



Smart Energy GB Consumer engagement plan and budget 2019

Published 18th December 2018

smartenergyGB.org

Smart Energy GB
1 Alfred Mews
London
W1T 7AA

Scotland office:
110 George Street
Edinburgh
EH2 4LH

Wales office:
Sophia House
28 Cathedral Road
Cardiff
CF11 9LJ

The trading name of “Smart Metering Communications Body Limited” is Smart Energy GB. Any references in this document to Smart Energy GB or “the company” should be understood as referring to “Smart Metering Communications Body Limited”. Any references in the Standard Conditions of Electricity and Gas Supply Licences, to the “Central Delivery Body” should also be taken as referring to Smart Energy GB.

Contents

1. Executive summary	4
2. Governance	6
3. Metrics and targets for 2019	9
4. Approach to affordability and value for money	11
5. The task for 2019	16
6. Flexibility and continuous optimisation	26
7. Budget 2019	29

1. Executive summary

As we approach the end of 2018, many millions of British adults have, or intend to have installed within the next six months, a smart meter. It is testament to the strength of the smart meter rollout that so many of our fellow citizens have engaged in a traditionally low interest category in such numbers. We believe that 2019 will mark a true turning point in our country's transformation to a smart future.

There are however still challenges remaining on this journey. At multiple meetings over several months and pouring over a significant amount of modelling data and radically different scenarios, the PMF forum¹ looked in detail at the challenges ahead and the role of the national Smart Energy GB campaign and that of suppliers in meeting those. There was almost universal agreement that achieving installations is becoming harder, conversion from warm prospects is more challenging, some opposition (often based on myths about smart meters) exists, and that the prevailing negative news environment presents considerable barriers to adoption of smart meters.

We set ourselves a clear challenge to think ambitiously about the role of the national campaign in driving installations in 2019. We are pleased that the PMF forum and Smart Energy GB have agreed ambitious targets and a plan that rises to this challenge.

2019 therefore represents a second pivot point in our journey: from building awareness and understanding between 2015 and 2017; to building the seek/accept pipeline in 2018; to directly driving conversion behaviour in 2019.

For conversion to succeed, we need to address the complementary tasks of reappraisal (creating an adequate conversion pipeline of new seekers and accepters); behaviour change (which not only drives usage but, importantly, builds advocacy amongst British adults for the product); and direct conversion behaviours (proactively seeking an installation or saying yes first time).

Our 2019 plans therefore contain for the first time a significant element of direct response marketing, with a simplified customer journey creating a national contact gateway for all customers. This plan essentially will in 2019 enable the smart meter rollout to mimic the consumer engagement benefits of a more integrated consumer journey in a way that has not been possible before.

Our commitment to value for money and best in class planning tools and principles remains, and more than ever we are mindful of affordability. For this reason, whilst we believe additional results could be delivered for incremental increases in budget, we recommended and the PMF forum endorsed an approach that balances ambitious targets for the coming year with affordability. As such, our 2019 plan and budget delivers upon the budget commitment made to the PMF forum when they set targets for Smart Energy GB in 2019.

¹ The PMF forum is the group of large (relevant) energy suppliers who have the responsibility for setting Smart Energy GB's performance management framework targets and scrutinising performance against those targets.

There of course remain 'known knowns and unknowns' of which we will need to be mindful. The PMF forum has considered a reasonable assumption of news media sentiment for/against smart meters in the coming year and product availability and technology enhancements. It is accepted that if these assumptions materially change, our response will need to change too. There are also a number of new innovations in our approach in 2019, not least of all significant direct response channel investments that we have not previously made.

For these reasons, you will see a renewed commitment to a 'test and learn' approach as we progress through the year, and a commitment by the Board to build in more formal and frequent review points. We are also pleased to note a commitment from energy suppliers to share with us granular marketing activity and demand data to further enhance our through the line performance visibility. These commitments, combined with a more flexible approach to paid media commercial terms, mean that if events change, we can change accordingly.

The forward-looking policy design that created Smart Energy GB, and the energy industry's commitment to its success, has created a groundswell of support for smart metering amongst the British public, despite technological challenges in the rollout and considerable resistance in some parts of the press. The challenge for 2019 is to directly drive more significant numbers of conversions. We will rise to that challenge.



Mark Lund
Chair of the Board



Sacha Deshmukh
Chief Executive

2. Governance

2.1 Smart Energy GB's Objectives

The objectives of Smart Energy GB are set out in energy suppliers' licence conditions and are to:

- a. build consumer confidence in the installation of Smart Metering Systems by gas and electricity suppliers;
- b. build consumer awareness and understanding of the use of Smart Metering Systems (and the information obtained through them);
- c. increase the willingness of Energy Consumers to use Smart Metering Systems to change their behaviour so as to enable them to reduce their consumption of energy; and
- d. assist consumers with low incomes or prepayment meters, or consumers who may encounter additional barriers in being able to realise the benefits of Smart Metering Systems due to their particular circumstances or characteristics, to realise the benefits of Smart Metering Systems while continuing to maintain an adequate level of warmth and to meet their other energy needs.

2.2 The Smart Energy GB board

The structure of the Smart Energy GB board is set out in the Standard Conditions of Electricity & Gas Supply, Electricity Distribution and Gas Transporter Licences ("the supplier licences"). The board's membership at 17th December 2018 was:

Independent Chair:

- Mark Lund OBE

Elected by, and representing, Relevant Suppliers:

- Chris Adams (also Director of Metering and Smart Transformation at SSE)
- Belinda Moore (also Director of Marketing and Communications at E.ON)
- Peter Simon (also Product and Propositions Director at British Gas)
- Mel Stanley (also Head of Brand and Marketing at EDF Energy)

Nominated by Citizens Advice:

- Dhara Vyas (also Head of Future Energy Systems at Citizens Advice)
- James Taylor (also Head of Policy & Public Affairs, Scope)

Elected by, and representing, Small Domestic Suppliers:

- Andrew Springall (also Operations Director at Robin Hood Energy)

Elected by, and representing, Non-Domestic Suppliers:

- Lynn Morrison (also Marketing Director at Opus Energy)
- Steve Mulinganie (also Regulation Manager at Gazprom Energy)

Representing the interests of energy consumers:

- Penny Shepherd
- Chris MacLeod

2.3 The PMF forum and Smart Energy GB board

The PMF forum of relevant suppliers have a responsibility to set and maintain the PMF of key metrics and targets which Smart Energy GB is tasked to deliver against.

