The digital customer

Engage customers as individuals
Executive summary
Utilities are redefining their customer interactions to understand their customers more deeply than ever before. The ability to analyze energy usage data in real time, along with demographic, behavioral and psychographic data, enables utilities to tailor personalized energy programs and services for their customers. Utilities also need to be able to interact with customers in real time providing the best targeted offers, services and information that address their customers' needs. To improve customer satisfaction, retention rates, loyalty and their competitive position, utilities need to have a complete view of their customers, including behaviors, interactions and preferences. In both competitive and regulated markets, if utilities monitor and capture customer information from multiple sources such as metering systems, social media, websites, blogs, third-party data and transactional systems, they can deliver the right offer to the right person at the right time and through the right channel. By engaging with customers as individuals, utilities can build customer satisfaction, loyalty and even collaboration.

Adapting to energy industry trends
Traditionally, utilities have had limited interactions with customers because they primarily rely on outbound communications, such as bill inserts and traditional broadcast media. Utility customers have become empowered and are now far more demanding and connected. As such, utilities must be more proactive in their communications. Utilities now must engage with customers through the channels that customers prefer—whether that is through the web, on a mobile device, using text messaging or with a representative in a call center—to offer self-service bill payment and provide the ability to manage energy usage and compare energy efficiency with others. Customers also want notifications for high bills and tips for becoming more energy efficient. In some markets, customers also are looking for compelling offers which are critical to increasing their satisfaction and loyalty.

Today, more customers also are interested in the environmental practices of the companies they do business with, from consumer brands to energy providers. Climate change concerns have invigorated research and investment in clean generating technologies. At the same time, rising and unpredictable fossil fuel prices are making these technologies more cost-competitive.

In addition to these changing customer requirements, the introduction of smart grid, distributed generation and storage technologies are adding more complexity to utility networks, moving power and information in multiple directions. These technologies also enable a host of new participants and business models, some of which provide strong competition for existing energy and utility revenue streams.

Changes in customer perceptions
Today's energy and utility customers are asserting more control by choosing particular providers and offerings, actively managing their consumption and making their voices heard directly through social channels, not just through regulators. In some cases, customers are even generating their own power. The utility industry is reaching a point where customers can behave more like partners with their utility, which can lead to new opportunities.

Those utilities that are prepared to listen to and work with their customers to help them meet their specific energy goals will have a significant competitive advantage. For example, many customers are aware of the renewable energy options available to them through their current electric providers and a percentage purchase some or all of their power under such a plan. As the price of solar continues to drop, more customers are expressing interest in alternative options as well.

Changes in consumption
Today's homes, devices and appliances are often designed and built with energy efficiency in mind. Utilities continue to promote energy efficiency, which encourages customers to reduce their use at the same time home energy management systems are becoming more prevalent. Today, it is challenging for utilities to maintain high levels of customer satisfaction, manage the cost-to-serve and generate the same revenue per
customer as they have in the past. The combination of rising energy prices and customers’ increased sense of responsibility for the environmental impact of their energy usage have generated increased interest in managing consumption.

**Changes in customer engagement**

Utility customers are more demanding because they have grown accustomed to the methods of engagement they enjoy in other industries such as banking, telecommunications, insurance and retail. Today’s customers are more involved and demand different modes of engagement.

Energy retailers need to reimagine everything about the way they understand, connect, transact and engage with customers. They need to fully embrace digital channels like social media and mobile. According to recent retail studies, 57 percent of customers will not recommend a business with a poorly designed mobile site to their peers. Additionally, 54 percent of customers would consider ending their relationship with a retailer if they are not given personalized content and offers. More people are using mobile devices and social media than ever. According to IDC, by 2018, the number of mobile users will grow by 50 percent.

Consumer technology adoption is escalating as well. In 2015, there were 2.5 billion active Facebook, Twitter and YouTube accounts and the amount of data being created is staggering. In fact, according to an IBM Institute of Business Value study, 90 percent of the world’s data has been created in the last two years.

**Engaging customers in new ways**

The changes taking place in the utility marketplace mean that the traditional methods of interacting with customers are no longer sufficient or cost-effective. A monthly bill in the mail or a telephone call to inquire about service interruption is not enough anymore. The increasing demands of customers affect the energy industry in much the same way they affected the telecommunications industry not too long ago.

