*Awareness of the website appears to have been pushed, rather than pulled.*



## Visited Website

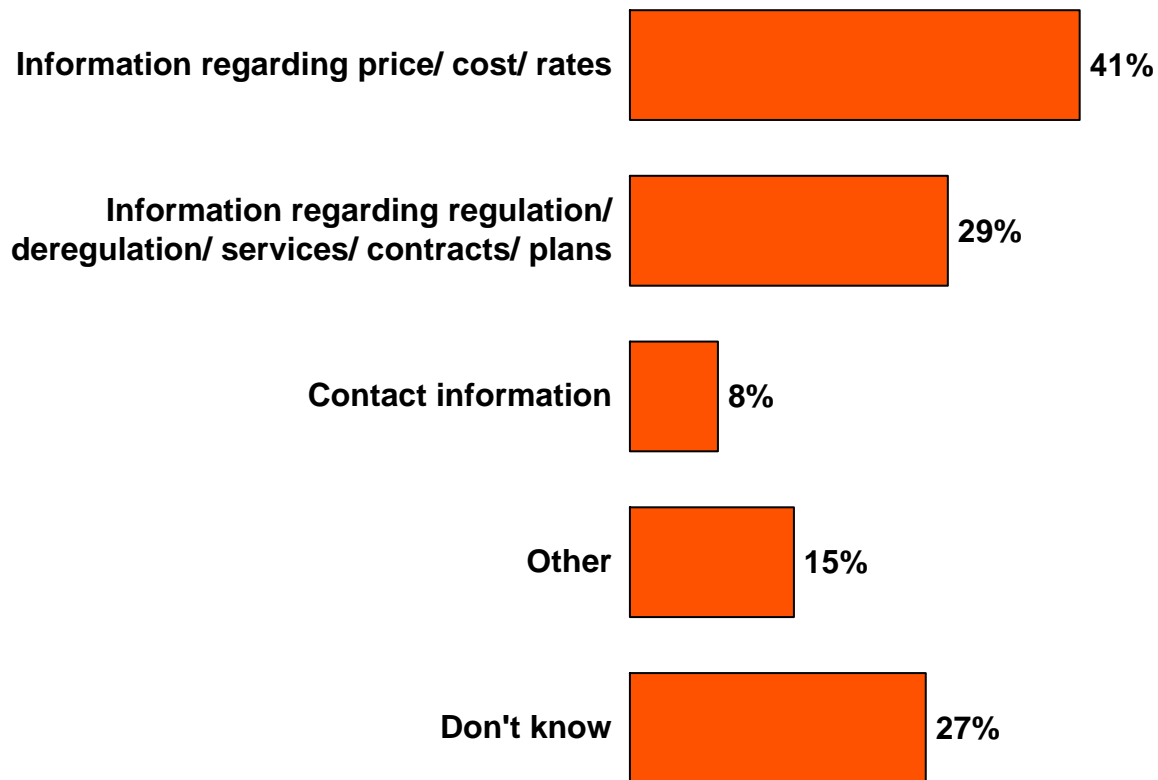
C10. Did you visit the website?





# Website Recall of Information

C13. What specific information do you recall from the website?





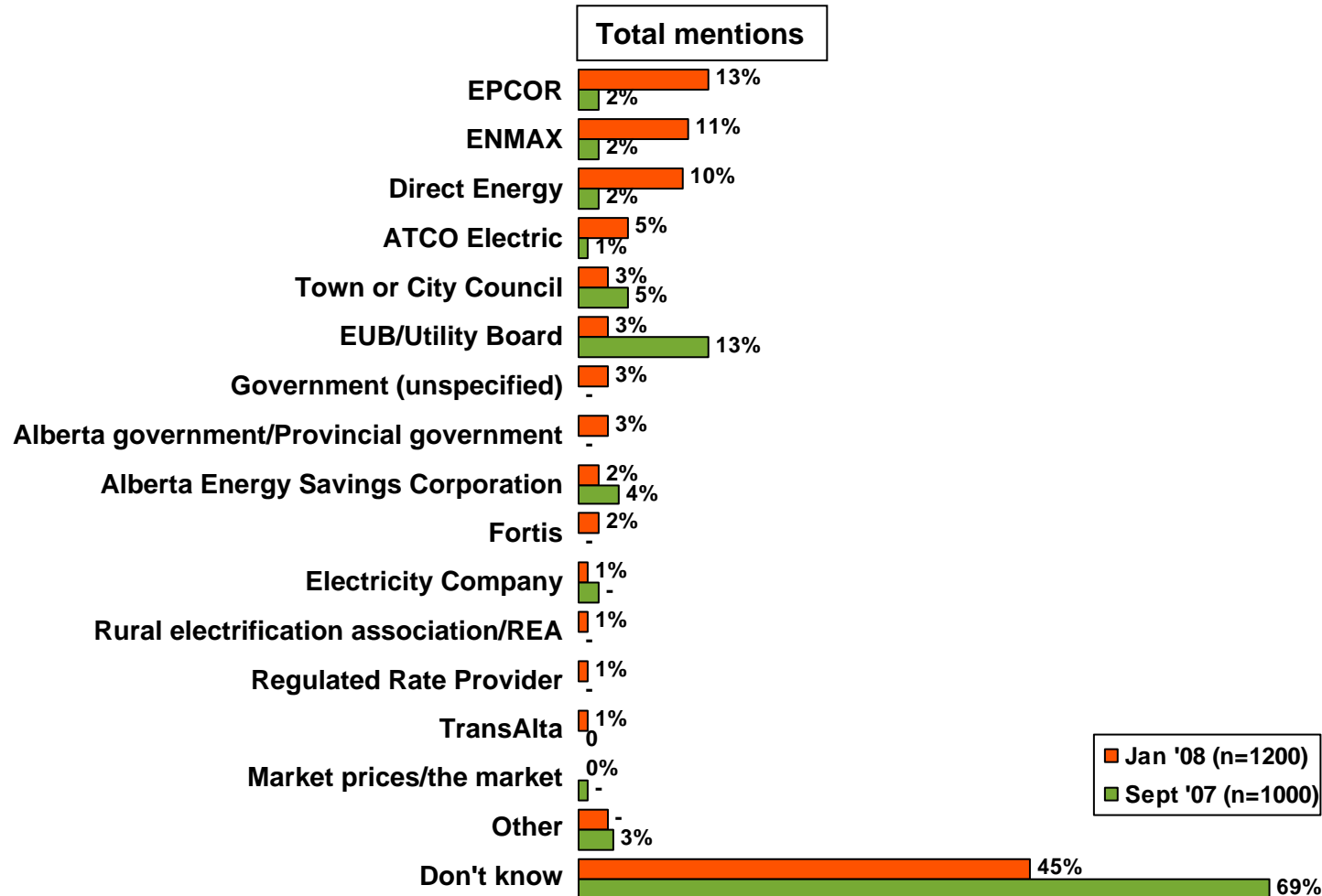
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## Preference and Perception of Rate Calculation



