

# Customer centric thinking in utilities



**Both electricity and natural gas are viewed as perfectly homogeneous products. It does not matter from whom you buy them; their nature is still the same. So, the standard deciding factor when choosing a supplier is price. Aside from the obvious price competition, how can a retailer win in the market?**

When consumers think of electricity and gas, they always consider them to be absolutely essential utilities. However, in the overall spectrum of products and services, their perceived attractiveness is much lower. Marketing experts say that the way in which a company sells its product is sometimes more important than what is actually being sold.

Companies wishing to be successful in today's retail energy market can no longer afford to be engineering-led and focused only on delivery and billing, new factors have come into play. To differentiate, utilities have to focus on the service side of their business, and most importantly, on their relationship with their customers.

In more mature industries, such as finance or telecommunications, the quality of the customer experience has been rising rapidly in the past decade. Today's market is more relationship-driven than ever before. There are now certain expectations about the manner and style in which companies should treat their most important source of revenue. In line with this, the number of customers demanding a high quality of service and personal care is increasing. Despite this, they still perceive their suppliers as cold and impersonal.

Increasing competition is forcing power and utility (P&U) suppliers to reassess what their business should be and how they need to operate. We believe that if utility companies misunderstand ongoing trends in consumer demand,

they could waste a vast amount of time, money and effort in developing the wrong services, whilst missing out on a wealth of new business opportunity. The battle for the consumer is being fought not only between the utilities' trading departments, but also by all customer contact points.

### From customer support to customer care

There is no doubt that consumers are at the heart of changes in the energy supply market. Based on our global and Central European experience, we believe strongly that market success is dependent on three important strategic objectives:

- Substantial improvement in customer care
- Mastering customer-related business processes
- Expanding the traditional business case

Historically, the purpose of a standard P&U support center was to solve customer complaints, be familiar with technical product details and know the formal processes required to sell or cancel the product or service. To win, retain and increase the loyalty of the customer, companies now need to go the extra mile in the area of customer service.

Customer care employees have to search for customer benefits and additional value. A good example is where the customer's details are updated every time a contact is made. The customer is happy in the knowledge that their address and phone numbers are accurate-

ly held and the company's data analysis department appreciates the quality of market intelligence data.

Another example is where, proactively, a more appropriate product is proposed to the customer.

Sometimes, all that is needed to significantly improve the attitude of customers is a subtle change in a client-related business process. For example, introducing a rule to ensure that overdue-payment reminder letters are sent only after completion of the pairing process, this could significantly reduce the frustration of clients who receive such letters shortly after settling their bills. Nevertheless, the most important factor for customers continues to be the uninterrupted availability of energy. However, here too, customer-relations processes need to be maintained at a high level of quality, even when supply issues are beyond the utility company's control.

### Rethinking the traditional business case

An example of broadening the traditional business case and

securing the customer's loyalty at the same time is the Pay As You Save programme, an environmentally-driven British project. Utilities have an open governmental credit line, the purpose of which is to fund energy-efficient measures for households, such as thermal insulation or renewable micro-production. The customer borrows the project finance from the utility and after completion of the work, continues to pay energy bills as usual until the loan is repaid. The savings achieved by greater energy-efficiency constitute the loan-repayment component of the bill, and following repayment, the customer's bills should drop significantly.

All things considered, the energy supply market does not differ significantly from other industries. After its current phase of growth, the market will eventually become mature and saturated. Pressure on profit margins will force inefficient market players to execute an exit strategy and ultimately, only the most efficient and customer-oriented companies will survive.



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| Four stages of customer management |                             |                             |                        |                                 |
|------------------------------------|-----------------------------|-----------------------------|------------------------|---------------------------------|
| Area - customer management         | 1 <sup>st</sup> stage       | 2 <sup>nd</sup> stage       | 3 <sup>rd</sup> stage  | 4 <sup>th</sup> stage           |
| Market behaviour                   | unrelated to market         | mimicking the competition   | leading position       | predicting customer's behaviour |
| Customer orientation               | minimal                     | based on market feedback    | management by segments |                                 |
| Customer segmentation              | insufficient                | general criteria            | based on purpose       |                                 |
| Measurement of customer value      | insufficient                | revenues / billing          | profit                 | lifetime value                  |
| Products and services              | do not reflect market needs | generic products / services | tailored for segments  | tailored for customers          |

