

MARKETING GREEN POWER

By Jan Devries, Partner and Senior Consultant, imug Beratungsgesellschaft



OFGEM (UK electricity regulator), Guidelines on Green Supply Offerings, April 2002.

In a competitive energy market, green energy sources have to fight tooth and nail with bigger, older, and more established companies. To attract customers, green

that a combination of supporting factors influence green power market share. These factors, policy incentives, intelligent marketing activities, eco-labelling, market liberalisation and – last but not least – consumer awareness, differ from country to country.

for the inclusion of government-subsidised capacity in green power products.

At the same time, it is important to know how consumers react to these market conditions. In one of its recent research projects, imug Beratungsgesellschaft analysed 40 empirical consumer studies carried out from 1998 until today. These studies are about consumer experiences in the energy market liberalisation in Germany and they represent a wide range of methodical approaches. Some of the main results and key findings from this research could be used to outline a marketing strategy for green power products.

“

The purchase of green electricity is a way that consumers can act to minimise the effects on the environment of their energy use. This is consistent with the notion of sustainable consumption, which can result in market led improvements in environmental performance

”

OFGEM (UK electricity regulator), Guidelines on Green Supply Offerings, April 2002. OFGEM (UK electricity regulator), Guidelines on Green Supply Offerings, April 2002.

energy suppliers must differentiate themselves by offering professional products meeting real customer needs. But they must also offer another less tangible benefit: Customers want to purchase reliable, cheap and high value power with excellent services, such as simple administration and billing, but they also want to feel ‘good’ about the electricity they’re using.

Consumers are willing to take responsibility for their effect on the environment, and it is this which is the biggest boost to green power products. But successful green power marketing strategies are needed to take advantage of potential new markets. Green marketing is playing a key role in Europe’s efforts to meet the objectives it has set for climate protection and renewable energy.

But how successful are green power marketing strategies in Europe today? After careful consideration it becomes apparent

For example, in Germany, the issues affecting the green power market in the last four years are:

- German policy on renewable energy emphasises direct support of renewable generation, rather than providing incentives on the retail-side of the market.
- Guaranty of minimum fixed-price payments for each kWh supplied to the grid, which is evenly shared among all electricity consumers.
- A boost to green generation capacity caused the increased feed-in tariffs in 2000 by the German Government.

Some marketers are concerned that consumers will feel that they already support renewables through their taxes, and are not interested in purchasing green power voluntarily. This issue is being addressed by certification organisations, setting standards

THE CONSUMER EXPERIENCE

Firstly, it is not possible to separate general market experiences from consumer attitudes and experiences, especially related to green power products. But results from qualitative research show that some of the main problems in developing the green power market are:

- Fears and uncertainty.
- Liberalisation was experienced as a loss of security rather than a gain of freedom.
- Other irrational fears such as ‘sitting in the cold and dark, not being able to call somebody’.
- Perceived lack of reliability of ‘new, aggressive’ suppliers and ‘discount-sales-style’ conflicts with consumers need for stability.
- Unwillingness to bother with the market of electricity due to customer satisfaction and long-time experience with their current supplier.
- Confusion, ignorance and lack of information about suppliers and prices and products offered by them.

To the consumer, electricity is neither fascinating, nor does it have an emotional impact on them. It is seen as commonplace, but a majority of consumers do not even know the price of electricity. Figure 3 shows a ranking of important criteria for choosing an electricity supplier, based on a quantitative and representative research done last year. According to this, the most important criteria for up to 96 percent of German consumers is reliability of supply.

The second most important criteria is a good price. But if price were the only relevant factor, most customers would already have switched. There are other aspects that need to be considered, such as customer friendly services, environmental policies and percentage of renewable energy. But there are large inconsistencies and conflicting results between the different studies in areas such as reasons to switch, willingness to buy or willingness to pay a premium for green power products.

Even if there are many different figures, inconsistencies and conflicting results, it nonetheless seems clear that there are some common and overall principles, including:

- The majority of consumers prefer electricity generated from renewable energy sources.
- Consumers want electricity which is reliable and cheap, sold by a service-orientated, 'honest' company, which contributes to sustainable development.
- Electricity is a low interest product, which is taken for granted. It is not an issue consumers are talking about as long as the reliability of power supply is not at risk, or the bill is coming in.
- The key motivation to switch is dissatisfaction with price or service with the current provider.
- Consumers are most willing to pay a premium or to switch suppliers if there is a general interest in green power electricity supply.