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“Our vision is that customers will be able to interact with us the way that they want to interact with us.”

—Gregory Knight, Chief Customer Officer and Senior VP, CenterPoint Energy

Customers in both industries started out as passive participants. Telecommunications companies provided a telephone service and the infrastructure. In much the same way, energy customers used whatever type of energy their utility sent to their premises without worrying about how it was generated or the consequences of their consumption. Control sat firmly in the hands of the phone or electric company because they owned the infrastructure.

All that changed in the telecommunications industry when mobile came in and wiped out “Ma Bell’s” competitive advantage. New entrants came into the industry, giving customers a wide range of options. A similar pattern is unfolding in the utilities industry with the integration of renewable energy. Solar is a new distributed resource that takes away the need for in-ground structures and reduces energy company revenues. Just as more consumers switch from fixed-line telephones to mobile devices, there is an emerging trend in the market to move to reliable, distributed energy.

**Meeting customer needs**

Meeting the needs of today’s more demanding utility customers is challenging. The existing systems used by utilities were developed for limited customer interactions. Integrating the old and new technology can be difficult, and utilities will have to manage unprecedented volumes of data from both external and internal sources. While they undergo these technology changes, utilities also must continue to provide uninterrupted seamless service and
adhere to regulatory mandates. Utilities must deliver safe, reliable, affordable and sustainable energy, but to meet the needs of demanding customers, they also must:

- **Move to more of a self-service economy.** Customers need to be able to interact with their utility using whatever channel they prefer, whether it's using a mobile device, chat, website, or a live call center agent. Each channel should provide the same level of service and enable a customer to easily move from one channel to another seamlessly.

- **Meet or exceed customer expectations.** Customers want consistency, quick answers and seamless interactions regardless of the channel they use. They have countless examples of systems like interactive voice response, web and mobile options from other industries, such as banking and retail.

- **Offer renewable options.** In some markets, customers may be able to sell surplus energy back to the grid operator. Reductions in prices and improvements in battery technology and availability have increased the viability of more renewable energy options. As customer-owned generation, such as solar, continues to become more affordable and effective, more customers will demand it.

Many utility companies have work to do to meet these rising customer demands. Only 20 percent of utility websites include features that allow customers to monitor their energy usage, and only 26 percent of US electric utilities have mobile applications and functions.5

In today's interconnected world, a utility's customer's positive or negative experience, as reflected in industry-wide Net Promoter Scores (NPS), travels into the realm of social media out to tens, hundreds, thousands or, in some cases, even millions of other people's lives. Because both positive and negative experiences are magnified, it's important for utilities to get the customer experience right. If the worst happens and there is an outage, the utility's website goes down and all the phone lines are busy, it's critical to continue to find ways to keep the lines of customer communication open. Those energy providers that are proactive about announcing outages or issues on social media can avoid serious damage to their reputation. Utilities also need to work to develop social media relationships with their customers before a crisis occurs to build trust, provide education and promote preparedness.

**Aligning to rising customer expectations**
The mindset of today's customer can seem contradictory. On the one hand, customers have little problem serving themselves, but they also desire personalized service.6 A global market study of 2,750 customers showed that 70 percent expect a company website to include a self-service application for handling questions and complaints. But customers also expect personalized interactions and offers.

The benchmark has been set by companies like Amazon, where customers experience personalized recommendations and fluid interactions. As Paul Papas, IBM Global Leader for Interactive Experience pointed out, “The last best experience anyone has anywhere becomes the minimum expectation for the experience they want everywhere.” In other words, that customer who just bought a pair of shoes on Amazon is going to demand the same level of engagement from his utilities provider.

To meet these expectations, utilities must engage with customers as individuals, which is fundamentally a retail customer engagement model. Building an automated system of customer engagement that is available 24 hours a day 7 days a week, provides seamless experience across channels, learns over time and knows the customer as an individual is required. This new way of engaging with customers will require investment in technologies that are fundamentally new to the utilities industry.

