



Spotlight on Portland, Oregon: Use Incentives to Get Attention and Encourage Deep Savings

Key Takeaways

- Use performance-based incentives to nudge customers toward greater energy savings
- Promote recurring, limited-time bonus rebates to grab customers' attention, even when reducing incentive levels
- Approve financing early and make it an integral part of the program to reduce barriers to customer participation



The Better Buildings Neighborhood Program is a U.S. Energy Department program that is improving lives and communities across the country through energy efficiency.

To learn how the Better Buildings Neighborhood Program is making homes more comfortable and businesses more successful and to read more from this Spotlight series, visit betterbuildings.energy.gov/neighborhoods.

Clean Energy Works Oregon (CEWO) has completed more than 1,600 upgrades since its pilot program launched in summer 2009. CEWO offers a set of consumer incentives, including free assessments, access to an independent energy advisor, performance-based rebates, limited-time bonus rebates, and affordable financing. The program aims to make participation easy and appealing every step of the way, and although its primary goal is at least 15% energy savings in each home, CEWO has designed its rebates to reward greater energy savings. As a result, 85% of its participants' total energy use has decreased by more than 30%.

Beyond the base rebate levels, CEWO has experimented with limited-time bonus rebates to grab the attention of potential customers. Program officials found that repeatedly offering these bonuses attracts the attention of new customers each time. More importantly, CEWO replicated the surge in customer interest, despite significantly reducing the dollar amount of the bonus from \$1,700 in 2011 to \$500 in 2012. Finally, CEWO has found that it is important to make financing an integral part of the program. When marketed upfront as part of the upgrade package, financing options have helped to reduce customer concerns about total project costs when undertaking larger scopes of work.

Reduce Barriers to Entry and Focus on the Upgrade Sale

CEWO currently reduces the upfront costs of customers undertaking energy-saving opportunities by offering them a \$500 rebate to offset the full cost of the diagnostic assessment. CEWO's rationale for paying for the assessment is to eliminate the need to sell customers on both the home energy assessment and the upgrade. CEWO program staff wanted to simplify the first step to allow contractors and customers to focus on the upgrade.

More than 50% of participants who receive an energy assessment through CEWO's program complete an upgrade. In contrast, assessment-to-upgrade conversion rates in other energy upgrade programs around the country are often lower, especially when assessments are free, as CEWO's are. CEWO officials believe this high conversion rate is likely attributable to multiple aspects of the program's design, including:

- Skilled contractors who know how to sell upgrades and weed out customers who are not likely to follow through with an upgrade
- Rebates and financing for undertaking upgrades
- Support from the program's energy advisors, who are independent from the contractor and help to guide program participants through the upgrade process¹

¹ CEWO energy advisors are program-sponsored, objective, building science experts who are available to walk program participants through the upgrade process. They provide education, advice, and quality control.

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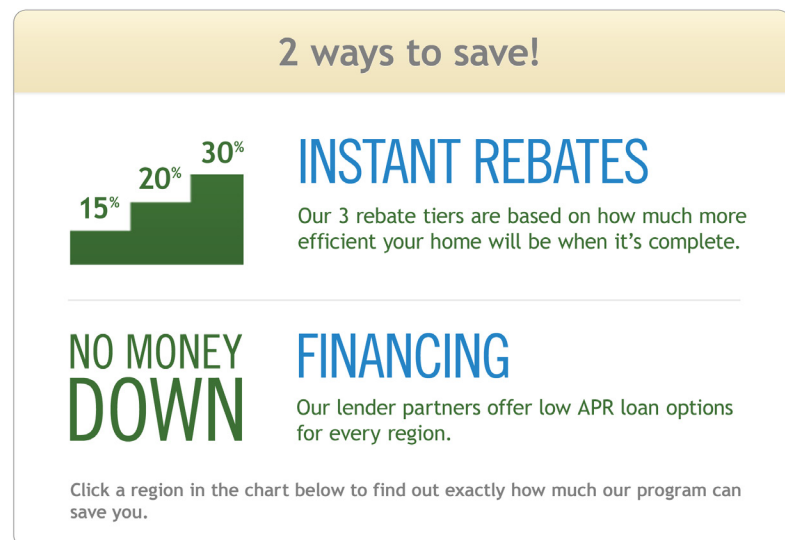
–Derek Smith,
CEWO Executive Director

Provide Incentives to Encourage Greater Savings

To encourage participants to move beyond the assessment and invest in an energy upgrade, CEWO offers rebates based on the total cost of the project. CEWO’s incentives are designed to focus contractors and customers on getting the most savings possible from each participating home, with a minimum energy savings of 15%. The rebates are tiered based on the projected energy savings of the project (see Figure 1). Participants currently receive \$500 for 15% savings, \$1,000 for 25% savings, and \$1,500 for 30% savings or greater.

