The Future of Customer Experience in the Energy Industry

Kaspar Roos  January 2018

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FOREWORD

A recent survey by Dimension Data, a USD $7.4B global systems integrator, revealed an ‘uncomfortable’ truth: While the overwhelming majority (89%) of organizations claim that customer experience (CX), underpinned by digital transformation, is critical to their survival and a top strategic priority, over half (51%) of respondents are failing to act.

This tension is particularly visible in the energy industry. Driven by technological change, rising competition, evolving legislative frameworks, and the need to deploy more customer-centric technologies, many power companies have recognized the need for digital transformation to fundamentally rethink their business models and redefine how they can better serve and interact with their customers.

At the same time, energy is a particularly slow-moving industry. Investments tend to be highly capital-intensive, there are complex regulatory requirements, and utilities cannot often easily innovate without involving other players in the overall value chain.

Based on insights from Quadient’s energy experts and utilities customers, as well as our dealings with the energy sector, this paper presents an overview of key trends in CX that are impacting the energy market. While recognizing that digital transformation will play out over long timeframes, this paper aims to provide practical advice that can be used today to build superior customer experience. With so much disruption impacting the industry, there is no time to wait.

ABSTRACT

Digital transformation, changing regulations, and new industry structures are all impacting the traditional utility model. With the new world unfolding, digital opportunities are opening for utility companies to redefine products and services, support decentralized energy production, and build deeper customer relationships by moving from an energy asset-based focused to a more customer-centric focus.

KEY RECOMMENDATIONS

- Use scenario planning to align customer experience initiatives with strategic transformation directions. Omni-channel, product differentiation, virtual customers, and home automation are areas where CX technology makes a big difference in how utilities communicate and interact with their customers.

- Refining customer communication strategies, modernizing customer experience technology, using journey mapping techniques, and other best practices are some of the many actions that companies in the energy sector can adapt in order to build competitive advantages through customer experience.

- To support the shift toward decentralized power provisioning and customer-centricity, it is important that companies do not delay but find ways now to use the latest technology to build better customer experiences. Various studies\(^2\) suggest that leading companies respond faster than their competition when faced with disruptive changes in their core markets.

\(^2\) Such as Managing Uncertainty, PA Consulting Group, 2017
1. INTRODUCTION

“The majority of consumers (62%) are prepared to pay more for a simple experience, while 61% would recommend a brand if it has a clear proposition that saves them time.” - Source: Siegel+Gale, 2017

The energy sector is at a point of fundamental change. New technological developments, changes in policies and regulations, and structural changes leading to the rise of new competition are forcing companies to redefine their operating models as well as the relationship that they have with their customers. On top of that, changing consumer behavior makes the need for using customer-centric technology for direct engagement more critical. Environmental concerns and climate change are expected to further impact the relationship that customers have with their energy providers.

As a result, energy companies are facing an uncertain future. Various industry experts argue that the new electric power industry will revolve around digital platforms and ‘smart’ grids that deal efficiently with decentralized power generation, support low carbon supplies, and find a business model that promotes efficiency. The latter especially is a key concern — as more and more consumers are moving away from the traditional utilities model, the remaining customers are charged more for generation and distribution. This is especially problematic for the US with its vast expanse of land area and sprawling populations.

As a result, energy companies will have to digitally transform using those newly found technological strengths to build better value propositions to counter the changes described above. As fundamental transformation and business model innovations may take years to complete, a focus on customer experience to establish new ways of delivering superior customer value should be the low hanging fruit.

The objective of this paper is to explore how power companies can use digital technology to improve the customer experience and build more profitable customer relationships. For this, it is helpful to understand the pertinent technology as well as business and consumer trends that are impacting the energy sectors in the US and Europe. This white paper will then assess its implications and provide relevant recommendations and tactics that CX professionals should consider to drive more valuable engagement.

1 Smart Power, Peter Fox-Penner, 2010
2. TECHNOLOGY TRENDS

Technological change is by far the biggest driver of change within the energy market. While regional differences affect how companies operate and are structured, technology tends to be borderless. The following trends, related to customer experience, impact to a varying degree every energy provider in today’s marketplace.

