

●Introducing the UK Home attitudinal segmentation

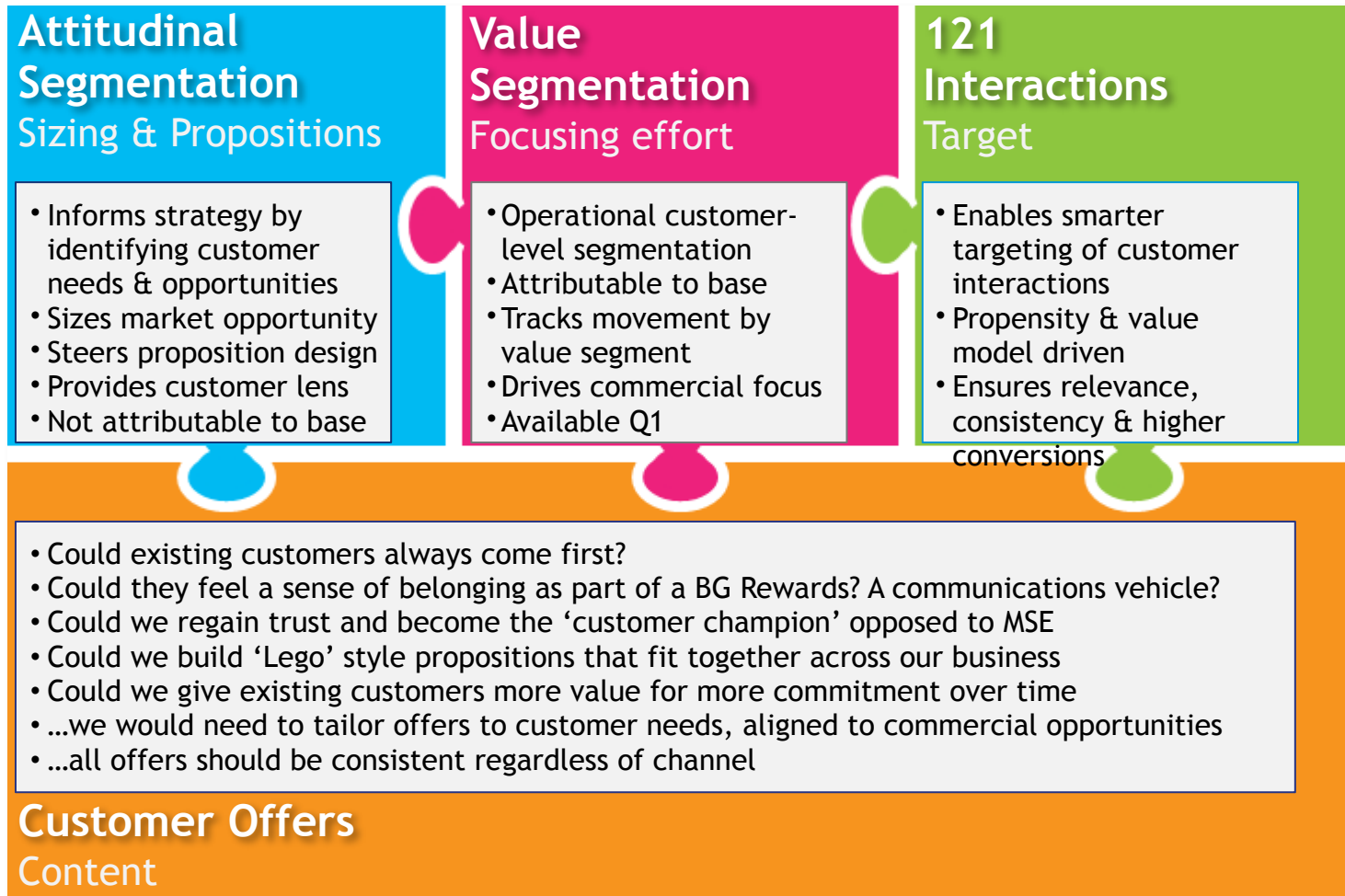
●February 2017



- **Segmentation overview**
- Introducing the attitudinal segments
- Identifying commercial opportunities

- **Agenda**

We have the tools to build our strategy and propositions relevant to our segments needs. We should focus efforts where the greatest value is with smarter targeting.



Quantitative analysis has revealed five key areas, now including Price Sensitivity, which help identify a consumer type



