

The New Energy Consumer Handbook



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Foreword

For utilities, the foundation of the energy marketplace is shifting. Increasingly, business models and operational approaches of the past are being stretched to their limits, and a tipping point is approaching. Providers face a market in flux with a range of disruptive forces: increasing adoption of microgeneration in Germany and Australia, new regulatory mandates encouraging competition in the United Kingdom, the rise of natural gas in North America, and a growing focus on consumers in Asia and South America—to name a few. The landscape for providers is being reshaped by a confluence of diverse, changing consumer preferences, technology innovation, shifting regulatory trends and an undercurrent of sustainability.

Amid this change and uncertainty, there are incredible new opportunities to engage consumers, reduce costs, increase revenue and deliver on demand-management objectives. But to seize these opportunities, many providers are being challenged to rethink their relationships with consumers and their role in the marketplace more broadly. The specific challenges and opportunities vary across markets; however, the bottom line is the same: The status quo is no longer an option.

Historically, providers have thrived in an environment of growing energy demand and consumer engagement focused on a standard set of commodity-centric value propositions. As consumer, technology and regulatory demands have shifted, many organizations have added layer upon layer of new capabilities—in turn adding complexity and cost and, in many cases, unintentionally contributing to consumer dissatisfaction.

In this environment of uncertainty and market disruption, energy providers must reinvent their organizations with a focus on simplification, agility and flexibility. Such a foundation will allow providers

to pursue new opportunities and address challenges with speed and certainty, regardless of how the market unfolds. Establishing a roadmap for change is difficult in the best of times and, facing widespread uncertainty, the challenge for energy providers has intensified.

It is against this backdrop that the *New Energy Consumer Handbook* was developed. It draws upon four consecutive years of end-consumer research, analysis of consumer and technology trends, insights from leading energy providers, cross-industry experience and Accenture's knowledge of managing utility customer operations. The chapters offer our latest observations and insights on successful strategies providers are implementing today and a vision of the competencies that will be critical to success in the future.

Many of the concepts and insights discussed in the handbook are universal and apply equally to competitive and noncompetitive energy markets. Understanding that there are differing priorities based on the regulatory environment, the handbook draws attention to those differences, and we have specifically included a discussion of the trends in competitive markets within the section *Special report: Retail revisited: New energy market strategies*.

The shift underway is reshaping the industry landscape and, regardless of the regulatory environment, new market entrants are beginning to play a role. They are engaging consumers with innovative value propositions and staking their claim to parts of the energy value chain that increasingly extends into homes and businesses. Providers must move decisively to build a foundation for the future. I hope this handbook provides you with fresh ideas and actionable insights that help to frame the journey ahead and inspire dynamic new approaches to succeed in the evolving energy marketplace.



Greg Guthridge

Greg Guthridge
Managing director
Accenture Energy Consumer Services

Navigating the handbook

Welcome to the third edition of our *New Energy Consumer Handbook*. The handbook offers a view of global trends shaping the marketplace and emerging disruptions that are changing the industry. It includes case studies of leading providers who are establishing innovative approaches to creating value for themselves and for consumers.

Despite continued market uncertainty, providers understand they must act now to establish core competencies that will serve as a foundation for success regardless of how the marketplace develops. To this end, in this current edition, new chapters have been added to help providers identify tactical approaches and define a roadmap for the future.

The updates to the handbook offer a fresh view of the challenges and opportunities ahead while also providing a practical view of the competencies needed for the future. Perhaps most importantly, the handbook offers actionable steps on how providers can start to build for the future today.

Each section of *The New Energy Consumer Handbook* will resonate differently with each provider based on the specific market context and operational priorities. For those who have read previous editions, new content has been added throughout and two new special reports have been created to bring an in-depth view of the opportunity to engage small and medium businesses and the shifting dynamics of competitive retail energy markets.

The handbook is organized into six main sections and two special reports:

- 1. Executive summary.** An overview of industry concepts, external market forces and emerging core competencies discussed throughout the handbook.
- 2. Forces shaping the evolving energy marketplace.** Discussion of the macro trends creating opportunities and challenges in the energy ecosystem.
- 3. The energy marketplace currents of change.** Analysis of disruptive trends within the industry and strategic business models for the consumer-facing utility.



4. Structuring for success: An enterprise view of customer operations. Discussion of the shifting nature of the energy experience and the need for providers to break down operational silos to become more consumer-centric.

5. Core competencies of the next-generation energy providers. An exploration of the core competencies that will form the foundation for success in the evolving energy marketplace. Explores four emerging competencies:

5.1 Delivering operational excellence. How will providers simplify operations to remove consumer "dissatisfiers" and create a rhythm of continuous improvement?

5.2 Optimizing consumer interaction. How will providers reduce costs and improve the consumer experience with shifting channel preferences and rising expectations for digital experiences?

5.3 Creating lasting consumer engagement. How will providers establish long-term satisfaction and loyalty by engaging consumers in new and innovative ways?

5.4 Extending the value proposition. How will successful energy providers tap into innovation to craft new consumer-oriented value propositions and capitalize on emerging opportunities?

6. The change-capable energy provider. Factors that will help solidify change and establish an ongoing competency, including the new requirements for talent in the new energy workforce.

7. Special report: Small and medium businesses: The untapped energy consumer. Drawing on Accenture's global survey of small and medium businesses, the report explores the opportunities for engaging the "neglected middle."

8. Special report: Retail revisited: New energy market strategies Analysis of competitive energy markets focusing on trends and leading strategies across the United Kingdom, Australia and the United States.

We hope this handbook provides new ideas, tangible examples and actionable next steps to address the challenges ahead, while also offering insights to help capture new opportunities as the energy marketplace continues to evolve.



1 Executive summary

Consumer, technology and regulatory changes are creating an increasingly complex energy ecosystem—one that is testing utilities' ability to evolve. Energy providers will continue feeling the effects of critical trends in product innovation, shifting interaction paradigms, innovative partnerships and the changing role of data in consumers' daily lives. Successful providers will focus on establishing new competencies while perfecting the operational basics that enable high performance.





Utilities have largely delivered on the core purpose of the energy value chain: to provide safe, reliable, low-cost energy. While that purpose remains important, achieving it is no longer enough to drive success. Around the world, utilities are facing fundamental changes. Energy consumers' expectations are increasing, technological advances are creating exponential step-change, and regulatory and market forces are fueling complex, sometimes contradictory, priorities for providers. In short, marketplaces are transforming and creating new strategic challenges and operational pressures that cannot be ignored.

Energy consumerism and technology advances are creating a powerful force of change

Recognizing the fundamental shifts underway, many providers have begun the journey to becoming more consumer focused. While there has been success in certain areas of the business, for many utilities, step-change transformation remains elusive. Nevertheless, energy consumerism is on the rise, with consumers seeking smarter solutions for home energy management and other lifestyle products and services. As consumers increasingly turn their attention to products and services enabled by renewable energy advances and beyond-the-meter technologies, the evolving energy marketplace is taking different shapes and forms around the world. Regardless of geography, the challenge is clear. To address the needs of the New Energy Consumer, utilities must bring focus and discipline to current operations while finding ways to continue building the next-generation competencies that will define "business as usual" in the future.

Consumers are advancing as well, becoming more mobile, more social and increasingly interconnected. Around the world, mobile and Web adoption is not only fundamentally shifting channels of interaction, but also enabling entirely new value propositions centered on convenience-oriented "set-and-forget" solutions. Social media has also matured to a point where it has become a viable tool for marketing, sales and service.

Innovative utilities and vendors are engaging consumers through social media and building a next generation of applications that bring together new channels, new technologies and deeper consumer insights to create a social and entertaining energy experience.

In large part, technology is the primary driver for increasing consumer expectations, as it has unleashed exponential change in functionality and information available to the energy industry. For example, smart technology is enabling a new era of mobile applications and integration with emerging channels for consumer communications. Accenture analysis and experience suggest that 40 to 60 percent of core meter-to-cash processes will need to be redesigned with the introduction of a full suite of in-home smart technology and supporting consumer programs and services. Smart meter rollouts are continuing globally, with regulation driving large rollouts in such markets as the United Kingdom and France. High-profile challenges with consumer engagement in some regions have underscored the need to develop, communicate and deliver on compelling consumer value propositions for smart metering investments. Intertwined with smart metering, "big data" has emerged as another disruptive force. Big data requires utilities to develop innovative new approaches to analytics and data architecture. It also creates opportunities to monetize information.

Changing regulations and a new sustainable mindset are quickly changing the energy landscape

Partly in response to consumer demands and emerging technologies, regulatory and market forces are also influencing the landscape. Regulators are seeking to balance requirements to upgrade and invest in infrastructure with the cost impact on energy consumers. In some geographies, a wave of market liberalization likely will bring new entrants and new innovations. In other regions, pressure from consumer groups and governments is leading to new rules that likely will spur energy providers to refocus on consumer engagement and satisfaction.

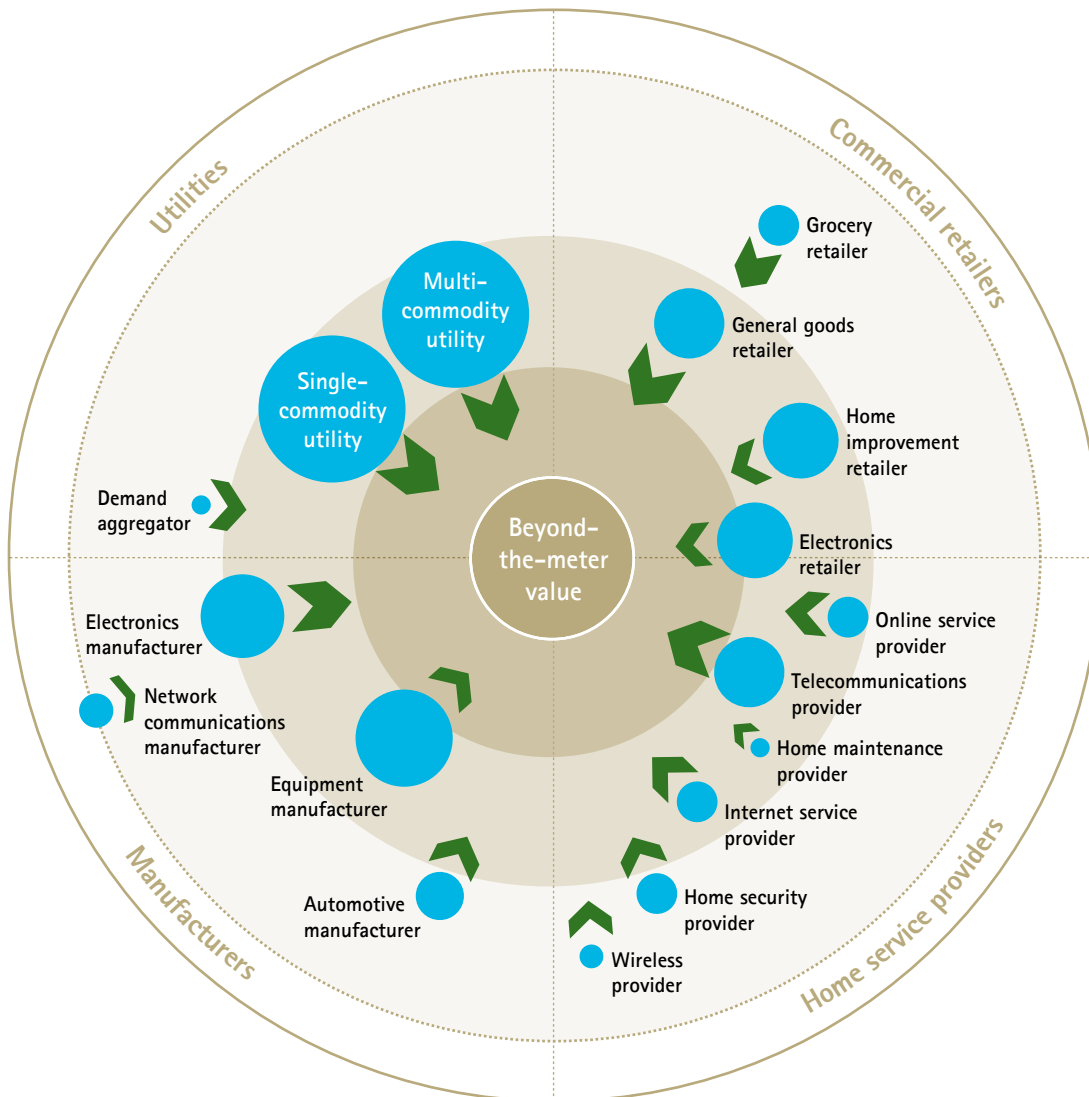
Sustainability is gaining momentum on regulatory, government, consumer and corporate agendas—so much so that it is increasingly woven into the fabric of business as usual. The shift toward renewables and increasing adoption of distributed generation by both commercial and residential consumers is creating a wave of new opportunities for utilities. It is also straining infrastructure and creating a need to shift the revenue mix away from what has long been the core product: energy.

Industry convergence is bringing new competitors while extending the energy value proposition

Industries are beginning to converge, driven in part by shifts in consumer behavior, technology trends, regulatory demands and the rise of sustainability. In noncompetitive energy markets, other providers are entering the beyond-the-meter market with products and services designed to complement the commodity provided by the regulated utility. In competitive markets, energy companies are competing against each other, individually vying for a broader share of consumer spend. Some nontraditional providers are eyeing energy as a means of increasing their share of spend and customer retention. Across markets, new entrants—including consumer goods and telecommunications companies—are making bold moves into the home, offering energy audits and advice, integrated home monitoring solutions and home energy generation packages.

As a diverse set of new entrants emerge in many markets, they are competing for value with energy-related products and services (see Figure 1). In some cases, the challenge from new entrants is product- or service-oriented; in others, it stems from the strength of their brand reputation and consumer relationship. Regardless of the offerings or roles these organizations pursue in the energy marketplace, it is clear that many have the capabilities and experience to attract and retain consumers and create innovative new energy-related value propositions.

Figure 1. New players present opportunities and threats to a utility's consumer base.



Today, utilities remain consumers' first point of contact regarding energy and energy-related purchases. As beyond-the-meter opportunities increase, competition across commodity providers will increase:

- Commercial retailers can combine the sale of energy-related products with installation and management services. These providers generally have strong physical retail footprints, which they can leverage to educate and engage consumers on products and services. By nature, these companies have customer-centric operations and strong brand awareness among consumers.

