

OIL HEAT CONSUMER FOCUS GROUP REPORT

FOR



**Upstate New York
Energy Association**



CONSUMER FOCUS™
MARKETING FOR THE ENERGY INDUSTRY

October 1, 2015

BACKGROUND

Consumer Focus™ conducted two focus groups with oil heat consumers; one in Albany and one in Oneonta. The participants were customers of various oil heat marketers local to these areas. The purpose of the sessions was to gain important insights into today's oil heat consumer in Upstate New York. No such primary and interactive research has been done to our knowledge, certainly not since 2008. The output of the research, outlined herein, provides valuable information with respect to customer retention, what motivates loyalty, technology's influence on retention and service, and what messages resonate best with respect to perception of quality and competitiveness.

DISCOVERIES

For each of the areas of discovery, Consumer Focus™ explored the base question and discussion point with an interactive due diligence process that helped reveal valuable insights into each category. Marketers can utilize this pertinent information to improve messaging and communications with customers, service offerings, customer retention processes, and to attract new customers. The topics of discovery are Customer Retention, Value Chain Analysis, Fuel Purchasing Plans, New Heating Technology, Product Diversification, Communication Technology, Technicians' Influence on Sales, Bioheat®, and Tanks. The details of the discovery process are as follows:

Customer Retention

Discovery

The purpose of the queries is to discover the drivers that will improve customer retention with today's oil heat consumers. The discovery process identified the most important services, initiatives, employee behaviors, and customer service dynamics that create the highest impact on customer retention.

Response

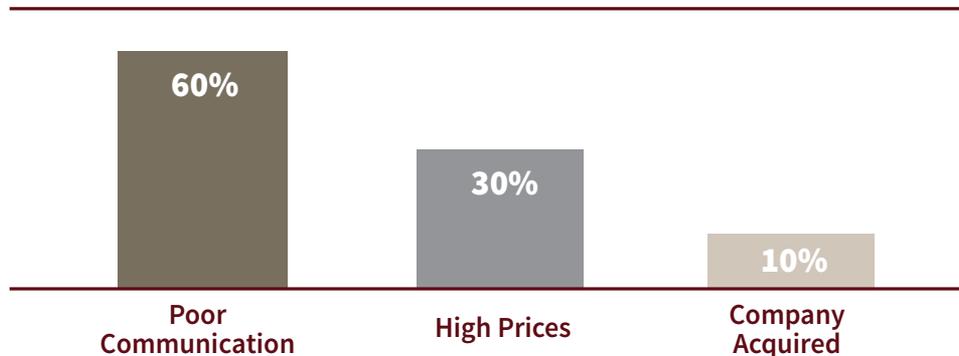
Query: The first question was directed at participants that had been with their current supplier for more than three years. The moderator explored the reasons why they had stayed with that marketer.

The consistent theme in both sessions related to being comfortable with the marketer. In most cases a service company had provided emergency service or had done something notable over the tenure of the relationship. Other notable actions involved never running out of fuel or having a positive interaction with an employee. In addition, broader service offerings (beyond emergency service) and a local brand played a significant role in establishing a level of comfort. Trust and reliability were mentioned in both sessions as factors that would result in having a high level of comfort with their marketer.

Query: The second question was directed at the entire group. The moderator explored why any participant had left a marketer during their history as an oil heat consumer.

In both sessions four themes repeated themselves; poor communications, confusion over service offerings (like fuel purchasing plans), a perception of high prices, and the sale of the company. Approximately 60% of the participants pointed to a lack of communications as the factor for why they chose to leave their previous provider. For about half of these participants it was not the sole reason for leaving. Almost half of the participants did not understand the benefits of fuel purchasing plans. This will be discussed in more detail in the section titled Fuel Purchasing Plans. Approximately 30% of the participants left their previous supplier because of a perception of high prices, and about 10% left as a result of the company being sold. All of these participants wanted a smaller local brand. This is a perception of trust issue relating to the absence of experience with the acquirer.

REASONS FOR CONSIDERING MIGRATION



Query: This discovery process lead to a discussion about the value of service, so the moderator explored the price elasticity of fuel oil based on the value of service compared to a discount model.

The price elasticity of fuel oil broke at the \$.40 per gallon threshold. 100% of the participants were comfortable paying up to \$.30 per gallon more from a service provider that offered emergency calls, and 90% of the participants were comfortable past \$.35 to \$.40. Over \$.40 there was little support for the price. However, approximately 70% of the participants disclosed that they did not know the [fuel] pricing of their supplier’s competitors.