HOME ENGAGEMENT



RISK AVERSION



FINANCIAL CONSTRAINT



TECH SAVVINESS



PRICE SENSITIVITY

Eight attitudinal segments allow us to differentiate customer needs

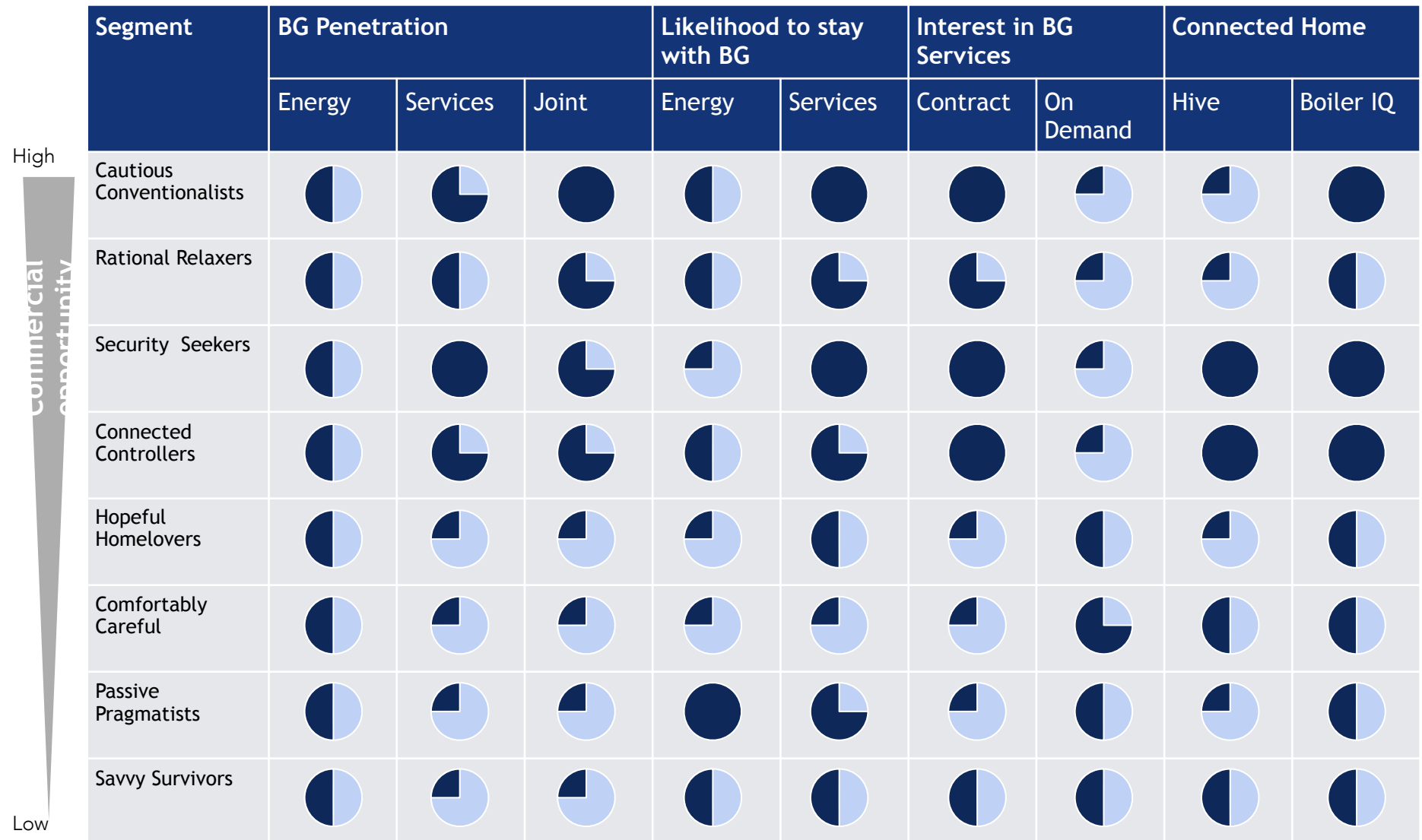
High

Commercial
opportunity

Low

Segment	Who are they?	UK households	Relationship to property	
			Home Owner	Tenant
Cautious Conventionalists	<ul style="list-style-type: none"> •Need to ensure important things in life are looked after. •View change as very disruptive, prefer trusted suppliers •Understand benefits of technology but struggle to use it 	3.14M	88.5%	11.5%
Rational Relaxers	<ul style="list-style-type: none"> •Having fun & enjoying life are important, relaxed about money •Like the peace of mind given by insurance •House represents a life ambition - very keen on DIY 	4.37M	61.4%	38.6%
Security Seekers	<ul style="list-style-type: none"> •Planners who like to feel informed and in control. •Seek to avoid stress at all costs; highly organised. •Strong connection to home, investing time & effort in it. 	3.30M	67.4%	32.6%
Connected Controllers	<ul style="list-style-type: none"> •Like things to go their way and to be prepared. •Get excited about technology. •Use technology to mitigate against the unexpected. 	3.78M	52.5%	47.5%
Hopeful Homelovers	<ul style="list-style-type: none"> •Love their homes but don't obsess about perfection. •Home is a haven. •Not worried about the future - financially secure. 	2.99M	81.6%	18.4%
Comfortably Careful	<ul style="list-style-type: none"> •Keen to ensure value for money, but will pay for quality. •Relaxed attitude to the future. 	3.06M	72.3%	27.7%
Passive Pragmatists	<ul style="list-style-type: none"> •Functional view of their home. •Don't need to budget, but seek competitive pricing. •Grateful for the things they have in life. 	2.83M	77.4%	22.6%
Savvy Survivors	<ul style="list-style-type: none"> •Live life on a day to day basis. •Busy lifestyles, juggling work, family and the home. •Focussed on making ends meet. 	4.57M	40.5%	59.5%

The attitudinal segmentation helps us to understand where to play



- Segmentation overview
- **Introducing the attitudinal segments**
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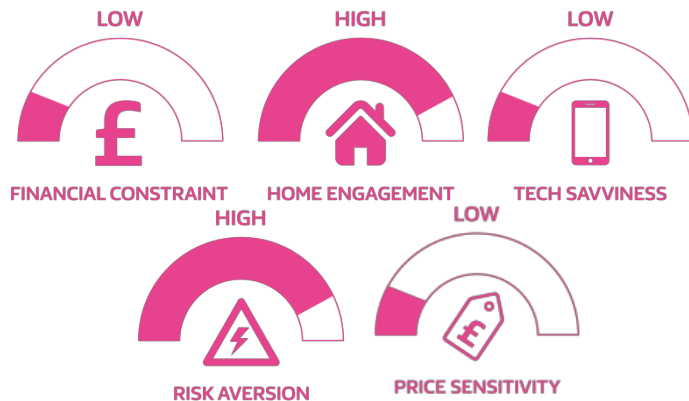
Introducing the Cautious Conventionalists

Traditional creatures of habit



How are Cautious Conventionalists different?

- Traditional
- Careful
- Habitual
- Seek Reassurance



Low Tech Savviness

- Struggle with tech
- Rather make a phone call than manage accounts online.



Low Financial Constraint

- Recognise the comfort financial stability affords
- Don't need to worry about paying bills, or covering unplanned expenses
- Good value is still hard for them to find

Energy needs

- Non-digital channels still hugely valued
- Happy to pay more for good value i.e. a trusted expert

36%

BG Energy penetration

Services needs

- Cover promises a speedy return to normal / routine, which is comforting as they dislike change

33%

BG Services penetration

Smooth Running...

