



Department
of Energy &
Climate Change

RESEARCH SUMMARY

Energy saving home improvements - consumer preferences for incentives

Analysis of omnibus survey questions

May 2014

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Introduction

This research summary presents the key findings from research commissioned by the Department of Energy and Climate Change during November 2013. The research consisted of a series of questions placed on the GfK telephone omnibus survey on two separate occasions. Both pieces of research were designed to contribute to the evidence base for Green Deal and to inform particular aspects of Green Deal policy design. The Green Deal, with the Energy Company Obligation, is an ambitious and long-term initiative designed to upgrade the energy efficiency of Britain's homes.

The first piece of research aimed to explore customers' preferences for energy saving home improvement measures in the presence of an upfront discount versus a loan with a 0% interest rate. This was to gauge consumer preference for subsidised improvements versus a subsidised loan. The second piece of research looked at willingness to consider energy saving home improvements in the presence of different incentive offers and attitudes and awareness around Energy Performance Certificates (EPCs).

Methodology

The research consisted of a telephone omnibus survey of 1000 participants aged 16 and over across the UK. The fieldwork for the first piece of research was conducted between 15th and 17th November 2013. The second piece of research was conducted between 22nd and 24th November.

The sample is obtained by using "Random Digit Dialling". The sample is representative of adults aged 16+ in telephone owning households in the UK. Random Digit Dialling means random selections of phone numbers are selected from residential directories, and the last digit is then changed by adding a '1' for example if the last digit of a phone number is '6' then this will be changed to a '7'. Quotas are set for age, sex, class and region.

In both cases although the full set of questions were asked to all participants, appropriate questions were included to ensure the analysis could filter out those people who stated that they were not responsible for making decisions relating to purchases about their home and people who didn't own their accommodation. This is because it was felt that these people are less able to make decisions about installing and paying for energy saving home improvements. The remainder of this report focuses on findings for owner occupiers and decision makers in the household. Given this, the total weighted sample size for analysis is 566 participants for the first omnibus and 520 for the second.

A copy of the full questions can be found in the annexes. The financial offers shown in the questions were based on examples calculated by DECC economists. Interviewers were provided with additional details if respondents needed more information to answer the questions. For example if required, respondents were told that they could finance the improvements from any source, including savings, a loan or mortgage extension. If necessary they were also told what the monthly repayments would be on the loan in the examples given in the questions.

Caveats of the research

It is important to note that the constraints associated with using an omnibus survey meant that it wasn't possible to tailor the questions to those people who actually needed energy saving home improvements or were interested in improving the energy efficiency of their home. The first omnibus asked very specifically about needing a new energy efficient boiler. This was asked hypothetically - respondents were asked to imagine they needed a new boiler. A boiler was chosen as previous research has shown that it is a popular measure and one that most people understand without further explanation. The second omnibus questions asked people to think more broadly about a package of energy saving home improvements but were not given detail as to what this package might consist of. Given the telephone methodology, a short description focusing on energy efficiency (with reference to a Government scheme) was used rather than a fuller description of Green Deal. It was not made explicit to respondents that the loan would be a 'Green Deal' loan. It is possible that responses would have differed if further explanation had been provided.

A number of demographic questions were included in the survey but in many cases the cell sizes were too low to allow for meaningful analysis. This summary focuses on the overall results. However, the full data tables are available as an annex to this report.

Key findings

Paying for energy saving home improvements - preferences for discount versus interest free loan

Under the hypothetical scenario of needing a new boiler costing £2500, respondents were asked questions to determine their preference for a discount off the cost of the improvement or an interest free loan.

Under the first scenario people were offered a discount of £600 off the cost of the measure, requiring them to fund £1900. Alternatively they could pay a smaller amount upfront (£1350) and finance the remaining £1150 over 12 years at 0% interest. Under the second scenario they were offered a greater level of discount (£1100), requiring them to fund £1400 themselves. Alternatively they could choose to pay nothing upfront and finance the full amount using an interest free loan over 12 years.