PRICE ELASTICITY OF FUEL OIL



Key Takeaways

The responses and discovery process provided some valuable insights. First, although the top-line responses were somewhat pedestrian, the underlying meaning has actionable consequences. In order to reach a level of comfort, essentially trust, there has to be an established history of quality interactions between the company and the customer. This is important to note for newly acquired customers since no history is likely to exist initially. Establishing processes to engage new customers could go a long way toward building loyalty sooner. Simple things like a positive interaction with an employee or a modest communication thanking a new customer for their business would be a very inexpensive way to fast forward the comfort level, which otherwise may take years to establish. Additionally, with better equipment being in more homes, the “benefit” of establishing first-responder type loyalty for heat-outs will be less and less frequent over time. Many oil heat consumers have been endeared to their supplier and/or the industry for this reason. The human element is extremely important. The long-term benefits of quality customer interaction should not be taken for granted. Likewise, marketers should seek ways to improve the customer interaction skills of point-of-contact employees. Since in many cases the customer cannot technically gauge the quality of service, a tune up for example, they only have the human interaction experience to form a perception of quality and trust. More than 60% of the participants that had gotten maintenance-type service within the last two years noted that they have no idea what was actually done [technically] during the service.

With respect to price elasticity, the vast majority of consumers will not price shop if they trust their supplier and feel they are being treated well. The support break at \$.40 is likely to have further elasticity from trusted suppliers with established relationships. This is due to the fact that this exercise focused the attention on specific price points and that most consumers do not take the time to discover local market pricing.

Actions to Consider

- 1.** A lack of communication was a common theme throughout the sessions. Marketers should review and critique historic customer communication processes and mediums. Look for ways to simplify explaining the benefits of services and products. If the frequency of invoices over the course of a year exceeds other types of communications, consider expanding non-invoice communications in the form of worthwhile promotions such as a newsletter or similar communication. A communication to new customers thanking them for their business would be an effective way to inexpensively begin gaining comfort value. A simple “thank you” card with the company’s brand, standardized printed text inside, and a real signature would suffice.
- 2.** Create a focus on improving employee-customer interactions. Marketers that do not have specific plans in place to focus on improving this area should consider it. This is probably the most inexpensive and effective way to improve retention through improving the comfort level. Developing better communication mediums and customer interaction skills of employees will likely have a positive effect on price elasticity.

Value Chain Analysis - Service

Discovery

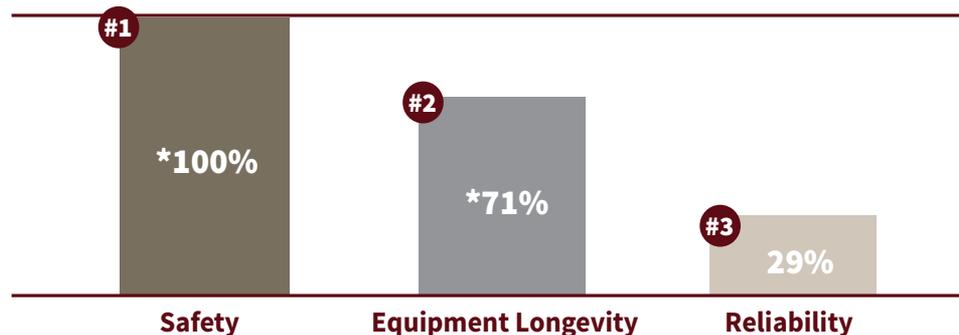
The purpose of the query is to discover drivers that improve the probability of moving customers up the value chain (for example, moving from a tune up to a service plan). The discovery process also included understanding the hierarchy of value proposition components within a service line. For example, what the most important components of a tune up are; efficiency, reliability, safety; and so forth. Likewise, various service plan structures were explored for hierarchy of value.

Response

Query: The first question was directed to the participants that were on a service plan or that purchased a regular tune up service. Approximately 85% of the participants purchased either a plan or regular tune up. The moderator explored why participants bought a tune up by asking for words or phrases that describe the value of this service.

The participants worked through identifying words and phrases that included reliability, efficiency and cost savings, equipment longevity, safety, emergency service, peace of mind, and cleaner [indoor] air. The moderator then gained consensus with respect to the hierarchy of value for each component. The consensus response in both focus groups was safety as number one and equipment longevity as number two followed by reliability.