- A warm and working home
- Confidence that if things go wrong, they'll be fixed quickly
- Services and Propositions on their terms

2.8m

Homeowners UK Pop

0.4m

Tenants UK Pop

Commercial Opportunities

- Retain through BG Rewards
- Reassure through Services contract
- Reassure through Boiler IQ & Smart

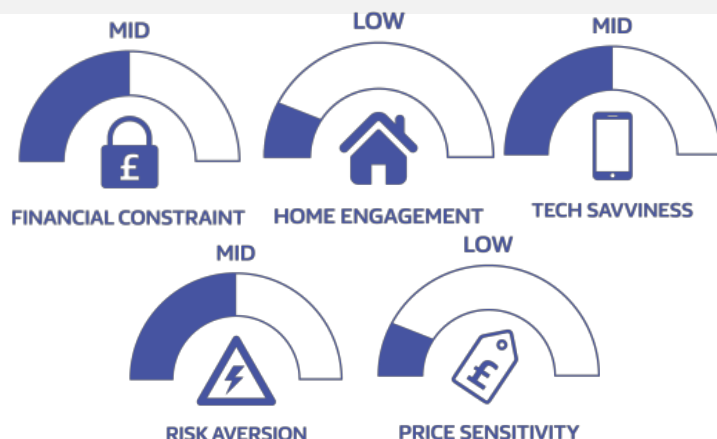
Introducing the Rational Relaxers

Laidback, functional, enjoyers of life



How are Rational Relaxers different?

- Spontaneous
- Laidback
- Hardworking
- Functional



Low Price Sensitivity

- They are aware that they don't want to and are unwilling to compromise on quality
- They like to feel savvy with money and they don't like the idea of being ripped off



Low Home Engagement

- Home engagement is low, though this is more pragmatic than emotional
- Home represents more than bricks and mortar - it's about the community



Energy needs

- Disengaged generally
- Don't understand the product and so find it confusing
- Don't always know where they stand

33%

BG Energy penetration

Services needs

- Feeling more comfortable with being able to repair things themselves
- All have people in their lives who can help in case of breakdown

15%

BG Services penetration

2.7m

Homeowners UK Pop

Smooth Running

- Being able to enjoy and indulge their lives
- Keep contact with providers at minimum
- Use their networks for fix and repair

1.7m

Tenants UK Pop

Commercial Opportunities

- Acquire through services contract
- Home IQ

Introducing the Security Seekers

In control; looking for reliability



How are Security Seekers different?

- Informed
- Prepared
- In control
- Seek reliability



High Risk Aversion

- Extreme planners
- Not spontaneous, prefer to look forward to things in advance



High Price Sensitivity

- Despite their low (to mid) financial constraint, they seek good value where they can
- It's important that money go as far as it can

Energy needs

- Simplicity
- Seek reassurance with tech products despite high interest

30%

BG Energy penetration

Services needs

- Cover means planning for the worst to avoid potential stress
- Open to bundling for the simplicity & control

18%

BG Services penetration

2.2m

Homeowners UK Pop

Smooth Running

- Confidence that if things go wrong they'll be fixed quickly
- To understand and monitor energy usage

1.1m

Tenants UK Pop

Commercial Opportunities

- Grow through X-sell CH full suite
- Acquire with Services & CH
- Energy & Services Bundle

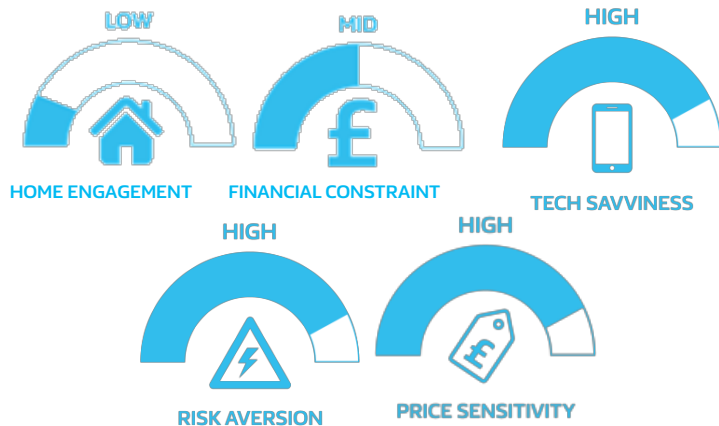
Introducing the Connected Controllers

Proactive, in charge and tech-adept



How are Connected Controllers different?

- Proactive
- In charge
- Tech adept



High Tech Savviness

- Get excited about tech; more than just a necessity, it enriches their lives
- Tech plays a key role in managing daily life

High Risk Aversion

- Like to feel in control and avoid risks, stick to the tried and tested
- Tech helps them achieve this. HIVE appeals for the peace of mind

Energy needs

- Provider with effective online account management options
- Smart meters + connected boilers appeal to tech interest

36%

BG Energy penetration

Services needs

- Peace of mind from services cover, both in the short term (emergencies) and long term (12 month guarantees)

15%

BG Services penetration

Smooth Running...

- Confidence that if things go wrong, they'll be fixed quickly
- To be able to monitor their home
- An efficient home
- Technology to control their home

2.8m

Homeowners UK Pop

1.8m

Tenants UK Pop

Commercial Opportunities

- Retain through CH full suite
- Create seamless digital experiences
- Grow through bundled products

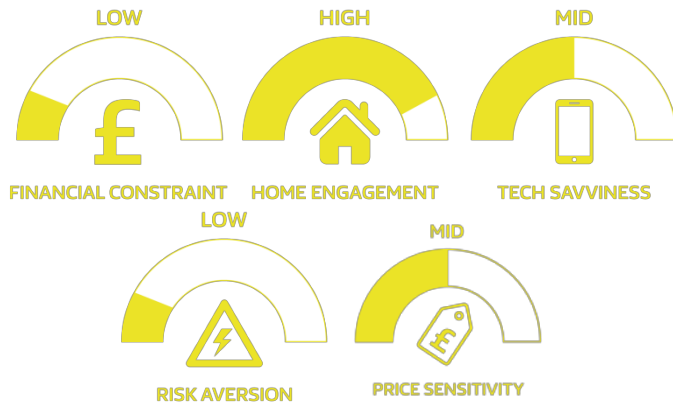
Introducing the Hopeful Homelovers

House proud and relaxed, with a positive outlook on life



How are Hopeful Homelovers different?

