

# **PG&E: Marketing Energy Efficiency Programs for Businesses**

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## PG&E: Marketing Energy Efficiency Programs for Businesses

Roberta Johnson was excited. Jacobs and Clevenger, the marketing agency for which she worked, had just been awarded a major project for the Pacific Gas and Electric Company (PG&E). And Roberta was the newly named account manager! The kickoff meeting with the account management and creative teams was scheduled for this afternoon.

A Chicago-based firm, Jacobs and Clevenger was well known for its expertise in direct marketing. In fact, Ron Jacobs, one of the firm's founders, had co-authored the classic textbook *Successful Direct Marketing Methods*. The company website described the agency as "The multichannel digital direct marketing agency that provides measurable response." Independently owned for more than 30 years, this medium-sized agency had been exploring new opportunities for its own growth. In the process of this exploration, Ron Jacobs identified the regulated utilities industry as one that could benefit from well-targeted marketing. By this time, Jacobs and Clevenger had developed quite a specialty in marketing for utility companies.

The roots of the Pacific Gas and Electric Company (PG&E) go back to California's Gold Rush days when the San Francisco Gas Company was founded in 1852. The San Francisco Gas and Electric Company and the California Gas and Electric Corporation merged in 1905 to create the new Pacific Gas and Electric Company.<sup>1</sup> Today, PG&E provides electricity and natural gas to homes and businesses throughout northern and central California, serving more than 5 million customers and generating almost \$17<sup>2</sup> billion in revenue. This makes PG&E the largest utility company in the US by number of customers served and the amount of revenue it generates. It has the second highest retail prices in the country, after New York's Consolidated Edison.<sup>3</sup>

With a growing population in California and the ensuing increase in demand for energy of all sorts, people were becoming more aware of the environmental impact of producing and delivering energy. Of course, the rising costs of energy to all consumers were also a concern. Under pressure from regulators and the public, PG&E was increasing its focus on helping businesses and individual households become more aware of energy efficiency. The financial reach of the company and the scope of its service make PG&E a particularly high-visibility utility company for both regulators and its customers. After the 1973 energy crisis, Congress wrote the National Energy Act, to focus on energy conservation and that meant reducing the demand. Decades later, PG&E was still struggling to make this happen.

This public policy drive to reduce energy consumption is seemingly in conflict with what one normally expects from a business – an effort to increase consumption of its goods and services. Yet, because of the regulatory mandate, PG&E had no choice: regulators required a tangible, sustained, and substantive effort to reduce consumption. In addition, the high profile of the

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<sup>1</sup><http://www.pge.com/en/about/company/profile/history/index.page>

<sup>2</sup>2015 operating revenues for PG&E Company

[http://www.sec.gov/Archives/edgar/data/75488/000100498016000065/form10k.htm#\\_Toc443485795](http://www.sec.gov/Archives/edgar/data/75488/000100498016000065/form10k.htm#_Toc443485795)

<sup>3</sup>"Electricity - Energy Explained, Your Guide To Understanding Energy - Energy Information Administration". [www.eia.gov](http://www.eia.gov). Retrieved 2015-12-05.

company suggested that any positive efforts to be a good corporate citizen might help PG&E mitigate negative consumer perceptions in other areas of its business.<sup>4</sup>

As a regulated industry, with a virtually captive audience, marketing to its customers was not PG&E's strong suit. Most businesses and individual households had to buy their energy from PG&E so the company did not have the same depth of expertise in marketing as most other companies of a similar size. Frankly, PG&E needed help-- and the company recognized it.

The utility turned to Jacobs and Clevenger to find a way to educate small and medium businesses about PG&E's energy efficiency programs and to increase the businesses' participation in these programs. The project was only one of many efforts to reduce energy consumption among PG&E customers but, as typical with many agency assignments, PG&E sought specific expertise that Jacobs & Clevenger offered: targeted marketing experience and an understanding of utility companies.

Roberta called the meeting to order at 2 pm and reviewed the agenda. "I think everyone here is already familiar with PG&E and its basic business. So we will start with a quick overview of the specific situation and then our objectives for this project. After that, let's start brainstorming on how to approach this challenge."