HIERARCHY OF COMPONENT VALUE - TUNE UPS



*Ranked #1 or #2 by participants

Query: The second question explored the components of service plans with varying structures and the participants' perception of value with respect to the structure. The moderator provided actual examples of service plans to all participants that had differing structures. A thorough explanation was provided so participants were clear with respect to the structure and value proposition of each. Two structures were explored: one with a listing of parts that would be included along with labor at no additional cost, and the second a discount of 50% provided for parts and labor. It was explained that neither plan provided for a system replacement. The plan that included parts and labor included most parts but not all parts, and the plan that provided a discount included all parts and associated

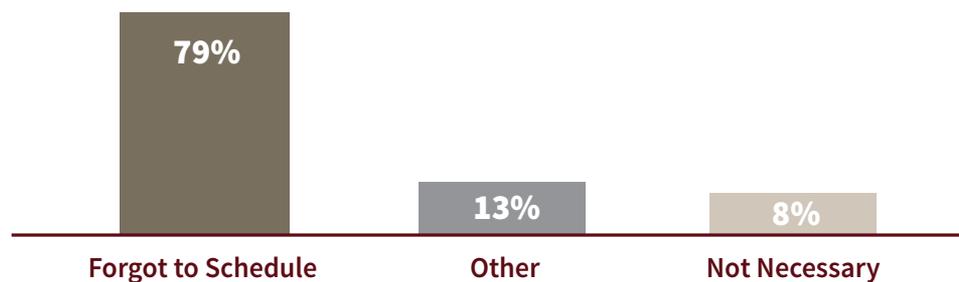
labor. Price point was assumed to be the same for each plan.

The participants were mixed, about half choosing a “safer option” (participant defined phrase), being the discount on all parts and labor. The other half chose the option with most parts and labor covered. Each group was questioned to see if differing price points would make a difference. Their first choice would now be \$50 more than the other option. Approximately 90% of the participants in each group would migrate to the other option if a) they had to pick a plan, and b) their first choice was priced \$50 higher. This essentially means that there is little to no perception of value differentiation between these plan structures. Tune up only participants were price sensitive toward a move from the stand-alone service to either contract if it were priced more than \$60 over the cost of a tune up.

Query: The next question was directed to tune up customers. The moderator first explored how often they got a tune up. Universally, in both sessions, the response was most years but not all years. The moderator then followed up by exploring the reasons why a tune up was not purchased each year.

Most respondents indicated that the key reason they did not get a tune up each year was forgetting to schedule the service. Other respondents provided varying reasons related to personal schedules or conflicts like travel. Only one participant in each session indicated that they thought it was not necessary every year.

REASONS FOR SKIPPING AN ANNUAL TUNE UP



Key Takeaways

Safety should be a prominent component of the value proposition when marketing tune ups and service plans. The best phraseology to use will be “safety inspection.” Several participants noted the correlation between an automobile safety inspection and the reason safety was high on their list for heating equipment.

There is little difference in the perception of value between service plans that offer worthwhile discounts on all parts and labor versus those that include most parts and labor at no additional charge. Some of the participants could not assess the value of a parts list and therefore the discount provided simple clarity. Price elasticity for moving tune up only customers to a service plan breaks at \$60 in the

Upstate market. This is low for moving these customers to a traditional plan but adequate for other strategies, see below in Actions to Consider.

The tune up only participants in both groups are loyal to the service. This is likely tied to the perception of safety being a key value proposition and also likely explains why most do not purposefully skip years.

Actions to Consider

- 1.** The participants' perception of service plan structure value mirrors our statistical experience. Marketers that still offer an extensive parts list and free labor should consider switching to a meaningful discount on parts and labor. Service plans historically lose money because of the cost associated with free parts and labor. This will improve profitability and make no difference to the consumer.
- 2.** Marketers should consider offering a low-level service plan in lieu of a stand-alone tune up. This will create benefits for the marketer by turning this service into an annuity-based product, and there is plenty of price elasticity to offer a small discount. This will eliminate skip-year tune ups and will likely be embraced by the customers based on their loyalty to the service.
- 3.** If a low-level plan (above) is not considered, then marketers should consider a process of proactively scheduling tune ups for traditional purchasers. This can be accomplished by utilizing techniques like veterinarians and dentists use for prescheduling.
- 4.** Safety is a prominent value proposition and it should receive marque positioning when listing the value components of a tune up or service plan.

