Lessons from Other Industries
For Utility Services and Communications
Supporting Low Income Consumers

NARUC, July 2016, Nashville, Tennessee

Staff Subcommittee on Consumer Affairs
Introducing “low income solvency” segmentation

Understanding Utility Customers
Energy Worldviews: Motivations Vary

- **Innovators**: Tech Enthusiasts, Green buildings, Data
  - Simple feedback interface, Price incentives

- **Early Adopters**: Green Altruists
  - Seamless automation

- **Early Majority**: Cost Conscious
  - Comfort Lovers

- **Late Majority**: Indifferents

- **Late Adopters**: Doubters

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Diffusion of Innovations: Everett Rodgers
Crossing the Chasm: Geoffrey Moore
Worldview triggers: Judith Schwartz

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Ability vs. Intention to Pay

- **On time**
- **When possible**
- **Avoid if possible**

- **Resourceful**
  - Juggler
  - Dependent
  - Under Water
  - Gambler
  - Desperate

- **Frugal**
  - Paycheck to Paycheck
  - Careless
  - Scofflaw

- **Adequate resources**
- **Limited resources**
- **No resources**

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Propensity to Pay + Receptivity to Strategies

- **Resourceful**
  - On time
  - Adequate resources

- **Frugal**
  - Paycheck to Paycheck
  - Adequate resources

- **Dependent**
  - When possible
  - Limited resources

- **Juggler**
  - On time
  - Limited resources

- **Gambler**
  - Avoid if possible
  - Limited resources

- **Under Water**
  - Avoid if possible
  - No resources

- **Desperate**
  - When possible
  - No resources

- **Changed Fortunes**
  - On time
  - Limited resources

- **Careless**
  - Paycheck to Paycheck
  - No resources

- **Scofflaw**
  - Avoid if possible
  - No resources

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Low Income Solvency Segments

- **Supported**
  - On time
  - Adequate resources
- **Independent**
  - When possible
  - Limited resources
- **Overwhelmed**
  - Avoid if possible
  - No resources
- **Irresponsible**
  - Irresponsible
  - Adequate resources

**ABILITY TO PAY**

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Examine industries that successfully target low income customers
Common Reasons for Policy Disconnects Among Regulators, Utilities and Advocates

• Consumer advocates strive to protect most vulnerable, overwhelmed families.
• Utility disconnection policies designed to protect investors and ratepayers from irresponsible behavior.
• Regulators must balance financial stability of utility with protection of vulnerable, while fostering broad customer acceptance.
• Worldviews independent of income levels.
• Price incentives motivate cost conscious.
• Payment plan preferences align with cash flow and banking constraints.

- Supported
- Independent
- Overwhelmed
- Irresponsible
Objective of Low Income Targeting Study

- What can we learn from those who target disadvantaged communities?
- Insights for segmenting audience
- What is working?
  - General strategies and offerings
  - Tactics and messaging
  - Ability to work with unbanked
- Sectors analyzed
  - Gambling
  - Payday loans
  - Lottery
  - Automobile financing
  - Reverse mortgages
  - Credit cards
  - Credit reporting
  - Health care

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Strategies Used to Reach Low Income Audiences

- **Aspirational**: Quick path to riches, often unrealistic, hopeful, magical
- **Opportunity**: Good deal available to eligible parties
- **Bargain**: Great deal with insider information
- **Convenience**: Make it easy on yourself because of busy schedule
- **Empathic**: We understand the problems you face, authentic stories
- **Lifesaver**: Only path out of desperate situations
- **Get paid for [your action]**: Often hides fraud or criminal activity

Any of these can be *deceptive*:

  - Offer seems reasonable with onerous terms in fine print
## Susceptibility to Strategies/Pitches

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Lessons from Industries that Target Low Income Consumers

Case Studies
# Case Study Communication Strategies

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Do You Know Your Credit Score?