**Adapting to change**
Meeting customer demands for sophisticated, instant interaction through social and mobile applications requires advanced capabilities and technologies. Energy retailers' efforts need to be focused on deepening customer relationships as well as energizing and personalizing the experience.
Most customers don’t spend much time talking with their utility. However, utilities have many opportunities to engage customers in digital ways, such as providing:

- A simple and easy-to-use website
- Potential high bill notifications
- Online bill pay
- Proactive notifications of service interruption
- Explanations of rate changes
- Personalized products and services tailored to a customer’s needs
- Insights on managing consumption
- Outage preparation information
- Demand response programs

Engaging customers as individuals requires sophisticated customer analytics and marketing capabilities, so the front office and the capabilities and systems associated with it need to be realigned. Everything from business models, to products and services, to customer engagement need to be reevaluated and understood. Utilities will need to create and integrate all of their customer-facing channels with information, analytics and services to:

- Redefine how they create and capture value from customer interactions.
- Integrate digital, social and mobile presence with traditional channels.
- Create best-in-class digital marketing capabilities.
- Engage customers based on deeper, more actionable customer insights.
- Enable collaboration and innovation across their organizations.

In retail energy markets where there is significant competition and customers can easily switch providers, companies need to be proactive. They should watch for opportunities such as the rise in electric vehicles. For retail energy providers that can capitalize on it, electric vehicles can mean a new source of revenue and a way to create new program options. Community solar and microgrids offer other opportunities.

**Taking advantage of analytics**

To get a complete view of the customer, utilities need to gain a better understanding of who their customers actually are beyond their customer number, rate or tariff program. For years, organizations have recognized that a better understanding of customers can translate to more sales, increased customer satisfaction and reduced customer churn. In other industries, initiatives that have focused on gaining a 360-degree view of the customer have synthesized customer profiles, sales history and other structured data from multiple sources across the enterprise.

Now organizations are discovering that there is more opportunity for growth when they enhance that complete view with information from more sources, both within and beyond the enterprise. Information in email messages, unstructured documents and social media sentiments that previously were beyond reach now can be used to extend their understanding of the customer. Organizations that take full advantage of these data sources can glean new insights and gain a competitive edge by making the customer’s experience more personalized, encouraging loyalty and accelerating sales. By taking this wide range of data and applying analytics, utilities can obtain a comprehensive view of the customer and use this view to engage the customer as an individual.

For example, based on data they have, a utilities company can usually determine that John T. Smith and J.T. Smith are the same person. They could also determine that John is married to Mary, they live on Elm Street and that their energy usage goes up during the summer because they run their air conditioning.

An enhanced 360-degree view reveals that Mary called four times to ask about solar incentives, John posted comments about the responses in an online forum, and that Mary has just tweeted questions about a competitor’s solar offering. Now the utility knows that John and Mary are at risk of going to a competitor and can respond with a personalized customer-service email or a phone call with a targeted offer.
Use of analytics helps reduce customer churn

Slovenský plynárenský priemysel, a.s. (SPP) is one of the largest energy suppliers in Slovakia. Using customer segmentation, achieved by analytical modeling, SPP now can reach the right customers with the right product offers. A new, targeted multichannel campaign strategy helps it cross-sell electricity to its gas customers and offer new customers special incentives for switching to either its gas or electric services. Churn-reduction campaigns are now 50 percent more efficient thanks to early warning indicators and alerts.9

With an enhanced 360-degree view, customer service employees have the information they need to engage customers as individuals, develop trusted relationships and improve customer loyalty. It also enables marketing teams to target the right customer with the right offer at the right time. Energy retailers should send completely different offers to a customer on a fixed income or a part-time resident than they send to customers that are electric vehicle owners or solar power users.

Exploring new opportunities

When you target a personalized message to the correct person, you can increase the success rate for cross-sell and up-sell opportunities. Some energy retailers are targeting specific customers with new loyalty programs. For example, those customers who sign up for a two or three year rate-lock contract might receive gift cards, loyalty points or other offers.

