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NJ Clean Energy Program
Business Customer Focus Groups

Topline Summary of Key Findings: Business Customer Focus Groups

IMPORTANT NOTE: *The analysis presented here has been completed quickly, to provide an advance overview of selected key findings. Market Strategies has made every effort to verify the contents of this document, but we reserve the right to make changes in the final report, based on a thorough review of the tapes and transcripts.*

Study Methodology

Market Strategies International, Inc. (MSI) conducted a total of four focus groups with business customers and trade allies, December 5-6, 2007:

Hackensack: Wednesday December 5 - 6:00 pm & 8:00 pm

Morristown: Thursday December 6 - 6:00 pm & 8:00 pm

The characteristics of the customers who participated in the focus groups were:

GENERAL:	End Users and Trade Allies, some program participants, some non-participants
PARTICIPANT TYPE:	Mix of Renewable Energy and Energy Efficiency
END-USER ENERGY EXPENDITURES:	Mix from \$4,000-\$80,000 monthly average
TRADE ALLY DESIGN/ CONSTRUCTION BUDGET:	Mix from \$25K to more than \$1M average
END-USER ENERGY INDUSTRIES:	Mix of lodging, restaurant, property management, school, warehouse, and other
TRADE ALLY INDUSTRIES:	Architecture, construction/HVAC/electrical contracting, engineering/lighting design, lighting installation, design/build organization, other

The groups averaged approximately 110 minutes in length. All participants received incentive payments. Audio and videotapes were made, and transcripts are being developed. A copy of the discussion guide is attached.

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Objectives

The primary objective of this research was to:

- Enable the development of focused value propositions, messages, and delivery strategies that align with customer decision-drivers, so NJCEP can refine plans to motivate and reach the business audience and build participation.

Other specific objectives included the following:

- ✓ Better understand business people's needs, awareness, attitudes and perceptions about energy efficiency and renewable energy.
- ✓ Gauge receptiveness to current and potential future message strategies and communication concepts.
- ✓ Understand specific likes and dislikes with respect to current programs and offers. Identify and understand key motivating factors for participating, as well as roadblocks to participation. Explore levels of interest in current and potential future program designs/design elements.
- ✓ Explore channels/communication vehicles that will work best to communicate program benefits to businesses.
- ✓ Understand knowledge and attitudes about state sponsorship of programs, and what the role of New Jersey's state government should be.
- ✓ Gauge awareness of energy purchasing options, and gain a better understanding of factors that motivate business owners to consider those options.

Needs, Awareness, Attitudes and Perceptions About Energy Efficiency and Renewable Energy

Energy Efficiency

- The need to improve energy efficiency is very widely understood by both business people and trade allies.
- All end users and trade allies claim to be making efforts to use energy efficiently.
- The key motivations for energy efficiency are clearly economic/bottom line oriented.
- Most business people are pleased with the cost savings realized through energy efficiency to date, and plan to do more.
- Although some do, most end-users do not set specific overall goals for saving energy. Rather, they tend to identify and pursue individual efficiency opportunities that present themselves.
- There is a strong resistance to retrofitting with more efficient solutions before existing equipment wears out. Key roadblocks include upfront cost/competing uses for the funds, and potential for disruption of the business.

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- Energy efficiency measures are evaluated on the basis of their projected payback, not ROI, net present value, etc. This seems to be true for large corporations as well as small and mid-sized businesses. Payback periods of two-three years are generally seen as attractive; one-year, very attractive.
- End users and trade allies, especially those who have not been involved with NJCEP to date but were interested enough to participate in this research, express a strong interest in learning more about efficiency.

Renewable Energy

- Renewable energy is not seen as an important business priority in the same way that energy efficiency is.
- Lacking a clear bottom-line benefit, clean energy is a “nice to have,” not a critical business need.
- Interest in solar power and other clean energy solutions is driven by the perceptions that rebates and incentives may make them attractive economically, and that a business may be able to stabilize energy costs and avoid future hikes.
- Some are also intrigued by the idea that using clean energy could become a selling point and a source of goodwill for their businesses, but are not sure whether this opportunity is real and, if so, how they might take advantage of it. They express interest in a “logo” or communication program they could leverage to get credit for supporting clean energy.
- While many express personal concerns about such issues as energy security, climate change, and environmental problems, these concerns do not drive business decisions in the same way that a payback analysis of an efficiency measure can.

