

Have I Got a Deal for You: Toward Better Marketing of DSM Programs

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This paper is based on the design and conduct of numerous focus groups and market surveys with utility customers throughout the U.S. The paper attempts to draw together several common themes regarding customer attitudes toward DSM programs based on several separate utility-sponsored research projects. The program design, motivational factors, and customers decision making factors relative to DSM programs are assessed in the paper. As a basis for the paper, both residential and commercial/industrial customers were queried and a variety of program types (e.g., direct load control, innovative rates, rebate programs, dealer/builder incentive programs) were assessed. Two strong DSM marketing messages emerge: (1) in addition to being offered the program "deal", it must be explained to customers why the deal is being offered, and (2) environmental factors can be a strong motivational tool for DSM. The paper also explains other DSM marketing "lessons learned". Key results are segmented by customer sector (residential, small commercial, large commercial, industrial, and institutional) since market response factors appear to be significantly different between these groupings. Customer acceptance sensitivity to incentive level is also explored both conceptually and using an actual quantified case example.

Introduction

According to the Edison Electric Institute, as of July 1991 thirty states had Integrated Resource Planning in practice and another ten states had Integrated Resource Planning either under development or under active consideration by utility regulators. Integrated Resource Planning, by placing demand-side resources on an equal footing with supply-side resources for meeting electricity requirements, has fostered the relatively rapid design and development of demand-side management (DSM) programs by both electric and gas utilities. The programs are usually the result of a screening analysis and/or collaborative process wherein the technologies or concepts which are the target of the program are deemed to be cost-effective, demand-side resources, and thus these technologies or concepts should be promoted to customers by the utilities.

In a limited number of cases, utilities have undertaken market research to determine how best to configure and promote DSM programs to their customer base. More often, utilities have moved ahead rapidly to implement programs (in some cases under regulatory mandate) and consequently have launched major DSM programs targeted toward their various customer segments with little or no advanced market research or preparation. Some utilities have pilot tested program concepts on a limited scale before promoting them system wide.

Consequently, in the last several years, utilities across the United States and Canada have begun marketing a variety of DSM programs to their customers. The Association of Demand-Side Management Professionals (1990) reports 69 different utilities operating demand-side management programs oriented toward the residential, commercial, industrial and agricultural sectors. In most instances, marketing DSM programs to customers is new to the utility industry. While utilities have traditionally had a marketing function, this marketing function mostly related to selling power and related services to customers. Yet, increasingly, marketing of DSM to customers is becoming important to many utilities. So important, in fact, that the Electric Utility Market Research Council has stated as the theme of its forthcoming biennial conference "Incorporating the voice of the customer in DSM program design, marketing and evaluation".

As utilities gain experience in marketing DSM to customers, a variety of "lessons learned" have begun to emerge as DSM presents customers with a somewhat different marketing message than that traditionally utilized by electric and gas utilities. The purpose of this paper is to examine the recent experience of selected utilities involved in DSM, and to precipitate from this experience information which can be useful to the industry in enhancing the marketing of DSM to customers.

Methodology and Sources

This paper presents general lessons learned in marketing DSM programs to utility customers based on a limited, but representative, set of utility experience. The paper is based on eleven research studies conducted for seven different utilities. All of the studies represent either market research analysis preparatory to the design and launching of DSM programs, or represent process or marketing evaluations of programs which have been underway for some period of time. Table 1 summarizes the studies which form the basis of this paper. While certainly not exhaustive, these studies represent a reasonable cross-section of utility DSM experience upon which meaningful observations can be reached.

In reviewing the findings of these studies, we have attempted to highlight key marketing messages and themes relative to how customers perceive DSM programs and how they react to programs offered by utilities. The intent is to draw general conclusions about what works and what does not in marketing DSM programs.

Issues Relative to Types of DSM Programs and Financial Incentives for DSM

Before proceeding to marketing themes and customer reactions, it is important to understand the form under which DSM programs are typically offered, and the types of financial incentive structures employed to promote acceptance of these programs by utility customers. This section examines DSM program structures and incentive structures and provides a quantified case example of customer response to a particular incentive structure.