# Electricity Rate Calculation – Responsibility

**Qp1. The regulated rate for electricity is called the Regulated Rate Option or RRO.  
Who is responsible for providing the RRO for electricity customers in your community?<sup>1</sup>**

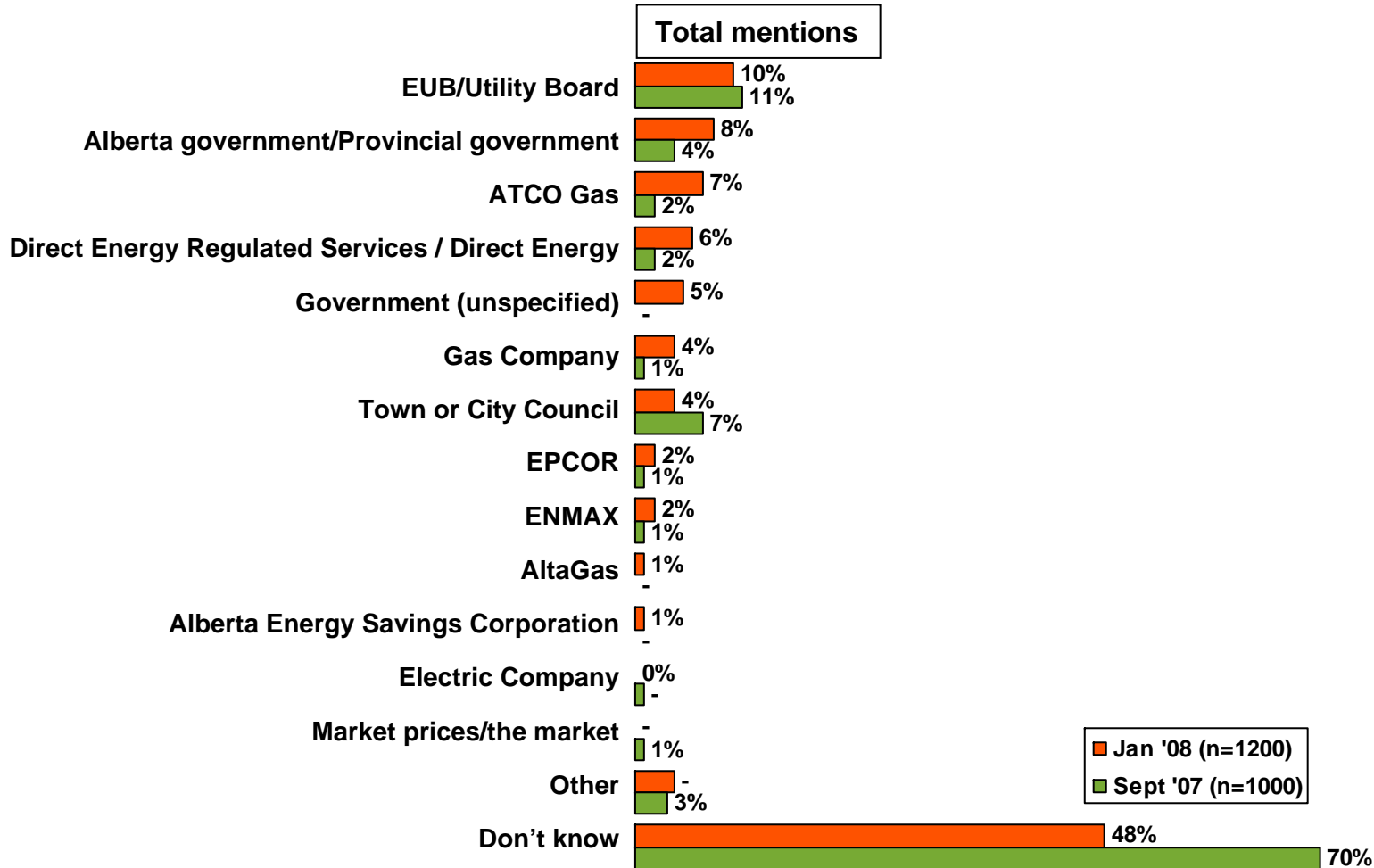


<sup>1</sup>Question was reworded in Jan '08 from, "Who is responsible for setting the RRO for electricity customers in your community?"



