# Activities & Outputs: Market Creation Working Group

#### 1. Overview

The purpose of this document is to outline the activities and outputs of the Green Deal Providers Market Creation Work Stream to date (July 2012), for presentation to the Green Deal Providers Steering Group. The objective to evaluate success against its purpose/expected outcomes and identify outstanding activities.

#### 2. Purpose

- Identify and agree the potential key barriers to customer take up of Green Deal offers
- Identify the potential roles of different industry participants (GDPS, Government, Suppliers, LA's others) in overcoming these barriers through educating consumers and promoting Green Deal
- Identify the most effective way for Government to direct the £200m in earmarked funding to drive long-term take-up of Green Deal offers

#### 3. Expected outcomes

- Key barriers to customer acceptance and take-up of Green Deal
- Marketing and communication strategy for Green Deal and role of market participants
- Recommendation for the most effective use of the £200m incentive fund

#### 4. Membership

The market creation working group first met 19<sup>th</sup> April 2012, meeting weekly to bi-weekly; the latest meeting to date is planned for 6<sup>th</sup> August 2011. The working group was attended by both industry and Government at all meetings, ensuring productive outputs for all parties. National Energy Foundation supported these meetings.

#### 5. Activities

The working group's main activities were focused primarily around the six areas below.

- 1. Understand customer research to date to Identify key consumer considerations and barriers when contemplating Green Deal
- 2. Identify which industry participants are well placed to most effectively engage with potential consumers to drive acceptance and take-up
- 3. Understand the options for the £200m incentive fund and identify where it could be focused to create areatest traction
- 4. Informal consultation with The Scottish Government to help shape their incentive proposals for Scotland
- 5. Understand existing Government plans for the marketing communication and promotion of Green Deal
- 6. Identify potential collaboration opportunities reviewing experience from other roll outs (e.g. cert, cesp, digital switch over) to understand best practice (messaging, channels, branding etc)

There was much general discussion between Industry and DECC around the area of market creation/demand. On an ad hoc basis the group also sought clarity from DECC around legislation / impact assessment / code of practice e.g. distress boiler purchase customer journey, if Green Deal finance was a loan or a charge.

## 6. Outputs

Below is a summary of the main outputs from the working group that correspond with the activities above.

## Activity 1 and 2 outputs

Collated via a trawl of the groups' Green Deal consumer research. The group went through a process of review, finally agreeing a level of prioritisation and ownership to manage. These barriers were presented to DECC for their review.

GD Barrier	Level of	Is it being	Whose responsibility?
	priority	tackled?	
Salience (relates to 'Create momentum for change' in DECC model)			
Lack of awareness of the scheme	1	NO	DECC/PROVIDERS
Not high on my list of priorities/easy to put off	2	PARTIALLY	DECC/PROVIDERS
Could sound familiar/may give no reason to reappraise	3	PARTIALLY	DECC/PROVIDERS
Less exciting/motivating than cosmetic improvements	4	PARTIALLY	PROVIDERS
Assumption that it is 'not for me' (e.g. renters, those who aren't on benefits)	5	PARTIALLY	DECC/PROVIDERS
Understanding (relates to 'Support the market as it develops' in DECC model)			
<ul> <li>Hard to understand:</li> <li>Measures and their benefits not widely understood</li> <li>A complex idea that requires a lot of explanation (the 'golden rule' is potentially confusing)</li> </ul>	1	NO	DECC/PROVIDERS/ MANUFACTURERS
Inconsistency (and mixed quality) of communication due to market-led approach	2	PARTIALLY	DECC/PROVIDERS
Expectation that it will be expensive (despite the new finance mechanism)	3	PARTIALLY	DECC/PROVIDERS
Demand for a large amount of personalised information	4	PARTIALLY	PROVIDERS/ ASSESSORS
Trust (relates to 'Build trust and confidence' in DECC model)			
Is government backing clear?	1	NO	DECC
Is this a wise financial decision?  Taking out a loan in a time of austerity What will interest etc. be? Is there a catch? (seems very complex) Weren't these things free before?	2	PARTIALLY	DECC/PROVIDERS/ GDFC
<ul> <li>Can I be sure of the benefits?</li> <li>Can the predicted savings be relied upon?</li> <li>Will it be worth the hassle of work being done in my home?</li> <li>Will the scheme be enduring? (e.g. FITs)</li> <li>Will it impact on selling house/value?</li> </ul>	3	PARTIALLY	DECC/PROVIDERS/ ASSESSORS/PROPERTY INDUSTRY
Need to understand 'why' this is happening	4	PARTIALLY	DECC
Relationship with energy companies	5	NO	ENERGY COMPANIES

#### **Activity 3**

The group informally consulted with the DECC Demand Team on their proposed options for the £200m domestic cash back. DECC asked for the group's feedback on the questions detailed below, which the group responded (Appendix 1). DECC's developing proposals for the scheme have been discussed with the group at each meeting, helping to shape its design, particularly in the following areas.