Types of DSM Programs and Incentive Structures

In most utilities, DSM programs generally start as a screening study based on demand and energy which can be delivered and the cost-effectiveness of this delivered demand and energy. At this level, the "programs" which are screened in such analyses are very generic and are not explicitly defined in terms of how the programs are packaged and marketed to customers. Example generic program descriptors in these screening exercises include:

- residential direct load control of central air conditioner
- residential "best" current frost free refrigerator

- commercial high efficiency fluorescent lamps and hybrid ballasts
- commercial high efficiency chillers.

The Association of Demand-Side Management Professionals (1990) defines DSM program types generally by end-use (e.g., lighting, space heating, air conditioning, envelope measures, etc.).

Once these generic programs are screened, they are typically then structured and "packaged" to represent an actual offering to utility customers. Based on the experience and studies cited previously, Table 2 lists a range of possible packaging and incentive structures for DSM programs. To define this further, these structures refer to generic programs which pass utility cost-effectiveness screening tests and then are actually packaged for marketing to the utility's customer base. While the structures presented in Table 2 are certainly not exhaustive, they do represent a reasonable cross-section of the type of DSM program structures currently being utilized by utilities throughout North America.

The program structures contained in Table 2 consist of two basic ingredients: a technology which will reduce energy and/or demand and a financial incentive structure which is designed to induce the customer to purchase and install the technology. In some cases a desired behavior (e.g., shift usage from on-peak to off-peak period) is substituted for a particular technology. Other program features such as a program name, marketing strategy, etc., are then added to form complete DSM program packages.

The financial incentives represented by the program examples in Table 2 are essentially of five types. These are briefly summarized below:

- Free Information - The utility provides the customers with free information on reducing demand or energy consumption. The information may be in the form of educational material, brochures, seminars, videos, etc., or in the form of free energy audits.
- Free Measures - Utilities provide customers with free technologies and/or other conservation measures which have the effect of reducing the customer's consumption. Examples include subsidization of low income weatherization programs and give-a-ways of compact fluorescent lamps.

Table 1. Summary of Utility-Sponsored Studies Reviewed

<u>Program</u>	<u>Study Type</u>	<u>Utility Type/Location</u>	<u>Customer Data Collection Approach</u>
Commercial/Industrial Demand Cooperative	Market Research	Combination-Mid-Atlantic	Focus Groups/Survey
Residential Compact Fluorescent Discount	Process/Market Evaluation	Electric-Mid-Atlantic	Focus Groups/Survey
Commercial/Industrial Curtailable Electric	Process/Market Evaluation	Electric-Mid-Atlantic	Focus Groups
Residential Submetering	Process/Market Evaluation	Electric-Mid-Atlantic	Focus Groups
Air Conditioner/Refrig Dealer/Incentives	Process/Market Evaluation	Electric-Mid-Atlantic	Focus Groups
Commercial/Industrial Equipment Rebate	Market Evaluation	Combination-Mid-Atlantic	Focus Groups
Commercial/Industrial Equipment Rebate	Market Research	Electric-Mid-Atlantic	Focus Groups/Survey
Residential Low Income Neighborhood Blitz*	Process/Market Evaluation	Electric-New England	Survey
Residential Direct Load Control	Market Research	Electric-Mid-South	Focus Groups
Residential New Construction	Process/Market Evaluation	Combination-West	Interviews
Residential Load Management	Market Research	Combination-Mid-Atlantic	Focus Groups/Survey

* This program involved free door-to-door delivery of low cost weatherization measures (e.g., caulking, weatherstripping, refrigerator coil vacuuming) and replacement of incandescent bulbs with compact fluorescent bulbs in households in low-income neighborhoods.

- Rebates/Discounts For Purchase of Measures - The utility provides customers with rebates or discounts to offset some fraction of the cost to the customer of purchasing and installing measures which reduce consumption and/or demand.
- Rate Incentives - Utilities employ pricing mechanisms as incentives for customers to take certain actions. Examples might include attractive off-peak rates, bill

credits for direct load control, bill credits or payments for interruptible service, etc.