Most business owners and managers consider energy consumption a necessary evil and one over which they have very little control. Energy is a low involvement product category. Yet the cost of energy is increasingly expensive and of greater impact on the environment than ever before. So business operators need to pay attention and take action to reduce or, at least, to control, their energy use. By better focusing on the needs of its business customers, PG&E could provide information that would establish the utility as a helpful partner rather than as an indifferent supplier. Towards this end, PG&E had developed the Business Energy Checkup. This online self-assessment tool had three components: tracking energy use, getting energy-saving recommendations, and creating an energy savings plan. To use it, the business had to first create a "My Energy" account.

Unfortunately PG&E's efforts to get businesses to use the Business Energy Checkup online tool or to set up a "My Energy" account had not been very effective so far.

Telephone research conducted by the Blackstone Group revealed

Low impact: Over 80% of eligible respondents did not recall any direct mail or energy efficiency-related emails;

Low interest: Over 80% of those who recalled the mailings or emails, had no serious interest to enrolling in My Energy or completing a Business Energy Checkup profile;

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<sup>4</sup>In 2010, a deadly gas line explosion in San Bruno, CA killed eight people, injured scores of others, destroyed 38 homes, and exposed numerous failures in PG&E's record-keeping and maintenance of critical infrastructure. Some lawsuits against the company were settled for \$565 million dollars in 2013. [http://www.huffingtonpost.com/2013/09/11/pge-san-bruno-settlements\\_n\\_3903832.html](http://www.huffingtonpost.com/2013/09/11/pge-san-bruno-settlements_n_3903832.html) Other suits were subsequently settled for undisclosed sums. <http://www.sfgate.com/bayarea/article/PG-E-settles-more-San-Bruno-suits-3742194.php> In addition, the Public Utilities Commission, PG&E's local regulator, levied a record-breaking \$1.6 billion fine for corporate errors in a variety of areas. <http://www.latimes.com/business/la-fi-puc-fine-20150409-story.html>

Little benefit: No more than 10% of recipients that recalled the Pilot program attempted to enroll in My Energy or complete a Business Energy Checkup profile.

PG&E had a vision for energy management and sought to revolutionize energy solutions for customers. Yet businesses that looked to PG&E for help using energy more efficiently were simply unable to find the information and tools available. In its research, Jacobs and Clevenger discovered that customers don't actively search for energy solutions; they search for answers to specific problems. They want to lower their energy bill. The gigantic commercial refrigerator in their restaurant kitchen no longer works very well and needs to be replaced. The heating or the air-conditioning system is broken. Each of these problems has an energy component for which PG&E could be a resource – if the businesses just knew where or how to seek assistance.

Not surprisingly, the commercial sector uses energy in different ways than home/residential users. Lighting constitutes the largest (19%) use for electricity in the U.S. commercial sector such as retail, office buildings, educational institutions, institutional use, and government buildings. Ventilation (11%), space cooling (10%), refrigeration (8%), office equipment including computers (7%), and space and water heating (6%) are other major commercial uses of electricity. All other uses (39%) of electricity in this sector include powering medical, security, and fire suppression equipment; powering elevators and escalators; and running cooking and laundry equipment.<sup>5</sup> In commercial buildings, the use of natural gas is similar to its use in residences: space heating, water heating and sometimes for air conditioning.<sup>6</sup>

Given the situation, the campaign's objectives were to:

1. Connect PG&E's small and medium business customers with timely and relevant savings information at points when they are looking to solve a problem,
2. Generate "handraisers" and move customers along their energy management journey,
3. Provide engaged customers with new energy management solutions they may not have considered,
4. Establish PG&E as an innovator and thought leader in cutting edge energy solutions designed specifically for customers.

Roberta reminded the group that, in its pitch to PG&E, Jacobs and Clevenger proposed that "PG&E's extensive energy management resources needed to be mined, rearticulated and disseminated in a way that helped customers self-realize ways they can save and implement solutions." In other words, PG&E had to help customers help themselves. This is all about content marketing. How could the agency create compelling content to start and sustain the conversation between PG&E and its small and medium-sized business customers? She invited the attendees to start throwing out ideas.

The list of possibilities quickly grew.

- We know PG&E has all this great material. How could we reorganize it? Where should it be located? How should it be distributed?