Fuel Purchasing Plans

Discovery

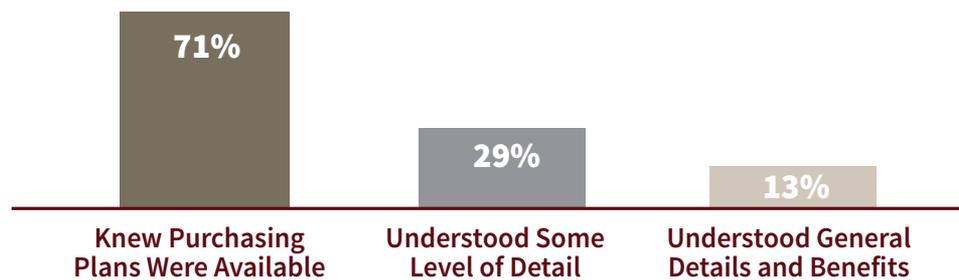
The purpose of the query is to 1) assess the current level of participant knowledge by identifying and discussing common plans like budget, CAP, and downside protection; 2) based on those initial findings to provide additional education on the benefits of each plan; and, 3) based upon more detailed information, discover drivers that could influence the consumer to move from a non-plan customer to a plan customer.

Response

Query: The first question explored the participants' existing knowledge of the various types of fuel purchasing plans. The moderator started the session by asking the participants if they could identify types of fuel purchasing plans.

Less than 30% of the participants could offer any plan type in either group session. Only a total of three participants in both sessions identified a price protection plan; the rest identified the budget plan. Overall knowledge of purchasing plans was low in spite of the vast majority, over 70%, acknowledging that they had seen offers or promotions for plans at some point.

LEVEL OF KNOWLEDGE - FUEL PURCHASING PLANS



Query: The moderator then distributed example materials and explained how purchasing plans with a CAP, CAP with downside protection, and a budget plan work. The next question related to price elasticity for price protection plans.

Only two participants in both sessions were interested in price protection if the cost was over \$.20 per gallon. Only one would purchase at \$.30. After understanding the cost and benefits of all plans, most participants – approximately 75% – would be strongly to moderately inclined to purchase a budget plan.

Key Takeaways

Communication of the value proposition for purchasing plans is not resonating well in this market. The interest could be adequately high for budget plans with the right messaging. Interest in other types of plans is in the 20% range.

Actions to Consider

1. Budget plans will likely resonate better in this market and have equal retention value, so that should be a focus.
2. Simplify promotional materials that explain fuel purchasing plans, options, and benefits.

New Heating Technology

Discovery

The purpose of the discovery process is to assess the current depth of knowledge regarding the benefits of new heating technology. The discovery will involve 1) understanding the current age of heating equipment within the participant group, 2) probing for knowledge about the comparative benefits of new and older technology, 3) supplementing that baseline knowledge with a discussion of the full spectrum of benefits, and 4) based upon a complete understanding of the benefits, discover a hierarchy of perceived value of individual benefits such as efficiency, cost savings, environmental benefit, reliability, lower maintenance, etc.

Response

Query: To begin this part of the session the moderator inquired how many participants had purchased a new oil heat system in the last five years and the reason why.

One participant in each session (a total of two) had purchased a new system during the period discussed. This represented about 8% of the participants. One had purchased a system as a result of renovating a newly purchased home and did so, not out of necessity, but rather to upgrade the heating system along with other home improvements. This participant did recognize the efficiency benefit and also noted reliability as a factor in the purchase. The other participant noted that her purchase was done solely out of necessity.

Query: The moderator then questioned the entire group about key benefits of a new oil heat system by asking for words or phrases that represented the difference between older and new systems.

The group had consistent responses in each session, which were reliability, safety, and efficiency and savings. What was noticeably absent in each session was any reference to environmental benefit. The moderator then introduced the environmental benefit along with an introduction to Bioheat. Bioheat and the phrase “environmentally friendly” were added to the list of benefits.

Query: The participants were then asked to identify a hierarchy of value based on the comments. The overall consensus was consistent in each session with respect to #1, #2, and #3, which was Savings followed by Safety and Reliability. Environmental Benefit, Home Value, and Lower Maintenance registered at the bottom in both sessions.

Query: The moderator then brought the discussion back to the environmental benefit by asking if Bioheat was more important as a stand-alone benefit than a higher efficiency rating is for a new heating system. There was a high degree of consensus that Bioheat as a phrase resonates the environmental benefit more than an AFUE rating or the word “efficiency.” Several participants noted that a 5%-7% increase in AFUE did not seem like much. If Bioheat and efficiency (AFUE ratings) were combined as a single message, 100% of the participants would consider “environmental benefit” in the top three.

