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Exploring the value of data and technology

Better use of data is crucial to understand and address the needs of today's customers. While utilities already have huge volumes of available data – and will soon have more as the global rollout of smart meters gathers pace – it is the accuracy, accessibility and ability to interpret this data that will determine how quickly and successfully companies can bring to market the solutions, products and services customers want and need.

Utilities already hold valuable data regarding:

- ▶ **Customer interaction**, including billing, contact history and consumption
- ▶ **Household information**, including address, income and type of dwelling
- ▶ **Behavior patterns**, including time spent at home, appliances installed and energy performance

HPs are now taking steps to master this data in order to identify the new services most likely to address the emerging needs of different (current and potential) customers in different markets. This data can also be used to drive performance and service improvement throughout the enterprise.

HPs are focusing first on ensuring the integrity and security of their data, then directing efforts to using data to improve communication with customers.

Case study

Leading European gas company uses customer insights to map its future and drive operational efficiency

A leading European natural gas utility faced significant challenges over the next five years to build up its gas metering business and prepare for the rollout of smart meters. The client engaged EY to help it make better use of customer data to drive its vision for the future. This vision included achieving industry-leading customer satisfaction scores, improving energy efficiency programs, using smart meters to encourage energy conservation, boosting the number of customers choosing e-billing and continuous customer-centric service improvements across the company's operations. They wanted to know more about the needs of individual customers, better link customers to tailored services and use this customer information to develop innovative new products and services – all while protecting the privacy of their customers.

Our team worked with the client to:

- ▶ Develop a future customer intelligence and data architecture to support its vision
- ▶ Conduct a gap analysis between current architecture and defined future state architecture
- ▶ Define the governance roles, rules, and protocols required to achieve the future state architecture

- ▶ Develop a customer-centric road map for clients to achieve the future vision
 - ▶ Determine high-level effort estimates and benefits case to implement the future road map
 - ▶ Implement future vision activities and determine monitoring and effectiveness assessment activities
- Based on our team's recommendations, a conservative estimate of the additional benefit that could be realized from the metering business was £10m to £15m per annum, resulting in an EBIT growth of between 50%-75%.

Action plan

HPs are **exploring the value of data and technology**, including smart meters by:

- ▶ Considering data as a way to connect with customers and identify values and needs
- ▶ Using data and technology as a means to promote new services
- ▶ Connecting customers to tailored products and services
- ▶ Using detailed customer information to develop new products and services

HPs know that mastering the value of data and technology is critical as they develop the customer-centric road map to out-perform competitors and achieve their future vision.

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Creating a customer-centric utility to drive value and profit



The power and utility (P&U) sector is transforming – and the customer is right at the center of these changes. As companies juggle mounting infrastructure investment needs, increasing regulatory pressure and rising energy prices, the relationship with the customer is key to addressing these challenges and positioning companies for future success.

Today's "know it all, want it all" customers demand far more from utilities. They expect better and more services, transparent and competitive pricing and the power to control their own transactions and engage with their provider. Meeting these needs is a significant challenge for an industry that has traditionally struggled with customer satisfaction levels – but it is one that utility companies must meet, or risk losing out to in-sector competitors or new market entrants from non-traditional sectors. As customers get more choices for energy and ancillary services, driving value and profit through customer reach will become critical to the long-term success of utilities.

The utilities that are outperforming their competitors are those that are already doing more to deliver added value to customers and strengthen their market position. What are the key customer-centric strategies of high-performing (HP) utilities – and how can they be adopted?

What is an HP utility?

High performing utilities (HPs) take charge of their own destiny and are first to respond when this industry changes. The way that HPs have been pursuing the current customer transformation has created opportunities for them to grow beyond their traditional markets.

In response to the challenges of the empowered energy customer, HPs are taking distinctive action.



HP utilities put customer relationships first

Customer centricity is driving the agenda of the highest-performing utilities around the globe. These HPs know that putting the customer first is critical to their success in meeting current industry challenges. HPs are investing heavily in customer-focused programs that aim to differentiate them from their competitors and best position them to successfully address the multitude of changes that are impacting the customer.

HPs are broadening their customer reach in three ways:

1. Resetting the customer experience
2. Innovating to broaden customer reach
3. Exploring the value of data and technology

By focusing on the customer now, HPs are making early gains on improving the customer relationship and positioning themselves to secure a competitive advantage in the market for a broader range of services.

A customer-centric utility to drive value and profit		
Reset the customer experience	Innovate to broaden customer reach	Explore the value of data and technology
<ul style="list-style-type: none"> • A call to action: how to win back customer trust • Getting the basics right for the customer • A journey toward customer excellence 	<ul style="list-style-type: none"> • An opportunity to compete for a share of the home and provide non-traditional services • The shift from energy-only relationships to seamless service across all channels 	<ul style="list-style-type: none"> • Converting big data insight into customer value • Driving performance and service improvement across the distribution chain

What are the key strategies of high-performing utilities – and how can they be adopted?