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<sup>5</sup> U.S. Energy Information Administration, Annual Energy Outlook, 2015. Reference Case, Table 5 (April 2015). [http://www.eia.gov/energyexplained/index.cfm?page=electricity\\_use](http://www.eia.gov/energyexplained/index.cfm?page=electricity_use)

<sup>6</sup> <http://geology.com/articles/natural-gas-uses/>

- Let's look at the search engine optimization. It may be relatively easy to make this information more easily "findable" by search engines such as Google and Bing.
- What about an e-book? Or a webinar? Business-to-business marketing uses these tools all the time-- they are great lead generators. We can require an online form be completed before they get the e-book about "easy energy-saving practices" or something like that.
- How do businesses use social media? It's not the same as the business to consumer approach, is it? What role could social media play in this plan? Maybe we should explore how "influencers" could be part of this plan.
- PG&E knows everything about its customers' energy use. How can we use that information to create customized and attention-getting messages? Auditing and analyzing energy use in a variety of categories such as lighting, air conditioning and heating, office equipment, appliances, and machinery – and then zeroing in on the items in each category might give us the basis for messages individually tailored to each customer.
- Everybody's email inbox is too full. Why not try some good direct mail? That might really stand out from the crowd.
- Do you think businesses look at their statement inserts in their physical bills? What if their bills are all online?
- Perhaps we can use sales promotion techniques or awards and recognition. Gamification tools such as points, badges, and leaderboards can also be helpful to engage and recognize business customers' energy efficiency.
- Some small business owners are rather traditional. Would they respond to other forms of print communications? What publications do they read?

It was almost time to adjourn the meeting so Roberta concluded with "This is a great start, team. We have a week to develop the plan of what we propose to do specifically. First, let's make sure we have the right profile of the target customers and their motivations to save energy. The small and medium business market is huge and quite varied. We know the industry has some bearing on energy usage. Can we segment this market in a meaningful way that goes beyond the size of the business and its industry? (See Attachment A for a list of industries served.) Is there anything we have missed about small and medium businesses in this area?"

We should make sure that we consider all forms of marketing communications and remember that this is a business to business solution (See Attachments). What are the media habits of our target market? How do we integrate all the messages we create and media we select? We really want PG&E's business customers to control their energy consumption, contain their costs, and benefit from all of the help that PG&E can provide them. I'm sure we can figure out how to do this effectively.

Of course, all of this needs to be measurable. Any marketing efforts have to demonstrate their value. Data collection for future use in further marketing efforts is a high priority. We can't forget that."

## **ATTACHMENT A**

### **Industries Served by PG&E<sup>7</sup>**

PG&E serves about 800,000 small and medium-sized businesses in Central and Northern California. They are classified in the following categories:

- Agriculture and Food Processing
- Builders
- Food Services
- Health Care
- High Tech
- Hospitality
- Industrial
- Municipalities
- Office Buildings
- Retail
- Schools and Colleges

## **ATTACHMENT B**

### **Business to Business (B2B) Marketing Overview**

Business to Business (B2B) marketing is the marketing of goods and services to business organizations for production, business operations, or for resale to consumers. For example, an auto maker needs to purchase components and parts such as engines and braking systems from suppliers to be used in producing vehicles. The auto maker also needs to pay for utilities such as electricity and water in order to operate. The auto maker may need to purchase services such as advertising and market research to operate more efficiently. Its final product – vehicles bearing its brands – is sold to dealerships who then resell to consumers.

When companies buy and sell goods or services for their business purposes, they are in business markets. While business markets and consumer markets both involve buying and selling of goods and services, decision making in business markets differs significantly than in consumer markets.

- Business goods and services often have more complicated technical specifications and requirements;
- Business buyers are far fewer in number but most business buyers purchase in much larger quantities;
- Business buying often involves more people in the decision making. This is particularly true for major purchases, when decisions are reached by the joint effort of procurement, technical departments, and even top management;
- Business buying follows more rigorous procedures from product specification to supplier search and qualification, and from ordering to receiving orders and making payment.

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<sup>7</sup> <https://www.pge.com/en/mybusiness/save/energyefficiencycontractors/findspecialists/index.page?>

These differences have at least two important implications for B2B marketing. First, business buying is very goal-directed. Business organizations are under tremendous pressure to make the right decisions – meeting technical requirements, price goals, and strategic objectives. Second, the business buying process is often more complex and may take much more time than consumer buying because business purchases are large in quantity, have a major impact on the business organization, involve more people, and may have to follow more procedures. These are exactly the reasons why content marketing has found such widespread use in business markets. Digital content provides highly targeted information in a timely yet cost-efficient manner and plays an important role in helping business buyers move forward in their decision making processes.

