

## Customer-Centricity in the UK Utilities Sector

**Make the transition to a customer-centric approach to enable profitable, lifetime customer relationships**

**Customer Centricity**  
**An approach for enabling lifetime customer relationships**

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### Abstract

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**Utilities are under pressure on a number of fronts. Regulators require increasingly detailed performance reports, shareholders demand better financial performance in spite of economic challenges and customers constantly push for lower prices.**

**Factors including intense competition in the energy sector, the introduction of the Service Incentive Mechanism (SIM) for water companies and the rise of online price comparison engines have made customer focus a strategic priority for utilities. But in an industry where customer contact is often limited to monthly statements, developing lifelong, profitable relationships is a major challenge.**

**This white paper examines the need for utilities companies to become more customer-centric, the common barriers to achieving true customer-centricity and some proposed ways forward. It is based on work that Pitney Bowes Business Insight has done with UK utilities to improve their capabilities in the areas of customer insight, customer communication and customer data management.**

### Introduction

The UK utilities industry is facing challenges on many fronts. For gas and electricity providers, the opportunities brought by market liberalisation have degenerated into a gruelling battle against customer churn, as online price-comparison engines make it ever easier for customers to switch supplier. Almost one-fifth (17%) of gas and electricity customers are serial switchers, according to Ofgem<sup>1</sup>, leaving suppliers engaged in a 'race to the bottom' in a bid to offer the lowest tariffs.

Meanwhile, volatile wholesale prices and a regulatory imperative to invest in renewable energy are further impacting financial performance, leaving shareholders demanding better returns while cash-strapped customers demand lower prices and let many bills go unpaid. A survey of 1,300 US consumers conducted by the CMO Council in 2011 revealed that one in four customers has had to delay payment of utility bills as a result of financial hardship caused by the recession<sup>2</sup>.

Water utilities, too, are experiencing their share of pain. The Service Incentive Mechanism imposes financial penalties for poor customer service, while the problems caused by an ageing infrastructure are creating significant financial overheads as well as customer dissatisfaction. High prices have led to high levels of debt, as the recession has affected customers' ability to pay their bills. The proposed deregulation of the water supply market for large businesses promises opportunities for utilities that are in a position to capitalise on them, but unwelcome competition for those who are not.

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

<sup>2</sup> Source: What's Critical in Utilities?, CMO Council, 2011

## 30% OF MARKETERS IN THE US UTILITIES SECTOR DO NO CUSTOMER SEGMENTATION AT ALL (CMO COUNCIL)

### Customer-centricity is key

The overwhelming imperative in all of this is for utilities to adopt a greater focus on the customer. By improving customer service and becoming a trusted supplier, rather than a background entity that only filters into the consumer's consciousness when something goes wrong, utilities can start to develop strong customer relationships that will encourage long-term loyalty, prompt payment of bills and increased share of wallet.

Yet customer-centricity is something that continues to elude utilities. Hampered by out of date IT systems from a pre-liberalisation era, utilities lack the ability to view customer data 'in the round', so they have little scope for gaining valuable insight into customer trends and behaviours. This makes it difficult to segment customers for marketing purposes – for example to identify potential 'switchers' and convince them not to defect. The CMO Council survey referred to above found that 30% of marketers in the US utilities sector do no customer segmentation at all<sup>3</sup>. As a result, marketing campaigns are expensive, blanket affairs that target everyone with the same message, rather than tailoring an offer or campaign to relevant individual consumers.

Contact centre agents, meanwhile, are unable to get a single view of each customer's status, account history and consumption trends, making it difficult to respond promptly to queries or to offer favourable tariffs or relevant additional services. "For many years, advisors could not view bills," admits Judith Carr, Contact Centre Project Manager at Yorkshire Water. "It was always high on the list of how we could help them do their job more efficiently."

Bills are a critical element in the transition to customer-centricity. The monthly statement is the best opportunity to communicate with customers – as bills are highly likely to be opened and read – but few utilities have the ability to include personalised marketing messages as part of the statement, and so are missing out on a potentially very effective way to capture customers' attention.

The lack of insight into customer information doesn't just mean utilities are missing out on opportunities to prevent churn and to cross-sell and up-sell. It also actively contributes to increased operational costs.