The PMF forum is administered by Energy UK and independently chaired by Maxine Frerk. The relevant suppliers who had responsibility for the PMF during the year, up to and including the 2019 target-setting decision on 17th October 2018 were:

- British Gas
- Co-operative Energy
- EDF Energy
- E.ON
- Extra Energy
- First Utility
- n.power
- Ovo Energy
- Scottish Power
- SSE
- Utility Warehouse
- Utilita

Both Ofgem and BEIS are invited to send a representative to PMF forum meetings to observe proceedings.

Between August and October 2018, the PMF forum reviewed in detail the latest available insight and analysis and considered the most appropriate role for Smart Energy GB to play to drive conversion and thereby help suppliers achieve their rollout targets for 2019.

The conclusion of its review was that on 17th October 2018 they agreed the collection of metrics and targets for 2019, set out in section 3. The PMF forum set these targets in consideration of the indicative budget which was quoted to them of circa £48m. As per section 7, the 2019 budget is consistent with this.

The PMF forum noted an outline of the activity and functions that Smart Energy GB would perform in 2019. These are reflected in the plans detailed in these notes.

The Smart Energy GB board has a responsibility to ensure that it oversees Smart Energy GB's campaign and operations, and that Smart Energy GB delivers efficiently and effectively against its objectives. Therefore, it has reviewed the activity plan and associated budget to ensure it is appropriate in meeting the challenge set by the PMF forum via the 2019 targets.

The Board has worked closely with the PMF forum over the planning period. Maxine Frerk has been a regular attendee at Smart Energy GB board meetings and there has been a Smart Energy GB board representative at PMF forum meetings. In addition, Mark Lund has also attended key meetings when the PMF forum reviewed metrics and targets for 2019.

3. Metrics and targets for 2019

At its meeting on 17th October 2018, the PMF forum agreed the following metrics and targets to be included within the Performance Management Framework in 2019²:

Area	Metric	End-H1 2019	End-H2 2019	Measurement
Conversion metrics	1. Additional conversions (GB adults)	3.23m	2.83m	<i>Smart energy outlook</i> as conducted by Populus
	2. Additional conversions (65+)	0.75m	0.66m	<i>Smart energy outlook</i> as conducted by Populus
	3. Additional conversions (prepay)	0.55m	0.48m	<i>Smart energy outlook</i> as conducted by Populus
	4. Additional conversions (low income)	0.48m	0.42m	<i>Smart energy outlook</i> as conducted by Populus
	5. Additional conversions (renters)	1.17m	1.02m	<i>Smart energy outlook</i> as conducted by Populus
Seek/accept metrics	6. Definitely Seek/Accept (GB adults)	4.32m	2.90m	<i>Smart energy outlook</i> as conducted by Populus
	7. Seek/accept (GB adults)	11.37m	7.64m	<i>Smart energy outlook</i> as conducted by Populus
Rejection metric	8. Rejecters (GB adults)	11.63m	11.15m	<i>Smart energy outlook</i> as conducted by Populus
VfM metrics	9. Cost per additional conversion	£7.92		<i>Smart energy outlook</i> as conducted by Populus, per total Smart Energy GB expenditure incurred
	10. Independent assessment of value for money of paid media prices	A: excellent	A: excellent	Independent audit as conducted by MediaSense
PR metrics	11. Percentage of GB adults who recall seeing or hearing any news, articles or opinion pieces about smart meters recently who state it made them feel more positive about smart meters	45% mean average over H1 2019	45% mean average over H2 2019	As quantified by Hall & Partners independent research
	12. Total earned media impressions containing positive messages about smart meters placed by Smart Energy GB	290 million	290 million	As quantified by Echo Research independent research
Usage metrics	13. Smart population reporting “I actively manage how much energy I use around my home”	56%	56%	<i>Smart meter usage tracker</i> as conducted by Populus
	14. Smart population reporting “great deal of difference/fair amount of difference” for “What difference, if any, has having a smart meter made to how much energy you use at home?”	34%	34%	<i>Smart energy outlook</i> as conducted by Populus,

² The PMF forum has chosen to task Smart Energy GB in 2019 with a focus solely on domestic audiences, as such there are no targets relating to non-domestic (microbusiness) customers

4. Approach to affordability and value for money

4.1 The National Audit Office model

The Smart Energy GB board recognises the importance of value for money throughout all the company's operations. To best ensure we maximise the effectiveness of our expenditure and minimise waste, we apply the National Audit Office (NAO) value for money (VfM) model as the basis of the planning principles for budgeting. The NAO has published details of its VfM model on its website.

4.2 Budget planning principles

The Smart Energy GB Board established a subcommittee of a small group of non-executive directors to recommend planning principles for the development of the 2019 budget. This group consisted of:

- Mark Lund (Chair)
- Peter Simon (British Gas)
- Mel Stanley (EDF Energy)
- Belinda Moore (E.ON)
- Chris MacLeod (Consumer representative)

The following principles set out in section 4.2.1 and 4.2.2 below were developed by that subcommittee and presented to the Board at its meeting of 26th September 2018, at which these principles were unanimously agreed.

The PMF forum noted that the 2019 budget envelope that it considered in the setting of targets for 2019 had been calculated consistent with these principles.

4.2.1 Overriding principles for budget development

- The board has a duty to use the best available analysis and modelling to determine the appropriate range and scale of activity necessary to meet potential targets set for Smart Energy GB by the PMF forum.
- The board considers econometric modelling (EM) to provide the most robust analytical methodology in relation to tracking historic campaign outcome performance and modelling future scale of activity and budget requirements. Reflecting the value placed on econometric analysis, the board ensures that EM is undertaken on a frequency that reflects leading practice (3 times a year).
- The board uses econometric analysis from EM as the basis of modelling the best value channel mix (of both paid and earned channel activity) that will be required to meet targets set for Smart Energy GB by the PMF forum.
- The board will ensure that the PMF forum is informed of the likely required budget for major areas of activity that would be required for Smart Energy GB to deliver against potential targets (to allow the PMF forum to make its decision on targets informed by the approximate levels of budget that would be required to deliver against them).