Figure 1 – Preferred offer type for boiler purchase –discount versus 0% loan (scenario 1)

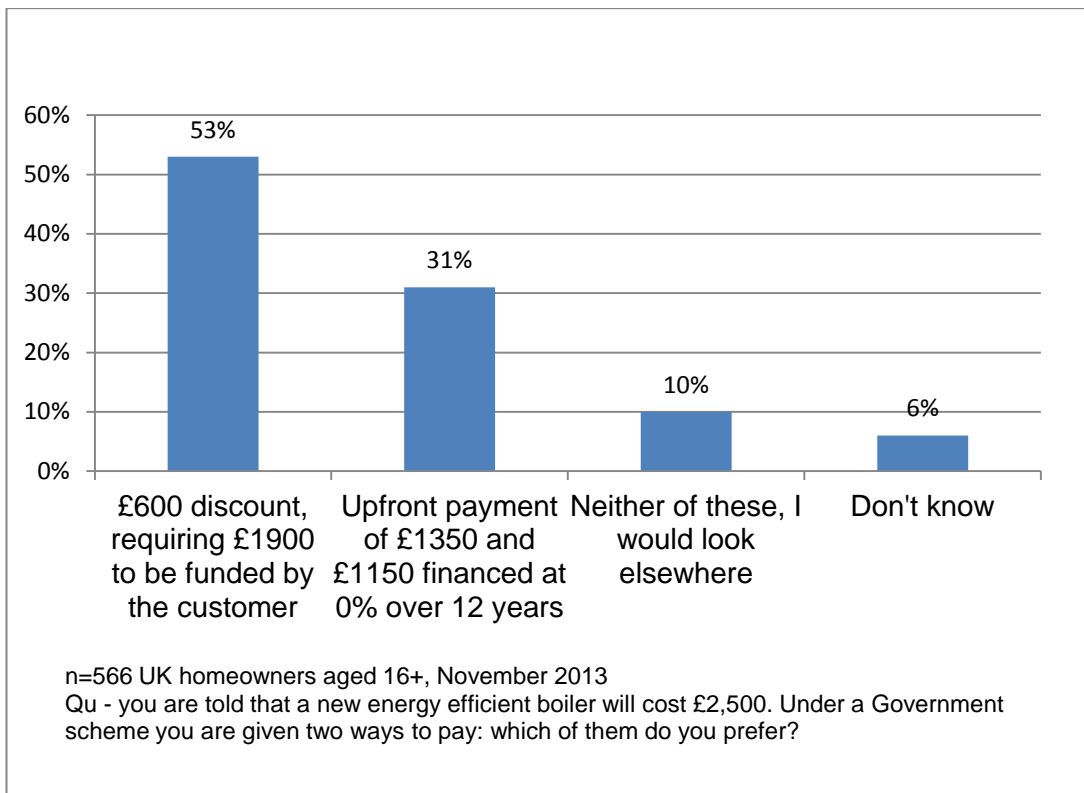


Figure 1 shows that in the first scenario over half of respondents preferred the upfront discount (53%). Just under a third (31%) preferred the interest free loan, whilst 10% could not choose between either and said they would look elsewhere¹ and 6% did not know.

¹ This response option was not offered to respondents. It was only coded if answered spontaneously

Figure 2 – Preferred offer type for boiler purchase –discount versus 0% loan (scenario 2)

