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PRIMARY INFLUENCING FACTORS FOR CONSUMERS TO SWITCH ENERGY SUPPLIERS IN TURKU REGION

– A study on switching behavior between energy suppliers



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Switching energy suppliers is still a new phenomenon in Finland having only been possible as of late 90s, when tendering electricity was enabled for the public. Nowadays, consumers who tender mainly live in houses. Tenants in apartment buildings are slowly picking up the pace to tendering, due to the fact that the decision-making is shifting from land lords to tenants themselves in choosing of their energy supplier.

Key issues covered in the research are energy consumption behavior including tendering electricity, challenges of services and stages of purchasing electricity. The research was initiated by a discussion with the CEO of Swuto. The company offers automatic switching services in regards to electricity contracts. The author of this research chose the topic and thesis questions based on his interest on the specific area.

The theoretical framework chosen for the thesis helped establish a foundation which inturn helped developing the research. The author chose an approach of exploratory study and conducted a quantitative research method for the thesis. To acquire answers for the thesis questions, the author sent out questionnaires with the use of sampling.

Some key findings of the research are that primary influencing factors for consumers to decide to switch are price. When asked of the choice criteria between suppliers, consumers answered to consider factors such as location, service quality and renewable energy. However, consumers who tender electricity, look for better deals. These issue are discussed in the findings and conclusion part of the thesis. Additional suggestions for potential future research on the topic are given at the end, as well.

It should also be noted that all the views presented in this thesis are the author's own, and thus do not reflect Swuto's or their management teams views in any manner.

KEYWORDS:

Energy supplier switching behavior, energy consumption behavior, black box model, stages of purchasing, service challenges, IIHP model

Markus Eastwood

ENSISIJAISESTI VAIKUTTAVAT TEKIJÄT KULUTTAJIEN PÄÄTÖKSESSÄ VAIHTAA SÄHKÖTUOTTAJIA TURUN ALUEELLA

- Tutkimus kuluttajien taipumuksesta vaihtaa sähkötuottajia

Sähkötuottajien vaihtaminen on edelleen uudehko ilmiö Suomessa sen jälkeen, kun se mahdollistettiin 90-luvun lopulla sähkön kilpailutuksen avaudutta kuluttajille. Nykyään, kuluttajat, jotka kilpailuttavat sähköä ovat pääasiassa omakotitalossa asuvia. Kerrostalossa asuvat ovat pikku hiljaa enemmän mukana sähkön kilpailutuksessa, ottaen huomioon, että päätäntävaltakkin sähkötuottajan valinnassa on siirtymässä isännöitsijöiltä asukkaille.

Avain keskustelu asiat tässä tutkimuksessa ovat energiakulutuskäyttäytyminen, josta mukaan luetaan sähkön kilpailutus, palvelujen haasteet ja sähkön ostamisen vaiheet. Tutkimus sai alkunsa Swuton toimitusjohtajan kanssa käydyn keskustelun kautta. Yritys tarjoaa automaattista vaihtopalvelua sähkösopimusten kanssa. Tutkimuksen kirjoittaja valitsi aiheen ja opinnäytetyön kysymykset kiinnostuksensa mukaan tiettyyn aihealueeseen.

Opinnäytetyön teoreettinen viitekehys valittiin perustaakseen lähtökohta, josta jatkaa eteenpäin tutkimuksen kehityksen kannalta. Kirjoittaja valitsi lähestyä kartoittavalla tarkastelulla ja toteutti kvantitatiivisen tutkimuksen opinnäytetyötä varten. Hankkiakseen vastauksia opinnäytetyön kysymyksiä varten, kirjoittaja lähetti kyselyjä käyttämällä näyttenottomenetelmää.

Opinnäytetyön tuloksena saadaan ymmärrystä ensisijaisiin vaikuttaviin tekijöihin kuluttajien päätökseen vaihtaa, tai valita sähkötuottaja. Lisäksi, lopussa annetaan ehdotuksia mahdollisiin tuleviin lisätutkimuksiin aiheeseen liittyen.

Tulee myös mainita, että kaikki tässä opinnäytetyössä esitettävät näkemykset ovat kirjoittajan omia, ja näin ollen eivät heijasta Swuton tai sen johtokuntaryhmän näkemyksiä millään tavalla.

Asiasanat: Käyttäytyminen sähkötuottajan vaihtamisessa, sähkökulutus käyttäytyminen, black box malli, ostamisen vaiheet, palvelun haasteet, IIHP malli

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LIST OF ABBREVIATIONS (OR) SYMBOLS

DSO – Distribution System Operator

MW - Megawatt

1 Introduction

1.1 Energy Goals

The development of energy business is essential to build a better future for generations to come. The source of currently consumed energy, which we primarily use on a global scale, is finite. Albeit, there have been leaps in development in the renewable energy field, we have still a long way to go.

The EU countries have settled on a new 2030 Framework for climate and energy objectives. One of the three important targets is to have a minimum of 27 % consumed energy from renewable sources. The overall ambition is to meet the long-term target in greenhouse gas reduction by 2050. (European Commission, 2016) Finland's target for 2020 is 38 %. According to Vincent Bourgeais in Eurostat Press Office, it was exceeded already in 2014. (Bourgeais, 2016) Based on the author's interview at Turku Energy, Finland's notable sources of renewable energy are water and wind. Solar is more of a service, and doesn't contribute remarkably to the energy production here. Also, based on my interviews, some consumers do have sustainability as one of their influencing factors in choosing an energy supplier. However important, the author decided not to do research on the influences of renewable energy production toward consumer's energy supplier choice.

1.2 Finnish retail electricity market

Finland has around 120 electricity producing companies and about 400 power stations. (Finnish Energy, 2016) There has not been major change in the production of electricity during the last couple of years. Sweden is still the most important importer of electricity into Finland. Russia used to have a larger role but changes in their market model led to a decrease of import from there. Total electricity generation capacity in Finland was about 16,100 MW in the end of 2015. As a comparison, the U.S. had a total installed generation capacity of 413 304 MW in July 2016. (eia, 2016) In Finland, during the winter of 2015-2016 it was estimated to be 11,600 MW. (Energy Authority, 2015) To cover the deficit the interconnector capacity between Finland and neighbouring countries was 5,100 MW in the end of 2015. (Energy Authority, 2016) The limitation of transfer capacity restricted the transmission of electricity from Sweden to Finland, resulting in differing prices between Finland and Northern and Central Sweden 47 per cent of hours last year.

(Energy Authority, 2016) Factors such as weather and transfer capacity have a direct effect on the availability and thus price on electricity for the end consumer.

The availability of electricity influences the market price. The price itself has a direct influence on the consumption of it. The cheaper the electricity, the more money is saved. However, it was not until slowly opening the Finnish retail electricity market in the late 1990s and finally by 1998 that all of the Finnish customers were able to switch energy suppliers without additional costs. (Annala, et al., 2007) Therefore, the Finnish energy market is competitive in regards to electricity suppliers, which offer an appropriate framework for Swuto's business. Turku region has just over 98,000 households. Population is around 180,000. (City of Turku, 2015).

After opening the electricity market, many of the retailers and distribution system operators (DSO) are still locally owned. The electricity transmission system operator is legally obliged to develop the Finnish electricity power system and has an obligation to connect regional and distribution networks and power plants to its main grid. On request and for a reasonable reimbursement the system operator is obliged to deliver access to the main grid for electricity consumption sites and power generating installations with technically approved connection solution. (Fingrid, 2016) The retailer with the biggest market share within a DSO's market area is obliged to deliver households and other small customers in the area electricity at reasonable prices. (Annala, et al., 2007)

1.3 Sources of energy in Finland

As noticed from the report, the difference of generation capacity of electricity fluctuates seasonally. Hence, weather plays an important factor on the level of consumption as well. However, interestingly electricity consumption accounts only for 33 per cent of the energy consumption in Finnish households. Other sources of energy consumption are district heat accounting for 29 per cent, and burning wood 23 per cent of energy consumption. In other words, the three aforementioned i.e. electricity, district heat and wood, are the main sources for heating in Finland. (Statistics Finland, 2013)

As mentioned, a large portion of our electricity is imported from Sweden, without most of the people even recognizing it. However, we still use it. Therefore, the author does not see the foreign factor to be a deal breaker.

1.4 Motivation from Swuto

In 2015 Spring, I came to an unexpected opportunity to conduct my practical training for Masar BV within Rockstart Accelerator, a working environment filled with intelligent and inspiring people. Whilst working there, one could quickly note the people there are passionate about their companies and how they could potentially impact the world around them with their efforts. In that environment, I absorbed as much as possible of their passion, knowledge on the energy industry globally, and entrepreneurship. During the practical training period, an interest towards the energy field industry began to stir within me. Rockstart Accelerator is where I met and befriended the Founder of Swuto. Simultaneously, I was introduced to another form of energy business, automatic switching energy price comparison platform. A form of business I had never heard of before.

Swuto is a technology, that automatically tracks and compares the consumer's energy bill. It attempts to fulfil the needs of both the consumer and the energy supplier.

Swuto promotes itself by being an entity that searches the market for the customers everyday, alerts them of a better deal and most importantly offer the cheapest tariff without any effort on the customers side. None of which a usual price comparison site provides. Moreover, there is no additional fee for the consumer. (Swuto, 2016) The company further adds that it addresses the need of the consumers by remodeling the way of purchasing electricity, making it swifter and cheaper for them. For the electricity suppliers, Swuto offers what they want the most, loyal customers.

The company has launched their product in the UK. There will come a time, when Swuto could expand its business geographically, for which they need local knowledge and passion toward their company objectives and conduct market research for them, if needed.

After discussing with the founder of Swuto, the author was intrigued in their business model and how it can potentially benefit the consumers. The business model can be modified to each country's specific needs and standards. Based on this and the issues discussed in this thesis, Swuto hopefully has a better understanding on whether to implement any further market research in Turku, Finland.

The author's purpose for this thesis is not to validate the business concept in Turku, but to help provide the company some notion of consumer switching behavior. Furthermore,

the author will hopefully understand the general motivations toward switching energy suppliers.

1.5 Electricity contracts

In Finland when a consumer makes a deal with an electricity supplier, there are three types of contracts to choose from. A single overall delivery contract covers both the sales and distribution of electricity. For example, a person living in some regions of Turku, must have an electricity distribution contract with Turku Energy to even get electricity to their household. However, the electricity sales contract is open for tender, which brings us to the second type of contract. The second is separate contracts for electricity sales and electricity network, usually in the case of tendering. (Finnish Energy Industries and Fingrid, nd) Consumers living in a region with a grid owned by Turku Energy, and wanting to buy electricity from someone else, they still need to make a distribution contract with Turku Energy. They can make the electricity sales contract with another energy supplier, such as Fortum, Vattenfall, or Caruna. Majority of these contracts are valid until further notice. There is also an option for a fixed-term contract. The period of notice for termination of contract is usually two weeks. (Finnish Energy Industries and Fingrid, nd)

The third type of contracts are commonly valid until further notice, but the price of electricity changes constantly. As mentioned in the Fingrid report, this is popular in Norway, but not in Finland. In fact, 60-70 per cent of Finnish residential customers are estimated to purchase their electricity under a default contract from their local supplier. (Annala, et al., 2007) This is also supported by the information provided in the interview with Turku Energy. An analysis conducted by Annala et. al indicates that for the majority of the consumers, the offer prices were always cheaper than the default contract prices. In other words, as Annala et al. state, notable savings can be achieved by switching from default contracts to competitive contracts. (Annala, et al., 2007) But as told by the interviewee in Turku Energy, a small household would not save more than maybe 30-40 euros a year through tendering.

The more a consumer can save money through tendering electricity suppliers, the more likely a consumer is encouraged to switch suppliers. The type of markets Swuto's business model is designed for are ones with active tendering. Therefore, it would seem from this point of view that Finland has a potential case for Swuto. However, only looking at the rate of tendering between countries like Norway and Finland, the former would

seem more profitable than the latter for a company like Swuto.

1.6 The objective of this thesis

The primary objective of this thesis is to conduct a study on energy switching behavior in Turku region. Moreover, it is to gain a general understanding of consumers' incentives to switch energy suppliers and also possible barriers to switch energy suppliers. Examples of barriers could be not having the knowledge on how to do it, or simply wanting to remain loyal to the current supplier.

The issues of the influencing factors on consumers' energy supplier switching behavior, are to be the main focus of thesis. Therefore, the author has chosen the following :

1. What are the main incentives for consumers to switch between energy suppliers?
2. What are the main barriers for consumers to switch between energy suppliers?

There are thousands of sound entrepreneurs around the world with ideas to take a step forward in the energy industry, enabling access to electricity in challenging regions, and when possible, access to cheaper electricity. In the energy industry, a company needs to get to consumers' level in the target market to know their specific needs and motivations on choosing a certain supplier. It is important for a company to comprehend the consumers' stages of purchasing, and the influencing factors during the stages. Furthermore, electricity supply is an intangible service. We consume the service of electricity suppliers constantly by having lights on and heating during winter. We normally do not even think about it. That is until a blackout. Therefore, an energy supplier needs to overcome the challenges of what are common for intangible services. The author will discuss these further in the literature review.

Based on the results of this research Swuto will be able to deduct, if in the near future it should attempt to do further research of the market and to possibly test the business on a small scale in Finland.

The thesis will add the author's experience through research and knowledge on consumers' switching behavior in electricity generally. Since there is no previous study or business specifically in automatic switching in energy, the author also thinks it can be a link to further research in this field in Finland.

2 Literature Review

“Knowing who your customers are is great, but knowing how they behave is even better.”

- Jon Miller (Miller, 2013)

Following the quote by Jon Miller, the author explores how consumers behave in regards to electricity purchasing and why. The aim of this chapter, is to explore the themes of service marketing and consumption behavior with the help of tools like black box model, stages of purchasing, and the IIHP model. The IIHP model is used to present the challenges of services, which is also relevant for Swuto, being an online service platform. This also provides the necessary aspect from the business point of view. Whereas the black box model and stages of purchasing are of the consumers viewpoint. The author conducted a pilot survey doing an interview in Turku Energy, in addition to making conversations with consumers asking open ended questions to establish a focus for the thesis. The interviews gave the author an understanding on what factors influence consumers choice in their energy suppliers and do consumers generally switch, or tender energy supplier contracts.

2.1 Consumer behavior: differing perspectives

Consumer behavior and marketing strategy are deeply connected to each other. But what is consumer buying behavior? And who are the consumers? According to Kotler and Armstrong, consumer buying behavior is the buying behavior of the final consumers i.e. individuals and households, that buy goods and services for personal consumption. (Kotler & Armstrong, 2010) Another way to see consumers is by Schiffman et.al, who divide consumers into two entities, the personal and the organizational. (Schiffman, et al., 2012) In other words, if you use money in any form, the marketers define you as a consumer.