- Design of the cash back scheme
- Simplification of cash back scheme end to end
- Flexibility for use of the cash back e.g. payment holiday for customers
- Proposals for landlords and tenants in privately rented homes
- Qualitative research messaging & communication of cash back scheme

The group now awaits the formal announcement on scheme in September by DECC

#### **Activity 4 outputs**

Following the very recent decision by the Scottish Government to manage a separate incentive cash back scheme for Scotland, the group have engaged twice with The Scottish Government to help shape their proposals.

There are no significant outputs at this stage. DECC have shared the groups original response to their proposals with Scotland and we aim to continue the dialogue with Scotland to help shape their design.

#### **Activity 5 outputs**

The group informally consulted with the Green Deal Marketing Manager at DECC to understand existing Government plans for the marketing communication and promotion of domestic Green Deal. Again, the development of these plans was discussed at each meeting with an aim to help shape future communications plans/activity to drive consumer demand. The group focused on the following 2 areas:

- Segmentation DECC's Green Deal study
- Consumer messaging of Green Deal & requirements for core materials and toolkit

DECC's segmentation study was attitudinally focused around TGI data (for communications targeting). The group challenged the outputs would provide limited benefit unless linked to postcode level. The group proposed the ideal outcome of the segmentation is to provide a cost effective method of targeting households most likely to take up a Green Deal; recommending the creation of a model which identifies the most likely segments for take up (Appendix 2 proposal). DECC agreed their segmentation had limitations and are exploring the options to link it to location/postcode to aid targeting. This report will be available at the end of the summer.

The group again informally consulted on consumer messaging of domestic Green Deal proposals. The group also provided recommendations for the Green Deal Provider materials/toolkit. DECC have drafted a set of communications requirements for core materials/toolkit, which will be available for additional comments by the group at the end of July.

#### **Activity 6 outputs**

As part of the consultation with DECC on the demand creation plans of Green Deal, the group identified the plans were insufficient, discussing the possible need for collaboration with DECC, identifying potential model following the review of other rollout experiences. Collaboration approach options were drafted (Appendix 4), this was used as a point for discussion with DECC, leading to a meeting with DECC at a senior level (10<sup>th</sup> July) to discuss their future Marketing Communications plans

DECC have agreed to invest and pay selected communication planning agencies to prepare proposals for a proposed £1-2m Green Deal communication strategy and implementation plan to drive consumer engagement during 2012-14, appointing the media agency Carat. Draft brief from DECC (Appendix 5) has been consulted with both the Market Creation working group and the Green Deal Providers Steering Group.

## 7. Outstanding actions

There are four actions that remain outstanding that can be managed either individually by members or as a group they are:

- 1. Informal consultation with the Scottish Government to help shape their proposals
- 2. Informal comment and consultation on the drafted set of communications requirements for core materials/toolkit
- 3. Informal consultation on DECC's consumer engagement planning

END.

## APPENDIX 1 - Feedback on the Proposal for the Green Deal Cash-Back Scheme.

## **DECC** questions for discussion

- How integrated should the cash-back application be with the broader Green Deal application process? Would it be preferable for the incentive to be channelled by providers or open for application by consumers, or both?
- Do you have any views on how the cash-back payments should be channelled to consumers?
- Do you have any views on the proposed 'group application' proposal? How could this be administered in a way that is both simple but effective?

## Market Creation response

This is a response from the Market Creation Workstream within the Green Deal Provider Steering Group. The views expressed here may not represent all members but are broadly supported. This document was produced as a result of collaborative discussions to assess the development of the important initiative. Many members will also be providing their own response directly to DECC.

## General Feedback on the Proposal

We strongly welcome the Government's commitment to support Green Deal with the £200m incentive fund to be made available to encourage customers to take out a Green Deal plan.