1. Resetting the customer experience

Resetting the customer experience is about first building trust and then seeking excellence in customer service. A March 2013 EY survey revealed that just one-fifth of customers trust their utility provider.¹ Unless this figure can be improved, utilities will struggle to broaden their relationship with customers beyond the delivery of basic utility service. They must focus on getting the basics right – consistently, and over time – before they can move toward extending their customer reach into new, non-traditional services, customers and markets.

HPs are heeding the call to action to win back customer trust and start on a journey toward achieving customer excellence. While this journey will vary – depending on each utility, its market and its goals – at its core it will require:

- ▶ **Simplifying** transactions
- ▶ **Anticipating** the customer
- ▶ Championing **self-service**
- ▶ **Collaborating and co-creating** by encouraging customer feedback and participation in problem resolution
- ▶ **Analyzing** customer data
- ▶ **Differentiating** customer service

Case study

Major UK utility achieves industry-leading levels of customer satisfaction

A major UK energy utility faced declining customer satisfaction following the migration of its information technology services and media scrutiny of recent price rises. As complaints rose, the company needed to act fast to reduce complaints and negative media coverage and also formulate a longer-term strategy aimed at improving customer service levels.

EY worked with the client to develop a complaint-reduction plan that delivered measurable value to the client including:

- ▶ Significantly reducing the number of complaints requiring resolution by the ombudsman and creating a multimillion pound annual benefit for one of the company's P&Ls
- ▶ Adding efficiency to the complaint resolution function with a 35% FTE reduction in the grievance department
- ▶ Developing an approach to track performance and results of the plan to ensure that intended value and improvement to customer service processes were realized

On completion of the six-week project the client saw a month-on-month reduction in complaints, overall improvement in customer response times and the company's highest customer satisfaction rates to date, on par with industry-leading standards.

¹ Source: Richard Postance, "Trust: the energy industry at a crossroads...", *The Raconteur*, 1 May 2013.

2. Innovating to broaden customer reach

Technology has dramatically changed customer needs. Empowered by the 24-hour connectivity of the internet and the speed, ease and mobility of hand-held devices and the information provided by smart meters, customers have more knowledge than ever and are demanding new services such as telehealth, security, energy management technologies and the ability to monitor smart appliances remotely.

Utilities are not only the best-placed, both technically and in terms of capacity, to capitalize on these opportunities – they must do so if they are to move beyond energy supply and ensure their long-term survival by serving the additional needs of their customers before in-sector and new market entrants step in to fill the gap.

HPs are focusing on growing value for the customer by:

- ▶ **Understanding** who these empowered customers are and what they want and value
- ▶ **Tailoring** services – and their delivery of them – to individual customers
- ▶ **Innovating** to develop new products and services to meet new customer demands in advance of competitors

Case study

Leading US utility increases customer relevance of energy optimization programs

A major US energy company wanted to encourage more of its gas and electricity customers to participate in energy optimization (EO) programs by better matching these programs to customer needs. We supported the client by:

- ▶ Performing advanced customer sub-segmentation and predictive modeling to identify customers to target
- ▶ Analyzing customer profiles and interpreting supporting statistical modeling results
- ▶ Providing recommendations to enhance marketing effectiveness based on identified value points of targeted customer cohorts
- ▶ Identifying the convergence points of the client's business goals and objectives, EO program components and the customer value proposition

Using this information, our team then assigned a probability to every customer indicating that person's likelihood to enroll in an EO program. This gave the client a clear understanding of the growth potential for this new program. We also aligned the attributes of EO programs most attractive to specific customer segments. We equipped the client with the ability to generate reports based on customer propensity profiles and helped them understand the results. The client gained a greater understanding of their customers, including how they can be successfully targeted by marketing campaigns and proper segmentation.

Action plan

HPs are **innovating to broaden their customer reach** by:

- ▶ Using a wide range of market segmentation tools to:
 - ▶ Tailor new products and customer communications to identified customer needs and preferences
 - ▶ Match new products and services to identified customer needs within identified customer cohorts
 - ▶ Reduce churn by focusing on services valued by their most valuable customers
 - ▶ Improve cross-selling by using knowledge of customer preferences

For HPs, utilizing customer segmentation yields positive results for the business:

- ▶ Reduction of churn and minimization of the impact of competition by fulfilling the specific needs of specific customer groups
- ▶ Identification of the services, technologies and communications that customers value
- ▶ Reduction of costs associated with new product development and implementation costs by focusing only on valued products for specific customer groups

Adopting a customer-centric model delivers commercial value to the business. In such a model, HPs protect their customer base and enable an expanded-value customer relationship beyond traditional services. Innovating to create new products, services and tailored communication streams makes HPs more attractive to new customers that are looking for a more meaningful relationship with their provider.