- Targets: young people without established credit or poor credit history
- Used to evaluate and identify risky borrowers for lenders
- Positioned to at-risk borrowers as crucial for financial success
- FICO Score: predictive analytics based on scores from three major credit reporting agencies: Equifax, Experian, Transunion. Consumers must pay to see FICO scores and get other services
- Tactics: TV, Radio, Internet ads and apps, direct email
- Messaging: “get your FREE credit score,” identity theft protection
- Sites of credit score companies include education: “how to improve credit scores.” “Paying bills on time” is noted as critical as is “minimizing outstanding debt.”
What’s in Your Wallet? Unsecured Credit Cards

• Targets: people without established credit or poor credit history
• Extra carrot – “use to build your credit history and a good score”
• Messaging addresses realistic fears and concerns
• Offer “cash back benefits” as incentive to pay on time
• Alerts as to current balance and when payments are due
• Customer complaints focus on bad customer service and monthly fees
• Fraud protection
What’s in Your Wallet? Credit Cards

• Pre-screened marketing offer
  Collateral indicates pre-approval
  No guarantee card will be issued

• Secured credit cards
  Security deposit equal to credit line
  “builds credit when used responsibly”

• Prepaid Cards
  Look like credit cards but “no credit check”
  “No minimum balance. No hidden fees”
  Can add more money to account
  Option for unbanked consumers

• Stored Value Cards
  Dedicated purpose
  Monetary value preloaded
  May be rechargeable
No Waiting: Pay Day Loans

- Target: People with jobs, checking accounts, bills due
- Ads on radio, TV, Internet, direct email
- AKA cash advance, check advance, post-dated check, deferred deposit loans
- Borrower writes a check + fee, (or authorizes electronic payment) Lender provides amount-fee, due next payday, rollovers common
- Extremely high interest rates, annual interest rate over 390%
- New legislative protections under consideration
• Additional value added services, VIP loyalty programs
• Friendly, polite customer service reps
• Positive user reviews on Yelp
No Problem!: Sub Prime Car Loans

- Target: people with jobs who can’t qualify for bank loans
- Radio commercials or billboards “Your job is your credit” or “Bad credit? No problem!”
- Some vendors offer money management guidance
- Messages like “simple,” “easy,” “save time and money,” “no cost or obligation”
- “Buy here, pay here” lots signal used car dealerships:
  - Often charge exorbitant interest rates
  - Bait and switch tactics and falsified reports on condition of car
  - Loans contingent on purchasing add-ons
- Documents used to show good risk even with poor credit score:
  - The most recent pay stub
  - Your utility bill (gas, water, electricity)
  - Your driver’s license
  - Three personal references
Include Voluntary Authorization for TCPA

**Authorization**

By clicking the consent box above, I sign and authorize CarHop, UAC, or their affiliates, to help me get approved and driving by using automatic dialing equipment, text messaging and/or prerecorded/artificial voice messages, to deliver advertisements or telemarketing messages or service or collect upon my account using any mobile or other telephone number that I provide them, within the terms of CarHop's Privacy Policy. I understand that this may result in charges to me and that I am not required to give this consent as a condition of purchasing or receiving any property, goods or services.
Instant Spending

- Consumer must have job and bank account
- Sets affordable weekly payments
- Easy to apply online
- Personal shopping advisor
You’re Covered: Affordable Care Act

- Same initial intake: all income levels
- Easy to find guidelines for income eligibility
- Millions enrolled
- “ObamaCare” controversy affirms value
- Special focus on children
- Higher subsidies needed for remaining uninsured
You’re Covered: State Exchanges

• Best approaches are straightforward:
  ▫ Where are you? Who are you?
  ▫ Which plan is right for your family?
  ▫ Multiple languages available

• Messages: Easy, affordable, confidential; Choose plan that fits your needs; Financial help to pay for coverage; Peace of mind; “it’s more than just health care, it’s life care”

• Covered California exchange includes free, confidential, in-person help

• Well-produced videos and website explain different aspects of program
## Recommendations

