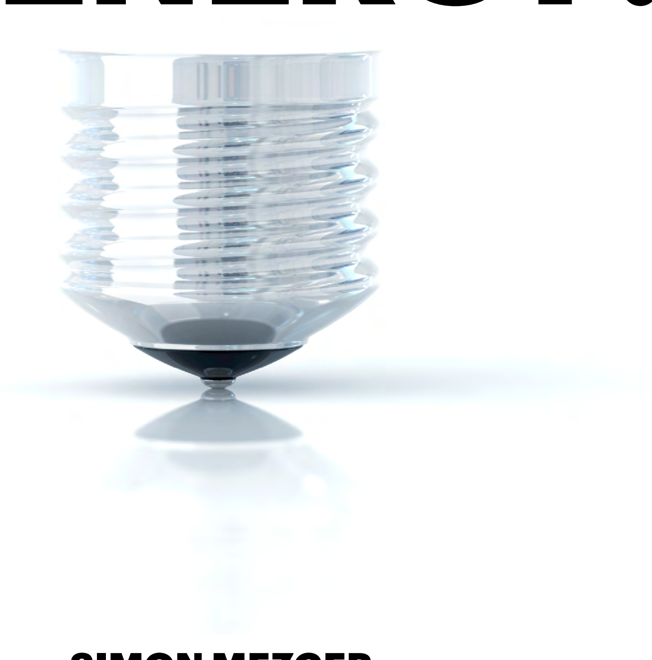
accenturestrategy

CUSTOMER CENTRICITY: MUST-HAVE OR A WASTE OF ENERGY?



SIMON MEZGER

Utilities customers just want the lights to work. They do not want to be wooed. In fact, 44 percent of energy consumers say they have no interest in interacting at all with energy providers.[1]

So why are Utilities chasing customer centricity Amazon style? With bells and whistles that fall on deaf ears?

Mainly because utility executives think copying practices from other industries is a wise move. In many cases, that approach works, but not for utilities in the current environment. Consumer demands on utilities are far different than on most other industries because energy purchases are considered more and more as a basic commodity. Instead of mirroring other industries, utilities should instead reconsider what customer centricity really means for their organization. Changes in the industry dictate moving away from the traditional linear value chain to a distributed, circular, open and dynamic energy value cycle.

The world of utilities is transforming, moving from centralized, one-way generation and consumption of energy to one in which energy generation, dispatch and consumption is decarbonized, decentralized, digitized and democratized. Whole new business models are rapidly emerging as a result. The traditional role of the retailer is likely to become redundant. New go-to-market strategies that diversify utilities—providing them growth opportunities in unregulated areas—are the smart move.

As they face a changing industry, utilities should better define and target investment in the customer experience, tailoring it to the changing environment, if they want to beat competitors and keep customers.

STOP THE NOISE

Consumers have unequivocally shown that when it comes to their energy provider, time, convenience and value are all that really matters:

Time. Consumers feel pressed for time overall. They want minimal touchpoints with their utility and desire automation for a quick, seamless experience.

Convenience. Simple, flawless interactions across the channels of their choosing.

Value. Consumers want the lowest price for the best value. Utilities are seen by most as a commodity.

The rest is noise. A high-touch, gold-plated customer experience may be ideal for other industries, but not for utilities customers who—other than early adopter enthusiasts—view energy as a necessary commodity. If utilities can stop the noise to focus and prioritize their customer strategies on those three items, they can unlock growth opportunities. Notice the lack of a desire for engagement in all three areas. Utilities need to shift investments away from a customer experience that attempts to engage, and more toward the criteria truly important to consumers.

Eight out of 10 consumers say saving money on their electric bill is very important.[2] And six out 10 energy consumers value comfort and the convenience of automation.[3] Companies moving in this direction are seeing good results. Since 2007, ComEd customers in northern Illinois have had the choice of an hourly pricing program that charges lower rates for electricity used at times when demand is low. That program has saved 10,700 customers an average of 15 percent, or $15 million total, according to Elevate Energy, the non-profit organization that runs the program for ComEd.[4]

Automation also provides the cost efficiency for utilities that translates to end value for customers. Utilities should utilize digital technologies such as artificial intelligence (AI) to allow minimal touchpoints and automate where possible for customer ease.

"Ready, set, go"

Customers give utilities roughly **10 minutes** per year. Wise companies keep it short, simple, elegant and targeted.