# Natural Gas Rate Calculation – Responsibility

P2. The regulated rate for natural gas is called the Gas Cost Flow-Through Rate or GCFR. Who is responsible for approving the GCFR for natural gas in your community?<sup>1</sup>



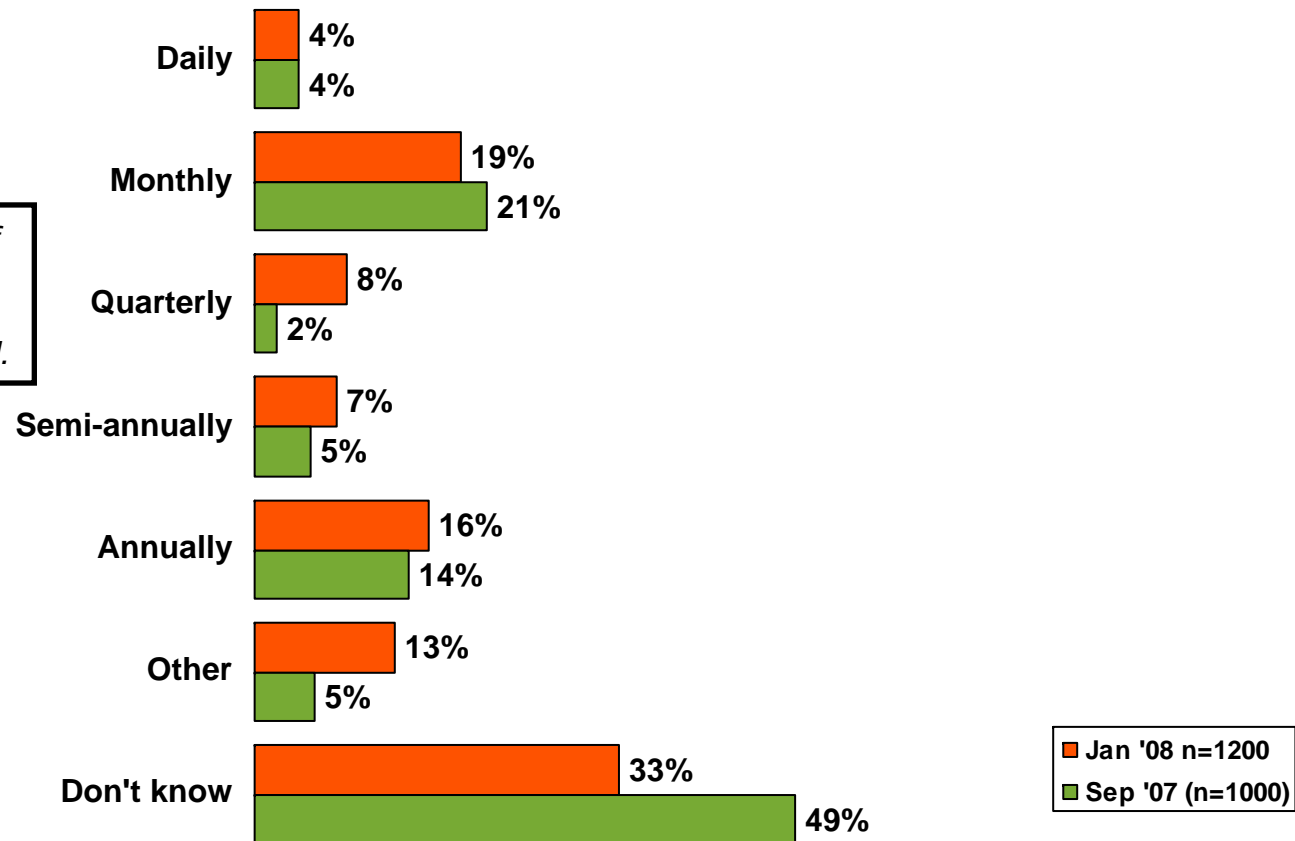
<sup>1</sup>Question was reworded in Jan '08 from, "Who is responsible for setting the GCFR for natural gas in your community?"



# Frequency of Change in Regulated Rate – Electricity

P3a. To the best of your knowledge, how often does the regulated rate for electricity change in Alberta?

*Even though the percentage of Don't Know's has declined dramatically, consumer understanding has not changed.*