Nowadays, consumer behavior is known to be an ongoing process. What this means is that its view is expanded to the entire consumption process, instead of merely the exact occasion of exchanging money for a product or service. (Solomon, et al., 2013) Sandhusen emphasizes that it is essential to understand how consumers go through the stages of purchasing. (Sandhusen, 2000)

To analyze the stages of consumer's purchasing, or decision process in purchasing, the author goes to Solomon et al.'s form of consumption process involving three stages. These are the time before purchase, the actual purchase occasion, and the post-purchase evaluation and feelings. (Solomon, et al., 2013) There are additional stages, which will be mentioned but for the purpose of the thesis, the author attempts to keep it as simple as possible.

Understanding the stages of purchasing enables for a company to create an effective marketing strategy. Having an effective marketing strategy will help reaching the desired objectives. The author assumes the desired objectives to be having the consumers pay for the service from a specific service provider and to become loyal customers to the service provider.

Solomon et.al discuss this purchase process from both the consumer's perspective and marketer's perspective. There are questions arisen both from the consumers and marketers during this process.

2.1.1 Marketers

Marketers want to understand how consumers choose what they buy, and to know what kind of promotion reaches their target market of consumers. Additionally, they try to understand how the consumer attitudes towards products are formed and changed, and what indications do consumers use to determine which to purchase, or which are more to the consumers preference. (Solomon, et al., 2013) As we later discover in exploring IIHP, if the company offers services, additional challenges arise in regards to the promotional aspect.

Marketers essentially try to find out what causes the consumers to purchase the product or service again i.e retention, and what encourages the consumers to spread the experience by word-of-mouth to friends and family. (Solomon, et al., 2013) They identify and measure the influence of surrounding factors on the purchase decision. These factors can be time pressure f. ex. standing in lines, what's at display in the store, and service quality.

2.1.2 Consumers

During the search of a product or service, and before making the purchase, consumers assess, if it can fulfil that specific need of theirs and what buying the product might say about them. During consuming a service, the consumer evaluates the experience, and as said, no experience is perfectly similar to another creating challenges. (Solomon, et al., 2013) After purchasing the product, consumers evaluate their satisfaction of its performance, and possibly the manner and consequences of disposing the product.

Most of the focus in this thesis is on the consumer's perspective. However, marketer's perspective is discussed briefly for a the purpose of gaining a better understanding of the process.

2.2 Actors in purchasing

According to Solomon et.al, the actors involved in the process of consumption for individuals are the purchaser, the user, the influencer, and the decision-maker. (Solomon, et al., 2013). Typically the decision-maker is an individual purchasing a product or a service for an organization. (Solomon, et al., 2013) Fahy and Jobber include an influencer to this process. (Fahy & Jobber, 2012) The initiator recognizes the need, the gatekeeper searches and controls the information, the decider makes the decision, the buyer acquires the service or a product, and user consumes the service or product. The user may not even be part of the decision making process. (Zeithaml, et al., 2006) Influencers are the people in our lives offering recommendations to certain movies, restaurants, brands etc.

In the case of purchasing electricity, the actors involved in the purchasing process i.e. the purchaser, the user, the influencer, and the decision-maker, usually live in the same household. Although there are exceptions, as we noticed earlier in the case of housing associations.

2.3 The black box model

ENVIRONMENTAL FACTORS		BUYER'S BLACK BOX		BUYER'S RESPONSES
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Processes	
Product Price Place Promotion	Economic Technical Political Cultural	Attitudes Motivation Perceptions Personality Lifestyle	Problem recognition Information search Alternative evaluation Purchase decision Post-purchase behavior	Product choice Brand choice Dealer choice Purchase timing Purchase amount

Figure 9–1. Black box model shows how stimuli, consumer characteristics, and decision processes interact in eliciting consumer responses.

Figure above is from the book 'Marketing' by Sandhusen, Richard. (Sandhusen, 2000)

The black box model is divided into three main categories: the environmental factors, the buyer's black box and the buyer's response. The key argument and assumption of the model is that environmental and marketing factors (stimuli) affect the consumers characteristics and decision process (buyer's black box) in purchasing, which eventually leads to the buyer's response. The model also assumes the main buyer characteristics, such as attitudes, personality and lifestyle influence the manner of response to the previously mentioned environmental and marketing factors. In short, it studies the factors and influences of each stage in the model discovering, which essentially directs consumers to make the purchasing decision. The environmental factors are categorized into marketing and environmental. The issues of marketing i.e. product, price, place, and promotion are also relevant in the purchasing process of electricity. Buyer's black box is divided into buyer characteristics and decision process, of which the focus is on the latter. The theory ignores what is going on in the consumer's mind i.e. black box, and instead studies which input i.e stimuli give the desired output i.e buyer's response. (Sandhusen, 2000). Within the last box, buyer's response, the dealer choice will be touched based on the results of the questionnaire in findings section.

Black box model is a good *tool* to use for this, though not a perfect one. It is a good device for marketers, when trying to create an effective marketing strategy to reach the desired result.

The black box model demonstrates when, why, how, and where people buy or don't buy their products or services. (Sandhusen, 2000) The importance is to understand the process of consumers process in purchasing electricity. The point of the model is, that it

focuses on the influencing factors, i.e. marketing and other environmental factors, and the consumers' response to them. (Sandhusen, 2000) The theory provides a useful tool, which all companies should take into consideration with their marketing strategy effort.

2.3.1 Consumer's choice

Electricity is a necessity, so everyone pays for it. But why buy do they buy it from one company instead of the other, and how do they make their choice. According to Sandhusen, the environmental stimuli is outside of the marketing managers' control. (Sandhusen, 2000) It can originate from the buyers amazement with the product features and price through a presentation of a sales representative. It can be a response from a close group of people in which a consumer desires to fit into. This may lead up to buyer's further investigations of the product, and finally a purchase decision. Same principle can be applied to services as well.

The initial research through the pilot interview at Turku Energy, and the initial open ended interviews with few consumers, showed that there are different ways one can end up purchasing electricity from a certain energy supplier. Telemarketing showed to create a negative buyer response, which resulted in a positive outcome for Turku Energy. There are cases, when unnamed electricity sales companies have tried getting consumers to buy electricity from them and perhaps not being clear enough on the details of the contract, leading customers eventually having a negative image of the company. Apparently many of these customers returned to purchasing electricity from Turku Energy. This experience showed a buyer's response to something negative from another party, leading to something positive for a different party. Other instances landlords made the decision for the tenants, and thus the tenants did not even have to think about it.

2.3.2 Stages of purchasing

According to Solomon et al. the time before purchase will arise questions such as "1. How does a consumer decide that there is a need for a product or service?" and "2. What are the best sources of information about alternative choices?" Marketers search answers to questions on "3. How consumers' attitudes toward certain products and services are formed?" (Solomon, et al., 2013)

The need is obviously electricity. This is discovered during a black out, at the latest. However, another need in the case of this thesis could be having better deals, for which incentives can be many, such as price, environmental friendly production of energy, recommendation of a friend, previous experience and so on. After having conversations with consumers, the author discovered a need can be risen after consumer becomes aware of the possibility to tender their electricity supplier.

Finnish consumers can choose another supplier to buy the electricity from, which enables tendering. Therefore, they search and choose a specific electricity supplier. Consumers who tender their suppliers, usually use energy price comparison sites, such as the Energy Brokers and Energy Authority. These sites could be regarded as one of the best sources of unbiased information on energy deals. Based on the interview at Turku Energy, tendering consumers usually live in houses.

Usually marketers aim is to create for the consumers a sense of need for a product or service. Additionally, often the opinions and behaviors of consumers friends and family influence the consumers sense of need for something and to a purchase decision. (Kotler & Armstrong, 2010)

2.3.2.1 Purchase issues

The purchase occasion and questions during it are from the consumers' perspective such as "1. What kind of experience will acquiring the product or service be like?" and 2. What purchasing it may say about them?" Marketers explore about circumstantial factors' influence on the consumers' purchase decision. (Solomon, et al., 2013)

Consumers always pay for two things in an electricity bill. First is for the electricity itself, and the second is for the distribution. Acquiring electricity is straightforward, but when a consumer wants to choose the most sustainability-oriented energy supplier, and also cheap enough, they need to go through some trouble. Albeit some energy providers are big enough to have effective marketing strategy, meaning that when a consumer thinks of the most "in" energy supplier, the previous promotional effort will most likely effect to a degree.

At this stage, many households automatically choose a default contract from the local supplier, based on the interview 1 Turku Energy customer service representative. Consumers pay for the distribution of electricity to the supplier who owns the grid in their

region. In the case of buying electricity from some other supplier than the one owning the grid in their region, the consumers will have two contracts. One for the purchasing of electricity, and one for the distribution of electricity. When buying electricity from the same supplier that owns the grid, consumers only need one contract. There is no added fee for having two contracts.

However, due to renovational efforts implemented on these older apartment buildings, many of these housing associations are shifting toward consumers deciding for themselves. This is enabled by installing smart meters in each apartment to see the consumption by apartment, eventually creating a smart grid environment. Consequently, this has resulted in increase of tendering. This phenomenon is also supported by the research results of Annala et al. in 2007. that due to the development of aforementioned smart grid environment, residential customers will have a bigger role in the decision process of supplier choice. As a rough estimate by the employee of Turku Energy, consumers who tender their electricity account for about 30 % of their customers.

2.3.2.2 Post-purchase issues

During this stage, the questions from the consumers perspective are “1. Will the product or service provide satisfaction or perform its intended function?” and possibly “2. What are the environmental effects of consuming it?” Marketers attempt to determine whether consumers will be content with the product or service and purchase it again, and will they tell others about their experience. (Solomon, et al., 2013)

When blackouts occurred in the past, the effects have usually been only for a short period, and a small region. Therefore, one could say the consumers are satisfied of the performance, they do not need to think of it too often. Even when it comes to sustainability and consumers looking for sustainable future oriented suppliers, consumers have the choice to select such depicted supplier. As interview 1 in Turku Energy revealed, some consumers have actually had undesirable experiences after purchasing electricity from a certain energy supplier. Usually these deals have happened over the phone, and the consumer was not explained the details of the contract well enough.

The ‘buyer characteristics’ box within the ‘buyer’s black box’ is comprised of perception, attitudes, motivation, personality and lifestyle. F. ex. the buyer has a perception of the

product and compares it to the competitive products, and the innate motivations of purchasing the product. Past experiences of the competitive products come to an effect. Many, if not all of these stimuli would eventually shift the buyer to purchase the product i.e buyer's responses. (Sandhusen, 2000)

2.3.3 Buyer's response

An important factor for consumers in electricity is the locality of the supplier. Consumers prefer that they can simply walk into the energy supplier's offices and have face-to-face conversation. Another important motivating factor is price.

In addition to discussed factors, Kotler and Armstrong mention four primary characteristics: cultural, social, personal and psychological has strong impact (Kotler & Armstrong, 2010) In the black box model these would be categorized as interpersonal, or environmental stimuli.

There are important issues to comprehend the social and personal aspects of these factors. We are constantly influenced by our surroundings and the people we spend time with, which is regarded as the social aspect. These people are also called the reference group. The way people closest to us talk about important issues, such as energy usage, affect our thinking. Our personality i.e. age, lifestyle, self-concept, occupation, and economic situation, have an effect on with whom we spend the majority of our time. All of this have a significant impact on our psychological factors, such as motivation, perception, learning, beliefs and attitudes. (Kotler & Armstrong, 2010)

2.4 Service marketing

Services are defined as performances, deeds, and efforts. Goods are objects, devices, and things. (Hoffman & Bateson, 2006) Zeithaml et.al define services as deeds, processes, and performances. Services are not objects so they cannot be seen, felt, tasted, or touched in the same manner as tangible goods. (Zeithaml, et al., 2006)

Swuto offers an intangible service. The company advertises the indirect benefit in using their services is simply saving money. This happens by Swuto alerting of deals in the market, and switching to the cheapest energy suppliers with no additional fee, as stated in their homepage. (Swuto, 2016) We consume electricity in our daily life so much that

we do not even think about it any further, that is until we receive the electricity bill again. Thus, the challenges of marketing Swuto's service, or energy supplier related service arise. Therefore, the author decided to first discuss about service marketing and then the challenges of it, and how it relates to energy consumption and Swuto's business.

Before the 1970's, many felt service marketing did not differ from product marketing meaningfully. However, nowadays, it is known that the differences between the marketing of these two are the following four unique characteristics – intangibility, inseparability, heterogeneity, and perishability. (Hoffman & Bateson, 2006)

2.4.1 Marketer's thought process

Marketing is the function of a business that deals with customers. According to Kotler and Armstrong, marketing is simply managing profitable customer relationships. (Kotler & Armstrong, 2010) Another way they define marketing is, that it's a process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. (Kotler & Armstrong, 2010)

As Fahy and Jobber state, one way to express the modern concept of marketing is 'the achievement of corporate goals through meeting and exceeding customer needs better than the competition'. (Fahy & Jobber, 2012) According to them, to meet these conditions, the following three factors need to happen. Firstly, a company must focus on providing customer satisfaction. Secondly, company departments need to work on an integrated effort towards the same goal. And lastly, the management must believe in being able to meet corporate goals through satisfied customers. (Fahy & Jobber, 2012)

As seen in the consumption process, marketers' aim is to continuously improve their understanding on how consumers make the purchase decisions eventually and how their purchase decisions may be influenced. Once marketers understand this, their objective is to influence how customers think and act. (Kotler & Armstrong, 2010) They do so by creating a marketing strategy to attract the desired target market of consumers, and establish a loyal customer base for the long run. Experienced marketers use the most innovative ideas to fashion a creative strategy to make memorable commercials and to communicate the value offered to the consumers. One successful example is the aforementioned Van Damme's "The Epic Split" for Volvo.

Since consumers go through the process of eventually leading up to the purchase and hopefully long lasting relationship, marketers strive to figure out answers to questions such as, what do consumers buy, where do they buy it from, when do they buy it, how do they buy it, and how much do they buy. (Kotler & Armstrong, 2010) As seen this has direct correlations to the black box model. With the exponential advances in technology f. ex. the internet and google, we are constantly receiving marketing messages in some form. Hence, most of it turn into vague noise for us.

Since the research is made for a service company offering an online platform, Swuto, we shall next discuss about the challenges unique to services using the IIHP model.

2.4.2 IIHP Model

2.4.2.1 Intangibility

Since services are intangible, they cannot be seen, felt, tasted, or touched in similar manner as goods. (Zeithaml, et al., 2006) For example, a consumer named Jack may buy electricity from an energy supplier, but he cannot taste or touch the product, but he can put the lights on, heat up his sauna in his house. In return, he receives the electricity bill every month, or every third month, as is common in Finland.

A significant difference between products and services is that products can be standardized, whereas services will always be different for they are produced by an individual and received by another individual. Therefore, no two experiences are ever completely the same to each other. (Zeithaml, et al., 2006)

Intangibility of services offers some marketing challenges not common for products. Such challenges mentioned by Hoffman and Bateson are *lack of service inventories*, *lack of patent protection*, difficulties in *communicating services*, and difficulty in *pricing services*. (Hoffman & Bateson, 2006) When the products can be stored, if not purchased, the services cannot, so there are no supplies to be used. F. ex. electricity that is not used now can only be stored for a limited time, and even then it loses energy. This causes a constant supply and demand issue for the service providers. In regards to Swuto, being an online service, it has the advantage of being able to provide the service almost without limit within the designated market. The interview with Turku Energy gave new insight on that the most significant challenge to overcome would be gaining trust within the Finnish

market. Swuto's marketing should be transparent, evoking trust and unique enough to attract consumers but not too much to seem too strange to them. As the company's service is free for consumers, there would be no issue of pricing. The customers use Swuto's website, which when built properly, is easy to use and professional looking. In other words, it is easier to maintain the same level of high quality service with an online service.