The Group would like to see consumer research to validate that a cash-back based scheme is the best way to address some of the key barriers to consumer interest and engagement. The Group recognised that experience of similar schemes in the UK (boiler scrapage scheme, council tax rebate etc), the cash incentive is less important to take-up than the message it sends in terms of Government endorsement for consumers to take action.

We consider two key barriers remain which could benefit from £200m funding; reducing the capital cost of Green Deal and to creating awareness of Green Deal with consumers. However, we recognise there is significant momentum within DECC to deliver a cash back type scheme for launch of Green Deal this year, and that limitations around the use of the £200m restrict the options available.

It was recognised that there are various ways in which the cash-back incentive could be positioned with customers e.g. rebate the assessment costs, reduce the monthly payments for a period, 6 months payment holiday, discounted/free associated products or services (e.g. home accessories or decorating) etc. We believe it possible to undertake quick and low cost consumer qualitative research (5 weeks at c£15k) to help inform the ways in which the cash-back could be best positioned to drive consumer interest and engagement (further thoughts on research are provided in the appendices). We recommend undertaking this research to guide DECC on how to communicate the cash-back scheme to consumers.

The GDPG would welcome further clarification on how the amount of cash-back for the individual measures/group of measures will be determined.

In light of the recent changes to the Feed-in-Tariff, the GDPG believes it's vital for Government to clearly communicate to consumers how the £200m will be managed to provide confidence in the availability of funding at the point consumers are having to make investment decisions. In particular, if there has been a planned reduction in the incentive, it is important to ensure that the value of the incentive advised to the

householder does not change, during the period between the Green Deal Plan being agreed and commencing.

#### Specific feedback requested

A. How integrated should the application be with the existing Green Deal application process? Should the cash-back application be through the provider, or directly to the administrator (or both)?

The group believes the process to deliver the incentive should ensure flexibility, simplicity, minimise potential fraud and provide confidence to consumers that the cash is an incremental benefit.

Generally, the group believes that flexibility could be best achieved by enabling the customer and the GDP to apply for the incentive. This would enable the GDP to integrate the incentive into their proposition, marketing, assessment and quote process, in the best way they see fit to drive demand. The Group believes it is also important for the customer to be able to apply independently for the payment if their Green Deal Provider does not offer this service or the customer would prefer to receive a direct cash-back. A customer only approach could risk adding further complexity to an already complex proposition and may discourage application for the incentive. The organisation administering the incentive would maintain records to ensure that it can not be claimed twice.

Irrespective of the application route the process should simple with clear rules around value of incentive per measure and the validity period of the Cash-Back amount quoted.

# B. Do you have any views on how the cash-back payments should be channelled to consumers?

We believe that a flexible approach is required, giving GDPs the ability to discharge the incentive at point of Plan creation in a way the customer requests will allow for innovation in proposition development and provide flexibility in how the customer receives the benefit of the Cash-Back incentive. This could, for example, allow for a prepayment at point of sale, reducing the value of the daily charge for the duration of the Plan or fund some ancillary home improvements that are not eligible for Green Deal financing.

Providers need confidence in the administration of this process as they may be liable for the value of the Cash-Back for the period between providing the Cash-Back to the customer and receiving it from Government post Plan commencement. Again, if there has been a planned reduction in the incentive, it is important to ensure that the value advised to the householder does not change between the time the Green Deal Plan was agreed and it commencing.

# C. What are views on the proposed 'group application' proposal? How could this be administered in a way that is both simple but effective?

We recognise there is value to encouraging community take-up of Green Deal. However, we believe the 'Group Application' process is potentially complicated and the incremental offsetting benefits, over and above an individual claims process, unclear. We believe that

addressing this challenge is possible but perhaps too ambitious for the first phase of GD and should be considered further down the line.

Research objectives.

To explore key variables within a Green Deal consumer incentive scheme in order to understand:

- How it should be framed both in terms of presentation and mechanic in order to make it as motivating as possible
- The potential impact of certain elements (such as who the payment comes from and in what form and whether it is better to have a set amount available to all or a menu of payments for different measures) on appeal/take-up
- An ideal 'customer journey' in relation to hearing about/applying for/receiving an incentive
- The role that might be played by different names/language/tone in contributing to the scheme's appeal

Wider questions that could be covered could include:

- How to maximise the appeal of the scheme to those who are not currently considering making energy efficiency improvements
- How it should be communicated in order to spread awareness/understanding for the Green Deal as a whole
- Emotional vs. rational dimensions to the likely response

## **APPENDIX 2 - Green Deal Segmentation**

The ideal outcome of the segmentation is to provide a cost effective method of targeting those households most likely to take up a Green Deal. To be useful, the segmentation variables should include a practical method for targeting e.g. postcode related, rather than be purely attitudinal.

