

# Holistic Customer Segmentation: An Innovative Approach for Utilities to Drive Customer Value and Profits

A regional utility engaged ILLUME to conduct a customer segmentation study that coupled demographic data with satisfaction and engagement behaviors across multiple programs and business functions.

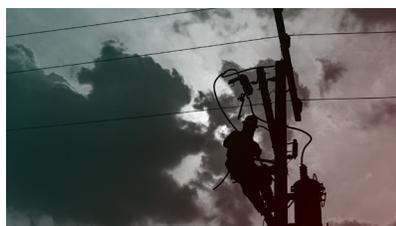
The result: specific, actionable insights to help our client increase program adoption, improve customer satisfaction, and earn higher revenues.



# The Challenge

Our client is concerned with customer satisfaction for customers' sake, and because it's good business—particularly in a performance-based regulatory environment where customer value drives profits. As climate change negatively impacts customers' daily lives—in the form of intense temperatures, climate events, and power outages, etc.—utilities face an uphill battle to maintain customer satisfaction.

Our client, like many utilities, previously conducted general customer segmentation based on high-level attitudes about energy efficiency (to what extent customers believe their actions contribute to climate change, etc.). And historically, utilities have relied on siloed customer segmentation specific to products or programs. In contrast, industries such as financial services and e-commerce for years have applied holistic segmentation that crosses product and business lines to manage customer relationships and drive sales across the organization. We applied these proven methods to help our forward-thinking utility client better reach and serve their customers.



## How We Did It

ILLUME conducted an in-depth customer segmentation study that included a customer survey and review of program participation and bill payment data. Our segmentation went beyond specific programs and general attitudes about energy efficiency. As a result, we did not identify narrow program-specific results or a generic, monolithic “green customer segment,” as is typical of traditional utility customer research. Instead, ILLUME's study revealed specific, actionable insights about customers—who they are, what they care about, how satisfied they are, how to communicate with them, and how to better serve them. Our insights can help increase program adoption, improve customer satisfaction, and earn higher revenues across the utility.

**Five distinct customer personas.** Our analysis identified five residential customer segments, synthesized into personas representing the utility's diverse customers. Below is a summary of the personas.



### Foster

Gadgeteer  
(25% of population)

Foster trusts in science and technology. He will question what he reads in the news and expects his utilities to invest in themselves.



### Rita

Skeptical consumer  
(18% of population)

Rita doesn't trust mainstream media. She expects a deal and feels companies are taking advantage of her if she doesn't get one.



### Eddie

Established do-gooder  
(18% of population)

Eddie, now retired, is focused on playing with his grandchildren and helping his community. He will go out of his way to buy from companies giving back to their communities.



### Zach

Diligent and busy  
(22% of population)

Zach lives in a small home with his family. He works overtime to ensure a comfortable life for his kids.



### Angela

Day to day  
(17% of population)

Angela works several jobs to stay afloat. She doesn't have time to look into ways to save money on her bill.



We follow Zach throughout this case study to illustrate the layers of insights our research provides. Zach is a young family man who works hard to make ends meet. He's open to engaging with his utilities to get a better price but expects things to be automated and simple for him. Zach's persona is markedly distinct from the other four.

**Program recommendations per persona.** We provided recommendations on which programs may be a good fit for each customer segment, focusing on the utility's three priority programs: rate assistance, pay station payment, and digital payment. Below is a summary of priority program recommendations, as well as additional program recommendations.

	Home Audit and Kit	EV Charger	Alerts and online payment	Other Campaigns
 Foster	●	●	●	●
 Rita	●	●	●	●
 Eddie	●	●	●	●
 Zach	●	●	●	●
 Angela	●	●	●	●

**Zach is a prime candidate for bill text reminders and online payments.** He:

- Pays his bills month to month and sometimes misses deadlines.
- Seeks to save money and is unaware of automated methods to simplify bill payment.
- Wants control over how to pay his bill.
- Is a prime candidate for the home audit and kits programs, but not for higher-cost programs like EV Charters, while other personas are.

**In-depth persona profiles.** In addition to program recommendations, we identified essential elements of each persona's engagement with utility services, satisfaction with the utility, and typical bill payment behavior. And we determined optimal marketing channels and messaging considerations to guide communications with each customer segment.

Zach's profile is one of five such profiles—one per persona—which illustrates the deep and nuanced understanding we gained for each customer segment. Each profile serves as a blueprint for the utility's relationship with that customer segment.

# The Takeaway

**Holistic, utility-wide view of customers.** Our analysis provided energy behavior-related insights beyond traditional demographic data and behaviors limited to specific programs or products. Our client can apply these new insights to target and tailor customer marketing/outreach efforts across the utility—from new and existing energy efficiency programs to billing, collections, and other business functions.

**Customer considerations beyond energy.** Our research included outside factors that affect customers and their energy-related behaviors (e.g., Covid, cost of fuel). We recognized the importance of understanding the whole customer experience to better serve customer needs. For example, we see that with Zach, Covid has impacted his employment and job prospects and plays a significant role in his ability to pay energy bills on time.

# The Approach

**Holistic, thoughtful survey design.** We invited customers with advanced metering infrastructure (AMI) to participate in an online survey regarding their general attitudes and interests, their homes, how they make decisions, behaviors around energy, perceptions about the utility, and detailed demographics. We consulted 30+ sources in creating the survey to ensure the survey met the client's goals with rigor. We asked questions such as:

- How likely are you to purchase solar panels for your home in the next five years?
- Since the COVID-19 outbreak in 2020, has your household income decreased, increased, or remained the same?
- How well does this statement describe you or your situation? I could handle a major unexpected expense.
- Which social media platforms do you use at least once a week?

**Rigorous, extensive analysis using multiple sources.** We conducted iterative, in-depth analysis that included customer- and program-specific characteristics to derive five customer segments. Our team drilled down beyond traditional or obvious (and not necessarily meaningful) differences to more subtle yet significant differences among customer attitudes and behaviors.

- We uncovered specific, actionable segments defined by underlying structural differences between groups, including income, ability to respond to crises, home makeup, and views of the utility.
- We overlaid U.S. Census American Community Survey (ACS) and utility-provided datasets to validate our findings and provide a holistic view of customers.
- Utility-provided datasets include energy efficiency program participation, payment preferences, payment history, and hourly consumption.

ILLUME's research has created a powerful, flexible tool that enables our client to deliver targeted messages to—and better serve—current, former, and prospective program participants and customers across the utility. Forward-thinking utilities can apply similar holistic customer segmentation methods to better understand customers and drive customer value and profits.

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