New Green Mortgage Proposition – Appeal and Relevance across 8 European Markets

Nov 22, 2021
Today’s presentation will cover:

1. Which green mortgage proposition did we test?

2. Consumer insights on:
   - Clarity, relevance and appeal of the proposition
   - Barriers to adoption
   - Features to further increase appeal
2. Which green mortgage proposition did we test?
Countries in scope and research timeline

Wave 1: Consumer Research 2018
- United Kingdom
- Germany
- Italy
- Sweden

Wave 2: Consumer Research 2021
- Germany
- Italy
- Sweden
- Belgium
- Netherlands
- Poland
- Spain
- Portugal

New countries added this year

About the research:

- All insights on upcoming pages are extracted from research conducted by BASIS - a research and insights consultancy - and mandated by E.ON and UCI (Spain and Portugal research are financed by UCI)
The quant phase marks the second and final stage of the research

Qualitative phase

2x 2-hour groups per market

Less experienced homeowners
FTB, in process of buying / have taken 1st mortgage

More experienced homeowners
Remo/Movers, in the process/ recently remortgaged/ moved

Quantitative phase

Sample of n=500 respondents in 8 markets

To qualify, respondents need to have taken out a mortgage in last two years or considering doing so in the next two years

Sample mix of demographics and home ownership

20-minute online questionnaire

NOTE: Those living in apartments/flats were not included in the survey
Before asking respondents to evaluate the Green Mortgage proposition, we gave them a key overview of how it works:

The Green Mortgage is a new product that rewards customers whose homes are energy efficient. It provides a discounted mortgage rate (varies by market) vs. other available mortgages – meaning you pay less interest each month!

To qualify for the mortgage, your home needs an energy efficiency rating of A+/A/B. Should your energy efficiency rating be below that, you can make your home more energy efficient by:

- **Borrowing discounted funds to make your home more energy efficient:**
  - You can choose to pay the loan back over a time period that suits you
  - The interest rate for the additional borrowing is discounted at the same rate as the mortgage (i.e. much lower than a consumer loan)

- **Using your own funds to make your home more energy efficient:**
  - You can pay for any work required to make your home more energy efficient from savings or money you have available

Improvements which can boost your home’s energy efficiency include insulation, heating systems, solar panels, solar hot water, smart heating thermostats, electric vehicle charging points etc.

NB. Wording/positioning consistent in each market
Before asking respondents to evaluate the Green Mortgage proposition, we gave them a key overview of how it works:

The Green Mortgage will deliver the following benefits to customers:

- **Financial savings** – the Green Mortgage provides a discounted rate of *(varies by market)* vs. standard rate, saving you money each month on your mortgage payments. Any additional borrowing is also provided at the same discounted rate.

- **Energy cost savings** – energy efficient homes can save you between 20-50% on your energy bills, saving you money!

- **Increased property value** – energy efficient homes typically generate a higher sale price in the market *(potential increase of 3-10%)*

- **Improved CO2 footprint** – homes with a higher energy efficiency rating produce less CO2 – typically around 1 tonne per year, the equivalent of an extra 100 trees!

- **A more comfortable home!**

NB. Wording/positioning consistent in each market
Before asking respondents to evaluate the Green Mortgage proposition, we gave them a key overview of how it works:

### How the Green Mortgage works:

If you already have an energy efficient home with a rating of A+/A/B, you can simply apply for the Green Mortgage straight away.

If the energy efficiency of your home or the home you’re looking to buy needs to be improved, you go through the following steps:

1. **Quick home analysis**
   - Use our Quick online Home Analysis tool to find out what energy efficiency improvements you could make.

2. **Home audit**
   - In-person Home Audit suggests the most suitable improvements for your home which would qualify you for the Green Mortgage.

3. **Product selection**
   - Our network of partners will provide you with a price quote on the products you need.

4. **Financing offer**
   - We will offer you the relevant financing options.

5. **Purchase & install**
   - Our partner installers will take care of the sales and installation of your chosen solution.
   - Alternatively, you can choose your preferred installers. We’ll then conduct a final audit to measure the new energy efficiency of your home and give you a new certification.

6. **Final audit**
   - Our network of partners will provide you with a price quote on the products you need.
   - Alternatively, you can use a provider of your choice.

7. **Enjoy your benefits**
   - Once the final audit certifies your home as energy efficient, your mortgage rate will be discounted, and you will see impact on your energy bill.