2.1 DECENTRALIZED POWER GENERATION, STORAGE, AND CONTROL

a. Decentralized generation technologies, including the quest to exploit more renewable energy resources to fight climate change, will have major implications. Advances in solar will soon ensure price parity with grid-generated power.

b. Solar and other renewable sources such as wind turbines have fluctuating output capacity. Advancements in battery storage, such as the Tesla Powerwall, or by tapping into the spare capacity of electric cars through vehicle-to-grid technology, will reduce consumers’ dependencies on centralized power generation.

c. Smart grids are evolving from ‘simply’ dealing with two-way energy and communications flow, to intelligent and interoperable distributed energy systems. These systems support modern concepts such as cloud-based ‘virtual energy plants’ which aggregate the capacities of consumers’ energy assets.

2.2 THE CONNECTED HOME

a. Home automation technology is gaining ground rapidly in the modern home. Modern appliances are being connected to the Internet and increasingly controlled through virtual customer assistance (VCA) voice technology such as Amazon Alexa, Google Home, or virtual private assistant (VPA) technology such as Apple Siri or Microsoft Cortana.
b. High tech home monitoring systems are integrated with sensors for households to know which appliances consume the most energy. Smart lightbulbs equipped with sensors turn themselves on or off.

c. The rise of Internet of Things (IoT) and smart appliances enhanced with screens will offer the opportunity for utilities to provide an integrated, digital experience that connects energy conservation insights with bill payment and customer service engagement opportunities.

Figure 3: Samsung Smart Fridge, Amazon Echo Show

“*The latest Energy UK electricity switching data, published today, reveals the overall number of electricity switches in 2016 reached 4.8 million. This is a record high since 2013 when Energy UK started publishing data, and up by a quarter (26 percent) on 2015.”*  
— Energy UK, Jan 2017

## 2.3 CUSTOMER-CENTRIC TECHNOLOGY

a. Consumers today demand easy experiences from their utility providers, especially from premium brands. With online comparison websites making the switch between energy suppliers extremely simple, energy providers are forced to invest in customer-centricity such as personalization and omni-channel communications for better retention and loyalty.

b. The continued rise of mobile capabilities is a major trend that energy providers cannot ignore. Companies such as Hive in the UK, part of British Gas, provide mobile experiences to
Utilities already have access to data and tools that they can use to begin deploying production analytics and generating insights that create value. For example, some have already sharpened their accuracy in predicting equipment failures and power-outage durations—results that can reduce costs and increase customer satisfaction.”

Source: Guille & Zech, Bain and Mckinsey 2016

understand energy consumption and use smart thermostats to control heating based on measured (i.e. geolocation) and predictive behavior (knowing when a person is likely to come home).

2.4 SERVICE IMPROVEMENTS THROUGH BIG DATA ANALYTICS

a. Big data analytics will drive future engagements and service offerings. For instance, understanding data that relates to consumer preferences on prices or types of energy consumed will be helpful for businesses to understand when engaging with a customer. In fact, British Gas provides iPads to its service engineers that already contain pertinent information about issues raised by a customer prior to visiting their homes.

b. Geolocation analytics help companies understand weather patterns and potential service disruptions and how these may affect its customers. This analysis provides opportunities for delivering a better customer experience by using advanced data analytics and geolocation data to predict local impact and develop notification messaging to prepare customers.

c. Lastly, big data analytics help energy and utility companies to improve segmentation of customers and develop product and services offerings that better match customers’ preferences. In Europe, dedicated energy products have emerged based on customer’s value in relation to renewable energies, nuclear, or communication preferences. For instance, a digital energy package is offered at much lower cost than a traditional contract that includes print-based communications.
3. IMPLICATIONS

With so much uncertainty, it is helpful to think through various scenarios of how the utilities marketplace will evolve in the years to come. A helpful overview is provided in Figure 4, which plots four different scenarios based on two megatrends: 1) from centralized to decentralized energy production and 2) from asset-centric to becoming customer-centric.

Figure 4: Strategic directions based on industry evolution

These two megatrends lead to four scenarios that utility companies need to plan for in the future. Each step is a gradual evolution.

1. **Omni-channel scenario**

In this scenario, the utility company will use new technology, especially around mobile to redesign the current customer experience and build deeper digital engagement. Legacy communications will still play a major role, but printed communications should be redesigned to make them easier to
understand and better aligned with digital communications. CX tactics should be deployed to improve customer satisfaction and retention. For example, if a new customer’s first bill is higher than the contract value, a personalized video can be sent to explain the higher bill thus reducing call center volume. Dynamic communications allow the recipient to interact with the content for rich and dynamic mobile experiences. E-mails that contain actual usage information should pull the latest data from the server while they are being opened, thereby providing always up-to-date usage information to customers.