Because mind share will be important, these retailers pose a credible challenge to utilities.

- Home service providers are adept at using high volumes of data to create consumer profiles and target products accordingly. In some markets, these providers are already emerging as competitors, selling energy at discounted rates in order to expand their share of consumer spend and increase customer loyalty.
- Manufacturers see opportunities to help build ubiquitous network access and interoperable communication devices.

Market currents are shaping a marketplace of accelerated change and disruption

As a range of market forces redefine the energy marketplace, market trends are also redefining the playing field. These currents of change highlight disruptions shaping future key challenges and opportunities. In many ways, response to these disruptions will define how utilities will evolve and the kinds of energy providers they will be in the future. Delivering on consumers' need for 24/7 access and increased choice will reshape product offerings and further blur lines between the commodity and additional products and services. As utilities evolve, they will need to strengthen their focus on innovation, product development and consumer insight while developing a diverse set of partners that enable renewed relevance and value creation.

To be successful in the evolving energy marketplace, utilities will need to take deliberate action. They must embrace a bold vision in reformulating their strategies and understanding, reaching and engaging new energy consumers. In many markets, small changes may not be sufficient. Instead, energy providers will need to determine if new business models are required to respond to the emerging opportunities and challenges. By doing this, providers can take proactive steps to shape the energy marketplace and stake a claim to increasingly sought-after opportunities.

Core competencies are emerging that will define who will succeed in creating and capturing value

As the marketplace is being redefined from the outside in, so must providers redefine themselves from the inside out. Indeed, in many cases the way utilities have been built has made it increasingly difficult to respond effectively to the change and disruption that defines the evolving marketplace. The status quo for many utilities is accelerating dissatisfaction among consumers. Siloed business units, rigid processes and fractured customer experiences are increasingly visible. In fact, Accenture believes that many providers could reduce controllable operational spend by as much as 30 percent simply by addressing the critical consumer "dissatisfiers"—an approach we call the economics of dissatisfaction.

Furthermore, as the scope of customer operations expands to include new programs, products and services, complexity will increase. This will magnify operational challenges and drive a vicious cycle of added cost and stagnated customer satisfaction.

Increasingly, business as usual is not an option. However, facing a marketplace filled with disruption and uncertainty has made developing long-term strategies and practical next steps challenging. Within this environment, utilities should look inward to unravel years of operational history that have often led to layers of complexity. Going forward, providers should relentlessly focus on simplification, flexibility and agility. Using this lens, providers will need to build four core competencies that will create a basis for success regardless of how the evolving marketplace unfolds.

While there is no single "right" roadmap, Accenture believes that focusing on delivering operational excellence, optimizing consumer interaction, creating lasting consumer engagement and extending the value proposition will holistically define successful energy providers of the future. These competencies are key to remaining relevant and profitable and to delivering on the shifting expectations of consumers, employees, regulators, governments, shareholders and society at large.

Tapping into new talent and becoming "change capable" will enable energy providers to excel in the face of disruption

Change is not a simple process, particularly for established utilities with a long, successful history of reliable energy delivery and customer satisfaction. However, disruption and the need to change are seemingly omnipresent in the energy marketplace, with no signs of a slowing pace. Thus, evolution is not only inevitable, but also brings a need for new types of talent. Indeed, there is a widening gap between the skills of today and the skills that will be required in the future. As providers look to engage consumers, leverage big data and become more than commodity providers, a new set of employees will emerge. These workers require greater skills, greater specialization and more education. In many cases, they will represent a new generation with different expectations of their employers. Evolving to meet changing consumer demands will also mean evolving to meet different talent demands. To that end, providers need to explore new talent pools and work quickly to attract and retain the high-value talent of tomorrow—individuals who may not view the utility industry as their first choice for employment.

Changing talent, changing technology, changing consumers—as utilities work to respond to the forces shaping the marketplace and to develop new core competencies, they must take a truly methodical approach to establishing agility and flexibility within operations. In the past, change programs were often part of large system implementations and were designed to be one-time initiatives. Facing a cycle of continuous change, providers must embed change and make it part of everyday operations.

Engaging the untapped middle

Not as large as commercial consumers, but also not the same as residential consumers—small and medium businesses (SMBs) are often a “neglected middle” for utilities. But as utilities look for growth opportunities and new strategies to drive step-change improvement in consumer engagement, SMBs are emerging as a key opportunity. Accenture’s 2013 global research, *Delivering the New Energy Consumer Experience*, shows that SMBs have a range of unique values and preferences when it comes to energy. In fact, SMBs report that they expect solutions from their energy providers targeted to their businesses, and although they do not feel they are receiving them today, many would be willing to pay for such solutions. To engage SMBs and capitalize on the opportunities they offer, utilities must move quickly to define and deliver value for this sometimes-overlooked group of consumers.

The retail renaissance is upon us

The long-awaited renaissance of competitive retail energy markets is now upon us. Spurred by innovative new value propositions for energy and other products and services, competitive energy marketplaces are driving renewed consumer engagement and expanded revenue opportunities. However, extending into new areas requires new capabilities and a nimbleness to compete with a diverse group of new entrants in the energy marketplace. At the same time, consumer and government pressures have also brought a renewed focus on simplicity and transparency. So while the opportunities are great, so too are the challenges, not least of which is achieving profitable growth in a time of squeezed margins and fierce competition. While many providers have already begun to explore new products and services, going forward, success will increasingly be determined by speed to market. Competitive energy providers must continue to build nimble consumer-oriented organizations that can quickly identify and react to new opportunities.



Conclusion

A new, more dynamic energy marketplace continues to take shape. More active consumerism, advancing technologies, regulatory shifts and a focus on sustainability are changing the industry as we know it. Industry convergence is bringing new competitors but also creating new value propositions with the potential to redefine how consumers use energy and interact with their providers. In this environment of disruptive change, utilities have incredible opportunities to become dynamic, consumer-focused organizations at the leading edge of shaping a new energy marketplace. But this is a pivotal point and the decisions made today will define the role of energy providers in the future. Hanging in the balance is not only the energy consumer relationship but also the long-term relevance of energy providers.

Developing a roadmap for the future in the face of uncertainty and disruption is a significant challenge. Providers must work to establish operations, technology platforms and a workforce that can respond with speed and agility as opportunities emerge. Ultimately, this requires new competencies for reinventing the consumer-facing organization and delivering on the promise of a new era of customer operations.



Accenture's New Energy Consumer research program

Accenture undertook the multiyear New Energy Consumer research program to help gas, electricity and water utilities understand emerging consumer needs and preferences, to identify new challenges and opportunities and to bring focus to the critical competencies required to succeed in the evolving energy marketplace.

Over the past four years, the initiative has collected consumer insights from interviews with more than 40,000 end consumers around the world. For more information on the survey methodology and sample, see page 250. The program also incorporates global market perspectives from secondary research, market analysis and experience working with some of the world's leading energy providers. Taking a holistic view of the marketplace, the program also incorporates insights from a survey of customer executives with 20 leading utilities and an in-depth analysis of technologies that are reshaping the consumer energy marketplace.

Specifically, across four years of end-consumer research, the initiative has explored a range of topics including:

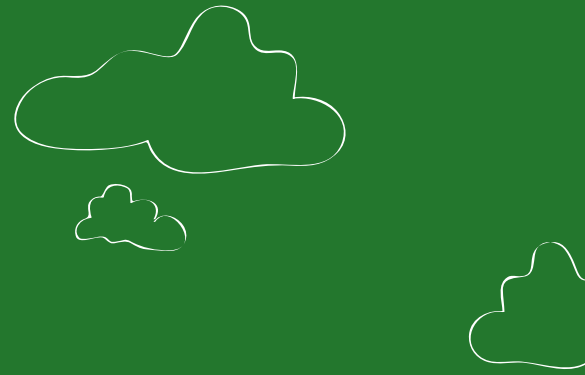
- **2010** - *Understanding Consumer Preferences in Energy Efficiency* offers a consumer view to support the increasing industry focus on smart metering and demand management. This first global study produced valuable insights into consumer preferences in energy efficiency, awareness, readiness and willingness to take action.
- **2011** - *Revealing the Values of the New Energy Consumer* explores the emergence of a new energy marketplace through a worldwide end-consumer survey looking at preferences, opinions and priorities in beyond-the-meter products and services offered by utilities or other emerging providers.
- **2012** - *Actionable Insights for the New Energy Consumer* focuses on digging deeper to develop actionable insights and tactical implications for the emerging energy marketplace. This study explores consumer choice, connection and loyalty, and provides a fresh view of how consumers want to interact with their energy providers, the products they value and what drives their purchasing and loyalty behavior.

- **2013** - *Delivering the New Energy Consumer Experience* looks to the path ahead for energy providers addressing key consumer "dissatisfiers" and offers insights to help deliver on the diverse expectations and needs of residential consumers and SMBs.



2 Forces shaping the evolving energy marketplace

The energy marketplace is fundamentally changing as the traditional value chain gives way to a new model—one with bidirectional flows of energy, information and revenue. Consumer behavior, technology advances, regulatory shifts, increasing focus on sustainability and global economic trends are shaping a new energy marketplace that requires providers to establish a clear, focused path for reinventing themselves.





Technologies, consumers, regulators and a focus on sustainability have created a need for utilities to fundamentally reshape business strategies. As nontraditional entrants continue to appear in the energy marketplace, providers must find new platforms to create value for themselves and consumers.

Until recently, the energy marketplace had remained fairly static. With a focus on the safe, reliable delivery of reasonably priced energy to consumers, providers have consistently earned reasonable returns on investment. In many parts of the world, utilities have been key enablers of an era of economic development. Providers have been able to rely on expanding economies to spur infrastructure investment, increase energy demand and grow revenues.

However, for many utilities, the days of reliable growth built upon continued economic expansion are gone. Energy providers now face uncertain environments shaped by forces that challenge the status quo. On the demand side, new natural gas extraction techniques, the global economic slowdown, the eurozone crisis and the falling cost of solar technology are shifting the foundations of the market. Meanwhile, exponential adoption of smartphones and other changing consumer behaviors are creating a more connected and quickly changing consumer. In many regions, the introduction of emissions regulations has increased costs and created mandates for energy conservation. Just a decade ago, many of these changes would have been difficult to predict.

Even long-developing trends such as the shift in growth from developed to developing economies are having profound impacts on energy providers. Those focused on developed countries face tough economic environments and must reinvent themselves in order to grow or even profitably stay the course. Global providers may begin to see opportunities in Asia and Latin America, where demand for energy is increasing.

Success in the future energy marketplace will require providers to keep a keen eye on broad macroeconomic and consumer trends while still anticipating innovations that will affect the marketplace. Accenture believes four broad forces are shaping the energy marketplace and redefining the consumer landscape. Not every force applies equally in all geographies or to all energy providers, but to some degree, all players are feeling, or will experience, the effects of:

- Advancing technology.
- Shifting consumer preferences.
- Government policies.
- Increasing focus on sustainability.

As a result of these forces, the energy marketplace has begun to converge with other industries, with utilities and new entrants alike seeking new growth opportunities and competing for value.

Advances in technology have triggered a wave of innovation

In-home technologies, mobile technologies and smart meters are converging to give consumers unprecedented insight into and control over how they consume energy. Consumer technologies and increasing interest in energy-related products and services are advancing independent of regulatory environment and smart grid infrastructure. Many home energy management technologies are still the purview of early adopters and technology enthusiasts; however, this is shifting as solutions become more integrated, lower in cost and more automated. Where smart meters have been rolled

out, however, providers are leveraging the technology to offer new Web and mobile capabilities that allow consumers to view and compare their energy usage and set usage notifications. Advancing technology is raising the bar for energy providers, and Accenture's research, *Delivering the New Energy Consumer Experience*, indicates that once consumers have a smart meter, they have higher expectations of their energy providers (see *Spotlight: Will a smart meter make your consumers more demanding?*).

The market for beyond-the-meter products and services is undergoing major change and growth, as adoption increases and costs decrease for distributed generation and home management products. While some technologies such as electric vehicles have been slower to take hold, others such as photovoltaic panels have accelerated substantially. Smart thermostats, smart appliances and other, more basic technologies are also gaining a foothold in consumers' homes. Accenture analysis has shown that adoption will continue to expand as consumers upgrade old models with new smart-enabled devices and appliances.¹ Driven by government and utility incentives, technology adoption is set to occur even more rapidly in Japan and other regions with significant peak demand or capacity constraints. Fast-rising energy costs are also quickly creating a market for energy management technologies in regions such as Australia, where electricity prices have increased more than 90 percent and gas prices more than 60 percent in the past five years.² As more consumers purchase these technologies, utilities face the challenge of managing their impact. But

they also have an opportunity to move beyond commodity sales—offering new products and services in regulated and competitive markets.

Of course, that opportunity is not exclusive to energy providers. Indeed, new competitors are also pursuing the potentially lucrative home services market. Telecommunications companies, security firms and consumer retailers have emerged as some of the first movers, offering home energy monitoring and home automation solutions. Meanwhile, technology start-ups are venturing into the market regularly with home energy management products and services that they hope will resonate with consumers. In some cases, these start-up companies piggyback on utilities' investments in smart metering to leverage usage data for their own means. The US-based energy monitoring start-up forgitit does just that. The service caters to consumers in competitive electricity markets, automatically monitoring energy usage and providing a Web portal where consumers can get tips to reduce bills and benchmark usage. When a consumer's contract is up for renewal, the service will automatically assess the energy plans available from different providers in the market and enroll the consumer in the best option based on usage behavior.³

Advances in technology may also be the catalyst for a long-awaited boom in the energy management market. For example, ThinkEco, an energy-efficiency products company, has developed the modlet[®], a smart plug that allows users to monitor and control energy usage of devices plugged into it. Through a Web and mobile application, consumers can actively manage energy consumption without advanced metering or smart grid infrastructure.⁴ The plug is already being used for demand-response programs, including Con Edison's coolNYC initiative, which used the plugs to decrease air conditioning usage during hot summer months.⁵ Similarly, GE offers Nucleus[™]—an energy management system that uses a small device plugged into an outlet to communicate with a home's smart meter. Once connected, the system provides energy management

software and a mobile application to view usage. It can also connect with smart GE appliances to manage usage for consumers using variable rates or demand-response programs.⁶

Advances in technology are fueling change not only in the residential energy market but also among SMBs. From smart buildings to microgeneration solutions aimed at small businesses, the marketplace is expanding rapidly thanks to new, technology-enabled value propositions. These technologies are spawning competitors that pose a challenge as utilities must vie for consumer trust and share of spend in the beyond-the-meter market.