4.2.2 Planning assumptions specific to 2019

- Historic analysis from both our campaign performance to date, and other engagement campaigns of similar scale, shows that for the scale of the seek/accept generation task that we have been given in targets to date, paid media has been demonstrated to be the most effective and efficient driver of seek/accept creation. We have a duty to test the continued validity of those historic findings if projected forward, but also make decisions on the role and scale of paid to earned activity (for whatever future targets set by the PMF forum) on the basis of evidence and realistic projections.
- We must make a realistic view of the likely news environment concerning the rollout in 2019, using analytical data based on the impact, and sources/subjects, of recent coverage and a view that is neither over-optimistic nor over-pessimistic on the subjects and scale of negative news pressure in 2019 and the extent to which that can be tackled.
- The news environment is almost entirely outside of Smart Energy GB's control (negative news being driven by energy company actions and questions of government management of the rollout); but it will nevertheless be imperative that both reactive and proactive PR continues to be deployed to mitigate as far as possible the prevailing environment. The expectation of what such mitigation will be able to achieve in 2019 should be based on analysis of the experience to date and projection of what can be achieved in 2019, with ambition but also realism in that expectation.
- We cannot plan marketing partnership activity econometrically because relative reach of the activity and levels of investment to date are not of a scale that impact could be tracked in econometric modelling. Historic evaluation of Smart Energy GB marketing partnerships shows, however, that we can achieve above comparator levels of impact amongst those reached (noting that the cost per reach is significantly higher than other channels, notably paid media). As such, marketing partnerships should not be considered as a method to materially increase seek/accept among all adults, but should be considered as a targeted response for delivering additional reach and high impact with that reach amongst specific audiences which the mainstream campaign is expected to find hardest, and with whom the historic analysis shows our marketing partnerships to be most effective.
- Corporate Affairs activities beyond news management are necessary to the extent expected of a public service body of our type (for example, reflecting the licence and company law requirements for us to produce annual reporting, the regular requirements when called to report to parliamentary bodies in the three parliaments and report on our activity and the requirement on us to provide evidence to government and policy bodies across the three nations on engagement with smart metering.) As such, we need to maintain a policy and public affairs function to fulfil these important duties, but also ensure that investment in this area remains proportionate only to these requirements and does not become excessive for an organisation of our size and role.
- Staff remuneration should remain fair, competitive but not excessive; with the decisions on these qualities derived from independent annual external analysis and benchmarking. There is not currently a requirement to pay above competitive benchmarks in order to retain staff (despite the fixed life of the organisation), but the board encourages management to ensure non-salaried impacting tools, such as notice periods and other methods are used to encourage key staff to feel secure in remaining in the organisation and protect the company against the impact of sudden departures of key personnel.

4.2.3 Application of planning principles to 2019 budget

Planning channel mix and budget	EM used as the basis of modelling an analytical evidence based view of required budget for the best value channel mix (of both paid and earned channel activity) that will be required to meet targets set for Smart Energy GB by the PMF forum
Media buy (unit price)	Based on an expectation of “A, excellent” achievement of value of media unit price negotiation and purchase by PHD (based on MediaSense’s independent audit of value setting the “A, excellent” grade)
Production costs as a proportion of media costs	While the balance of production costs to media costs is subject to the volume of media needed (as determined by EM) and the creative strategy; it is a principle that we will be transparent in setting out this ratio (cost of media space / cost of advertising production) to demonstrate the effective balance between media buy and production. We should not aim to be materially different from the competitive ratio achieved in 2018.
PR	<p>We should plan expectations of the news environment in 2019 and its impact on campaign efficiency derived from EM analysis of impact in 2018, modelling not on the most negative period but over a time period in which 2018 experience has also shown effective news management through high intensity reactive PR activity.</p> <p>We should also plan expectations of the delivery of the contribution to seek/accept generation in 2019 from positively generated PR through EM analysis of the impact in 2018 since the start of the new strategy and greater level of investment since spring of this year. We should be ambitious in the expectation of any further improvement of that impact in 2019, but ensure that expectations and modelling of that potential impact from positive PR reflect realistic views of the elasticity of result vs budget for PR.</p>
Marketing partnerships	We acknowledge that we will not be able to plan the scale/budget of marketing partnerships in 2019 through EM modelling. As such, the board will determine the extent to which it believes that investment in marketing partnerships with third parties is justified to add targeted impact with specific audiences where there is a particular risk of under-indexing against 2019 targets. Even in advance of that consideration, the planning principle should be applied that 2019 marketing partnership investment should not exceed the £1.5m budgeted for this area in the 2018 budget.
Insight (for clarity, this is our label for all research, measurement and evaluation of any type)	We have useful external comparators from COI and PHE which give us indicators of 5.6% and 5% of turnover respectively. However, we are currently lower than that at 3.3% of turnover in our 2018 budget. Subject to any major changes in research, measurement or evaluation requirements instructed of us from the PMF forum or the board, we should work on the planning principle of maintaining this level at a maximum of 3.5% of turnover.

Policy and public affairs	Reflecting the principle explained above, this is currently budgeted at 0.7% of turnover in 2018. The planning principle for 2019 should neither see this % of turnover rise, nor the absolute amount (£343K) budgeted for this area rise even in the event that the company's overall turnover in 2019 is greater than that in 2018.
Staff remuneration	Buzzacott LLP was commissioned to provide the independent external analysis of the value for money of Smart Energy GB remuneration. That reported that Smart Energy GB does pay fairly, and not excessively, when compared to benchmarks and made recommendation for the maintenance of that competitive but not excessive level. The planning principle is that the its analysis and recommendations regarding competitiveness and value for money should be built into the 2019 budget and certainly not exceeded for 2019. A further planning principle for 2019 will also be that there should be no increase in headcount next year over 2018.
Premises costs	The material cost in this area is the rent, rates and service charge of the London office. When the board approved the lease for the London office in 2015, the total of rent, rates and service charge were the lowest of a shortlist of seven offices. The board's decision was also based on the successful negotiation of a highly unusual lease length, which provides rolling flexibility after the end of September 2021. As market reports suggest that there is no material change to market rent conditions for comparable properties in the area, and it is unlikely that we would be able to secure such a flexible lease in any other property, a planning principle for 2019 will be that Smart Energy GB remains in its current London office for the whole of 2019.
IT costs	We have reviewed our IT estate and do not believe that there needs to be any material investment in 2019 over and above 2018 levels. Our current expenditure is significantly below the external comparators (expressed as a percentage of turnover). Nevertheless, we believe that the planning principle for 2019 should be that we maintain this greater level of efficiency than comparator, and that our IT expenditure levels remain at the same proportion of turnover as in 2018, c1%.