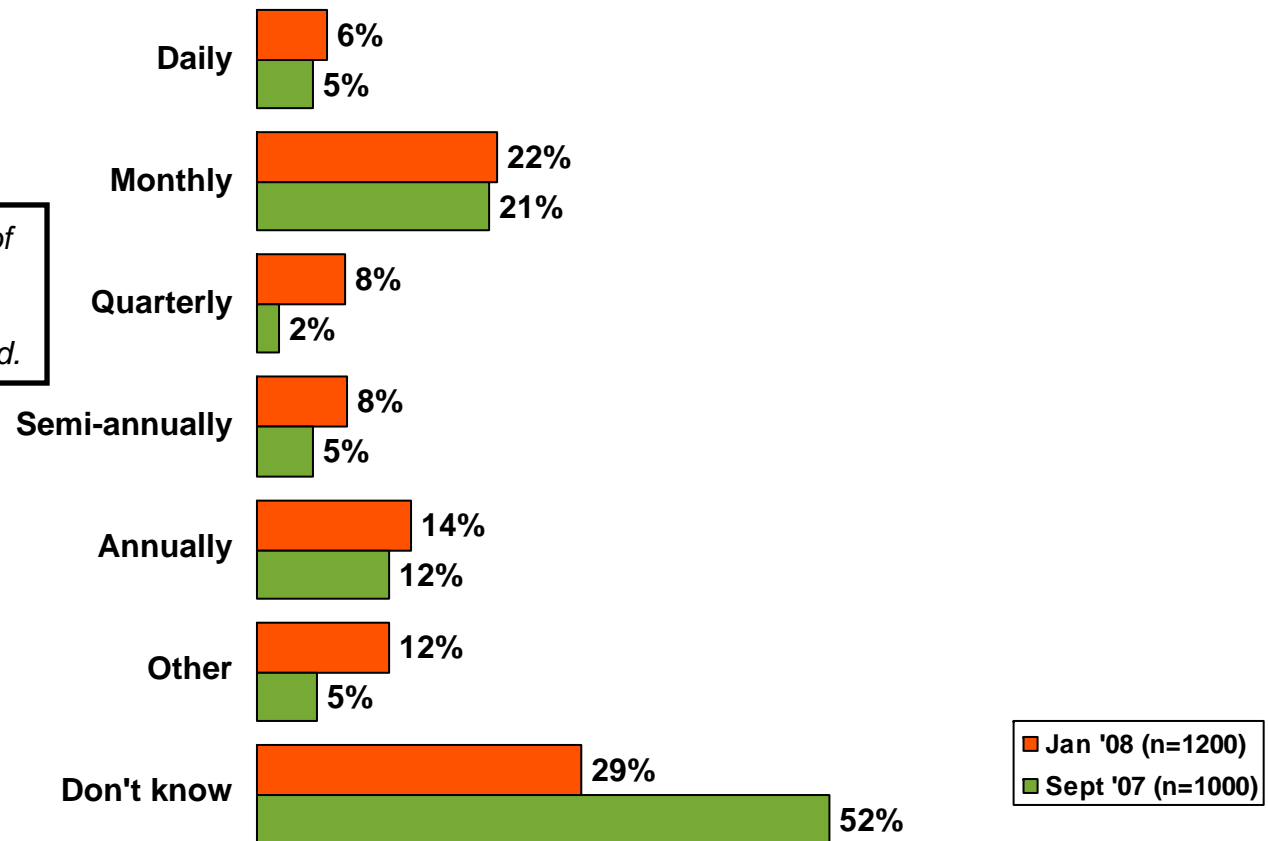




## Frequency of Change in Regulated Rate – Natural Gas

P3b. To the best of your knowledge, how often does the regulated rate for natural gas change in Alberta?

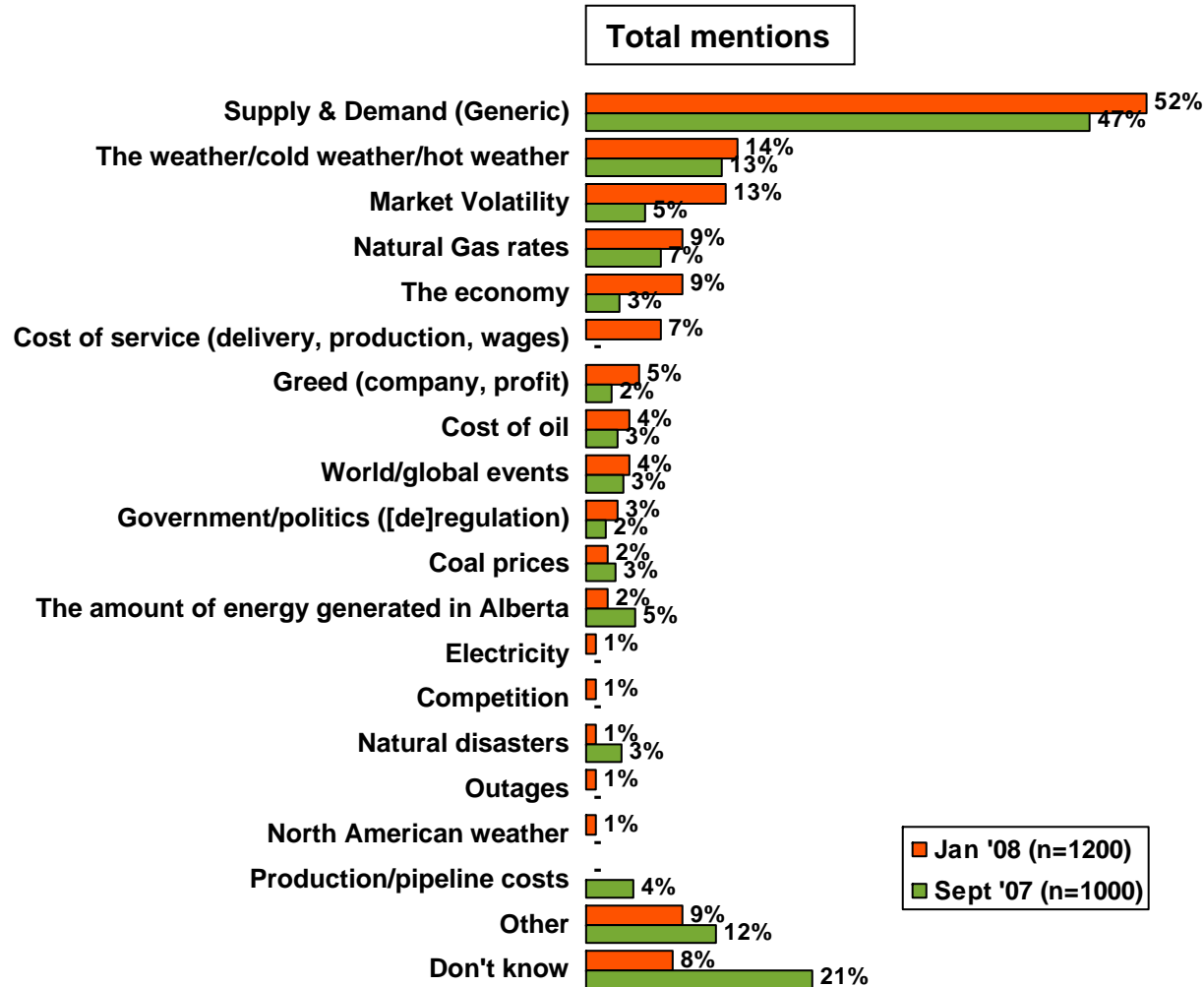
*Even though the percentage of Don't Know's has declined dramatically, consumer understanding has not changed.*





