Energy branding
Sources of brand value in electricity

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Rannsóknir í félagsvíslendum XI. Erindi flutt á ráðstefnu í október 2010
Ritrýnd grein
Reykjavík: Félagssindastofnun Háskóla Íslands
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Limited research exists on branding of electricity and the research that can be found is mostly on the promotional impacts of green energy (Bird, Wüstenhagen, & Aabakken, 2002; Holt & Holt, 2004; Markard & Truffer, 2006). Only a handful of papers can be found where researchers use the theoretical base of the general branding literature to build conceptual models for branding in the electricity industry (Hartmann, Ibáñez, & Sainz, 2005; Wiedmann, 2004). However, many non-academic papers have been published where authors discuss branding within the sector in practical terms (Brew & Phelps, 1998; Novak & Lyman, 1998; Pesce, 2002; Senia, 2002). The challenge, therefore, for scholars is to assist by providing a theoretical foundation to build on. That is the aim of the research. Branding should be considered just as important within the electricity as it has become, for example for agricultural commodities where many commodity promotion programmes, show that they have proved to be effective (Alston, Crespi, Kaiser, & Sexton, 2007). Likewise, research has shown that good branding strategy is important in industrial markets (e.g. Blombäck & Axelsson, 2007; Hutton & James, 1997; Mudambi, 2002).

A conceptual paper, by the same author, laying the theoretical groundwork has already been presented at Þjóðarspegill (Larsen, Greenley, Palmer, & Rudd, 2008) referred to as paper 1 here after. Another paper built on the conceptualization and specific to the marketing management aspect in the energy industry was presented in Þjóðarspegill (Larsen, Greenley, Palmer, & Rudd, 2009), referred to as paper 2 here after. In this third paper, still another step is taken in the research on branding of a commodity by presenting results from focus groups on an issue central to successful brands in general, differentiation as well as how differentiation is viewed within the electricity industry. Within differentiation, the following factors will be discussed: Price, image and green factors.

Since this paper builds on the same theoretical discussion, it is attempted to minimise the overlap between the papers. Interested readers are encouraged to view the two previous ones should they necessitate deeper understanding theory. The research design and analysis strategy, along with a theoretical discussion, follows in the next chapters. Next differentiation will be discussed. The paper concludes with a summary and a brief outline of future studies of branding in the electricity sector.

Research design and analysis strategy

In the light of the uniqueness of the research subject, we selected a qualitative research design for this research (Churchill & Iacobucci, 2005; Laurent, 2000; Srnka & Koezegi, 2007). In particular, we aimed to triangulate the qualitative research approaches (Hall & Rist, 1999) by carrying out a) personal in-depth interviews (Miles & Huberman, 1994) with manager of Icelandic energy companies (study 1), b) an interview with a focus group (Stokes & Bengin, 2006) of marketing representative of three Icelandic energy companies (study 2), c) and an interview with a focus group of individual consumers (study 3). In study 1, only a loosely structure interview guide was used. In
study 2 and 3, a semi structured interview guides were constructed (Marschan-Piekkari & Welch, 2004). The loosely structured interview guide allowed the researchers to adapt to individual responses and probe when necessary (Patton, 1990).

The rationale for choosing to interview managers, marketing specialist and consumers was based on a need to gather data from different groups of stakeholders. The data obtained would develop and deepen the understanding of the subject with the selected stakeholders and compare their views in search for commonalities. The interviews were recorded and a serial code that included the abbreviation for the position of the participant (e.g. M1 for the participating manager 1 of the energy company, S1 for the participating marketing specialist 1 from the advertising agency and C1 participating consumer 1) in each interview (Mertens, 2005).

Next, a transcript of the interviews and the focus groups was prepared with additional comments from the researcher (Creswell, 2003) and on nuances (Marschan-Piekkari & Welch, 2004) of how participants expressed particular statements (e.g. serious, laughing etc) (Richards, 2004; Srnka & Koeszegi, 2007). The various transcripts were systematically analyzed by reading over several times and codes assigned by a particular colour system (Creswell, 2003). The analysis was based on grounded theory where the data is broken up and the researcher looks for codes; both theoretical codes and live (in vivo codes). In the former the researcher already has decided on codes based on a theoretical work but the latter refers to exact words that appear from the data (Creswell, 2003; Kvale, 1996). In the three following subchapter, the three studies will be explained.