NB At its meeting on 17th October 2018, the PMF forum stipulated two further planning principles which it asked Smart Energy GB to adhere to in development of the 2019 budget. These are that provision be made for enhanced insight and evaluation (including econometric modelling frequency) that takes into account more granular supplier marketing activity and provides demand models for suppliers from the new direct response activity; and that it would like to make clear that achieving an "A, excellent" grade in media buy (unit price) as above should not be a barrier to achieving appropriately flexibility in paid media financial commitments.

The 2019 plan and 2019 budget therefore also reflect these two additional principles.

5. The task for 2019

Whilst there are a number of metrics and targets set by the PMF (and presented in detail in section 3) the task for 2019 is in essence to: **create definite seekers and accepters (DSA); drive conversion** from that pool; and **limit the creation of rejecters**. This plan is optimised to those tasks.

The PMF forum therefore agreed the measure of additional conversion which is essentially those who have tried to get, are due to get or have got a smart meter, as measured in *Smart energy outlook*.

It is worth noting also a shift from the 2018 task of creating seekers and accepters more broadly, to a 2019 optimisation towards creating definite seekers and accepters (those who would definitely seek or definitely accept within six months, essentially excluding those who answer ‘probably’ to that question). Definitely seek/accept (DSA) is the most reliable lead indicator of conversion, with 61% of consumers with this mindset converting within six months, versus 44% of consumers who convert from a mindset of broader seek/accept).

We can see in the econometric analysis that paid media of the national campaign both creates seekers and accepters and reduces rejection. The latter is overwhelmingly driven by negative news media. This is why the creation of new (definite) seekers and accepters, the control of rejection and the creation of a more positive net outtake from news media coverage are all important contributing factors to conversion success in 2019.

5.1 Simplifying the consumer journey

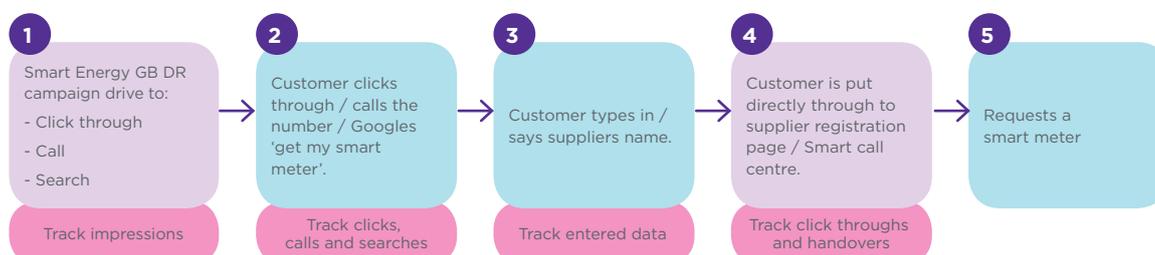
Historically, whilst the national campaign has generated enthusiasm to take up smart meters, we have not been able to provide a joined up next step, instead urging consumers to contact their energy supplier. This clearly places some barriers in the journey (in finding those contact details, making the approach and navigating multiple product/service offerings to find the smart journey). We believe significant numbers of consumers fall out of the process at those points.

The PMF forum therefore considered improvements to the consumer journey from our activity through to taking a ‘conversion’ action. Accepting that the fundamentals of the smart meter rollout are not going to change (i.e. there is no central booking/installation service), we agreed principles for passing consumers directly onto suppliers (via telephone and online).

Our enhanced approach in 2019 will focus on supporting DSAs to convert by taking that responsibility for navigating to their supplier smart meter page or inbound call centre out of the hands of the customer and simplifying the process:



It will provide opportunities to measure progress and drop-off points more clearly:



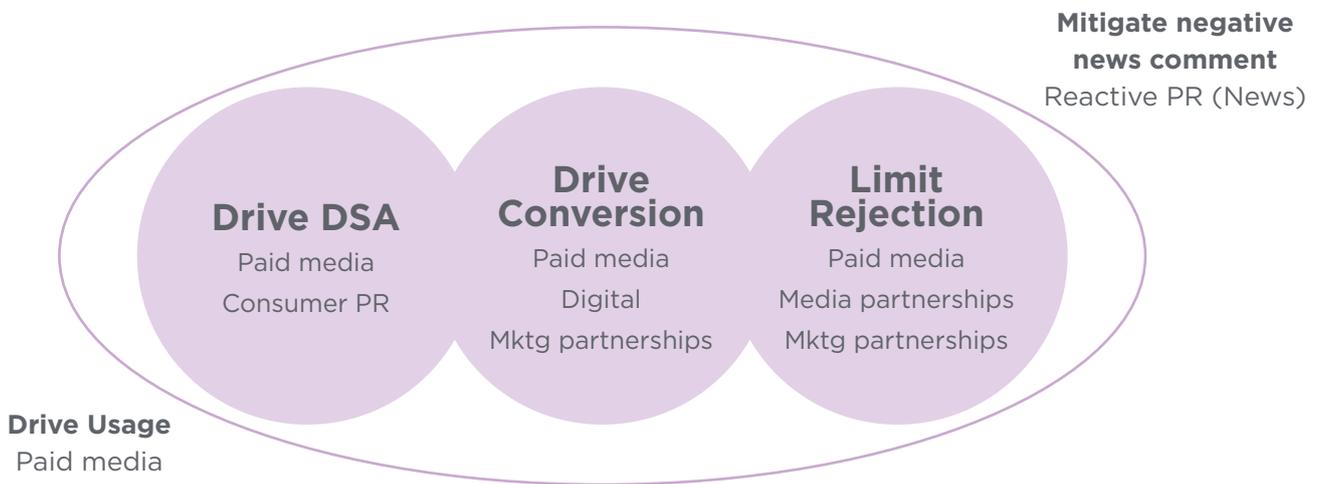
As part of preparing for the implementation of both the new channels for consumer activation, thorough mapping will be undertaken in order to flesh out the full details as to how these overarching ideal journeys will come to life.

We understand that it will be key for energy suppliers to resource accordingly for customers coming through these new channels and for potential operational issues to be identified during the planning process. We will create a model to forecast pass-through levels, and this model will be refined as more data points become available through the ongoing test and learn approach, and analysis.