**NB. Wording/positioning consistent in each market**
2 Consumer insights on:

- Clarity, relevance and appeal of the proposition
- Barriers to adoption
- Features to further increase appeal
We asked respondents to evaluate the Green Mortgage proposition in the following ways:

1. Clarity, relevance and appeal of the Green Mortgage
2. Evaluation compared to current mortgage / considered mortgage
CLARITY: Consumers across markets are clear on how the Green Mortgage works

Clarity of green mortgage product – all respondents

CLEAR (5-7 on 7 pt. scale)
83% 70% 80% 76% 75% 90% 78% 77%

NEUTRAL (4 on 7 pt. scale)
11% 19% 14% 18% 15% 6% 15% 15%

UNCLEAR (1-3 on 7 pt. scale)
6% 11% 6% 7% 10% 4% 7% 9%

NB. Vast majority of those coding ‘unclear’ code a 3 on the scale (just below ‘neutral’)

Over/under index (120/80) vs. all-market average

NB. Little difference by demographics or home type

Data: % selecting each answer

B3. How clear are you on how this new mortgage product works?
Base: All respondents Italy (n=503); Sweden (n=505); Spain (n=514); Portugal (n=504); Netherlands (n=507); Romania (n=508); Hungary (n=506); Germany (n=500)
RELEVANCE: The Green Mortgage is seen as a highly relevant product in most markets, with slightly more hesitation in Sweden and The Netherlands.

Relevance of green mortgage product – all respondents

- **RELEVANT** (5-7 on 7 pt. scale):
  - Italy: 83%
  - Sweden: 58%
  - Spain: 81%
  - Portugal: 78%
  - Netherlands: 56%
  - Romania: 90%
  - Hungary: 70%
  - Germany: 72%

- **NEUTRAL** (4 on 7 pt. scale):
  - Italy: 13%
  - Sweden: 23%
  - Spain: 13%
  - Portugal: 15%
  - Netherlands: 20%
  - Romania: 8%
  - Hungary: 15%
  - Germany: 17%

- **NOT RELEVANT** (1-3 on 7 pt. scale):
  - Italy: 5%
  - Sweden: 20%
  - Spain: 6%
  - Portugal: 7%
  - Netherlands: 24%
  - Romania: 2%
  - Hungary: 15%
  - Germany: 11%

NB. Little difference by demographics or home type.

B2. How relevant is this new mortgage product to you?
Base: All respondents Italy (n=503); Sweden (n=505); Spain (n=514); Portugal (n=504); Netherlands (n=507); Romania (n=508); Hungary (n=506); Germany (n=500)
APPEAL: There is strong opportunity for Green Mortgages across markets, especially in Spain and Portugal

Appeal of Green Mortgage vs. current mortgage – all respondents

<table>
<thead>
<tr>
<th>PREFER GREEN MORTGAGE (NET)</th>
<th>25%</th>
<th>24%</th>
<th>37% ▲</th>
<th>43% ▲</th>
<th>18% ▼</th>
<th>29%</th>
<th>22%</th>
<th>22%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely Green Mortgage</td>
<td>9%</td>
<td>5%</td>
<td>5%</td>
<td>9%</td>
<td>5%</td>
<td>22%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>19%</td>
<td>32%</td>
<td>34%</td>
<td>25%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Probably Green Mortgage</td>
<td>17%</td>
<td>24%</td>
<td>12%</td>
<td>23%</td>
<td>28%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Equally likely to take up either</td>
<td>34%</td>
<td>34%</td>
<td>12%</td>
<td>23%</td>
<td>28%</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Probably existing mortgage</td>
<td>23%</td>
<td>22%</td>
<td>20%</td>
<td>21%</td>
<td>29%</td>
<td>34%</td>
<td>33%</td>
<td>22%</td>
</tr>
<tr>
<td>Definitely existing mortgage</td>
<td>23%</td>
<td>22%</td>
<td>20%</td>
<td>14%</td>
<td>29%</td>
<td>34%</td>
<td>33%</td>
<td>22%</td>
</tr>
</tbody>
</table>

NB. Drop off between wider appeal and GM preference is largely consistent with other sectors/propositions

NB. In NL, those with ABN AMRO are less likely to prefer Green Mortgage (base low for other providers). Little difference in SW.