- Indirect Incentives - Some utilities have adopted mechanisms whereby customers are not offered incentives directly, but rather other organizations (typically trade allies) promote the sale of energy efficient technologies to utility customers.

Table 2. DSM Program Incentive Structures

<u>Program and Incentive Type</u>	<u>Example(s)</u>
Information Only	Brochures/Bill Stuffers Audits
Giveaways	Low Income Weatherization Compact Fluorescent Lamps
Equipment Rebates/Buy Downs	Post-Purchase Rebates Discount
Trade Ally Incentives	New Construction Incentive Paid to Builder Sales Incentive Paid to Equipment Dealer
Bill Credit	Direct Load Control Curtable Service
Rate Signals	Time-of-Use Rate Peak Activated Rate Real Time Pricing

It is important to understand the incentive structures which utilities use in promoting DSM programs because, in many cases, utilities use these incentives as the leader in promoting their marketing message to customers. It is, therefore, these incentives that customers initially react to when approached to participate in DSM programs. The following section quantifies an actual case example of customer reaction to one of these incentive structures.

Sample Customer Response to Rate Incentives

Mihlmester et al. (1990) have described the results of market research to gauge residential customer receptivity and acceptance to innovative rate programs such as time-of-use rates, real time pricing, and a demand subscription service. A conjoint analysis was conducted which allowed for the assessment of relative preference for various program features. Specifically, the applied methodology allowed for the analysis of price sensitivity and related preferences in developing innovative rate programs for the residential sector.

Price sensitivity was assessed from a basis of maximum compensation (in the form of a percentage bill reduction) available to the residential customer by virtue of participating in the innovative rate program.

The Time-of-Use Rate (TOU) results are illustrated in Figure 1. Three specific scenarios are analyzed:

- (1) A two tier TOU rate structure (13 hours on-peak, daily); mandatory load shedding via a timing device; less severe impacts; compensation via a bill discount and no service charge. ("Less severe" impacts is a qualitative measure which implies that this rate strategy will not have a significant impact on typical household schedules and appliance usage patterns.)
- (2) All characteristics of (1) are the same except there is no mandatory load shedding, rather customer response is optional and the customer would pay a 10% rate premium (above standard rates) for on-peak consumption.
- (3) All characteristics of (2) are the same except there is a \$7.00 per month service charge for the customer to be maintained on this rate.

The probability of participation (with opportunity) for each rate scenario is plotted against the maximum potential bill reduction over standard rates. Scenario 1 ranks highest in terms of probability of participation at each bill reduction level. This reflects a customer preference for automatic mandatory response with no penalty above the optional response of scenarios 2 and 3.