2. **Product differentiation**

In this scenario, the utility company recognizes that it should fundamentally overhaul its interactions with customers. Through data analytics and journey mapping, the company will identify customer segments and personas that share different characteristics and should be addressed differently.

Armed with this knowledge, the company will then develop new products or potentially form new distribution partnerships to reach those customers. For example, some customers may only want their power-mix to contain carbon-neutral power, while others are against nuclear. This type of product differentiation requires some level of supply chain integration and the development of more advanced pricing tactics.

Another recently more popular offering is to differentiate by communication type; for example to offer lower cost to customers who sign up for a ‘digital’ account. This requires the customer to record their meter readings online and to receive communications that are sent electronically.

Lastly, by providing white-label products for major retailers, energy companies can expand their reach. However, in certain countries the regulator prohibits too much price differentiation through white-labeling, or forces retailers to inform their customers if there are lower-cost plans available.

“Energy is changing, people have much more choice about where it comes from and how they use it. This [new campaign to promote E.ON’s new ‘solar and storage’ offering] is us being a purpose-led brand and showing we strive for new developments in energy, whether that’s solar or electric vehicle charging” – Emma Inston, Head of Global Brand and Customer Communications, E.ON (MW Interview)
“It’s clear that despite all the building blocks being there – better broadband, decreasing hardware costs and consumer appetite for connectivity – we still haven’t cracked how to make the connected home applicable to a mass audience” – Tom Guy, Commercial & Product Director, Hive (Campaign Interview)

Personalized, omni-channel communications are essential for product differentiation, and providers need to carefully consider how to overcome siloes for coherent offerings, and ensure that their communications are branded so it looks they come from their channel partner.

3. Virtual Customers

This scenario is based on the fact that customers are increasingly becoming power generators themselves. By partnering with their customers, utility companies can build stronger relationships. E.ON in the UK, for instance, actively markets their Virtual Power Plant (VPP), which includes control software to help customers monitor and manage their energy assets and connect them to E.ON’s cloud-based VPP. From a customer experience perspective, conservation and education can be part of the strategy.

Conservation to help customers actively save energy and provide education on how the changes in the energy market offers opportunities for customers to benefit from new developments.

4. Home automation

The automated, serviced home is the most advanced scenario in which the utility company combines all three scenarios above and dramatically transforms how it engages with its customers. A fundamental part of the new engagement is based on analytics, the cloud, and IoT. Smart meters, thermostats, and smart appliances should all be supported; in fact, the customer is likely to use technology that is part of a wider ecosystem. For utility providers, there may even be opportunities to partner with providers such as Tesla for home battery storage, or to develop innovative energy storage services in the electric vehicle-to-grid space.

Additionally, another factor that drives interest in redefining CX is the rise of a new wave of consumers — the millennials. Often thought to be very adept in the digital world, millennials may want to use instant digital technology at much higher scale and
are looking for instant engagement, i.e. through social media or mobile messaging automation, such as chatbots, or by using mobiles to make purchase decisions.

4. IMPERATIVES

With customer experience receiving more focus, energy companies need to take a close look at their available technology, people, and processes and assess if their capabilities are sufficient for a digital future. In addition to a rapidly evolving technology landscape, regulatory challenges often impacts decision-making as well. It is, therefore, essential to ensure that modern CX technology is being used, including technology that is optimized for working in highly-regulated environments.

4.1 DEVELOP A COMPELLING CX STRATEGY, INCLUDING CUSTOMER COMMUNICATIONS

Digital transformation is the digitization of processes and using those newly found digital capabilities to redefine business models and improve customer experience. Since CX is the sum of all interactions that a brand has with its customers, it makes sense to start analyzing those interactions and look for any broken experiences.

Within regulated industries, changing products and prices are difficult and generally slow-moving processes. Quick wins can typically be found by focusing on customer communications — making interactions easier to understand, more relevant, or by ensuring improved empathy and tone-of-voice that builds more positive emotions.

Regardless, companies are advised to review their current communication processes, understand how they impact customer experience (through customer insights research), and develop an optimization strategy to address those quick wins.

