



What Price is Right?

Applying Willingness to Pay Research
Approaches to Weatherization Services



ILLUME
an E Source Company

Eileen Hannigan, Tabitha Munson,
Ann Clarke, Kathryne Cleary

FREE

Considerations for Offering FREE Energy Upgrades

- Customer satisfaction
- Program participation
- Remove barriers
- Meet goals



- Budget limitations
- Policy or political considerations
- Cost effectiveness
- Customer perspectives

Challenge: Setting the Right Incentive Level for a Specific Population Segment

Research
Snapshot

Program: Weatherization

Customer Group: Home-owners with moderate-income – 60% to 80% SMI

Method: Willingness-to-Pay survey questions and analysis

Conclusion: Many customers with a moderate income will pay \$300 for weatherization

Discussion: Applicability of methods to other programs



The Problem

Weatherization Program

- Initial assessment
- Air sealing
- Insulation
- Full cost ~\$4,000 - 6,000

Customer Segment

- 0% to 60% SMI receive services at \$0 cost
- 60% to 80% SMI received no cost services for a limited time
- Moderate-income segment important, but limitations on offering for free



Research Question:

What is the out-of-pocket cost that customers with a moderate-income would be willing to pay for weatherization?

Willingness-to-Pay Methods

Gabor-Granger:

- Asks if respondent willing to pay an amount
- Follow up questions go up or down based on response



Van Westendorp

- Open-ended questions
- Price at which respondent feels that weatherization is:
 - Too inexpensive
 - Inexpensive, but good quality
 - Expensive but would consider doing it
 - Too expensive

Survey Methodology

Geographic-based random sample



State Median Income
(SMI)

Total Eligible
Completes

Percentage of
Total

Low-income
(Less than 60% SMI)

219

41%

Moderate income
(60% to 80% SMI)

129

24%

Higher income
(81% to 110% SMI)