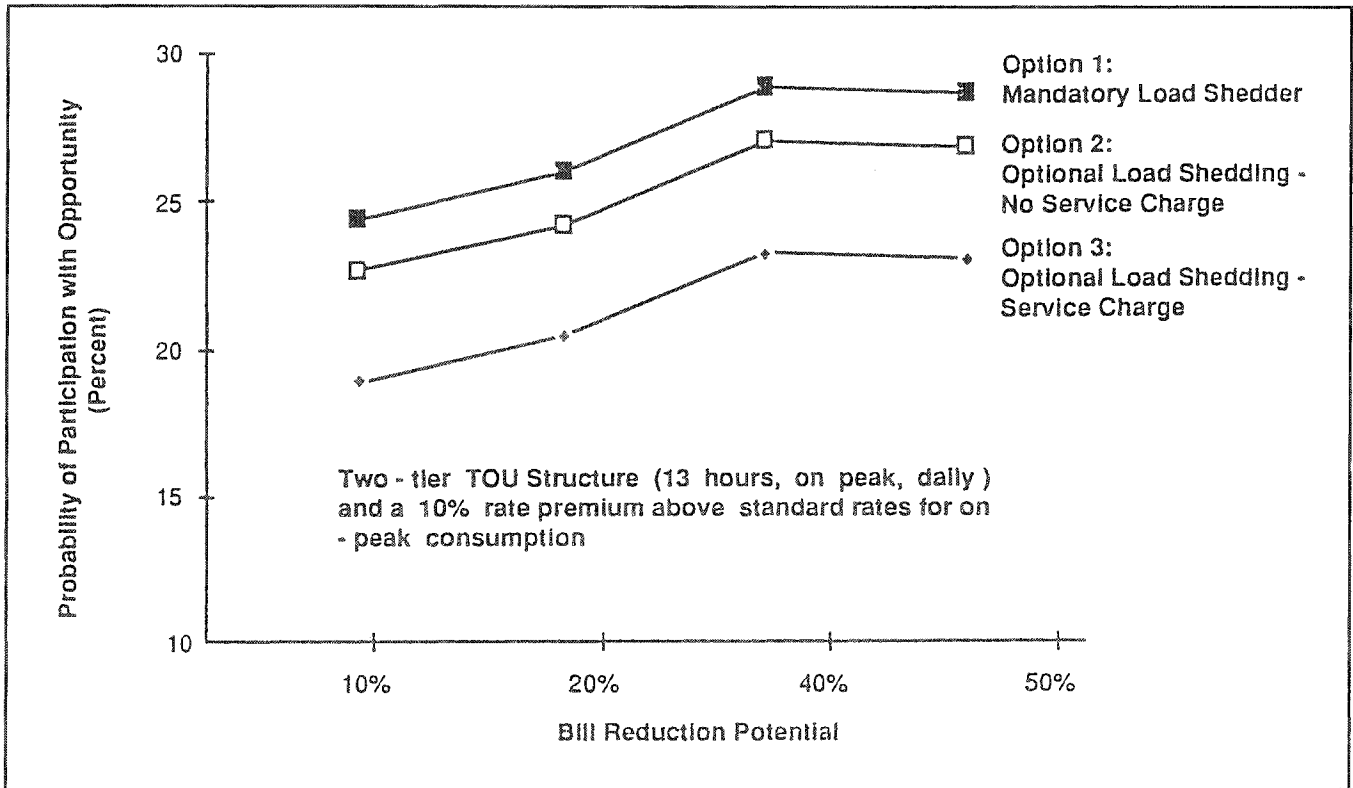


Figure 1. Sensitivity to Residential TOU Bill Impacts of Three Program Scenarios

Scenario 3 ranks lowest at each bill reduction level, reflecting customer dissatisfaction with a service charge for being maintained on a TOU rate.

It is interesting to note the slope of the curves: a moderate increase in projected participation from the 10% to the 40% bill reduction level, and a leveling off from 40% to 50%. This confirms that electricity price (at these levels) is less important to the average residential customer than frequency, length, warning, and other intrusive factors associated with a residential time-of-use rate. Price variation alone only accounts for 4-5 percentage points in terms of probability of acceptance between the 10% potential bill reduction and 50% potential bill reduction levels.

Figure 2 illustrates the conjoint results with respect to degree of importance the average customer places on compensation (in the form of rate versus other "factors" associated with a residential time-of-use rate). As can be seen from the figure, incentive, in and of itself, represents on average only 16 points out of 100 in a typical customer's decision to accept a time-of-use type of rate. The customer also weighs other factors in this decision, the principal one being the frequency and length of the high cost periods, warning times that would be given and

the certainty of load shedding. The results indicate that in structuring and promoting rate based programs dealing with on-peak and off-peak usage, utilities must consider factors other than the pure financial incentive offered to customers. In particular, life style factors, convenience, and technology are important factors. The research indicates that programs which are "automatic" have a better chance of acceptance than programs which require customers to continuously take actions, particularly where those actions involve life style adjustments such as changing the times of day when certain activities are performed in the household. In promoting rate based programs to the residential sector, therefore, utilities should be cognizant of these issues and should structure programs which offer maximum convenience and minimal disruption to life style as opposed to simply promoting the economic incentive.

