

CASE STUDY: How UGI Utilities Stoked Demand for Gas Heat in a Cooling Economy.

SUMMARY

UGI Utilities, a natural gas supplier, owned a 33 percent share of the home heating market in eastern Pennsylvania. But amidst a stalled economy and declining housing starts, the company faced a murky future. To fuel long-term profitable growth, UGI had to find a way win converts to gas heating.

It wouldn't be easy. Historically, UGI's main objective had been to meet demand; now the mandate was to create it. But UGI's product-oriented messaging, which treated all prospects alike, didn't help; neither did the company's long-standing reluctance to beat its own drum. Traditionally, UGI was seen as a reliable, rock-solid performer whose customers rarely gave it much thought. They didn't have to.

An ad campaign alone, no matter how striking and memorable, wouldn't change consumer behavior. So, UGI engaged Next Level SMG to help it rethink and retool its entire approach. Consumer attitudes and behaviors were probed; assumptions about market segments, competitors, branding and messaging were analyzed, challenged and sometimes discarded.

Next Level produced a plan that equipped UGI to refocus its marketing resources on both high-potential segments and key influencers. Their marketing plan encompassed tactics ranging from direct marketing and advertising to graphics and internal transformation initiatives, all delivered against new brand attributes and positioning. The objective: To help UGI engage its employees, influence thought leaders, win converts and achieve profitable long-term growth.

Plan implementation is still in its early stages, but internal change is already evident. Meanwhile, UGI and Next Level have created what promises to be a strategic growth model for the increasingly competitive home heating industry.

THE FINE PRINT

Challenge

Like many utilities, UGI Utilities faced multiple challenges: a faltering regional economy, declines in housing construction and commercial output, and a trend toward consumer conservatism. UGI's 33 percent share of the home heating market in eastern Pennsylvania belied an anxious future: To achieve long-range profitable growth, the company, a distributor of natural gas, needed to attract new users.

Regulations barred geographic expansion or rate hikes. Conversion within its market territory was UGI's only option. But challenges persisted because UGI had:

- Little insight into how to identify potential converts and engage them with compelling messaging;
- Not leveraged its brand as a strategic asset to drive conversion; its unvarying emphasis on the heating attributes of natural gas left consumers cold;
- Had a culture that valued quiet competence over aggressive marketing. An abrupt departure from that culture could strike a jarring note and do more harm than good.

Approach

Engaging consumers in a conversation about energy isn't easy: Once they lock into a home heating system—gas, oil, coal, electric, etc.—consumers often to stick with it for 20-30 years. This inertia is rarely interrupted by singing the praises of one fuel's attributes because consumers are neither in consideration mode nor are they framing the discussion about fuel preferences so much as they are trying to achieve a goal: of cost savings, convenience or comfort, for example.

To get its message across, UGI would first have to find its voice. The problem was one of literal and figurative invisibility: literal because gas travels through underground lines that consumers neither see nor think about. Figurative because UGI had not been actively marketed for years.

What's more, UGI—like many operations-centric companies—misconstrued branding as being primarily about logos and advertising, rather than consumer experiences which included messaging, operations and culture. If UGI were to achieve its goals, nothing less than a full strategic makeover, touching most departments and involving operational execution as well as messaging, would suffice. Senior management understood this; internal stakeholders would have to buy in as well.

“A brand is not only about marketing and communications—
it is about everything we do.”

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Informed Research

UGI engaged a marketing strategy firm, Next Level SMG, to help it reexamine and revamp its approach to marketing and strategy. As a first step, Next Level led UGI through an intensive 3C analysis (company/competition/consumers), including focus groups, stakeholder interviews and a 2,000-consumer study. Here's what the research showed:

- **Company**—Subtle cultural rifts and outdated messaging were undermining UGI's collateral and sending mixed messages into the marketplace.
- **Competition**—UGI's competitors were a step ahead in addressing their own brand liabilities through focused messaging and visual branding. Meanwhile, UGI—like the natural gas industry overall—was putting much of its marketing muscle behind “green” messages. But other fuels were ahead on this front as well. Upshot: green was viewed as table stakes—not a differentiator.
- **Consumers**—Next Level's research identified the distinguishing attitudinal and behavioral traits of active converts and enabled the development of a comprehensive market segmentation that helped recognize and speak to high-value conversion segments—and, when paired with avoiding the segments with minimal interest in conversion, would help raise MROI. Importantly, conversion motivators for prospects often centered on attributes that were quite different from the favorite features of the already converted, so the practice of using existing customer preferences as fodder for conversion marketing was reexamined.

Marketing Strategy

Next Level helped UGI translate insights into initiatives. Among them:

- UGI redefined its brand to better support its business objectives. But rather than scrap the carefully cultivated attributes that had long served it well, UGI updated them, refocusing the brand positioning on benefits that genuinely mattered to customers and prospects.
- Next Level helped UGI identify and hire design consultants, digital agencies and messaging firms to interpret the brand idea through images, words and ideas across media and channels.
- Next Level also helped develop an employee branding initiative—a prerequisite to changing consumer perceptions and behaviors.

With the components of a comprehensive marketing strategy complete and approved, Next Level built an aggressive but achievable strategic plan comprising five specific strategies aimed at customers, prospects and employees, and supported by some two dozen separate initiatives. The plan was structured to balance cost, human capital and pace-of-change realities for UGI.

Results

The first phase of the strategic marketing plan is currently being rolled out. With Next Level's help, UGI has made headway on several fronts:

- Consumer conversion and influencer programs in development have given senior leadership the confidence that their conversion targets will be met.
- Internal branding efforts are bringing employees up to speed on the new brand attributes, value and expected behaviors.
- Many consumer-facing processes have been reengineered to support the revamped brand.
- A new logo and visual branding guidelines are being finalized for imminent launch.
- A digital and communications agency has been engaged to launch both the new brand and conversion campaigns.

Postscript: The Architecture of Branding

As on all Next Level SMG projects, the specific analyses, insights and recommendations we provided were unique to the client's market needs and culture. To be sure, not every firm appreciates the value of working with a strategist before addressing branding issues; some just like to dive in and see the executions and / or have little patience for the diligence required of thoughtful strategy development. As we see it, our role is much like that of an architect; the building owner is better off having the contractor work from a set of blueprints, especially when multiple sub-contractors are involved. That way, everyone understands the strategic goals and direction. During the implementation phase, our role evolves into that of "owner's engineer," where we provide counsel to ensure the implementation is staying true to plan.

About Next Level SMG

Next Level SMG is a management consulting firm that builds strong brands and compelling marketing strategies that target three key objectives: deliver clear, consistent, relevant messages; create meaningful, memorable brand experiences; and most importantly, drive profitable growth.

Next Level SMG is a pure strategy firm; brand strategy is all we do. We use facts, not hunches, to uncover deep insights about customers, markets and brands. Steeped in the discipline of strategy consulting, we provide solutions that help our clients define their brands and generate sustainable, profit growth.

Many clients come from cultures in which marketing is secondary to operations and brand assets have been underleveraged in driving growth. Often, we are called in because the company has launched an initiative to rethink its go-to-market approach, and has decided to that it wants to understand its markets and create a strategic roadmap before engaging a tactical agency. Our clients have included Whirlpool Corporation, Bell Canada, Johnson & Johnson, Fortune Brands, Axiom Corporation and UGI Utilities.

We would be happy to discuss your unique challenges, goals and ambitions—and how we can work with you to take your business to the next level.

To learn more, please call founder Peter Rogovin at 914-769-8600 or visit www.nextlevelsmg.com