Emerging technologies are challenging utilities' current business strategies, forcing each organization to reinvent and rethink the products and services it brings to market, as well as how it defines, understands and serves consumers.



Spotlight: Will a smart meter make your consumers more demanding?

Smart metering rollouts continue to advance globally. Experts estimate that by 2016, the installed base of communicating meters around the world will reach nearly 35 percent of households.⁷ In the United States, smart meter rollouts have slowed as government stimulus has begun to expire. In other regions, smart meter rollouts are just beginning to advance and scale. In the United Kingdom, energy providers are moving quickly to deploy smart meters to the majority of consumers by 2019. In other European countries—where cost-benefit analysis shows a positive outcome—providers face a mandate

of 80 percent rollout by 2020. Mass rollouts have already been completed in Italy and Sweden. Similarly, smart metering deployments in Australia are moving forward, while China and Brazil are continuing to pilot the technology.

In short, smart metering is alive and well, driven in large part by government mandates and stimulus funding. After early experiences with some public backlash in the United States, energy providers and other organizations have exhibited a consistent focus on engaging and educating consumers on the benefits of smart metering. Despite education efforts, more than half of consumers report that they are not familiar with the term “smart meter.” Some of the regions with the lowest awareness—Spain and France—will soon have large-scale meter rollouts underway.⁸

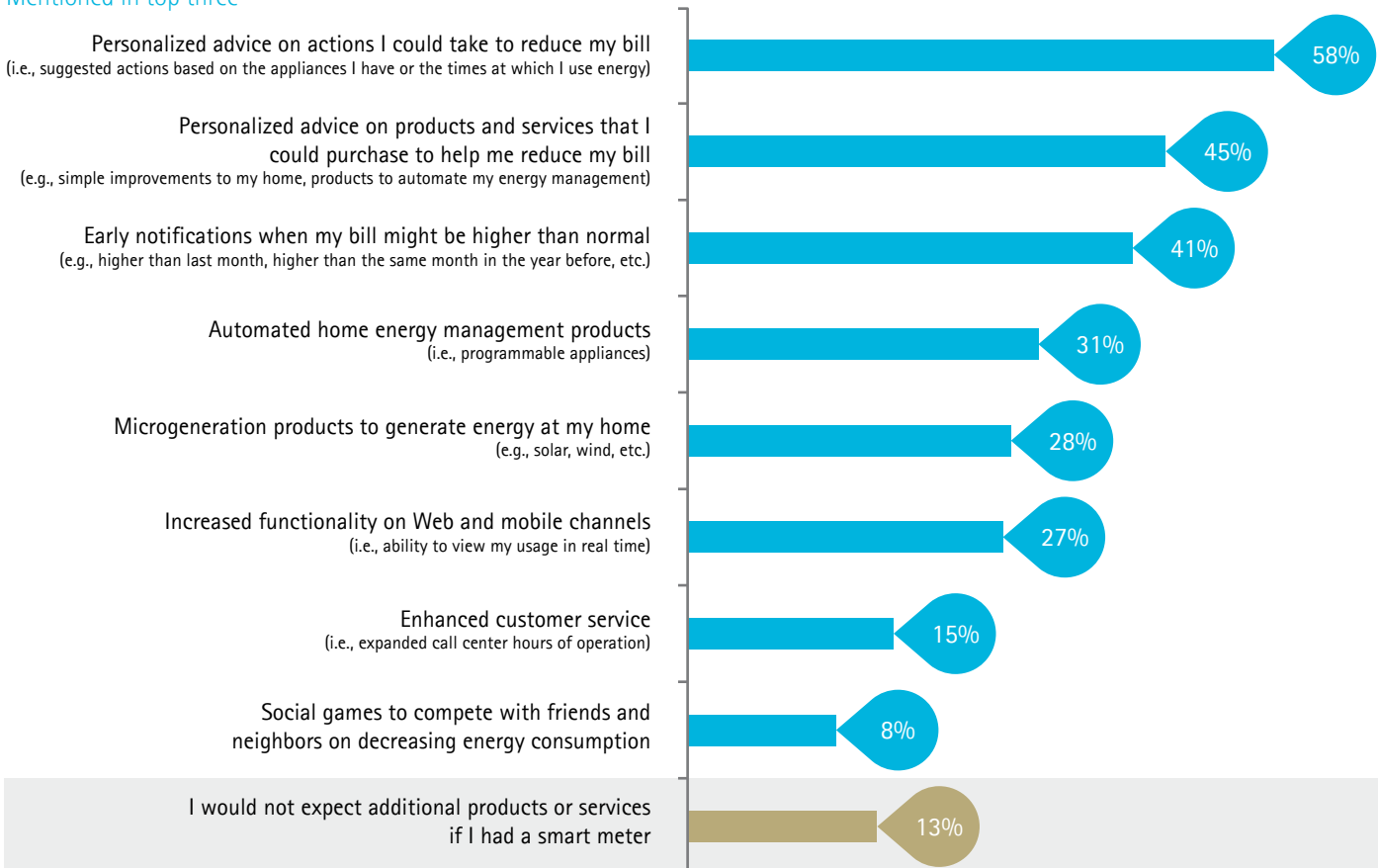
For energy providers, the questions of how to engage consumers and how the post-smart-meter world will look are important considerations. Although there is no single correct answer, research-based insights point to some potentially effective approaches:

- Consumers are interested in learning about smart meters. In Accenture’s research, *Delivering the New Energy Consumer Experience*, 93 percent of consumers reported they would like to learn more about smart meter functionalities. In particular, they are keen to learn about how a smart meter will affect their bill, how it will work and whether it will require additional installation and maintenance costs.

Figure 2. Consumers expect additional products and services along with a smart meter.

Along with your smart meter, which of the following energy-related products or services would you expect from your energy provider?

Mentioned in top three



Base: All respondents

Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

- Once consumers have a smart meter, they develop higher expectations of their energy providers. On average, 87 percent of consumers report they would expect additional products and services if they had a smart meter. Topping the list of expectations: personalized advice to help reduce energy bills and early notifications when bills might be higher than normal (see Figure 2).⁹
- Findings from the Smart Grid Consumer Collaborative, a US-based nonprofit, also suggest that smart meters will create new expectations of providers. When asked about the importance of specific benefits of smart grids and smart meters, US consumers reported the most important are renewables that are easier to connect to the grid and outage prevention or reduction in length of outages.¹⁰

During smart meter rollouts, consumers want to be engaged and educated. Once smart meters are in place, consumers expect providers to leverage the technology to offer a new energy experience—one that is more personalized and proactive, particularly when it comes to saving money.



Consumer behaviors and values are at an inflection point

As technologies continue to advance, consumer behaviors and values are also shifting. Consumers are more mobile, more social and more connected than ever before. Consumers are also increasingly motivated by more than monetary value. At the same time, shifts in consumer demographics and economic development are affecting energy consumption. Indeed, three major shifts are changing where and how energy is being consumed.

Shifting economics of consumption

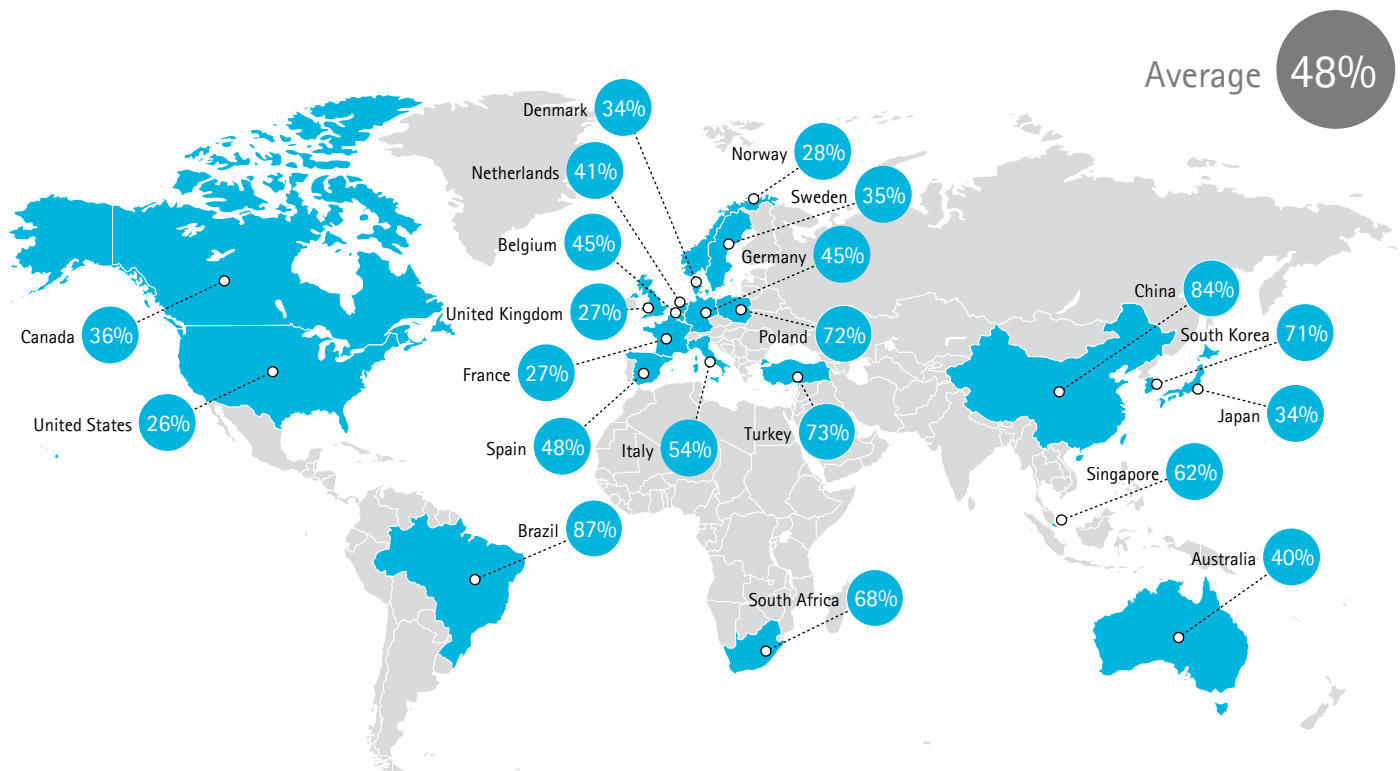
The economics of where energy consumption is occurring are shifting rapidly, as greater disposable income brings millions in emerging economies into the consuming class. According to Accenture analysis, China and India are projected to experience a combined increase in household income of US\$4.6 trillion from 2010 to 2020. By 2020, Turkey is anticipated to have an extra 4.7 million households with annual incomes more than \$30,000—and Mexico another 3.3 million.¹¹ Population growth, economic development and a growing middle class are creating demands for more industry, bigger houses and more consumer appliances—all of which require more energy. At the same time, slowing economic growth,

low population growth and the slow but steady adoption of more energy-efficient building materials and consumer appliances are significantly affecting energy demand in developed economies.

The emerging divide is starkly evident in *Delivering the New Energy Consumer Experience*, which shows that the intention to spend money on energy-related products and services is heavily skewed toward emerging economies (see Figure 3). Thus, while overall global energy demand is projected to grow 70 percent by 2035, the majority of that growth will come from emerging economies such as China, India and Brazil.¹² In fact, long-term projections show that across energy sources, per-capita consumption in North America and Europe is likely to fall as consumption rises in other regions.

Figure 3. Consumer intentions to spend money on energy-related products and services are consistently higher in emerging economies.

In the next 12 months, are you planning to spend money on energy-related products and/or services for your home (e.g., energy-efficient appliances, smart thermostats, etc.)?



■ Yes

Base: All respondents

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

For energy providers, this shift in consumer consumption highlights the need to search for new long-term revenue opportunities in developed economies. Further, it highlights the increasing challenges and opportunities for energy and additional products and services in emerging economies. While not every energy provider is positioned for global growth, those that are can look to long-term opportunities in some of the fastest-growing consumer markets.

Digital enablement

There is no question that consumers have gone digital. Accenture's 2013 consumer electronics report shows that across the United States, Japan, Germany, France, China and India, 94 percent of consumers have computers and more than half have smartphones.¹³ The mass adoption of these technologies and the channels of interaction they enable has fundamentally changed how consumers interact with their providers and with each other.

More content than ever is being presented to consumers, and much of it is beyond any one company's control. Third-party content is increasingly insistent and influential—and can appear anytime, anywhere and from anyone. Within this context, energy providers are challenged to not only reinvent service channels but also find innovative ways to engage consumers. Providers need to tap into social, mobile and local channels to deliver tailored experiences and personalization at scale.

In a very short period of time, digital enablement has transformed some processes and interactions for utilities. Consider outage notifications. For mass outages, mobility and social media have become the pre-eminent channels for real-time updates and even service interactions. While this may have been unthinkable even just a few years ago, when Hurricane Sandy hit the Northeastern United States in 2012, a number of organizations took to social media as a communications channel. The Red Cross, local and federal emergency response organizations and energy

providers leveraged social media as a part of conversations that spawned 11.5 million social media mentions.¹⁴ At the same time, smartphone traffic to utility websites increased by as much as 16,000 percent during and after the storm.¹⁵

While this might be an extreme example, consumers' continued move online is changing the nature of consumer engagement across the customer life cycle. Whether to educate consumers, sell new products, encourage self-service or create value with new services, digital must be considered as part of every initiative.

Changing ideology

While price is still the bottom line when it comes to energy, consumers are exhibiting shifting ideology. Increasingly, they want tailored products, services and experiences that align with their personal values. Today's consumer is better informed than in the past, with unprecedented access to information and an increasingly amplified voice through online and social channels. As an example of some of the values consumers are bringing to their energy-related decisions, in *Revealing the Values of the New Energy Consumer*, Accenture asked consumers what factors would motivate them to enroll in an electricity management program. Sixty-nine percent selected "decreasing my personal environmental impact" and 68 percent selected "having better control of heating and cooling in my home."¹⁶

Across industries, consumers are showing signs of independence and a propensity for valuing uniqueness in the products and services they choose. In some markets, this has also manifested in interesting ways when it comes to energy. In Germany, for example, more than 1 million households and small-scale investors have turned into energy producers. At the same time, more than 100 "bio-energy villages" have formed, seeking to produce their own heat and power supply locally.¹⁷ In competitive markets, this has spawned innovation—including niche energy products such

as locally produced wind power, online forums for businesses to discuss energy policy and energy packages or brands that support local sports teams.