Working with our expert consultants, and experts from energy suppliers will enable us to establish key principles and methodologies for this, and a clear review and optimisation process to be used ongoing. A working group of Smart Energy GB executives and energy supplier experts will consider the detail of implementation.

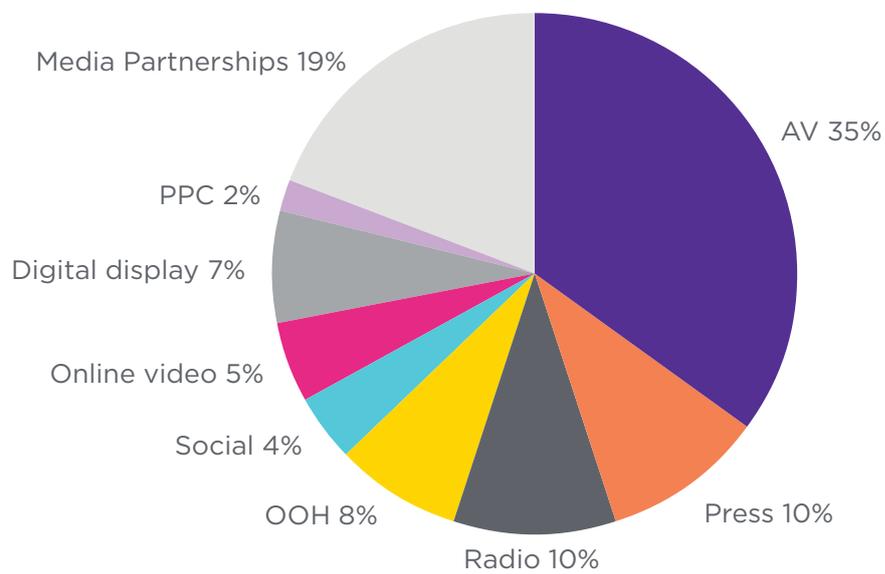
5.2 Role for channels

The PMF forum and Smart Energy GB board both considered the three principal tasks of driving DSA, driving conversion, and limiting rejection, noting a 'wrap-around' task of mitigating as much as is possible negative news media comment. They considered accumulated insight from Smart Energy GB's own activities and performance and best in class industry tools, such as econometric modelling, to assign roles to specific channels that are most effective in meeting its tasks.



As set out in section 4, the Smart Energy GB board agreed a key planning principle of econometric modelling (EM) to provide the most robust analytical methodology in relation to tracking historic campaign outcome performance and modelling future scale of activity and budget requirements. The board uses econometric analysis from EM as the basis of modelling the best value channel mix that is required to meet targets.

The PMF forum noted the scale of paid media spend required to meet the targets it has set for 2019. Per the agreed planning principles, econometric modelling has been used to plan paid media channels. The role of paid media, alongside other channels, is explained against these key tasks in sections 5.3-5.5, but for clarity, an overview of paid media by channel by share of spend is expected to be as follows. The ratio between the cost of media space versus the cost of advertising production is 83.6%/16.4%.



5.3 Driving definitely seek/accept (DSA)

Metric:	DSA as defined by 'Definitely Seek/Accept in next six months' amongst non-owners
Target:	4.32m/2.90m DSA in H1/H2
Measured by:	<i>Smart energy outlook</i> (twice a year)
Lead indicators:	Continuous tracking (reports monthly), social 'smart meter brand' uplift survey, econometrics
Comms task:	Strengthen desire
Principal channels:	Paid media, Consumer PR

As the aim of the Definite Seek and Accept KPI is to create a pool of people who have a concrete desire to get a smart meter, the role for communications is to strengthen desire for smart meters. This task is best achieved through a carefully selected approach for brand communications.

In predominantly **paid media channels**, the 'Save Your Energy For...' campaign idea was created in 2018 with the desire communications principles in mind. It focuses on bringing the core benefit of a smart meter - saving energy - to life in a way that is emotionally engaging for a broad audience.

Importantly, since the campaign has launched, research has shown that it has been successful in driving DSA. With this in mind, we are content that 'Save Your Energy For...' is the most effective platform for the core DSA campaign against all adults, as well as specific upweighted audiences including low-income and prepaid customers.

DSA will therefore be driven by the following campaign strands:

1. 'Save your energy for...' Core Campaign - focused on saving energy (and therefore insinuating money saving).
2. 'Save your energy for...' B Strand - demonstrating other benefits of a smart meter under the same creative idea.
3. 'Save your energy for...' contextual targeting - using passion-based targeting to heighten the emotional relevance of the campaign.
4. Proactive PR.

Proactive consumer PR will play an important part in creating and maintaining DSA, driving positive and message-rich press coverage, building a movement towards a nation that is committed to 'going smart'; maintaining people who say they would definitely seek or definitely accept a smart meter primed and excited for their installation; and moving people who say they will probably seek or probably accept a smart meter into the definitely box. Creating a sense of excitement that is strong enough for people who say they are not sure about seeking or accepting a smart meter to bypass the probably and take the leap into the definitely box.

To achieve this, we will seek to move the story onwards and upwards, focusing on the bigger picture and the more surprising reasons why people are adopting smart meters. This represents an evolution from the current messaging framework around the immediate benefits to the bigger picture issues such as climate change and societal need. The approach will be heavily 'real life' and case study led, championing the things people might not have thought of, such as how smart meters are a game-changer for home safety or health and social care. Ultimately, we want the coverage to focus on messaging that encourages acting now, rather than supporting a vague notion of a "better future".

This will be achieved via the 'hero, hub and hygiene' campaign structure, which we have successfully delivered in digital marketing for some time. Two attention grabbing 'hero' moments will help us shape the national debate, supported by regional and microtargeted executions that will provide a drumbeat ('hub') of activity and underpinned by a consumer feature programme, journalist briefings and op-eds etc, (the 'hygiene' activities).

