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Image of natural gas and communication:

**UNDERSTANDING THE NATURAL GAS CONSUMERS OF THE FUTURE.
RESULTS OF AN EMPIRICAL INVESTIGATION
AND RECOMMENDATIONS FOR THE GAS INDUSTRY**

Prof. Dr. Dominik Halstrup, University of Applied Sciences, Osnabruck, Germany
Sebastian Gröblichhoff, M.A., E.ON Ruhrgas AG, Essen, Germany
Prof. Dr. Gianfranco Walsh, University of Koblenz, Koblenz, Germany

1. Background

The competition between energy sources and systems in the heating market has increased in recent years and will intensify in the coming years. Successful customer acquisition and long-term customer loyalty, two key performance outcomes of customer-centric organizations, will continue to gain importance. Against this background, the managers of public utilities with a significant share of natural gas in their sales portfolio should address the question of how the residential and home owners of the future perceive the energy product natural gas and gas distributing companies.

In the past few years, the competition in the heating market has intensified significantly especially in Germany. Thus, since 2000 the share of natural gas heating systems in the German new construction market decreased from 76.7% to 51.9% (2010) – particularly in favor of heat pumps and district heating (AGEB, 2011).

Because of its size the German market can be seen as a reference market in Europe; developments in the German market might therefore hint at shifts in energy-consumption patterns in other markets. Especially German gas distributing utilities currently face the challenge of attracting and retaining (new) residential customers while also facing the challenge of having to (re-)position natural gas in comparison to alternative energy sources as "an attractive product of the future".

2. Aims and Method

In light of the continuing decline in share of natural gas and natural gas systems in the new construction market in Germany and growing competitive dynamics in the European natural gas industry in general, this paper is focusing on the following question: How can the gas industry win the loyalty of the future homeowners and position natural gas as "an attractive energy product of the future" within this target group?

To address this question, a structured questionnaire was developed in late 2010 and was used in a national empirical study (n=197). Prospective academics in particular in the fields of business administration, economics and engineering sciences at the age of 24-28 years in several university sites in Germany were interviewed with regard to the following aspects: perception of energy supply topics, perception of the energy product natural gas, perception of gas distributing companies.

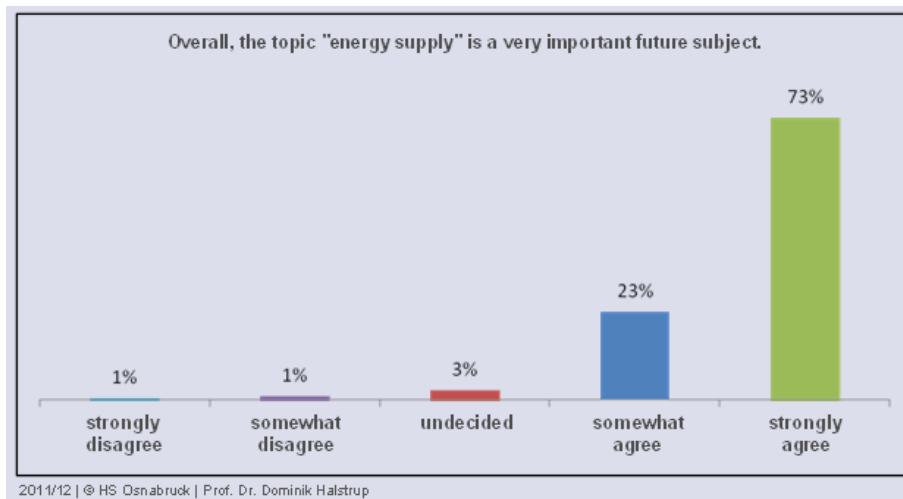
This sample was deliberately selected because the respondents represent an attractive target group owing to the expected higher future income structure and thus higher probability of prognostic house and home ownership. 58% of the participants were male, 42% female.