Marketing Communications

Reactions were solicited to draft marketing communications pieces focusing on NJ SmartStart Buildings: a design for a trade show booth, various print ads and a brochure.

- Overall, about twice as many participants described their reactions to these materials as positive vs. neutral; only one person said negative.
- Positive comments about the drafts described them as clear, credible, informative, and well-designed.
- Many said they would be motivated to seek more information, e.g., on the website.
- Some of those who felt less well-informed found the prescriptive measures listed on the back of the brochure to be helpful.
- Criticisms described the brochures as offering too little information or being dull and easy-to-ignore.

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- A few complained that the programs are not as good or as easy to take advantage of as the materials imply. This prompted some discussion of red tape, bureaucratic procedures, long waits, etc.

Program Value Propositions and Attributes

Five program value propositions were provided to the participants and evaluated during each group. The descriptions are attached; the reactions were as follows:

New Jersey SmartStart Buildings

- 17 said they were “very likely to participate,” 12 said “somewhat likely.”
- Key positives included the wide range of technologies and measures covered, confidence that bottom-line benefits can be achieved, and the program incentives which deliver attractive payback potential.
- Roadblocks included the complexity and time it takes to apply for the program and gain approval, and the perceived need to wait for the end of existing equipment’s useful life.

Clean Energy Financing and Assistance Program

- 17 said they were “very likely to participate,” 10 said “somewhat likely.”
- Key positives included the relatively large loans and grants available, which are seen as offering the potential for attractive paybacks. For some, the availability of consulting services to help them was also important.
- Roadblocks included the complexity and time it takes to apply for the program and gain approval, and the perceived need to wait for the end of existing equipment’s useful life.

Direct Install Program

- 14 said they were “very likely to participate,” 15 said “somewhat likely.”
- For some, the “holistic” or “turnkey” nature of this program was a key positive. They liked the way it offers an opportunity to get expert help in evaluating and prioritizing across-the-board opportunities to save energy. Other positives included the wide range of technologies and measures covered, and the attractive payback periods.
- Roadblocks included the complexity and time it would take to apply for the program, gain approval, and go through the comprehensive process. A few also expressed doubt that NJCEP has experts capable of conducting “whole building” audits.

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Renewable Technologies Program

- 11 said they were “very likely to participate,” 9 said “somewhat likely.”
- Some end users and trade allies were very positive about the opportunity to stabilize electricity costs by adopting a clean, distributed solution, supported by incentives that promise attractive payback periods.
- Roadblocks: The program is not appropriate for all types of businesses and is especially difficult for businesses that do not own their own buildings to benefit from. Some doubted whether the incentives described in the program description are accurate and realistic, going forward.

Clean Power Choice Program

- 2 said they were “very likely to participate,” 12 said “somewhat likely.”
- Positive comments about the program focused on the desire and responsibility to do something to address global warming and the environment. Some also raised the possibility of finding ways to differentiate and gain customer support for their businesses as clean energy users.
- The chief roadblock noted was the extra cost of participating in Clean Power Choice.

Communication Channels

- A frequent suggestion was to send information along with utility bills. A few others suggested that NJCEP information could be included in other State of NJ mailings, e.g., about taxes or regulatory programs.
- Trade shows/conferences focusing on energy efficiency, energy management, and building construction were also frequently mentioned, although there was no consensus on which specific events to participate in. Others suggested that NJCEP should create its own statewide or regional conferences to educate interested end-users and trade allies about energy efficiency and the programs.
- Many participants said they read trade publications focusing on their specific industries.
- Participants noted that, given the programs’ complexity, marketing communications should be designed to build interest and encourage information-seeking. They emphasized the importance of making it easy to get (and understand) program information via the website, telephone, or in-person consulting.

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- Publicity in major newspapers and on television was also mentioned. Some suggested promoting “case study” stories celebrating businesses that have used any of the programs to save energy, rather than only those that install solar systems.

State Role

- Participants said that it is important and appropriate for the State to be taking a lead role in encouraging energy efficiency and clean power. (Note that those who feel otherwise would be unlikely to participate in this form of research.)
- However, there was discussion of whether the State’s activities are as well-thought-out and productive as they could be. Some felt there is too much emphasis on solar power. Others noted that the State is hard to do business with, mentioning red tape, bureaucracy,” and long waits for approval.
- Asked to comment on the recent Business Survey finding that showed business people believe that the utilities do a better job of helping them manage energy than the state does, most participants seemed to agree. They noted that the utilities have been communicating about energy efficiency for a long time and, of late, have been increasingly focused on messages about efficiency and the environment. There was also further discussion of how hard it is to work with the State (red tape, etc.), as well as comments that the State does not do enough to let businesses know about the programs that are available.