Furthermore, as Hoffman and Bateson highlight, how do you advertise something that cannot be seen? And how do you price it? To service businesses requiring solutions with these four aforementioned issues, Hoffman and Bateson offer the use of tangible clues (office furniture, appliances, clothes employees wear etc.), personal sources of information (family, friends etc.), and creation of a strong organizational image. The stronger the organizational image, the lower the perceived risk for consumers to use their services. On the other hand, services cannot be copied fully, since the skillset and knowledge is connected to the service provider.

2.4.2.2 Inseparability

Hoffman and Bateson define the difference between goods and services simply as follows. Goods are produced, sold, and then finally consumed. Basically any good you buy from your local store, f. ex. bread, coca cola, or fruits. Whereas services are sold, then produced and consumed simultaneously. (Hoffman & Bateson, 2006) Zeithaml et.al discuss the same topic, but instead of using the word inseparability, they've named it simultaneous production and consumption (Zeithaml, et al., 2006). An example given by these authors is a case of a restaurant, which provides service only after the it is sold, and the dining experience is provided and consumed concurrently. Another valid issue given by Zeithaml et.al is that service operations often need to be decentralized to reach the customers. (Zeithaml, et al., 2006) For any online service, decentralization is almost an immediate benefit.

Hoffman and Bateson point out a term 'critical incident'. It is the moment of interaction between the consumer and service provider, which creates the greatest opportunity for either a positive impact or a negative impact. (Hoffman & Bateson, 2006) This reflects on customer satisfaction and retention, i.e. coming back to buy again.

The inseparable nature of services present four challenges for marketing practitioners, but we will only focus on the one relevant for Swuto's case. Customers need to be involved in the process of the service performance, which means there is an immediate impact, either positive or negative. Hoffman and Bateson emphasize on the significance of employee satisfaction, which directly translate into customer experience. (Hoffman & Bateson, 2006) These authors offer some solutions, such as involving customers more in the process by listening to them and gathering feedback, and offering a chance for a shared experience (f. ex. movie theaters). The authors emphasize the necessity of having a balance between customer involvement and efficient operation. (Hoffman & Bateson, 2006) As any online service, Swuto's website needs to be easy to use. In case of a problem, there need's to be a way to call or message for support.

The three other challenges are not relevant at this stage of the company Swuto's development, because Swuto does not need to be physically present, mass produce, nor do the customers need to share their service experience simultaneously. However, as established with the interview in Turku Energy, it would be better for Swuto to be physically present in the market, should the company decide to enter. Furthermore, online services usually are able to maintain good standardized quality management to offer consumers because the service is not face-to-face, which can mean the service can be good even if the employee's mood isn't.

2.4.2.3 Heterogeneity

It is impossible for a service provider, such as masseuse or dentist to constantly offer 100 percent perfect quality. (Hoffman & Bateson, 2006) Since services are performances provided by humans, no two services be exactly similar to each other. On the other hand, no two customers are exactly similar. (Zeithaml, et al., 2006) Thus, the "heterogeneity" characteristic of services. Service encounters take place in real time, therefore when a mistake occurs in the production of service, the customer already experiences it. This makes it difficult to exercise quality management. The service provider can prepare for these situations to its best ability by hiring the right people and providing the training to the employees. The equivalent issue could be that a consumer has had a negative experience with an electricity supplier, and thus wants to switch between suppliers.

2.4.2.4 Perishability

As Zeithaml et.al state, services cannot be stored, saved, resold, or returned. (Zeithaml, et al., 2006) The chance to inventory means that the production and consumption of goods can be separated. Services are usually consumed at the location of production, but electricity is produced at a different location of consumption. Inventory also offers the benefit of quality control.

The lack of inventory capability causes another challenge in attempting to match supply with demand. (Hoffman & Bateson, 2006) With a service provider this could mean hiring enough employees to meet the demand. The ideal is to match the supply with the demand. Not too much to increase unnecessary costs, yet not too few to risk lowering the service quality.

In Swuto's case, there is no need for inventory. However, as any business, when it grows, the online service has more customer visits, and thus needs updates, and more employees to maintain the service provider and customer support. For electricity suppliers there is a problem with inventory, for electricity cannot be stored in the summer and consumed in the winter. The battery technology is not yet that advanced.

3 Methodology

3.1 Research overview

Research involves the collection of information, but it is much more than just reading few books, articles, and asking people some questions. In order to be perceived as research, it needs to be implemented in a systematic method. (Saunders, et al., 2012) Furthermore, assembly of data from range of different sources is part of research, yet it still needs interpretation, or it is not regarded as research. The final characteristic of research is of clear purpose to make new discoveries. The objective of research is to increase our knowledge. (Saunders, et al., 2012) The issues within this research are attempted to be linked with the academic theories discussed in the literature review. (Saunders, et al., 2012)

The author attempted to explore the consumers awareness and activity in tendering electricity, or in other words switching energy suppliers. For consumers who do tender the author endeavored to discover the main cognitive motivations behind switching suppliers. Within the short time, the author decided to embark on a two-folded point of view to examine these issues. This was done by conducting a face-to-face interview at Turku Energy and online survey with the help of Facebook. Turku Energy customer service representative was the exact person to having been interviewed. A customer service representative is also assumed to be a valid source of information, due to being first-hand in contact with their customers. The objective of these two different data collection methods was to find out the correspondency and coherency of the answers to gain better and more trustworthy results in the eyes of researchers.

Secondary material is gathered from course books and journals found in Emerald. These are mainly used in literature review to build a theoretical framework for the rest of the research. Some tertiary sources, such as dictionaries are used as well. And, in purpose of finding additional sources one other thesis was used as a source for additional references for the literature review.

3.2 Data collection method and approaches

The author simplified the theory in the literature review presenting theories clarifying consumers journey in purchasing and service challenges. A deductive approach was implemented to critically test the theory presented in the previous chapter through secondary and primary data collection methods. (Saunders, et al., 2012) There are three main sources of information that the results were drafted from. First, was from Finnish Energy Authority, which conducted an extensive study on the subject of consumer behavior in buying electricity in 2013. The energy authority sent out questionnaires to 25,000 households online, and received 1004 answers. The answer rate was not impressive, only 4 per cent. However, their research provided answers to consumer motivations on purchasing electricity from specific energy suppliers and reasons for switching.

The results of the Finnish Energy Authority's study combined with the qualitative interview 1 with Turku Energy customer sales representative both provided the author in this thesis a focus point, which to aim at with the online survey, the quantitative part of the thesis. Turku Energy has been in operation since 1898, which is why the author believed to be a credible (second) source of information for the purpose of this thesis. The company distributes electricity to Turku, Raisio, Naantali and Kaarina. Questions presented in interview 1 with Turku Energy can be seen in Appendix 7.2. The third source of information, the online survey was a structured interview, i.e. the same set of questions in a predetermined order, with 19 close-ended questions. Hence, an exploratory research was used to look for some new insights into this issue, to ask questions, and to assess the answers with a new understanding. (Saunders, et al., 2012) The questionnaire comprised of multiple choice questions and the objective was to comprehend consumers' motivations behind choosing an energy supplier and switching between them, i.e the choice criteria. (Fahy & Jobber, 2012) This was sent out to 80 consumers during 3.11.-14.11.2016. 63 of the respondents answered resulting in 79 % respond rate. The online questionnaire can be seen in Appendix 7.3.

The provision of the author's own data via online survey was intended to either further validate or bring new insight on the Finnish Energy Authority's report and information provided by Turku Energy.

Purposive sampling technique was applied for the thesis, in order for the author to use his own judgement in choosing the consumers that would provide as valid of a representation of the population in Turku region as possible. The author chose the consumers from various backgrounds between the ages of 25-60 and above. The survey included people living alone, living with children, and people living with their spouses to avoid homogeneous data. Additionally, the author conducted several discussions on the matter to receive empirical knowledge by observing the consumers' feelings on the matter. These open-ended discussions would often lead to some new insights that would have not been possible short of being face-to-face.

3.3 Objectives for the online surveys

The results indicate the factors influencing consumers to switch between energy suppliers and which factors keep consumers loyal to a certain energy supplier. It also provides new insights on how to possibly incentivize switching behavior. The results will also offer Swuto information to better judge if the Finnish market should be investigated further for its business purposes.

Through the three aforementioned sources of information, the author attempted to answer the two research questions: What are the primary incentives for consumers to switch between energy suppliers? What are the primary barriers for consumers to switch between energy suppliers?

3.4 Limitations

No sample is perfect. The author had to decide how much error will be allowed for the research, and decided to follow 95 % confidence level. Confidence level means tells how sure one can be on a survey. Confidence interval displays the margin of error. (Creative Research Systems, nd) The confidence interval is used in politics when announcing polls for a candidate f. ex. Hillary received 48 % of the popular in 2016 presidential election against Trump. The 48 % is considered with a margin error of ± 5 %. To receive a 5 % margin error, the author would have needed to send the questionnaire to 383 people. Unfortunately, the author did not have the time for such a survey, so he had to settle for 95 % confidence level with a ± 11 % margin error, having send the questionnaire to 80 people. (Survey Monkey, nd)

4 Findings

This chapter illustrates first the results of the interview at Turku Energy, and then the results of the author's online survey. After this a comparison is made between the earlier studies and the held online survey. A method of frequency distribution is used for the data extracted from the survey introduced in the book 'Statistics for Business and Economics'. Frequency distribution is a tabular summary of data displaying the frequency of items or answers in each of several non-overlapping sections. (Anderson, et al., 2007)

In the initial open discussions with consumers, the author noticed that tendering electricity seems to be an unfamiliar concept for some. This is one of the reasons the author attempted to make the survey as easy as possible for anyone. Additionally, the author established with the first question in the survey that do people know what tendering is. 58 out of 63 respondents knew what it was, strengthening the validity of the survey.

4.1 General information about Turku Energy

The information provided in this section is drafted from the author's interview at Turku Energy and the company's official website. Turku Energy is the leading energy supplier in Southwest Finland and one of the leading businesses in energy sector in Finland. (Turku Energy, nd) According to interview 1 with Turku Energy customer service representative, the company has an established customer base, among Turku region customers, due to it having being operational since 1898. (Turku Energy, nd) Based on that interview what makes it strong is locality, which is especially important for the older generation. Due to being local, it is more likely for them to stay with Turku Energy, than begin tendering.

The company comprises of two departments, or business sections, of which the Turku Energy concern is formed. One is for the electricity distribution side of the business, and the other is for the electricity sales side of the business. A consumer living in Turku Energy's energy grid region, has a contract with Turku energy for both of these sects. To clarify, the company does not own the entire grid in Turku region, but only certain. Alternatively, the consumer can choose to buy the electricity from another energy

supplier in Finland. In this case, the consumer still needs to pay for the distribution services to Turku Energy.

The company has a goal to produce 50% of electricity from renewables by 2030. Currently, almost 30 % of their electricity is being produced from renewables. Another third is produced from nuclear energy, and the last third is produced of fossil fuels. Wind and water energy have a major role on producing renewable, whereas solar is sort of a service, not an actual substantial energy source in Finland.

Turku Energy itself does not invest heavily in marketing, whereas Vattenfall does so quite notably. Turku Energy is a small company, and thus cannot afford to finance in large promotional efforts.

The majority of the contracts among customers with Turku Energy are valid until further notice. There has been an increase in the amount of periodic contracts as well.

4.2 Turku interview 1 customer sales representative

There were 9 open ended questions prepared by the author for the interview at Turku Energy. The objective was to understand the company's perspective on consumers' primary motivations behind switching energy suppliers, and how actively consumers tender in Turku region. The questions can be seen in Appendix 7.2. The author attempted to keep the conversation focused on the objective and was able to gather enough information within 16 minutes. The following is what the author learned from the interview.

Based on the interview 1 with Turku Energy customer sales representative, location is one of the primary factors influencing consumers choice in suppliers. It was said by the interviewed that their customers like to have the chance to walk into the supplier's offices and have a face-to-face discussion regarding their contracts.

Another factor that has had an influence in consumers choice of suppliers is marketing, more specifically telemarketing. In some cases, consumers have switched away from their electricity supplier to Turku Energy, due to bad experience via telemarketing by the previous electricity sales company. The consumers had felt the details of the contract were not stipulated clear enough for them.

In regards to tendering, the interview revealed that due to urban renewal efforts in apartment buildings, the decision making has been slowly shifting from housing associations towards tenants deciding for themselves. Of the people who tender, majority are homeowners. On the contrast, people living in small apartments do not tender generally.

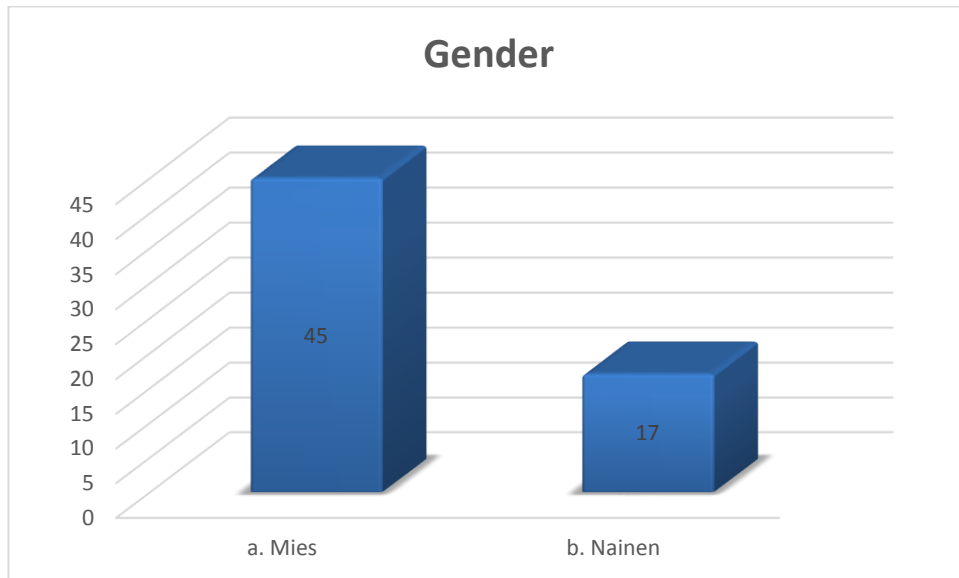
Therefore, it can be concluded that generally, the bigger the household, the bigger chances are that the consumer tenders electricity, in order to save more money. This is author's assumption based on the discussion during the interview. Reasoning is rather simple. The bigger the household and the more utilities a household uses, the bigger the energy bill. This could be the factor that is needed for consumers to search for cheaper electricity. A small household would simply not save any considerable amount of money, only 30-40 euros annually, according to the interview.