The possibilities for new energy-related value propositions are growing exponentially thanks to new energy management technologies, increased information on usage, microgeneration options and increased awareness of where energy is coming from. For energy providers, the challenge is to gain insight into how the values of specific groups of consumers are changing and to identify new ways to engage and capitalize on shifting ideologies.

Government and regulatory shifts are creating incentives that are changing the marketplace

Around the world, many regulators are facing increasingly broad challenges, from managing asset recovery for smart grid and smart metering projects to fielding consumer complaints. At the same time, many governments—and in turn, regulators—are seeking ways to reduce commodity consumption through carbon taxes, cap-and-trade schemes, energy-efficiency stimulus programs and other legislation and regulation, such as conservation targets and decoupling.

By promoting a shift to renewable energy generation, conservation and energy efficiency, many regulators are creating favorable conditions for a beyond-the-meter market. Such a market encompasses a variety of new energy-related, value-added products and services for consumers. In some geographies, government policies are having a significant impact on end consumers and energy providers. In the United Kingdom and Germany, the aggressive shift toward renewables likely will cause higher energy costs for consumers in the near future, which in turn may erode trust in energy providers. In some cases, incentive programs for residential solar have also affected energy providers by impacting satisfaction and increasing cost to serve. In Australia, for example, utilities have experienced a spike in complaints accompanying the increasing adoption of residential solar panels. In 2012, the Victoria Energy Ombudsman reported a 57 percent spike in tariff complaints, driven largely by concerns about how energy retailers had applied solar feed-in tariffs.¹⁸

These policies and regulatory actions challenge utilities' status quo, encouraging them to develop new strategies for the marketplace. These actions also create attractive market potential for new cross-industry players. Based on geography and regulatory framework, utilities need to assess competitive threats, including how much time they have to prepare. Even in highly regulated markets, cross-commodity competition will begin to increase. For example, in some regions commodity prices are making natural gas an attractive consumer alternative to electricity for energy-intensive appliances such as water heaters and furnaces. At the same time, different types of providers are working to capture eco-minded consumers by positioning their energy as the "greenest."

Meanwhile, some regulators have invited utilities to help craft new legislation. Regulators and utilities are using rich data from smart grid pilot programs to help set policy and regulatory frameworks. Such collaboration provides utilities an excellent opportunity to be early adopters and participate in shaping the evolving energy marketplace. It also helps utilities assume an active role in reshaping their strategy and operations for continued success in the new environment.

Sustainability is increasingly a business imperative

Increasing awareness of the impacts of climate change, resource scarcity and rising energy costs have pushed sustainability into the fabric of many organizations. While pressure from consumers and environmental groups has certainly played a role in moving sustainability up the corporate agenda, economics are now causing a quiet revolution within companies of all sizes.

Looking specifically at large companies, the *UN Global Compact–Accenture CEO Study* showed that nearly one-quarter have set specific targets for buying or investing in renewable energy for their operations.¹⁹ More than half of the *Fortune* 100 companies also have specific greenhouse gas and renewable energy targets for their operations, with many aiming to achieve significant results by 2015.²⁰ According to the recent *UN Global Compact–Accenture CEO Study*, 91 percent of CEOs will employ energy-efficiency measures to address sustainability issues over the next five years.²¹ As an example, Google has invested significantly in 10 clean power projects since 2010, in part to help build capacity to fuel its data centers with clean energy.²² In the past, many large organizations met their targets by purchasing renewable energy certificates or signing power purchase agreements. Today, large organizations are also pursuing direct, on-site investment because of attractive government incentives and public relations opportunities.

Large organizations are not the only ones adding momentum to the sustainability movement—consumers are also moving the needle. A 2012 global consumer study found that 85 percent want more renewable energy, 74 percent have a more positive perception of brands that use wind energy and 49 percent would pay more for products with renewable energy.²³ While consumer values may differ by region, in some geographies, a consumer shift toward distributed energy generation is reshaping the energy industry. In Germany in 2012, for example, 51 percent of all the renewable energy capacity was owned by private citizens, and this number is growing.²⁴

As sustainability gains momentum as a shared imperative, energy providers face new challenges and opportunities. Certainly there are opportunities to grow revenue by helping organizations meet sustainability targets. Specialized offerings for energy-intensive operations are one option. With this in mind ComEd, a major US utility, recently launched an offering for data-center energy efficiency and is delivering advisory services on how to reduce energy costs.²⁵ Helping to bring transparency around which organizations are truly sustainable is another opportunity. In *Delivering the New Energy Consumer Experience*, more than half of SMBs reported they are interested in obtaining or currently have certifications for being a sustainable business.²⁶ As consumers continue to vote with their wallets, energy providers could become trusted advisors in clarifying or even certifying who is and is not operating sustainably.

The importance of sustainability is perhaps highlighted most for water. In some regions, water scarcity is already causing rationing and increases in prices. In Australia, for example, the average price of water per household increased by more than 16 percent between 2009 and 2010.²⁷ This increase has impacts on consumers, water utilities and energy providers, which often use significant amounts of water in order to generate energy. Water management will continue to grow in importance globally and is already a topic of public and media discussion. In the future, water utilities and significant water users such as electricity or gas producers likely will find themselves in the middle of complex and highly visible sustainability discussions.

Sustainability is creating new opportunities for energy providers to find ways to support this shift, but it also fuels pressures to look inward. The utilities industry accounts for approximately one-third of the global greenhouse gas emissions, and this may grow as global energy demand increases.²⁸ In fact, between 2010 and 2035, global demand for energy is expected to increase by 30 percent with the majority of supply coming from fossil fuels.²⁹ Energy providers have a key role to play in the shift toward more sustainable economies and infrastructure. Going forward, providers can tap into sustainability for new business opportunities but must also pay attention to their environmental footprint, identifying their own ways to support sustainability.

Spotlight: Can a utility offer the fastest Internet in the world?

The answer comes from US utility EPB, based in Chattanooga, Tennessee. The small municipal utility “completed the final touches on one of the fastest Internet pipelines in the world, and it activated the first automated switches on its electricity network. The combination constitutes the backbone for a US Department of Energy-funded smart grid network that is expected to save the utility and area businesses tens of millions of dollars annually.”

In doing so, “[EPB] will go head-to-head with [telecommunications providers] to offer its existing consumers an ultra-high-speed Internet connection at a whopping one gigabit per second—more than 200 times faster than the average US download speed. With this, [video] uploads go from several minutes to just seconds.”³⁰ With the network in place, EPB offers consumers Internet, home phone and television services.³¹

Other utilities have also seen a similar opportunity to have their infrastructure become multipurposed. Silicon Valley Power, a municipal utility in California, recently began offering free Wi-Fi access over the utilities network that was built for water and electric smart meters.³²

Although laying a fiber network to all homes is not necessarily scalable for a large, multijurisdictional utility, these examples demonstrate where a utility has found a way to extend its reach in the consumer marketplace.



The evolving energy marketplace is driving convergence

The convergence of technological, consumer, and government and regulatory market forces coupled with an increasing focus on sustainability are creating opportunities for utilities and new entrants. This is not the first time utilities have recognized the possibilities of capturing value beyond the commodity.

In the late 1970s and early 1980s, leading global utilities extended their business models into value-added products and services. Their goals were to pursue new revenue streams, find new consumers for their commodity service and increase consumer retention. Lacking the support

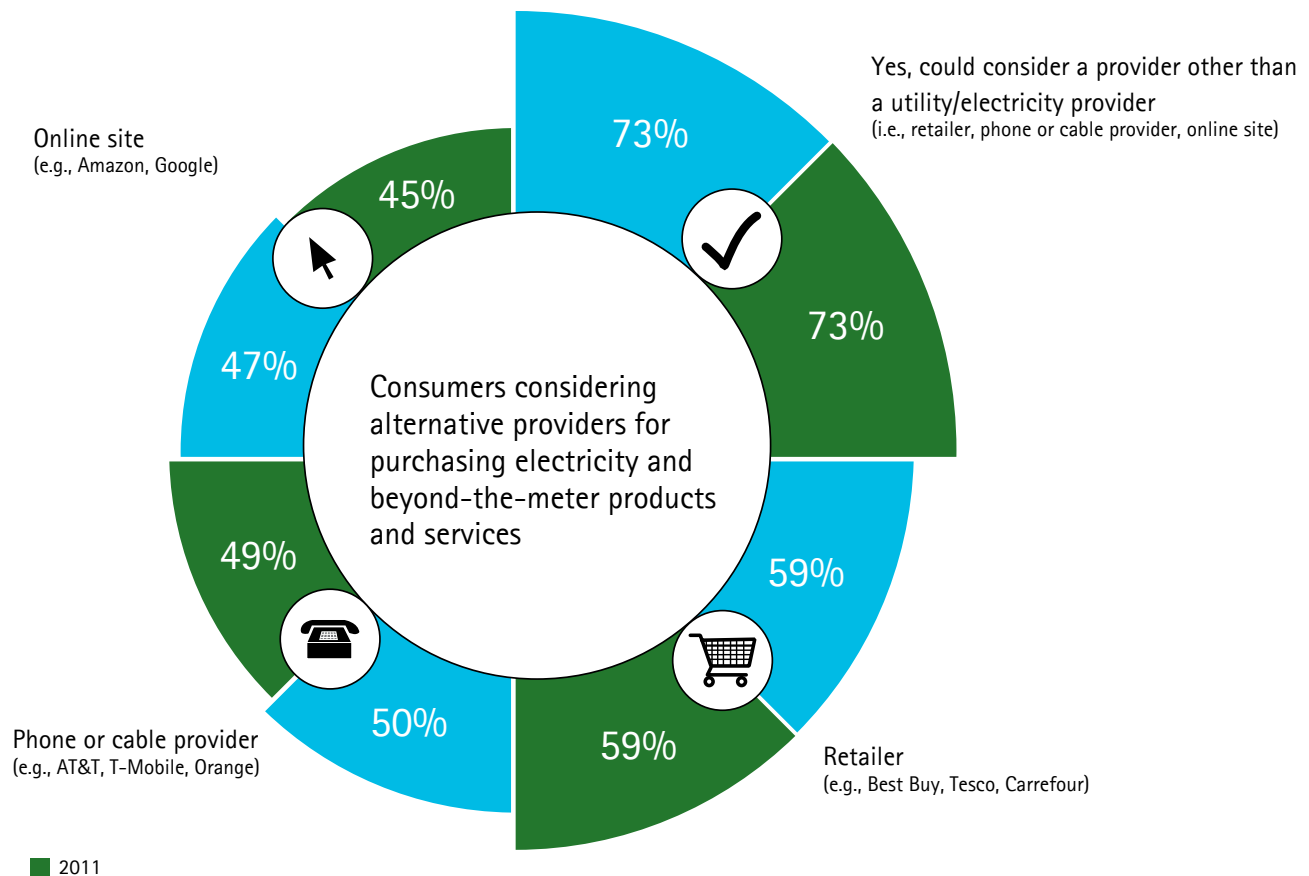
of the appropriate technological advances, consumer demand and regulatory climate, these initiatives often fell short of their goals.

Thirty years later, we are seeing a similar global movement toward value-added products and services that move outside the traditional scope of utility offerings. This time, however, the environment has changed. Technologies, consumer demand and government bodies have aligned to create the conditions for new opportunities in the energy marketplace. In essence, the lines between markets and value pools are blurring. Consequently, utilities are not the only ones hunting for value.

Accenture's consumer research has demonstrated that consumers continue to be open to receiving and acquiring various electricity-related products and services from new market players: 73 percent of respondents indicated they would consider purchasing electricity or energy-efficient products from at least one provider other than their utility (see Figure 4).³³

Figure 4. Consumers continue to show significant interest in alternative providers.

You may currently, or in the future, have new companies offering you electricity, energy-efficient products (i.e., smart thermostats), and/or related services (i.e., customized information on your electricity consumption) on top of their traditional products and services. Would you consider purchasing electricity, energy-efficient products, and/or related services from the following providers:



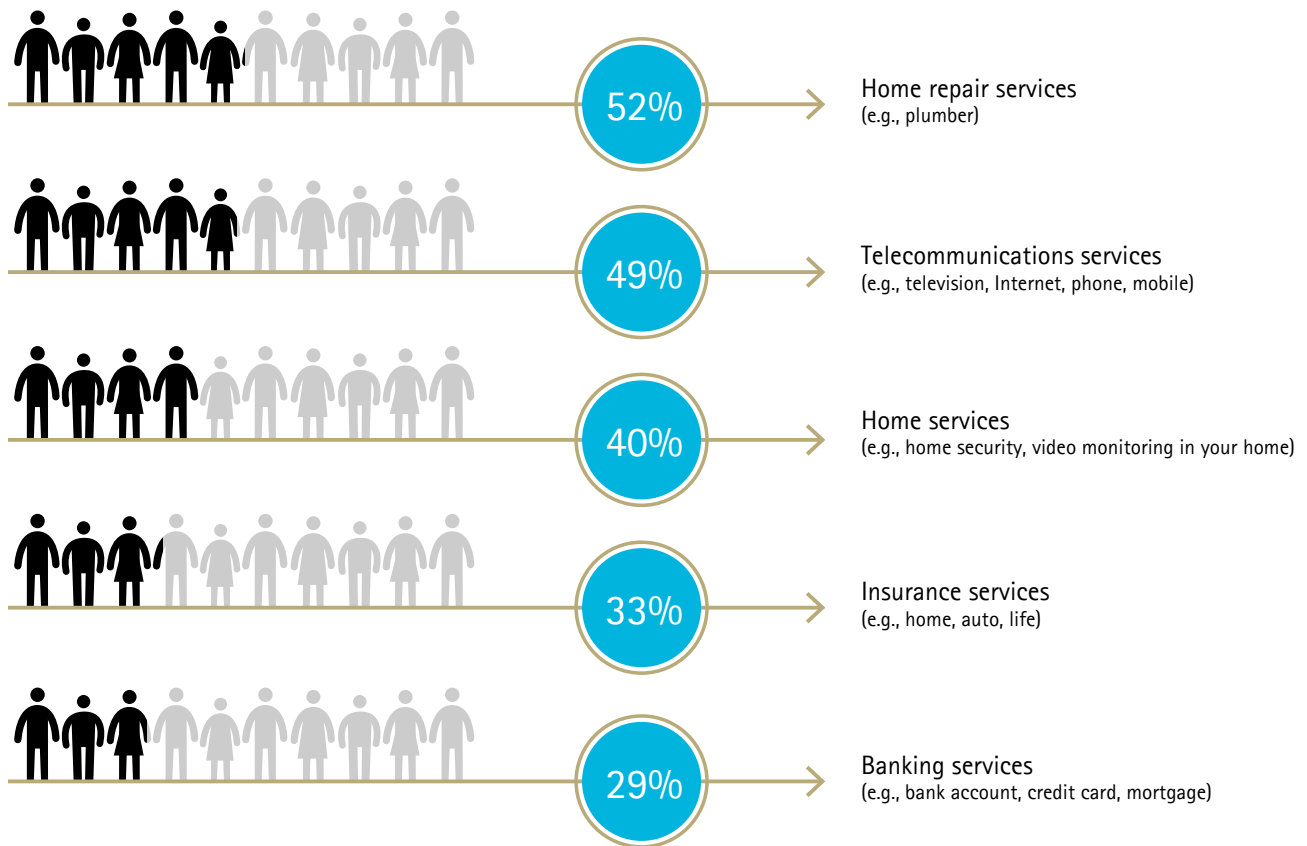
Note that local examples of retailers, phone or cable providers were provided in each country
 Base: All respondents
 *2013 scope = 2011 + Norway, Poland, and Turkey
 Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Utilities can view these entrants as new challengers for the consumer experience and share of spend in the beyond-the-meter marketplace. Or they can frame convergence as an opportunity to grow their market position. Utilities have an opportunity to create additional value by deepening relationships and addressing consumer needs through new, tailored products and services.