**Study 1**

The objective of study 1 was to understand how selected individuals within the energy companies viewed the marketing aspect of electricity sales. Two senior managers, one female and one male were interviewed in in-depth interviews (Kvale, 1996; Miles & Huberman, 1994). A purposive sample was used.

Interviews were conducted in an open structure, approached with an open mind, and ranged from 35 minutes to 50 minutes. Data gathered was mostly on the technical aspects of energy sales. Limited knowledge was obtained on the marketing function as it appeared that the term “market” had little resemblance to “marketing” when it comes to electricity. Likewise, the concept of branding appeared to be a distant concept.

The objective of the second interview (M2) was consistent with the first one, but additionally, the aim was to collect more detailed data to understand the marketing function and how branding was viewed within the industry. In particular, it was hoped that the participant could fill in the holes that the last interview left. Specifically how the traditional understanding of marketing was applied and thereby extending the subject further than referring to marketing as simply a market.

**Study 2**

Study 2 was designed to fill in the gaps left by study 1 by collecting data from marketing specialist representing Icelandic energy companies. Moreover, the aim was to compare participants’ views with available literature and to further deepen the researchers understanding of the research subject. A semi-structured question list was used which was based on previous interviews and literature work.

A focus group approach was chosen to explore the above. The impetus for the choice was both the desire to use triangulation of research approaches (Hall & Rist,
1999) and, to benefit from group dynamics which induce participants to elaborate on topics in more detail (Wilson, 2003). A purposive sample was used to assemble a focus group which consisted of participants representing the largest energy providers in Iceland, (S1) (S2) and (S3), which control the largest part of the market. One participant represented a new market entrant (S4). All were male, age ranged from 30 to 45. The focus groups lasted 70 minutes. It was recorded and then typed onto 49 pages.

Study 3

A focus group with consumers was selected in the final phase of the research to further triangulate the research findings (Hall & Rist, 1999) by comparing data gathered from individual consumers to the data gathered from managers and marketing specialists. A further justification was to make use of group dynamics for detailed discussion and compelled involvement of participants (Wilson, 2003) in view of the novelty of the research subject: branding of a commodity.

In preparing the focus groups for the consumers, a list of individuals was comprised, and the criterion was that the group members were paying customers of electricity, were composed of dissimilar individuals and that they would be in the following age groups: 20 to 30; 31 to 45; 46 to 60; 61 to 75. In total 23 individuals were contacted, by means of convenience sample, of which 18 agreed to participate and were split up into two groups (C1, C2, C3 ...C18).

As before, a semi-structured question list was used. However, the structure was considerably tighter than in the question list used in study 2. Furthermore, more emphasis was based on building on available branding theory in addition to the preliminary analysis of previous primary research conducted by the authors.

Half of the participants were males and half were females. The ranged in age from 25 to 70 and had various income levels and professions. The focus groups ranged from 60 minutes to 70. Both were recorded and then typed onto 103 pages.

Differentiation

A common theme within the branding literature is the importance of differentiation (Doyle, 1990; Kotler, 1991; Ambler & Styles 1996). A part of Kotler’s (1991) definition is how brands “differentiate them from those of competitors”. Likewise, Doyle’s (1990) states that a successful brand should identify "a particular organization as having a sustainable differential advantage”. Differences can be tangible or intangible according to Ambler and Styles (1996). They state that “…the attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible” (Ambler & Styles, 1996). In light of the strong emphasis differentiation plays, differentiation was also a focal point of this research.

Electricity is hard to differentiate. That was reflected in all the studies as most participants had a hard time coming up with differentiating factors for electricity. It was thought to be particularly hard since consumers did not “interact” (S2) with the product and the only time consumers would think about electricity is when the power is cut off and when the electricity bill arrives.