According to CEWO Executive Director Derek Smith, “Our incentive structure gets customers excited about aiming high and gives contractors a lever to encourage a more comprehensive scope of work.” The incentives seem to be working; about 85% of participants reach the 30% projected savings goal, and the average project cost is more than \$14,000 per home.

Figure 1: CEWO’s “Ways to Save” Promotional Material

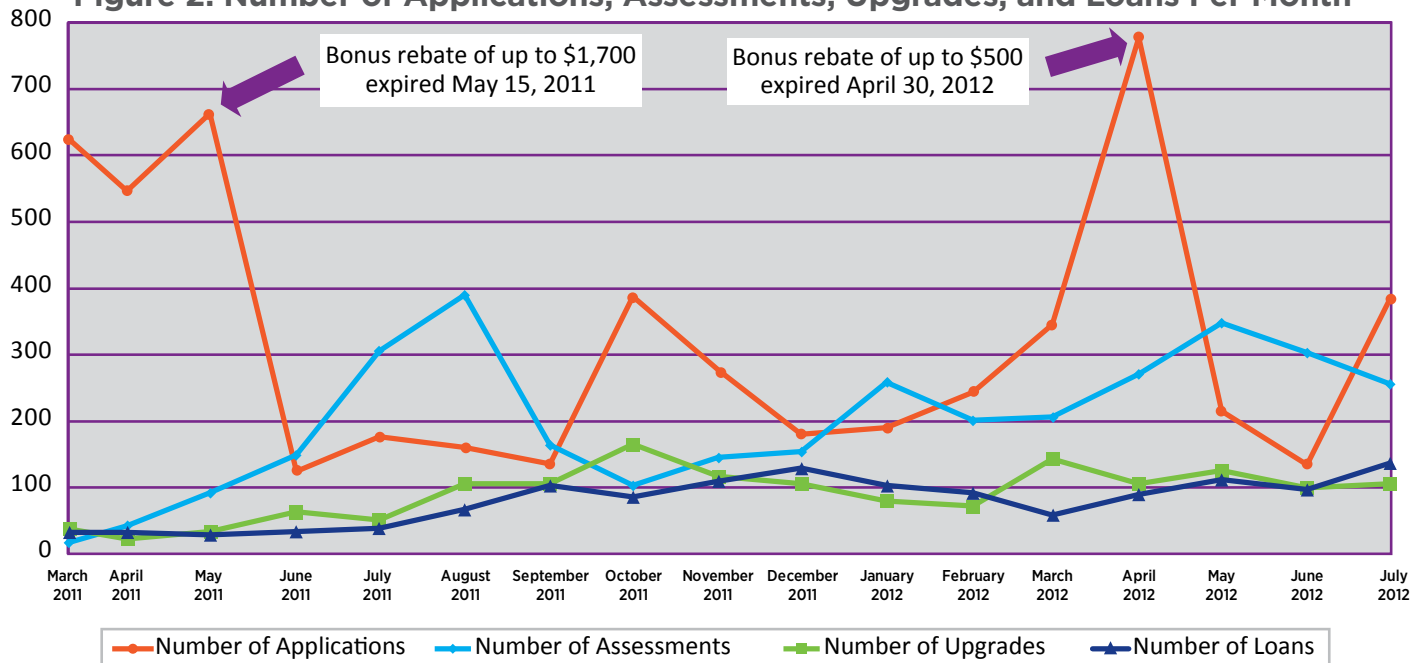


Employ Limited-Time Promotions to Drive Demand

Several CEWO staffers have backgrounds in consumer product marketing and have seen the effectiveness of getting customers’ attention with limited-time bonus offers and seasonal sales. CEWO has promoted a series of limited-time bonus offers on top of its maximum \$2,000 base rebates (\$500 for the assessment and up to \$1,500 for the upgrade) and found the response to be significant.

