

Smart Metering: A Once-in-a-Generation Business Opportunity for Energy Providers

**Capitalise on the smart meter rollout to improve customer insight
and develop profitable, long-term customer relationships**

Smart Metering
Improve customer relationships through better insight

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Abstract

Rising energy prices and the ubiquity of price comparison engines have turned the energy sector into a fiercely competitive battleground, with customers ready to switch at will to which ever provider has the most attractive tariff. The mandate to install a smart meter in every UK home by 2020 gives providers a once-in-a-generation opportunity to transform their relationships with customers and secure lifelong customer loyalty and profitability.

Energy providers should take cues from other industry sectors when seeking to make the most of the opportunities arising from smart metering. Those who move quickly and intelligently will be well placed to build strong, lasting customer relationships, improve operational efficiency, reduce costs and drive revenue and profitability. Those who fail to capitalise on the opportunity risk weakening their customer relationships, perhaps irreversibly.

SMART METERING WILL CREATE A PARADIGM SHIFT IN THE WAY ENERGY COMPANIES USE LOCATION INFORMATION

Challenges and Opportunities

The UK energy market is in a period of dramatic transformation. Rising prices in a sluggish economy have made consumers hyper-sensitive to the size of their gas and electricity bills. Perceived profiteering during periods of lower wholesale prices has led many customers to feel resentment towards energy suppliers, while the ubiquitous price-comparison sites make it easy for disgruntled or price-conscious consumers to switch supplier instantly.

The results speak for themselves: during Ofgem's probe into domestic energy supply in 2008, it found that "17 per cent of domestic consumers regularly seek out competing price offers and switch suppliers on the basis of a good understanding of the range of offers available¹." The financial implications of continually replacing active switchers with new customers are significant, yet most attempts to win new business rely heavily on offering lower prices than competitors, a situation which is clearly unsustainable, especially against the backdrop of rising wholesale energy prices.

Fortunately, a development is at hand that could put an end to the price wars and restore the frayed relationships between suppliers and consumers. Smart metering, and the eventual move to a smart grid infrastructure, will transform the way energy is distributed and consumed. It also offers a once-in-a-generation opportunity for suppliers to become trusted providers not just of commoditised power, but also of valuable, unique and high-profile consumer services that will foster customer trust and loyalty.

The key to capitalising on this opportunity will be making best use of the data that smart meters provide. Consumers will benefit enormously from being able to monitor, understand and manage their consumption, but that in itself will not foster loyalty to their supplier. The goal for providers should be to turn the huge quantities of real-time data from smart meters into intelligent, innovative services that will keep them front of mind with consumers.

In particular, smart meter data will drive step changes in two key areas. Firstly, it has the power to improve immeasurably the way in which providers communicate and interact with their customers. Secondly, it will give providers unprecedented insight into the physical network and customers' whereabouts, enabling a new era of responsiveness, proactivity and service excellence.

Transforming Customer Communication Capabilities

Smart metering offers enormous potential to enhance the customer experience and optimise every customer interaction, creating customer loyalty and reducing churn. Most consumers now expect timely and relevant information to be delivered through their preferred communication channel, or combination of channels.

Smart metering will see customers demand instant access to account information at whatever time suits them and on whichever device they prefer. They will also expect energy providers to treat them consistently regardless of which channel they use.

These shifts in consumer preferences and expectations mean that multi-channel customer communications will no longer be just an attractive differentiator – they will become an essential business requirement. Customer-centric organisations must develop an effective Customer Communications Management strategy if they want to respond to smart meter-driven consumer demand for multi-channel interactions. As Andrew Downie of communications consultancy The Team wrote in Utility Week in September 2010: "Energy suppliers will have to think, brand and communicate like supermarkets, internet service providers or fashion retailers, using the wealth of data available on their customers to tailor everything they say to be as appropriate and relevant as possible. If they do not, others will."

¹ Ofgem Energy Supply Probe – Initial Findings Report, Office of Gas and Electricity Markets, 2008

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The 'Where?' Factor

Data from smart meters (and later the smart grid) will deliver a wealth of insight into the precise geographical location of each customer, together with consumption data relating to that location. For the first time, suppliers will be able to answer complex 'where?' questions, giving them a powerful tool for enriching existing customer databases with additional data, generating customer insights and enabling innovative customer-centric communications.