Energy Purchasing Decisions

Each group ended with a brief discussion of “choice.”

- Nearly all were aware that they can choose to purchase electricity and natural gas from alternative suppliers rather than their utility. Few had done so.
- Reason for choosing an alternative supplier: belief that cost savings are significant.
- Reasons for not doing so:
 - ✓ Inertia
 - ✓ Belief that cost savings, if any, will be small
 - ✓ Distrust of alternative suppliers
 - ✓ Knowledge that there have been “billing problems,” supplier bankruptcies, etc.
 - ✓ Belief that utility service could be negatively impacted, e.g., that they might endure a longer outage than someone buying power from the utility.

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2007 Business Customer Focus Groups Moderator's Guide

Objectives: The research will enable the development of focused value propositions, messages, and delivery strategies that align with customer decision-drivers, so NJCEP can refine plans to motivate and reach the business audience and build participation.

Introduction (5 minutes)

- Moderator welcomes the participants and familiarizes them with the focus group rules and facility (e.g., no right or wrong answers, microphones, videotaping).
- Participants introduce themselves: First name, nature of business, have/have not been involved in energy efficiency or renewable energy programs with the NJCEP.
- Moderator introduces topic: Here to talk about NJCEP's programs for businesses and organizations in New Jersey. We'll be talking about existing programs and some possible new ideas, and getting your thoughts and reactions. What's good about them, what's not so good, what would make them better?
- Your ideas will be very valuable to us, so input from all sides is encouraged, although I may need to keep us on track from time-to-time.

Discussion of Energy Efficiency and Renewables

(15 minutes)

Objectives: To better understand business people's needs, awareness, attitudes and perceptions about energy efficiency and renewable energy.

Probe for: (1) Steps they are taking to improve efficiency and/or use of clean energy, (2) Participation in efficiency or clean power programs, (3) Installation of renewable energy technology (i.e., solar panels).

We have a diverse group of people around the table, with different levels of interest and involvement in these topics. So, to start, let's have a discussion of why energy efficiency matters or doesn't especially matter to your business or organization or your clients, for those who work with and advise other organizations.

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- Does your organization need to care about energy efficiency? Why?
- Is energy efficiency important?
- How important?
- Why? What does it mean for your organization?
- Have you already taken steps to increase efficiency? [If necessary, provide thought-starter examples: lighting, heating, cooling, water heating, motors and drives.]
 - What kinds of steps?
 - With what results?
 - Do you plan to do more?
- Have you set goals to improve efficiency? What are they?
- Have you run into any roadblocks in trying to be more efficient? What are they? Why is that a problem?
- What would help NJ businesses and organizations make faster progress toward energy efficiency?

Let's switch gears a bit and talk about renewable energy. So now the question on the table is why it matters or doesn't matter whether the electricity used in your organization comes from clean, renewable sources, such as solar power or wind.

- Does your organization or do your clients' organizations need to care about using renewable energy? Why?
- Is using renewable energy important?
- How important?
- Why? What does it mean for your business or organization? How do you benefit?
- Have you already taken steps to increase your organization's use of clean energy?
 - What kinds of steps?
 - With what results?
 - Do you plan to do more?
- Have you set goals to increase your use of renewable energy? What are they?
- Have you run into any roadblocks in trying to use renewables? What are they? Why is that a problem?
- What would help NJ businesses make faster progress toward using more clean, renewable energy?

Marketing Communications (15 minutes)

Objectives: Gauge receptiveness to current and potential future message strategies and communication concepts.

Probe for: Words and concepts that work / words and concepts to avoid.

Now I'm going to ask you to look at some information that is being used, or might be used, to let people know about energy efficiency and renewable energy programs in New Jersey. This includes a design for a booth that you might see at a trade show or

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convention, along with some ads and some brochures designed for specific types of businesses and organizations.

Please take a few moments to look at these materials and read what they say.

[SHOW/HANDOUT ALL MATERIALS.]

What is your initial reaction to what you are seeing? Is your reaction:

Positive?

Neutral? [SHOW OF HANDS – RECORD ON FLIP CHART.]

Negative?

All right, why? Explain to me why you have the reaction you do.