- Positive outlook on life
- House proud
- Relaxed



High Home Engagement



- Treasure time at home
- Love to entertain and take pride in home
- Lead busy lives. Home is their haven, but not their whole world

Mid Price Sensitivity



- Try not to think too much about the cost of things, but are careful
- Managing money responsibility without worrying about it too much

Energy needs

- Want provider they can trust (Big 6 or smaller)
- Seek transparency and simplicity in pricing + comms

Services needs

- Seek someone trusted, and who knows their home
- Often prefer a local tradesman

Smooth Running...

- Simple menu of tariffs
- To be told their on the best deal
- An efficient home

Commercial Opportunities

- Retain through BG Rewards
- Grow & acquire through Local heroes
- Acquire via partnerships

26%

BG Energy penetration

8%

BG Services penetration

2.4m

Homeowners UK Pop

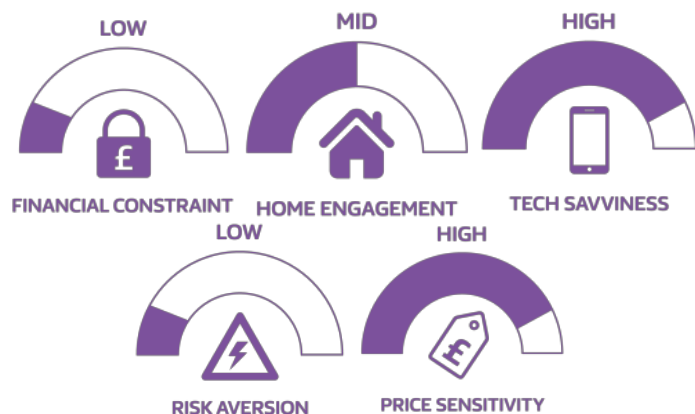
0.5m

Tenants UK Pop



How are Comfortably Carefuls different?

- Deal-seekers
- Tech Savvy
- Relaxed
- Organised



Low Financial Constraint



- They are organized and therefore keeping on top of outgoings but they're not worried about their finances particularly



High Tech savviness

- A real interest in tech and the latest gadgets
- They all have Smart phones - often the latest ones
- Have been investing in tech for a while

Energy needs

- Overall they have a lack of trust
- Feel they have a pretty functional to negative relationship with providers
- Low loyalty

21%

BG Energy penetration

Services needs

- There is a feeling that insurance companies take advantage of people
- They have a lot of faith in local tradesmen

6%

BG Services penetration

2.2m

Homeowners UK Pop

Smooth Running

- Trusted providers
- Value for money
- Organising outgoings to ensure they are always in a position of strength

0.8m

Tenants UK Pop

Commercial Opportunities

- Retain through BG Rewards
- Retain through CH bundle discounts
- Grow through Local heroes

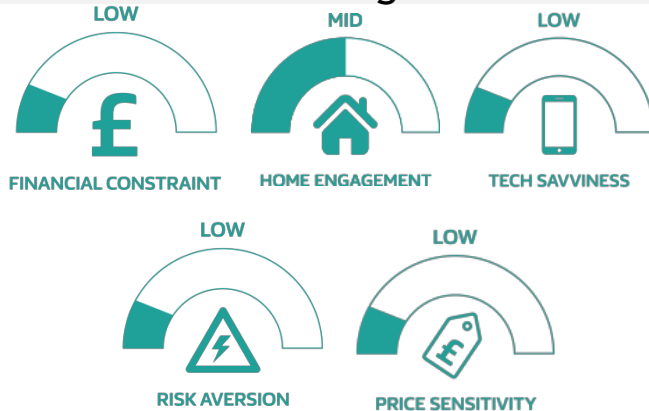
Introducing the Passive Pragmatists

Functional & low effort; looking for hassle-free options



How are Passive Pragmatists different?

- Functional
- Hands off
- Low engagement
- Delegators



Mid Home Engagement

- Home is a place of comfort and a family hub
- They describe their homes in practical, functional terms
- When things go wrong they simply deal with it



Low Tech Savviness

- Aren't too interested in technology, and as a result some also lack the technical ability
- Online usage mostly functional
- And technology within the home is limited

Energy needs

- Rational, practical approach to energy
- Low interest in energy products
- Seek no-fuss relationship with provider

26%

BG Energy penetration

Services needs

- Likely to deal with repairs quickly & on their terms
- Less driven by spreading cost in instalments

7%

BG Services penetration

Smooth Running...

- Value for money
- An easy and effortless relationship with their supplier
- It is achieved when everything is working & in its place

2.2m

Homeowners UK Pop

0.6m

Tenants UK Pop

Commercial Opportunities

- Fewer opportunities as group is disengaged
- Reassure through long term contracts & self-serve
- Promote on-demand to energy customers

Introducing the Savvy Survivors

Under financial pressure; living in the short-term



How are Savvy Survivors different?

- Pressured
- Deal-seeking
- Short term
- Canny



High Financial Constraint



- Driven by cost in many areas of life.
- Canny with money & seek out deals
- Saving is difficult and those that rent struggle to save in order to get onto the property ladder

Mid Price Sensitivity



- They do research to make sure that they're making the most of their money
- They'll seek unbranded cheaper alternatives, but there are some brands they will not deviate from

Energy needs

- Price driven; seek competitive price
- Seek rewards for loyalty
- Keeping track of spend

Services needs

- Insurance is reserved for the vital and/or big items
- Landlord taking on responsibility of insurances = key benefit to renting

Smooth Running...