## ATTACHMENT C

### **Content Marketing**

Search engines and social networks add powerful tools to the arsenal of marketers. One strategic use of these tools is **content marketing**, the purpose of which is to consistently create and distribute valuable and relevant content to attract and retain a clearly-defined audience and to drive profitable customer action.

Companies can create many types of content to be published on the web and promoted through search engines and social networks. The following content types are commonly used:

- **Ebooks, white papers, research reports, how-to guides, and case studies:** online publications in the formats of books, papers, reports, guides, or cases.
- **Templates and tools:** A template is a file of basic format (e.g., for business letters, charts, graphs) that can be downloaded by users. Tools are computer program applications that perform certain functions (e.g., a web-based calculator to estimate investment returns or to calculate energy consumption or energy savings).
- **Infographics:** graphic representation of information to make the data easily understandable. Many examples are available online.
- **Podcasts:** episodes of audio and video files that subscribers can stream or download. These are analogous to radio broadcasts or short movies.
- **Webinars:** presentations transmitted over the Web using video conferencing software (i.e., a web-based seminar).
- **Videos:** digital video files that can be streamed online or downloaded from a website.
- **Blogs:** informal or conversational writing on a regularly updated website or web page.
- **Landing page:** a web page that appears to a visitor who clicks on a search result, an online ad, or other types of links in emails or social media. Many landing pages contain a specific call-to-action.

Regardless of the format, it is critical to make sure the content is 1) relevant and engaging to the targeted audience and 2) optimized for the media (search engines, social networks, or websites).

## What are your company's primary objectives for investing in content marketing in the first place?

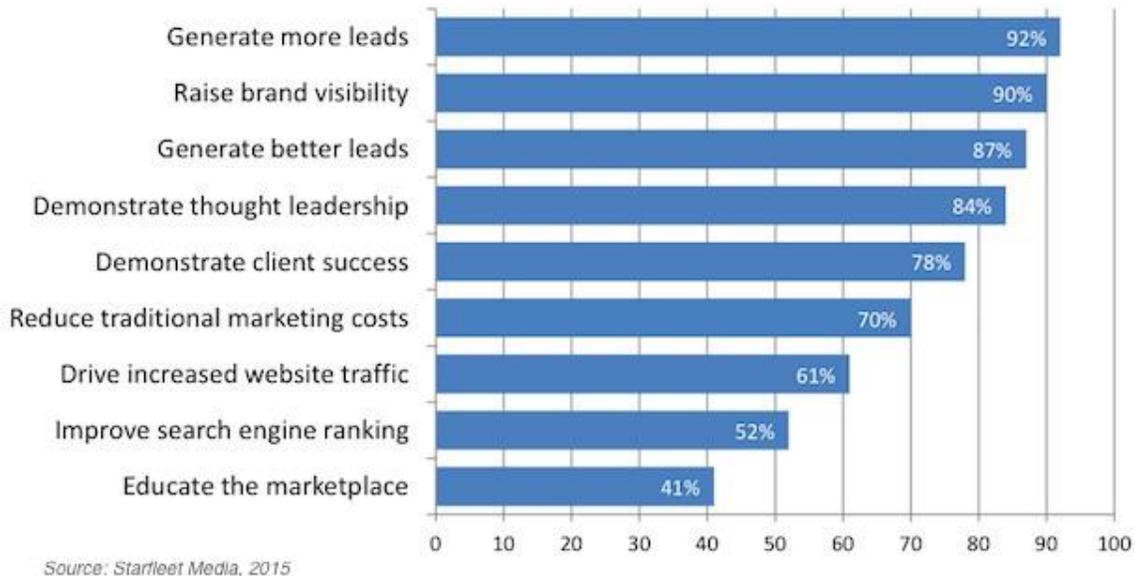


Figure 1: Companies' Objectives for Content Marketing<sup>8</sup>

Before launching a content marketing campaign, or any marketing campaigns, a company should first set clear objectives. B2B content marketers often seek to generate more and better leads, raise brand visibility, demonstrate thought leadership, drive website traffic, or educate its customers. (See Figure 1 above.)

Moving on to campaign implementation, a key decision is to determine which media outlets should be used to distribute the content. Media outlets should not work in isolation. Instead, one should select a combination of media outlets (e.g., multiple search engines and social networks) that work together in an integrated fashion to meet campaign objectives.

