

IBM survey reveals new type of energy concern: Lack of consumer understanding

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IBM today unveiled findings from its "2011 IBM Global Utility Consumer Survey," which revealed that many consumers around the globe do not understand the basic unit of electricity pricing and other energy concepts used by energy providers. The company also identified a list of crucial behavioral patterns that have the potential to impact how providers communicate and drive motivation amongst consumers.

IBM surveyed more than 10,000 people across 15 countries to explore the wants and needs of [energy consumers](#) worldwide. The findings expose a major gap between what consumers currently know and what they need to know to reduce [energy consumption](#) and benefit from smarter energy initiatives. Over 30 percent of those polled, for example, have never heard of the term "dollar per kwh" or the equivalent currency, and more than 60 percent are unaware of smart grids or [smart meters](#).

The survey also revealed that knowledge is linked closely to people's willingness to embrace change and their approval of local energy initiatives. Sixty-one percent of people with a strong knowledge of [energy technology](#) and pricing terms viewed smart meters and smart grid deployment plans positively, compared to only 43 percent of those with minimal knowledge.

"There have been major strides with new energy saving technologies, new programs and incentives, but in many cases the market is seeing more confusion amongst consumers than expected," said Michael

Valocchi, Vice President, [Global Energy](#) & Utilities Industry Leader for IBM Global Business Services. "This year's survey points to a need and an opportunity to go back to basics and educate consumers by using terms that they understand, behavioral triggers and channels they already use. People want to conserve energy; we just need to get better at showing them how."

Shifting consumers perceptions and influences

The perceptions, expectations and influences of the energy consumer have changed over the last four years. Despite efforts by utilities and others in the industry to create consumer-friendly conservation tools, many consumers still do not have the information or the proper incentives to make better energy choices.

Some of the key findings from the 2011 IBM Global Utility Consumer Survey find additional relevance when combined with related IBM efforts. Last year, IBM industry experts along with academic experts in consumer decision-making identified several key factors related to consumer usage of electricity. By examining the energy usage through the lens of behavioral economics, utilities have better insight into the thoughts of consumers, their motivations, misconceptions and triggers for change. These behavioral factors include:

Alternative Motivation: Financial incentives are not the only factors that encourage consumers to decrease their energy consumption. In fact, based on the consumer survey, money no longer dominates the decision-making process compared to years prior. Instead, younger consumers today are evaluating choices based on the environment while those over 55 noted the health of their national economy as a key motivator for behavioral change. The first step towards activating behavioral change is by acknowledging that consumers are not simply triggered by monetary drivers, but also motivated by benefits such as comfort, sustainability,

and confidence in the nation's economic prospects when making decisions about energy use.

Information Availability: How a choice is framed and presented can make a big difference. For instance, presenting too many options can at times be detrimental. While in theory more options should always be a plus, the resulting complexity can ultimately demotivate consumers. This finding is consistent with the IBM survey results which showed that consumers under 25 are prone to follow the lead of others rather than sort through the options on their own, being two and one-half times more likely to rely on their personal networks as a primary source for information than those 55 or older. By presenting the right balance of choices, utilities can help reduce the need for complex, time-consuming decisions that can hinder a consumer's desire to make independent choices about their energy consumption.

Social Drivers: Another approach for greater adaption of smarter energy is to tap into people's inherent social nature. People rely on social proof, or the behavior of others, to determine the right ways to act in many situations. This social action trigger is behind the introduction of new programs such as consumer portals which allow consumers to see and compare their usage to those of their neighbors. For energy providers such as Enemalta Corporation and Water Services Corporation in Malta, the portal is instrumental in encouraging consumer adoption and lowering overall usage. This approach demonstrates that social comparisons are frequently a more powerful lever of persuasion.

By understanding the human psychology of choice and decision making, the industry can identify the greatest barriers inhibiting change, discover opportunities for improvement; adopt new methods of communication and design programs that are in line with consumer demands.

Provided by IBM

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