B6. Which mortgage would / are you be most likely to choose? (Green Mortgage or existing mortgage / mortgage currently considering)
Base: All respondents Italy (n=503); Sweden (n=505); Spain (n=514); Portugal (n=504); Netherlands (n=507); Romania (n=508); Hungary (n=506); Germany (n=500)

Data: % selecting each answer
A mix of financial and environmental drivers are spontaneously mentioned by consumers

**Reasons for being likely to take out the Green Mortgage – all respondents likely to take out**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Gender</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>“For future consumption savings and greening in general”</td>
<td>Male</td>
<td>44</td>
</tr>
<tr>
<td>“It would ultimately help me save money and do something good for the environment”</td>
<td>Female</td>
<td>35</td>
</tr>
<tr>
<td>“It would lower the cost of my bills and contribute to the protection of our planet”</td>
<td>Male</td>
<td>36</td>
</tr>
<tr>
<td>“It seems to be beneficial in the long run both for me and the environment”</td>
<td>Male</td>
<td>69</td>
</tr>
<tr>
<td>“The cost of maintaining the home would be significantly reduced, it would pay for itself soon”</td>
<td>Female</td>
<td>43</td>
</tr>
<tr>
<td>“To improve the ecological footprint and take advantage of incentives”</td>
<td>Female</td>
<td>30</td>
</tr>
</tbody>
</table>
PRICING: Current discount rates feel appropriate – while further discounts would aid take-up, reducing the discount would have an impact on acquisition

Impact of discount levels on appeal (T2B) – all respondents

<table>
<thead>
<tr>
<th>Main stimulus discount tested</th>
<th>Main stimulus discount appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.13%</td>
<td>59%</td>
</tr>
<tr>
<td>0.15%</td>
<td>37%</td>
</tr>
<tr>
<td>0.16%</td>
<td>55%</td>
</tr>
<tr>
<td>0.10%</td>
<td>49%</td>
</tr>
<tr>
<td>0.20%</td>
<td>34%</td>
</tr>
<tr>
<td>0.53%</td>
<td>72%</td>
</tr>
<tr>
<td>0.44%</td>
<td>44%</td>
</tr>
<tr>
<td>0.12%</td>
<td>54%</td>
</tr>
<tr>
<td>Lower discount tested</td>
<td>Lower discount appeal</td>
</tr>
<tr>
<td>0.10%</td>
<td>48%</td>
</tr>
<tr>
<td>0.11%</td>
<td>28%</td>
</tr>
<tr>
<td>0.13%</td>
<td>42%</td>
</tr>
<tr>
<td>0.07%</td>
<td>32%</td>
</tr>
<tr>
<td>0.15%</td>
<td>23%</td>
</tr>
<tr>
<td>0.40%</td>
<td>69%</td>
</tr>
<tr>
<td>0.33%</td>
<td>44%</td>
</tr>
<tr>
<td>0.09%</td>
<td>46%</td>
</tr>
<tr>
<td>Higher discount tested</td>
<td>Higher discount appeal</td>
</tr>
<tr>
<td>0.20%</td>
<td>61%</td>
</tr>
<tr>
<td>0.22%</td>
<td>55%</td>
</tr>
<tr>
<td>0.27%</td>
<td>68%</td>
</tr>
<tr>
<td>0.15%</td>
<td>66%</td>
</tr>
<tr>
<td>0.30%</td>
<td>50%</td>
</tr>
<tr>
<td>0.79%</td>
<td>82%</td>
</tr>
<tr>
<td>0.66%</td>
<td>51%</td>
</tr>
<tr>
<td>0.19%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Gap: Main to higher discount

<table>
<thead>
<tr>
<th></th>
<th>2%</th>
<th>18%</th>
<th>13%</th>
<th>17%</th>
<th>16%</th>
<th>10%</th>
<th>7%</th>
<th>10%</th>
</tr>
</thead>
</table>

B11. The Green Mortgage product we previously showed you had a discounted rate of (x). If this rate was changed to (INSERT DISCOUNT) how appealing would you find the Green Mortgage?

Base: All respondents Italy (n=503); Sweden (n=505); Spain (n=514); Portugal (n=504); Netherlands (n=507); Romania (n=508); Hungary (n=506); Germany (n=500)

Data: % answering 6-7 on 7 pt. scale for each price point
Barriers to uptake are largely financial, with proposition clarity less of an issue

Barriers to taking up the Green Mortgage – all who find GM unappealing (all markets combined)

<table>
<thead>
<tr>
<th>Main barrier</th>
<th>16%</th>
<th>11%</th>
<th>5%</th>
<th>4%</th>
<th>5%</th>
<th>5%</th>
<th>4%</th>
<th>6%</th>
<th>4%</th>
<th>5%</th>
</tr>
</thead>
</table>

Any barrier cited

- Don't want to take out additional loan: 35%
- Can't afford additional loan: 22%
- Worry about having larger repayments: 17%
- Worry about being tied in to a certain provider: 16%
- Worry about not being able to pay back the loan: 15%
- Seems too complicated: 14%
- Worried about finding the right installers: 14%
- Won't be in home long enough: 14%
- Unclear when I'd have to pay back loan: 13%
- Not interested in renovating my home: 13%

NB. Consistent pattern across markets (relatively low bases)

B10a/b. Which of the following reasons describe why you do not find this product appealing? ANY BARRIER/MAIN BARRIER

Base: Those who find the Green mortgage unappealing (n=299)
BARRIERS: Cost concerns will need to be addressed, while simplifying comms as much as possible will naturally attract more consumers to the proposition.