Just as telecommunications companies now offer television service and cable television providers now deliver home telephone service, utilities may once again have a tangible opportunity to expand their traditional footprint. Accenture's *Actionable Insights for the New Energy Consumer* survey shows that consumers globally are interested in receiving non-energy-related services, such as home repair or telecommunications, from their energy provider (see Figure 5).³⁴

Figure 5. Consumers are interested in receiving a range of non-energy-related services from their electricity providers.

In addition to energy-related products and services, how interested would you be in receiving the following from your electricity provider?



Base: All respondents

■ Somewhat + very interested

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Case in point: Would you like energy with that mobile phone package?

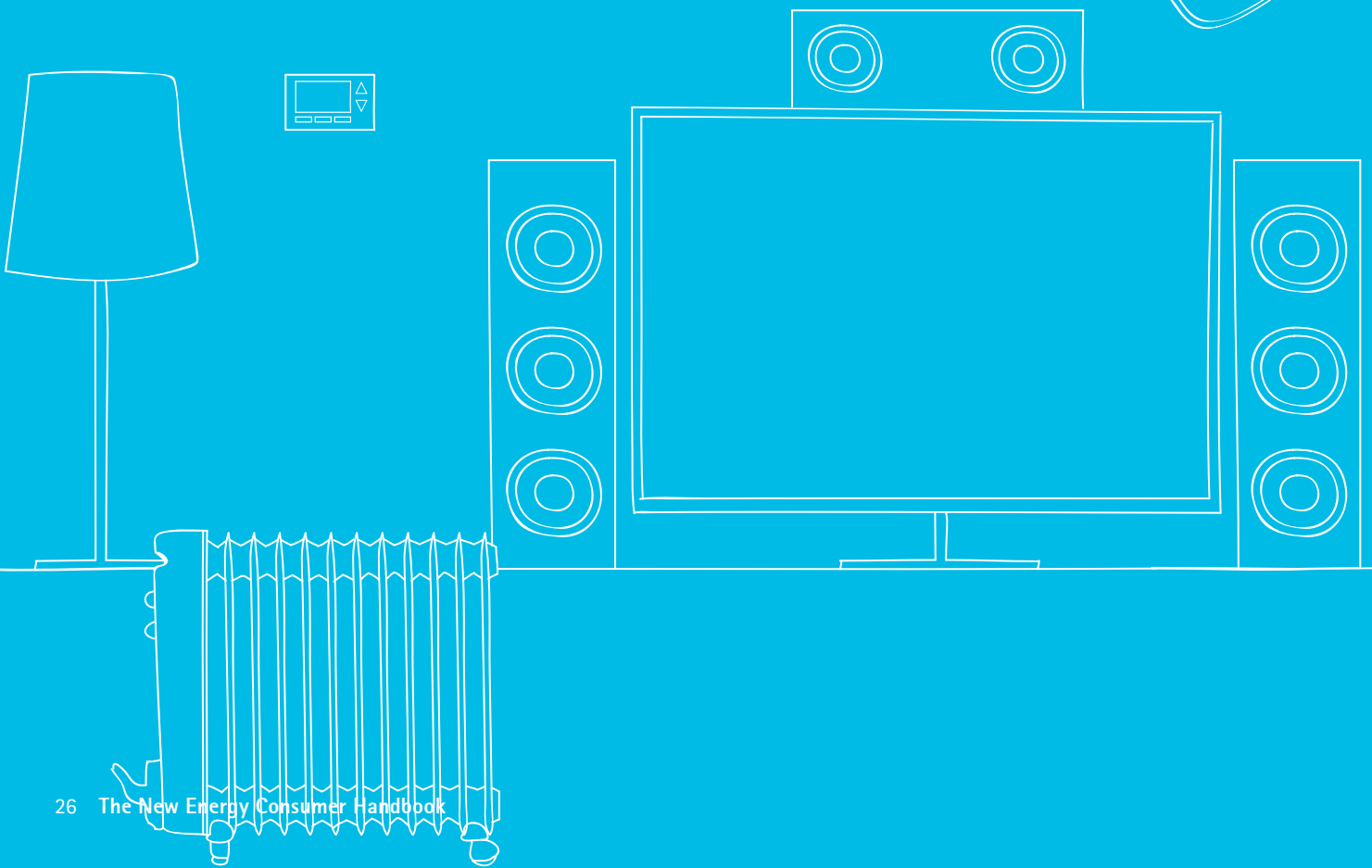
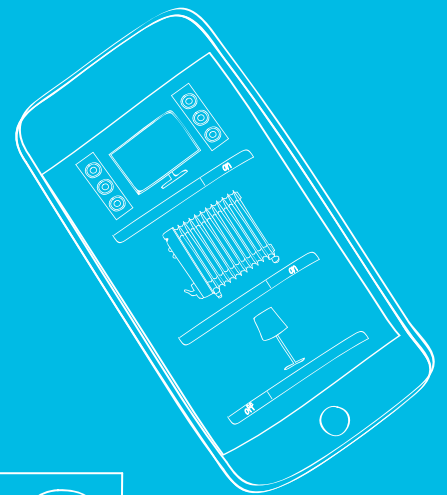
While many new entrants in the energy ecosystem are aiming squarely at a piece of the smart home, others see opportunities for the commodity itself.

Seeking new growth opportunities and products to increase consumer stickiness, Deutsche Telekom subsidiary Magyar Telecom began a pilot program to retail energy in 2010 and scaled nationally in Hungary in 2012. Using the commodity as a tool to gain more consumers and increase average revenue per user while increasing stickiness of a broader package of energy and telecommunications products, Magyar has emerged as a viable competitor to energy providers. Indeed, Magyar has reported that customer churn can be reduced by as much as 50 percent by signing them to an energy contract along with other products or services. With product bundles that discount energy 5 to 8 percent, Magyar has a compelling value proposition for consumers.³⁵ Energy margins are

lower than those on its other products. However, Magyar has made it clear that energy is a strategic product. In a time when revenues from high-margin voice products are falling, Magyar is using energy to drive loyalty and provide a foundation for growing other parts of the business.³⁶ Based on the company's success, it seems likely that as other Eastern European markets liberalize, energy providers will need to brace for a new breed of Magyar-style competitors.

Another example is Australia's Dodo, a low-cost telecommunications and insurance provider that expanded its offerings to include a full set of home services. These offerings span home phone, mobile, Internet and alarm monitoring, as well as gas and electricity. With steep discounts of 20 to 30 percent for bundling products and paying on time, the consumer value proposition is clear: "Bring your full set of home services to us and we can save you money."³⁷

As the energy market continues to converge with other home services, energy providers will need to cast a watchful eye on new competitors and value propositions that could begin to undermine core commodity revenues. But this is not only a threat. Providers must also watch for a new set of potential partners that may have strong consumer-oriented capabilities and brands looking to extend into energy.



Spotlight: Who will win the race for the smart home in North America?

In North America, a race into the home is underway. Service providers across multiple industries are looking to stake out territory by extending current product offerings and introducing additional interconnected devices and value-added services. Similar trends in other markets are also emerging, and while no single provider owns the entire value chain, industries are colliding as home technologies converge.

Service providers are quickly positioning themselves to create new value propositions in the home. Telecommunications and cable providers have recognized the possible synergies between their products and home automation. Rogers, Verizon, Comcast and Time Warner have entered the market with a mix of home energy management, home automation and security offerings.³⁸

ADT, a US-based home security provider with more than 6 million accounts, rolled out ADT Pulse™, a new home automation and monitoring service, in 2010. ADT Pulse was one of the first efforts by any home services provider to deliver complete home automation on a mass-market scale. The service combines ADT's traditional service offering of security monitoring with home energy management services, such as home lighting and thermostat control and home automation. ADT also recently enhanced the offering with "Home View." The upgrade allows consumers to view the status of all of their home management devices through Web-enabled devices. It also allows consumers to monitor their homes through video, checking in from a computer or mobile device.³⁹

Home improvement retailers, such as Lowe's and Home Depot, are also exploring energy opportunities in the home. Both companies have introduced home energy centers in some stores. These centers feature energy-efficient and home-automation products, and have begun to offer wind and solar generation products and installation services.⁴⁰ Lowe's has gone a step further, partnering with UK-based AlertMe to offer home management products that connect wirelessly to a cloud-based platform for remote monitoring and control.⁴¹

Best Buy, a leading consumer electronics retailer, is also getting into the home energy market with in-store and online learning centers, packaged home automation solutions and home energy assessments offered online or on site through its field service group, Geek Squad®.⁴²

These are just a few examples of the many credible challengers to the traditional utility model—where the utility potentially loses its value-added relationship with and traditional role as "trusted advisor" to the consumer. Accenture's *Revealing the Values of the New Energy Consumer* shows that when it comes to energy-related purchases, utilities are top of mind for consumers. However, as services collide and the race into the home heats up, energy providers will need to quickly decide what role they want to play and develop internal capabilities or strategic partnerships to compete in the increasingly crowded space.



Spotlight: Round-trip ticket—how the energy marketplace differs around the world

Natural gas reshapes some energy markets

New extraction techniques for natural gas have opened up entirely new supply opportunities. Some projections suggest that natural gas will overtake coal as the second-most-used energy source in the world. This shift is particularly strong in the United States, where large deposits of unconventional natural gas continue to be tapped. While other regions have similar natural gas deposits, they have yet to be tapped to the same extent.⁴³

Falling natural gas costs in North America have changed the energy landscape—providing a source of low-cost energy generation for providers as well as an alternative for consumers who may wish to switch from electric to gas appliances. Although the full impact remains to be seen, over the long term, lower energy costs are likely to reduce the motivation for consumers to conserve energy, slowing the consumer adoption of energy management technologies in affected markets.

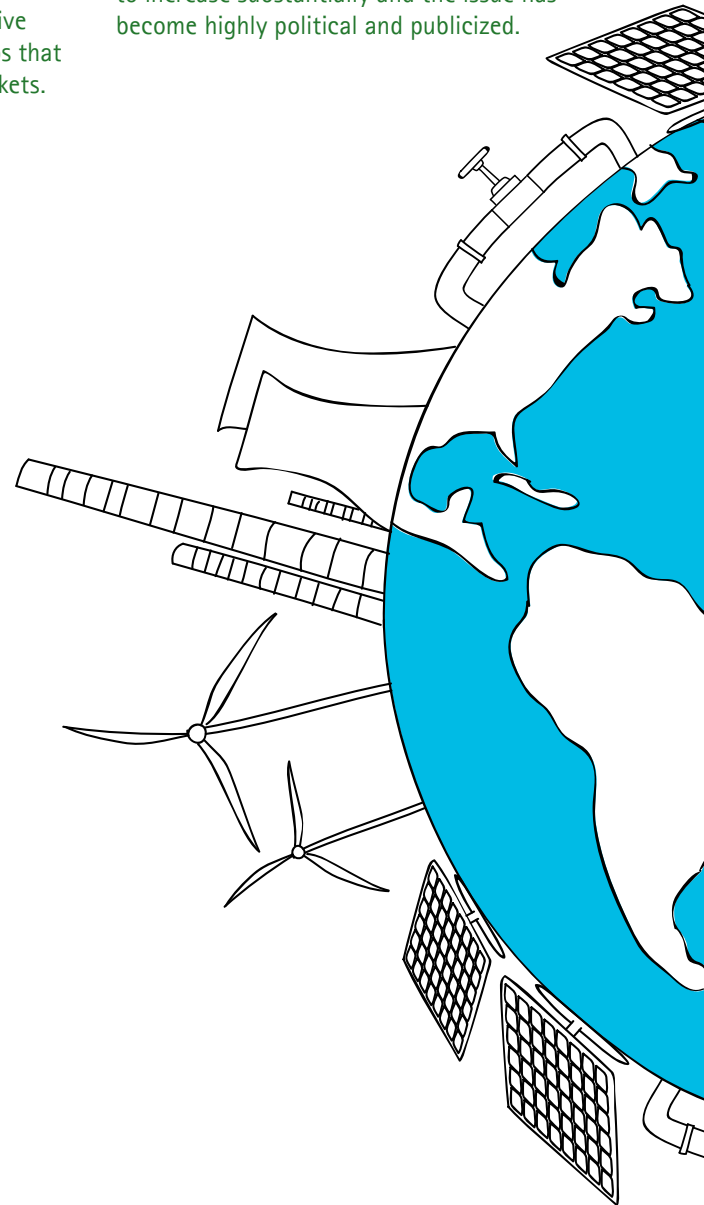
Market liberalization set to spread in Eastern Europe and Asia

Increasing market liberalization across Eastern Europe and Asia may soon mimic the success of competitive energy markets in other parts of Europe, Australia and in US states such as Texas. In particular, Japan, Malaysia, Singapore and other countries in Asia are eyeing liberalization of energy markets. At the same time, competition is heating up in Eastern Europe as regulators in Poland, the Czech Republic and other countries seek to drive competition.

