



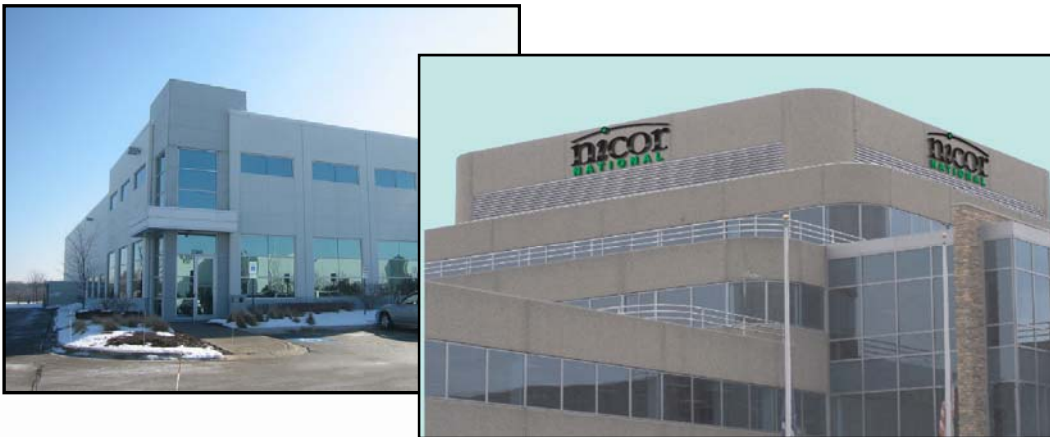
# New Product Success in a Mature Market

23rd Annual E Source Forum  
September 19–23, 2010

*POSITIVITY AT WORK*

# Nicor National Background

- Deregulated subsidiary of Nicor Inc., established in 1992
  - Energy-related products and services, home warranty focus
  - Over 720,000 active contracts currently
  - Operating in 19 states
  - J.D. Power Certified Call Center
  - Carrier Distinguished Dealer, President's Award winner
- Operating out of two locations with over 515 employees
  - Naperville, IL – western suburbs of Chicago
- Nicor Gas – largest Nicor subsidiary and regulated affiliate, 2.2M customers



# Nicor National Business Lines



Energy

Alternate Retail Gas  
supplier (ARG)

Warranties &  
Service  
Contracts

Line Guard  
Energy Efficiency  
Repair/Maintenance

Heating &  
Air Conditioning

Service  
Equipment Sales  
Indoor Air Quality



# Program Background

## Line Warranty

Repair coverage for electric, gas, plumbing, cable and phone line in the home offers peace of mind

## Heating, A/C & Water Heater Maintenance

Tune-ups reduce energy usage up to 10% and ensures safe operation

## Heating, A/C & Water Heater Repairs

Protects customers from unexpected and costly household repairs



## Appliance Safety Inspection

51-point safety inspection and advice to improve home safety

## Appliance Repair

Protects customers from costly appliance repairs regardless of make, model or age

## Energy Efficiency

Provides services and tools to help customers manage consumption and control energy costs

# Our Challenges

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- Growing our customer base in a mature market
- Increasing our share of wallet among existing customers
- Improve retention rates in a challenging economy
- Measure customer satisfaction impact
- Support energy efficiency goals

# Environmental Considerations

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- Consumers seeking ways to lower expenses/energy bills
- Discretionary income at a premium
- Growing energy efficiency awareness (federal, state, local, etc.)
- Customers looking for peace of mind, simple, low-cost solutions
- Most consumers frozen/apathetic to impactful EE adoption
- Attractive equipment incentives in place (tax, utility rebates, manufacturer)

# Decision

## Redesign Existing Program

Repositioned our clean & check program around energy efficiency and added value

- Annual clean & check on HVAC equipment
- EE starter kit
- Energy Star appliance discounts (Sears)
- Energy efficiency tips brochure

## Program Strategy

- Provide meaningful solution, low price point
- Ease customers into EE dialogue
- Added value will improve retention
- Leverage new touch points to increase value
- Allow contractor/technician to drive larger EE investment



