Data-Driven Mailing Helps Heat Up Untapped Seattle Market

Recognizing owners of oil-heated homes in Seattle, Washington, as a long-untapped market, Community Power Works engaged them through a direct mail campaign in April 2012. Not only did the mailing generate hundreds of sign-ups, but the number of oil-heated homes initiating upgrades increased to 50% in the six months after the mailing. In the interview below, Community Power Works Project Manager Ruth Bell and Program/System Analyst Vince Schueler of the Washington State University (WSU) Energy Program provide a summary of the successes and lessons learned. Following the interview is an example letter used by Community Power Works in its direct mail outreach.

Q. Why focus on oil-heated homes in Seattle?

Seattle probably has the largest percentage of oil-heated, single-family homes in the state; 17% of homes here are heated with oil. That’s due to the age of the building stock in Seattle and multiple other factors. Because our utilities can’t encourage fuel switching, they really can’t offer any solutions or encouragement—and definitely not rebates—for switching from oil heat to electric or gas heat. Incentive dollars were made available from oil settlements in the mid-80s, but it’s been nearly 20 years since there was any incentive money available for oil-heated homes. Given the real estate data and the utilities’ limitations, Community Power Works Program Manager Andrea Petzel proposed we target this sector as a viable market for upgrades.

Q. How did you identify and target oil users?

Data Marketing, Inc. (DMI) does utility mailings and data draws for other utilities. DMI had good data that the electric utility, Seattle City Light, had recently used for a solar mailing to people with the highest level of “green” attributes (e.g., location, voting patterns). We purchased a mailing list from DMI of owners of oil-heated Seattle homes and applied the same “green attribute” filter that Seattle City Light used. We didn’t have any returns, so the addresses were very current. DMI is also in the business of selling data, so there were never any privacy issues.

The one problem was that some of the homeowners we contacted had already switched from oil years ago. Luckily, we erred on the side of inclusiveness, as opposed to exclusiveness, and worded the letter to be relevant to any type of fuel user.

Q. What were the results of the mailing?

The first letter was sent in April 2012. More than 700 Community Power Works customers who signed up for upgrades from April to August reported mailings as the way they heard about the program. Additionally, in the 11 months prior to the first mailing, only 20% of Community Power Works’ upgrade projects involved oil-heated homes. However, during the six months following the mailing, 50% of the homes that started the upgrade process were oil-heated. Among those homes, nearly 75% switched from oil heating to high-efficiency electric heating or high-efficiency electric heat pumps (as of mid-December 2012).

1 The WSU Extension Energy Program assists Community Power Works in its data collection and analyses.
Q. What incentives and communications did you use to reach oil-heated homes?

We included a rebate incentive to reduce one of the barriers that might be in the way for upgrades—decommissioning the oil tank, which can be costly. A city-branded letter told homeowners that they would be rebated directly for the costs of decommissioning, which includes pumping the oil out, cleaning the tank’s interior, and then either filling it with sand/foam or excavating and removing it from the property. Additional versions of the letter included bill stuffer-sized glossy inserts that said “Act now! Rebates are available for energy upgrades,” but those did not bump up our response rate. Sign-ups from inserts were trickling in in single-digit numbers, whereas sign-ups from the city-branded letters were coming in in big batches—a few hundred at a time. We also sent a version promoting a special rebate code and marketed it as a “required instant rebate code” to achieve a sense of urgency in the homeowner, but we found there was a lot more trust in the city-branded letter than any accompanying promotions.

Q. Did you encounter any problems?

There was not enough contractor capacity at first to deal with the increased heating, ventilation, and air conditioning (HVAC) work. That was a big problem for a little while there; we had weatherization contractors in our pool, but I think we might have had one HVAC contractor. We were able to work with some of the HVAC contractors in Seattle who turn around projects very quickly. The contractors in our pool also use a lot of subcontractors for specialized projects. Heating systems in particular require a different set of skills and involve more complicated projects, so programs need to be ready for that.

Q. How do you work with contractors to ensure coverage?

We learned after that first mailing that we need to make sure contractors know we’re definitely going to have more customers when we send out a mailing. We’ve started to announce in advance when the mailings are going out and when we expect evaluation sign-ups to spike. We’ve been particularly careful about letting the contractors who perform the evaluation know our expectations for turnaround time and when to clear schedules so we can properly assign leads.