Key Takeaways

For communications and promotions focusing on new equipment sales, link the “efficiency/productivity benefit” with Bioheat (these can be separate messages in the same space). Linking the two creates messaging synergy that brings clarity to the environmental benefit without being technical. Efficiency ratings are confusing and possibly negative since the spread between old and new is not significant in the mind of the [non-technical] consumer. Savings is the key driver for considering a proactive replacement. Safety will resonate for consumers with decrepit equipment but not necessarily for others.

Actions to Consider

1. Avoid using AFUE ratings in promotional materials. The word “efficiency” does not resonate well as either a link to environmental benefit or cost savings. With respect to messaging stick with a [monetary] savings of 30% and avoid using the word “efficiency” as it relates to a more “productive” heating system.

2. Link Bioheat with cost savings in new equipment sales promotions. This will bring clarity to the consumer and create a twofer in terms of messaging. Both the environmental benefit and cost savings benefit will resonate more clearly and at the same time.
3. Promotional and sales materials should reflect the suggestions above along with the “reliability” benefit.

Bioheat

Discovery

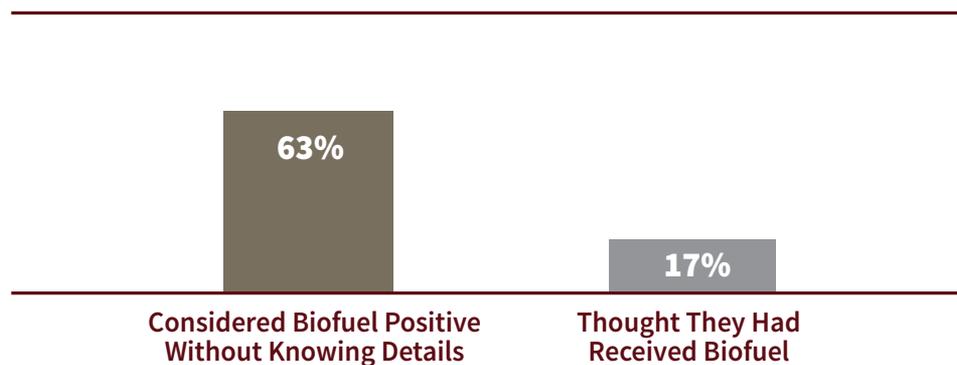
The discovery process for new heating equipment in the first focus group resulted in a discussion about Bioheat. Therefore, to be consistent, the topic was introduced the same way in the second focus group. The discovery process had three phases: 1) to assess the current level of knowledge and benefits; 2) based on those initial findings, the moderator will provide additional education on the benefits and technical aspects of Biofuel; and 3) based upon more information, discover how they would be influenced by Biofuel in terms of their future with oil heat, perceived benefits to the industry, and what aspects of Biofuel is perceived to be most valuable and why.

Response

Query: The moderator opened the discussion by assessing the participants’ current knowledge of Bioheat.

The participants universally had the perception that Bioheat was an environmental benefit. Most, over 80%, assumed or knew that the bio component was vegetable-based. Less than 20% thought they had received Bioheat as part of deliveries and therefore this benefit from their supplier. Most, approximately 60%, did not know specific benefits but nevertheless considered it a good thing.

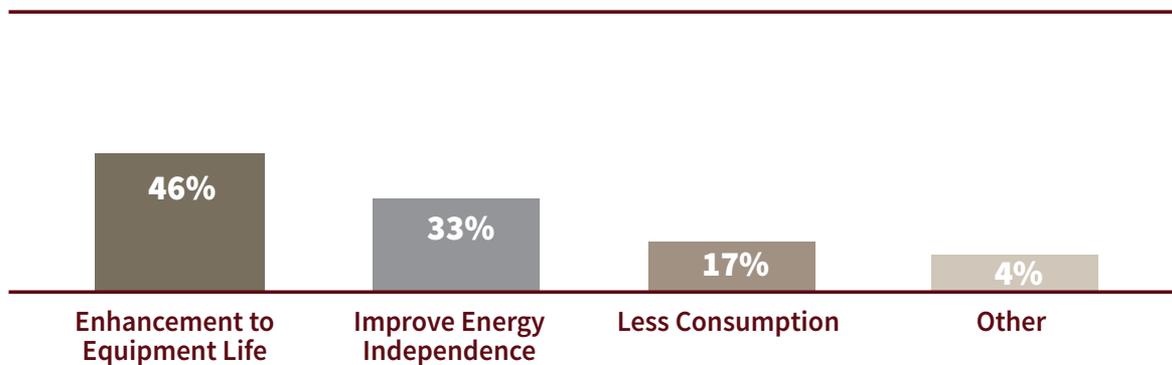
BIOFUEL PERCEPTION



Query: The moderator supplemented the participants' knowledge of Bioheat and added to the list of benefits on a flip chart which included cleaner burn, less consumption, supplemental source, helping energy independence, enhancement of equipment life, high BTU value, and the promotion of better air quality. The moderator then asked each of the participants to pick the two most important qualities of Bioheat.