- Value for money
- To run their homes efficiently
- Control over expenditure

Commercial Opportunities

- Reassure through Smart
- Prepay price cap
- Financial support

31%

BG Energy penetration

6%

BG Services penetration

1.9m

Homeowners UK Pop

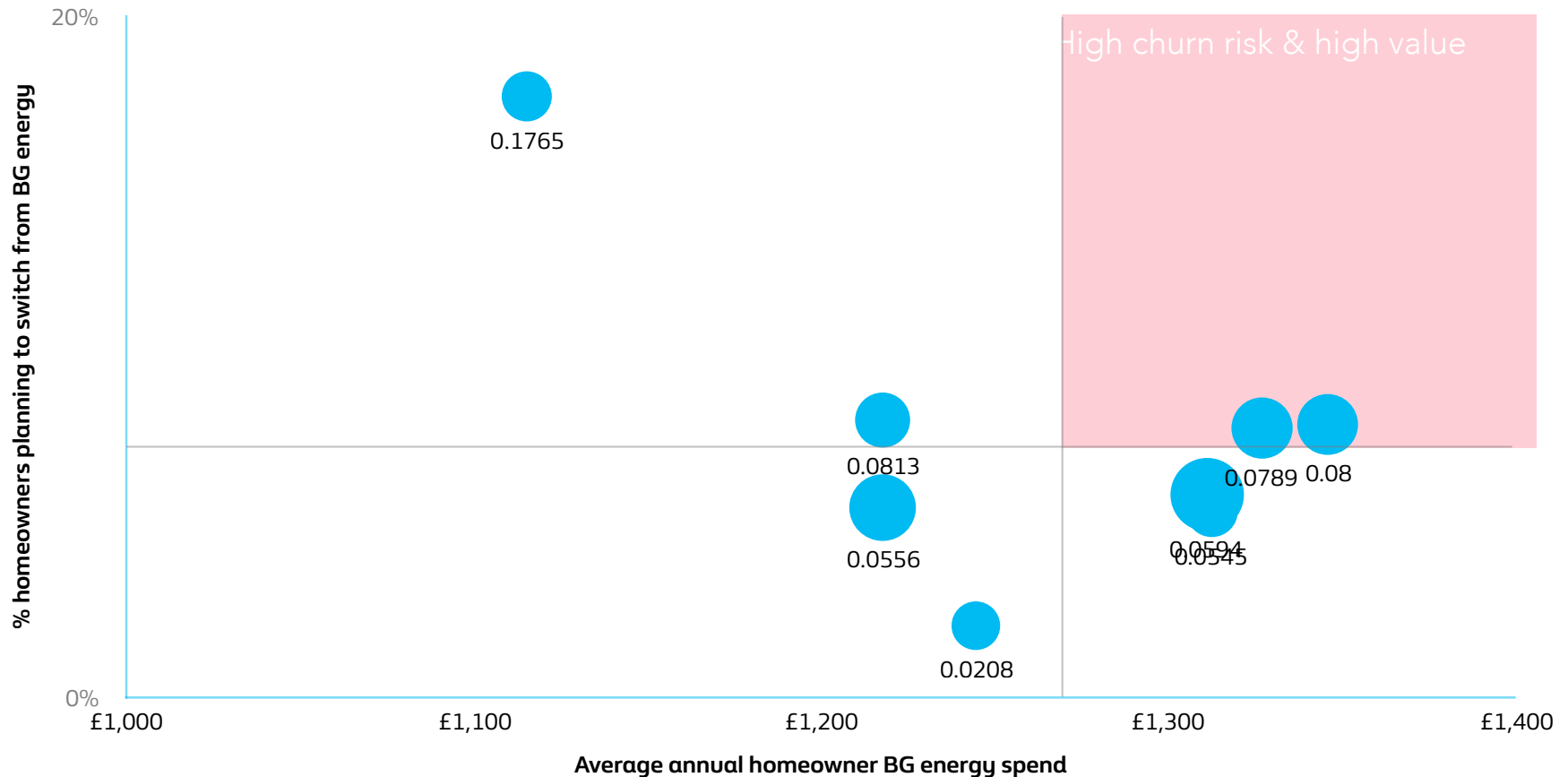
2.7m

Tenants UK Pop

- Segmentation overview
- Introducing the attitudinal segments
- **Identifying commercial opportunities**

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In energy, we can focus retention efforts on high value homeowners who have a greater likelihood of switching supplier



Bubble size denotes size of segment

Y-axis based on respondents scoring 1-3 out of 10 when asked 'How likely are you to remain with your current provider?' are classed as highly likely to leave

By considering areas of interest across the segments, we can focus our messaging and props on customers' specific needs

Wide appeal for price guarantees and free energy days

	Cautious Conventionalists	Rational Relaxers	Security Seekers	Connected Controllers	Hopeful Homelovers	Comfortably Careful	Passive Pragmatists	Savvy Survivors
Energy price guarantee	7.5	6.3	8.3	7.9	7.0	7.3	5.9	7.3
Tariff choice	6.8	5.9	7.6	7.4	6.3	6.5	5.3	6.5
Free day of energy	7.4	6.4	8.4	8.0	7.2	7.3	6.0	7.7
Info on/ability to manage cost	5.5	5.4	6.9	7.0	4.9	5.1	3.9	6.1
Control of heating/hot water from phone/tablet	4.2	4.9	6.8	6.8	4.5	5.3	3.0	5.0
Technology that can alert before issues happen	6.6	5.7	7.9	7.5	5.9	6.3	4.7	6.1
Smart meter	6.3	5.7	7.8	7.4	6.1	6.6	4.7	6.7
Energy efficiency products/advice	5.9	5.5	7.2	7.1	5.6	5.7	4.4	6.0
Info/products to help run efficiently	6.1	5.6	7.3	7.2	5.5	5.8	4.3	6.1
Individual convenience	7.1	6.1	7.8	7.5	6.4	6.5	5.5	6.7
OAM/app to manage energy/services	5.0	5.4	7.3	7.2	5.3	6.1	3.9	5.7