3. Results

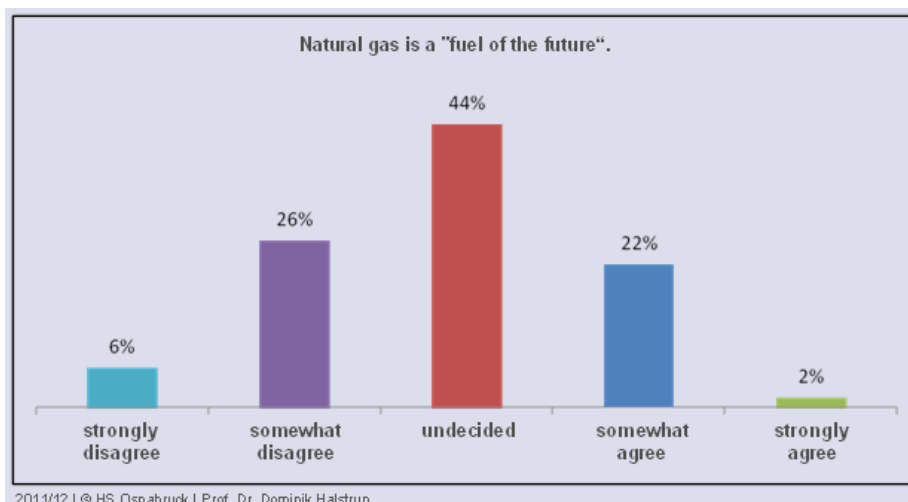
A) Energy supply important issue for target group

Nearly all respondents consider the topic "energy supply" overall as a very important future subject (96% approval rating). 88% of the respondents also think that the theme "energy supply" is of great importance for the future economic development of Germany. In addition, 47% of the respondents specify, that they even follow the public debate about the future energy supply in Germany regularly. Given these results, the study participants can be characterized as "sensitized" with respect to the underlying theme of the study.



B) Natural gas perceived limited as "fuel of the future"

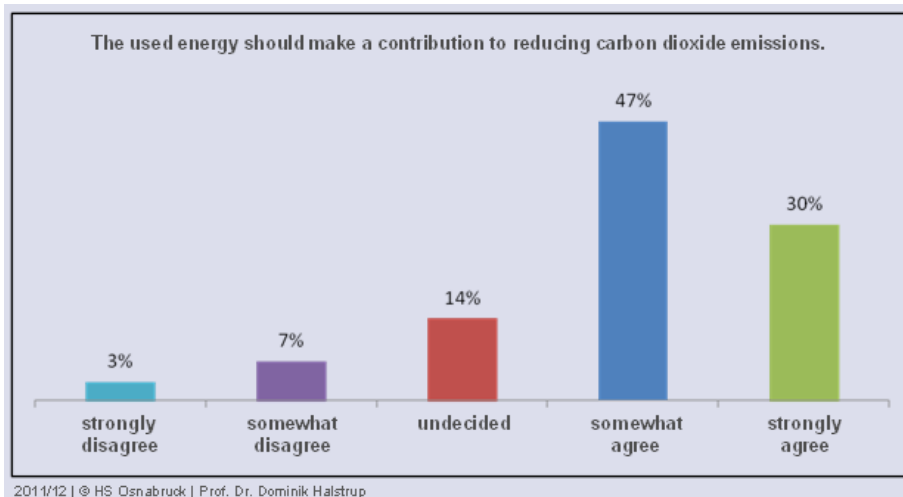
In view of the product gas, the results of the study show that currently only about a quarter of the study participants (24%) perceive natural gas as "fuel of the future". This valuation is certainly based on many reasons such as different perceptions of potential renewable energy sources or different opinions about the long-term security of supply; this valuation should therefore not be interpreted as a direct assessment of the product characteristics of natural gas. Nevertheless, this result cannot hide the fact that currently the majority of the study participants obviously see the future of the product gas at least critical. And that would have an effect on the overall perception of the product gas in this target group.