Based on Case Studies
Adjust Policies to Reflect Varied Attitudes

**Supported**
- Promote bargains, opportunities, convenience
- If family is trying, offer generous terms
- Recognize emergencies

**Independent**
- Incentives and rewards for active participation and fiscal responsibility
- Emphasize bargains, convenience
- More options/flexibility

**Overwhelmed**
- Empathic outreach
- Coaching and guidance to reach supported quadrant
- Subsidies and debt forgiveness

**Irresponsible**
- Incentives to manage budgets better
- Consequences if they fail to do so

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**ABILITY TO PAY**

No resources  |  Limited resources  |  Adequate resources

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General Lessons from Case Studies

- **Avoid stigma**: Offer programs to all customers (except w/eligibility tests)
- **Be authentic**: Empathic videos, testimonials, and social media exchanges
- **Be respectful**: Customer service, field reps following up on payment issues
- **Empower reps**: Simple surveys of customers at touch points, flexible terms
- **Avoid punitive fees**: Also allow schedules easiest for family to pay
- **Provide choice**: Offer pricing, payment programs, and technology options that reflect people’s lifestyles and situations
Cleaner, Simpler Presentation

- Best approaches are straightforward:
  - Where are you?
  - Who are you?
  - Which plan is right for your family?
  - Multiple languages available

- If there are financial level distinctions associated with eligibility for programs, make them easy to find and understand

- For those who need an extra nudge, create text alerts as to current balance and when payments are due

- Offer prepay to unbanked customers as a way to establish performance that can lead to banking or retail relationships

- Encourage user reviews on Yelp, FB, twitter and respond quickly

- Provide reassurance about fraud protection
Think Outside the Box (Fun, Easy, Kind)

- VIP loyalty programs with benefits for households that pay bills consistently
- Peer-to-peer produced/paid energy literacy webisode series for young people
- Crowdsourcing for co-design projects (understand generational distinctions)
- Crowdfunding and transactive energy platforms underwrite and support “overwhelmed” segment
- Give people opportunity to do constructive tasks on behalf of utility with financial benefits for their family or community
- Assume “irresponsible” customers need help managing funds and provide links to credible resources first step
- Reserve strict policies for true scofflaws
Opportunity: Credit Creation & Rehabilitation

• Carrot instead of stick approach

• Phone, gas, water, and electric utility bills are among the only ways that “credit invisibles” can establish a credit rating*

• Working with credible financial service agencies and community groups, proactively help young people and those with poor credit histories adopt better budgeting practices, establish credit scores, rehabilitate their history

• Reward active participation in energy efficiency, DR, DLC, prepay and other programs with offers to help customers establish credit

• Offer and apply “cash back” incentives good for either future utility bills or energy efficiency products offered by partners

• Create a simple “index card” of financial advice for low-income folks

• Open door to credit union loans

*check on state laws to insure info can be shared with authorization from customer©2016 Distributed Energy Financial Group LLC
Industries that use variable pricing
Common Reasons for Policy Disconnects Among Regulators, Utilities and Advocates

- 21st century consumers want choices, convenience and control
- Consumers have access to mobile communications and data
- Not all consumers have same worldviews; one-size-fits-all residential tariffs do not satisfy all consumer needs or preferences
- Commodity-based mindsets are a barrier to consumer-focused reforms
  - **Bills**: Regulators focus on cents per kWh; total bills matter more
  - **EE**: Consumers want end-use services, not power commodity
  - **DR**: Cost-conscious consumers won’t respond without financial incentives
  - **DER**: Distributed energy resources are becoming more viable/disruptive

*Technological change and evolving consumer preferences have put every regulatory commission in the US in the position of overseeing electric industry restructuring*
Objective of Alternative Pricing Study

- What can we learn from sectors already using variable pricing?
  - Highlights of trends and patterns in each sector
  - Mix of mature, changing (transformational), and innovative applications
  - Discussion of key concepts as they apply to utility sector