This can be said about other utilities as well (f.ex. water and gas); people do not notice them until they are missing. Likewise, this can be said about telecommunications since the telephone users are not thinking about the quality of the service until their telephone call does not go through or function is otherwise limited. The situation is, however, marginally different in electricity because the water can for
example be of bad quality or the telephone reception might be poor. With electricity, assuming a high level of reliability, there is virtually no way to differentiate the product itself. As one participant, in the consumer groups mentioned: “I do not think that the electricity from Orkubú Vestfjarða makes the atmosphere in the house any better nor does it taste better.”

However four common grounds for differentiation were identified: The origin/production method, price, image and service. Majority agreed that those factors of providing electricity were easy to differentiate. It was particularly important for the consumers groups that electricity is made in an environment friendly way. However, there was not a consensus on how much more, if anything, participant would be willing to pay for green energy (see more on green energy below). Price was also recognized as the single most important factor (see more on price below). Likewise, image was considered important but participants were unsure as to what extent it was important (see more on image below). Lastly, service was mentioned as a distinctive differentiating factor. Discussion on service can be found in paper 2 published at Þjóðarspegill (2009) by the same author.

It is not surprising the participants were not able to point out more differentiating features of electricity. To have expected something else would have been unrealistic and the result is consistent with previous research (Pesce, 2002). Equally, it is not surprising that service was most frequently mentioned as a differentiating part as that is also consistent with previous research (Engel, 1993). The first factor that will be discussed in this paper is price.

**Price**

Some authors that have researched the field state that there is no getting away from the price message, and that electricity will always be price driven since there is little opportunity to differentiate the product (Wiedmann, 2004). The claim is that as long as electricity arrives, the customer is happy until he gets offered a better deal on price. Not all share this view. Research shows that customers are not willing to leave their electricity provider just because of the price. Furthermore, it seems that commodity can be branded which means that price is not the only factor associated with commodity (Engel, 1993).

It is consistent with the literature that price was a frequently mentioned in this research since price is a clear differentiation factor (Kotler & Pfoertsch, 2007; McQuiston, 2004; Michell, King, & Reast, 2001, Pesce, 2002). The differentiation part can be hard in a commodity business as a commodity is an undifferentiated product that offers limited or no perceived differences between competitive offerings. Due to their low perceived difference, consumers will chose between them on a price basis which forces their producers to compete on low price and high volume (Kotler & Pfoertsch, 2007; McQuiston, 2004; Michell et al., 2001). While pursuing a price strategy without emphasizing differing characteristics of a product, sellers are forced to sell a line of commodity products that must compete on their basic attributes (Pesce, 2002). With branded products, however, sellers emphasize differences irrespective of whether they are real or not (Aaker, 1996; Keller, 1993).

In the case of electricity, differentiation based on price is even harder than in most industries since the price regulation in most countries is, in theory, the cost of supplying electricity, including an appropriate return on capital investments. Regulators are constantly faced with the dilemma of determining what the "right" costs are, what the appropriate depreciation is and what profit rates to apply to capital investments (Wiedmann, 2004). To compound the problem, the division of the electricity process into production, transmission, distribution and sales further restricts
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the margin that companies in the sector have to play with in their pricing decisions. The marketing specialist in study 2 addressed the issues by stating that: “The margin that you have to raise or lower price is tremendously low” (S4). In effect that means that people are not willing to change providers and do any kind of “paper work just to save kr. 10 [5pence] per month” (C4). The consumers in study 3 supported the evidence from study 2 and even want as far as stating that their “is no price competition for the Icelandic homes”. One of the managers from the energy companies in study 1 confirmed this and said that since the “distributor charged a fixed price, there would not always be much left for the produces or sellers” (M1). One of the manager from the energy company in study 1 even mentioned that companies in the sector would not want to “go down the route” (M2) of competing on price. And as a matter of a fact, that participant stated that Icelandic customers had not moved much since the market was set free in free since 2006 although “on occasion, companies moved to get a better price” (M2). Those views where echoed in the consumers groups in study 3. Although participants in the consumer groups were, for the most part, only vaguely aware that they could save by switching supplier, most of them had not thought about switching. Those that had thought about it agreed with the following from one of the participants: “I can buy from whomever, but the difference is so insignificant that it makes no difference and people are not making these comparisons” (M4).