183

34%

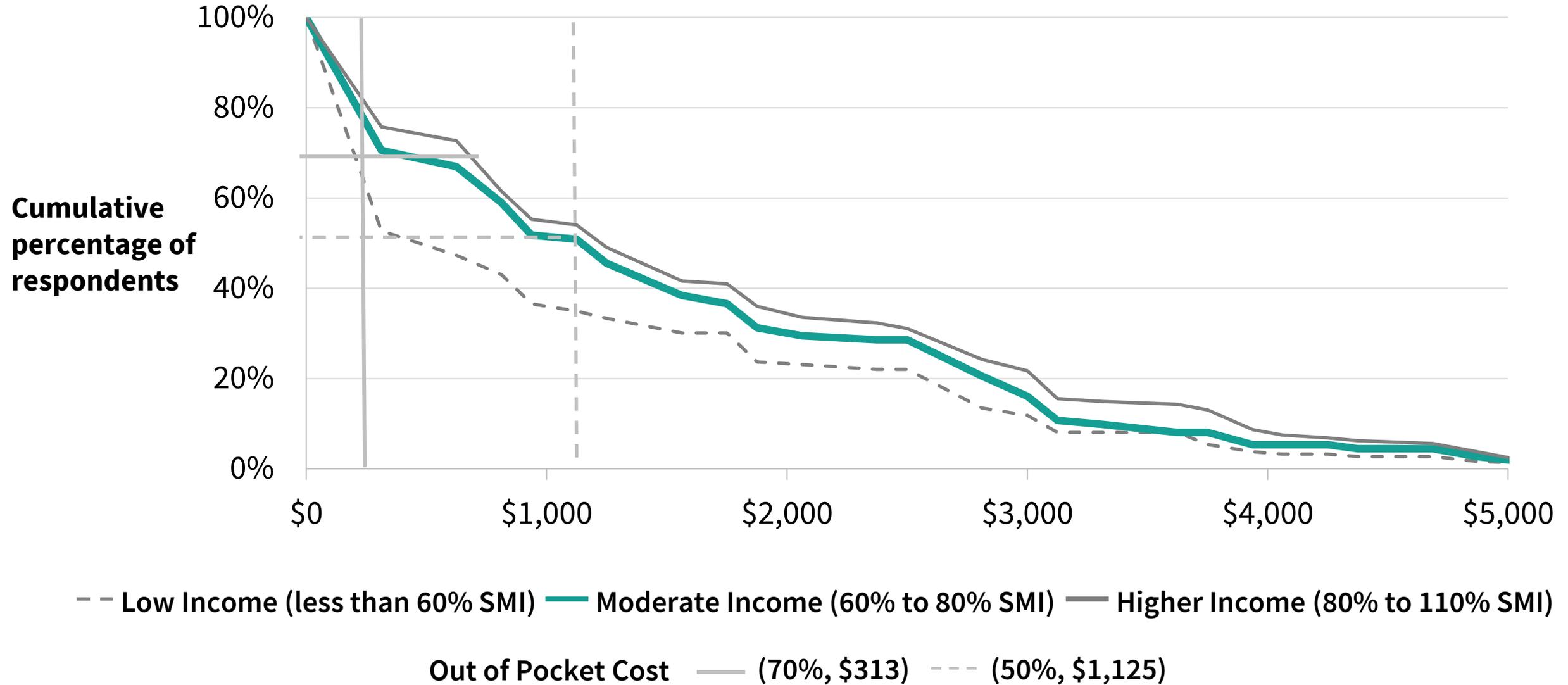
Total

531

100%

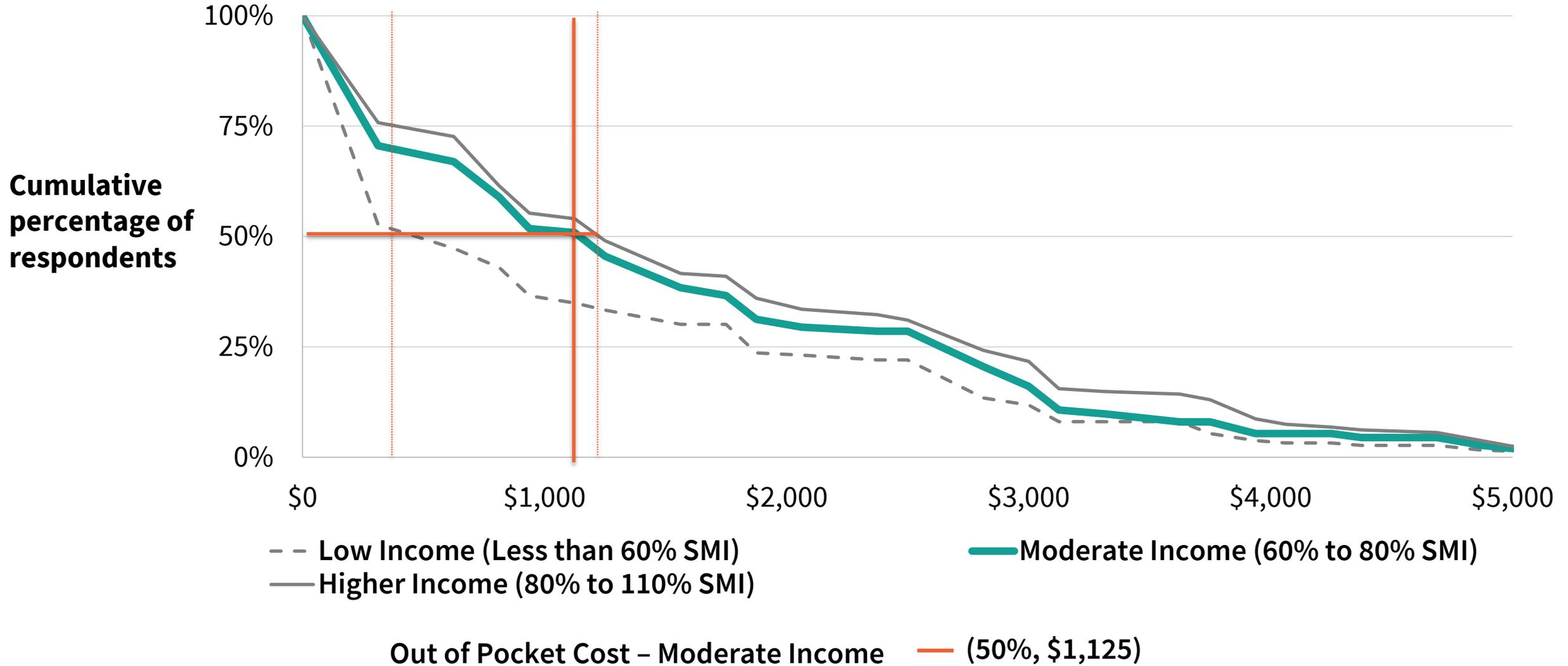
Results

Gabor Granger Method



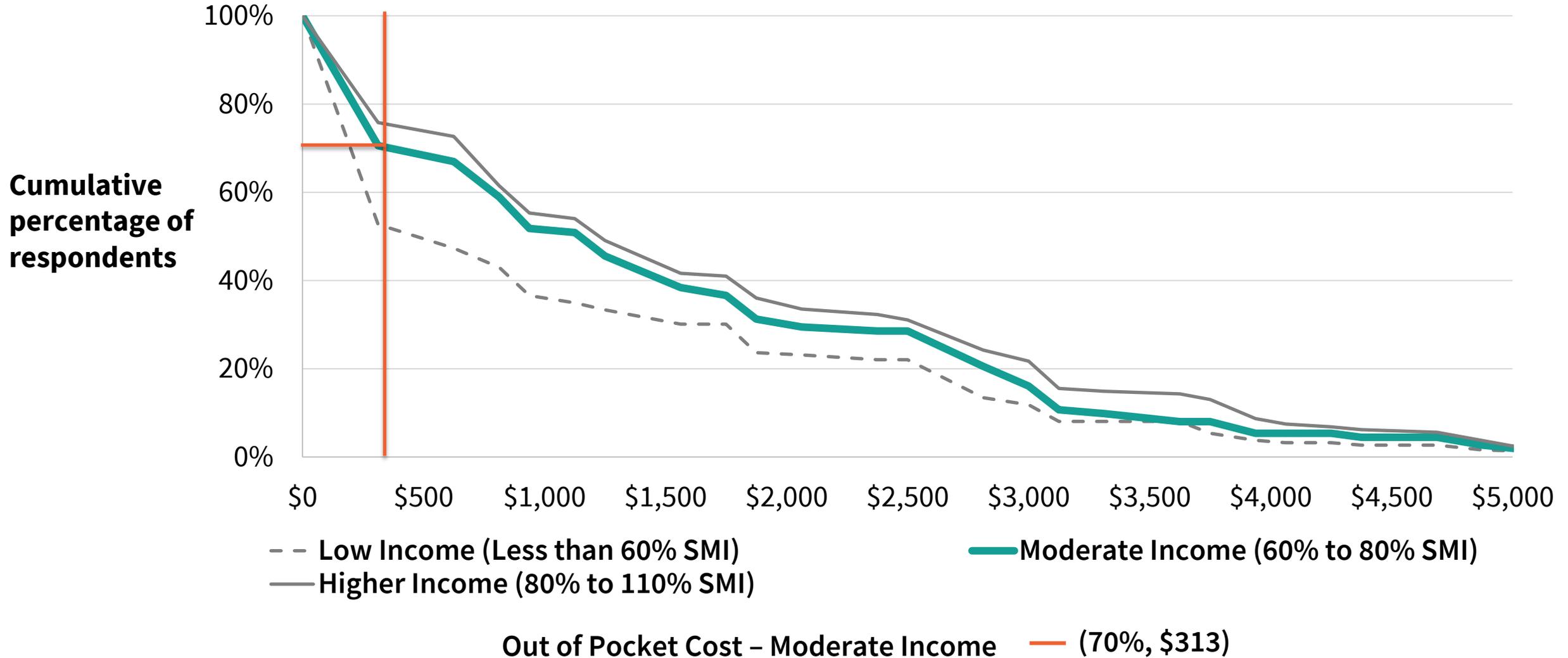
Results

Gabor Granger Method



Results

Gabor Granger Method



Results

Gabor Granger and Van Westendorp Methods Moderate Income Respondents

Gabor Granger Method

**Highest
agreed-to price**

Median
\$1,125

70th Percentile

\$313

Van Westendorp Method

Too good to be true

Median
\$250