9.2
minutes
Via digital channels
Average time spent interacting

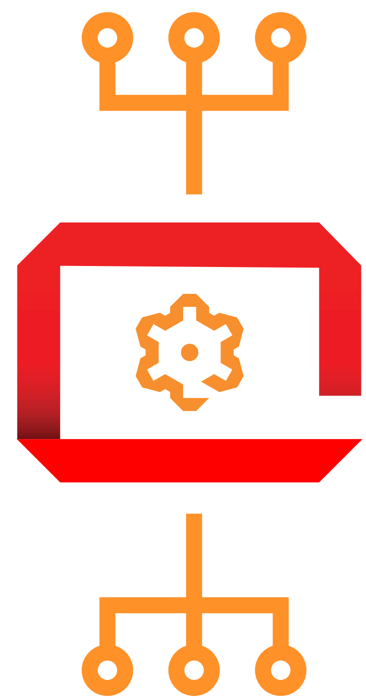
11
minutes
Via non-digital channels
Average time spent interacting

Source: Accenture New Energy Consumer research, 2017

Providing a choice of channels, customers can then execute simple, seamless interactions as they need to. At Anglian Water, more than 25 percent of customers can now self-serve without speaking to an agent. Average call handling time has been reduced by 20 seconds, leaving 88 percent of customers "very satisfied."[5]

YOUR CUSTOMER IS NOW AN ALGORITHM

Five in ten U.S. customers want a switching service that roams the internet to find the best possible electricity offers based on their usage—and automatically switches them to the best offer.[6] And—here's the real insight—90 percent of the "switchers" are interested in an energy storage solution in their home.[7] The best customer service in the world matters far less than it used to because switching costs are so much less than they used to be. Energy as a commodity is the mantra going forward for most customers. Utilities will be judged by an algorithm based solely on price, versus being judged by an actual human customer. Utilities are being disintermediated from the customer—that trajectory is inevitable. Algorithm as customer sets up a completely different scenario than the one utilities have historically operated within. Reducing the cost to serve and sharing that with the customer, rather than emphasizing brand value, is the smart path.



Utilizing new business models (see sidebar "New business models for a new world"), the utilities industry stands to gain $125 billion to $176 billion in new revenue annually, worldwide.[8]

Adopting these models will be crucial to maintaining earnings, growth and relevance. As digital natives become a larger part of the overall customer base, utilities will need to move forward based on a view of themselves as a commodity—adjusting current operations to address that reality.

EMPLOYEES AS DIFFERENTIATOR

Even if utilities master the customer service basics and shift to new business models, to succeed they must empower the workforce of the future. Based upon cross industry research, an approximately 5 to 10 percent increase in employee satisfaction drives a 1 to 2 percent increase in customer satisfaction—in turn driving approximately 0.5% increase in revenue growth.[9]

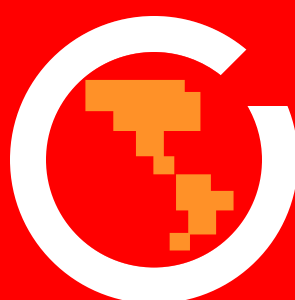
Top-quartile business units outperform bottom-quartile units by 10 percent in customer loyalty/engagement.[10] Employee engagement is strongly correlated to customer loyalty metrics.[11] While more utilities customers are choosing based on price—if price is the same amongst several competitors—your employees' interactions with customers (even if infrequent) could be enough to tip the scales in your favor.

With increasing digitization of utilities and the move to energy as a commodity, customers will still need to refer to agents to have their more complex requirements addressed. The workforce of the future will include both AI bots and humans. Empowering and enabling the human workforce to handle the more nuanced situations that bots cannot handle means that they can provide exceptional customer service on demand.

Counterintuitively, in an industry where customers want minimal interaction, the strongest correlation for customer loyalty continues to be employee engagement.[12] Companies with great employee experiences still outperform the S&P 500 by 122 percent.[13] Even if customers touch base with your employees only once annually, they will base their overall perception of the company on that singular experience. With fewer human touchpoints, the ones that remain become essential to differentiation in a commoditized market.