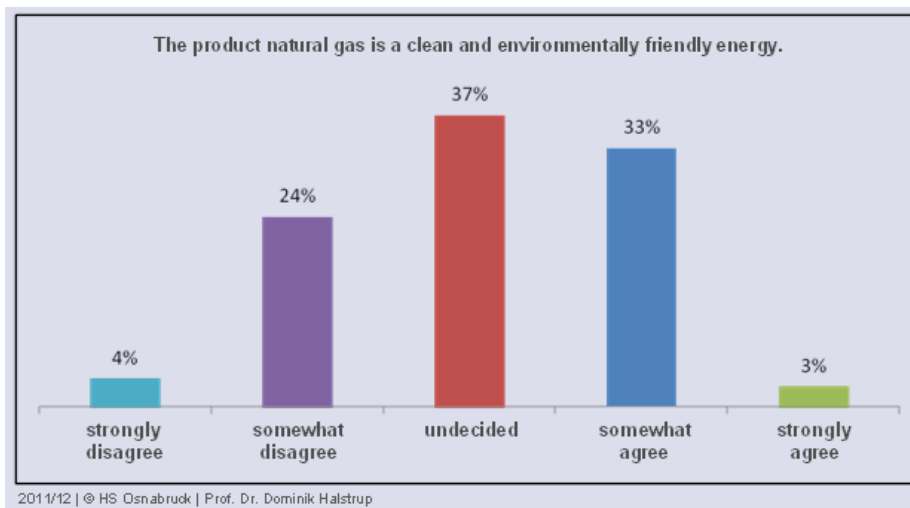


C) Climate issues of prominent importance for target group

The study results underline the importance of a clean and environmentally friendly energy supply for the prospective homeowners. 77% of the respondents agree or fully agree that the used energy should make a contribution to reducing carbon dioxide emissions. More than 40% of the respondents also indicate to be willing to pay more for a clean and environmentally friendly energy (e.g., higher housing costs).



Amazingly, only 37% saying that "the product natural gas is a clean and environmentally friendly energy". A result that is – seen from the perspective of the gas industry – certainly not satisfactory and indicates potential for optimization in communicating the product attributes of natural gas.



D) Perception of municipal utilities as sales channels differentiated

Besides the attitude towards natural gas, the perception of public utilities as a regional energy service organization was examined. An earlier scientific study shows that a positive image of energy companies causes sustained higher customer retention (Walsh et al., 2001).



The results of the present study demonstrate that the majority of respondents perceive public utilities as "bureaucratic" (59%) and "passive" (39%). Furthermore, one-third of the study participants associate with public utilities the attributes "dusty" and "crusty".

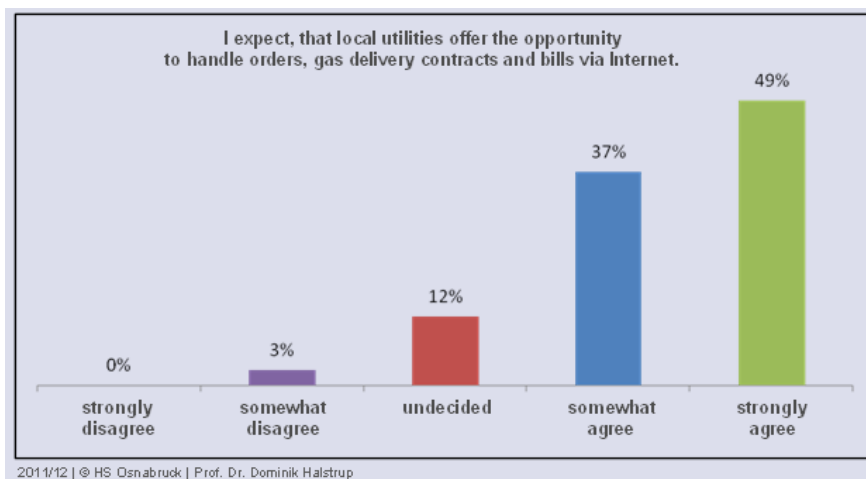
I perceive public utilities as ...				
aloof	33%	36%	31%	in touch with the people
passive	39%	31%	30%	active
"dusty"	35%	43%	22%	modern
bureaucratic	59%	31%	10%	unbureaucratic
untrustworthy	21%	45%	34%	trustworthy
"crusty"	33%	48%	19%	innovative
unreliable	9%	24%	67%	reliable