The interview disclosed also that old wooden buildings (common sight around Turku region) that use electricity as a means of heating, consume more electricity compared to standard modern apartments. This directly results to bigger energy bills, meaning tendering should be considered seriously by a person living in such buildings, in the author's opinion.

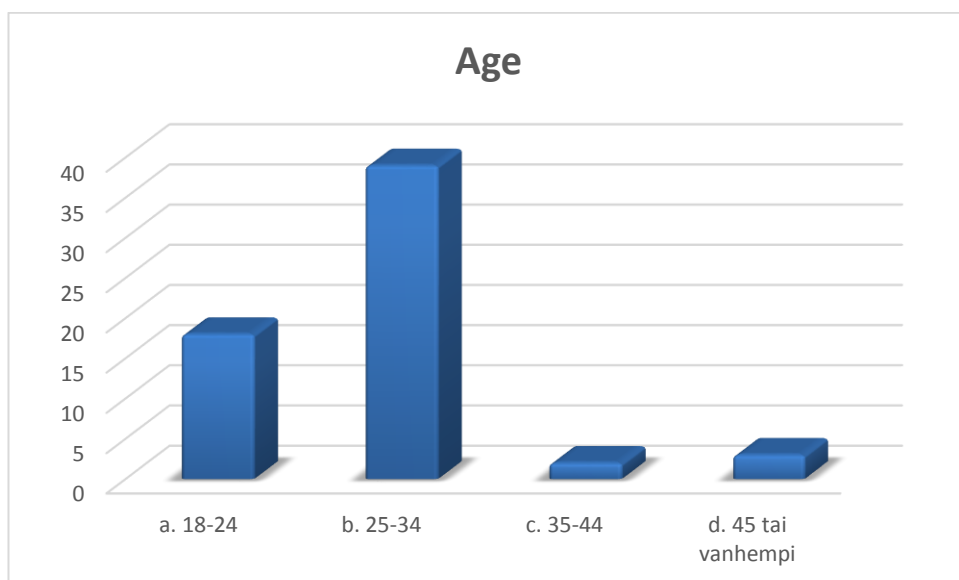
4.3 Online survey

As mentioned in the methodology chapter, the structured interview of 19 close-ended questions was sent via Facebook by the author to 80 consumers of author's choice. The period of questionnaires was during 3.11.-14.11.2016. Of the respondents 63 answered resulting in an answering rate of 78,75 %. The author decided to limit the area of respondents by sending to Finnish speaking people only, and so it was done in Finnish. Since the focus of the research is primarily on Turku region residents, the author decided to exclude the ones that have moved here in 2013 or after, in order to establish a more accurate representation of the residents specifically in Turku region. There are three respondents that lived in Turku region almost their entire lives, until just recently, and have moved somewhere else. The author included these people in the survey. Below are some of the important results of the research. All questions and answers can be seen in Appendix 7.4.

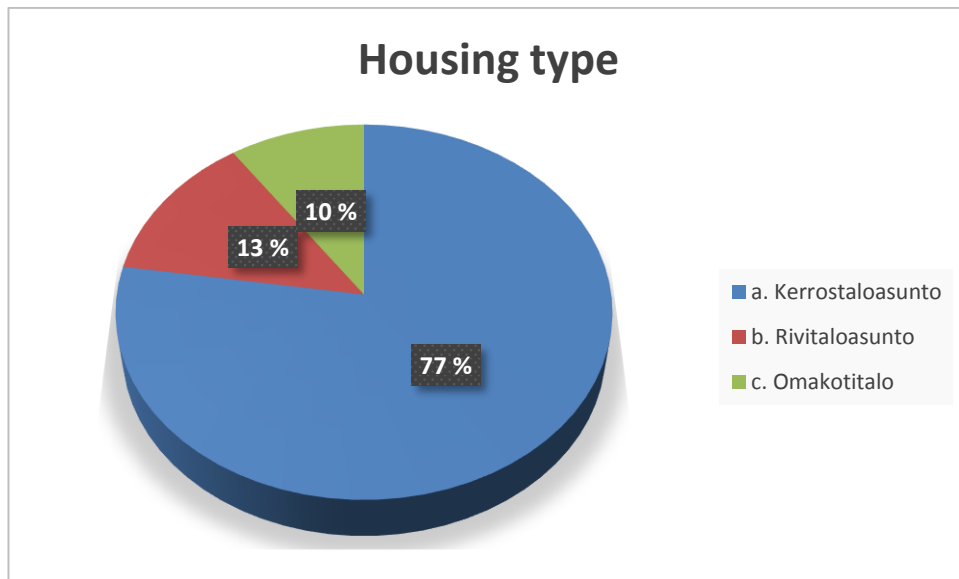
Of the respondents 45 (71 %) are male, and 17 (29 %) are female. One either missed the question, or was unsure. The respondents comprised of students, workers, singles, couples, and families.



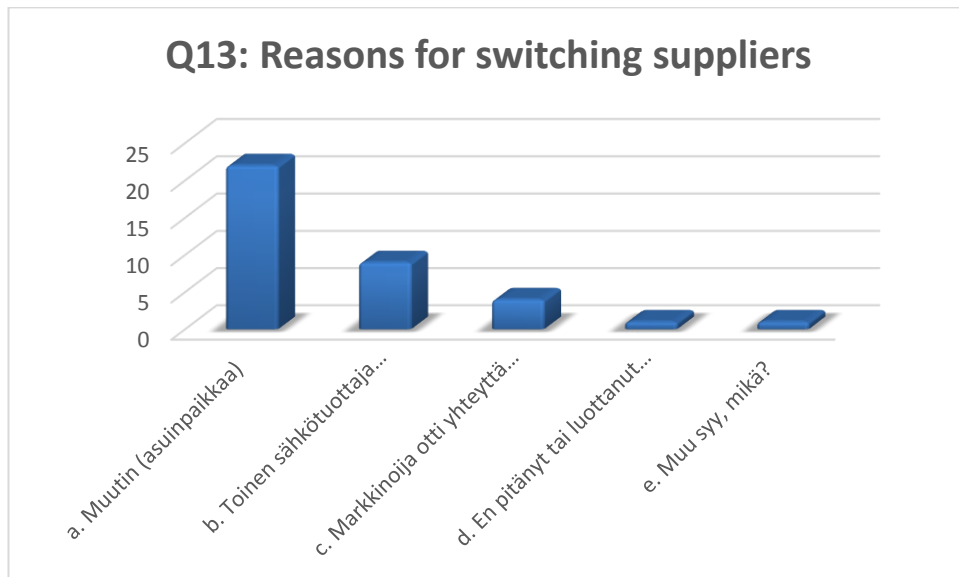
90 % of the respondents are between the ages of 18-34. The rest are 35 or older.



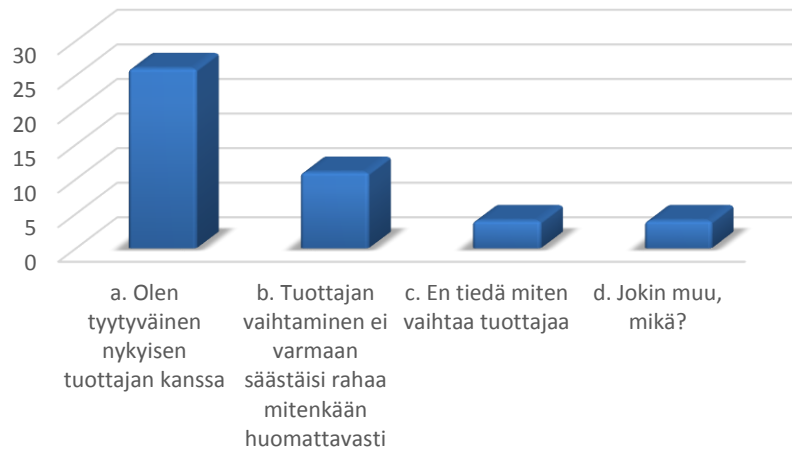
The amount of people living in apartment buildings is 48 (77 %), houses 6 (10 %), and semi-detached houses 8 (13 %).



As depicted in the chart below, primary reasons for having switched suppliers before have been moving locations (35 %), finding cheaper price (14 %) and due to marketing (6 %). The reasons for consumers not to switch i.e barriers to switch were because they were already satisfied with their current energy supplier (41 %), or that they didn't think it would actually save money considerably (17 %).



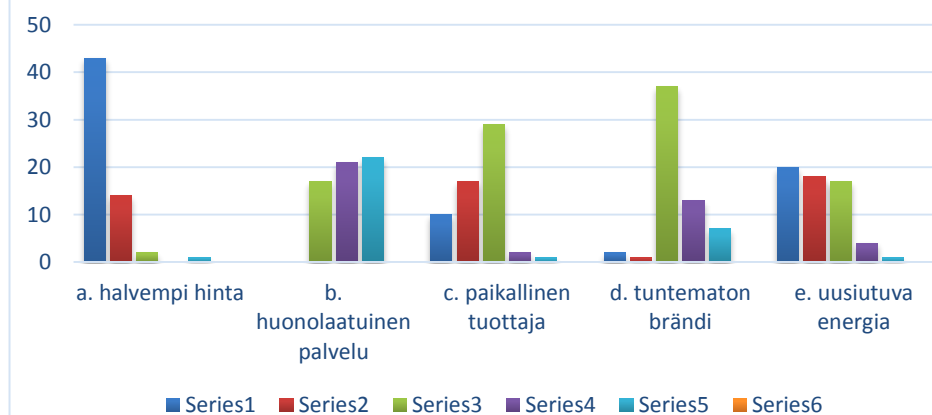
Q14: Reasons for not switching suppliers



As shown on the following figure, on a 1-5 scale when asked of what they look for in a supplier are listed and ranked as follows:

1. 68 % chose having a cheaper price is important;
2. 35 % said they care the service is high quality;
3. 32 % said they would want the energy be produced of renewable sources;
4. 16 % said location is important; and
5. 11 % chose that the company needs to be a known brand.

Q19: Characteristics to look for in a supplier



The question gave an assumption that the respondent actively looks for ideal electricity contracts, This however, is not the case as we shall notice in the sub-chapter on tendering.

4.4 Results

Price: An incentive

Based on the author's online survey, price is an important factor, but interestingly people do not seem to actively seek for cheaper deals. This could be due to the fact that consumers are not yet accustomed to the world of tendering electricity, considering that it did not come to Finland until the late 90s. Still, during the last years tendering has indeed increased, as mentioned in interview 1 with Turku Energy interview.

Location: An incentive

Analyzing the data it shows that the ones tendering do not think locality of the supplier to be important, since only 10 (16 %) of the respondents to the online survey state it to be relevant. However, the importance of the location for the consumer in choosing an energy supplier was emphasized in interview 1 with Turku Energy interview. Based on interview 1 with Turku Energy, consumers like to be able to walk into the supplier's offices and have a face-to-face discussion regarding their contracts. This could also be seen directly correspondent for the service to be of high quality.

Only one respondent stated to physically go to the location of the service provider to make the contract. Whereas 43 (68 %) of the respondents stated that they are more likely to do it online.

The authors assumption to explain these figures is that in interview 1 with Turku Energy, when the customer sales representative mentioned the importance of supplier's location, the employee was considering the elder generation. Why the author comes to such a conclusion is that this factor came across couple of times in the interview. Additionally, the elder generation is known to appreciate face-to-face service, based on the author's own experience in customer service. The majority of the respondents in the survey fall in the age categories of 18-34, which would explain the difference in results between author's online survey and Turku Energy interview.

Marketing: An incentive

Another factor to influence consumers to switch energy suppliers was marketing, based on interview 1 with Turku Energy customer sales representative. Telemarketing efforts helped increase supplier switching by the consumer, though not how it was intended. In some cases, consumers have switched away from their electricity supplier to Turku Energy, due to bad experience via telemarketing by another electricity sales company. In these cases, the consumers felt the details of the contract were not stipulated clear enough for them.

Satisfaction with current supplier: A barrier

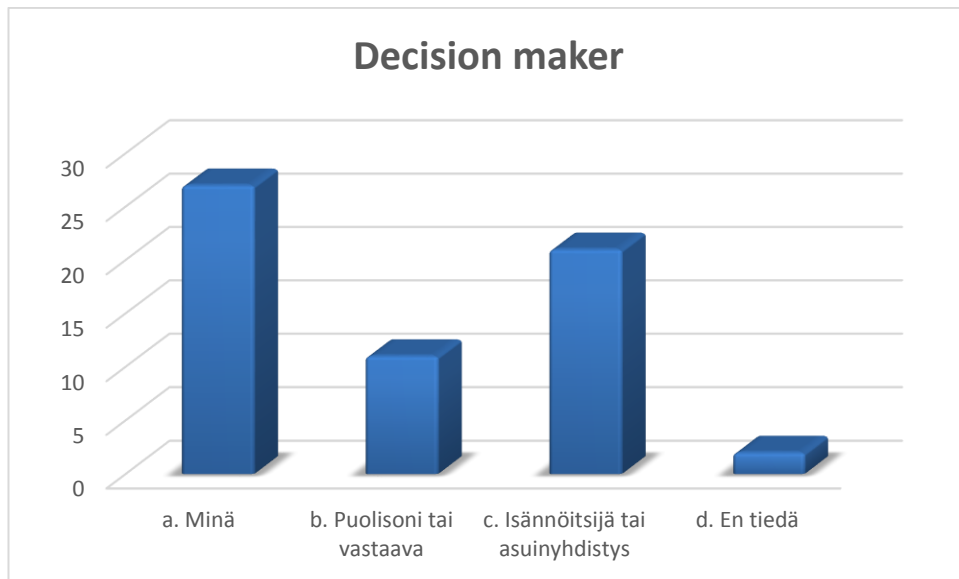
Consumers' reason not to switch based on the online survey, is the satisfaction with the current supplier. This can also be again reflected by the fact that tendering is still a rather new concept in Finland. Additionally, it is supported by the fact that not many consumer search actively for better deals, seen later on in sub-chapter of tendering.

Thought that switching would not save money considerably: A barrier

Another primary reason for not to switch was the belief that it doesn't save money considerably, as 11 (17 %) respondents stated so. This indeed is the case for people living in smaller apartments, which directly reflects on the survey, as a lot of the respondents are students.

4.5 Tendering

The most relevant issue, for tendering to even be possible, is that who makes the decision in a household. In the survey, 27 (43 %) said to make the decision on their electricity supplier themselves, 11 (17 %) said their spouses make it, and 21 (33 %) answered the land lord, or housing association to make the decision.



For questions where the author asked about the frequency of searching for alternative energy deals (Q 15), the frequency of switching suppliers (Q 18), and when was the last time they switched suppliers (Q 16), answers are as follows.

During the past 24 months, 28 (44 %) of the respondents said to have switched suppliers (Q 16). 14 (22 %) of the respondents state to switch either often or sometimes (Q 18). Also, 14 (22 %) respondents actively search for better deals. These results indicate the switching rate, which are relevant for a business such as is Swuto. But in question 18, when the same question is specified to search actively through price comparison sites, only 9, 5 % answered so. Question 15 clearly leaves room for interpretation for the respondents, which is displayed in the results.