# Changes in Regulated Rates – Reasons

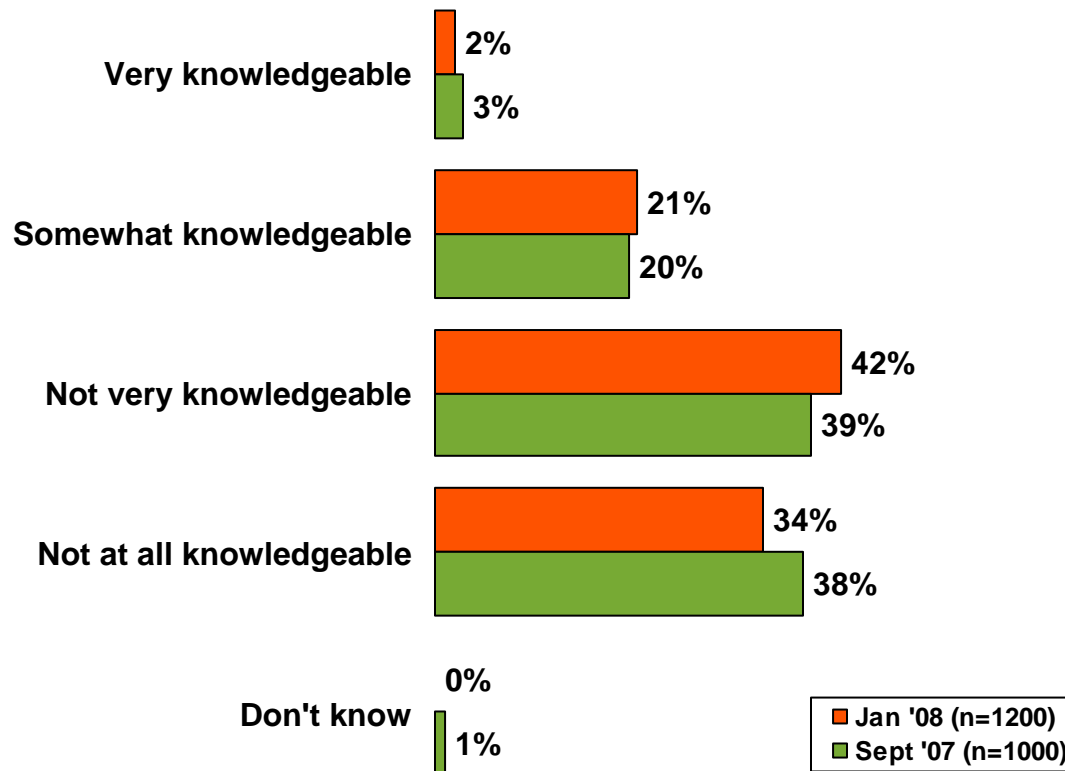
**P4. What are the factors that affect the regulated rate for electricity and natural gas?  
That is, what are the things that cause electricity and natural gas rates to go up or down?**





## Knowledge of Regulated Rates – Total

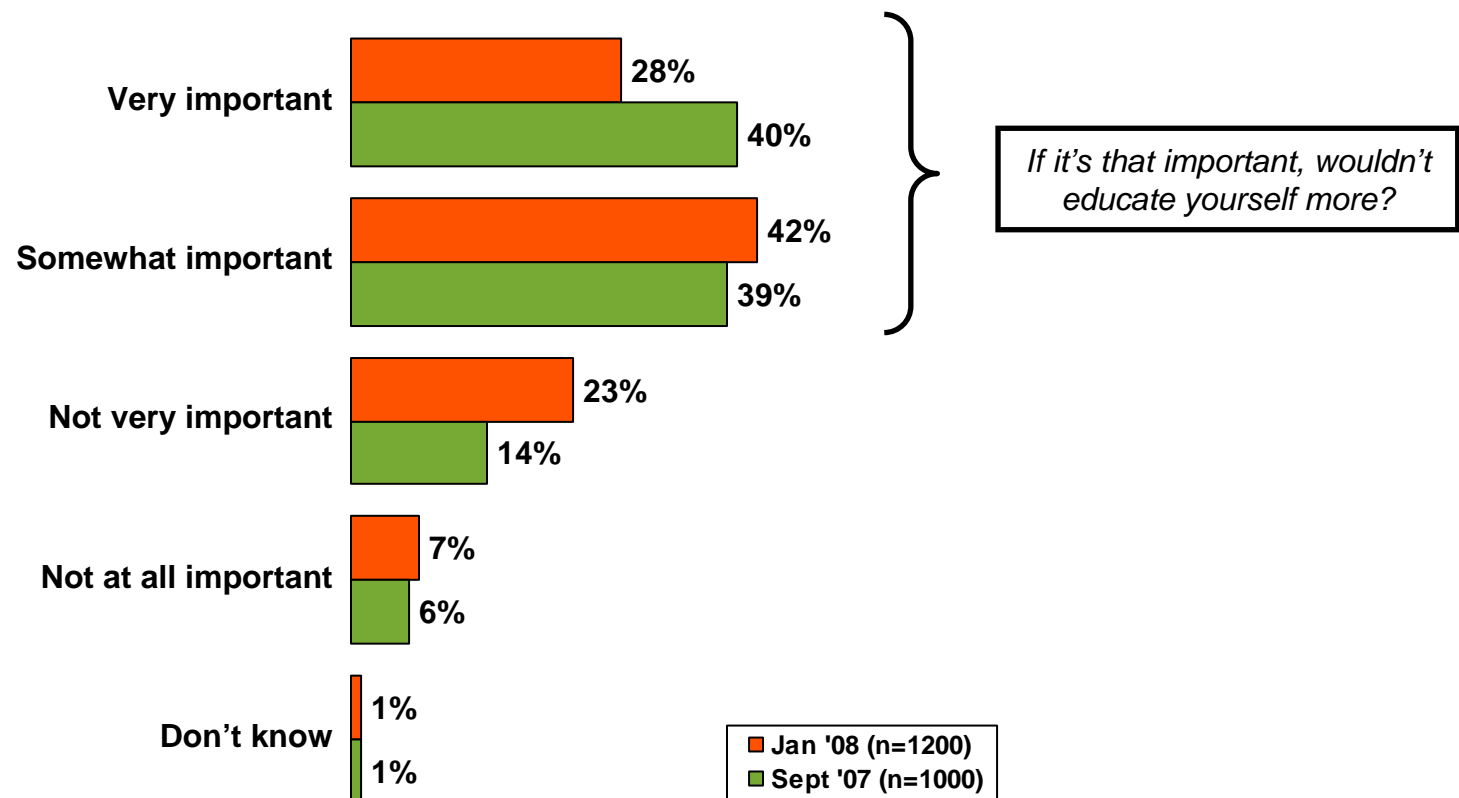
*P5. How would you describe your knowledge about how the regulated rate for electricity and natural gas is set in Alberta?  
Would you say you are very knowledgeable, somewhat knowledgeable, not very knowledgeable or not at all knowledgeable?*