GAPS BETWEEN ATTITUDES AND BEHAVIOUR

Consumers do not feel well informed enough about the options on the market to be able to choose the supplier that best meets their needs.

Most results of green power market research show a big potential – up to 80 percent would prefer to buy green power and 38 percent of European customers say

Figure 3: Electricity consumption decisions
Important criteria for choosing the electricity supplier are:

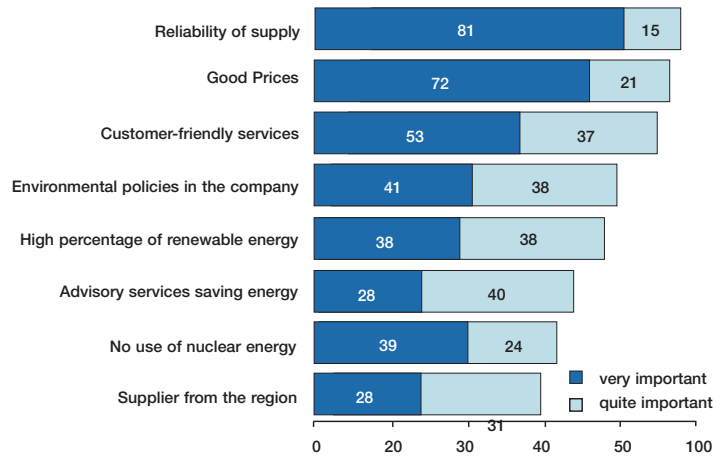
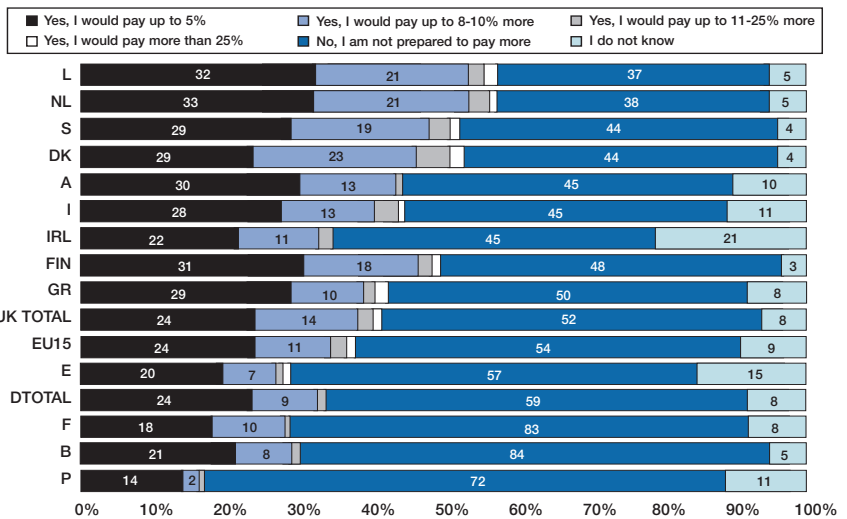


Figure 4: Willingness to pay a premium for green energy
38% of European customers say that they are willing to pay more for green energy



that they are willing to pay more for green energy. But the current market data shows quite different 'real' market data. It seems that a lack of market transparency is the most important reason for the poor development of the market's potential. The main areas for concern are: A credibility gap in terms of ecological awareness; suppliers resistance; outdated comprehension of target groups; lack of marketing of the benefits; and a lack of variety of products.

TARGETING THE RIGHT CONSUMER

There is long-term green energy market potential. But marketers have to focus

primarily on the key issues, target groups, product concepts and marketing communication.

Suppliers focus too much on 'eco-freaks' and/or deal with the topic rather as a 'corporate image playground', but new target groups are completely different. So why not concentrate on the man and the woman in the street or the average consumer? There are many people who have money, are willing to pay a premium, and are interested in green power. But electricity companies have to consider that:

- The benefits of green power electricity are not visible and the market is confusing.

TOP THREE PRINCIPLES FOR THE DEVELOPMENT OF GREEN POWER

Credibility: Suppliers have to be positively committed to green power products and sustainable development to overcome a credibility gap. In terms of consumer communication the power industry needs to spice up, to cause more action and interest among customers.