Other Key Lessons Learned in Marketing DSM Programs

This section describes various aspects of marketing DSM programs other than the incentive issues discussed in the previous section. General lessons learned are described as well as particular issues relevant to certain customer

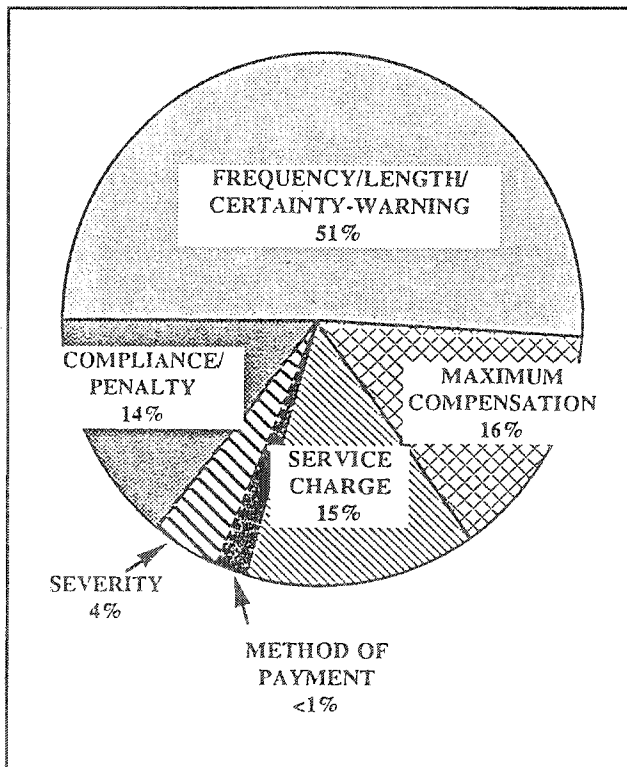


Figure 2. Mean Attribute Importance Weights for DSM Program Attributes (Average Customer)

segments. These "lessons learned" are summarized in Table 3, and are explained in more detail in the following subsections.

General DSM Marketing Themes

In general, five key DSM program marketing themes emerge from review of the studies described in this paper. These themes are summarized below:

(1) Utilities should perform market research in advance of the design and launching of DSM programs. Selling demand-side management is, in effect, just like selling any other product or service. Utilities must understand why and how their customers use energy, what motivates their customers, and how demand-side management can be factored in as a win-win situation for the utility and its customer. By investing limited resources in well designed market research, coincident with the DSM program design phase, utilities can design and market DSM programs which are much more finely tuned to the needs of customers. The resulting programs are more optimized in terms of their financial incentive structure and,

consequently, have a much higher probability of customer acceptance.

(2) In programs involving financial incentives, utilities should focus on "pricing strategies" for DSM. This is, in effect, closely related to conducting well planned market research. In many cases, utilities develop financial incentive levels for DSM programs based on very broad parameters associated with cost/benefit screening and the utility's avoided cost of supply. While certainly appropriate for screening studies, these parameters have little foundation in the actual markets in which the DSM programs must sell. If the incentive levels are too low, the programs will not move in the market. On the other hand, if the incentive levels are too high (i.e., exceed what is required to gain market penetration) they will result in an obvious waste of resources. In a major New England utility's commercial/industrial DSM rebate program, the entire 1992 rebate program budget was expended in less than one week, possibly indicating that the rebate amounts were higher than was necessary to move the market (Association of DSM Professionals (1992)). Furthermore, high incentive levels could have negative side effects such as attracting marginal trade allies and questionable products and services. Indeed, one of the studies reviewed for this paper (Aspen Systems Corporation (1991)) indicated that incentive levels could be reduced substantially in certain cases with little reduction in DSM program market acceptance.