## Calculation of Electricity and Natural Gas Rates – Total

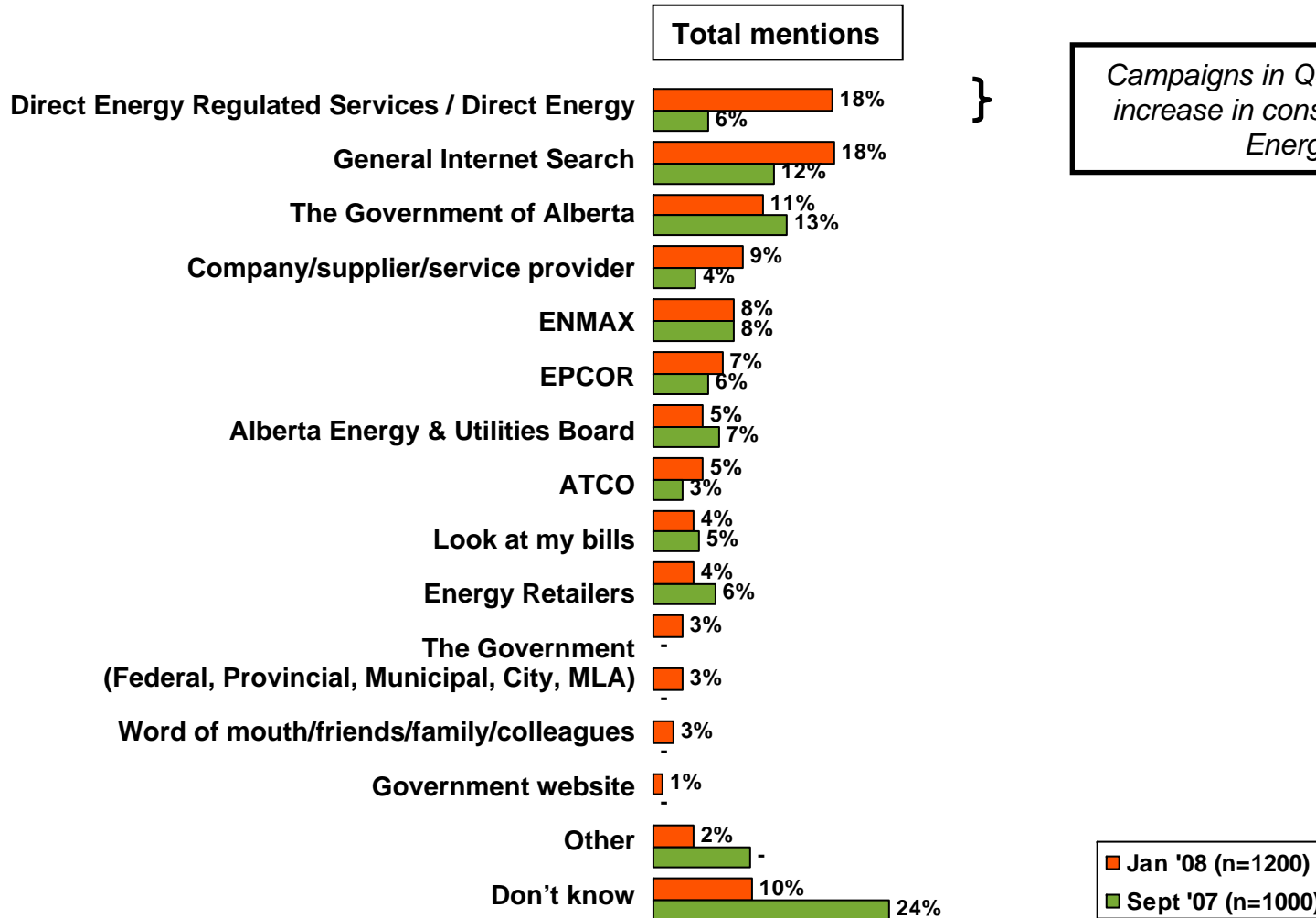
P8. How important to you is it that you know how your rate for electricity and natural gas is determined?  
Is it very, somewhat, not very or not at all important that you know how your rate is determined?





# Information on Calculation of Rates – Sources

P9a. If you were looking to find information about how your rate is calculated, whom would you look to for this information?