[Get positive, neutral and negative input, probing on:

- Credible/not credible. Why?
- Interesting and invites further curiosity, or dull and easy to ignore?
- Clarity of message – what is it trying to get across?
- What are they asking you to do?
- How would you improve it?]

Program Value Propositions and Attributes (30 minutes)

Objectives: Understand specific likes and dislikes with respect to current programs and offers. Identify and understand key motivating factors for participating, as well as roadblocks to participation. Explore levels of interest in current and potential future program designs/design elements.

Probe for: Opportunities to encourage more businesses to make investments in energy efficiency and clean energy.

Thanks for telling us what you think about these materials. This is great information. Now I would like to get even more specific. I'm going to hand out several program descriptions so we'll all have exactly the same information about each program, and ask you to jot down answers to a few questions about each one. Then we'll discuss them as a group. Some of them are existing programs and others are new ideas.

Moderator hands out first program description/value proposition and asks participants to read it and answer the questions below it. [See attached example.]

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Discuss/probe program value propositions and attributes.

- Is your organization, or are your clients likely to participate? Why/why not?
- What do you like about this program?
- Why might your organization or clients want to participate? What are the key benefits? What would make it better?
- What do you dislike about it?
- What would stop you from participating? How can that be overcome? Why would that matter?
- [For existing programs] Why did/didn't you participate? (Lack of awareness? Other roadblocks?)
- What if we tweak the program in this way [describe shorter payback, better ROI, or larger incentive]. Would that increase your organization's or clients' likelihood to participate. Why/why not?

[HAND OUT EACH PROGRAM DESCRIPTION IN TURN, AND FOLLOW THE SAME PROCESS. PROGRAMS WILL BE DISCUSSED IN A DIFFERENT, RANDOM ORDER IN EACH GROUP.]

[AFTER GOING THROUGH ALL DESCRIPTIONS] Alright, let's try to wrap up and summarize the discussion we've been having. Based on everything we have talked about:

- What are the program features and benefits that really matter to your organization? What characterizes a program you would really want to get involved with?
- OK, and how would you characterize a not-so-attractive program, one you would be likely to stay away from?
- What would make your organization more likely to make future investments in energy efficiency or renewable energy?"

Communication Channels (15 minutes)

Objectives: Explore which channels/communication vehicles will work best to communicate program benefits to businesses.

Probe for: Key media and other communications channels; specific publications, websites, conferences, etc.; differences between end-users and trade allies.

Our final topic for this evening is how best to communicate with people like you. For those of you who have participated in programs or at least were aware of them, how did you learn about the programs?

- Through third parties/trade allies. Which ones took the lead?
- Media: which ones?
- Websites: which ones?
- Retailers: which ones? How communicated?
- Trade shows/conferences/events: which ones?
- Directly from NJCEP. Advertising, direct mail, website, other?

If you were working for the NJCEP, what methods would you use to get the word out about programs and services offered to businesses and organizations like yours?

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State Role (10 minutes)

Objectives: To understand their knowledge and attitudes about state sponsorship of programs, and what they feel the role of New Jersey's state government should be.

Probe for: Positives and negatives. Language used in discussing state's role. Consensus on how state could/should help them.

OK. We've been talking quite a bit about the kinds of things you can do to conserve energy and use cleaner energy and, for some of you, the ways in which you've taken advantage of state-sponsored programs to do that. Now I'd like to talk a bit about how you feel about the role the State of New Jersey is playing.

[Briefly REVIEW PROGRAMS AND ACTIVITIES MENTIONED SO FAR. WRITE NAMES ON FLIP CHART.]

- What else is the state doing that you may have heard about?
- Give me the names of any state programs you've heard about that support energy efficiency and renewable energy. [ADD TO FLIP CHART.]
- Discuss programs respondents are aware of, and what they know about them.
- Which do you think are the most effective programs? Why? What are the benefits?
- Which are less effective, why? What are the problems?
- What would make the programs more useful to you and your organization? What else?
- In general, how could the state provide more help to businesses and organizations like yours? What should they do differently? Why?

Energy Purchasing Decisions (10 minutes)

Objectives: To gauge participants' awareness of energy purchasing options, and gain a better understanding of factors that motivate business owners to consider those options.

Probe for: (1) Number of participants currently buying energy supplies from third parties; (2) reasons why they are doing so, and reasons why others are not; (3) awareness and perception of third party suppliers.

OK, I'm going to ask you to change direction again. First of all, can anyone tell me, here in New Jersey, do businesses have to buy electricity and natural gas from the local utilities, or can you buy from other suppliers of "third parties."