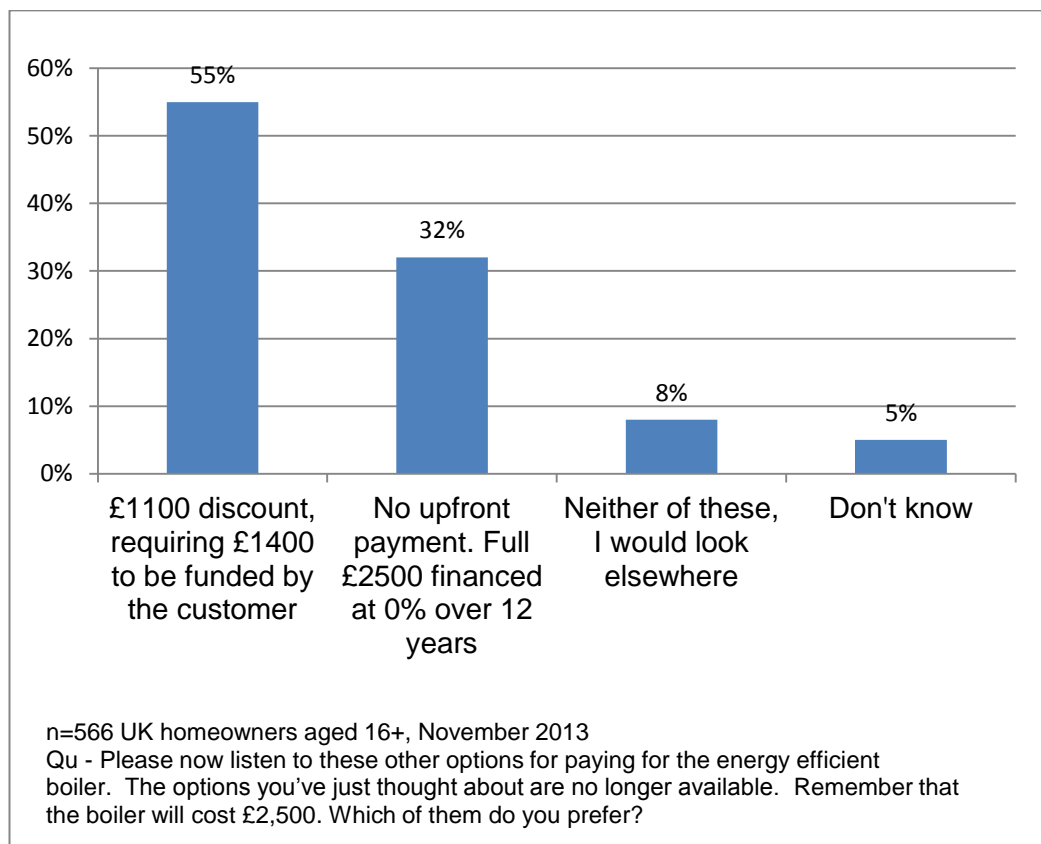


Figure 2 shows how the preferences differed under scenario 2. When offered a greater level of upfront discount versus no upfront payment and the full amount to be financed interest free over 12 years, the preference for the discount option became slightly greater. 55% of respondents preferred this option, compared to 32% preferring the 100% loan option. In this scenario 8% chose neither and would look elsewhere and 5% did not know.

Previous research has shown that upfront cost is a barrier to people taking up energy saving home improvements (e.g. DECC 2011²). These findings suggest that despite the requirement to find more money upfront, a discount is more appealing compared to spreading the payments over time with no upfront payment.

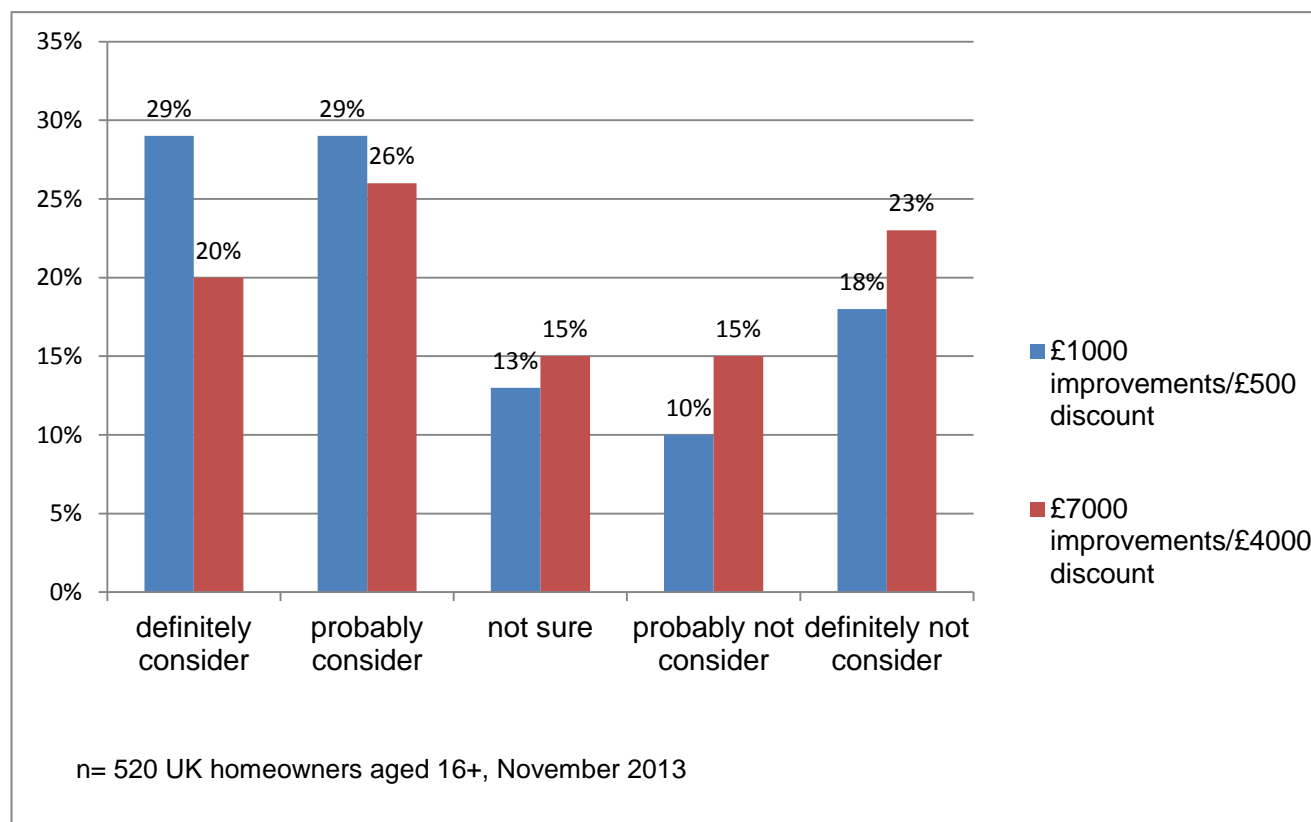
Willingness to consider energy saving home improvements under different incentive offers