The enhancement of equipment life was favored by more than two-thirds of the participants followed by energy independence and less consumption.

VALUE PROPOSITION OF BIOFUEL



Key Takeaways

Equipment longevity was identified as a key value point for the second time in the focus groups, and every time it was offered as a choice to evaluate. Equipment longevity was also the key benefit behind safety for a reason to get a tune up, coming in ahead of efficiency, cost savings, and reliability.

The perception of Bioheat as a good thing prevails even in the absence of understanding the specific key benefits as they relate to oil heat. This is likely due to the term “bio” being used universally in many marketing campaigns for a variety of products. Notwithstanding, this “free ride” is a positive for the industry and an opportunity for marketers to leverage the situation with additional communications.

Actions to Consider

1. Equipment longevity connects well with Bioheat. The lubricity component resonates because consumers care about their heating system's lifespan. However, the word “lubricity” should be replaced with a phrase like “helps lubricate your boiler.” (Lubricity is also a synonym for profanity.) Consider marketing phraseology like “Bioheat: Good for Your Heating Equipment, Good for You, Good for the Environment” when articulating the value proposition of Bioheat in this market.

2. The “bio” in Bioheat already resonates with consumers. For marketers that are supplying Bioheat, make sure your customers know they are getting it. Remind them on your website, in newsletters, bill inserts, and the like.

Product Diversification

Discovery

The discovery process was designed to 1) evaluate each participant’s knowledge of their supplier’s products and services beyond oil, 2) determine the appetite for such products if offered by their supplier as opposed to another vendor, and 3) to assess the hierarchy of appeal for those products and services.

Response

Query: To begin this part of the topic discovery the moderator inquired how many participants had purchased a product or service from their supplier that was not directly oil related, like air conditioning equipment.

Three participants out of 25 had purchased products not directly related to oil. Two products were mini-split air conditioning units. Approximately 60% of participants were not aware that their supplier offered products beyond oil, heating systems, and heating system service. The other 40% were split about 50/50 between being aware of the other services offered by their supplier and vaguely aware.

Query: The moderator then displayed a list of other products and services and briefly discussed each one. The list included:

- Air conditioning installation
- Plumbing services
- Propane service plan
- Air conditioning service plan
- Generator sales
- Energy efficiency products or services
- Green energy products
- Home security systems

The participants were queried as to their level of comfort in buying any of these services from their current supplier, assuming they were offered.

The overwhelming majority suggested they would be comfortable purchasing from their supplier, should they be in the market for one of the items or services. Approximately 20% were somewhat indifferent indicating that price would be a determining factor.

Query: The participants were then asked to grade the offerings in terms of what they would be most likely to purchase at some point in the future.

The four top choices in order were air conditioning installation, plumbing services, air conditioning service plan, and generator installation. Lowest on the list were green energy related products and home security.

Key Takeaways

A vast majority of the group were very willing to consider their current supplier for any of the products discussed. Once the trust and comfort level is established it provides marketers with a competitive advantage over non-industry vendors.

Actions to Consider

- 1.** For marketers that offer a diversified set of products and services, be sure to provide customers with ongoing communications reminding them that these are offered. For seasonal purchases like air conditioning installations and contracts, offer promotions beginning two months ahead of the [buying] season. Marketers can clearly leverage the trust factor with the majority of their base over lesser or unknown HVAC competitors.
- 2.** For marketers that provide air conditioning services, consider developing a service plan and provide it free for the first year with every mini-split and central system installation. Plans should also be promoted to existing base customers with either system. A properly structured plan can add quality revenue during a traditionally slower period.

Communications Technology

Discovery

The discovery process was designed to understand the value of technology related communications in this market. The discovery process assessed the value and use of web-based applications for receiving and paying bills; ordering service; and learning about current price, products, services, and promotions.

Response

Query: The moderator first assessed the frequency that a web-based information application was utilized by the participants and the reasons a consumer is most likely to visit a marketer's site. Only four participants out of 24 had ever visited their marketer's site. When queried as to why the visitations were low, from the group of "non-visitors," the consensus was that they did not see a need. However, when asked to gauge the importance of a site, only one participant judged the importance as a "one" on a scale from one to five (five being very important). All other participants assessed the importance on this scale at fours or fives.