As more markets liberalize, there are new opportunities for global providers along with focused markets of innovation. For energy providers, there is much to be gained by monitoring the creative products, services and partnerships that have appeared in competitive markets.

Infrastructure investments and the shifting generation mix drive higher consumer prices

Nothing brings consumer, media and government attention to energy like increasing prices. The need for infrastructure investments in many markets—from smart metering and improved transmission and distribution to upgraded power plants—is beginning to affect consumer energy prices. Increasing costs in Australia, the United Kingdom and Germany have been the most notable. The shift toward government-mandated renewable generation is also driving up costs. In Germany, the government mandated a phase-out of nuclear power by 2022 in favor of renewable options. Consequently, energy prices are projected to increase substantially and the issue has become highly political and publicized.

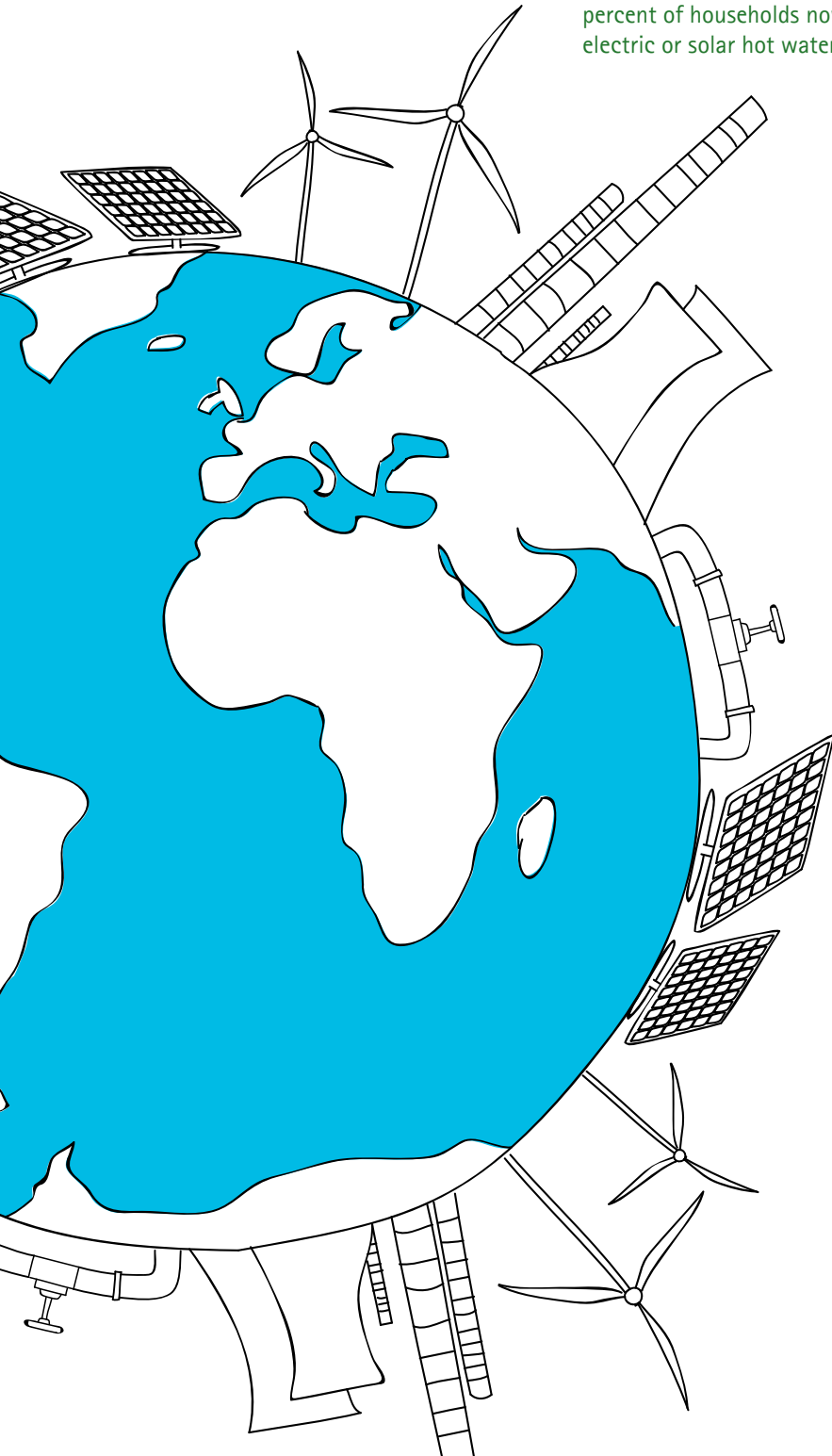


As energy providers increase prices in order to cover infrastructure investments and renewable energy generation, they make energy management technologies and home-generation opportunities more attractive for consumers. This dynamic could fuel adoption of energy-saving technologies in markets where energy prices are increasing—hitting the bottom line for providers not moving to capture beyond-the-meter opportunities.

Home energy generation creates challenges and opportunities

The cost of home energy generation products, particularly photovoltaics, has fallen dramatically in recent years. While a number of solar producers have faced financial difficulties, the fact remains that significant market supply has driven down the costs of home energy generation. Falling costs coupled with government subsidies and feed-in tariffs have spurred high levels of penetration in Germany, Australia and parts of the United States. In fact, in Australia, as much as 20 percent of households now have a solar electric or solar hot water system.⁴⁴

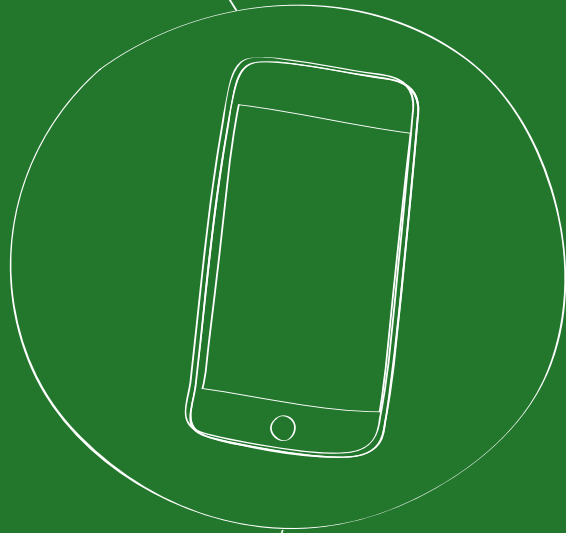
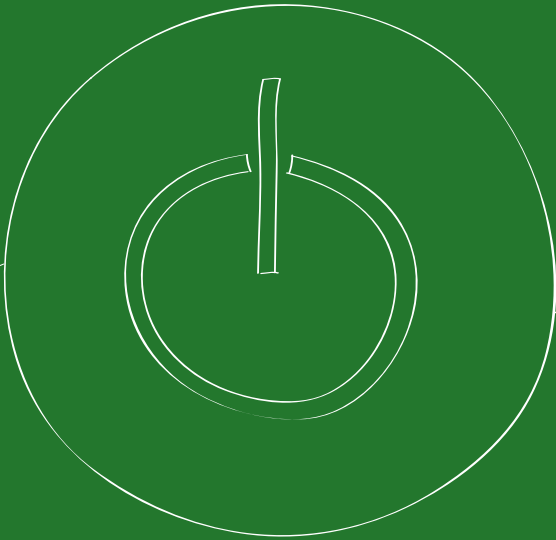
Some energy providers have been able to capitalize on increasing consumer interest in home energy generation. For example, AGL in Australia offers solar solutions that include installation and payment plans that spread out the costs, making the investment more attainable for consumers.⁴⁵ At the same time, increasing consumer adoption of home generation is also creating new challenges for electricity networks. Meter installation, network management and billing all become more complex; energy companies face the challenge of managing the costs of the increased complexity. Energy providers must find innovative ways to capture value from increased adoption of home energy generation while cost effectively managing the increased complexity.



3 The energy marketplace currents of change

While a range of external forces are shaping the energy marketplace, Accenture has identified four "currents of change" that are creating disruption from within the market. These critical trend areas are increasingly defining the key challenges and opportunities of the future. They also highlight the perfect storm of emerging changes and opportunities that will have a profound impact on every provider's customer operations. With disruption also comes innovation, and Accenture has observed new business models emerging that in some cases reinvent the traditional role of the utility.





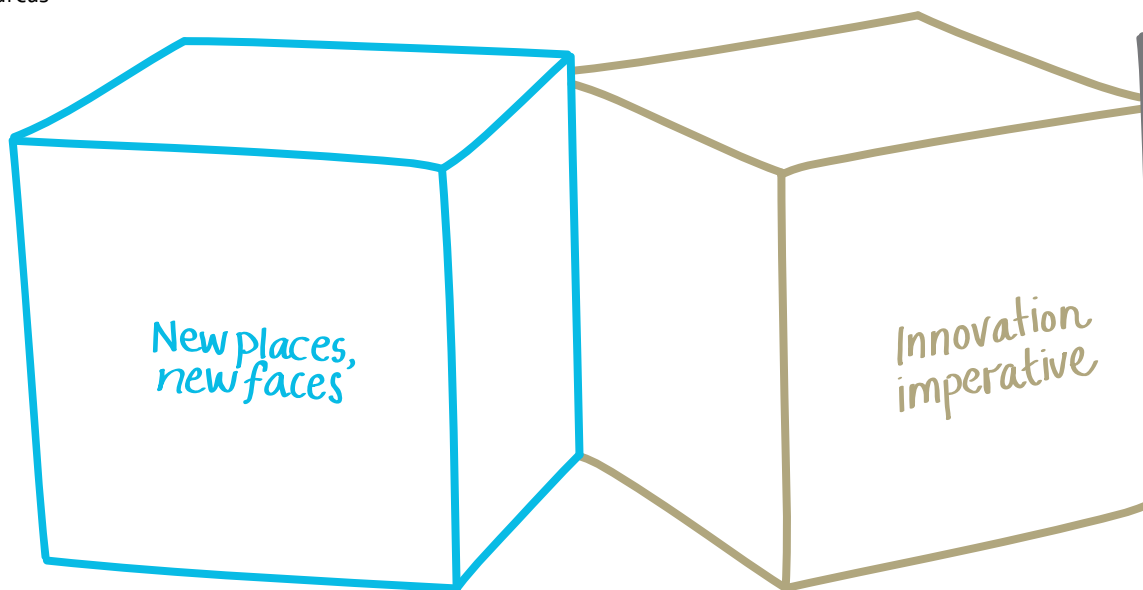
With new competitors, shifting regulatory policies, changes in consumer demands and advances in technology, responding to the evolving energy marketplace is a complex undertaking. The following sections offer commentary on and analysis of four currents of change—critical areas of disruption that utilities must address. Deciding how to respond to each current will affect how a utility transforms and the kind of energy provider it chooses to be. In adapting to these disruptions, energy providers can explore a range of emerging business models for more effectively capturing and creating value.

As the energy marketplace shifts rapidly, the pace of change and scale of disruption seem to be continuously increasing. Shifts in social, technological, regulatory and consumer attitudes and behaviors point to key trends that are having, or likely will have an impact. Many of these trends are present across industries, and their influence disrupts the marketplace. Understanding these trends and some of the critical shifts underway can help not only inform energy providers' strategies but also spark innovative new approaches.

Taking a broad view of these trends, as well as changes in energy marketplaces around the world, Accenture believes energy providers should monitor and develop strategies for these four key areas of disruption.

The shifting definition of an energy consumer, combined with the disruptive nature of changing consumer behaviors and preferences, is leading to an environment of increasing complexity. Energy providers are being pushed to understand and engage their consumers across new places and new faces.

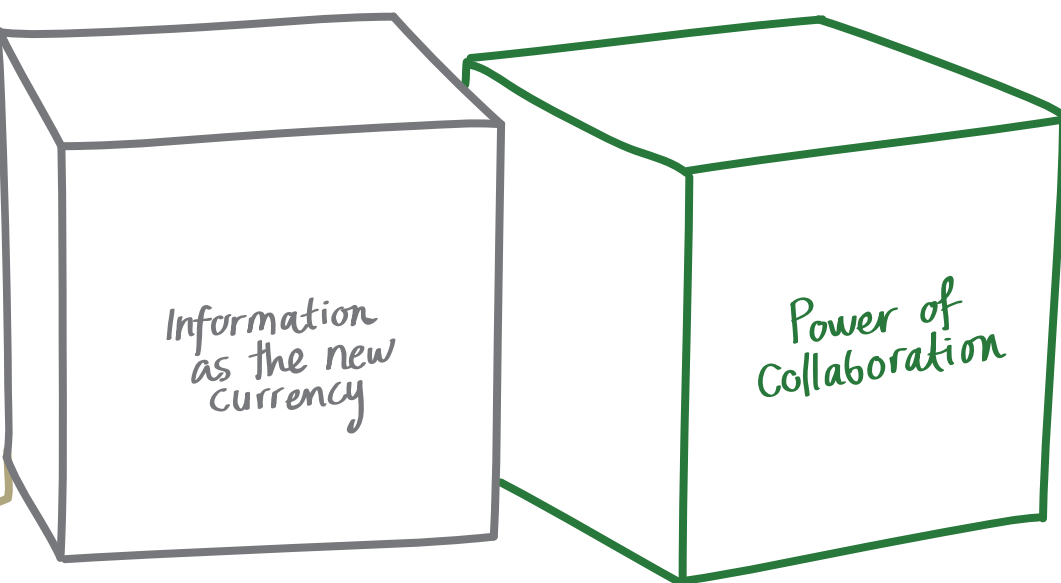
Energy is quickly becoming much more than a commodity: It is a product, a platform and a lifestyle enabler that can increasingly be personalized and tailored to deliver on a number of outcomes for energy providers. Those outcomes include new revenue, increased satisfaction and energy conservation. This reshaping of energy is driving an innovation imperative that energy providers cannot ignore.



Data-driven insights will shape the business operations and consumer-oriented products and services of the future. Smart meters promise vast amounts of consumer energy usage information. At the same time, energy providers have a growing collection of other valuable data about consumers and operations. In an age when data increasingly defines business leaders, energy providers must look to information as the new currency.