Strong interest in connected boilers and smart meters

General lack of engagement across any option other than price guarantee/free day of energy

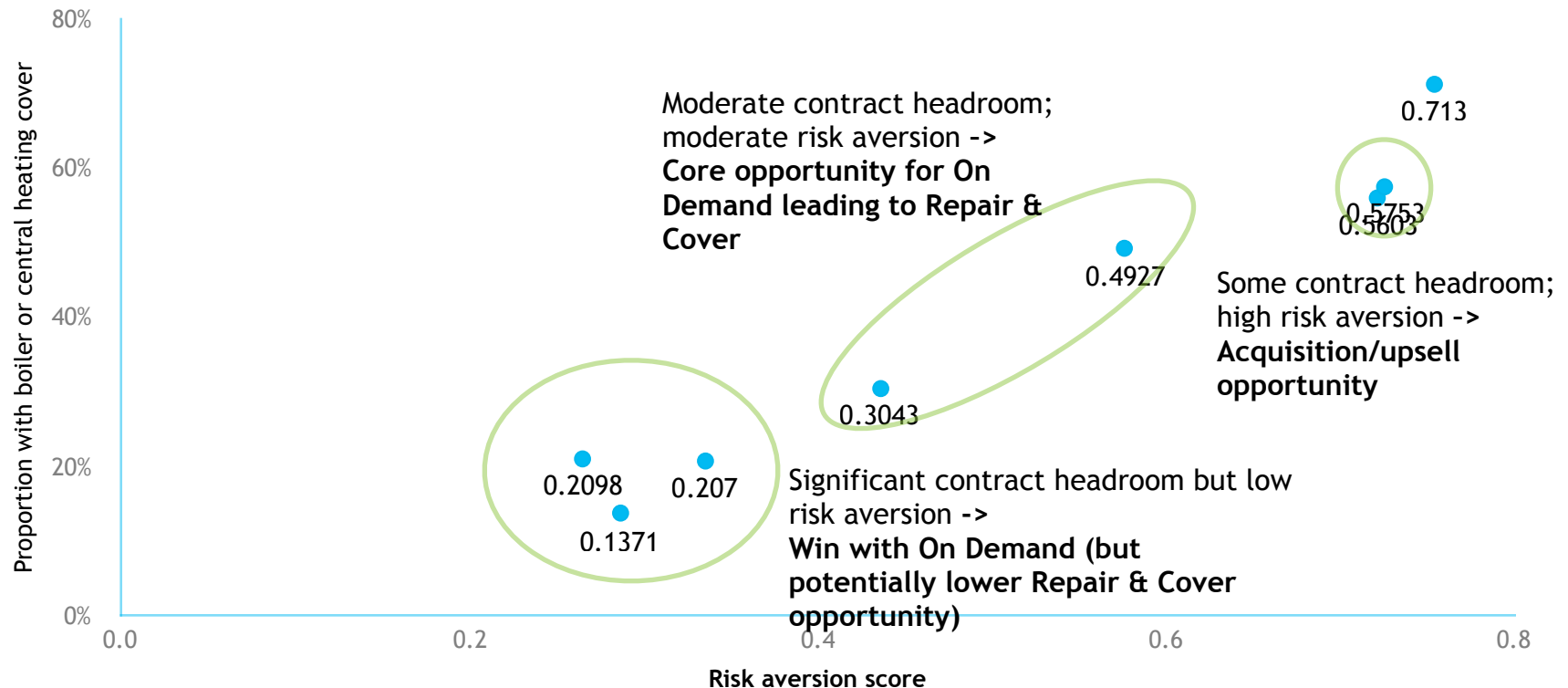
Value is the key driver of switching, but this is expressed differently across the segments. Security Seekers, Connected Controllers , Hopeful Homelovers & Savvy Survivors are particularly proactive.