- Sectors analyzed
  - Hospitality
  - Telecom
  - Gasoline
  - Airline
  - Transit
  - Parking
  - Sports
  - Car services
  - Grocery
Types of Price Incentives

- **Time-variant**: Price changes by season, hour, day, or time window
- **Market-driven**: Price changes frequently in response to actual market transactions and variable costs
- **Volumetric**: Price changes based on levels of usage independent of time of day used
- **Event-triggered**: Price changes in response to weather, capacity, or wholesale price level not immediately tied to cost-of-goods-sold
- **Scarcity**: Higher price possible because of strong demand even though cost to deliver stays the same
## Pricing Strategies in Other Industries

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Lessons from Industries that Use Variable Pricing

Case Studies
Hospitality Sector

Time-based pricing widely accepted for many decades

- **Early-bird specials** at restaurants
- **Happy hour** drinks at bars
- **Weekend getaway** packages at business-oriented hotels
- High vs. low season at vacation resorts based on consumer demand + weather
- Yield management systems increase financial return of properties

Dynamic rate applications offer same room at Washington, DC hotel:
- $119 per night for weekend in Aug;
- $349 per night, mid-week in Oct

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Telco 2.0

- AT&T and Comcast offer “lock in your price” plans (hedged rates)
- Choice of varied bundles, incentives, service levels for phone, cable, Internet
- Speeds and feeds: price-performance
- Expanding features to establish value: content, hardware, security, support
- Aware of cost of customer acquisition
- Avoid churn by keeping plans sticky or upselling within network
- Deals targeted to special interest segments like sports fans
- Deals subject to individual negotiation
- TOU plans less available
Telco 3.0

• Bundled options commonplace
• New players leverage incumbents’ infrastructure to offer discounts
• Discounts for prepaid plans
• Technology alternatives including BYOD
Transit and Commuting

TOU + scarcity + prepay payment terms and bundles; generally government owned or regulated prices

- Rail service: peak- or off-peak tickets for the same route and distance
- Buses and subways: discounts if paid in advance
- Cars: EZ Pass discount for technology that reduces operating costs (personnel)
- Toll roads or HOV lanes to reduce congestion
- Prepay cards: E-ZPass, EasyPay Metro Cards, Reduced Fare Metro Cards
- Mobile apps, trip planners to add convenience and value
- NY Pass for tourists includes free or reduced costs for admission to tourist attractions
On-Demand Car Services

- Leverage mobile platform and GPS for clients and independent drivers
- Levels of service: choose size or type of vehicle at different rates
- Order car in real time: system handles locator, transactions, and billing
- In competition with highly-regulated taxi fleets, generating controversies
- Transparency in communication with customers, prices set in real time
- Pioneer UBER expanded rapidly, now multiple competitors on scene
- Emphasis on recruiting drivers
- Both passengers and drivers are rated by the other
- Cited as model for sharing economy in other sectors
Market Driven Prices: Groceries

- Consumers are accustomed to variable prices for meat, eggs, fresh fruits, bread and vegetables. Transparency with advertised prices. Pay at time of purchase.

- Food is a necessity for life—even more than electricity—yet producers, distributors, and retailers are not asked to subsidize* or discount based on customer income.

  * Food stamps are provided through government programs.

- Affinity card holders receive extra discounts or special prices on selected items to drive brand loyalty to retailer.

- Farmers’ markets, organic coop boxes, community and home gardens (DIY) are key elements of sustainability initiatives and green worldview.