If companies know where each smart meter is, for example, they will be able to answer questions ranging from the simple and reactive ("Is this meter likely to be flooded during a severe weather event?"), to the more complex and proactive ("Can we use SMS to prompt word-of-mouth and start a cascade of supplier switching within this neighbourhood?").

Location data from smart meters will create a paradigm shift in the way energy companies use location information. Providers will need to completely transform and repurpose their traditional location-based activities to ensure they are focused on meeting customer needs.

As consumers continue to become more connected and more reliant on mobile devices, opportunities will arise for providers to deliver location-enabled services using information from smart meters. For example, a mobile app could alert a user when an electrical circuit trips if the device is within 50m of the smart meter. An app that allows customers to compare their energy consumption with that of neighbouring properties could help them to reduce their energy bills. When suppliers can answer intricate 'where' questions, the potential for providing value-added services to customers is enormous.

Customer-Centric Innovation

While the potential for innovation is enormous, providers must remain focused on delivering services that meet real customer needs. One significant opportunity is helping consumers to reduce their energy bills and lessen their environmental impact. Smart metering on its own will play a major role in enabling consumers to manage their energy consumption, but it also provides opportunities for suppliers to offer value-add services that assist them further.

Providers can also deliver value to customers by presenting them with intelligent, profile-driven tariffs, bills and loyalty packages. As smart meters start to deliver reams of data about each customer's consumption and payment habits, suppliers can start to use that information to drive highly granular segmentation exercises, even to the point of offering individually tailored tariffs and payment schemes.

Another solution could be to provide customers with a branded smart meter operating system: a user interface that can be accessed from multiple devices and platforms, including Web browsers, PCs and smartphones. By being present on each device, this interface would also make the supplier's branding very visible to the customer – a valuable benefit in an age when many consumers are more familiar with the brand of their favourite price comparison engine than with the brand of their energy supplier.

Embedding promotional messages within this user interface will provide energy companies with opportunities to build additional revenue streams. As well as cross-selling and upselling initiatives, there will also be opportunities to form partnerships with third party organisations to market and deliver smart applications as additional options within the utility tariff. Innovative energy suppliers may choose to offer services such as home automation, remote control of 'smart' appliances, home security and surveillance, and even remote healthcare monitoring.

By providing intuitive user interfaces that empower consumers to set rules and preferences for how they use energy, providers can develop additional customer loyalty and potentially charge a premium for offering such advanced controls over consumption.

USING DATA TO UNDERSTAND THE CUSTOMER NEEDS AND DELIVER VALUABLE MULTICHANNEL SERVICES WILL DRIVE LOYALTY

The Telecommunications Example

Energy providers looking to make the most of the smart metering opportunity should take cues from other industries, particularly telecommunications. For some time now, telecommunications providers have been offering consumers highly differentiated product packages; bundling landline, mobile and media tariffs to drive long-term loyalty. At the same time, they have been transforming the way they approach customer communication to meet the challenge of retaining customers in a saturated and fiercely competitive market. As their customer loyalty and retention schemes have grown in scale, they have become a fundamental part of the overall business strategy for every telecommunications provider.

By creating desirable services and connecting them to their retention schemes, these companies are adding real value to the user experience of their network. This also presents the provider with a range of automated interaction opportunities which they can use to deliver personalised marketing communications to promote new sales offers or to drive usage of schemes that offer highly targeted rewards for loyal customers. Orange's 'Wednesday' cinema tickets, Vodafone's 'VIP' and O2's priority event ticket offering don't just raise the profile of their brands, they are all designed to reduce churn and drive revenue. When they are communicated in the right way, customer loyalty initiatives can create strong brand allegiance and offer consumers a compelling reason to stay.

There are lessons to be learned here for energy providers. Using high-quality data to understand what customers want, simplifying each customer interaction, and offering the consistent multi-channel experience that customers have come to expect will be essential to drive long-term customer loyalty.

The PBBI Solution

PBBI offers a range of software solutions that allow energy companies to plan the best smart meter rollout strategy, and then to gather, analyse and act intelligently upon the data provided by the smart meters once installed. We do this through our market-leading solutions for:

- Location Intelligence
- Data Quality and Enrichment
- Customer Interaction Optimisation
- Customer Self Service
- Multi-Channel Communications

Location Intelligence

Energy providers who are able to effectively combine enterprise data with smart meter data will gain unprecedented levels of insight on geographical locations, postcode-level demographics and local market dynamics. The ability to accurately pinpoint the geographical location of a fault, or of the customer reporting it, allows providers to quickly resolve network issues while delivering consistent levels of customer service.