Query: The moderator then assessed the importance and use of an online bill payment feature. Use of a pay online (POL) system was low as only two participants out of 24 used the feature. However, when queried as to importance and future use 60% responded that they "would" or "may" use POL if

their marketer offered it. Since 83% of the participants did not currently use POL, it was not clear how many marketers offered the feature and their customers were simply unaware it was available.

Query: The moderator then assessed e-mail communications versus hard copy and the frequency of receipt.

Only two participants had ever received an e-mail from their marketer. Of the rest, none had recalled being asked to submit an e-mail address or had been notified of any potential benefits associated with providing it. The group was split about 50/50 with respect to preference. The 50% that preferred hard copy communication were more dedicated to the preference and considered it important to very important. The 50% preferring e-mail were less dedicated, considering it somewhat important to important.

Key Takeaways

In this market site visitations are low, but having the option of visiting a site is of high importance. The POL feature would be used more often if consumers knew it was available. This would also create a reason to go to a site which would drive up the low visitation percentage. Hard copy communications are important in this market at this time, particularly as it relates to the marketing of promotions and sales-related offerings.

Actions to Consider

- 1.** Hard copy communications are still important. For at least the short-term future in this market, important promotions and service offerings should include a mailed paper version. However, this will ultimately change and marketers should prepare by having a process in place to obtain e-mail addresses. Since approximately 50% of the participants preferred e-mail now, starting an electronic process makes sense.
- 2.** Although site visits are low, the importance of using the medium when needed is high. This paradox is typical of demographics that are in transition. At this point in time a basic website with search engine optimization (SEO) is important but over-investing in a site is not necessary.
- 3.** For marketers that currently offer POL, invest in additional awareness communications. For marketers that currently do not offer POL, consider it in the future when a web redesign is needed.

Technicians Influence on Sales

Discovery

The discovery process was designed to determine the level of influence technicians have on the consumer's decision-making process and [oil heat] knowledge base. The queries focused on new technology, Bioheat, overall sales of new equipment, and other benefits of today's oil heat. The moderator assessed the value of things like communication skills and the willingness to engage in a discussion about new equipment.

Response

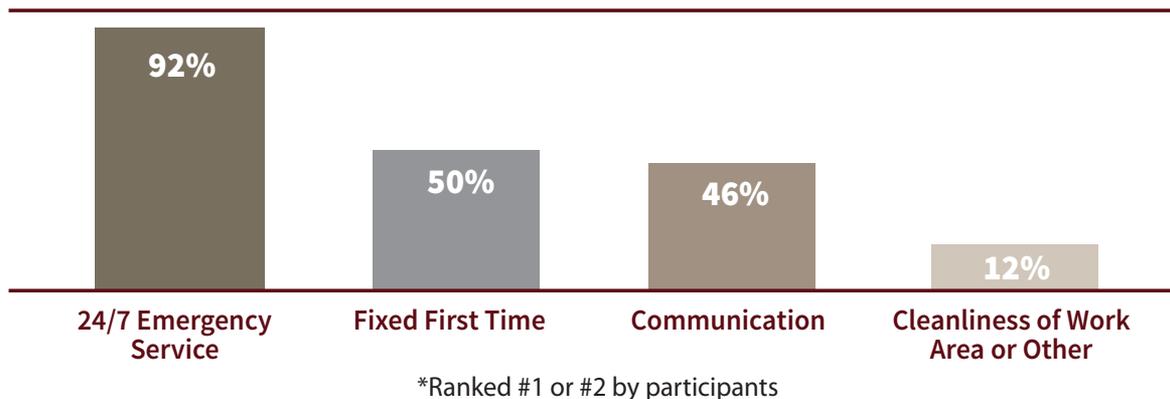
Query: The moderator opened the topic-discussion by asking the participants to convey a story or event that was either positive or negative regarding service or an interaction with a technician.

Approximately 60% of the participants discussed an unplanned system malfunction that required immediate attention. Without exception the experiences were very positive. No participants in either session offered a negative experience.

Query: The moderator then explored the value associated with the following items by displaying the following list on a flip chart and asking which are the two most important.

- Appearance of personnel
- Being on time
- Billing practices
- 24/7 emergency service
- Cleanliness of work area
- Communication skills of personnel
- Parts readily available
- Fixing the issue first time

Both groups of participants evaluated 24/7 service as the most important from the list. “Fixing the problem the first time” and “communication skills” received almost equal preference for the second-most important item. Cleanliness of the work area was third.