Despite a small price difference, the participants the consumer groups in study 3 did all agree on the importance of a competitive price. “Lower price then what I have now” (M12), “the same thing for a lower price” (M17), “low price is most important” (M9), “you know…get the electricity cheaper” (M16), “get the price of every kilowatt hour down” (M14) are just some of the quotes from study 3 on pricing of electricity. In that light, it is interesting to observe that when asked, very few of the participants knew how much they were actually paying for the electricity on a monthly basis. Some had a rough idea, and some had no idea; “I do not know...I just pay the bill” (M16), and “we just pay whatever we are asked to pay” (M13) exemplifies the situation.

Another notable thing to observe is that since the participants in the consumer groups in study 3 were keen on a low price, and a receiving a low energy bill, very few of them actually took any measures to minimize usage. For example, like using energy saving light bulbs which most participants knew about and knew that they would result in a lower energy bill, but only one of the participants used energy saving light bulbs on a regular basis. Most agreed that the tendency to save electricity is less today than it was before, despite the crash in 2008. Some of the participants that where in their late thirties and upward remembered that their parents had been conscious of saving electricity and reminisced about it as the following sentence illustrates: “I still remember: “turn of [the lights] in the bathroom, turn of [the lights] in kitchen”. You know....that particular shout” (M13).

The perplexity of the above situation, that is wanting to pay less but not save, is perhaps best described in a question that the researches asked one group in study 3: “According to you, stable delivery, inexpensive...or low price, is most important. But still you do not try and save energy? You do not use light energy bulbs, keep the light on in every room...but still you only want cheaper electricity?” Many laughed when the question was asked, but following are two of the answers both of which Icelandic’s can relate to: “We are such a typical Icelandic’s” (M13) (said laughing) and “Perhaps we just want it...you know get the electricity cheaper...since we are not thinking about the things we should be thinking about.” (M13) In the latter quote, the participant was referring to that people should be thinking about the environment. More agreed on that point. That is that participants were willing to pay more if green factors came to play. Green factors will be discussed in the last subchapter on differentiation but the effects of image on will be discussed next.
One method to achieving differentiation, without necessarily creating a real difference in the product or service offered, is by creating an image for being different. The most common way of doing so is by branding (Gronroos, 1988). In a true commodity market, there is no distinction in actual product quality. Electricity from one supplier is identical to the electricity from another. However, people are less likely to buy electricity from a supplier they have not heard of (Stanton, Cummings, Molesworth, & Sewell, 2001) and from a companies with a less than favourable image. There were two common themes that most participants in the consumer groups in study 3 deemed important for the image of electricity (or the companies supplying it): Trust and origin/production method. Of those two, trust was most often mentioned and mostly on those lines: “brands must reflect trust; show how responsible they are.” (C18).

The views of the marketing specialists in study 2 and the individuals within the energy companies in study 1 differed from the views of the consumer in study 3. In study 3, very limited attention was paid to branding of electricity and the image of electricity, but participants in the other studies had worked on the subject and therefore had stronger opinions, particularly the marketing specialists in study 2. They thought that the main problem with building up an image of brands in the electricity sector is that opportunities to build up emotional factors are few. Mostly because consumer “never interact with electricity without going first through another brand” (S3). For that reason, the electricity companies are not able to interact with the customers and they “need to find ways to get closer [...] by some means” (S3). However, the since the participants in the consumer groups in study 3 had not given the subject much attention so far, they thought active competition might raise their awareness, or as one participant did put it: “If you would put electricity into a brand you would start thinking about it” (C7).

Special characters of electricity (discussed in paper 2) also make brand- and image building harder as “people just feel like the government provides it” (S1) and that provision of electricity is “between being a product and a tax in the minds of the consumer” (S1). Electricity is a product which customers experience as “one of taxation somehow without touch points” (S3) and a hard case for building a particular image in the view of the marketing specialist in study 2. Despite those difficulties, the specialists claim that image building is the main goal of the energy companies. The energy companies have started to prepare themselves for the years to come now that “they have started thinking differently since they realize that they are now in a competing market” (S2). As consumers are realising this fact, the major players on the market want to be sure that their customer feel like they are “in the right team” (S3).