Questions were asked to establish how likely people are to consider a package of energy saving home improvements costing £1000 if they received a cash back voucher to the value of £500 (representing an incentive of 50%). Results, detailed in figure 3, showed that 58% of respondents said they would consider this, with 29% definitely considering. 28% would not consider and 13% were not sure. When the cost of the improvements was greater (£7000) and

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43015/3502-green-deal-consumer-survey-findings.pdf

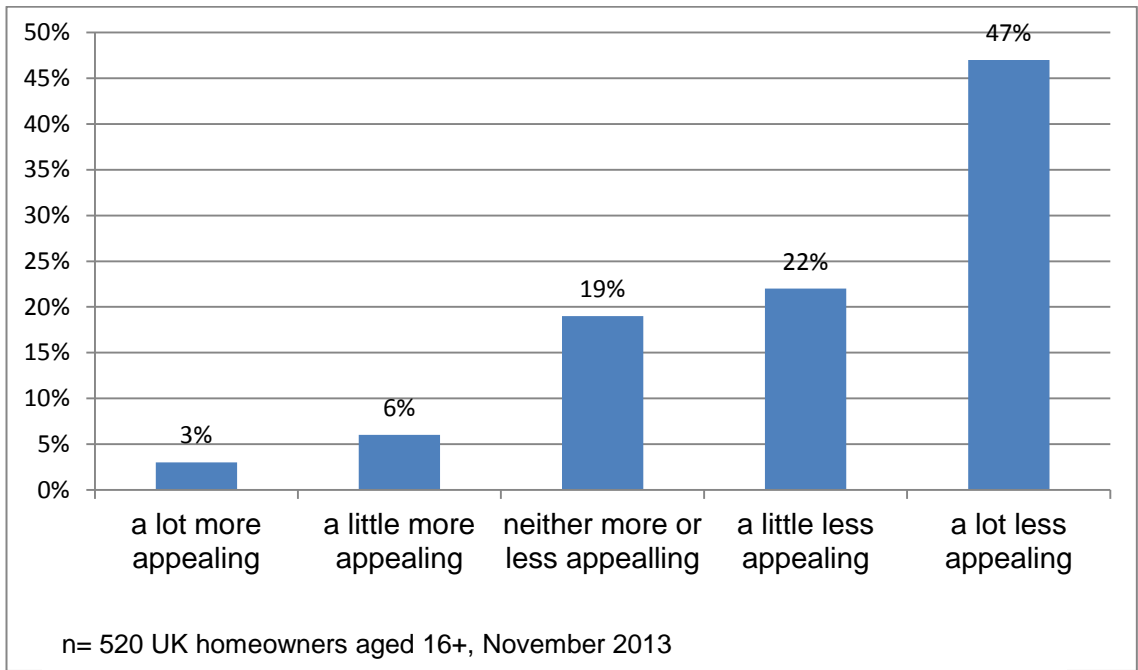
the cash back voucher was for £4000 (representing an incentive of 57%) the amount of people who would consider this fell to 46% with 38% claiming they would not consider it.