Query: The follow-up query was focused on why the communication skills option was ranked so high.

All participants agreed communication skills are important, and about 50% considered this the second-most. Of that 50% group, the two primary reasons related to soliciting advice or getting additional information from the technician. The trust factor is a very strong driver, as “seeking advice” only occurs when the source is perceived to be trusted and reliable.

Key Takeaways

Technicians as a trusted source of information and advice is likely higher than previously thought. The underlying message here is that a lack of good communication skills could diminish the value of this trusted source of information during a conversation. This is the reason why communication skills was ranked so high.

Actions to Consider

1. Technicians have the ability to add significant value to an organization beyond the technical skills. Influencing customer retention and introducing potential new equipment possibilities are prominent. Marketers should consider reviewing policies and business processes to better capitalize on this dynamic. In addition, consider customer interaction skills training for technicians, and other point of contact employees.

Tanks

Discovery

The discovery process was designed to determine the level of knowledge regarding oil tanks, new tank technology, and if the tank could influence long-term customer retention objectives. The moderator reviewed the various types of tanks available, including traditional steel, plastic bladder double wall, and fiberglass. The benefits of each were discussed. The discovery process assessed; 1) personal experiences, 2) perceived value of the current options, and 3) drivers that would influence a decision regarding the purchasing of a new tank.

Response

Query: The moderator first inquired about any personal experiences.

None of the participants had a negative (or positive) experience with the tank.

Query: The follow-up query asked the participants when they would consider getting a new tank.

Approximately 20% of the participants indicated they would wait until the old one leaks before considering a new purchase. About 50% indicated a preference toward getting as much out of their current tank [life] as possible but replacing it before it leaked. Approximately 30% indicated a preference toward having their marketer tell them when they need a tank.

PREFERENCE FOR TANK REPLACEMENT METHOD



Query: The moderator then explored the type of vessel preference.

Price was the determining factor with respect to preference. Although some participants would consider a double wall or fiber glass replacement, the cost relative to a traditional steel tank would have to be close. When pressed for a number the consensus was a “few hundred dollars.”

Query: The previous discussion brought price into the dialogue. The participants were asked if they knew how much a new steel tank cost.

One participant in each session had replaced a tank and therefore understood cost. The other participants estimated the cost of a new steel tank between \$800 and \$1,200. About 80% were surprised a new tank would be approximately \$1,800. The moderator inquired if any of the participants had tank replacement coverage. One participant indicated he had such coverage; other participants were unaware that such a benefit was available. The price elasticity of tank replacement coverage was then explored. The benefit would equal \$1,800 or the equivalent of a new tank at no cost. This was one of the few areas that the two demographics, Albany and Oneonta, were split.

In Albany 100% of the participants would buy tank coverage up to \$70 per year and 50% would purchase up to \$90. In Oneonta 100% will purchase at \$60 with 50% at \$70 and \$80 being a breakpoint at 25%.

Key Takeaways

All participants realize the tank will eventually leak and that event will trigger necessity for replacement. Preference in terms of tank type is solely driven by price. There is virtually no price elasticity based on a perception of higher quality or tank longevity. There is a very high appetite for tank replacement coverage. All participants would buy the benefit, provided the price would be in the range of their tolerance. 80% percent of the participants would prefer to get a new tank before the old one leaks, provided they maximize the life cycle of their current vessel.

Actions to Consider

1. There is a strong desire to have replacement coverage on the tank when the consumer realizes the cost of a new one is approximately \$1,800. Marketers that do not offer this benefit should consider it with a value of \$1,800 or greater based on their current market price for a replacement. The benefit also ranked very high in terms of a retention vehicle.

Summary

The demographic was diverse in terms of age group with approximately 30% in late twenties and thirties, about 50% middle age, and the remainder being baby boomers. The dialogue, feedback, and overall interaction created a very positive environment for candid evaluation of the subject matter. Any conclusions with respect to price points on products or services should be assumed very market-specific. The flow of the report has been designed to provide readers with an appreciation of the queries and a sense of how the dialogue resulted in “Key Takeaways.” “Actions to Consider” provide readers with tangible and actionable specifics. These represent areas that can have a positive impact on how consumers relate to today’s oil heat and important contemporary offerings like Bioheat and advanced technology. Customer retention, long-term and short-term, will be impacted in a positive way by implementing suggestions in “Actions to Consider” that are not already part of a marketer’s communication plan.