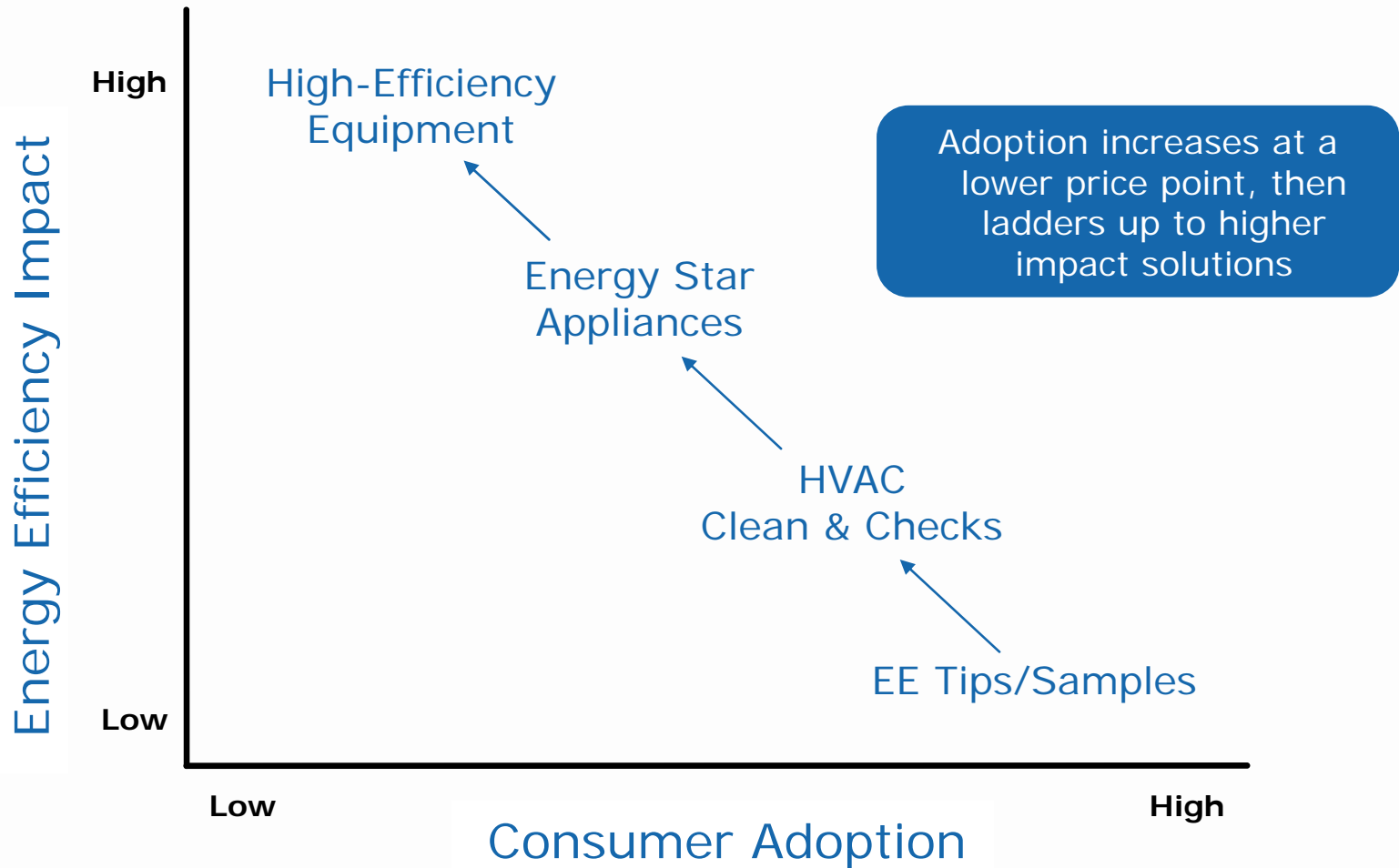
# Customer Profile

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- Average age of HH (55+)
- Middle-to-lower income
- High school education level
- Long length of residence
- Empty nesters
- Grandchildren present



# Key Program Assumptions



# Program Pilot -- Spring 2010

## Channel Strategy

- Move calls
- Direct mail (2 creative approaches)
- Inbound customer care calls
- Web



## Test Metrics

- Take rates among new and existing customers
- 30-60-90 day retention vs. previous program design
- Ability to leverage downstream touch points to increase value