Q. What are the advantages and disadvantages of direct mail?

Our customer feedback indicates that letters are the most common way homeowners hear of the program. Direct mail has certainly been the most cost-effective way to drive sign-ups (e.g., about $0.75 per letter), but it’s less effective in raising general brand awareness. If you’re investing in broad outreach, however, you’re probably reaching folks who aren’t strong prospects for energy efficiency upgrades.

Q. How has the mailing to owners of oil-heated homes influenced your outreach?

Oil-heated homes in Seattle were definitely an opportunity, but we’ve since targeted other sectors—owners of gas-heated homes and homeowners considering remodeling—to ensure we’re not putting all our eggs in one basket. The gas-heated mailing generated 250 sign-ups within a month for a 2.5% response rate. Our remodeling letter, on the other hand, had the lowest response rate. It started out with a much more complicated value proposition: “Are you thinking about remodeling?” The
experience taught us a lot with respect to how we word our letters. Every letter we send opens with a slightly different value proposition based on who we’re targeting. The mailings that have generated higher response rates communicate to homeowners that their neighborhood or community is where we see the most potential. The lead that’s worked best is, “Based on X (e.g., age, location, etc.), we’ve identified your home as a candidate for an energy efficiency upgrade.” Make the letter sound specific to the person’s home because people move, and your data might not always reflect who’s living in the home.

Q. What was the value proposition for owners of oil-heated homes?

It’s sort of a perfect storm: the cost savings due to the high cost of heating oil makes upgrading really cost-effective to folks who are concerned about carbon reduction; a lot of these oil-heated homes were built in the 1950s and 60s; and a lot of their furnaces are at the point in their life where the tanks are starting to fail.

Q. What advice would you give to other programs looking to find a niche market such as yours?

- Identify gaps and underserved markets in your community to determine your best localized target.

- Look closely at what utility programs in your area offer, with a specific focus on what they’re not covering or who’s not covered.

- Try to pinpoint which sector(s) of your community are underserved by those utilities or are spending more on heating. Whether it’s the age of the home, heating source, or age of the families living there, use that variable to target your mailing.

- Consider coupling targeted mailings with targeted rebates (e.g., offering a limited-time rebate for decommissioning an oil tank to owners of oil-heated homes).

- Consider branding your mailing with the city’s logo/to look like a utility bill to help achieve a higher open and response rate.

*Ruth Bell can be reached at ruth@cascadiaconsulting.com; Vince Schueler can be reached at schuelerv@energy.wsu.edu; and Andrea Petzel can be reached at andrea.petzel@seattle.gov.*
Dear [homeowner name]

Community Power Works, Seattle’s home energy upgrade program, offers rebates up to $4,200 for homeowners with oil heating systems who want to increase the energy efficiency of their home. Community Power Works’ rebates help homeowners do everything from upgrading to high efficiency heating systems to increasing insulation, sealing up air leaks, and installing new windows. Sign up today – incentives are limited. Rebates include $500 toward decommissioning your oil tank, available to the first 100 Community Power Works customers who complete the work and submit the rebate form for payment.

Why upgrade your home?
• You can both save money and enjoy a more comfortable, healthy home.
• Heating oil is more expensive now than ever before, with costs around $4.50 per gallon.
• You could pay $2,000 or more to heat your home with oil next winter.
• Heating a Seattle home with oil produces more carbon emissions and air pollution than other heating systems.
• Upgrading from oil to an efficient gas furnace or electric heat pump may lower your annual heating costs by 50-65% or more.

Seattle homeowners have reduced their energy use by over 30% on average through Community Power Works. Customers report that their homes are less drafty and more comfortable than before.

What does Community Power Works offer?
In addition to energy efficiency rebates, Community Power Works provides one-stop shop solutions exclusively for Seattle residents, including:
• A deeply-discounted energy assessment (cost $95, value $400) made possible by Seattle City Light.
• A City of Seattle approved contractor to develop a bid and, if accepted, do the work.
• Affordable loans with easy terms to qualify that can be paid back on your Seattle City Light bill.
• Ongoing customer service and energy expert support, as well as quality-assurance to ensure that the job is done right.

Sign up today!

Sincerely,

Jill Simmons
Director, City of Seattle Office of Sustainability & Environment