(3) Utilities should take pains to inform customers why they are promoting demand-side management. This is perhaps the most striking finding of this review and is illustrated by one of the studies reviewed for this paper. A series of focus groups was designed to explore residential customer acceptance of direct load control for central air conditioning and water heating. In the first focus group, the program was explained solely in terms of when the load control would be used by the utility, and an initial incentive amount was offered. No attempt was made to explain why the utility was offering such a program to its customers. The reaction amongst customers, who generally held their utility in high regard, was one of reticence and suspicion. In the last several focus groups, the strategy was changed. First, it was explained to attendees in clear and straightforward terms why the utility was interested in promoting DSM (i.e., to defer new capacity additions and hold costs down). Then the particulars of the program, including when control would take place and the

Table 3. Summary of Lessons Learned in Marketing DSM Programs

<u>General</u>	<u>Residential</u>	<u>Large Commercial/Industrial</u>
<ul style="list-style-type: none"> • Perform Advance Market Research • Develop "Pricing Strategies" for DSM • Inform Customers <u>Why</u> DSM is Being Promoted • Embrace Customers' Identification with Environmental Issues • Develop Strategic Alliances with Trade Allies 	<ul style="list-style-type: none"> • Recognize Importance of Life Style and Convenience Factors • Identify Correlation Between Income and Education Levels and DSM Acceptance • Segment the Market and Target DSM Program Offerings and Messages 	<ul style="list-style-type: none"> • Recognize More Formal Decision Making Process of Larger Customers • Address "Normal" vs. "Early" Equipment Replacement Tendencies • Be Sensitive to Intangible and Opportunity Costs when Promoting DSM to this Sector • Provide Larger C/I Customers with Information They Can Use to Better Manage Energy Consumption
<u>Institutional</u>	<u>Small Commercial/Industrial</u>	
<ul style="list-style-type: none"> • Recognize Hybrid Nature of this Sector (Often They are Technically Capable, but Budget Constrained) • Take Advantage of Multiple Facility Characteristics of This Sector • Address Complex Decision Processes and Approval Chains When Promoting DSM to This Sector 	<ul style="list-style-type: none"> • Recognize Key Differences Between "Small" and "Large" C/I Customers when Marketing DSM • Recognize Time and Expertise Limitations of Small C/I Sector • Consider Providing Technical and Financial Assistance to this Sector to Better Promote DSM 	

incentive amount offered, were explained. Once this more detailed explanation was made, in general, customers were much more responsive to the program offering and indeed the level of incentive became much less significant to customers. Some customers even expressed the view that they would accept direct load control without an incentive as a way of doing their part to defer the need for new power plant construction. This outcome was found to extend to commercial and industrial customer segments as well. In general, it was found that programs met greater acceptance when utilities took the time to explain "why DSM" before attempting to sell customers on "the deal". (See also Kinert et al. (1992)).

(4) Utilities should, in general, embrace customers' identification with environmental issues. Pokorny (1991), in his aptly titled article "The Greening Of America", writes that "If electric utilities are to meet their customers' needs and expectations they must recognize that America's environmental values are changing in profound and lasting ways". Deieso (1992) states that, "Since its inception, environmentalism has grown from a passionate cause supported primarily by an avante-garde to a mature, stable series of laws and public policies that have been woven into the fabric of our society". These themes extend strongly to the marketing of DSM programs. In general, customers identify energy conservation with environmental acceptability. For the most part,

customers queried in the studies reviewed for this paper were strongly motivated by environmental issues and saw participation in DSM programs as a way for them to do their part in preserving the environment. (One customer drew an analogy between DSM and recycling and noted that her family participates in both.)

This theme of environmental responsibility extends to commercial and industrial customers as well, as evidenced, for example, in the Environmental Protection Agency's Green Lights program where companies commit to installing energy efficient lighting as a means to reduce emissions of greenhouse gases. Deieso (1992) states that today even "the chemical industry is actively disseminating emissions data to citizens, setting up local advisory groups, testifying in support of the Environmental Protection Agency before Congress, and, through a vigorous program called "Responsible Care" making environmental responsibility a requirement of membership in the Chemical Manufacturers Association". In promoting DSM programs, utilities should be fully cognizant of these trends and take advantage of them in a responsible way.