Finally, how do marketers monitor and assess campaign performance? Key metrics of performance should be used to monitor whether the campaign is on track to meet its objectives. For example, if the objective is to generate leads, the quantity and quality of generated leads may be assessed by monitoring the total number of leads generated and the average sales revenue among those who actually place orders. If the objective is to increase website traffic, increase in the number of unique visitors may be a good metric. Search engines and social networks often provide analytics tools that can be used to facilitate the monitoring and assessment of campaigns (e.g., Google Analytics, Google Adwords, and Facebook Insights). A company can also develop its own applications to customize its interactions with search engines and social networks.

<sup>8</sup><http://www.starfleetmedia.com/2015/09/03/assessing-primary-objectives-b2b-content-marketing/>

## ATTACHMENT D

### Search Engine Marketing

#### **Search Engine Optimization and Pay per Click**

For a company to drive traffic to its website, search engines such as Google, Yahoo, and Bing can play a big role. To understand why, think about how we visit a website: while we occasionally choose to enter the website address (a.k.a. **direct traffic**), we are more likely to use a search engine to find the website (a.k.a. **search**), or click a referral link from another website. According to some research, organic search accounts for about 60% of web traffic while only 12% of website traffic originates from direct input of the website URL.<sup>9</sup> Search engines are a primary method of navigation on the Web, especially when we are searching for something of specific interest: we search, view the search results, and click on a website link relevant to our search.

Search engines use mathematical formulas known as search algorithms to rank websites based on relevance to the search. Search algorithms are proprietary, so we cannot tell exactly what algorithms are being used by a search engine. Apart from the word(s) used to search, search engines may use other information for its algorithms (e.g., searcher's location, previous search behavior). The more relevant search results are delivered by search algorithms, the more satisfied and loyal we are, the more search share a search engine gets from us. The three most significant search engines in the US are Google, Microsoft Bing, and Yahoo. The shares of the search market owned by each search engine changes frequently and marketers must track those changes to know how to best allocate its resources among search engines.<sup>10</sup>

From a company's perspective, one way to make its website easily found on a search engine is to make its website rank higher by the search engine when certain keywords are used in search queries. On a search engine results page (SERP), a company wants its website to be among the top three presented on the first page of the search results. **Search engine optimization**, or **SEO**, is about improving the search engine ranking of a website by satisfying the requirements of a search engine's algorithms. Although search algorithms are quite complex and change frequently, search engines generally rank websites based on how relevant websites are to a search query (the words that users type into the search box). For example, an algorithm is likely to consider:

- Words used on the website;
- Page titles of the website;
- Links to the website;
- Reputation of the website.

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<sup>9</sup><https://searchenginewatch.com/sew/study/2355020/organic-search-accounts-for-up-to-64-of-website-traffic-study> , accessed 4/20/2016

<sup>10</sup>For instance, according to ComScore, Google led the U.S. explicit core search market in April 2016 with 63.8% market share, followed by Microsoft sites (Bing) 21.6% and Yahoo (12.2%). <http://www.comscore.com/Insights/Rankings>

A company's website ranked higher by search engines is likely to receive more **organic** visitor traffic because it depends on "natural" search results, rather than paid advertising search results as we discuss next.

When organic search results do not bring sufficient visitor traffic, a company can use paid search engine advertising programs, such as Google's Adwords or similar advertising programs of Yahoo and Bing, to feature its ads alongside organic (or natural) search results. Search engines ads are targeted, primarily based on search keywords. Searchers click on relevant ads to go to a landing page on the company's website.

Search engine advertising is also known as **pay per click**, or **PPC**, because a company is charged by the number of times its ads receive clicks. Web traffic generated through search engine advertising is referred to as **paid search**. Well-designed paid search advertising can generate revenue for companies in a variety of ways and quite cost-effectively. For this reason, marketers are spending billions of dollars annually on search engine advertising with no sign of slowing.

SEO and PPC complement each other in promoting the visibility of a company's website to search engine users and are collectively referred to as **search engine marketing** or **SEM**. Driving traffic to websites enhances brand and product awareness and facilitates online transactions, including product purchases, as well as the sharing of information.

Search engine marketing is important for marketers for two reasons: quantity and quality. Google, the largest search engine in the world, processes over 40,000 search queries every second, which translates to over 3.5 billion searches per day and 1.2 trillion searches per year worldwide.<sup>11</sup> This has the potential to provide a company enormous exposure.