New business models for a new world

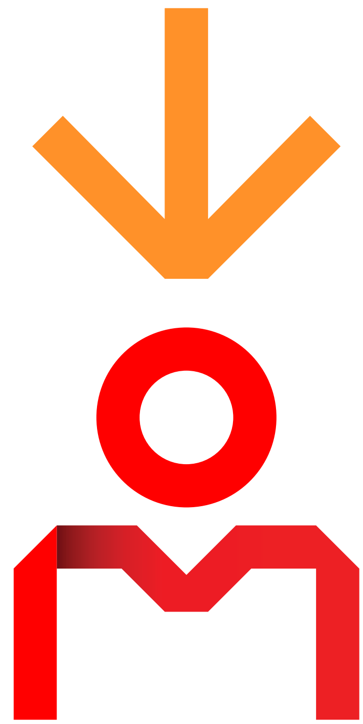
Industry disruption has resulted in a vast number of new business models that enable utilities to unlock new value. The rise of Distributed Energy Resources (DER)—combined with technology innovation and demand for low-cost green products—has opened up energy trading offerings. Reposit Power and Powerpeers enable customers to trade surplus energy on a market, automatically driving price reduction as well as community sharing models. Increasingly, these models will facilitate central aggregation and orchestration of energy resources. We have seen retailers offering simplified "all-you-can-eat" subscription tariffs, as well as diversifying into home automation product offerings.



EMBRACING THE NEW CUSTOMER CENTRICITY

Utilities who are seeing the new industry reality clearly are already moving to embrace it. A few first steps will help get you started:

Let customer desires guide investments. To create a platform for growth, utilities must earn the right to sell new products and services to customers. Customers will have an increased appetite for more if they are delighted with the basics done brilliantly. From this base, utilities must disrupt and revolutionize for growth with an ecosystem of like-minded partners through incubating start-ups that offer new products/services not constrained by the core business.



Share the wealth. To win the war of the algorithm, utilities must reduce operating costs through AI and smart investment. They then should pass on the savings through price reduction. Utilities need to adopt new operating models similar to Ovo Energy (100% digital utility). They can also incubate agile start-ups not encumbered by the core business costs.

Invest in your employees. Companies like Apple who have invested heavily in employee experience see tangible value flow through to the end customer. High morale and "pride of place" amongst employees drives an improved customer experience. Forecasts of AI adoption rates still suggest that human interaction with customers is here to stay. Many believe that Commercial & Industrial (C&I), Small and Medium Enterprises (SME) and hardship customers will always require human interactions. Even for the bulk of the residential market, AI's role in dominating customer experience is still some time off.

Customer centricity is not a waste of energy, if done in a way that addresses utilities' new reality. Forget the retail model. Forget all the bells and whistles other industries tout as game changers. Utilities customers want you to get the basics right, offering them time, convenience, value—and the human touch, when necessary.

JOIN THE CONVERSATION

@AccentureStrat

www.linkedin.com/company/accenture-strategy

CONTACT THE AUTHORS

Simon Mezger
Melbourne, Australia
simon.mezger@accenture.com

CONTRIBUTORS

Sandro Bacan
Milan, Italy
sandro.bacan@accenture.com

Pino Lucena
Madrid, Spain
pino.lucena@accenture.com

Tim Porter
Atlanta, Georgia, USA
timothy.p.porter@accenture.com

Luke Solomou
Melbourne, Australia
luke.solomou@accenture.com

NOTES

[1] Accenture New Energy Consumer Research, 2017

[2] Ibid

[3] Ibid

[4] http://midwestenergynews.com/2016/05/04/in-illinois-real-time-pricing-saving-utility-customers-millions/

[5] http://www.voxgen.com/ivr-case-studies/utilities-anglian-water

[6] Accenture New Energy Consumer Research, 2016

[7] Accenture New Energy Consumer Research, 2017

[8] Accenture Strategy and CDP "Low Carbon, High Stakes: Do you have the power to transform?", 2015

[9] Accenture Strategy research analysis

[10] http://www.gallup.com/services/191489/q12-meta-analysis-report-2016.aspx?ays=n

[11] Ibid

[12] Gallup Q12 Meta-Analysis Report – Employee Engagement, 2016

[13] Fjord, "Designing for the Employee Experience," 2015

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world's largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 425,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

ABOUT ACCENTURE STRATEGY

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise-wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership helps drive both efficiencies and growth. For more information, follow @AccentureStrat or visit www.accenture.com/strategy.