We are suggesting there are 2 key aspects to targeting:

- 1. The suitability of the property for the measures
- 2. The propensity of the household to undertake the measure So it might be helpful to create a model which identifies the most likely segments and provide a practical method of contacting them.

Firstly, there are some fundamental property parameters which determine the demand for energy and will impact the range of measures available. The most important of these include

- Nature of construction
- Size of the property
- Connection to the gas network
- Urban or rural setting

rdSAP – the model behind the EPC rating - can be used to predict the likely energy consumption of a household by completing a number of these property characteristics. This can be compared to the actual consumption of that property to determine those households where the greatest savings are possible. Combining the potential energy saving with the likely cost of the measures which are potentially applicable, it would be possible to create a commercial model to indicate the most likely "winners" for a Green Deal.

The Government in the form of BIS and DCLG already have much of this information, which could be made available either by using actual data to assist precise targeting or to create a publicly available model indicating the most likely properties. In particular, BIS receives the individual meter point data for all households in the UK and DCLG has the ownership of the Land Registry with key details of the property.

Secondly, if the likely "winners" from an energy consumption / property type have been identified, it is then a question of whether the occupiers of the property are likely to consider a financial transaction like Green Deal. The major commercial players like Experian and CACI have highly sophisticated models identifying the propensity of consumers to undertake particular financial actions. For example, it is likely that actual disposable income will impact on the need for financial assistance from the Green Deal. If we want to incorporate specific interest in Energy Efficiency measures, there has been previous work on ACT ON CO2, Defra segmentation model, Forum for the Future etc. which could be made available.

So our suggestion is that DECC should be encouraged to develop such a property/attitudinal model based on providing public access to existing property data and combining it with standard attitudinal models from the major players. This could be developed as an open-use model by the commercial owners of Acorn, Mosaic etc. at their cost and making it available to Green Deal Providers on a licence basis.

We am keen to avoid the previous history of segmentation models that have been characterised by a lack of practical application. For example, both the ACT ON CO2 and the Defra models failed to incorporate the property aspects and therefore failed on the aspect of practical application, being purely attitudinal. The closest example of a practically useful Energy Efficiency segmentation model was from Energy Saving Trust, which was used to target specific measures and would need to be updated to cover the Green Deal method of financing.

APPENDIX 3 – Draft communications requirements (core materials/toolkit)

TO FOLLOW FROM PETER FARRAND AT DECC

## APPENDIX 5 – DECC first draft consumer engagement planning brief

#### 1. Overview

DECC invites proposals for communications planning work to develop consumer engagement plans in support of policies to reduce energy use.

The requirement is to provide communications planning for the Green Deal. A maximum budget of £20,000 is available for this work.

Subject to approval of recommended plans by DECC and the Cabinet Office Efficiency and Reform Group, we anticipate further support will be required during implementation.

## 2. Background to the requirement - The Green Deal

- i. The Green Deal is the Government's flagship policy to improve the energy efficiency of buildings. It is designed to help develop a vibrant, growing market for energy efficiency improvements to property. The Green Deal framework will be in place by October 2012 and first Green Deal financial plans will be written in late January 2013.
- ii. The policy covers both domestic (owned or rented) and non-domestic properties, but the focus in year 1 will be on domestic properties.
- iii. Under the Green Deal, consumers can make home improvements to increase energy efficiency and pay for them over time from expected savings in energy bills.
- iv. The Green Deal has three parts: an impartial home energy assessment, a list of approved suppliers, and a new way of paying for home improvements.
- v. Green Deal participants (assessors, providers and installers) will be accredited and use the *Green Deal Approved* Quality Mark.
- vi. Independent advice can be obtained from the Energy Saving Advice Service helpline (and will also be available on line)
- vii. The scheme is summarised in the one page summary that can be found in Annexe A.
- viii. The Green Deal is supported by a new Energy Company Obligation which provides support to make energy efficiency measures more affordable to those on lower incomes or in hard-to-treat properties