Reasons for being unlikely to take out the Green Mortgage – all respondents unlikely to take out:

“The process seems to be too complicated for the time being”  
(Male, 32)

“It seems complicated and costly”  
(Sweden, 57)

“I prefer to determine myself when I make improvements and how I pay this”  
(Male, 68)

“I feel comfortable and safe with my current mortgage”  
(Male, 38)

“We don't want to pick up more credit”  
(Female, 40)

“Was to me too complicated - would have to be easier to use”  
(Female, 67)
We can split drivers of appeal into two main categories – taking each of these in turn

- **Consumer benefits of the Green Mortgage**
- **Green Mortgage product features**

For product positioning and optimising messaging
The instant cost saving on energy bills is the key message to communicate across all markets.

Top 3 MOST appealing attributes of the Green Mortgage

<table>
<thead>
<tr>
<th>#1</th>
<th>Bring down the cost of my energy bills</th>
<th>Bring down the cost of my energy bills</th>
<th>Bring down the cost of my energy bills</th>
<th>Bring down the cost of my energy bills</th>
<th>Bring down the cost of my energy bills</th>
<th>Bring down the cost of my energy bills</th>
<th>Bring down the cost of my energy bills</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Combine with gov. backed Superbonus 110% tax reduction program</td>
<td>Increase the value of my property</td>
<td>Increase the value of my property</td>
<td>Gives me a warmer, more comfortable home</td>
<td>Increases the value of my property</td>
<td>Gives me a warmer, more comfortable home</td>
<td>IR for additional borrowing discounted at same rate as mortgage</td>
</tr>
<tr>
<td></td>
<td>Reduce my carbon footprint</td>
<td>IR for additional borrowing discounted at same rate as mortgage</td>
<td>IR for additional borrowing discounted at same rate as mortgage</td>
<td>Gives me a warmer, more comfortable home</td>
<td>Increases the value of my property</td>
<td>Gives me a warmer, more comfortable home</td>
<td>Increases the value of my property</td>
</tr>
</tbody>
</table>

B7b. And which of the following do you find most appealing? NB. Some features only shown in certain markets.
Base: All respondents Italy (n=503); Sweden (n=505); Spain (n=514); Portugal (n=504); Netherlands (n=507); Romania (n=508); Hungary (n=506); Germany (n=500)
Focusing now on the product features themselves

Consumer benefits of the Green Mortgage

Green Mortgage product features

For prioritising features to include / dial-up to consumers
When pushed for the most appealing benefit, innovative payment solutions and flexible loan conditions strike a chord across most markets.

Top 3 MOST appealing benefits of the Green Mortgage

<table>
<thead>
<tr>
<th>#1</th>
<th>#2</th>
<th>#3</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can use my energy bill savings to finance all/part of my improvements</td>
<td>Up to 50% of loan can be used to finance other improvements</td>
<td>Amount quoted for any additional work is guaranteed</td>
</tr>
<tr>
<td>I can use my energy bill savings to finance all/part of my improvements</td>
<td>Up to 50% of loan can be used to finance other improvements</td>
<td>Free Home Audit &amp; energy rating of my property</td>
</tr>
<tr>
<td>I can use my energy bill savings to finance all/part of my improvements</td>
<td>Up to 50% of loan can be used to finance other improvements</td>
<td>No mortgage application fees</td>
</tr>
<tr>
<td>No mortgage application fees</td>
<td>I can use my energy bill savings to finance all/part of my improvements</td>
<td>Cashback when I take out the mortgage</td>
</tr>
<tr>
<td>Up to 50% of loan can be used to finance other improvements</td>
<td>Cashback when I take out the mortgage</td>
<td>I can repay early additional borrowing with no penalties</td>
</tr>
<tr>
<td>I can use my energy bill savings to finance all/part of my improvements</td>
<td>I can repay early additional borrowing with no penalties</td>
<td>Free Home Audit &amp; energy rating of my property</td>
</tr>
</tbody>
</table>

B9b. Which would be most important in encouraging you to take up the Green Mortgage? NB. Some benefits only shown in certain markets.
Base: All respondents Italy (n=504); Sweden (n=485); Spain (n=405); Portugal (n=487); Netherlands (n=516); Romania (n=440); Hungary (n=462); Germany (n=460)

Data: % selecting answer
Thank you!

Q&A