Despite the above mentioned difficulties in building up a brand image in the electricity sector, the marketing specialists in study 2 are optimistic about the future. One asks: “Why should I not want to buy Vodaphone electricity just like Vodaphone telephone service? “ (S3). However, the participants in study 2 are somewhat unsure of how far brands in the electricity sector can be taken today and to what extend “people willing to except the brand and receive them.” (S2) That remains to be seen in the future, but the consumers in study 3 were not un receptive to idea of image in the electricity sector being important in the future. The vision of one of the younger participants, agreed on by most group members, sums up the outlook for the future: “What about in the future, like with electrical cars? When you will be buying packaging of electricity? Then you must have [...] retailers coming along. Then there must be competition” (C11). The green factor’s effect in differentiating electricity will be discussed in the next chapter.
Green factors

Green marketing has been an important academic research topic for at least three decades (Hartmann et al, 2005). Green power marketing is the act of selling electricity generated wholly or in part from renewable sources (Bird, Wustagen, & Aabakken, 2002). In the energy sector, the “green” concept is central as environmental issues are most likely more important in the energy sector than in any other sector because of the large scale effect production and use of energy has on the environment (Bird et al, 2002).

One way to differentiate electricity is by the way it is made. Usually when electricity is differentiated in technical terms, only the border between consumer and supplier is considered. That is, the differentiation factor is unrelated to electricity generation. In the case of green electricity, however, the production method is at the core of the product. As a consequence, the power of green electricity creates a non-physical relationship between the consumer and the producer (Markard & Bernhard, 2006) that can be termed as emotional factors. The emotional part of the green energy message can emphasise customers feeling of well-being (“warm glow”), for being socially responsible by consuming green brands. Additionally, sensations and feelings are enhanced by a perceived experienced through contact with nature (Hartmann et al, 2005).

That being said, green issues are not the central issue of this paper. One can, however, not omit the discussion all together because of its importance on the research subject. For the most part, the participants in the research were cognisant of the environmental factors of electricity. Nevertheless, the discussion was not salient in the studies. The most likely explanation for that is that a vast majority of homes in Iceland use renewable energy. The discussion on electricity made from, for example, coals and nuclear energy, is a rather distant one and the participant had limited desire to discuss it. Despite that, however, many of the participants stated that they were willing to pay a higher price for electricity if it would be a green one and many of them very much favoured the green concept in general.

Differentiation is an important factor of the branding building aspect of electricity provision. However, it can not be looked at in isolation as other important aspects affect consumer behaviours. In this research, price, switching intention and customer repurchase were estimated to be particularly important. However, due to length constraints in this conference paper, discussion on those factors will not be presented at this time. None the less, for a holistic affects the following short summary is presented.

Price was mentioned as the number one factor for the participants, in the consumers groups in study 3, to consider switching to a new supplier followed closely by trust. A distant third was the ease of switching, but that only mattered to the participants as long as the first two factors (price and trust) where in order. There was a certain paradox in the relationship between prices and switching behaviours as many participants distrusted the lowest price provider and some actually suggested that the cheapest option might have some “catch to it” (C5) that would make it inaccessible. Trust was therefore important and in fact trust is a dominant antecedent of repurchase intentions (Doney & Cannon, 1997). Despite participant’s strong opinions on a low price, the participants in this research, that always hinged on a trusted supplier. It is simply not enough in this business to offer a low price because of the high importance of the product.
Final words

The above discussion is based on an analysis of the interviews and focus groups conducted for this paper. Analysis and discussion is presented along with a theoretical overview in each chapter in this paper. A further final analysis in a separate discussion chapter is therefore redundant. However, it is worth noting that the research supports to a large extent previous studies. Even so, it is interesting to note the extreme importance that is placed on price and trust, and to a lesser extent the importance of satisfaction and image. Those results are specific for branding of commodities and will be the focus of future research. Collection of empirical data from a quantitative study is in preparation which will no doubt give better insight into branding of energy. A subject that is particularly important for Iceland as exports of electricity are in sight whereby understanding and applying industry specific information will be imperative.
References