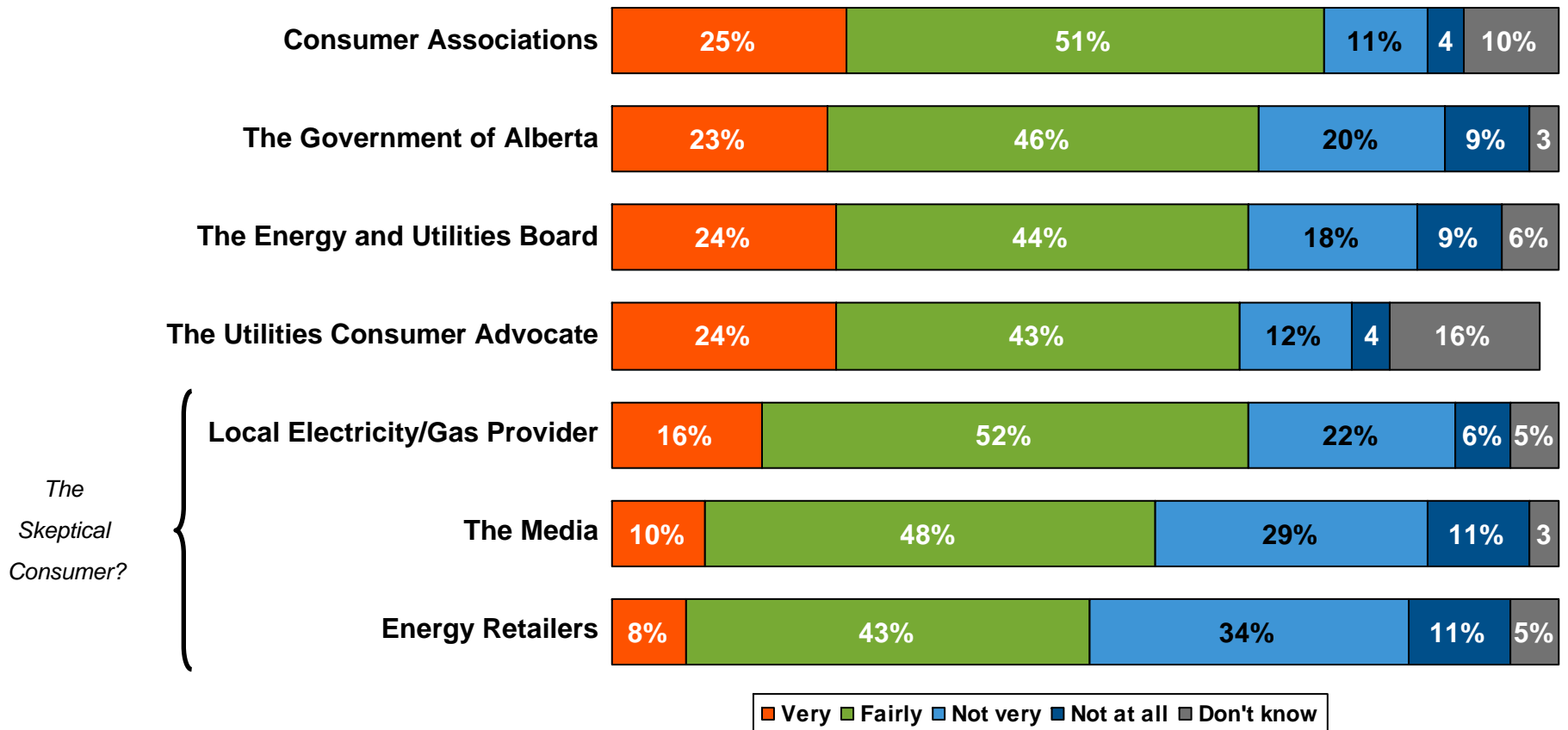


Campaigns in Q4'07 may account for the increase in consumers identifying Direct Energy as a source



## Information on Calculation of Rates – Credibility of Sources

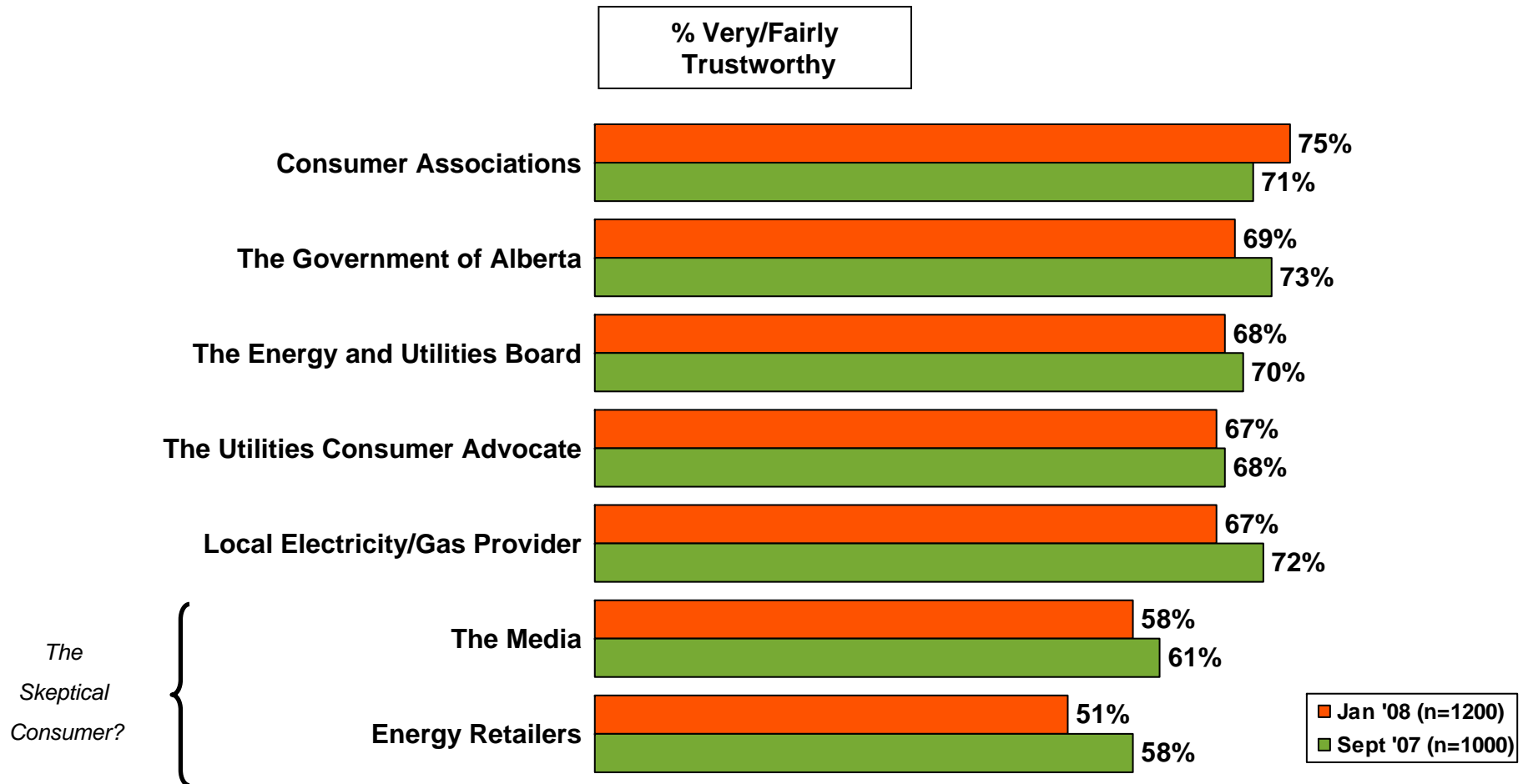
Qp9c. Now I'd like to ask you about the credibility of different sources of information about how your rate is calculated. Would you say that ... is a very, fairly, not very or not at all trustworthy source of information about how your rate is calculated? How about ...?