70th Percentile

\$0

**Inexpensive, but does
not question quality**

\$500

\$130

**Expensive, but would
still consider doing it**

\$900

\$330

Too expensive

\$1,050

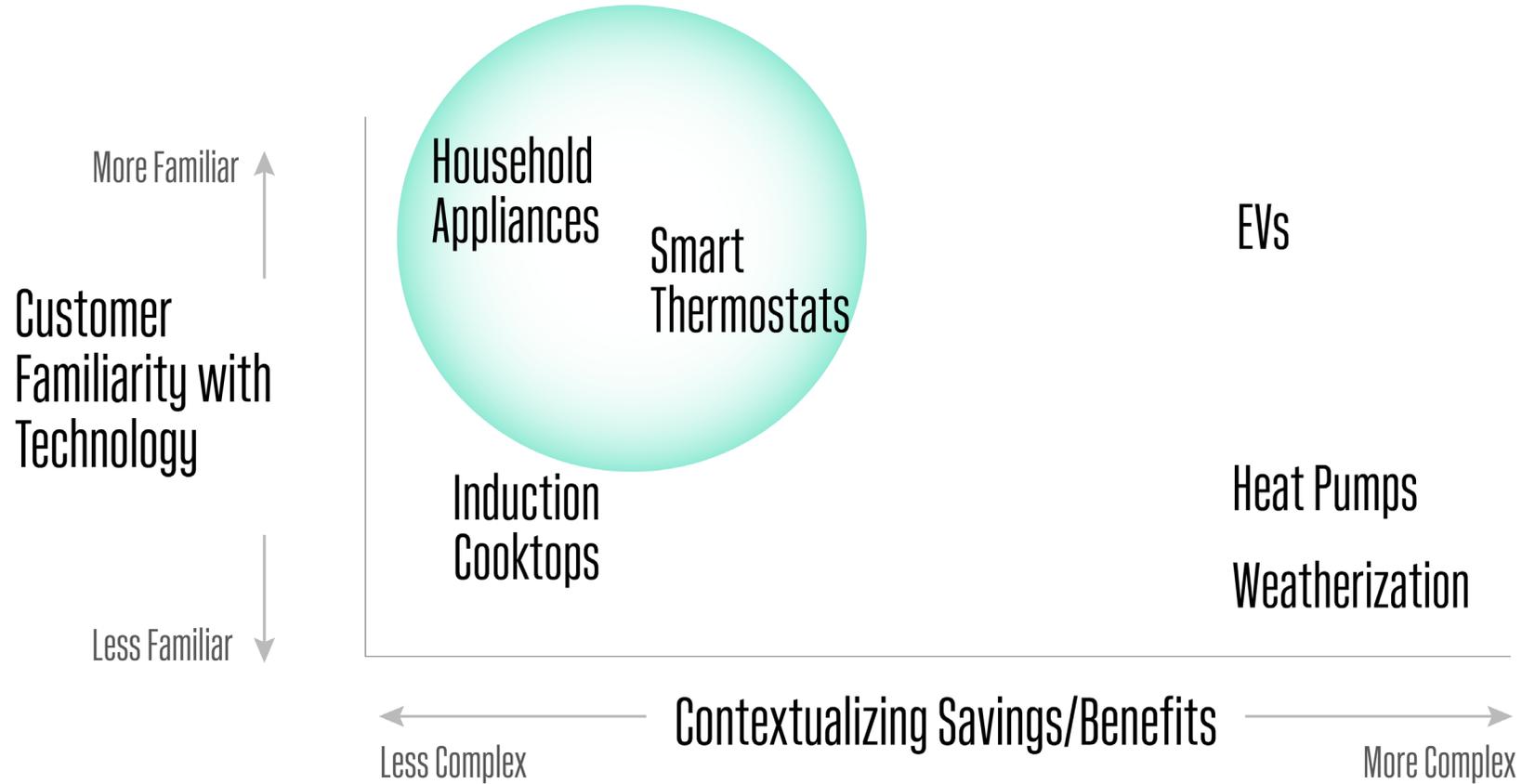
\$500

Lessons Learned

-  **Study limitations** : Reaching respondents; complex offer
-  **Income flexibility** : Income status is not static
-  **No single right answer:** Need to balance considerations
-  **Methods applications** : Considerations for other programs

Applying Willingness-to-Pay to Other Programs

Consider complexity of benefits and familiarity of service/technology



Read Our Paper

For more in-depth discussion of:

- Pros and cons of Gabor Granger and Van Westendorp methods
- Tips for designing a study
- Considerations for different EE program types

Scan code to
read the paper



Questions?



Eileen Hannigan

ILLUME, An E Source Company

Eileen@illumeadvising.com

Tabitha Munson

ILLUME, An E Source Company

Tabitha@illumeadvising.com