SMART ENERGY
CONSUMER COLLABORATIVE

SPOTLIGHT ON

Low-Income Consumers: Revisiting Their Needs and Wants

JULY 2018

Executive Summary

As a trusted voice for consumers in the smart energy world, the Smart Energy Consumer Collaborative (SECC) has been conducting research on all types of consumers across the United States since 2011. Along with our longitudinal study of consumer attitudes and behaviors called *Consumer Pulse and Market Segmentation Study (Waves 1–6)*, we have conducted focused research on topics ranging from the customer experience to smart energy technologies and a host of products and services that may be offered by electricity providers. We have also published research that spotlights the attitudes and behaviors of particular demographic groups, including seniors, renters, Millennials and low-income consumers.

This spotlight on low-income consumers aims to understand the attitudes and behaviors of energy consumers with incomes less than $50,000/year. An income of $50,000 annually corresponds roughly with the U.S. median household income, which the U.S. Census Bureau determined as $59,039 in 2016.[1] Thus, this report focuses on energy consumers in the lower half of annual household incomes.

These consumers often tell us the energy programs and services currently offered by industry stakeholders do not meet their needs, and they often do not have the financial resources to invest in new energy-related technologies. This report builds a deeper understanding of who these consumers are, how industry stakeholders can reach them more effectively and how programs can be designed to better meet their needs.

SECC leveraged five of our own research projects[2] as well as published information provided from the LIHEAP[3] program and an assessment of low-income programs conducted by the American Council for an Energy-Efficient Economy (ACEEE).[4] The five SECC studies, conducted over the past two years, included: *The Empowered Consumer, Consumer Driven Technologies, Customer Experience & Expectations, Consumer Pulse and Market Segmentation Study (Wave 6)* and *Consumer Platform of the Future.* These studies surveyed nationally-representative samples of energy consumers and focused on a variety of topics around energy efficiency, behaviors, attitudes and specific products and services that are intended to help consumers effectively manage their energy use.

[1] See "Income and Poverty in the United States: 2016"; https://www.census.gov/content/dam/Census/library/publications/2017/demo/P60-259.pdf

[2] Summaries of each of these studies are available on SECC's website: www.smartenergycc.org/research.

[3] Information on LIHEAP funding was sourced from NASCSP (National Association for State Community Services Programs) annual funding survey and can be found here: http://www.nascsp.org/Weatherization-Publications/737/WAP-Annual-Funding-Surveys.aspx

[4] ACEEE published their Low-Income Energy Efficiency Programs: A Baseline Assessment of Energy Programs Serving the 51 Largest Cities in July 2017. This white paper provides useful insight into the variety of programs available and some of the challenges of delivering energy efficiency offers and tools to low-income consumers. This paper can be found here: http://aceee.org/white-paper/low-income-ee-baseline

Low-income consumers differ from the general population in significant ways

Aside from the most obvious financial constraints, consumers with incomes below $25,000/year have a different perspective than higher-income consumers with incomes over $50,000/year.

SECC's consumer research finds segmentation a helpful lens through which to understand consumer attitudes, behaviors and needs. When we compare the distribution of low-income consumers with the general population across our five consumer segments, we find a strikingly different mix as seen in the table below. The largest group of low-income consumers are Green Champions (like the general population), but a significantly higher number are Status Quo consumers — the most disengaged segment of the five.

SECC Segment	Perspective	General Population	Low-Income Representation
Green Champions	"Smart energy technologies fit our environmentally aware, high-tech lifestyle."	30%	29 %
Savings Seekers	"How can smart energy programs help us save money?"	20%	16%
Status Quo	"We're okay; you can leave us alone."	18%	25%
Technology Cautious	"We want to use energy wisely, but we don't see how technologies can help."	17%	19%
Movers & Shakers	"Impress us with smart energy technology and maybe we will start to like the utility more."	15%	11%

The common perception of low-income households as struggling families is not accurate. Almost half (47%) of low-income consumers live alone and 46% of them are over 55. While roughly two-thirds of low-income consumers rent their home, one-third are home owners. These demographic characteristics have significant implications for outreach and program design — topics which we address in the full report.

Why are they so difficult to reach?

Low-income consumers tell us they know less about energy efficiency measures than their higher-income counterparts. This means there is significant need to educate and engage these consumers. But it will not be easy. Low-income consumers leverage different sources for trusted information, and the channels by which they engage are more limited. And, as we mentioned above, there are more of them who are unlikely to engage without significant encouragement. Social media and non-utility ambassadors such as community groups or churches that reflect the attitudes and demographics of this group of consumers will likely be an effective avenue for both engagement and education.

The full report looks at not only the lowest-income consumers as we've introduced here, but it also profiles the low-to-moderate income (LMI) consumers with incomes between $25,000 and $50,000/year. It details more of who these low-income consumers are and where current programs and thinking fall short of meeting their needs. We invite all our members to examine the full report and to take advantage of the findings and recommendations to improve how they engage these consumers, what they as members of the energy ecosystem can offer and how they offer it. We invite non-members to consider joining and taking this journey with us.