Question 10 specified if the consumer currently has a single overall delivery contract or separate contracts for distribution and sales of electricity. Answers show that 8 (13 %) said to have separate electricity sales contract and distribution contract, meaning they do tender. 13 (20 %) respondents have a contract that is valid until further notice with price changes. This was presented in answers to question 11 i.e is the consumers electricity contract fixed, valid until further notice with fixed price or valid until further notice with price changes. The data shows that 13 % of the respondents indeed tender their electricity actively, and 20 % have a fluctuating price in the contract with the supplier.

Additionally, interesting to know is that the top two energy suppliers are Turku Energy with 25 respondents, and Fortum with 12 respondents. 16 respondents said they do not

know where their electricity comes from. This is revealed in question 8 with asking the interviewed where they receive their electricity from.

4.5.1 Who tenders?

Houseowners are the primary consumers to tender electricity, based on interview 1 with Turku Energy customer sales representative. Consumers living in apartment buildings are less likely to tender. Until now, many housing associations have had an individual land lord or a board in the housing association making the decision on where to get the electricity from. As said, it was revealed in interview 1 with Turku Energy, that this decision making factor is shifting towards tenants making the decision themselves, which has increased tendering. Smart meters are installed in the previously mentioned urban renewal efforts, enabling tendering for tenants. Having been installed, the smart meters form a smart meter grid.

Since 8 (13 %) of the online survey respondents answered to actively tender, and 6 (9 %) answered to live in a house, it indicates that the household size is an important factor in inclination to tender. When asked of who is the decision maker in regards to electricity deals (Q 9), 38 (60 %) respondents stated to either themselves making the decision or their spouses to make the decision on energy suppliers. This shows there is a lot bigger potential for tendering, that is current, which begs the question why more people do not tender. Since the majority are between ages 18-34, and live in apartment buildings we come back to the fact that the savings wouldn't be considerable, due to household size. In short, the results show that factors such as who's the decision-maker, what is the size of the household, what is the amount of consumption in electricity, and thus how much is the energy bill, could be the cause for tendency to tender. These are assumptions made by the author looking at the survey results, which would need a further investigation in the future.

4.6 Limitations and Assumptions

The time and resources are the first factors to consider. Due to these simple issues the research is very limited, even though the author would have desired for at least 10 face-to-face interviews for possible in-depth insight on the matter. Additionally, even with 78 % respond rate, with more time, the survey could have been sent to more consumers

having covered more area. This of course would directly help with the validity of the research.

Another issue is that 76 % of the respondents live in apartment buildings, which is not ideal for the survey. Even though, it would have been beneficial for the research to have more equal division, the author feels fortunate, that even 24 %, or 15 respondents either live in semi-detached house or a normal house. Having majority of the respondents living in apartment buildings means that the results are mainly representative of consumers living in apartment buildings. There are differing factors between people living in different types of households, which need to be taken into consideration. A factor can be for example the aforementioned household size. Ideally, a research would include all different housing types to have a representation of the whole, which is not the case in this thesis. Therefore, reading the results it has to be noted that it is a representation of mostly consumers living in apartment buildings.

Although, the author attempted to reach a plethora of varying backgrounds, less than 10 of the respondents are 35 years of age or older. In other words, considerable amount of the respondents are either students or just graduated and have been in the working life for few years. This is a limitation but at the same time possibly not that significant.

The questions in the survey and 1-5 scale statements are not all inclusive but made for a specific objective. For reasons the author mentioned earlier i.e easiness, swiftness of the survey, the results are not in-depth, but a look on the surface, so to say. This is why a qualitative interview is needed to get an in-depth understanding on the topic.

In regards to the survey in general, some questions, such as question 15, leave room for interpretation for the respondents. It is difficult to form an unleading questionnaire, which would leave very little room for interpretation. The author attempted to be as unleading and exact as possible, however, it is a factor that influenced the results.

Additionally, to have a more accurate look on the switching pattern during the last years, few more interviews with energy suppliers and an energy price comparison site would have shown data for the help of the thesis.

Due to limitations of time and lack of necessary resources to conduct a larger scale research, the results do not represent the population of Finland, nor even the population of Turku. Therefore, the results should be regarded as a representation of a fraction of the population. The author takes the fraction and extrapolates it. Furthermore, the initial

interview in Turku Energy showed that even as the author had a set of questions, the conversation could lead up to new discoveries that the author did not think about. For the efficiency of the research, the author had to pinpoint the exact questions needing to answer and avoid expanding. The author also couldn't conduct a qualitative research via face-to-face interviews with f. ex. 10 consumers, which would have also possibly given better understanding on the matter. Also, when doing face-to-face interviews, people are known to be more sincere, and the interviewer can observe their reactions.

Since many of the interviewees are students, some of them live in student housing, which have a rental agreement covering electricity as well. This means the students do not choose the supplier they pay for the electricity. However, since these students do depict a big part of Turku residents, including them in the research can be regarded as reliable depiction for the research.

5 Conclusion and analysis

We have studied that consumption behavior is a process in the literature review. In the 4th chapter we find out the primary incentives and barriers for consumers to switch energy suppliers. As a reminder the research questions were:

1. What are the primary incentives for consumers to switch between energy suppliers?
2. What are the primary barriers for consumers to switch between energy suppliers?

The primary incentives for consumers to switch between suppliers are location, price and marketing.

Whereas the primary barriers for consumers to switch suppliers are simply being satisfied with the current supplier. This is also supported by the government organization led survey. (YouGov Finland Energy Authority, 2013)

In author's opinion, when location is the primary factor to influence, it is generally because the consumer moves location. It seems that Turku Energy is preferred by the elder generation living in Turku region, based on interview 1 with Turku Energy customer sales representative. This probably is simply for the reason that it is easier to trust a company, that has been in operation for over a 100 years, in addition for them having a physical location for customers being able to go to.

The knowledge extracted from interview 1 with Turku Energy revealed some interesting facts as to why people in Turku generally preferred Turku Energy. According to the interview, consumers prefer an energy supplier that has a well established image, or reputation, and thus is easier to be trusted.

When discussing the issue of price, it actually doesn't present itself as an actual influencing factor, before reaching a certain size of a household, and consumption level, which would encourage the consumers to attempt to save some money through tendering. When asked a person "do you want the same thing cheaper?" only a silly person would say no. The online survey results show 38 (60 %) of the respondents are able to tender, but only 14 (22 %) of them do so actively, and 11 (17 %) said not having switched, because they thought it wouldn't save money. Additionally, 48 (76 %) respondents live in apartment buildings. The author concludes these numbers correlate directly with the previously mentioned issues which influence consumers to begin

tendering. These issues are the size of the household and size of the energy bill. The bigger they are, the bigger the chances consumers begin thinking about tendering.

Vattenfall is a Swedish energy supplier, that invests a lot in promotion. Their future-oriented commercials can be seen in movie theaters, Youtube, and TV. This is a marketing strategy, that is in author's personal opinion quite effective, albeit it would need to be verified through research. Turku Energy cannot afford marketing in the same scale, which is why the company needs to emphasize on the fact of being local, and thus evoking the trust factor. Negative telemarketing was revealed to have been one of the main factors to change energy suppliers, according to interview 1 with Turku Energy customer sales representative. There have been several cases of consumers, usually of the older generation, who were somehow being led into contracts of which the details were not explained well enough.

Although, the survey result showed that only 22 % tender, the interview at Turku Energy revealed that around 30 % of the consumers in Turku region tender their electricity. Additionally, the employee in the company stated that the rate has been growing and indicates to rise in the future. This information alone shows that the Finnish market displays potential for a business that is Swuto.

According to interview 1 with Turku Energy customer service representative, customers that live in older apartment buildings are less likely to tender. This is due to the fact, that for a long time many housing associations have had a land lord, or an equivalent making the decision on where to purchase the electricity from.

Finnish Energy Authority conducted an electronic survey in 2013 by sending a questionnaire to 25 000 Finnish consumers. The number of respondents was 1004. According to the survey the main reason for switching suppliers was cheaper pricing, whereas the reason not to switch was usually being satisfied with current supplier. (YouGov Finland Energy Authority, 2013) (move to intro of findings)

If it'd be acceptable to speculate the reasons slightly, it could be that the pricing is number one in this government led survey, because the ones answering are the ones that mainly tender. Consumers who tender actively, do it usually for the reason exactly of finding cheaper deals. However, this is only an assumption made by the author. Being satisfied with the current supplier was also the reason for consumers not to switch, according to Finnish Energy Authority led survey. (YouGov Finland Energy Authority, 2013)

Despite the amount of limitations in this thesis, the author thinks the results are encouraging but need to be validated through further research. Even though the online survey is not a representative of the entire population, it can be regarded as a first approach to the Finnish market for Swuto.

If another organization, such as Swuto, or an individual seeks to understand more on this topic, the author advises to conduct in-depth interviews with three parties: the consumers, the energy suppliers, and the energy brokers or energy authority.

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7 Appendix

7.1 Respondents basic information

Figure 1. Gender: Mies (Male), Nainen (Female)

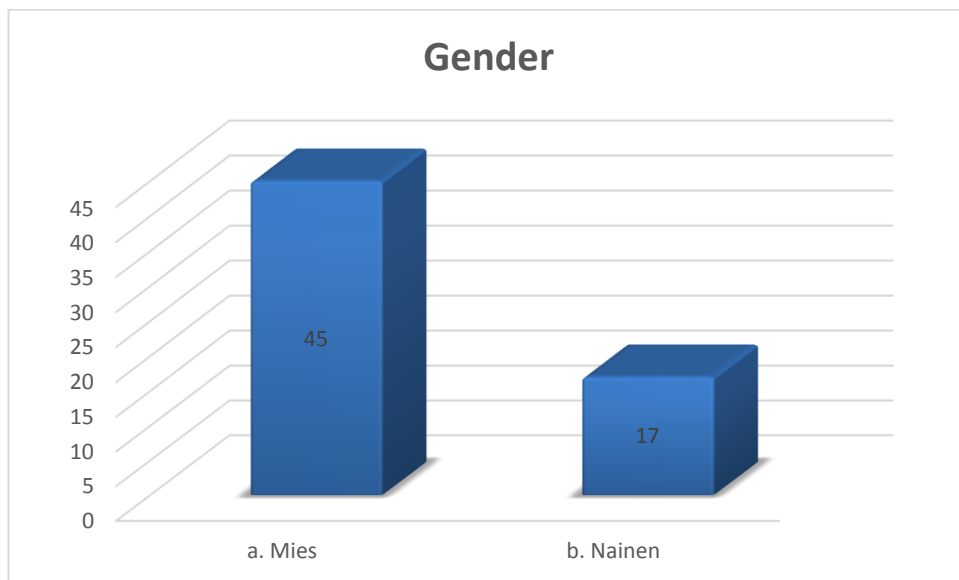


Figure 2. Age

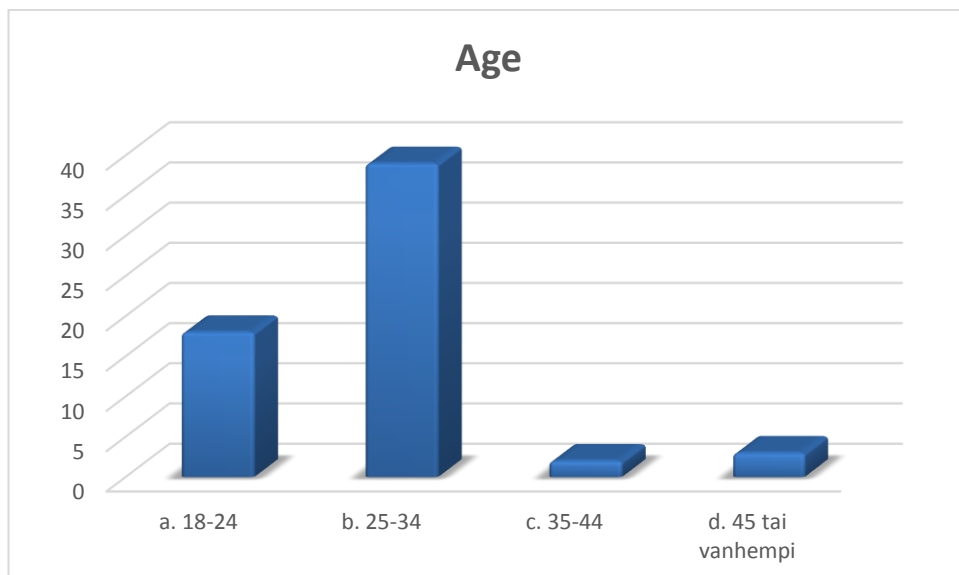
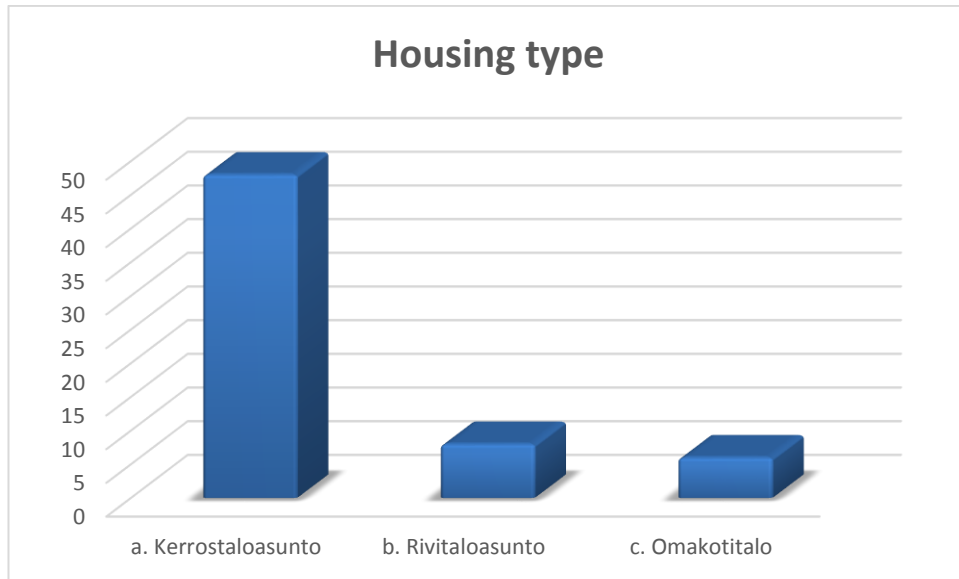


Figure 3. Housing type: Kerrostalo (Apartment building), Rivitalo (Semi detached building), Omakotitalo (House)



7.2 Turku interview questions

1. Do Finnish consumers generally tender electricity?
2. If so, how many as a percentage?
3. What type of housing do these consumers usually live in?
4. Is there a difference in electricity consumption based on housing type alone? E.g. wooden housing, old houses, new apartments.
5. What are the consumers primary motivations to switch suppliers?
6. What would you say are the primary reasons for consumers who do not switch?
7. Does tendering save money?
8. How much of Turku Energy electricity is produced of renewable energy sources?
9. Do you have anything else to add?