- Grocery stores operate on the tightest of margins (1-2%).
Recommendations

Based on Variable Pricing Case Studies
Communication Trends and Lessons

Mature markets

• Advertising used to distinguish the brand relative to competitors
• Generic terminology – “deals,” “early bird,” “happy hour” – imply savings, time, etc.
• Units of measure are meaningful to the average person in well-established industries

Changing markets

• Marketing are focused on acquisition; keeping plans sticky; upselling
• Deals are targeted to relevant special interest segments
• Choice of varied bundles, incentives, messaging, service levels (explore what works)
• Expanding feature sets can establish value: content, hardware, security, support

Innovative markets

• Enabled by technology for access, analytics, contact, locator
• Phrases such as “competitive” or “dynamic pricing” are used in a few instances (StubHub, Mets, Uber); explanations are needed and provided

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Common Lessons: Fundamental Similarities

• Consumers are comfortable with variable rates in many retail sectors
• Consumers readily accept premium pricing when they know exactly what they are purchasing: a particular seat (or a room or a ride) at a particular time
• People pay more when they see the value
• Pricing is generally more palatable than physical rationing
• Bundling elements increases perceived and real value
• Choices based on consumer special interests are effective
• Prepaid with no contract (pay-as-you-go) is common
• Dynamic pricing can create a sense of urgency
Fundamental Distinctions for Utilities

• Regulation of public or monopoly services in exchange for reasonable opportunity to earn a reasonable return on invested capital
• Access to utility services should not be reserved for highest bidders
• Regulated utility service designed for the median/average customer; low income customers are left with (1) challenges to afford that level of service, and (2) rate designs which may not accurately reflect cost to serve
• Infrastructure needed to enable variety of payment, program, pricing options
• Complex mix of market structures with new players emerging
• Current billing practice: there’s a delay between consumption and payment
• Lack of visibility: consumers do not know the cost of operating their devices
• Lack of choice: choices can increase economic efficiency and satisfaction
Market Research Supports Adoption of Variable Pricing

“Overall Value” or “Greatest Sense of Control”

Q.1: Which of the following time-based prices gives you the best overall value? (The same options were listed in each question.)

Q.2: Which of the following time-based prices gives you the greatest sense of control?

Market Research Supports Adoption of Time-of-Day Pricing

Q.4: From your perspective, does time-of-day pricing make sense for electricity?
Q.6: If a time-of-day electricity price was a voluntary option, and if you learned that your electric bill could be lowered by 5-15 percent if you shifted some of your electricity use to nights and weekends, how likely would you be to enroll in the program?

Time-Varying Rates are Appealing*

Simple Time-Varying Pricing Works!

- Customer-centric TOU offers
  - One- or two-year contract
  - Two pricing periods
    - “Free Nights”
    - “Free Saturdays”
    - “Free Weekends”
    - “Free Mornings & Evenings”

- 5½% of Texans have selected TOU contracts

- Free means free (wires charges built into on-peak period)
Adjust Policies to Reflect Varied Attitudes

**Supported**
- Promote bargains, opportunities, convenience
- If family is trying, offer generous terms
- Recognize emergencies

**Independent**
- Incentives and rewards for active participation and fiscal responsibility
- Emphasize bargains, convenience
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**Overwhelmed**
- Empathic outreach
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**Irresponsible**
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**ABILITY TO PAY**

- **No resources**
- **Limited resources**
- **Adequate resources**

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Variable Pricing Lessons Learned

• The ability to choose—even between two items—is empowering and is expected by today’s consumers

• Simple, straightforward, easy-to-understand pricing builds trust

• Most industries provide immediacy and clarity with respect to the attributes, price and value of the good or service purchased

• In contrast, electric service relies on commodity pricing of kWhs; these units power hundreds of devices in each household

• End use prices are not transparent; connecting the value of end uses with the price of the commodity will require new strategies:
  ▫ Daily transactions (aligning daily cost with daily uses/value)
  ▫ Transparency in the cost of operating devices (customized reporting)
  ▫ Time-of-use pricing that is derived from consumer value, not system costs
  ▫ A move away from per-unit commodity charges
Low Income Energy Issues Forum

Innovative and integrated policies and approaches that help close the widening gap between what vulnerable energy consumers can pay and their current utility bills

• The Forum is comprised of state regulatory commissioners, utility directors and program administrators, energy assistance administrators, social service providers, consumer advocates, creative and marketing firms, vendors and service providers

• No charge for government or non-profit organizations; contact Nat Treadway

• Persons interested in low income energy issues should “Join Our Mailing List” and receive the publication announcements at: http://defgllc.com/publications/

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Judith Schwartz is an entrepreneur, marketing strategist, and communications professional on the forefront of sustainability issues, the Smart Grid, alternative energy, and the digital home.