# Pilot Program Results



Growing our customer base in a mature market

Result: 3,000 new contracts in pilot period

Improve retention rates in a challenging economy

Result: Added value improved retention by 15%

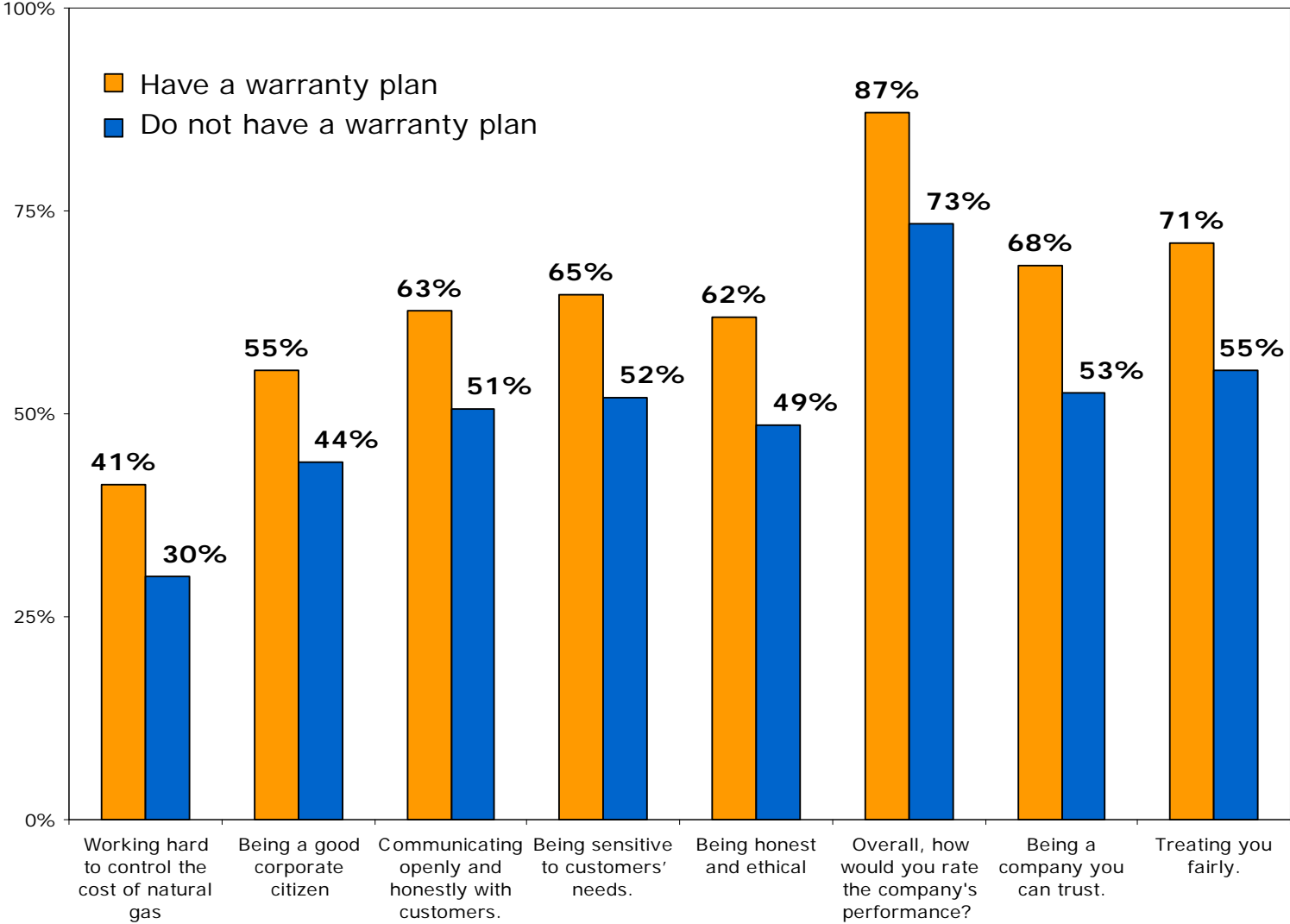
Support energy efficiency goals

Result: ~5% of in-home service calls led to new equipment sales

Increasing share of wallet among customers

Result: 10% cross sell rate on inbound calls adds \$6.95 per customer

# Customer Satisfaction Impact - Nicor



# Next Steps

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- Investigate broad-based media to increase program awareness
- Refine predictive model to minimize acquisition expenses
- Develop e-mail campaign strategy
- Launch expanded program across entire utility service territory

# Conclusions

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- Don't underestimate the value and power of your brand
- Utility customers are looking for value-added products/services
- Customer touch points are an asset – not a cost
- Call center plays a key role
- Consider the downstream opportunities

# Thank You

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