## 3. Development of a plan for consumer engagement with the Green Deal

- i. DECC has developed a high level plan which is summarised in Annex B.
- ii. This high level plan reflects the need to move consumers from an 'inactive/ not for me' mindset to initial consideration of the Green Deal, engagement with Green Deal participants and through to successful installation of improvements. It acknowledges that the task of achieving this is shared between DECC, Green Deal participants and other partners, including local government and third sector. It reflects behaviour change thinking, notably in requirement for saliency, need to normalise home improvements to increase energy efficiency and importance of selecting the right messengers. DECC would play a role in 3 key areas.
- iii. **Gaining momentum** -build a 'movement' of support; get the Green Deal in the spotlight through 'owned/earned' digital and traditional media channels

- iv. **Providing Support** produce core on/off line materials; work with intermediaries especially around trigger points
- v. **Building Trust and Confidence** independent advice on line/ helpline, awareness and understanding of Quality Mark
- vi. This plan does not envisage a major above the line campaign, but targeted trade and consumer press advertising in support of the Quality Mark has been discussed
- vii. It should also be noted that there will be over £100m in cash-back incentives provided by Government to encourage people to install home improvements that increase energy efficiency. These will be available from Jan 2013 to March 2014.
- viii. Budget available for the consumer engagement implementation is in the range £1.5 £2m for the years 2012/13 and 2013/14.

#### 4. The task

The key deliverables reflect points 3 above:

i. Review, challenge and develop further the DECC plan outlined above. Identify key audiences, set out the role for consumer engagement activity, key messages, activities and channel plan, time line, budget allocation and measurable targets.

We envisage a highly engaged and focused programme of work taking place over a  $4\,$  -  $5\,$  week period.

## 5. Procurement approach and evaluation requirements

- i. This brief has been sent to communications planning agencies on the GPS framework. There will be a two stage selection process.
- ii. **Stage 1 Written response**: suppliers will be evaluated on relevant experience. Please outline an example of when your agency has planned and delivered a campaign that demonstrates relevant skills/ experience for the challenges we face. This should be provided in Word format, **maximum 2,000** words and include:
  - a. Brief
  - b. Communications objectives
  - c. Strategy & implementation
  - d. Results/evaluation

In addition, please submit

- a. Agency credentials
- b. An outline of agency's tools used to inform planning
- An outline of resources and personnel which would be allocated to support DECC including a resume of each individuals relevant background/ experience

Stage 1 responses will be evaluated on two criteria: 'experience of planning and developing successful campaigns relevant to this brief', and 'knowledge and experience of the team'

**iii. Stage 2 - Pitch**: Suppliers will be evaluated on the strategic planning approach they propose for this brief, their team and price factors. Shortlisted agencies will be asked to present their initial thoughts on the challenge outlined in this brief, and to set out how they would address the tasks and structure the work.

Separately to the pitch presentation, agencies are asked to provide their cost for carrying out the work outlined in this brief. This should include identification of the team members, the time they will each spend on the project and the hourly/ day costs for each.

Shortlisted agencies will be given 45 minutes to present their proposals followed by 15 minutes for questions. This timetable will be strictly enforced to ensure fairness to all agencies.

## 6. Notes

- i. Further information about the Green Deal and other DECC policies is available on the DECC website
  - http://www.decc.gov.uk/en/content/cms/tackling/green\_deal/green\_deal.aspx
- ii. There is a considerable body of insight from DECC commissioned research covering attitudes and behaviour in regard to energy efficiency including barriers/ motivations to change, and learning about how to describe the Green Deal. This is available to all on the DECC website. In addition, a segmentation study of the possible audience segments for the Green Deal is almost complete and will be made available to shortlisted agencies on a confidential basis.
- iii. Further useful studies have been reported by Behaviour Change/ Green Deal Network, Green Alliance, Consumer Focus.
- iv. We are actively engaged with organisations planning to become Green Deal providers, many of whom have significant experience in marketing, selling and installing insulation and other energy efficiency improvements. They have offered to meet and share learning, including any relevant insight research, with the selected agency.

#### AGENCIES ON COMMS PLANNING LIST

- Arena Blm Ltd
- CARAT LTD
- EXPERIENCE COMMUNICATIONS LTD
- HYPERNAKED LTD
- MANNING GOTTLIEB OMD
- MCCANN-ERICKSON ADVERTISING LTD
- MEDIACOM UK LTD
- MEDIAEDGE:CIA (UK) HOLDINGS LTD
- MINDSHARE MEDIA (UK) LTD
- PHD MEDIA LTDSTARCOM WORLDWIDE LTD
- STARCOM
- Zenith Optimedia