5.4 Driving conversion

Metric:	Conversions as defined by 'Got/due/tried to get a smart meter'
Target:	3.23m/2.83m additional conversions in H1/H2
Measured by:	<i>Smart energy outlook</i> (twice a year)
Lead indicators:	Continuous tracking (reports monthly), weekly dashboards on direct lead generation, econometrics
Comms task:	Make it easy
Principal channels:	Paid media, digital, marketing partnerships

In **paid media**, alongside the DSA focused activity, driving conversion requires targeted media, providing the audience with information that elicits and enables an action: essentially a Direct Response (DR) campaign structure. Physical availability is representative of how easy a product is to get, and so for the context of the 2019 task, will refer to the ease of getting a smart meter, either via a new directive search instruction, digital journey or phone number.

In designing the DR campaign, we have looked at best in class creative principles, from which there are five core learnings. In order to be most effective, our Direct Response campaign will:

1. Focus on the most motivating action message.
2. Make the Call to Action explicit.
3. Emphasise the reason to respond now.
4. Use elements from the related DSA campaign; leveraging the mental availability created by the DSA campaign memory structures, in order to drive a response.
5. Use iterative testing in-market to optimise the response rate.

Practically, targeted DR comms will be in the following channels: micro-targeted outdoor based on postcode data from Populus, micro-targeted AV based on this data in a video environment, and online display driving traffic to the central Conversion website. PPC Google activity that in large part will be driving to the central Conversion website and DR focused messages in our Print and Radio rotations also form central planks in the plan.

In addition to the DR campaign approach, we will be adding a conversion-focused call to action across all DSA assets. The DSA call to action will direct consumers to an action-oriented search (such as "Search 'Get a smart meter'") or a directive phone number, as detailed more thoroughly in the user journey section of this document.

Creating this more pointed CTA to the end of the DSA advertising, whilst keeping the focus of these communications on creating an emotional response, will mean that not only will it create a pipeline of DSA, but it will also enable consumers to convert more easily therein.

Digital marketing will be focused on driving conversion both broadly amongst all adults and specifically amongst private renters.

Although private renters are ahead of GB adults on seek and accept, and are less likely to have concerns about smart meters, there is still work to be done with this audience to drive conversion. This is likely driven by the transient nature of private renters, and the perceived benefits of a smart meter not outweighing the upfront effort of the installation. The audience are also reluctant to communicate with landlords and building management, and their right to install a smart meter is perceived to be a legal grey area to many tenants.

Private renters skew young and are active on social channels, hence the selection of this channel. They have similar barriers to the young consumer audiences we have engaged through 2017 and 2018 young consumers campaigns, with an appetite to seek and accept but a lack of follow through. We will build on our learnings from our past young consumer campaigns, with a campaign focused on young private renters being our primary social first task in 2019. We will also engage landlord associations via public affairs activity.

Digital channels, will also continue to support the core campaign in a variety of ways. In part, it will be amplifying and extending the reach of the paid media creative through adaptations for digital channels, which will continue to be part of a joined up brief led by the Brand and Advertising team.

In addition, digital channels will support the core campaign by developing two social first creatives to drive conversion and amplify the 'Save your energy for..' campaign in digital channels.

Driving conversion in older audiences will be supported by **partnership marketing**. This activity is primarily focused on limiting rejection and a full description of the approach therefore follows against that task.

5.5 Limiting rejection

Metric:	Rejection as defined by 'Unlikely to seek or accept in next six months'
Target:	11.63m/11.15m 'unlikely to S/A' in H1/H2
Measured by:	<i>Smart energy outlook</i> (twice a year)
Lead indicators:	Continuous tracking (reports monthly), econometrics
Comms task:	Create reappraisal
Principal channels:	Paid media, media partnerships, marketing partnerships

Smart energy outlook results (wave 9) reveal that rejection is most manifest amongst the over 65s. Whilst more than a third (35%) of those who claim not to have a smart meter are unlikely to take up a smart meter in the next six months, this is driven primarily by older people: more than half (53%) of those aged over 65 are rejecters.

It is also clear that the upsurge in negative press coverage, coupled with the high media consumption of this older audience has added an additional challenge, with older people having the highest levels of concerns about smart meters and the rollout.

This audience has a trust and reliance on peer influence to aid discovery and decision making, in part due to a general mistrust of marketing.

Partnership marketing will therefore be primarily focused on limiting rejection (and driving conversion) amongst older audiences. Analysis of our previous marketing partnerships effectiveness shows that it has an ability to tackle rejection and drive conversion amongst older audiences, particularly through face to face engagement. However, the scale and difficulty of the rejection challenge requires an updated approach to the projection of such partnership activity.

In 2019 we will work with fewer partners across the programme than in previous years, but in a way that creates more scale and impact per partnership. We will focus on flagship partnerships at a regional and national level that have the ability to cut through to this audience. The reach of these partnerships will therefore be greater than our previous partner average.

Face to face engagement will be a priority for this work, tactics supported by previous evaluation against the older audience (e.g. we saw seek and accept at 69% for those who spoke to a brand ambassador at our RHS Wisley activation). Distribution of regional partnerships will be underpinned by new microtargeting data.

In addition, we will train local unfunded partners in areas where rejection is most concentrated to enable us to tackle pockets of rejection for a relatively low investment level. We will continue to run the Resource Centre which will act as a hub for the partnership's programme delivering an always on offer of assets and information to local partners across the country. We will prioritise offering assets that deliver against the rejection task.

In **paid media channels**, traditional display advertising is effective at creating a positive emotional reappraisal. While TV, OOH and press perform very effectively at driving definite seek/accept (DSA), reducing rejection also requires, (a) enough space to make a more complex case, and (b) leverage of a trusted environment to make our case authoritative and believable. **Media partnerships** allow us both.

Our approach will be to reduce rejection by both tackling the foundations of negative beliefs people have about smart meters and the rollout, and simultaneously putting them in the context of the big picture benefits.

5.6 Mitigate negative news comment

Aim:	Mitigate negative media comment
Principal Metric:	Media impact on sentiment
Target:	45% positive
Measured by:	Continuous tracking
Lead indicators:	Daily press data report
Comms task:	Provide balance
Principal channels:	News media, public affairs and policy

Dynamic **news engagement activity, policy and public affairs** are core to our strategy for creating as favourable a public debate about smart meters as is possible.

Over the last few years, we have seen an increasingly adverse media narrative develop around smart meters in some national media outlets and a corresponding increase in reactive media queries. These have been primarily driven by issues consumers face retaining smart service with SMETS1 smart meters, and commentary about rollout costs and short-term impact of the costs of the upgrade to smart meters on consumers' bills (regardless of longer-term reductions in costs). Despite continued technical improvements in the smart meter rollout, it would be premature to expect this challenge to disappear in 2019, particularly given the significant increase in volume of installations. We are nevertheless ambitious in our plans to be proactive with news media. News media relations work maximise impact around four key pillars - reactive news handling, horizon scanning, issues/crisis communications management and developing relationships with key journalists.