Her Silicon Valley-based firm, To the Point, designs human-centered strategies, conducts research and meta-analysis, creates narratives and messaging, facilitates cross-stakeholder conversations, and develops communications and outreach prototypes. Schwartz is also a Commissioner on the Palo Alto Utility Advisory Commission.
Nat Treadway is a co-founder of DEFG and leads DEFG’s Low Income Energy Issues Forum—a diverse group of stakeholders focused on energy affordability—which encourages utility experimentation to assess alternative rate designs, billing and payment offering, and behavioral energy efficiency programs. Nat worked as municipal energy manager for the City of Ogden, Utah in 1982-85; a testifying expert on energy efficiency programs and capacity resource planning for the Public Utility Commission of Texas from 1985-95; an advisor to Texas regulatory commissioners from 1995-99; and as a consultant on distributed energy services and resources in the 21st century. Nat tracks innovations in retail electric services in North America.
Appendices

Other Industries—Low Income Case Studies
Financially Challenged Consumer Mindsets

- **Frugal:** husbands resources carefully and with great restraint
- **Paycheck to Paycheck:** income supports existence without reserves to absorb unexpected shocks
- **Resourceful:** manages limited resources creatively, barters, bargains
- **Juggler:** variable income, robbing Peter to pay Paul or choosing medicine vs. rent or utility
- **Dependent:** Relies on kindness of strangers, charities or government
- **Under Water:** would pay if could; may be poor money manager
- **Gambler:** manages limited resources badly, gaming the system
- **Scofflaw:** truly delinquent, could pay but spends resources elsewhere
- **Careless:** has funds but manages them poorly
- **Desperate:** insolvent, no hope of being able to meet basic obligations
- **Changed Fortunes:** people who had middle class incomes but have lost jobs and sources of income
Mix of Tactics to Segment Accounts

- When responding to low-income program offerings with clear eligibility thresholds, people will self-select and volunteer information.

- Algorithms like Experian’s “Income Insight Score” used to confirm eligibility when they recertify (customers give permission as part of process) can also indicate if low income consumers are likely to have ability to pay.

- If they are paying cable, telecom, rent consistently but not utility bill, then they are in "irresponsible" quadrant. First order of business is to guide them to a money management resource to help them budget better.

- If they still refuse to pay, engage local advocates on policies. Is it fair to keep lights on at expense of “independent” customers making effort?

- “Supported” customers are visible through enrollment in LIHEAP, other assistance programs, or they have social service agencies involved.

- If “supported” or “independent” customers sign up for saver rates, energy efficiency programs, offer extra slack on occasional missed payments and back arrearages so they stay current and don’t fall into "overwhelmed" group.

- If they truly are in the "overwhelmed" segment, then focus becomes how to identify resources and assistance for which they are eligible so they can move to "supported" category.
CreditKarma.com

- San Francisco-based company founded in 2007
- Target: younger consumers
- Crowd-sourcing community of over 35 million who answer questions, post experiences and rate financial products
- Online streaming and TV ads drive people to site
  - Mix of funny, staged and sincere stories by real people
- Elegant site and mobile app
- Automatic credit alerts
- Education about credit scores and how to protect them
- Easy-to-read articles
- Tailored offers
- Online tools and calculators available

Credit Karma Commercial: Before You Apply – Hard Inquiry:
https://www.youtube.com/channel/UC-kXZuu9iuFFzfGZKcVOamQ
My $42 Gas Bill went to Collections – Michael’s My Money Story
https://youtu.be/yg5nUEodvu4