[ASSUMING SOME PEOPLE KNOW ABOUT CHOICE...] Does that surprise anyone? Don't be embarrassed, this is something many people may not know about. Please raise your hand if you were not aware until now that businesses have the right to purchase from alternative suppliers rather than the utility:

Electricity _____

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[RECORD RESPONSES.]

Natural Gas _____

Well then, we have talked about reducing energy costs through efficiency and renewable resources, but now I'd like to turn our discussion towards another method that businesses might use to try to cut costs: Buying their electric and natural gas supplies from someone other than their utility.

- Are any of you presently buying either electric or gas supplies from third parties? [SHOW OF HANDS – RECORD RESULTS.] If so, what prompted you to make the switch?
- Are those of you buying from third parties satisfied with the service you're receiving and the prices you're paying? Why or why not?
- Have those of you are still buying your energy supplies from your local utilities ever explored the possibility of using third parties? Did you do it proactively, or were you contacted by one or more suppliers?
- If you received offers from one or more suppliers, what prompted you to turn them down? What would they have needed to offer you to make you say "Yes"?

Wrap Up (5 minutes)

OK, fine. Those are all the topics we wanted to cover with you tonight. But I would like to ask each of you to make a final comment.

Based on your feelings when we started and everything we have talked about tonight, what are your feelings now about these types of energy efficiency and renewable energy programs?

Will the information we have discussed tonight make you more or less likely to get involved in these types of programs in the future? Why/Why not?

What did you learn that made you change your opinion?

Thank participants and remind them to collect incentive checks.

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2007 BUSINESS FOCUS GROUPS:

PROGRAM VALUE PROPOSITIONS TESTED

New Jersey SmartStart Buildings

This program addresses heating, ventilation, and air conditioning equipment (HVAC), water heating, motors and drives, and lighting technologies. A number of high-efficiency options exist that can significantly reduce the cost of electricity and/or natural gas. The program helps building owners to invest in energy efficient equipment for new construction or retrofit by covering about 80% of the increased cost of the equipment. It also provides design support and technical assistance in evaluating which measures make the most sense economically.

The program provides financial incentives that usually result in an investment payback period of two-three years (in the 8pm Hackensack group: one year).

Clean Energy Financing and Assistance Program

Under this program, help is available for businesses that want to undertake energy efficiency and renewable energy projects in New Jersey. The program makes it more affordable and cost effective for businesses to invest in the most efficient equipment, and realize substantial energy cost savings as well as environmental benefits through the use of the cleanest forms of energy.

The program provides low-interest loans up to \$1 million, grants up to \$500,000 and consultant services. It typically delivers an investment payback period of two-three years (in the 8pm Hackensack group: one year).

Direct Install Program

This program offers eligible small business customers the opportunity to retrofit their existing equipment with more energy efficient systems. The program identifies all cost-effective efficiency retrofit opportunities and provides direct installation, financial incentives, education, and other strategies to encourage the early replacement of existing equipment with high efficiency alternatives, as well as the installation of new equipment. All energy-using systems are eligible, including: lighting, controls, refrigeration, HVAC, motors, and variable speed drives. This turnkey program provides customers with a single source of information, technical assistance, financial incentives and a comprehensive package of energy efficiency improvements for each project.

The financial incentives usually result in an investment payback period of two-three years (in the 8pm Hackensack group: one year).

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Renewable Technologies Program

This program offers financial incentives, technical support and educational materials to support the installation of technologies that enable businesses to produce their own electricity from renewable sources, such as solar panels, wind power, or fuel cells. These systems help protect the environment and reduce the strain on the existing electric transmission and distribution grid.

The program provides financial incentives for qualified installations that cover 50-60% of the capital cost. This usually results in an investment payback period of five years (in the 8pm Hackensack group: three years).

Clean Power Choice

This program delivers renewable power to businesses that may not be able to install solar or other equipment due to a variety of reasons including: lack of appropriate facility area, budgets, zoning, or too much shade. Although the purchase of renewable energy is an added cost, the National Renewable Energy Labs reports that an increasing number of businesses have decided to purchase renewable energy. Benefits include: competitive advantage; customer satisfaction/loyalty; contributing to/supporting the development of renewable energy; offsetting environmental impacts; recognition/award programs (by EPA Green Power Partnership, NJClean Energy, professional associations and non-governmental organizations); participating in sector-wide efforts; and employee loyalty.