(5) Utilities should seek to develop responsible strategic alliances with trade allies wherever possible. Experience has indicated that trade allies can be a powerful tool in marketing DSM programs to utility customers. With respect to the promotion of energy efficient technologies and products, trade allies have the technical expertise and can marshal the marketing resources to promote DSM programs. However, caution must be exercised and program ground rules must be carefully communicated to trade allies. How trade allies represent themselves will reflect on the utility and its programs; and ongoing monitoring of trade ally involvement is necessary. Several of the studies reviewed for this paper report that, on occasion, trade allies have misrepresented utility program offerings to customers, "stretched" program rules, or delivered shoddy workmanship. Some utilities also report that trade allies may be prone to "cream skimming," that is, targeting particular customers who yield the simplest installation and/or greatest profit for the trade ally.

The following sections summarize key DSM marketing "lessons learned" on a customer segment basis.

Residential

The residential sector is obviously quite diverse and is very sensitive to the environmental messages and the "why promote DSM" messages as described in the preceding section. While most households are motivated to save money on their energy bill, they are also motivated by other factors including life styles and convenience factors.

Overall, there seems to be a correlation between education and income level and propensity to accept DSM programs. As a general trend, it appears that affluent and better educated households are typically more receptive to DSM program messages and more likely to accept programs. Conversely, lower income and less educated households appear to be more suspicious of utility motives, less inclined to alter life style factors and, in many cases, are tougher to reach with DSM program messages. However, it is interesting to note that compared to more affluent households, lower income households can proportionally benefit more from demand-side management since a somewhat greater percentage of their disposable income goes to utility bills.

Utilities should endeavor to recognize the diversity in their residential sectors and to appropriately target program messages while being sure to explain to residential customers why DSM is appropriate and is being promoted by their utility. Utilities are beginning to use new target marketing software packages, such as EPRI CLASSIFY, to help target DSM programs to appropriate market segments in the residential sector.

Small Commercial/Industrial

Historically, utilities separate their customer classes into residential and commercial/industrial. In some cases, the latter may be further disaggregated based on whether they pay a demand charge or pay a different rate because they are a non-profit entity.

In marketing DSM programs, it is important to disaggregate this huge customer segment typically known as commercial/industrial. The studies reviewed for this paper point strongly toward key differences between small commercial and industrial customers and large commercial and industrial customers.

Small commercial customers may take many forms. They include restaurants, retail stores, smaller office buildings, motels, and a variety of miscellaneous categories. This customer segment is largely comprised of small business people who typically have neither the time nor the expertise to analyze utility DSM program offerings. Further, these businesses usually are cash constrained and do not have access to readily available financial resources to invest in energy efficiency measures.

Because many utility DSM programs are categorized as "commercial/industrial," special attention is often not given to the smaller commercial and industrial customers. Consequently, this customer segment tends to lag in terms of DSM program participation and is generally less aware of DSM program initiatives.

In promoting DSM programs, utilities should pay special attention to the small commercial sector and its particular needs. Typically, more intensive promotion is required and technical assistance is usually necessary to assist small businesses in evaluating program options. In many cases financial assistance may also be indicated to offset initial investment cost. Again, market segmentation and analysis tools and software for the commercial sector are coming into more widespread use among utilities.

Large Commercial/Industrial

Larger commercial and industrial customers differ from small customers in that they typically have in-house expertise to evaluate the utility's DSM program offering on both a technical and economic basis. Larger commercial and industrial customers will also employ payback or return-on-investment criteria for deciding on energy efficiency improvements, and such calculations will be made based on the cost of the investment inclusive of the utility's financial incentive.

In this segment, "normal" versus "early" replacement of equipment is an important issue in marketing DSM programs. Such larger businesses tend to operate on regular maintenance and replacement schedules and will be receptive to utility DSM program offerings which coincide with the already established need to replace certain equipment (whether through normal maintenance or due to failure.). However, early replacement of the equipment is much more difficult to market via DSM programs to this customer segment. Certain programs, such as incentives for installation of energy efficient motors, have also lagged in acceptance with this customer segment primarily because when a motor fails in an industrial facility, the operator's first goal is to obtain a replacement motor as quickly as possible independent of efficiency level in order

to restore production. Utility efforts to promote these technologies without adequate attention to the businesses environment of their customers will be less successful.