As industries continue to converge and the energy marketplace continues to evolve, it is becoming clear that no single provider will own the entire value chain. What is emerging instead is an ecosystem in which different organizations draw on their core competencies to create targeted value for consumers. As energy providers work to respond to consumers' changing needs and plot a course forward, they will need to harness the power of collaboration to accelerate change and enhance value.

What follows is a more detailed look at the four critical trends Accenture has observed in the marketplace, along with a view of some of the critical disruptors changing the playing field for energy providers.



New places, new faces

Energy providers have traditionally defined a retail consumer as the bill payer attached to a fixed "premise." But with the rise of beyond-the-meter technologies and a need to engage beyond the bill payer, consumers are becoming more difficult to pinpoint. In the case of distributed generation, some consumers are becoming "prosumers," or suppliers of energy. This shifting concept of consumer disrupts the traditional premise-focused approach. As the consumers change, so, too, are general consumer trends. Growing emphasis on personalization and connectedness are disrupting the marketplace and creating a need to engage consumers on their terms.

Trending now:

My choice—consumer-managed relevance

Consumers generally like choice; it gives them a sense of ownership, control and satisfaction. Choice has emerged as a key driver of consumer satisfaction and a powerful lever to create a personalized experience. But it has also been elusive, with energy providers typically struggling to enable choice and execute more personalized approaches. However, as rates, channels, technologies and new products and services evolve, energy providers can enable new opportunities to provide consumers with choice—even in regulated energy markets.

It is not choice alone that consumers value. In fact, an Accenture study of US consumers showed that 73 percent of consumers prefer businesses that use information about them to make experiences more efficient, and 75 percent appreciate companies that customize messaging and offers to them.⁴⁶ These findings indicate that choice, convenience and relevance are key for consumers.

Choice and personalization are intertwined. As other industries work to deliver enhanced levels of personalization, consumers are becoming increasingly accustomed to choice in terms of tailored solutions, services and methods of interaction. An example of this disruptive trend is the rise of 3D printing technology. Once the sole domain of large-scale manufacturers, 3D printing technology is quickly becoming affordable for small-scale producers and even individual users, allowing companies and consumers to design and manufacture their own products on a small scale.

Personalization is becoming a reality for individual consumers, who have grown to expect more choices and tailored options. Energy providers will be challenged to offer solutions and services designed for a specific consumers.

Trending now:

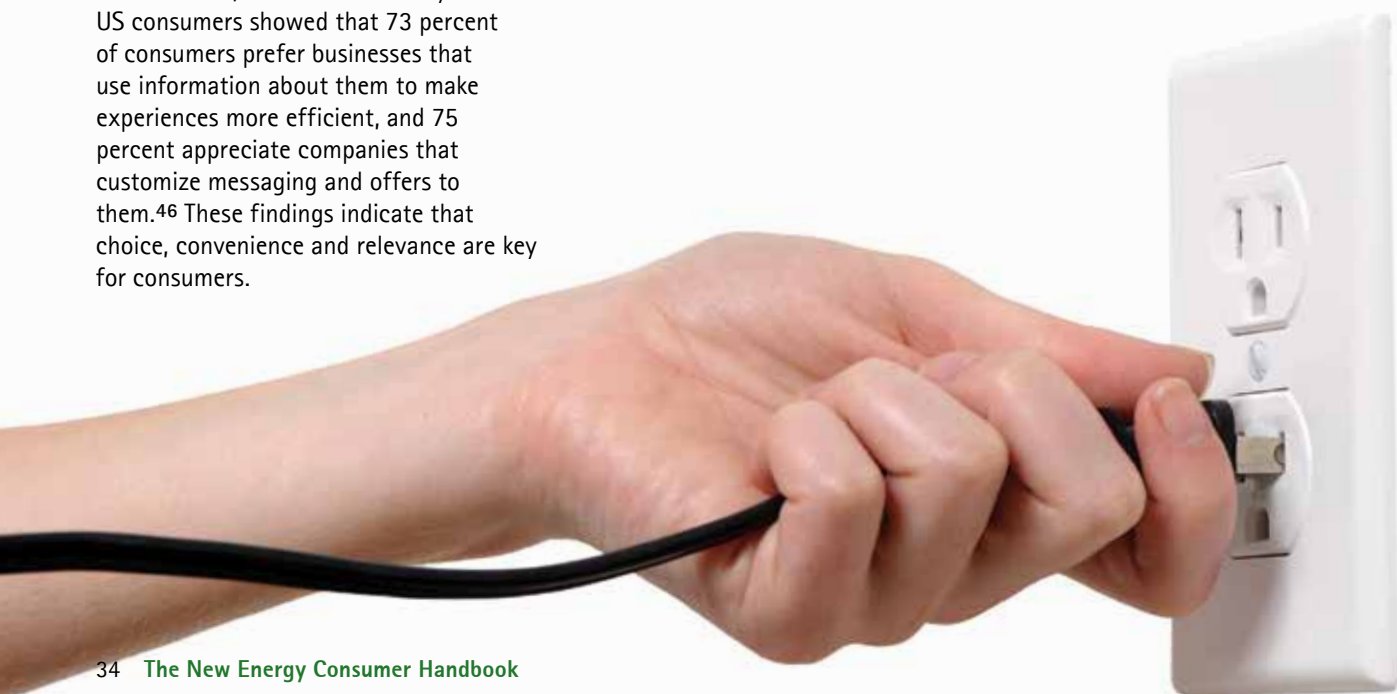
Maximum availability—energy consumers are 24/7

Personalization and choice are only one aspect of the disruptive trends at play in the utilities industry. Consumers also expect more and better service delivered through new and traditional channels. The rapid adoption of social media and mobility, together with continued expansion of deeper usage insights and energy management solutions, are creating an expectation that energy providers will always be available.

The desire for increased speed and convenience is driving consumer adoption of digital channels. Having 24/7 contact center support is not feasible for many energy providers—and a contact center may not be their first choice for interaction in any case. In response, some providers are taking new approaches to engaging consumers. In the United Kingdom, for example, large energy provider RWE npower recently launched a one-stop social hub that brings together a blog, Twitter feed, featured video and links to its other social sites. Understanding the often overwhelming quantity of information available to consumers considering energy-related decisions, RWE npower is working to create an easy, convenient place for residential and business consumers to get information and stay connected.⁴⁷

To be relevant in this environment of constant access—and deliver on the 24/7 promise—energy providers must transform their service models and embrace consumers' adoption behaviors to transform mobile, digital and self-serve capabilities.

The challenge for energy providers is to filter, curate and offer more tailored customer service and product options.



The innovation imperative

Employing some of the brightest engineering minds in the world, utilities have long excelled at innovation. Until now, many utilities have focused those capabilities primarily on solving complex supply and distribution problems. However, in the evolving energy marketplace, one of the key opportunities is directing innovation toward fresh objectives and outcomes—building innovative products and services and strengthening consumer relationships.

In this era of convergence, energy is quickly becoming more than a commodity. This is not the first time innovation has reshaped an industry: Consider the telephone. Telephones used to be a way for consumers to talk to each other, and nothing more. Today, phones provide a platform for multimedia communication, access to information and entertainment, and much more.

While energy as a commodity is unique, in some ways it is on a path to becoming more than just power for homes and business; it is also becoming a platform. Energy can be built upon, expanded and tailored, and it can deliver a number of outcomes for providers: new revenue, increased satisfaction and energy conservation.

Trending now: Brand + packaging = value

By its nature, energy is a somewhat intangible product for consumers. While it is a critical enabler of everyday life for consumers, it is also largely ignored unless it disappears. Due to rising energy costs, increasing environmental awareness and the emergence of new technologies, energy is becoming more important and more interesting to consumers.

A whole new energy experience is evolving, one in which energy is a marketable product. Innovative providers are increasingly seeking to build brands, products and services that align with the values of specific groups of consumers. For example, Current, an energy provider in the Netherlands, has developed a new approach to sell as little energy as possible. Offering home insulation, solar panels, energy-efficient lighting solutions, energy monitoring systems and microgrid solutions, Current aims to help consumers reduce energy consumption by up to 50 percent. So while Current offers energy, it is also a platform for products and services aimed at helping conservation-minded consumers reduce energy costs and environmental impact.⁴⁸

As with other products, one size does not fit all. Energy providers are challenged to create a suite of product offerings, creative packaging and new consumer-oriented propositions from what has always been “just” energy.

Trending now: Outsmarted—device-to-device tipping point is near

As smart meter rollouts slow in North America, they are gaining speed in other global markets. Meanwhile, adoption of interconnected smart devices is increasing exponentially. Consumers are beginning to fill their homes with interconnected devices and, in some cases, they may not even realize it. Kitchen appliances, televisions, thermostats, lights, security locks, electrical plugs, phones and computers are all becoming smarter and more connected.

The same trend is occurring in businesses and building infrastructure. This trend is enabling a new smart lifestyle that may or may not have a smart meter or a big brand behind it. Some of the latest home management technologies bypass smart meters completely. Offerings from equipment manufacturers, telecommunications providers and home security companies offer many of the same benefits of decreased energy usage plus control of home devices through a wireless network.

Disruptive innovations are appearing from wholly new places. Consider Ninja Blocks, a device that acts as a gateway for the “Internet of things.”⁴⁹ The networked hardware allows for remote monitoring and control of devices, such as security sensors and plugs. This innovation came from modest beginnings. Ninja Blocks originally launched on Kickstarter, an online crowd-sourced funding platform.

Kickstarter and similar platforms are heating up as a source of energy-related innovation. LIFX, a Wi-Fi-connected LED lightbulb that can be wirelessly controlled, raised \$1.3 million in just a few days on the crowd-sourced website. With those funds, LIFX is now growing.⁵⁰

As connected devices become common in the home, energy providers should ensure they are not “outsmarted” by the technology, while keeping a keen eye on the marketplace, which abounds in disruptive technologies.

Information as the new currency

For the energy provider, information is no longer a simple tool for delivering a commodity; it is also a valuable source of competitive advantage. Data is everywhere, and the quantity of information is increasing. Data about consumers, their homes and businesses, channel preferences, past interactions, social connections and energy usage patterns is an asset beyond measure.

In addition to offering insights into consumers, data can enable new products and services or allow for new ways of engaging consumers. Energy providers are not alone in seeing the value of data. Indeed, applications of data are a growing disruption across industries. In a survey of cross-industry executives, Accenture found that organizations are increasingly focusing on analytics.⁵¹ Further, since 2009, there has been a marked increase in the sophistication of analytical capabilities.⁵² In the hunt for value, the skill with which an energy provider creates, manages and analyzes data—about its operations and its consumers—will be the difference between leading the pack or falling behind.

Trending now:

Invisible analytics—seamlessly turning data into value

Energy providers are increasingly awash in data and looking to turn it into valuable insight. To date, many providers have been hoarding data—amassing vast amounts on consumer usage behavior and other aspects of consumer interaction but doing little with this data. As providers strengthen analytics capabilities, the challenge will shift from crunching data to doing something of value with it.

A key way to create value for both customer satisfaction and operational performance is to make analytics invisible. Whether enabling personalized tips, automating home energy management, enabling targeted experiences or improving operational efficiency—embedding analytics to deliver seamless consumer value can drive sustainable, long-term performance improvements.

Invisible analytics is at the heart of some of the most successful energy management devices. For example, the Nest Learning Thermostat uses sophisticated algorithms to learn consumer behaviors over time, automatically adjusting temperature settings based on when consumers are home and how they have interacted with the thermostat in the past.⁵³ Such invisible analytics save consumers energy and money while providing Nest with valuable insight into consumer behavior.

The potential of invisible analytics also applies to internal operations, where providers can automate decisions and workflows based on key insights. A central system that knows a consumer's interaction preferences, segment information and past interactions can automatically serve up customized and relevant messaging across channels. Many telecommunications and financial services companies have already implemented these types of intelligent "central decisioning engines" to great success. Viewing information as an enabler creates a range of new possibilities for energy providers to use analytics to seamlessly engage with consumers and create greater value.

Trending now:

Reverse psychology—making energy top of mind

Using data and information can also help in creating more consumer-oriented solutions. Understanding the complex, sometimes contradictory nuances of consumer behavior may not be the first thing that comes to mind when people think of their energy providers. But as providers work to influence energy usage, increase adoption of new products and services, improve customer experiences and, in competitive markets, acquire and retain customers, behavioral science is a powerful tool that can help to shape consumer solutions for the future. As an example, many utilities currently try to appeal to consumers' environmental concerns, framing demand management initiatives as opportunities to conserve energy. In *Delivering the New Energy Consumer Experience*, consumers reported

that the message that would drive them to take action is reframing conservation as "waste."⁵⁴ It may seem simple but in fact understanding consumer behavior can drive dramatic results.

Across industries, organizations are becoming more scientific in their approach to solving problems through consumer insights. In fact, Accenture's global cross-industry executive survey has shown that 83 percent believe that consumer behavior change presents opportunity for business growth, with fast-growing companies more likely to view it as such.⁵⁵

Enabled by more consumer data, increasing analytical power and deeper consumer insights, the science of consumer behavior is becoming big business. For energy providers, a behavioral approach represents an opportunity to rethink traditional attempts to engage consumers. Energy usage data is one key source of behavioral information being used to reshape the energy experience. As an example, the Green Button initiative in the United States, which has created a data standard for energy usage information, could redefine how consumers interact with energy. However, the initiative may also prove a disruptive force for energy providers. The Green Button Connect program at Pacific Gas and Electric, a large utility in California, offers consumers the ability to easily share their usage data on an ongoing basis with other companies and service providers through a secure connection.⁵⁶

A wide range of energy providers and third parties are looking to tap into the information that energy providers have available to better understand and influence consumer behaviors. Energy providers should consider how they want to use consumer data and recognize that disruptive new uses could come from outside their walls.

The power of collaboration

Consumers are beginning to expect more from their utilities: tailored energy products, personalized services, innovative loyalty programs and anytime, anywhere interactions. Yet many utilities may not have the capabilities to meet all of these demands. At the same time, the energy ecosystem is expanding to encompass a broader range of organizations—some with new products and services and others looking to influence energy usage behavior in the name of conservation. Although utilities are still at the heart of the energy marketplace, that position may erode over time. Many providers have taken initial steps to engage other groups, including governments, other retailers and home service providers, and collaboration is certain to be a key to success.