## Information on Calculation of Rates – Credibility of Sources

P9c. Now I'd like to ask you about the credibility of different sources of information about how your rate is calculated. Would you say that ... is a very, fairly, not very or not at all trustworthy source of information about how your rate is calculated? How about ...?





## What worked and what didn't?

- ◆ Overall recall of the campaign is good and is on-par with other Ipsos communications research in the energy industry.
- ◆ Unaddressed direct mail or bill inserts were the best mediums to deliver the messages. Radio on its own was not as successful nor was the website. Word of mouth was a surprising contributor to message spread.
  - There is higher recall in urban areas of DERS communications.
  - The test markets reveal that direct mail is more powerful than radio alone and that two waves of direct mail returned higher recall than one wave.
- ◆ A few messages of the campaign got through to Albertans.
  - The causes of rate changes for electricity and natural gas all had higher recall this wave than in September '07.
- ◆ Other messages did not get through.
  - Few still know how often the RRO and GCFR change.



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## Implications



## Implications

- ◆ As we observed with the first wave of this research, there is still a disconnect between Albertans' perceived knowledge of deregulation, choice, and rate calculations and their actual level of understanding.
  - This is again demonstrated by few knowing the EUB is responsible for approving the GCFR, regulated providers provide the RRO, and few correctly identifying how often the RRO/GCFR change.
  - This information gap makes it difficult for energy retailers to have consumers understand or act on their message(s).
- ◆ Recall of the educational campaigns' radio spots and direct mail may appear low; however, it is comparable to other communications testing conducted by Ipsos.
- ◆ Messages about what causes rate fluctuations seem to have reached Albertans.
  - The media channels that were most successful to this end were bill inserts and direct mail.
  - Word of mouth was surprisingly strong at driving people to [energyquiz.ca](http://energyquiz.ca).
- ◆ Achieving higher recall will require persistent communications on the part of DERS. Over time, these communications will help close the gap in perceived and actual understanding of deregulation, choice, and rate calculations.
  - Subsequently this will improve consumers' understanding of Direct Energy's role in the market and the value of its product offering.



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**Thank You**



## Education Campaign – Deregulation Communications

- ◆ One-third of respondents have seen communication about electricity or natural gas rates, or about choices under deregulation in the last three months.
  - This level of awareness is similar to other research conducted by Ipsos in the energy industry.
  - This is down significantly from the first wave.
  - Significantly more respondents in Calgary, Edmonton and Central Alberta than those in Northern or Southern Alberta have seen communications.
- ◆ The top-reported sources for communications were mail, newspapers and television.
  - More respondents in Lethbridge recalled communications from DERS. This is likely a result of two waves of direct mail.
  - Just 5% say they saw the information on the internet.
  - Young Albertans are more likely to cite the internet.
- ◆ Specifically, three-in-ten saw information regarding choices/different companies available. Fewer than one-in-five saw information about rates or information encouraging them to sign a contract.
- ◆ When asked what messages they recall, one-in-five Albertans remembered something encouraging them to sign a contract. Another one-in-five remember messages regarding choices or different companies available.
- ◆ Nearly three-in-ten say that the communication came from DERS / Direct Energy.



## Education Campaign – DERS Communications

- ◆ When asked specifically about communications from DERS, just over one-quarter state they had seen something from the company in the past three months.
  - Of note, significantly more respondents in Lethbridge saw something from DERS.
  - Recall is generally higher in urban areas. Red Deer is the only exception likely because it received no direct mail in the campaign.
  - A similar proportion of respondents recalled communications in other recent Direct Energy research by Ipsos.
- ◆ One-third of respondents saw the communication in a bill insert and another one-third recalled direct mail/flyers/brochures in the mail.
  - Those in Southern are more likely than those in most other regions to have seen the communication in the form of direct mail.
- ◆ When asked about the specifics of the communications, and when asked about messages in the communications, respondents most recalled something encouraging them to sign a contract.
- ◆ Of those that saw the DERS communication, fewer than one-in-five found it was unique, different and creative.
- ◆ Three-in-twenty respondents in Lethbridge received the DERS mail-out about energy rate fluctuations.
- ◆ Just 1% respondents in Red Deer heard the Energy Quiz radio spot.
- ◆ Few sought out additional information as a result of seeing the communication.



## Education Campaign – [www.energyquiz.ca](http://www.energyquiz.ca)

- ◆ In total, 16% of Albertans are aware of the website [energyquiz.ca](http://www.energyquiz.ca).
  - This is fairly consistent with other aided-recall research conducted in the retail energy industry.
  - Awareness tends to be higher in Calgary and Edmonton.
- ◆ One-quarter of those who are aware of the website saw it in a bill/statement. An additional 15% reported hearing about it by word-of-mouth.
  - Those with lower incomes are more likely to have heard about the site by word-of-mouth.
- ◆ Two-in-five of Albertans who are aware of the website have visited [energyquiz.ca](http://www.energyquiz.ca). This equates to 4% of Alberta in total.
  - The majority (70%) found it to be informative.
  - They recalled information about rates and prices, as well as information regarding (de)regulation, services or contracts.
  - Those that did not visit the site were not interested or were too busy.



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## Deregulation



## Deregulation

- ◆ Three-in-five Albertans say they are informed about deregulation.
  - Just 15% say they are ‘very informed.’
  - Those least informed are females, Albertans under 55, those without internet, and those who have lived in the province less than 5 years.
- ◆ Just over one-quarter of Albertans have signed a contract for electricity or natural gas since the beginning of deregulation.
  - Most of these contracts were dual-fuel contracts.
  - More respondents in Calgary and Edmonton than those in Northern Alberta have signed a contract.