In addition to the life cycle economics of energy efficiency, utilities must be sensitive to the other intangible costs and opportunity costs associated with lost production, lost sales, and disruption during the time that the retrofit activities are underway. Further, in marketing DSM programs to the large commercial and industrial sector, utilities must be sensitive to the customer's business needs and requirements. For example, many utilities develop interruptible or curtailable load programs keyed toward the utility's peak period (e.g., 10:00 am to 7:00 pm on a peak summer day). However, for most industrial facilities and larger commercial facilities, this time slot encompasses two shifts making it potentially more difficult for the customer to participate. One possible solution to this problem offered by customers is to shorten the time period during which they are subject to a power interruption or curtailment call. Customers also noted that providing more advance warning would be helpful.

Larger industrial and commercial customers are desirous of data and information from the utility to assist them in managing demand. In one example, it was found that a large industrial concern, at its own expense, had installed demand meters on major equipment as a means of participating in a utility curtailable load program. The customer found however, that by gaining a better understanding of the demands of major equipment throughout the facility by means of submetering, he was able to better manage the overall facility demand and reduce his electric bill accordingly. Thus, in the case of larger commercial and industrial customers, the need for a more one-on-one customized marketing approach for DSM is indicated. This could include utility assistance in helping customers better manage their demand on a routine, day-to-day basis.

Institutional

Like small commercial and industrial customers, institutional customers are also typically lumped in with the broad commercial and industrial segment. Institutional customers also exhibit certain differences with respect to successful marketing of DSM programs and thus should be addressed separately. For purposes of this discussion we define institutional customers as schools, colleges, religious organizations, government facilities, etc.

Institutional customers represent a hybrid between small commercial and large commercial. Institutional customers

may have expertise available on staff for evaluating DSM programs and the potential benefits of energy efficiency investments. However, institutional customers are usually severely budget constrained, and they are usually looking for any sort of financial assistance available to help fund facility improvement. In some cases, institutional customers have observed that utility DSM programs have assisted them in modernizing and upgrading otherwise severely aged facilities. For example, one facility manager noted that he was able to relamp the gymnasium and other major portions of the building and replace the chiller with the assistance of the utility-sponsored DSM program. The double benefit of facility upgrading and energy efficiency was thus attained.

Institutional customers offer utility DSM marketers the opportunity to penetrate many facilities simultaneously. This is particularly the case with school jurisdictions where the local city or county school board may oversee numerous individual elementary and secondary schools. Thus, gaining acceptance of the DSM program at the institutional level can lead to numerous facilities actually participating in the program.

On the other hand, institutional customers typically have elongated budget cycles and require successive reviews by management, school boards, boards of trustees or other organizations before any commitments or expenditures can be made. Utilities must be cognizant of these institutional management constraints in promoting DSM programs to this segment. Working with the special requirements of institutional customers however, can yield significant benefits for DSM program marketing.

Conclusions

Like any product or service, DSM must be marketed effectively by utilities. This means conducting market research, understanding customer needs, and working closely with customers to provide DSM services which result in a win-win situation for both the customer and the utility.

Market segmentation is important to appropriately target DSM offerings since different segments react to different motivational factors. Developing proper incentive levels is also key to the success of DSM marketing. More attention needs to be focused on the transition from DSM program screening to actual program design and packaging.

Finally, and perhaps most importantly, those responsible for marketing utility DSM programs must explain to

customers why the utility is promoting DSM and why DSM is in the best interest of both the customer and the utility. DSM can in many cases, though not all, also be a plus for environmental preservation. Utility DSM marketers are well advised to integrate the environmental theme in their marketing message for DSM, though in a responsible manner. With proper market research, careful program planning, and on-going performance monitoring, DSM programs can be effectively marketed to customers and can result in marked benefits to the utility, its customers, and society as a whole.

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