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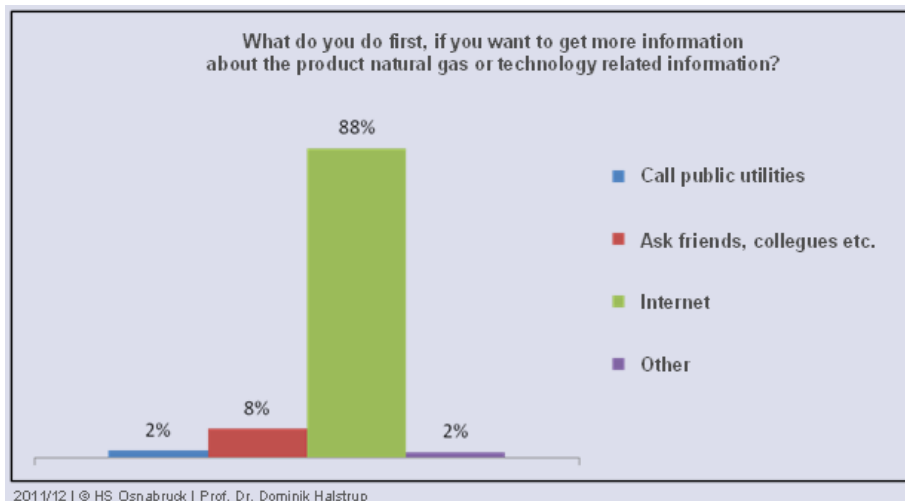
At the same time, however, more than two-thirds of the respondents think that the utilities in Germany are "reliable". Moreover, one-third of respondents perceive them as "trustworthy". These results show in total a differentiated perception of public utilities in Germany. They seem to have a good basis for improving their image in the near future.

E) Internet central information and service platform for target group

The vast majority of respondents further believe that public utility products and services should be described in detail on the Internet. In this context the results of the study show that more than 85% of the prospective homeowners expect to handle orders, gas delivery contracts and bills over the Internet.



The results regarding the use of the Internet as an information source in relation to the product gas coincides largely, and unsurprisingly, with the behavior of the target group on the general use of the Internet. Thus, the proportion of study participants who see the Internet as a preferred channel to get more information about the product natural gas is relatively high (88%).



4. Summary / Conclusions

Several recommendations can be derived from the presented results with regard to the optimization of the image of natural gas and the communication strategy of the gas industry.

Given the high importance of climate-friendly energy sources and energy technologies in the examined target group, the gas industry should ensure to underline in particular the positive environmental qualities of natural gas in the communication mix targeting the residential customers of tomorrow.

With regard to the communication channels selected to reach this important target group, the study results confirm the importance of the Internet as channel through which primary information about the product or the industry can be disseminated. Similarly, the Internet should be seen as an important platform when it comes to the indirect contact with the examined group of customers and also in addition when it comes to the operational contract management.

Overall, the decision makers in public utilities therefore should consider to reallocating a portion of their marketing costs in favor of Internet communications, including the so-called social media.

Finally, the obtained study results suggest that public utilities have to review their brand image as energy service companies. To be successful in the competition for residential and home owners of tomorrow they should further improve their image. A solid basis for the improvement of the image is given: Municipal utilities are seen as "trustworthy" and "reliably" by the majority of the examined target group.

In summary, both the systematic positioning of the product gas as an environmentally friendly energy sources as well as the optimization of the communication strategies of public utilities must be seen as a major strategic challenge for the gas industry to win the homeowners of tomorrow.

The early communication with this group of customers via an integrated and persuasive communication approach will increase the likelihood of a subsequent positive decision for natural gas as the energy source in their own home. That will contribute to sustainable natural gas sales.

Authors and their affiliations

Dominik Halstrup, born in 1972, is professor of economics, in particular Strategic Management at the University of Applied Sciences, Osnabruck, Germany. After obtaining a doctorate, he worked as Head of Department for Strategic Analysis and Concepts in an international operating energy company. Prof. Dr. Dominik Halstrup has published on various energy-related topics and on the Strategic Marketing and Management (Contact: halstrup@wi.hs-osnabrueck.de).

Sebastian Gröblichhoff, M.A., born in 1979, is a graduate economist of the University of Maastricht. After two years in a strategy consulting firm he is with E.ON Ruhrgas AG since 2006 as a Head of Department. His scientific interest is focusing on questions of Strategic Management of energy supply companies.

Gianfranco Walsh, born in 1970, is professor at the University of Jena. Between 2002 and 2004 Prof. Dr. Walsh was head of the Center for Energy Management at the Leibniz University Hannover. His research interest focuses on organizational decision making in service oriented markets. Prof. Dr. Walsh has published numerous articles in prestigious international journals.

Key Words

Natural Gas; Image; Communication-Strategy; Long-Term Positioning