When Ireland's Bord Gáis, for example, moved into the residential electricity market as a result of deregulation, its legacy billing systems made it impossible for contact centre agents to get a consolidated view of dual-fuel customers. Even the simplest transactions took over three frustrating minutes to complete, resulting in high turnover of agents in the contact centre, and high recruitment and training costs to replace them<sup>4</sup>.

Then there are the costs associated with responding to reports of faults in the infrastructure. Without insight into the precise location of the customer and the reported fault, dispatching engineering teams is often an inefficient and lengthy process, incurring unnecessary costs in terms of time, travel and resources.

An inability to exploit new digital communications channels, meanwhile, means that many utilities are incurring high customer interaction handling costs, as a large proportion of communications – both inbound and outbound – are still handled through the call centre. Encouraging customers to use lower-cost electronic channels not only significantly reduces operational costs, but also caters to customers' own communications preferences.

<sup>3</sup> Source: *What's Critical in Utilities?*, CMO Council, 2011

<sup>4</sup> Source: Pitney Bowes Business Insight: Yorkshire Water case <http://www.pbinsight.eu/uk/newsevents/case-studies/utilities/>

#### Customer-Centricity in the UK Utilities Sector

## Enabling Lifetime Customer Relationships

High energy and water prices at a time of financial hardship have created significant public resentment towards utilities providers. Meanwhile, online comparison engines have made pricing the sole point of differentiation between suppliers in the eyes of customers, resulting in continuous switching to chase the lowest tariffs.

Utilities urgently need to fix these negative and damaging perceptions. They must demonstrate that they can provide valuable, desirable services over and above the basic supply of energy or water. That means adopting a firm focus on the customer in order to develop long-term, profitable customer relationships. Systems and processes must be overhauled so that the customer becomes the object of focus for the entire enterprise.

Only then will utilities be able to view and treat each customer as an individual, offering personalised tariffs, expert advice and additional services that differentiate the supplier in terms of value, rather than price. Intriguingly, those services may not be what utilities think they are. Research has shown that while many utilities have focused on offering 'value-add' services that help customers to be more environmentally responsible, consumers themselves overwhelmingly prefer to receive advice on how to reduce their bills and manage their consumption better<sup>5</sup>.

Understanding what customers need – and delivering it to them in ways that make a positive, memorable impact on their lives – will require a step change in the way utilities gather, interrogate and act upon customer information. As David Bunworth, Head of Energy Supply at Bord Gáis, puts it: "It's about getting them to be able to manage their energy and to interact with them more than to say 'You owe us €2,147.37'. It's about the whole management of that relationship with the customer."<sup>7</sup>

The good news for many utilities is that they are already part of the way towards becoming customer-centric organisations. A wave of investment in modern billing platforms and ERP systems has put many of the right building blocks in place. Contact centre agents at Yorkshire Water, for example, can now instantly view an exact replica of bills, which has contributed to a 98% first time resolution rate on 1.2 million calls annually. The mandate to install a smart meter in every home by 2020 offers an outstanding opportunity to gather extensive insight into each customer's location and consumption behaviour.

The key now will be to ensure that the customer data generated by these investments is put to its best use, in order to improve service, reduce operational costs and enable valuable lifetime customer relationships.

## Pitney Bowes Business Insight: Making the Most of Your Customer Data

Pitney Bowes Business Insight's solutions for Utilities enable providers to build lifetime customer relationships built on trust, relevance and outstanding customer experiences, as well as delivering significant operational efficiencies for enhanced profitability and shareholder value. Our Utilities solutions span four key areas:

- Customer Interaction Optimisation
- Multichannel Customer Communications
- Customer Data Quality and Enrichment
- E-Billing and Customer Self-Service

<sup>5</sup> Source: *What's Critical in Utilities?*, CMO Council, 2011

<sup>7</sup> Source: "Enterprise technology helps Ireland's Bord Gáis capitalize on energy deregulation", *Oracle Profit Magazine*, May 2011: <http://www.oracle.com/us/corporate/profit/features/040611-bordgais-355458.html>

## PBBI'S CUSTOMER INTERACTION OPTIMISATION SOLUTIONS ENABLE PROVIDERS TO BUILD TRUST AND LOYALTY

### Customer Interaction Optimisation

Consumers now expect more than a well-designed statement. They expect to receive information about beneficial price plans, pre-notifications of outages, advice on lowering their carbon footprint and rewards for energy efficiency. PBBI's customer interaction optimisation solutions enable providers to build trust and loyalty by with the consumer by offering all this and more. Our solutions integrate with leading CRM and ERP systems to enable utilities providers to:

- Enhance customer insight by turning customer data into actionable intelligence that drives greater take-up of dual-fuel/multi-year energy offerings
- Improve customer service and reduce cost to serve by enabling a 360° view of every customer
- Employ advanced micro-segmentation techniques that tell the organisation who customers really are, how profitable they are and if they are a high-risk annual 'switcher'
- Ensure the right end-of-tariff offers are pushed to the right customers at the right time via the right channels
- Ensure agents take the 'best next action' in every customer interaction, based on sophisticated customer analytics
- Deliver more immersive customer experiences through acquisition, on-boarding, cross- and up-sell, retention and ongoing loyalty programmes.

### Multi-Channel Communications

PBBI's multi-channel communications solutions improve customer loyalty by providing a seamless, connected experience across all interaction channels. By keeping customers connected and informed, our solutions enable Utilities providers to drive higher levels of customer interactivity and engagement. PBBI's Multi-channel Communications solutions enable utilities to:

- Increase customer loyalty by creating immersive, multi-touch, customer experiences
- Improve customer satisfaction by ensuring communications are consistent and relevant across all customer touchpoints
- Create and deliver highly personalised, interactive multi-channel communications for real-time exchanges with customers
- Offer sophisticated eMessaging capabilities that integrate 'smart' applications such as service interruption notifications, healthcare diagnostics and security monitoring with intelligent e-mail routing
- Augment and add value to investments in new billing, CRM and ERP systems from leading vendors
- Automate document, billing and communication generation for quicker, more connected, responses
- Create highly targeted and individually personalised trans-promotional messages for optimum return on marketing expenditure
- Streamline print and mail operations for cost savings across the enterprise

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### Customer Data Quality and Enrichment

PBBI's customer data quality and enrichment solutions allow providers to gather and analyse customer data more effectively, enabling more informed decisions on how to best to interact with customers from on-boarding through to pre-emptive end-of-tariff communications. PBBI's Data Quality and Enrichment solutions enable utilities suppliers to:

- Segment markets, brands, individual households and individual customers within today's fluid consumer environment
- Capture customer data and combine it with enterprise billing, usage or location data from diverse, enterprise-wide data sources
- Help customers to manage and reduce their energy consumption for lower costs and a smaller carbon footprint
- Identify 'end-of-tariff' or risky customers, allowing better targeting and customer retention while reducing the costs associated with customer win-back
- Identify and eliminate data quality issues in real time
- Make the right sales offers to the right customer's at the most appropriate time.
- Link and consolidate customer information to improve and transform customer relationship management, financial reporting and compliance

### e-Billing & Customer Self-Service

PBBI's solutions for e-billing and customer self-service provide a powerful platform on which to migrate customers to online account management, where real-time usage-based sales offers and incentives can be offered alongside billing information. Customer self-service solutions enable utilities to:

- Profitably reduce call volumes and transition customers from the phone and onto the web.
- Combine online, mobile-web, text messaging, and interactive voice response (IVR) into a single, cost effective, customer communications platform
- Present customers with rich graphical experiences that provide simpler visualisation of usage with options to click-through to relevant up- and cross-sell packages
- Achieve significant cost reductions in print, mail and remittance processing and improve DSO through integrated e-billing and e-payment capabilities
- Decrease call centre costs by bringing the top 10-15 most frequent contacts and customer requests online with superior service management facility
- Enhance the customer experience by bring bills to life with flexible payments, logical breakdowns, drilldowns, sorting, filtering, history, downloads, print-ready views, and in-bill help facility reducing call centre billing questions
- Deliver valuable reports to customers, both within and across bills

## UTILITIES MUST FIND WAYS TO ESTABLISH LONG-TERM, PROFITABLE RELATIONSHIPS WITH CUSTOMERS

### Summary

Utilities are under intense pressure from competitors, regulators and their own customers to provide better service, while shareholders are demanding better financial performance. To satisfy all of these demands, utilities cannot continue to compete purely on price. They must find ways to establish long-term, profitable relationships with existing customers and develop smart offers to attract new ones.

This can only be achieved by transforming systems and processes to enable a fully customer-centric approach; one in which the customer becomes the focus of the entire business. Pitney Bowes Business Insight is helping utilities around the globe to become customer-centric organisations, thereby improving customer loyalty, increasing spend per customer and acquiring new business, all the while bringing down the cost of managing customer relationships.

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