7.3 Survey questions

Christmas

Sähkötuottajan valinta



Hei :)

Tämän kyselyn tarkoitus on kerätä tietoa kuluttajien käyttäytymisestä sähkön ostamisessa ja sähkötuottajien vaihtamisessa. Kyselyn tuloksena pystyn identifioimaan syitä sähkötuottajien vaihtoon. Kyselyn tekemiseen menee noin 8 minuuttia. Kiitos jo etukäteen! :)

1. Mitä sinun mielestä tarkoitetaan sähkön kilpailutuksella? (Ei huolta! Muut kysymykset eivät ole yhtä vaikeita ;)) (0 Points)

- ☐ a. Eri sähkötuottajien hintojen vertailua ja itselleni sopivalta vaikuttavan tuottajan valinta
- ☐ b. Telemarkkinoijan välityksellä tehty sähkösovimus
- ☐ c. Ystävän tai perheenjäsenen suosituksen johdosta tehty valinta sähkötuottajasta
- ☐ d. En tiedä

2. Olen (0 Points)

- ☐ a. Mies ☐ b. Nainen

3. Kuulun ikäryhmään (0 Points)

- ☐ a. 18-24 ☐ b. 25-34 ☐ c. 35-44 ☐ d. 45 tai vanhempi

4. Taloudessani asuu (0 Points)

- ☐ a. Yksi ☐ b. Kaksi ☐ c. Kolme ☐ d. 4 tai enemmän

5. Asun tällä hetkellä (0 Points)

- ☐ a. Turussa ☐ b. Naantalissa ☐ c. Raisiossa ☐ d. Muualla, missä?

6. Kotini on (0 Points)

- ☐ a. Kerrostaloasunto ☐ b. Rivitaloasunto ☐ c. Omakotitalo

7. Kuvailisin asuntoni kokoa neliömetreissä (0 Points)

- ☐ a. Pienempi kuin 40 neliömetriä
- ☐ b. Jossain 40 ja 60 neliömetrin välillä
- ☐ c. Jossain 61 ja 99 neliömetrin välillä
- ☐ d. 100 neliömetriä tai isompi

8. Saan sähköni tällä hetkellä? (0 Points)

- ☐ a. Turku Energialta ☐ b. Fortumilta ☐ c. Vattenfallilta ☐ d. Carunalta ☐ e. Joltain muulta, miltä? ☐ f. En tiedä

9. Kotitalouteeni liittyvät sähkösopimus päätökset tekee (0 Points)

- ☐ a. Minä ☐ b. Puolisoni tai vastaava ☐ c. Isännöitsijä tai asuinyhdistys ☐ d. En tiedä

10. Sähkösovimukseni on (0 Points)

- ☐ a. Yksi kaiken kattava toimitussopimus. Eli saan laskuni yhdeltä sähkötuottajalta.
☐ b. Erilliset sopimukset tuottajan ja välittäjän kanssa. Eli saan kaksi laskua eri tuottajilta, yhden per tuottaja.
☐ c. En tiedä

11. Sähkösovimukseni on myös (0 Points)

- ☐ a. Määräaikainen kiinteällä hinnalla
☐ b. Toistaiseksi voimassa oleva kiinteällä hinnalla
☐ c. Toistaiseksi voimassa oleva vaihtuvalla hinnalla
☐ d. En tiedä

12. Olen vaihtanut sähkötuottajaa aiemmin? (0 Points)

- ☐ a. Kyllä ☐ b. En

13. Vaihdoin sähkötuottajaa, koska (0 Points)

- ☐ a. Muutin (asuinpaikkaa)
☐ b. Toinen sähkötuottaja tarjosi halvemman hinnan
☐ c. Markkinoija otti yhteyttä minuun tarjouksen kanssa
☐ d. En pitänyt tai luottanut aikaisempaan sähkötuottajaani
☐ e. Muu syy, mikä?

14. En vaihtanut sähkötuottajaa, koska (0 Points)

- ☐ a. Olen tyytyväinen nykyisen tuottajan kanssa
☐ b. Tuottajan vaihtaminen ei varmaan säästäisi rahaa mitenkään huomattavasti
☐ c. En tiedä miten vaihtaa tuottajaa
☐ d. Jokin muu, mikä?

15. Etsin vaihtoehtoisia sähkö sopimuksia (0 Points)

- ☐ a. Usein (noin pari kertaa vuodessa)
- ☐ b. Joskus (1 vuodessa)
- ☐ c. Harvoin (Harvemmin kuin kerran vuodessa mutta joskus)
- ☐ d. En koskaan

16. Vaihdoin sähkötuottajaa (0 Points)

- ☐ a. Viimeisen 6 kuukauden aikana
- ☐ b. Jossain viimeisen 6-12 kuukauden välillä
- ☐ c. Jossain viimeisen 12-24 kuukauden välillä
- ☐ d. Siitä on aikaa enemmän kuin 2 vuotta

17. Seuraavan kerran, kun teen sopimuksen sähkötuottajan kanssa, teen sen todennäköisesti (0 Points)

- ☐ a. verkkopalvelun kautta.
- ☐ b. menemällä sähkötuottajan fyysiselle palvelupaikalle, esimerkiksi Turku Energiaan.
- ☐ c. soittamalla tuottajan palveluun.
- ☐ d. ystävän tai perheenjäsenen suosituksesta.
- ☐ e. jollain muulla tavalla, miten?

18. Skaalalla 1-5, seuraavat ominaisuudet kuvaavat minua (0 Points)

- | | 1 | 2 | 3 | 4 | 5 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
| a. Vaihdan sähkötuottajaa usein (kerran tai enemmän per vuosi). | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | a. Vaihdan sähkötuottajaa harvoin (kerran tai kahdesti vuosikymmenen aikana, ehkä vähemminkin). |
| b. Etsin jatkuvasti parempia sopimuksia esim. sähköhintavertailupalvelujen kautta. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | b. En koskaan etsi muita sopimuksia. |
| c. Muutan usein (kerran kahdessa vuodessa tai enemmän). | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | c. Muutan harvoin (kerran viidessä vuodessa tai vähemmän). |
| d. Minulla ei koskaan ole ollut samaa sähkötuottajaa kauemmin kuin kaksi vuotta. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | d. Minulla on aina ollut sama sähkötuottaja. |

19. Skaalalla 1-5, mitä etsin sähkötuottajalta on (0 Points)

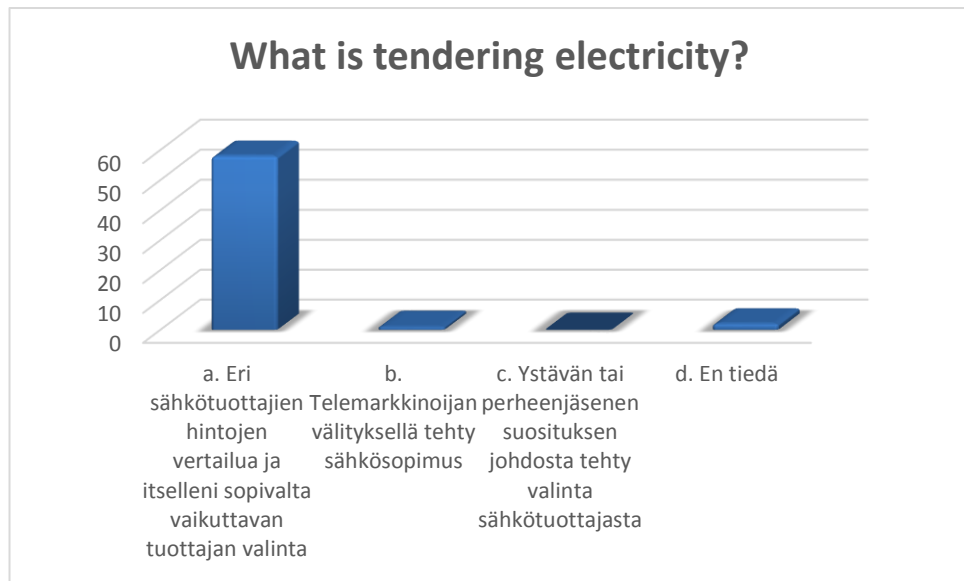
- | | 1 | 2 | 3 | 4 | 5 | |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| a. halvempi hinta | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | a. kalliimpi hinta |
| b. huonolaatuinen palvelu | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | b. korkealaatuinen palvelu |
| c. paikallinen tuottaja | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | c. kansainvälinen tuottaja |
| d. tuntematon brändi | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | d. tunnettu brändi |
| e. uusiutuva energia | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | e. perinteinen energia, eli fossiilinen polttoaine |

Kiitos ja Hyvää Joulua! Glögi is on me! ;) (0 Points)

7.4 Questionnaire answers

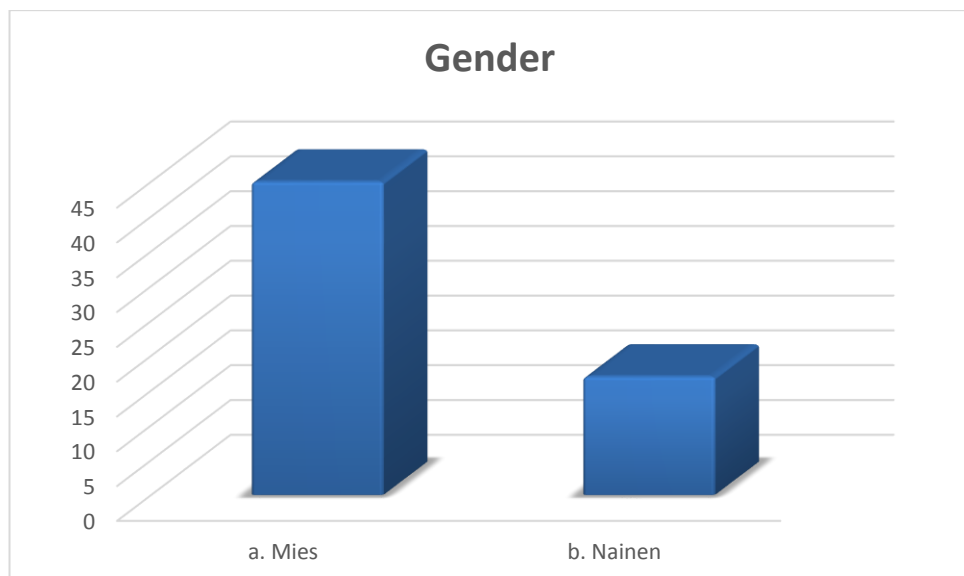
1. What do you think tendering electricity means?

- a. Comparing the contracts of different energy suppliers and choosing a contract suitable for me.
- b. Making an energy deal through a telemarketer
- c. A choice of an energy supplier made by the recommendation of a friend or a family member
- d. I don't know



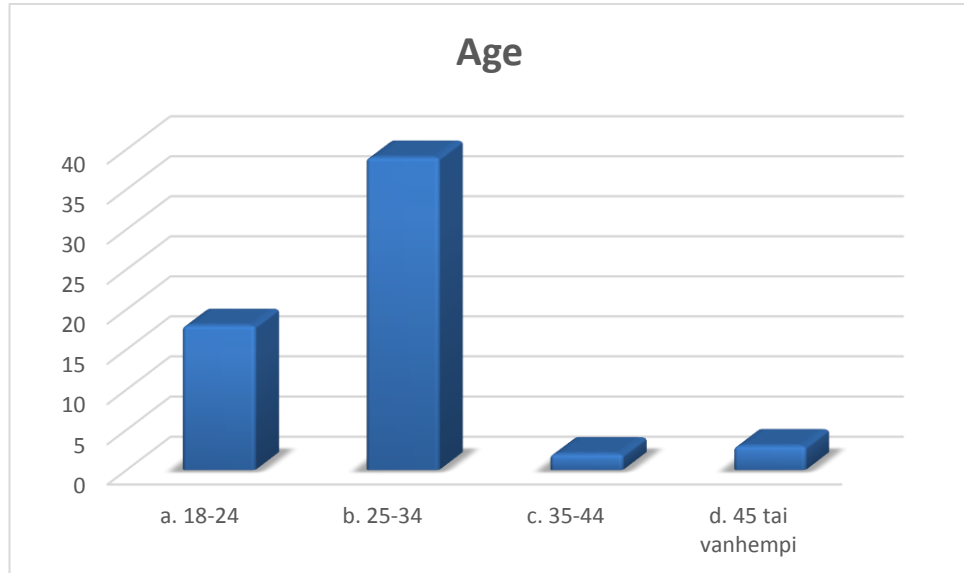
2. I am

- a. Male
- b. Female



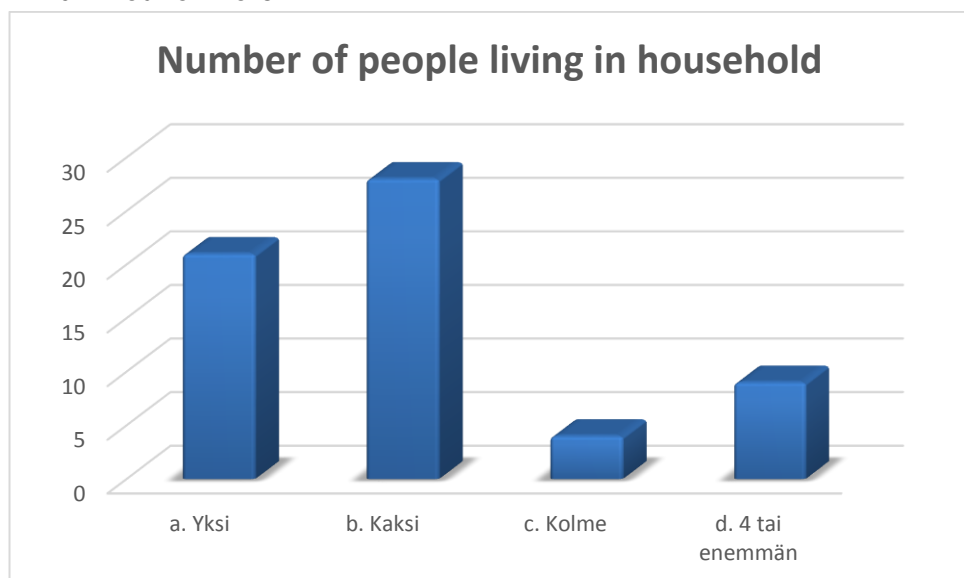
3. I belong to the age group of

- a. 18-24
- b. 25-34
- c. 35-44
- d. 45 or older



4. The number of people living in my household is

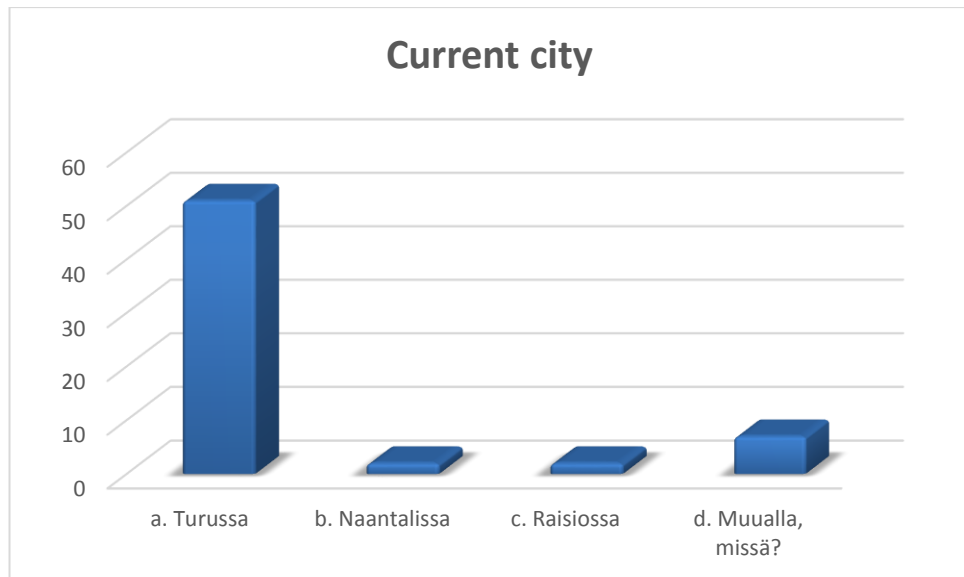
- a. One
- b. Two
- c. Three
- d. Four or more