Reasons for considering switching energy provider

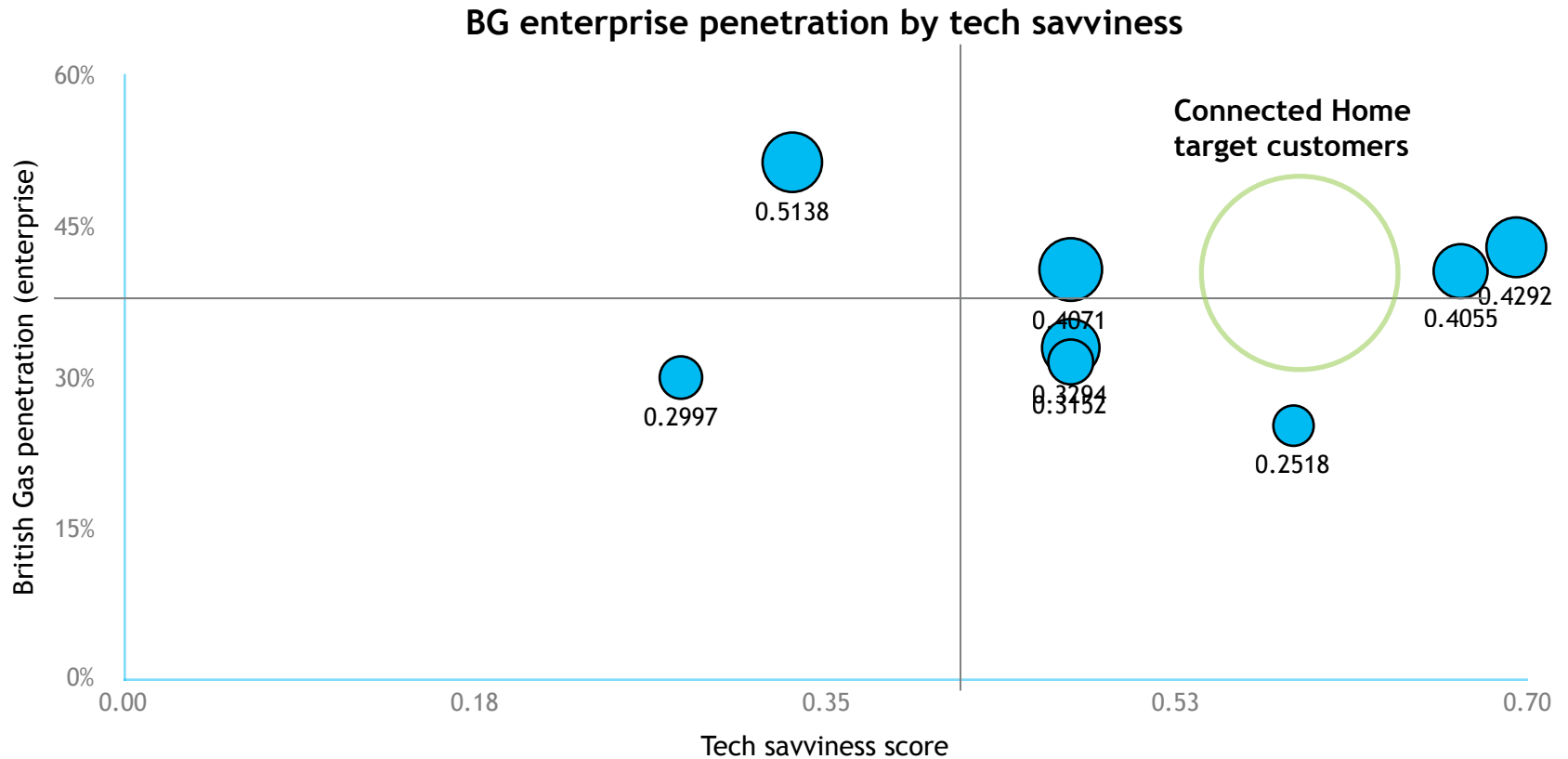
Segment	Not getting value for money	Will look for better option at roll off	Have checked market and know of better deals	Feel let down by current supplier's customer service
Cautious Conventionalists	3	1	2	5
Rational Relaxers	3	1	2	4
Security Seekers	3	2	1	4
Connected Controllers	4	2	1	3
Hopeful Homelovers	2	3	1	4
Comfortably Careful	3	1	2	4
Passive Pragmatists	3=	1	2	3=
Savvy Survivors	2	3	1	4

In services, risk aversion clusters differentiate markedly. Repair and Cover is a major opportunity for moderately risk averse segments

BCC/CHC uptake by risk aversion - Homeowners



High Tech Savvy segments with high BG penetration form the core target groups for growing Connected Home



While Smart and energy alerts have broad appeal, other connected home products need to be targeted at tech savvy segments

Tech savviness is a key criteria to assessing CH interest, though home engagement also plays an important part

	Segment	Technology dimension	High energy usage alerts	Connected boiler / alerts	Smart meter	Connected smoke / burglar alarm	Window / door sensors	Motion sensors	Active Lights	Remote heating control	Active camera	Smart plugs
More tech savvy ↑	Connected Controllers	0.69	7.7	7.5	7.4	7.3	7.0	6.8	6.8	6.8	6.6	6.4
	Security Seekers	0.67	7.9	7.9	7.8	7.4	7.0	6.9	6.9	6.8	6.5	6.0
	Comfortably Careful	0.58	6.7	6.3	6.6	6.0	5.5	5.3	5.2	5.3	5.1	4.4
	Savvy Survivors	0.47	6.8	6.1	6.7	5.9	5.5	5.2	5.2	5.0	4.9	4.4
Less tech savvy ↓	Hopeful Homelovers	0.47	6.2	5.9	6.1	5.3	4.9	4.8	4.6	4.5	4.5	3.7
	Rational Relaxers	0.47	6.0	5.7	5.7	5.4	5.1	5.0	5.0	4.9	4.8	4.6
	Cautious Conventionalists	0.33	6.6	6.6	6.3	5.1	4.6	4.5	4.3	4.2	4.1	3.3
	Passive Pragmatists	0.28	4.8	4.7	4.7	3.7	3.3	3.3	3.1	3.0	2.9	2.6

Connected boiler is the key proposition, along with home security devices

Higher appeal ← Lower appeal →

Plugs and cameras have lower levels of appeal

Application of the insight: Identifying commercial opportunities



CAUTIOUS CONVENTIONALISTS

1. Retain through BG Rewards
2. Reassure through Services contract
3. Reassure through Boiler IQ & Smart



RATIONAL RELAXERS

1. Acquire through services contract
2. Home IQ



SECURITY SEEKERS

1. Grow through X-sell CH full suite
2. Acquire with Services & CH
3. Energy & Services Bundle



CONNECTED CONTROLLERS

1. Retain through CH full suite
2. Create seamless digital experiences
3. Grow through bundled products



HOPEFUL HOMELOVERS

1. Retain through BG Rewards
2. Grow & acquire through Local heroes
3. Acquire via partnerships



COMFORTABLY CAREFUL

1. Retain through BG Rewards
2. Retain through CH bundle discounts
3. Grow through Local heroes



PASSIVE PRAGMATISTS

1. Fewer opportunities as group is disengaged
2. Reassure through long term contracts & self-serve
3. Promote on-demand to energy customers



SAVVY SURVIVORS

1. Reassure through Smart
2. Prepay price cap
3. Financial support



This gives us eight distinct segments. To validate the quantitative stats, we then met each segment in qualitative research.