4.2 MODERNIZING YOUR CX TECHNOLOGY STACK

An important element in today’s rapidly evolving world is to underpin your CX strategy with modern technology. Moving to flexible, future-
proof architectures allows businesses to easily swap or upgrade components without having to migrate or redesign entire systems. While each business is unique, there are some characteristics that next-generation CX systems share:

a. **Decoupling of orchestration and delivery.** Ensuring the delivery of communications is performed by systems that are conceptually separated from the analytics and engagement systems. This concept provides the most flexibility; in the future, we can expect delivery — whether by a marketing campaign tool, Customer Relationship Management (CRM) system, Business Process Management (BPM) tool, or Customer Communications Management (CCM) tool to become centralized, based on a shared-delivery component that integrates with all the various systems. Having business rules and communication delivery behavior programmed within those siloes will, therefore, ultimately be an inhibitor to future roadmaps. Defining business outcomes, linking capabilities to it, and then ensuring loosely-coupled integration between components based on modern, cloud-based architectures is the way forward, especially now that boundaries seem to be blurring between software areas.

b. **Using dedicated middleware for quick integration and configuration.** Digital transformation is almost never a rip-and-replace activity. In reality, transformation happens by taking small steps that often require continued refinement or optimization. Having architectures that can be easily reconfigured are essential, for example by using service bus technology with predeveloped connectors for cloud-to-cloud integration.

c. **Enabling business users to own the interaction experience**
Using low-code / no-code frameworks for rapid mobile deployment, or online tools for business users to control the communications or interaction experience without IT involvement is a key requirement for any energy company that wants to improve customer experience. Gone are the
days that businesses can afford to take months to make communication changes.

4.3 ENSURING AGILITY TO MEET REGULATORY CHANGES AND EVOLVING MARKET NEEDS

Another major item for businesses in the energy space is to comply with regulatory requirements. Archiving, change management, audit trails, General Data Protection Regulation (GDPR) in the EU, and similar data protection requirements in the US and rest of world — the list of requirements is a long one. Having technology that is designed to operate within the boundaries set by legal regulators is a must-have for any utility provider.

4.4 USING JOURNEY MAPPING AND OTHER CX BEST PRACTICES TO BUILD SUPERIOR EXPERIENCES

As energy providers are becoming more customer-centric, the need arises to deploy customer-centric technology in a more effective way. Journey mapping — the practice to understand how customers interact with the brand over a period of time for the completion of specific tasks — rapidly is becoming an essential tool for CX optimization. Journey maps help customer experience professionals to understand the touchpoints, see what experiences are broken, and then work with their counterparts in the business, IT, and design teams to prioritize what occurrence needs renovation.

4.5 INVESTING IN CX SHARED SERVICES OR CX STEERING COMMITTEES FOR CONSISTENT ENGAGEMENT

Customer experience impacts every touchpoint that a customer has with the brand — ranging from marketing, to onboarding, to customer service, and even the leaving process. Ensuring that interactions are managed holistically across the entire organization often requires organizational alignments. For example, investing in a dedicated executive tasked with customer experience, setting up a CX shared services team, or ensuring a CX steering committee with the authority to
coordinate between organizational functions and ensure consistency in brand look-and-feel, messaging, and interaction experience across the entire organization are essential to success.

5 CLOSING THOUGHTS

The energy market faces an uncertain future based on disruptive technology, policy, and business trends that are impacting the industry. Despite this, focusing on customer experience is a safe bet — customers are changing their behaviors and demanding more relevant interactions. Remember that better customer communications such as relevant, data-driven, omni-channel communications are often the easiest way of improving customer experience, especially in regulated industries.

If you are interested in learning more about using innovative CX technology, Quadient is a leading customer experience provider with a strong heritage in the customer communications space.

If you are interested in having a dedicated strategy specialist assisting you with a strategic review of your interaction and communications operations, then Aspire is a company you may want to talk with.

ABOUT QUADIENT

Quadient, a Neopost Digital Company, provides technology that enables organizations to create better experiences for their customers through timely, optimized, contextual, highly individualized, and accurate communications for all channels. Our solutions are used by thousands of clients and partners worldwide to activate their organizations in the name of customer experience.

ABOUT ASPIRE

Aspire Customer Communications Services (Aspire), is a London-based CCM/CX strategy firm that works with enterprise leaders across the globe to realize high-impact customer communications transformation.