With better segmentation and a deeper understanding of each customer, you can proactively provide information to them about outages, weather warnings or high bill alerts. You also can tailor your offers and tips based on a customer’s consumption. For example, you can consider incorporating new payment options such as time of use, tiered and personalized rates. These are just a few of the creative programs being incorporated by utilities now:

- Fixed-rate plans for 12, 24 or 36 months. Some utilities in unregulated markets have prepaid plans that don’t require a credit check or deposit.
- Refer a friend programs.
- Offering a free Nest thermostat with a fixed-rate plan.
- Free electricity on the weekends.
- Themed rewards programs, such as family rewards, travel rewards or shopper’s rewards where customers receive gift certificates for paying their bills on time.
- Get more, save more plans with a competitive energy charge for the first 1000kwh and a lower charge for additional usage.
- Renewable energy plans where the power comes from sources such as wind or solar.
- Cash-back offers or plans where customers can exchange reward points for goods and services.
- Connected home mobile applications so customers can manage their accounts on the go or control their heating, home security and door locks.
IBM Sales and Distribution

Marketing solution moves customers off paper bills and drives energy efficiency program enrollment

Kansas City Power & Light (KCP&L) provides energy-related products and services in the Kansas City area. To better engage its customers, KCP&L launched a preference center where customers can opt to receive various emails and register for paperless billing. Today, KCP&L communicates with more than 25 percent of its customer base through email, engaging its community to help promote its programs and services and has increased enrollment in its energy efficiency programs.8

Energy retailers that focus on deepening customer relationships and personalizing the experience can embrace new business models and create alliances to help sustain growth.

Understanding customers in a world of big data

Energy and utilities companies need to align to new and different customer expectations quickly or risk disenfranchising customers. The IBM 2013 Global C-Suite Study revealed that 82 percent of energy and utilities C-suite executives foresee deep collaboration with customers within the next three to five years. They expect to rely on digital technologies to boost engagement, create a one-to-one dialogue and provide a superior experience. Additionally, 42 percent of energy and utilities executives are influenced “to a large extent” by customers and are compelled to act and change course in response to customers.7

The first step in gaining an enhanced 360-degree view of your customers is to identify the available information and its location. You can use analytics tools to analyze structured and unstructured data across the organization. The basic customer profile that exists across various internal systems provides a baseline of information, including name, address and contact details.

Next, you need a view into sales transactions, support history and other interactions that exist in financial systems, customer relationship management (CRM) systems, customer support systems and other key applications. Then, consider incorporating contracts, correspondence and information stored in email, PDFs and other unstructured documents.

Finally, you can use social sentiment analysis to gain a better understanding of customer trends so you can provide the programs and services customers desire. You need to look beyond the enterprise into social media to create a complete picture of customer preferences and sentiments.

IBM customer experience and engagement

Empowered customers are demanding a new approach to customer engagement. The customer experience and engagement solution from IBM offers the services and tools utilities need to engage with customers in personalized ways. It can help increase customer satisfaction, lower the cost of service and promote new products and services.

The IBM solution uses predictive analytics software to help you segment customers, determine how your customers experience your company and identify opportunities to serve them better. The system can access structured data from sources such as smart metering systems to help you develop a customer profile.

The IBM solution also enables effective campaign management across all inbound and outbound channels, including real-time decision making to ensure that the right message or offer gets to the right customer, at the right time and through their channel of choice.

The combination of industry-specific advanced analytics and omni-channel marketing tools can help utility executives drive greater productivity in customer service and marketing. They can target the best candidates for new energy programs, and increase their cross-selling, upselling, loyalty and retention opportunities. When you fully know each customer as an individual, you have more ways to engage with each person and better serve that individual’s specific energy needs.
Why IBM?
IBM is a global leader in developing and deploying the advanced technologies energy and utilities organizations need to meet the issues they face today. For customer experience and engagement, the industry-leading capabilities IBM provides span cognitive computing, analytics, customer segmentation, enterprise marketing management, customer experience design, multichannel strategy and contact center optimization. IBM offers the consulting, systems integration services and software platforms utilities need to effectively transform customer engagement. Through services offerings provided by nearly 2,000 dedicated experts, IBM uses industry best practices and reusable implementation patterns to minimize risk and deliver results. With integrated IBM solutions, utilities can better adapt to change as technology and customer expectations continue to evolve.

For more information
To learn more about how the energy and utilities industry can transform to better serve digital customers, please contact your IBM representative or IBM Business Partner, or visit: ibm.com/energy

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5 Booz Allen Hamilton, Digital Migration for Electric Utilities, 2014.
8 http://www.silverpop.com/clients/Silverpop-Case-Studies/Kansas-City-Power-Light/
10 “How IBM helped CenterPoint Energy transform the customer experience,” August 5, 2014

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