



marketing mix

TOM JAENICKE

Customers: ‘Be smart like Andy’

PROPANE USERS HAVE BETTER WAYS TO SAVE THAN SWITCHING TO NATURAL GAS

While you are probably amid a busy winter delivering propane, the public natural gas utilities encroaching on your propane service area may be planning their next expansion moves to be executed when winter breaks. Some of your customers may already have a natural gas main running by their homes or businesses and just haven't made a decision to switch.

One of my neighbors (we'll call him Andy) is a long-time propane customer at his summer cottage, and he now has natural gas available if he chooses to connect.

Andy spends lots of time at his cottage during the summer and leaves it heated during winter months so he can use it occasionally in the offseason. He knows what his approximate propane usage and cost is for year-round use and has weighed that against shutting down and winterizing the home and reopening it every year. He has decided it is worth leaving the heat on.

Andy asked me about the pros and cons of switching his cottage from propane to natural gas. Here is how I responded:

► PROS

- The cost of natural gas in his service area is about 30 percent less than propane when all fees and extra charges are added. These savings are usually exaggerated by natural gas utilities.

► CONS

- When the natural gas main was first installed in front of Andy's property several years ago, the "installation special price" for running the gas line to the side of his house would have been about \$4,000. This was a pre-inflation price, so it is likely a higher cost today.

- The cost for a properly sized gas pipeline installation to all gas appliances and charges for converting the appliances from propane to natural gas can add several thousand dollars more to the energy switch.

Andy asked me about the pros and cons of switching his cottage from propane to natural gas.

- Some gas appliances may need to be replaced because they cannot be converted safely to natural gas due to the lack of availability of factory-authorized conversion parts.

- After thousands of dollars paid out to the public utility and contractors to convert to natural gas, the home's real estate value generally stays the same. Real estate agents and home shoppers will tell you that having natural gas is nice for the listing, but no one actually pays more money for the home if it has natural gas or less money for the home if it has propane. There are many other more important factors to consider when appraising the value of a home.

- So, Andy would be out thousands of dollars for the energy switch, and no energy will be saved. It will take the same amount of Btus of gas to heat the

home and run the other gas appliances, whether they are running on propane or natural gas.

- A better objective is to save money on annual energy costs by cutting back on energy usage through increased building efficiency. In other words, Andy should invest in home efficiency to cut down on propane use instead of paying the natural gas company hookup costs that will have a payback of a decade or more and not add any comfort or value to the home.

► WAYS TO SAVE

Further recommendations for Andy's consideration included:

- Replacing his old standard efficiency furnace with a new high-efficiency model.
- Installing a high-efficiency tankless propane water heater to replace the old storage tank model.
- Replacing the gas log in the fireplace with a gas fireplace insert.
- Sealing air leaks around doors and windows.
- Installing insulated drapes.

If you have propane customers like Andy who are within reach of natural gas, target them with tailored messages about saving money and energy by staying with propane as their primary energy source. Consult with a marketing professional if you would struggle with such a campaign in-house.

In case you are wondering, Andy is sticking with propane. Andy is smart. You want your customers to "be smart like Andy." **LPG**

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