Ensuring that parliamentarians, stakeholders, local authorities and employers are informed and advised about the rollout is important. We will continue to send regular campaign updates to parliamentarians to engage them in the national campaign and surgery packs to provide information for their constituency offices regarding the rollout. We will continue to hold briefing sessions and drop-ins at Westminster, Cardiff Bay and Edinburgh, alongside more creative public affairs events in each nation. We will be proactive in areas where we can respond, or contribute to, discussions about smart meters, including providing evidence for committee inquiries (such as Parliamentary Select Committee inquiries). We will undertake 1:1 briefings with stakeholders and, alongside partners, host events that give us a platform to promote and discuss the necessity of a smart energy system and so highlight the importance of smart meters and the rollout to influential audiences. Our public correspondence function (which is managed within our Public Affairs function) will maintain its current target service times with this activity - around 3,000 public contacts a year - delivered entirely by the in-house team.

Policy development, in order to generate evidence for the benefits of smart meters, both now and in the future, provides a vital tool when seeking to influence stakeholder and media comment on the rollout. In 2019, we will embark on a programme of policy work that will seek to further evidence smart meters' role in the creation of a smarter and flexible energy system that benefits consumers, the nation and the planet. Policy development will also have the clear focus on conversion to smart meters through advocating for a policy environment where smart meters are fully considered across all existing relevant governmental policy areas, including those of the devolved administrations.

5.7 Driving usage

Metric:	Usage as defined by “I actively manage how much energy I use around the home” and reporting difference for how much energy using a smart meter has made around the home
Target:	56%/56% H1/H2 (actively manage) 34%/34% H1/H2 (difference made)
Measured by:	<i>Smart meter usage tracker / Smart energy outlook</i> (twice a year)
Lead indicators:	Continuous tracking (reports monthly),
Comms task:	Drive usage
Principal channels:	Paid media

The core ‘Save your energy for...’ campaign was designed with the usage metric in mind and performance in 2018 shows it to be driving these metrics. **Paid media** has been planned to provide the required ‘halo’ against the usage task.

6. Flexibility and continuous optimisation

We have a number of mechanisms which will provide management information to inform continuous optimisation.

We have looked in detail at our media buying arrangements to ensure that we can react as appropriate whatever the scale of change required. The PMF forum were satisfied that reacting at short notice could result in some loss of value, but we have mitigated this as much as is possible.

We can react in all channels within a week to turn off media and defer activity as needed. To all intents and purposes, our maximum exposure to media buy committed at any point in time will be around eight weeks.

During 2019, both the Smart Energy GB Board and the PMF forum recognise the importance of close and timely management of activity so that the Smart Energy GB campaign can be adjusted promptly to take into account the latest available data.

As such, both the Board and the PMF forum will continue to monitor performance at each and every meeting. An important aspect of this will be to see the impact of the Smart Energy GB campaign on the level of converted consumers who have booked an appointment to have a smart meter fitted. It will therefore be important for suppliers to share data with Smart Energy GB on bookings and installations so we can collectively understand what impact the campaign is having. As part of this, data on volume of customers phoning the national number or being re-directed from our website will be valuable data. We expect that this data and the data suppliers will be able to provide on the number of installation bookings being made will be available frequently.

In support of this performance management data, we monitor and report on seek/accept, definitely seek/accept, rejecters and the detail from the customer funnel surveys as soon as they are available. We will agree the exact data and reporting frequency with the PMF forum.

6.1 Insight and evaluation

Best in class insight and evaluation, providing guidance in developing activities, enhancing their delivery and evaluation as to their impact that then feeds back into the development of future activities, remains central to our planning and delivery approach.

Insight and evaluation strands in 2019 will include:

- usage and attitude research (e.g. *Smart energy outlook*, usage tracker, qualitative research exploring key motivations and barriers among specific audiences)
- creative development and optimisation (e.g. qualitative or quantitative advertising pre-testing, or live AB testing)
- effectiveness assessments for ongoing optimisation and feedback loops for future activities (e.g. advertising tracker, marketing partnership participant surveys, media partnership evaluation, econometric modelling)
- contextual conversation and coverage analysis (e.g. social listening, independent press evaluation)
- assessing conversion actions taken (re-contact of *Smart energy outlook*, analysis on effectiveness of DR activities in driving conversion actions)
- analysing the consumer funnel across energy suppliers to guide required activity levels and spot opportunities

(N.B. the above is not an exhaustive list of all research and analysis undertaken)

With the introduction of DR style activities in 2019 there will be a series of tests in early 2019 to test and learn which combination of messaging and channels stands the optimal chance to drive conversion. This will involve some primary testing with consumers, but also increased data analysis activities based on the additional data points that these initiatives will provide. This additional analysis will not only be used as part of a key feedback loop for responsive and agile planning, but will also provide the greater visibility of key performance data as requested by the PMF forum.

Further to this, additional econometric models will be created, including ones for the new PMF targets of conversion and DSA. The frequency of econometric modelling will be increased from three times per year to four, in order to support responsiveness and agility in media and activity planning. Via the PMF forum suppliers have committed to share the relevant (both ATL and BTL) data to inform optimisation of these models.

In light of the increasing volume and impact of the negative news environment on consumers desire to get a smart meter seen during 2018, press monitoring and evaluation (as conducted by Echo Research) were reviewed and improved.

Additionally, it was felt necessary to understand the consumer take outs of key pieces of new coverage (be they positive or negative ones) and how they impact the consumers likelihood to take up a smart meter. Therefore, a new Press Impact Evaluation Tracker was set up during H2 2018, and it is intended that this will continue to be required in 2019.

7. 2019 budget

The total 2019 budget of £48.433m is broken down into the capital budget of £38.807m and the fixed operating costs budget of £9.627m.