Figure 3 – Willingness to consider energy saving home improvements under different cost and incentive scenarios



The two scenarios were rotated so that respondents did not all see them in the same order. Depending on the scenario they were provided with first, respondents were asked how much more or less appealing it would be to receive the money after they had installed and paid for the improvements, rather than receiving the money as a discount upfront. As figure 4 shows, the option to receive the cash back after they have installed and paid for the improvements is considerably less appealing than receiving the cash back as a discount off the original cost of the improvements. 69% of respondents found receiving the cash back post installation to be less appealing, with only 9% finding this more appealing.

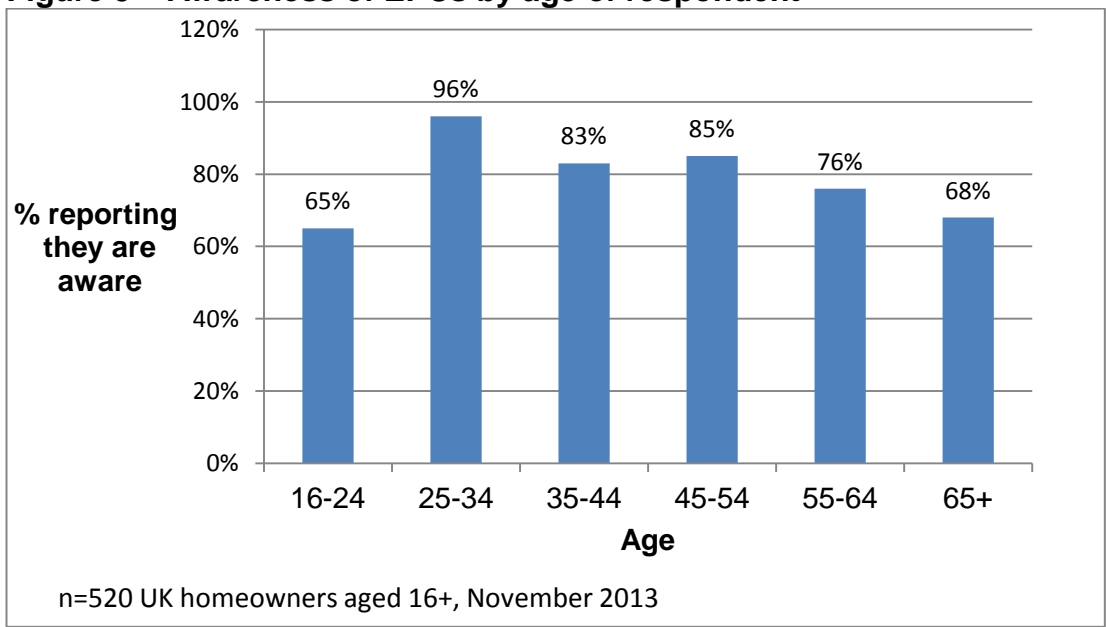
Figure 4 – Appeal of receiving the cash back after installing rather than a discount upfront



Awareness of Energy Performance Certificates (EPCs)

Overall, 79% of respondents are aware of what an EPC is, whilst 21% are unaware.