Less apparent is the quality power of search engines: our psychological mode using search engines has tremendous potential for marketing activities and campaigns. When we search, we are motivated to give out something (i.e., our interest) and to get back something of interest in return (e.g., content, services, goods, information). Our interests, as revealed to search engines, are extremely valuable because they are related to commercial activities, directly or indirectly. For example, if we search for "webcam", we may well be somewhere in a buying process: recognizing a need for a webcam, searching for various models to compare, narrowing down to a few options for close quality/price comparison, making choices, or placing orders. Exposing your product during this search process may spark the searcher's interest, lead him or her to obtaining information, and, eventually, to a sale.

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<sup>11</sup><http://www.internetlivestats.com/google-search-statistics/>

## ATTACHMENT E

### Social Media Marketing

Referral links placed on social media sites are particularly noteworthy in terms of directing visitor traffic to a company's website. There are over 2 billion users of social networks worldwide, with a projected increase to 2.72 billion by 2019.<sup>12</sup> Not surprisingly, social media is becoming an ever-increasing source of website traffic. Reports differ on social media's precise share of referred traffic but the trend is clear.<sup>13</sup>

In spite of the large number of users of social networks overall, the market share of different social networks varies widely (and changes frequently), with Facebook and YouTube leading the pack. Social networks differ a lot in their ability to direct traffic to a particular company's website. The quality of traffic also varies, with some social networks generating more valuable visitors who are more likely to be converted into customers.

**Social media marketing** refers to a company's marketing activities on social media platforms. Similar to search engine marketing, there are organic and paid components in social media marketing. Generally, social networks do not charge companies to use their social networks for marketing activities such as creating company pages (e.g., Facebook Page) or a company channel (e.g., YouTube Channel) that contain marketing messages and informative or entertaining content. Instead, social networks generate revenue by charging for targeted advertising (e.g., Facebook ads, promoted tweets in Twitter), data analytics, and other value-added services.

## ATTACHMENT F

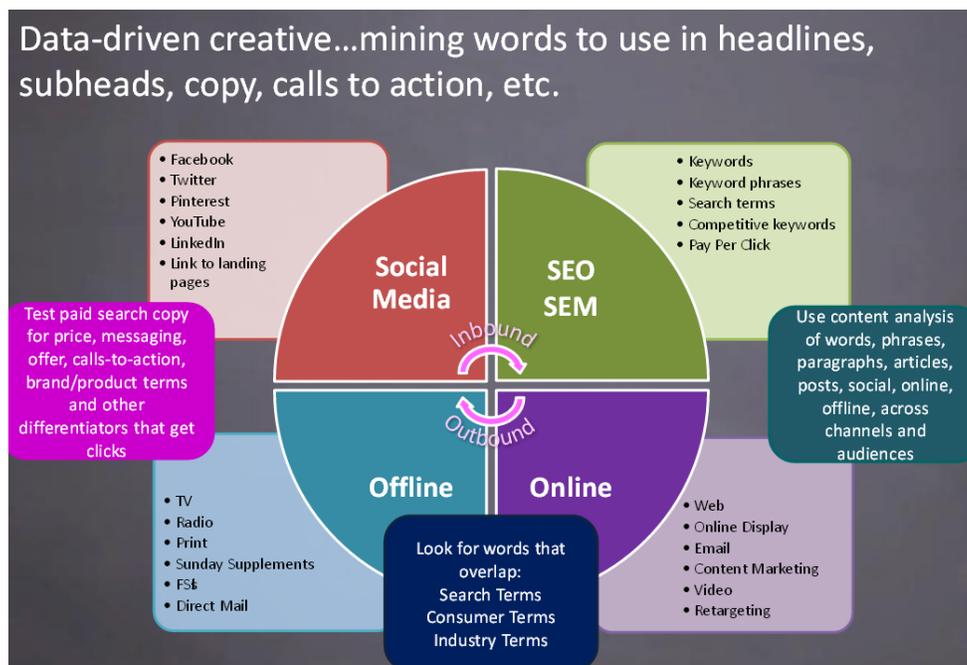


Chart courtesy of Jacobs & Clevenger

<sup>12</sup><http://www.statista.com/statistics/278414/number-of-worldwide-social-network-users/>

<sup>13</sup><http://www.forbes.com/sites/jaysondemers/2015/02/03/social-media-now-drives-31-of-all-referral-traffic/#48fa17f1aeed>