	Q1	Q2	Q3	Q4	2019 Total
Capital funding					
Consumer engagement					
Proactive consumer PR	805,500	416,500	856,500	421,500	2,500,000
Production	909,616	789,616	1,222,741	1,003,913	3,925,886
Media buy (inc fees)	4,632,209	6,308,081	3,394,116	6,936,650	21,271,055
Media partnerships (inc fees)	335,096	1,455,288	1,455,288	1,455,289	4,700,961
Digital marketing	704,711	639,211	251,711	309,843	1,905,475
Marketing partnerships	710,066	457,566	160,566	171,566	1,499,764
Telephone and online journey	641,055	87,815	87,815	87,815	904,500
Insight	372,500	266,500	345,500	278,500	1,263,000
Consumer Engagement total	9,110,752	10,420,577	7,774,236	10,665,077	37,970,642
Corporate affairs					
News	98,500	144,500	107,750	102,250	453,000
Policy	9,750	38,000	23,000	26,250	97,000
Public affairs	60,900	65,100	68,250	51,000	245,250
Corporate Affairs travel and subsistence	10,249	10,249	10,249	10,249	40,996
Corporate Affairs total	179,399	257,849	209,249	189,749	836,246
Capital funding total	9,290,151	10,678,425	7,983,485	10,854,825	38,806,887

	Q1	Q2	Q3	Q4	2019 Total
Fixed operating costs					
Staff costs (inc NI and pension)	1,367,033	1,354,058	1,356,824	1,496,327	5,574,242
Training and development	91,729	87,339	64,009	62,782	305,859
Performance audit	174,975	228,975	183,583	273,975	861,508
Premises and office running costs	621,821	306,378	292,361	262,833	1,483,393
Travel and subsistence	24,300	24,300	24,300	44,300	117,200
ICT	159,763	93,563	101,752	112,590	467,668
Financial audit and accounting	15,075	15,075	15,075	35,075	80,300
Insurance, legal and consultancy	68,894	18,649	18,000	70,990	176,533
Depreciation	123,210	123,210	123,210	120,710	490,340
Bad debt provision	0	0	50,000	40,000	90,000
Tax	1,320	1,320	1,320	1,320	5,280
Bank Interest	(6,390)	(6,390)	(6,390)	(6,390)	(25,560)
Fixed Operating Costs total	2,641,730	2,246,478	2,224,045	2,514,512	9,626,765
Smart Energy GB Total	11,931,882	12,924,904	10,207,530	13,369,337	48,433,653

In implementing this budget, there is a commitment by the board to build in more formal and frequent review points during the year. We are also pleased to note a commitment from suppliers to share granular marketing activity and demand data to further enhance our through the line performance visibility. These commitments, combined with a more flexible approach to paid media commercial terms, mean that if events change, we can change accordingly.

7.1 Notes to the budget

Consumer Engagement

- i. **Proactive consumer PR:** includes all costs associated with creating and deploying proactive consumer PR campaigns, including agency support and fees, talent and advocate costs, research for proactive PR purposes, copywriting and illustrations, photography and AV/audio asset production.
- ii. **Production:** includes all costs associated with the production of advertising deployed in traditional ad units (digital display therefore included but 'digital native' content campaigns is excluded) including creative, planning and account agency fees, usage, and all artwork and production costs, guidelines and other corporate design.
- iii. **Media buy:** includes all costs and associated agency fees and commissions of planning and buying media space in channels such as out of home, TV, radio, print and digital.
- iv. **Media partnerships:** includes all costs and associated fees of planning, producing and buying the media space for paid media partnerships.
- v. **Digital marketing:** includes costs including agency fees and production associated with maintaining our digital presence (website and social media channels) including hosting fees, search engine optimisation, testing and maintenance etc; and the planning, development and production of 'digital native' content campaigns.
- vi. **Marketing Partnerships:** includes all costs including funds passed directly to partner organisations (such as charities, community groups and brands) required for the planning, development and production of marketing partnerships.
- vii. **Telephone and customer journey:** includes all costs including set up and ongoing fees associated with implementing a new streamlined consumer journey on the phone and online, including infrastructure set up costs, licenses, telephone call costs.
- viii. **Insight:** includes all costs and fees required to plan, commission, conduct and analyse research for consumer engagement insight, measurement and optimisation purposes and evaluation, as set out in this paper.

Corporate affairs

- i. **News:** includes all costs relating to reactive news management and responsiveness, including agency support, media monitoring tools, and subscriptions.
- ii. **Policy:** includes all costs relating to thought leadership work, including the generation of policy evidence and research, and subsequent events.
- iii. **Public Affairs:** includes all costs relating to building knowledge and advocacy among politicians, businesses and stakeholders in England, Wales and Scotland, including agency support and tools necessary to manage public correspondence.
- iv. **Corporate affairs travel and subsistence:** this includes the travel costs and the associated subsistence when our staff travel from their place of work to attend and host events associated with policy and public affairs work.

Fixed operating costs

- i. **Staff costs:** includes all direct and indirect staff costs including salaries (including an inflationary uplift from 1 Jan), national insurance, pension contributions, recruitment and some indirect staff benefits. There is also a contingency of £145k within this line. It should be noted that the number of FTEs is expected to remain consistent with 2018 levels.
- ii. **Training and development:** including the full training and development costs for the organisation including one-to-one training, group training and internal planning meetings.
- iii. **Performance audit:** includes all costs associated with assessing our corporate performance such as PMF reporting results e.g. customer funnel analysis. This is distinct from campaign insight (detailed above).
- iv. **Premises and office running costs:** includes the rent, rates and service charge for our three offices in London, Cardiff and Edinburgh. The associated running costs (from printing and postage to cleaning and general maintenance) are also included.
- v. **Travel and subsistence:** includes the travel costs and associated subsistence when our staff team have to travel away from their main place of work for activity for Smart Energy GB.
- vi. **ICT:** includes the IT support costs, infrastructure costs, licences (for software, storage and security) and network costs.
- vii. **Financial audit and accounting:** includes the costs our external audit fees and our outsourced bookkeeping fees.
- viii. **Insurance, legal and consultancy:** includes all insurance costs and a provision for legal and consultancy support.
- ix. **Bad debt provision:** in 2019 there is a risk of some suppliers not being able to fund Smart Energy GB as a result of going into administration. The bad debt provision is an estimation of the level of income that may not be paid if this risk materialises in 2019.
- x. **Tax:** Smart Energy GB is liable to pay corporate tax on its bank interest. This budget allocation is to meet that liability.
- xi. **Bank interest:** this is an estimation of our bank interest based on our forecast cashflow, using current interest rates.