Benefit orientation: Green power is an entirely intangible product, so there is the

need to focus on service and product quality, in order to convince consumers of its benefits.

Transparency: Certification is needed. It has to be verified by independent and reliable organisations to overcome a transparency gap. This creates confidence in the products and the suppliers. Consumer confusion will be minimised, their awareness and confidence in green power products will therefore be strengthened.

- In general there are many suppliers with very little experience in promoting and 'hard selling' their products.
- Consumers want to know the reasons why they should switch and how it all works.
- And environmental protection and eco-products have to fit easily into everyday life.

PRODUCT CONCEPT

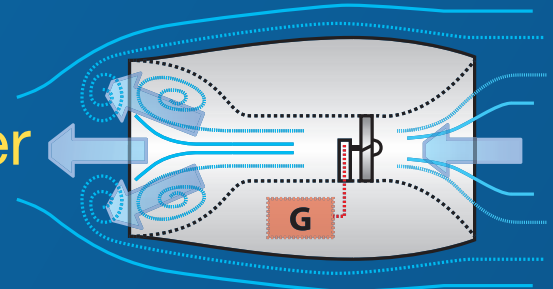
Marketing green energy means creating a premium product for these target groups, a product which is concrete and tangible to the customer. Motivation to switch will not be solely based on price, but price has to be competitive. Other key factors are product

and service, so focus on high-quality features in offering a high value product and top service (simple administration, billing, switching, etc.) Another key issue is credibility of the product. A product being marketed as 'green' has to provide true environmental benefits.

MARKETING COMMUNICATION

And last, but not least, to market a premium product means consistent branding strategies, capturing quality features as well as competitive price orientation. You need to focus on value and added value qualities of the product and to provide consumers with knowledge addressing the benefits and availability of green power products. Consumers need to know why they should buy green power and that their contribution is worth it. Communication with customers needs to be clear, meaningful, relevant and should inspire individuals to switch to green power. Remember, to sell a high-quality product requires time to explain it to the customer. ■

Using Hydroreactor stream accelerators to promote power extraction from streams



Hydroreactor stream accelerators consist of conduits of optimised design, that sustain immersed in the streams, containing a channel formed by an inlet compression zone, an intermediate zone of narrower cross section (gorge) where in the absence of any constraint (such as a stream turbine), the water flows with a velocity higher than the outside stream velocity and finally by an exhaust divergent part where a suction effect is generated by diffusion of the inside flow and depression of the outside stream nearby the channel outlet. With these stream accelerators an increase in head is obtained, getting an available power flux density in the channel narrower zone that is higher than the outside free stream power flux density. In the channel narrower zone (gorge) works a low head axial flow turbine, that drives by transmission means a low rpm generator logged inside an impervious chamber located on the space between the inside and outside surfaces, not affecting the conduit hydrodynamics. Several scale models with differences on design, all with a channel

narrower diameter of 300 mm where tested in practice on real environment. It was proved in practice that for the more efficient accelerator model tested (represented above), to be adopted in reality, the flow velocity through the channel narrower zone is with no flow constraints about 40% higher than the velocity of the outside free stream, meaning an increase in head of about 200 mm for a stream velocity of 2 m/s (4 knots). These accelerators have the technical innovation of, as been proved in practice, to guarantee an increase in head what means an increase in the available power flux density. They can be seen as very low head dams added to the normal kinetic stream strength. These accelerators stand attached by means of a rotating system to special elevating platforms that fit on masts implanted on foundations at river-flat or sea-floor or fixed to other existing infrastructure. They can have a rear helm for autonomous orientation according to the streams direction and way. This technology is applicable in places of relative depth in rivers, inlets,

estuaries or sea allowing profit from run-of-river, tidal and marine streams. PEEHR, Ltd sees this technology with great potentialities, because as demonstrated in practice, hydroreactor stream accelerators, are characterised by having steady efficiency in the range of stream velocities verified in reality and by creating an increase in head with relation to the normal kinetic stream strength, promoting the increase of the number of profitable sites.

PEEHR, Ltd

Rua Nova N° 2,
Areia Branca,
2530-065 Lourinhã, Portugal

phone: +351 261 471 161
fax: +351 261 411 174

mailto:peeher.pt
www.peeher.pt