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Simple, Easy, Trustworthy

DriveTime

- Major player in sector
- High quality production values
- Clean design aesthetic
- Interactive bells & whistles
- Customer testimonials
- Good behind-the-scenes video and clever webisode series
- Interesting online customer response suggests a different reality

DriveTime Ad
https://www.youtube.com/channel/UCNUVy6SLZLk-b1bTjupMcyw
DriveTime Car Sales Complaint
https://youtu.be/3F1KpgZolxM
Option of Last Resort: Reverse Mortgages

- Target: seniors with equity in home but limited assets
- Feeds on desperate need to generate retirement income
- Ads are positioned as proactive and reasonable planning tool
- Borrower gets a lump sum or receives monthly payments but still lives in the house
- Still a mortgage. Borrower has responsibilities
- Late night TV ads create misconceptions
  - Often perceived as “government benefit”
  - (Falsely) guarantee people can stay in their homes
  - Viewed as “free money”
- Ads do not include interest rates, show fine print, or mention it is possible to lose home through foreclosure
- Can’t borrow more than house is worth (less outstanding balance)
- Without a financial plan, people can outlive their money if tapping into a home’s equity too soon
Option of Last Resort: Reverse Mortgages

Testimonial emphasis:
- Professionalism
- Understanding of borrower’s situation
- Attention, sympathy
- “Peace of mind”
- Online search reveals many positive reviews with satisfied customers
- Authentic-feeling handwritten reviews
Hitting the Jackpot: Lotteries

- **Playing the Numbers**: predecessor to lotteries in poor neighborhoods
  - Illegal, 600:1 odds, possible to bet small amounts of cash, organized crime
- In 1960s, states began to see legal lotteries as way to raise revenues
- Promoted to public at large (no stigma attached)
- More low income consumers view lotteries as chance to dramatically reverse fortunes rather than entertainment (attitude of affluent players)
- Allow a sense of hope and optimism
- Small investment of time and money, big life-altering reward possible

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Play Anytime - Anywhere!: Online Gambling

- Poker, casinos, sports betting, bingo, horse racing, mobile, in-play, advance deposit
- Online gambling makes access ubiquitous and opens market to people without resources to visit casinos or proximity to betting parlors
- Positioned as games of skill, not mere chance
- Participants ignore truism, “the house always wins”
- Words often used to promote: fun, easy, exciting, choice, trusted, bonus

“Choosing an online casino can be hard but for the most part it should be an easy and fun exercise. Some of the questions you need to answer are, what am I looking for? Do I want quality graphics and playability? Which casino hosts my favorite online casino game? Do I want higher deposit bonuses? Is safety my highest concern?

“The support that the software offers you is very important, ensuring that the casino room that you are choosing has 24 hour online support and a phone number as well as an email address. The response times may vary but the more options you have to contact them the less likely you will feel abandoned with your choice.”

---onlinegambling.com
Take This Check, Please: Fraud

- Target: People with legitimate bank accounts
- Person receives a large check in the mail and is asked to deposit it in their account, then wire most of the money to a 3rd party
- Money is being laundered, participant becomes criminal accomplice