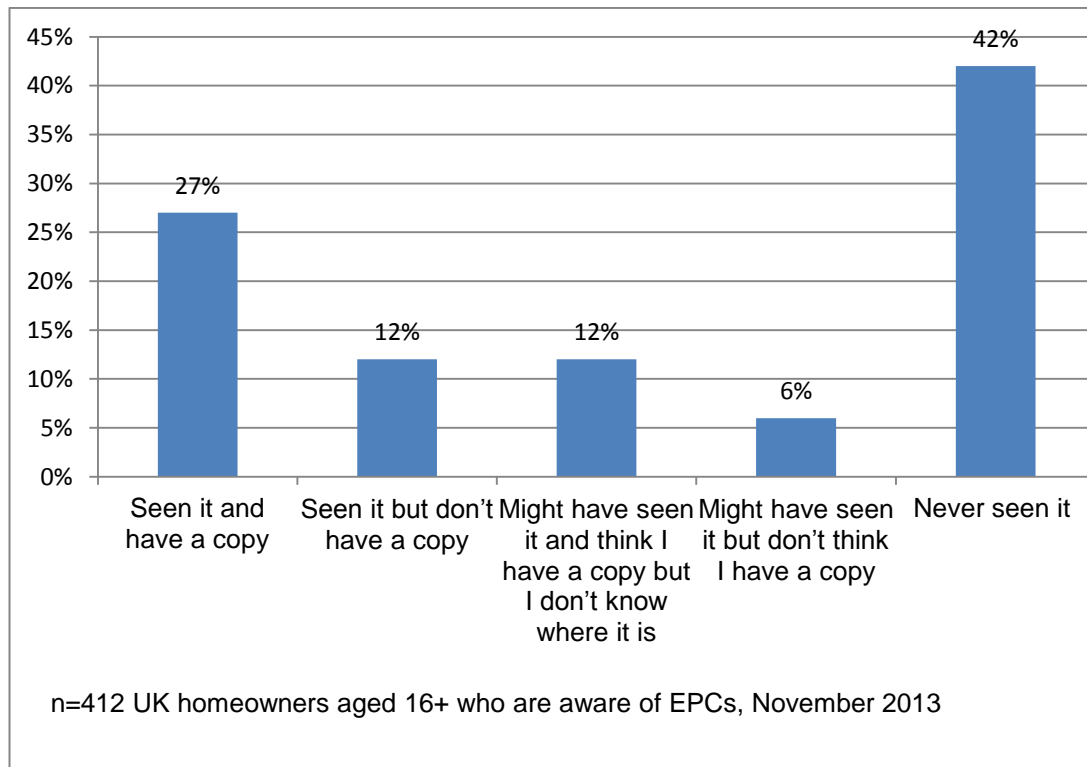
Figure 5 – Awareness of EPCs by age of respondent



As figure 5 shows, awareness was highest among 25-34 years olds (96%) but tended to decrease with age, with 68% of over 65s being aware.

Awareness was significantly higher in the working population (89%) compared to the non-working population (69%). Awareness was also much higher when there were children in the household (87%) compared to 76% without children.

Figure 6 – Recollection of seeing EPCs among those who are aware of EPCS



As figure 6 shows, of those who are aware of EPCs the majority (42%) have never seen it. 39% claim that they have seen it (although not all of these people have a copy of it – only 27% have seen it and have a copy). A further 18% might have seen it but did not have a copy or don't know where it is.

Of those who are aware and seen their EPC 53% did not know the banding and 9% responded "do not know" when answering the question. Of those who gave a banding the majority thought their property was rated B or C. We have not attempted to establish the factual accuracy of these responses.

ANNEX A: omnibus questionnaire – discount vs loan November 2013

The next few questions ask about home improvements

A 1 In which of these ways do you occupy this accommodation?

INTERVIEWER: THIS APPLIES TO THE TENURE OF THE HOUSEHOLD AS A WHOLE, AND NOT THE RESPONDENT'S STATUS

READ OUT

Owned outright
Buying with the help of a mortgage or loan
Buy part rent part mortgage (shared ownership)
Rented from private landlord
Rented from Local Authority
Rented from Housing Association
Other

A 2 And can I just check, are you the person in whose name this accommodation is owned or rented, or their partner?

Yes
No

A 3 And are you wholly or jointly responsible for making decisions about your home and accommodation? IF NECESSARY: By that I mean decisions related to major purchases for your home, home improvements, moving house, and things like that.

Yes
No

I'd like you to think about making improvements to your home, and to imagine that you were looking to install a new energy efficient boiler.

<IF TENANT AND/OR NOT BILL PAYER OR PARTNER> I understand that these questions are hypothetical for you, but I'd like you to answer thinking about a position where you were to make a decision about a new boiler in your home.

<ALL> It doesn't matter if you don't have gas central heating, or if you have recently installed a new boiler. <Again> I'd like you to think about what you would do if you were to install a new boiler.

IF NECESSARY: Please don't think about a situation where the original boiler had broken down and you needed to replace it quickly, but instead that you want to upgrade it.

DO NOT ROTATE ORDER OF PRESENTATION OF QUESTIONS

A 4 You are told that a new energy efficient boiler will cost £2,500.
Under a Government scheme you are given two ways to pay: which of them do you prefer?