PBBI's Location Intelligence solutions for smart metering allow energy providers to:

- Plan smart meter rollouts based on detailed, accurate geographical and market data
- Optimise field crew productivity by ensuring engineers have the right information to carry out their work quickly and efficiently
- Respond accurately to customer queries about consumption, billing or eligibility for new services based on smart meter data
- Gain improved insight to anticipate needs and ensure sufficient capacity for high-intensity areas and one-off events
- Quickly and easily locate faults and customer locations on an interactive map
- Deliver visibility of the underlying infrastructure where faults have occurred
- Improve efficiency and enhance customer service by tracking and plotting the shortest route to a fault site or customer location

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Data Quality and Enrichment

Smart meters will give energy providers a much greater quantity of customer data and the ability to view this data on a more granular level, allowing them to make better informed decisions on how to interact with customers. The ability to segment markets, brands and customers will become critical in a more fluid consumer environment. Targeting the right individuals with relevant offers at an appropriate time is an essential part of improving the customer experience and securing long-term loyalty in a highly competitive market.

PBBI's Data Quality and Enrichment solutions for smart metering allow energy providers to:

- Capture smart meter data and combine it with enterprise data from multiple sources
- Rapidly identify and eliminate data quality issues in real-time
- Ensure high data quality by validating, cleaning and standardising enterprise data before it is centralised
- Improve customer relationship management, accelerate financial reporting and simplify compliance by linking and consolidating smart meter customer information

Customer Interaction Optimisation

Smart metering will provide energy companies with opportunities to interact with customers in new ways, but the quality of those interactions will be the key to success. PBBI's customer interaction optimisation solutions enable customer-centric organisations to develop more personalised and more profitable customer engagements, delivering the kind of exceptional customer experiences that drive loyalty and revenue.

PBBI's Customer Interaction Optimisation solutions for smart metering allow providers to:

- Gain actionable customer insight from smart meter data through visualisation tools, predictive analytics and uplift modelling
- Enhance customer engagement strategies through micro-segmentation techniques for clear visibility of the most profitable customers
- Optimise every customer contact by using smart meter data to get relevant offers to the right customers at the right time through their preferred channel
- Improve customer lifecycle management across customer acquisition, on-boarding, cross-sell and upsell, and retention

PROVIDERS WHO CAN USE SMART METER DATA EFFECTIVELY WILL GAIN UNPRECEDENTED LEVELS OF INSIGHT

Customer Self-Service

Smart meters will allow energy providers and consumers to move to on-demand, non-estimated billing. As customers gain more insight into their energy usage from smart meters, they will migrate to online account management where real-time usage-based promotions and incentives can be offered alongside billing information. This move online will also allow providers to make significant cost savings by eliminating paper, printing, postage and bill handling costs. Providers will be able to avoid the inefficiencies and costs associated with paper payments while providing a richer, more personalised online experience for the customer.

PBBI's Customer Self-Service solutions for smart metering allow providers to:

- Build an integrated, cost-effective customer communications platform across all channels, including online, SMS, and interactive voice response
- Improve the customer experience with rich graphical visualisation of consumption and billing information
- Drive revenue by connecting customer information to personalised clickthrough upsell and cross-sell packages
- Reduce the costs of print, mail and remittance processing and improve DSO through integrated eBilling and ePayment capabilities
- Lower call centre costs by moving the most frequent customer contacts and requests online

Multi-Channel Communications

While smart meter technology will allow providers to understand and connect with customers more easily, managing communications in consistent and efficient way across all delivery channels will be essential. Providers need powerful and cost-effective tools that enable a higher level of multi-channel customer interactivity.

PBBI's Multi-Channel Communications solutions for smart metering allow providers to:

- Create and deliver interactive communications for real-time engagement with customers
- Enable integration with third party smart applications, such as appliance repair notification, healthcare diagnostics and security monitoring, with advanced eMessaging capabilities
- Deliver rapid access to centralised customer data repositories, allowing call centre staff to quickly and easily handle customer enquiries
- Automate personalised document and communication generation for quicker responses
- Streamline printing and mailing operations for cost savings across the enterprise

Working alongside existing customer investments in ERP and CRM suites, PBBI's solutions for smart metering enable energy providers to get maximum value from their smart meter rollouts and realise the full potential of this transformational technology.

To find out more about PBBI's solutions for smart metering, visit www.pbinsight.co.uk

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