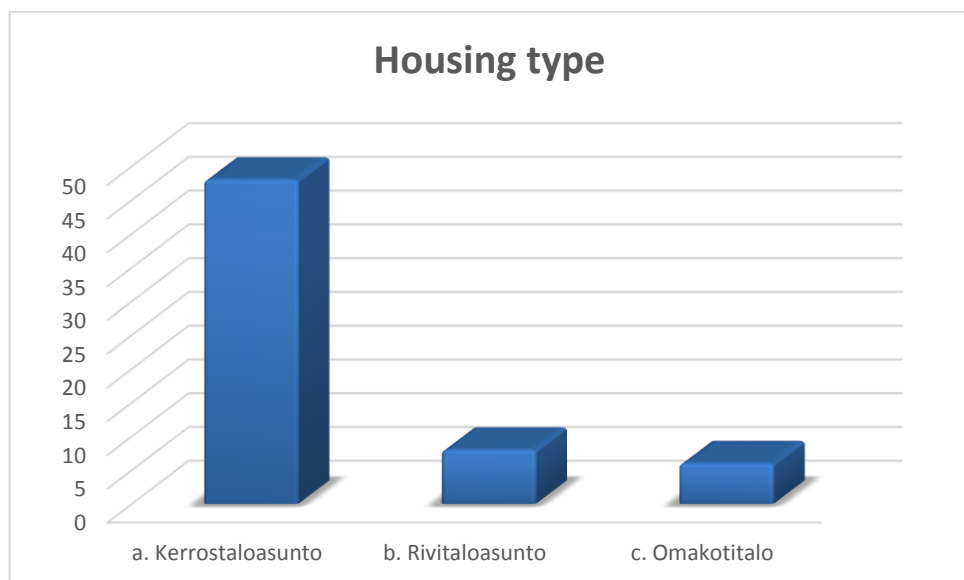
5. I currently live in

- a. Turku

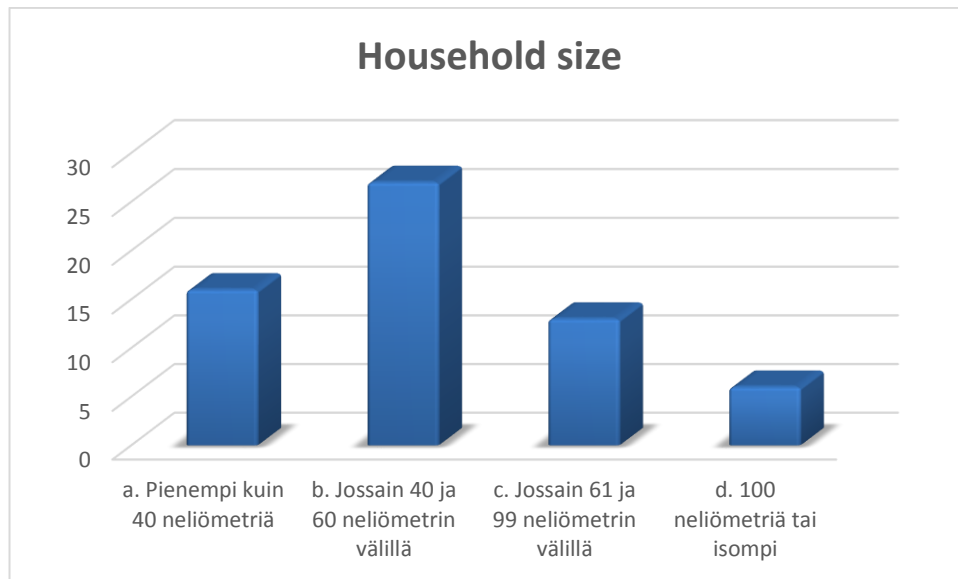
- b. Naantali
- c. Raisio
- d. Somewhere else?



6. **My home is**
- a. An apartment in a houseblock
 - b. A semi-detached house
 - c. A house

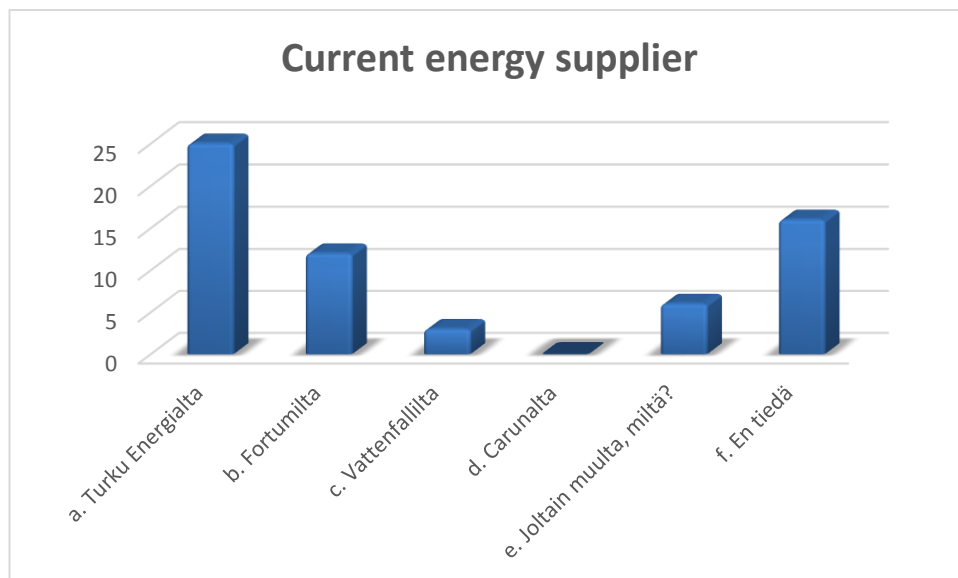


7. **I would describe the size of my household in square meters by**
- a. Smaller than 40 square meters
 - b. between 41-60 square meters
 - c. between 61-99 square meters
 - d. 100 square meters or bigger



8. I receive my electricity from?

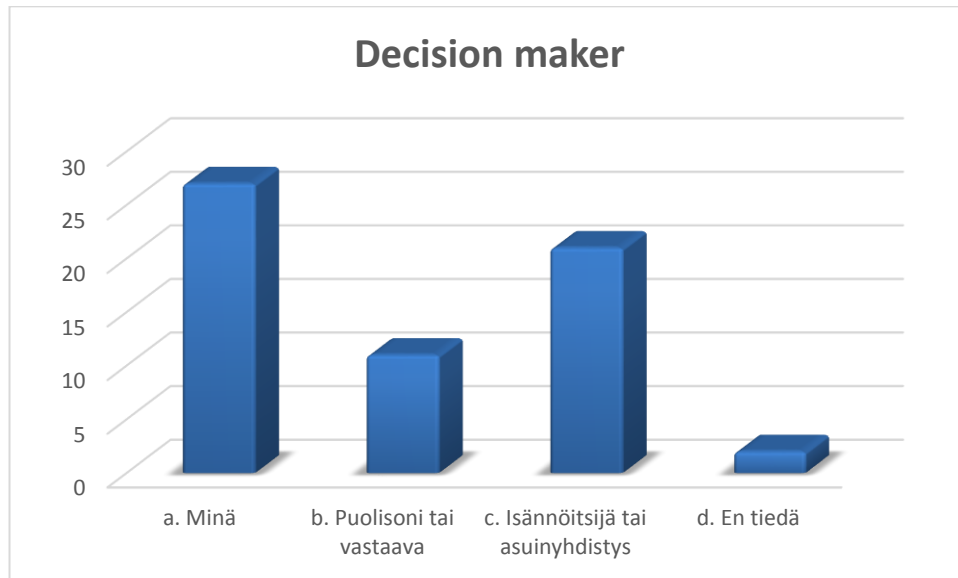
- a. Turku Energy
- b. Fortum
- c. Vattenfall
- d. Caruna
- e. Some other, who?
- f. I don't know



9. The decisions on the electricity agreement in my household are made by

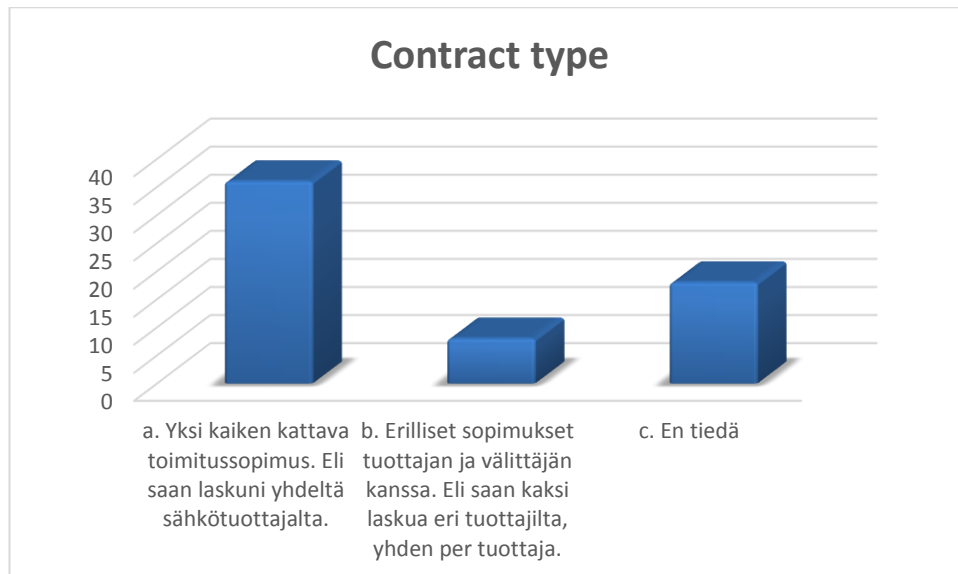
- a. Me
- b. My spouse or equivalent
- c. The landlord or housing association

d. I don't know



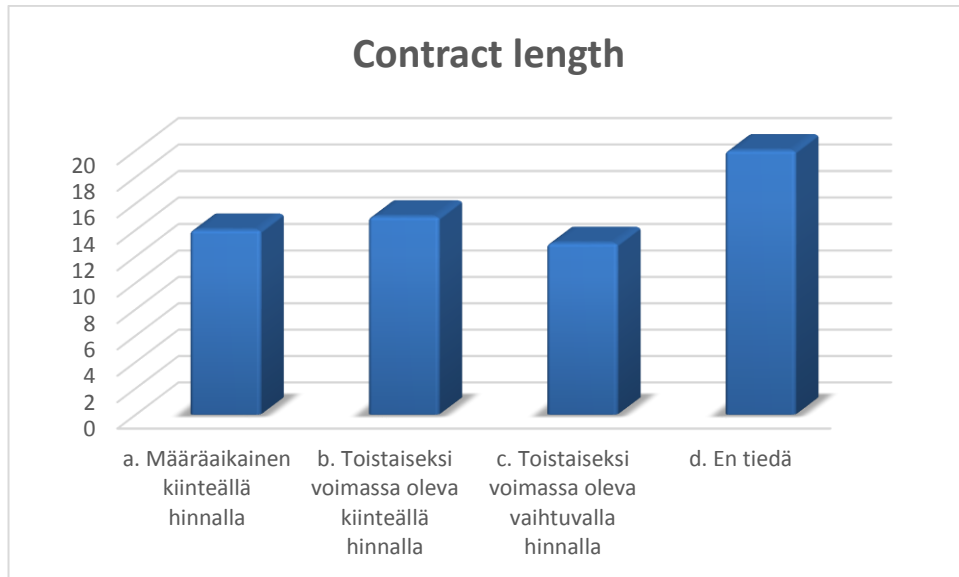
10. My electricity contract is

- a. A single overall delivery contract
- b. Separate contracts for distribution and sales of electricity
- c. I don't know



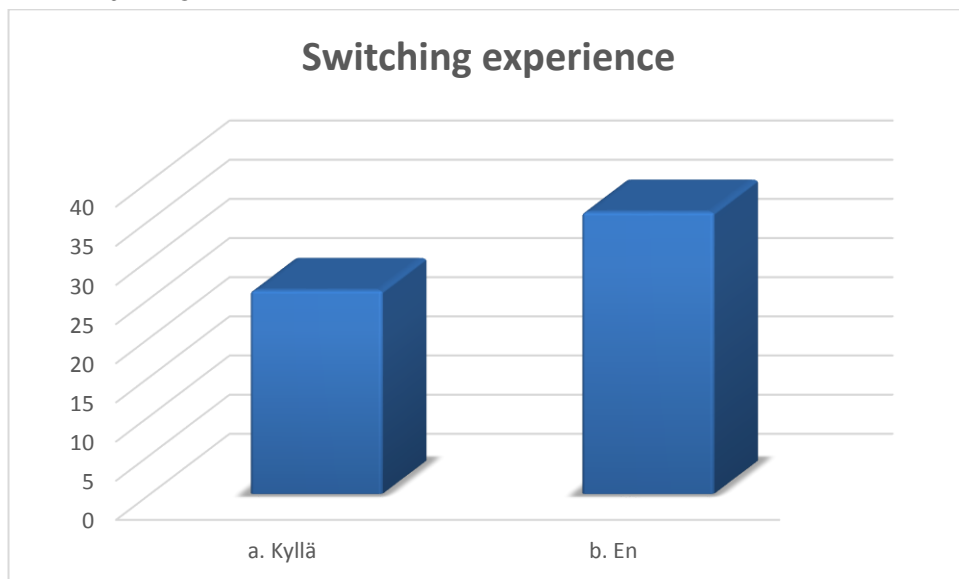
11. My electricity contract is also a

- a. Fixed term contract with fixed price
- b. Valid until further notice with fixed price
- c. Valid until further notice with price changes
- d. I don't know



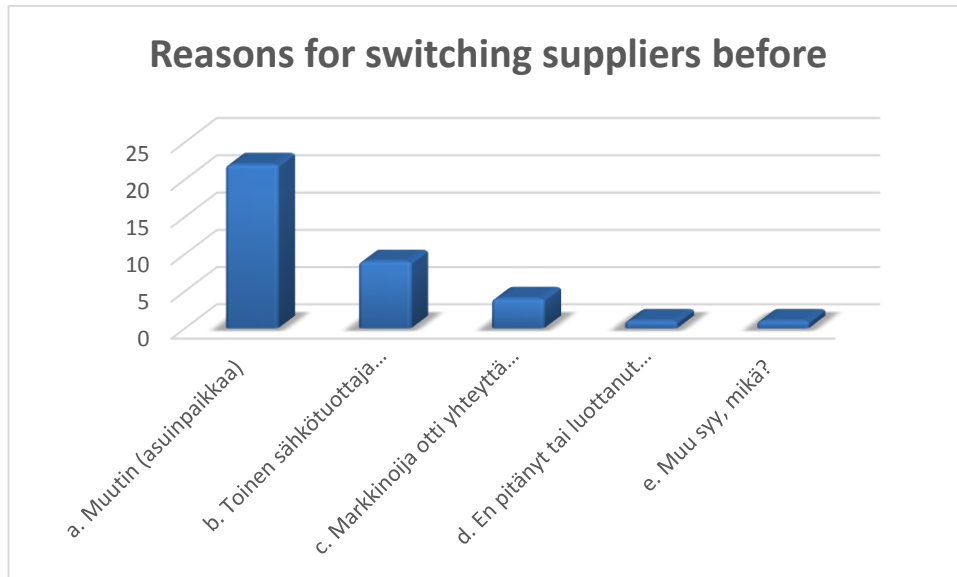
12. I have switched energy suppliers before?