Early in the program, CEWO offered limited-time rebates of up to \$3,700, an extra \$1,700 over the base rebate, which ended May 15, 2011. Participants had to complete the online application form by this date, and the assessment and upgrades could occur in the following months. Figure 2 shows the spike in applications in May 2011, the subsequent peaks in assessments three months later, and the following peak in upgrades five months later. CEWO offered another limited-time bonus, this time only \$500 on top of the base rebates, in March and April 2012. Again, applications peaked before the April 30, 2012, application deadline (see Figure 2).

Figure 2: Number of Applications, Assessments, Upgrades, and Loans Per Month



The bonus rebates also give contractors a reason to reach out to customers. Program staff noticed that contractors increased their marketing efforts during the bonus offer periods to take advantage of the momentum created.

CEWO staff found the results of the March and April 2012 bonus offer to be quite promising. The \$500 incentive yielded approximately the same number of program applications as the \$1,700 bonus offer did in spring 2011. This outcome implies that CEWO can set its promotions at this lower price as it continues its efforts to engage customers. “Just like for a traditional consumer product, we can create a sense of scarcity to motivate action—and do this again and again to reach those whom we didn’t reach in previous campaigns,” said CEWO Marketing Director Will Villota, “People like to feel they are getting a deal.”

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 -Will Villota,
 CEWO Marketing Director

Program staff believe it will be several years before the market is saturated with the “buy now for a bonus incentive” message. They hope that, by that time, home energy upgrades will have become the norm, a common-sense thing to do, and something fully reflected by increased property values for energy-efficient homes.

Leverage Seasonality to Reduce Customer Acquisition Costs

CEWO’s strategy for customer acquisition is to minimize costs by timing bonus offers when customers are most likely to participate, because it is more difficult and more expensive to compel customers to act during seasons in which their equipment is not in use.

CEWO staff considered timing rebates during seasons when equipment is not needed (e.g., for furnaces during summer in the Pacific Northwest) to “smooth” demand, but note that it is more difficult and expensive to compel customers to act when they aren’t cold, uncomfortable, or using their furnace. During summer, homeowners often have other priorities such as holidays or vacations and are less likely to be receptive to the



program's messages. CEWO staff recognize that this approach can make for a "lumpy" market for contractors, but the goal is to maximize the total number of participants with limited program funds, which is ultimately in the contractors' best interest. Allowing contractors to do the work in the months following the application deadline, as CEWO does, also gives contractors some flexibility to manage their schedules and workforce.

Make Financing an Integral Part of the Process

CEWO complements its rebate offerings with a suite of financing products designed to reduce the barrier to approving these major projects. The program stresses its "no money down" message and approves customers for a loan early in the process. Financing is an integral part of the sales process, not an option participants are given after seeing the contractor's final bid.

More than 80% of participants use one of the program's loan products, a much higher financing rate than other programs across the country offering both financing and incentives. The program offers several moderately priced financing products, including a product offered by a regionally based bank that is able to offer unsecured loans with as low as 5.5% interest without a subsidy from the program.²

Another factor in CEWO's success at selling financing is the fact that participants are also able to fund non-energy improvements through the program's loan products. These measures are often required before energy improvements can be made (e.g., repairing a roof leak before installing attic insulation) and can account for a maximum of either 20% or 49% of the total project cost, depending on the loan product selected. Many program participants take advantage of these non-energy improvements, because the contractor educates customers about the opportunity to fund them through CEWO loan products.

² Lenders typically require programs to provide 5% to 10% (i.e., loan value) credit enhancements or interest rate buy downs to reduce interest rates to the mid-single digits.



Portland, Oregon

Program Accomplishments

From summer 2009 through March 2012

Home energy upgrades completed: 1,600

Average cost of a home energy upgrade: \$14,300

Contractors participating in the program: 50 companies

For More Information

Clean Energy Works Oregon

www.cleanenergyworksoregon.org/

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Clean Energy Works Oregon

Clean Energy Works Oregon (CEWO) was born out of a successful pilot project in Portland, Oregon, that tested whether residents would be more likely to adopt energy efficiency upgrades if they were offered a comprehensive package of services and benefits. The comprehensive package included: low-cost, long-term financing to cover the upfront costs; assistance from an independent energy advisor; and the convenience of repaying monthly loan obligations through the utility bill. Not only did pilot participants undertake deeper upgrades than their counterparts in other local energy efficiency programs, but they made the decision to take action more quickly. CEWO, now a one-stop shop for whole-home energy upgrades in regions throughout the state, is transforming the market for home performance services through quality program delivery, financial product innovation, and excellence in customer and stakeholder relations.