CAUTIOUS CONVENTIONALISTS

Traditional, habitual, careful, want reassurance



HOPEFUL HOMELOVERS

Positive outlook on life, house proud & relaxed



RATIONAL RELAXERS

Laidback, functional, enjoyers of life



COMFORTABLY CAREFUL

Deal-seekers, tech savvy, relaxed, organised



SECURITY SEEKERS

Informed, prepared, in control, want reliability



PASSIVE PRAGMATISTS

Functional, low effort, low engagement, delegators



CONNECTED CONTROLLERS

Proactive, in control, tech-adept



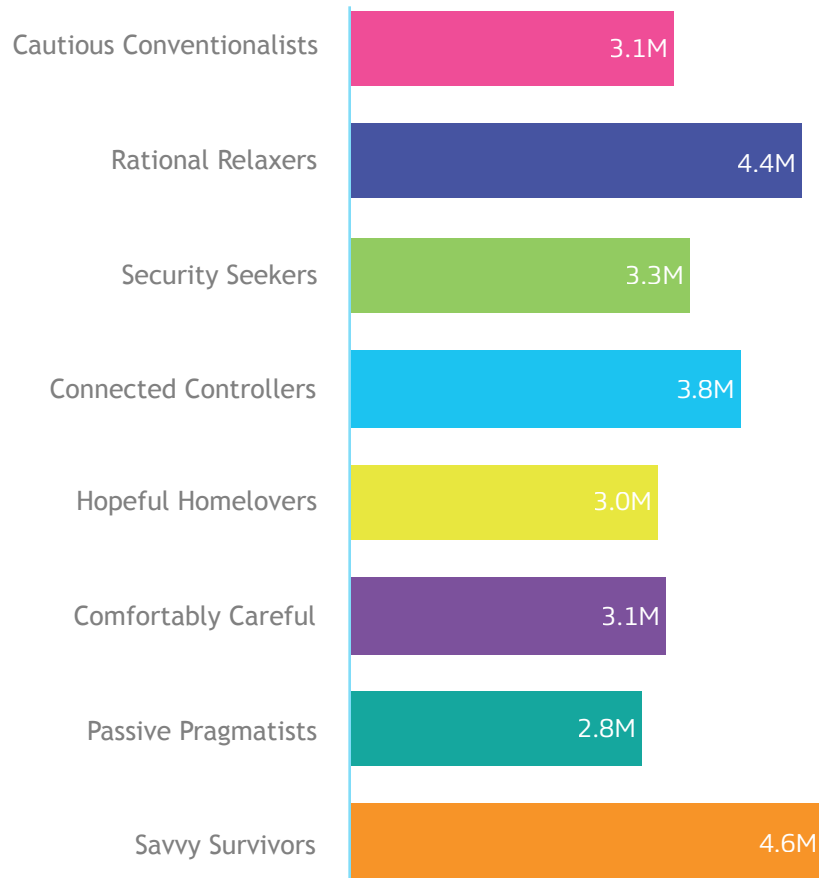
SAVVY SURVIVORS

Pressured, short term, deal seeking, canny

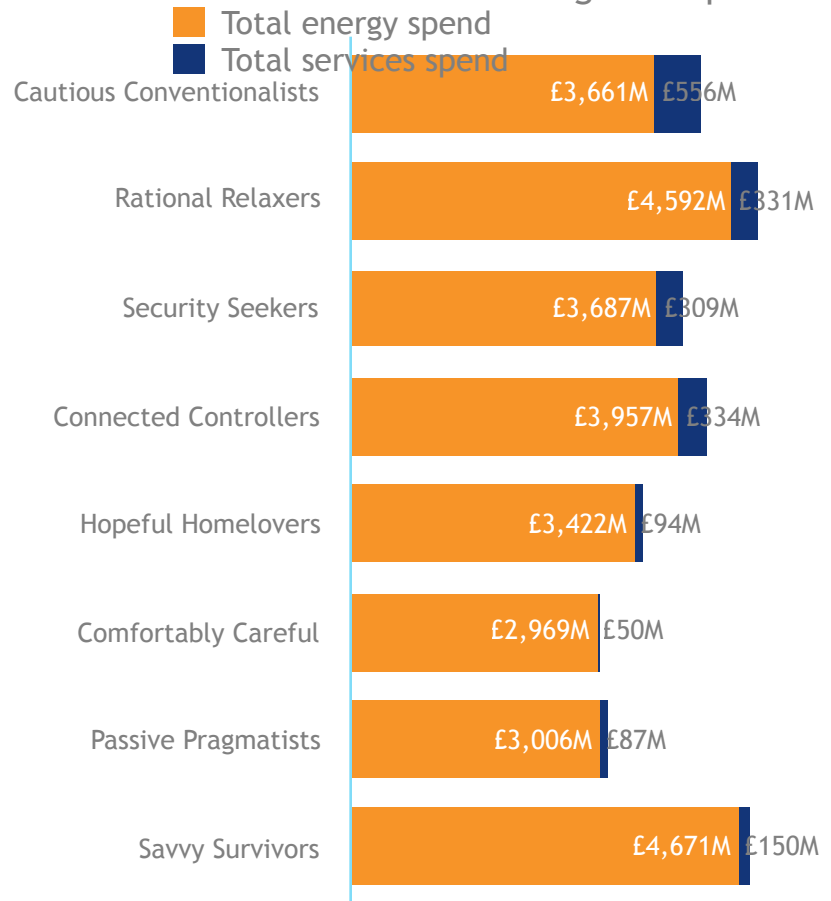
NB: Rather than each segment being distinct on all four dimensions, there is some overlap. For example, both Passive Pragmatists and Cautious Conventionalists are both low on tech savviness.

Each segment represents a significant population with services revenue weighted towards the most risk averse segments

Segment size in UK population



Annual segment spend



Segmentation App - Instructions

- Quick step by step - Windows Phone 8.1
- Open link from email (this will open in Internet Explorer)
- Go to Home
- Press the 3 dots at the bottom right of the screen next to the web address
- And tap “Pin to Start”