- a. Yes
- b. No



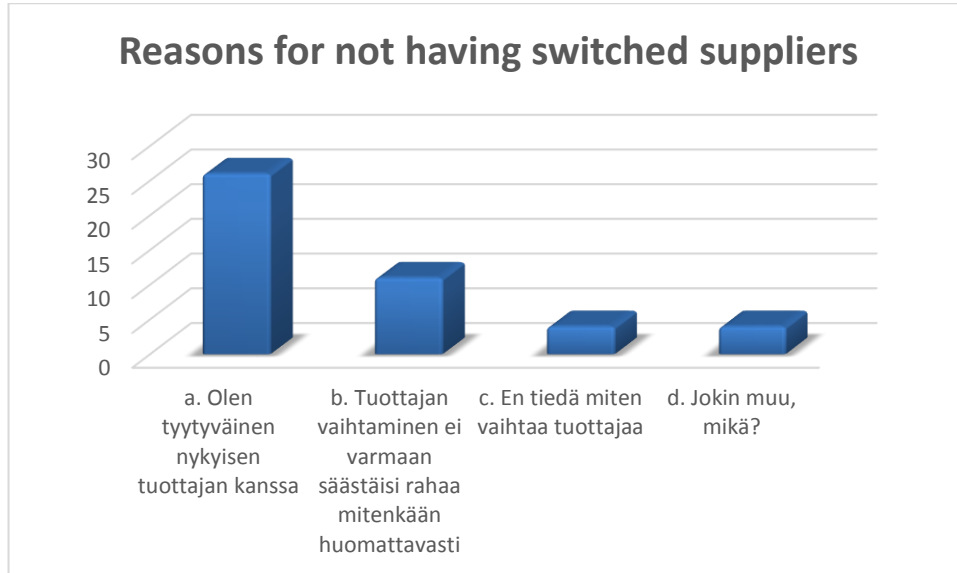
13. I switched energy suppliers, because

- a. I moved locations.
- b. Another supplier provided cheaper price.
- c. A marketer contacted me with an offer.
- d. I didn't like, or trust the previous supplier.
- e. Some other reason, what?



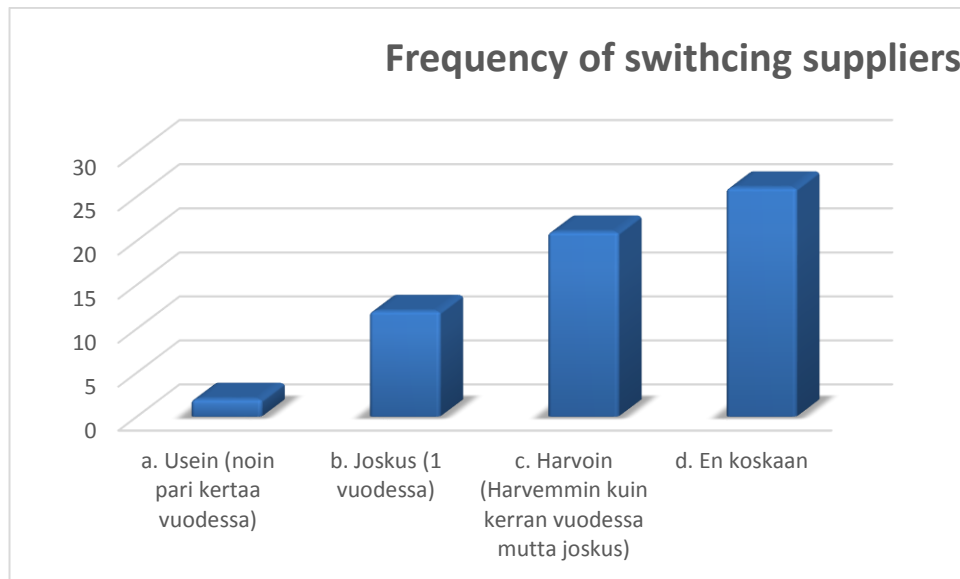
14. I didn't switch energy suppliers, because

- I am satisfied with my current energy supplier
- I probably couldn't save any considerable amount of money by switching suppliers
- I don't know how to switch
- Something else, what?



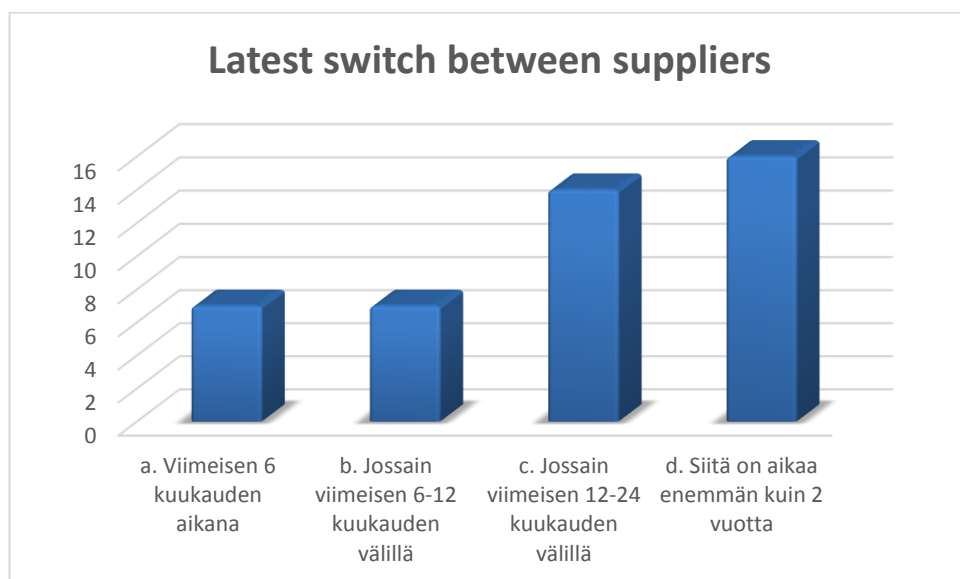
15. I search for alternative electricity deals

- Often (about twice a year on average)
- Sometimes (Once a year on average)
- Seldom (Less than once a year but still at times)
- Never



16. I switched the energy supplier

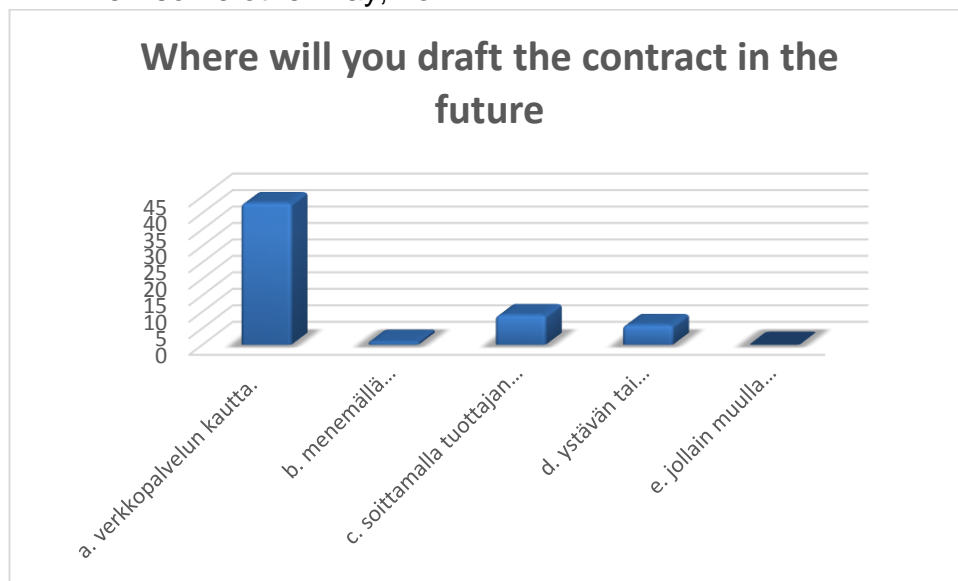
- a. Within the last 6 months
- b. Around 6-12 months ago
- c. Around 12-24 months ago
- d. Longer than two years ago



17. In the future, when I make a contract with an energy supplier, I will likely do it

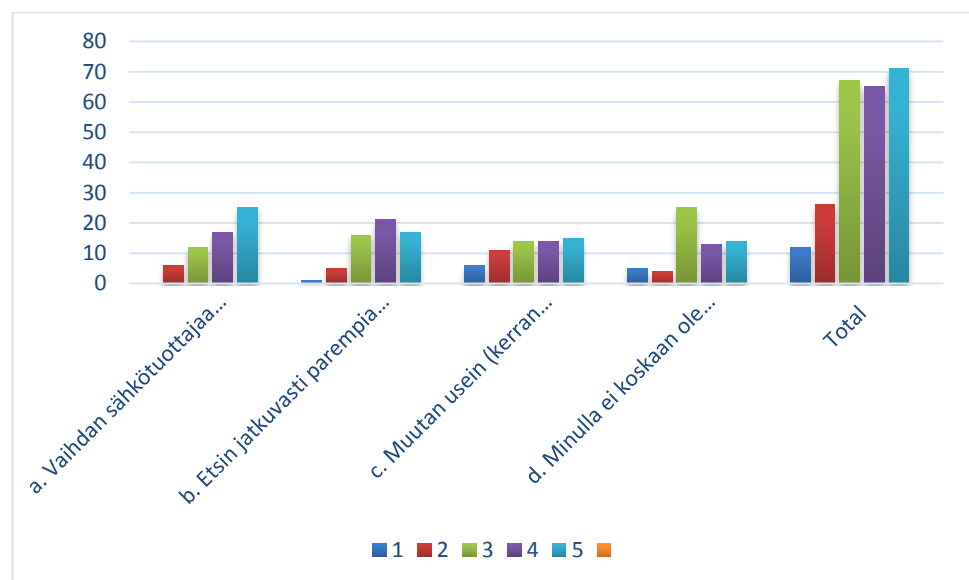
- a. through an online service.
- b. by going to the physical location of the electricity supplier, for example Turku Energy.
- c. by calling the supplier's service desk.
- d. by making a deal with a telemarketer.

e. some other way, how?



18. On the scale of 1 to 5, the following behavior describes me

- a. I switch electricity suppliers often (once a year or more) / I rarely switch electricity suppliers (once or twice in a decade, maybe less)
- b. I actively search for the better deals f. ex. through energy price comparison sites / I never search for other deals.
- c. I move often (once every two years or more) / I move rarely (once every five years or less)
- d. I've never had the same energy supplier longer than two years. / I've always had the same electricity supplier



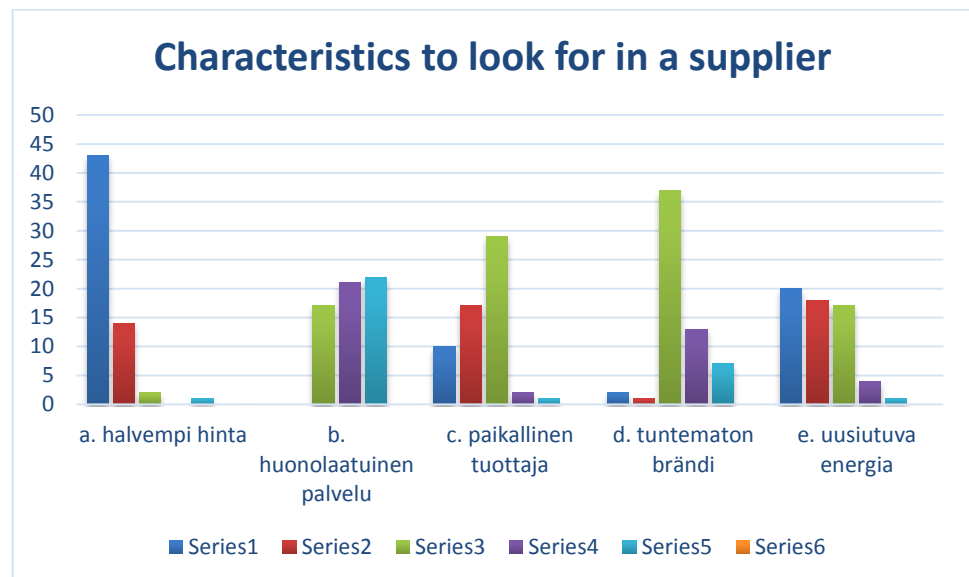
There are five colours depicting the answers. Color dark blue is for 1, color red for 2, color green for 3, color purple for 4, and color light blue for 5. Answering

one (indicated with color dark blue) or two (indicated with color red) means they agree with the statement. Three, depicted with color green, is neutral. 4 (purple), and 5 (light blue) mean the answerer feels to the opposite.

For example: I switch energy suppliers almost quite often, though not every year, so I choose 2 for question a. But I don't move that often, maybe once during the last 5 years, so I choose 5 for question c.

19. On the scale of 1 to 5, what I look for in an energy supplier is

- a. cheaper price / higher price
- b. low quality service / high quality service
- c. a local supplier/ international supplier
- d. unknown brand / known brand
- e. green energy (renewables) / brown energy (fossil fuel, gas)



There are five colours depicting the answers. Color dark blue is for 1, color red for 2, color green for 3, color purple for 4, and color light blue for 5. Agreeing with the first statement means the interviewee chose either 1 (depicted with color dark blue) or 2 (depicted with color red). 3 or green is neutral. 4 (purple) or 5 (light blue) mean they agree with the statement with the second statement.

For example question a. "What I look for in an energy supplier is cheaper price, so I choose 1. Question e. Renewable energy is not my first priority, so I choose 4, which is closer to brown energy.