A needs-based segmentation of low income and vulnerable (LIV) customers

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Project overview

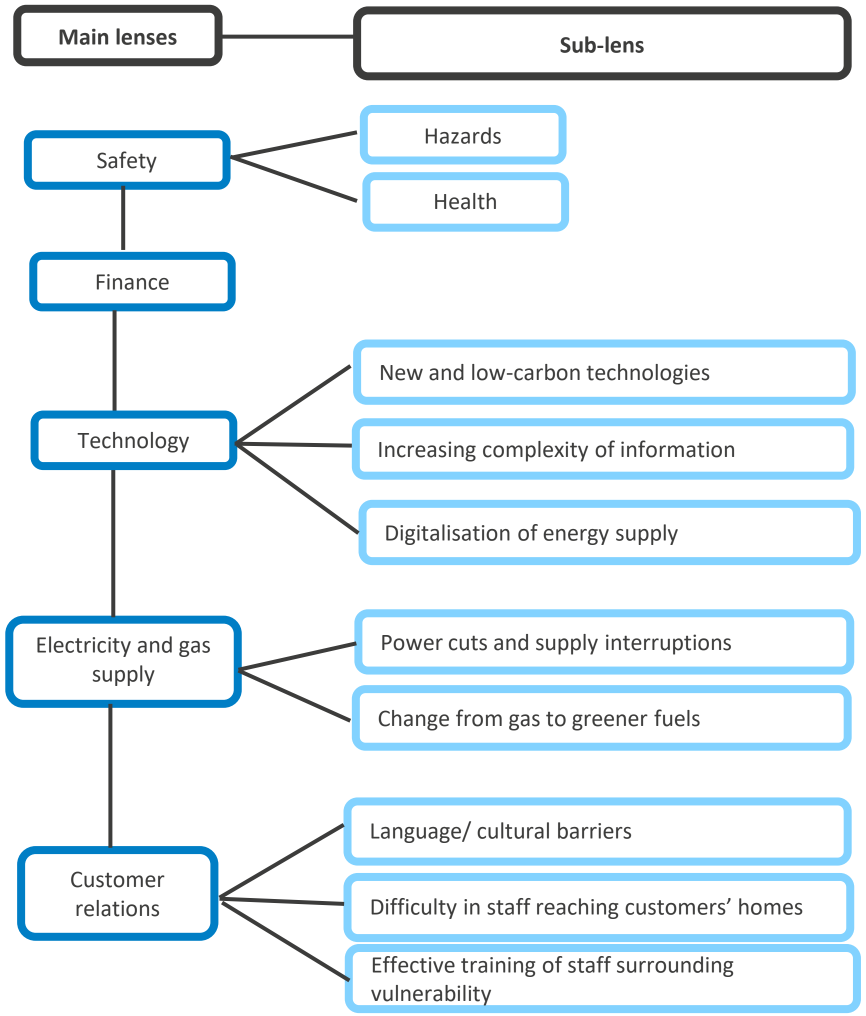
Background

- No one should be left behind in pursuit of net zero
- Concern that needs of LIV customers are not generally well-understood by DNOs
- Challenge – how do DNOs identify LIV customers and understand their needs?

LIV Segmentation performed an objective appraisal of how best to classify LIV customers and identify their energy needs:

Working group	Lenses	Best practise guide	Customer engagement	Implications
Impact Energy Systems Catapult ENWL	Established how LIV customers should be viewed	Best practise for customer engagement by DNOs	10 focus groups 50 phone calls 1,100 surveys	Implications for network operators

Lenses and best practise guide



Key circumstances that could make a customer vulnerable included :

Age	Physical or mental impairment	Low income
Residence	Technical	Information

Research guidelines:

1. Organise the research by '**lenses**'
2. **Vulnerabilities which affect multiple groups** are the primary focus
3. The sample for some lenses should be supplemented with those vulnerable groups which are particularly **affected by that lens only**.
4. Ensure **recency in the experience** of the vulnerability and explore the impact and experience of different levels of vulnerability

Customer research – segments

	Life is good	Getting on with life	Conscious and active	Quiet and comfortable	Lone climbers	Silent strugglers	Don’t forget me
Proportion	12%	30%	15%	13%	13%	12%	5%
Demographics	Typically white, older affluent and male	Typically suburban and middle-aged	Typically affluent, younger males in senior management	Typically older, white British retirees	Typically males with lower incomes, high % of ethnic minorities	Typically female, younger/middle aged with low incomes	Typically low income, single mothers
Situational items	Most own their own homes, cars and don’t struggle with power cuts.	Most have good health and own their own homes and never struggle to pay their bills.	Most have chronic health conditions but have contacted their GDNs regarding energy-saving technologies. Don’t struggle to pay bills.	Most own their home outright and have energy-saving technology installed but are likely to have chronic health conditions. They don’t struggle to pay bills.	Most rent and sometimes struggle with energy bills.	Most are struggling to pay bills and are taking steps to save money on energy bills such as skipping meals.	Most rent and struggle to pay bills and have skipped meals as a means of reducing energy costs.
Attitudes	Confident about what to do in a power cut.	Less confident in what to do in a major power cut/ interruption but generally less concerned about environmental or financial issues.	Worry about the safety of their appliances. Want to do more to improve their carbon footprint and worry about missing out on LCTs	Confident about what to do in a power cut.	Are not confident in what to do in a major power cut/ interruption.	Worry about bills. Need more information on how to reduce their energy consumption.	Worry a lot about paying bills and believe the government should do more to help people in financial difficulties.

Implications for DNOs and GDNs

Two key recommendations came from this research:

- Energy distributors need to ensure that their services are accessible for all customers within the relevant groups.
- It will be critical to keep information up to date and in the most useful form for each group. Customers may not have been vulnerable in the latest engagement but could be by the next engagement opportunity.

The segments that include the highest proportion of low income / vulnerable customers are:

- ‘Don’t forget me’ (5% of all customers)
- ‘Silent strugglers’ (12% of all customers)
- ‘Lone climbers’ (13% of customers)

Example approach for ‘Silent strugglers’

Characteristics

- Low income, worried about bills
- Require information to reduce energy costs
- Interested in lowering carbon footprint

Approach needed

- Phone channel available
- Messaging to save money and hit environmental goals

Potential further work

This research has produced distinct and readily identifiable segments that will assist DNOs in their aim of shaping their services to match the characteristics and priorities of their customers more precisely. There is scope to take these learnings further with the following:

Qualitative research

- Test support mechanisms among relevant customers
- Understand how they would help each segment of customers

Quantitative research

- More comprehensive exploration of needs and vulnerabilities
- Mix of methods
- Gives further weight and ability to drill into segments more

Apply to customer databases

- Tag DNO or GDN database
- Observe how it contrasts to PSR and other internal segmentations

Next steps

- How can we use customer segments for other research channels, the low carbon transition offerings, and fuel poverty?
- How can we use learnings from this project in our wider communications channels – internal and external?
- Believe more learning could be gained from widening sample to reaffirm segments and the suggested solutions.

QUESTIONS & ANSWERS

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