The “mark” is asked to do a task to make it look like this is legitimate work; in this case observe the quality of the Western Union transaction
Other Industries—Variable Pricing Case Studies
<table>
<thead>
<tr>
<th>Sectors</th>
<th>Observation</th>
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</thead>
<tbody>
<tr>
<td>Hospitality</td>
<td>Generic terminology (&quot;happy hour,&quot; &quot;early bird,&quot; &quot;weekend getaway&quot;) implies savings resulting from consumption choices made by consumers</td>
</tr>
<tr>
<td>Telecom</td>
<td>Consumers may focus on measured units of service or select a comprehensive package; there is a range of available choices</td>
</tr>
<tr>
<td>Gasoline</td>
<td>Gas station location, brand names and octane grades give choices; world events trigger price volatility; gradual shifts to alternatives</td>
</tr>
<tr>
<td>Airline</td>
<td>Dynamic pricing provides options to consumers about when to shop</td>
</tr>
<tr>
<td>Transit</td>
<td>Convenience of prepayment plus time-variant pricing gives choices</td>
</tr>
<tr>
<td>Parking</td>
<td>Dynamic pricing based on scarcity increases availability of scarce resources, providing low-cost option for those whose time is valuable</td>
</tr>
<tr>
<td>Sports</td>
<td>Scarcity pricing and ticket resale increases market fluidity &amp; transparency</td>
</tr>
<tr>
<td>Car Service</td>
<td>Consumers choose attributes of service; scarcity pricing determines price</td>
</tr>
<tr>
<td>Consumer Appliances</td>
<td>On-line shopping increases transparency and serves a greater variety of consumer preferences with regard to shopping experience</td>
</tr>
<tr>
<td>Grocery</td>
<td>Market-driven prices reveal a range of choices with regard to brand, quality and numerous other attributes of service</td>
</tr>
</tbody>
</table>
Volume + time + peak rates

- T-Mobile still offers volume use off peak suggesting network constraints
- Features prepaid phone service: “no contract, pay as you go”
- If user exceeds service quantity for phone or data at peak times, higher rate applies
- Free domestic long distance and no digital roaming charges across US offered
- Unlimited talk, text, and data for a flat rate with contractual commitment
Event Triggered Rates: Retail Gasoline

• Consumers are accustomed to frequent changes of retail prices in response to location of the gas station, price per barrel of crude oil, weather, capacity, or geo-political events without a real-time connection with “cost-of-goods-sold”

• Regional variations for same brand are common (consumer ability to pay)

• Spread between top tier and bargain brands in same geographic area

• Top tier brands distinguished by additives (and ad campaigns)

• Brand loyalty declining

• Some consumers shop by price while others choose station for convenience of location

• Gas prices have a big impact on other decisions such as travel, political choices, major purchases
Scarcity Pricing: Airline Travel

- Same route can cost two-three times as much, depending on purchase date
- Airline loyalty programs provide benefits over ticket prices for same seat
- Bundle with hotels and car rentals to increase perceived value
Scarcity Pricing: Secondary Ticket Market

- StubHub, owned by eBay, is the dominant player (SeatGeek, FanSnap)
- Rapidly replaced informal, risk-intensive “scalper” practices and ticket brokers
- Uses technology to protect buyers and sellers and create a transparent market
- Allows venues to sell more tickets (more subscribe because they can resell)

How StubHub works

1. Sellers set their price and list their tickets on StubHub
2. You choose the event and seats you want
3. Order and receive your tickets with our FanProtect Guarantee

Important to know
We’re a marketplace – which means we’re not selling any of the tickets listed on our site. Instead, tickets are listed and priced by other fans. Once you place your order, we coordinate delivery and payment – so you know you’ll get your tickets in time.
Secondary Ticket Market

- Sellers need to be educated as well as customers about dynamic pricing
New Trends in Sports (Primary Market)

New York Mets experiment with event-triggered rates

- Prices for all Mets games may be adjusted on a real-time basis, either upwards or downwards, based on market demand for competing teams, weather, momentum
- Goal: fill seats and preserve revenue even when team is out of playoff contention
- Positioned as “Dynamic Deals”
- Moneyball analytics applied to fans
Major Consumer Appliances

Amazon, Sears, Best Buy, et al. modifying prices on the fly

- Goal: get to top of search results for online comparison shoppers
- Changing prices create a sense of urgency to make the purchase
- That friction leads to a marketplace of choices
- WSJ article identifies risks, methods, and opportunities
- Many competitors w/same products
- Undercut their own prices

http://online.wsj.com/article/SB10000872396390444914904577617333130724846.html