READ OUT

You will get a discount of £600 meaning you will pay £1900 which you would need to finance yourself

You pay £1350 upfront and make monthly repayments on the remaining £1150 at 0% interest over 12 years

(DO NOT READ OUT) Neither of these, I would look elsewhere

(DO NOT READ OUT) Don't know

IF NECESSARY:

- you could finance the improvements from any source, including savings, a loan or mortgage extension
- If you took out the interest free loan, monthly repayments would be £8 per month

A 5 Please now listen to these other options for paying for the energy efficient boiler. The options you've just thought about are no longer available. Remember that the boiler will cost £2,500.

READ OUT

You will get a discount of £1100 meaning you will pay £1400 yourself

You pay nothing upfront and make monthly repayments on the full £2500 at 0% interest over 12 years

(DO NOT READ OUT) Neither of these, I would look elsewhere

(DO NOT READ OUT) Don't know

IF NECESSARY:

- you could finance the improvements from any source, including savings, a loan or mortgage extension
- If you took out the interest free loan, monthly repayments would be £17 per month

ANNEX B: omnibus survey questionnaire – cash back and EPCs November 2013

The next few questions ask about home improvements

<IF TENANT AND/OR NOT BILL PAYER OR PARTNER> I understand that these questions are hypothetical for you, but I'd like you to answer thinking about a position where you were to make a decision about energy saving improvements in your home.

1. And can I just check, are you the person in whose name this accommodation is owned or rented, or their partner?
Yes
No
2. And are you wholly or jointly responsible for making decisions about your home and accommodation? IF NECESSARY: By that I mean decisions related to major purchases for your home, home improvements, moving house, and things like that.
Yes
No
3. I'd like you to think about making improvements to your home and imagine that you have been recommended a package of energy saving home improvements suitable for your property. The value of the improvements you need is £1000. Under a Government scheme you are offered some financial help. You will receive a voucher which entitles you to a discount of £500 off the cost of the improvements.

How likely would you be to consider making the recommended improvements to your home with this offer?

Definitely consider
Probably consider
Not sure
Probably not consider
Definitely not consider

4. Now consider the same situation, you still need improvements costing £1000 and have been offered £500 but this time you will receive the money after you have installed and paid for the improvements. How more or less appealing is this option than the option you just considered?

A lot more appealing
A little more appealing
Neither more or less appealing
A little less appealing
A lot less appealing

<Add interviewer note about now ask you same question for different amount>

I'd like you to think about making improvements to your home and imagine that you have been recommended a package of energy saving home improvements suitable for your property. The

value of the improvements you need is £7000. Under a Government scheme you are offered some financial help. You will receive a voucher which entitles you to a discount of £4000 off the cost of the improvements.

5. How likely would you be to consider making the recommended improvements to your home with this offer?

Definitely consider
Probably consider
Not sure
Probably not consider
Definitely not consider

6. Now consider the same situation, you still need improvements costing up to £7000 and have been offered £4000 but this time you will receive the money after you have installed and paid for the improvements. How more or less appealing is this option than the option you just considered?

A lot more appealing
A little more appealing
Neither more or less appealing
A little less appealing
A lot less appealing

Interviewer notes

- If needed – include guidance that energy saving home improvements could include for example, a new boiler and insulation.
- *If needed - In 2 the cash back would be paid directly into the bank account within 4 weeks of the improvements being paid for*
- *If needed – In 2 you could finance the improvements from any source, including savings, a loan or mortgage extension*

<ROTATE questions (3 and 4) and (5 and 6)

7. Are you aware of what an Energy Performance Certificate (EPC) is?

> You may have seen these attached to the particulars of properties which are for sale or to rent. They tell you how energy efficient the property is using bands where A is the most energy efficient and G is the least energy efficient. The bands are shown as coloured arrows and the EPC clearly shows which band the property sits in. The coloured arrows look a bit like the signs you sometimes see on the front of electrical appliances like fridges and washing machines.

- a) Yes
b) No

Ask Q8 if yes at Q7

8. Have you seen or do you have a copy of the Energy Performance Certificate (EPC) for your property?
I have seen it and I have a copy
I have seen it but I don't have a copy
I might have seen it and I think I have a copy but I don't know where it is

I might have seen it but I don't think I have a copy
I have never seen it

Ask Q9 seen EPC for their property

9. Do you know the EPC banding of your property?

Yes - A

Yes - B

Yes - C

Yes - D

Yes - E

Yes - F

Yes - G

Don't know

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