Collaboration is a growing trend across industries. The increasing complexity of modern-day products and customer service has led many organizations to refocus on core strengths and leverage partnerships to fill capability gaps or offer entirely new value propositions. As utilities consider the scope of capabilities required for the future—alongside ever-present imperatives around efficiency and cost to serve—they can go it alone, or they can leverage the strengths of partners.

Trending now: Retail reinvented—creating the energy experience

The introduction of new, more complex energy products and services, and the challenge of reaching on-the-go consumers, has created a need for innovative new partnerships. Such collaboration allows providers to extend their retail and consumer engagement presence far beyond the traditional service channel.

Energy providers are not the only ones reinventing the retail experience. Across industries, retailers are being challenged to create a new experience for learning about and purchasing products and services. The lines between physical and digital experiences continue to blur, creating profound impacts on the

retail experience. For example, Neiman Marcus, a leading retailer in the United States, offers consumers a location-aware mobile application that provides sales staff with consumer information and preferences in order to better serve them. Sales associates can use the app to view a shopper's online and in-store purchase history and see which products a consumer marked as "favorites." Salespeople can even be notified—with an accompanying Facebook photo—when a preferred consumer arrives in store.⁵⁷

As this type of retail experience becomes more prevalent, it paints a picture for energy providers of complex new interactions with immense possibilities and challenges. Indeed, in *Delivering the New Energy Consumer Experience*, Accenture's research has shown that, when engaged at a physical location, consumers prefer a more tangible in-person experience, such as playing an interactive game, speaking with a representative or viewing a product demonstration. Partnering may be the quickest path to delivering such experiences. Energy providers will look to partners to help expand in both physical and digital spaces, embracing unique approaches for offering a more tangible energy experience.

Trending now: Talent showdown—filling the skills gap

Across energy providers' operations, job descriptions are starting to change. As the breadth of required capabilities continues to expand, so is the demand for talent with more education, specialized analytics skills, greater sales orientation, and more experience with new technologies, social media engagement and online marketing. In many cases, the same skills energy providers need are in high demand across industries.

Employees are changing as well. According to Cisco's Connected World Technology report, 40 percent of college students and 45 percent of young professionals would accept lower-paying jobs if they had more access to social media, more choice in the devices they could use at work and more flexibility in working remotely. More than half of

the college students surveyed indicated that if an employer banned access to Facebook or similar networks at work, they would either not accept the job or would find a means of using the social networking site anyway.⁵⁸

Facing expanding skill gaps and a changing talent pool, many organizations are turning to collaboration as a new source of talent. One innovative company, Needle, has created a platform to connect product experts with interested consumers. The company will identify and certify experts who can walk consumers through products and offer recommendations. These experts are often end consumers themselves. In essence, Needle allows organizations to tap into its brand ambassadors and use them as sales and educational representatives. With some big-name brands on board and results showing improved conversion rates, better retention and higher Net Promoter Scores, this innovative approach to tapping new talent could offer interesting options for energy providers.⁵⁹

Regardless of the approach, energy providers will increasingly seek to tap into extended pools of talent from partners and vendors, and even consumers, to fill skills gaps and source the best and brightest thinking.

As energy providers establish new competencies and prepare for the future, the choices in how to respond to the currents of change will in part shape the types of organizations that emerge. New business models are beginning to appear that paint a picture of new energy organizations that are better positioned to succeed in the marketplace and to serve the changing needs of consumers.

Business models to maximize value

Having reviewed the forces and currents shaping the evolving energy marketplace, a critical question remains: What is the most effective strategic direction for the energy provider of the future? It is a simple question with no simple answer. The answer depends on regulatory and market environments, technological capabilities, the size and nature of a utility's consumer base, its internal appetite for change and its current business portfolio.

Figure 6. Four business models observed in the market.



As utilities respond to the new opportunities and challenges driven by industry convergence, sustainability, changing consumer preferences and disruptive technologies, Accenture has observed four distinct business model groupings around the globe (see Figure 6). The axes of Figure 6 represent the defining characteristics of the four business models:

- **Potential revenue:** The amount of additional revenue that a provider may be able to capture
- **Breadth of product and service offering:** The extent of the product and service offering that a utility supports, manages or sells to consumers
- **Breadth of capability extension:** The amount of additional and sophisticated capability development likely to be required for success with a chosen business model
- **Operational and brand agility:** The amount of flexibility and adaptability the organization and the consumer-facing brand require

Accenture believes no single model is inherently better or worse, and that most utilities will ultimately choose a combination of business models, mixing two or more for different consumer segments or geographies.

Further, we believe that regardless of which model or models a provider embraces, it will need to first establish solid footing. Developing core competencies creates a foundation for change by driving operational efficiency and establishing a base level of customer experience before pursuing strategic responses to the emerging energy marketplace. However, the evolving energy marketplace is creating a need for energy providers to evaluate not only the competencies required today, but also the strategic value-added competencies that will be important in the future. Depending on the business model, certain competencies will be more important than others. We explore four key competencies that are emerging in Section 5 of our handbook on page 58, *"Core competencies of the next-generation energy provider."*



Standard provider

This model describes an energy provider, in competitive or regulated markets, that opts not to move beyond the meter and instead continues its traditional within-the-meter focus, providing cost-effective, efficient and reliable energy to as many consumers as possible.

A standard provider likely will continue focusing on supply, distribution and customer operations as core competencies, leaving most beyond-the-meter opportunities to others with the scale, synergies and consumer centricity needed to win in that space. A standard provider creates revenue primarily by selling energy. Thus, revenue is variable based on market or generation and distribution costs and may be significantly affected by upward or downward trends in energy demand. Even when implementing smart technology, an energy provider committed to this model will concentrate on achieving grid efficiencies and improving back-office and customer operations as they relate to the traditional commodity business. While an energy provider following this model may engage in limited third-party relationships, it will leave the value-added products and services value pool to other providers. With this model, the focus of innovation is on operational efficiency and cost effectiveness rather than products and services. Product and service innovation is focused on rate design and efficiency in serving low-income or vulnerable customers. Furthermore, operational analytics are a critical area of innovation where transparency and actionable reporting drive continuous improvement initiatives.

The standard provider business model creates two future options for an energy provider. Like New Zealand's Powershop and other utilities around the world, it can aggressively sell energy to consumers by "productizing" the commodity while also focusing on cost reduction. By focusing on the consumer relationship, standard providers can successfully maintain

their role as the energy provider. In this scenario, customer service capabilities focus on delivering an effective self-serve experience and using channel capabilities to reduce cost-to-serve. Moreover, by automating these interactions without creating additional back-end processing, standard providers can reduce overall costs and increase customer satisfaction.

Another option for the standard provider is to focus capital and resources on supply and distribution, choosing to eventually exit the retail business. These standard providers will benefit by focusing their resources to win in different parts of the energy value chain, while allowing others to compete for the consumer relationship. For example, white labeling and other retail partnerships offer opportunities to extend customer reach and increase sales in competitive markets. Some standard providers may also seek to optimize investments in grid technology and efficiency.

The standard provider model is not without risk. First, utilities that choose to exit the retail business will come to rely on other providers to secure demand for their commodity sales. Second, if they do not continually invest in evolving customer capabilities, utilities that choose to retain consumer relationships may lose the most profitable consumers and retain only unprofitable consumer segments. Finally, in some markets, providers are responsible for meeting energy conservation targets. But if the consumer relationship erodes, influencing consumer behavior may become increasingly difficult for a standard provider. Thus, consumer engagement is still critical to meeting the utility's goals.

Spotlight on Powershop

Even when adopting a standard provider business model, a utility still has an opportunity to sell the traditional basic service in more innovative ways. In a deregulated market, for example, a utility may focus on selling electricity services to a specific customer niche. New Zealand's Powershop has recognized that to capitalize on commodity sales, it needs to be responsive to the needs and values of its consumer base. By leveraging online, mobile and emerging social media channels, Powershop offers customers more convenient, cost-effective and personalized access to basic commodity service. Powershop offers customers the ability to view, monitor and purchase electricity via mobile apps on their smartphones. Beyond offering ease of use through new consumer channels, Powershop has productized the electricity commodity by creating powerpacks, such as "Airshed Energy," an electricity commodity bundled with carbon offsets. These consumer-centric capabilities and offerings have made Powershop successful in acquiring and retaining commodity consumers.⁶⁰

Marketplace advisor

Under this model, an energy provider maintains primary ownership of consumer relationships and continues providing core energy services. But instead of maintaining an operational status quo, the energy provider works aggressively to build its reputation as a trusted advisor.

To address market and regulatory demands, the marketplace advisor will offer consumers guidance and advice about new energy products and value-added services. Essentially, these providers become the trusted advisor for energy, home products and services, and energy efficiency. Beyond guidance, these utilities may choose to create online portals or hubs where they keep a managed repository of third-party products and services that can help consumers address their energy needs. This model requires a higher degree of new capability extension, but depending on the partnering structures, revenue potential is limited. Moreover, partnership management and product knowledge are central to becoming a trusted marketplace advisor. For example, providers may require product portfolio management capabilities to successfully advise on a wide range of products. Product and service testing and rating expertise can also help to build credibility and trust with consumers. The marketplace advisor employs customer analytics focused on understanding how consumers use energy and structuring effective value propositions for additional products and services.

An energy provider following this model may be able to generate net-new revenue and increase customer retention by building consumer referral programs and service agreements with preferred vendors of value-added products and services.

The marketplace advisor model could also closely align with regulatory incentives around reducing or shifting demand, while minimizing the need to increase internal capabilities associated with new products and services. In this case, increased back-office capabilities and capacity would be required to manage processing and verification of partner demand-side management programs.

This model is not entirely without risk. An energy provider following this model no longer has exclusive ownership of the consumer relationship. It must rely on third parties to meet consumer expectations, deliver value to the market and attain demand management goals. It also needs to build strong vendor and exception management capabilities. After all, a single mistake can irreparably damage its reputation as a trusted advisor. Systems also present a significant challenge, as they must be flexible to allow for integrations and data sharing with partners and vendors. In some cases, billing systems may also require flexibility to enable bill consolidation with commodity and noncommodity products via multiple vendors.

Spotlight on Duke Energy

Duke Energy, a large US utility, is taking a bold, visionary approach to consumers. Supplying and delivering energy to approximately 4 million customers and a smart grid program combine to provide Duke with an excellent foundation for developing the beyond-the-meter market in its service territory. In the new energy marketplace, Duke's CEO aims for the utility to assume a role analogous to that of a large Internet market provider—offering uniquely branded products and services that link consumers and energy-efficient equipment providers through a single platform. The organization's vision for developing the new energy marketplace includes:

- Utilizing Duke's brand on energy-efficient, in-home products that communicate directly with the utility.
- Offering unique discounts on the best energy-efficient appliances, as well as utility-branded appliances.
- Promoting consumer conversion from gasoline-fueled vehicles to electric vehicles.
- Advocating regulatory changes to allow for decoupling of consumer consumption and tariffs.
- Establishing leading industry perspectives on an open Internet protocol platform for in-home appliances.

Duke's energy marketplace vision directly supports its mission of "making life better for millions of people every day by providing electric and gas services in a sustainable way—affordable, reliable and clean."⁶¹

Specialized provider

With this model, an energy provider complements its traditional commodity offering with specific value-added products and services. Some examples may include targeted offerings around green energy, electric vehicles or home area networks.

This model allows providers to create a targeted value proposition that addresses specific consumer needs and seizes market opportunities with products and services that are a natural extension of existing capabilities. Introducing targeted new products and services increases revenue potential but requires operational and brand agility for successful product launches and consumer adoption. For these providers, consumer insight and delivery excellence drive opportunity identification, offering development and effective sales and delivery. Customer insight is critical, forming the basis for innovation around rates and specific value-added products and services. Furthermore, analytics are also required to develop targeted treatments and approaches to manage costs and capture value from particular consumer groups.

Not all products and services in the beyond-the-meter market will create value for energy providers. With the specialized provider model, an energy provider is setting a highly focused strategy regarding the types of products and services it offers and when it offers them. In doing so, it can stay closely aligned to its core, make highly targeted investments and grow in a more measured fashion. Revenue is created through the

core commodity; however, additional revenue and margin are delivered by value-added products and services. The specialized provider will focus on strategically advantageous services while bundling offers opportunities to increase revenue and profit margins.

However, there is also risk inherent in choosing the specialized provider model. By concentrating focus and investment in only a few areas, an energy provider could expose itself to larger losses if any or all of those decisions prove flawed. These energy providers may also find themselves left out of a product/service category as other competitors fill the void. Accenture believes some utilities may opt for the specialized provider model as an interim step on the journey to becoming a full-service provider.

Spotlight on Green Choice

Green Choice is a 100 percent green electricity supplier in the Netherlands. Established in 2001, it offers customers sustainable energy from solar, wind, water and biomass. Its differentiation strategy is based on providing customers with green choices—from energy and self-generation capabilities to home energy management and options for electric vehicle charging. Green Choice offers a variety of tariff bundles, energy sources and feed-in tariffs to target the needs of the eco-minded customer. For example, Green Choice offers customers options, incentives and rebates to increase customer self-generation capacity. Such offers demonstrate that Green Choice is committed to its brand, even if it means new offers eroding value from the core business of selling green energy. Furthermore, Green Choice's brand extends well beyond energy retail. It makes continual investments in technology and partnerships and works with a variety of environmental, corporate and social organizations working toward a more sustainable world. Green Choice is setting the green example when it comes to energy.⁶²

Full-service provider

An energy provider following this model offers a wide range of products and services, including home services and other beyond-the-meter offerings. Thanks to industry and technology convergence, a full-service provider may also venture into new categories of home services. A full-service provider will be capable of bundling and may look much like many of today's telecommunications and cable companies.

By embracing the full-service provider model, an energy provider has an opportunity not only to defend its traditional business, but to expand revenue streams. The full-service provider has diversified sources of end-consumer revenue, including value-added products and services. Opportunities may exist to extend beyond traditional energy service territory with value-added products and services. Under this business model, a provider may acquire or develop internal capabilities around most or all of its beyond-the-meter portfolio. Alternatively, it may build a solid platform for integrating third-party capabilities that complement the utility's legacy strengths. The full-service provider offers the largest range of products and services, thereby increasing overall revenue potential but also requiring development of new capabilities across the organization. Product development and portfolio management capabilities allow a full-service provider to profitably offer a range of value-added options to consumers.

Further, this approach protects the consumer relationship by helping to confirm that other players do not diminish or replace an energy provider's value to consumers. In some markets, this model

allows energy providers the opportunity to grow beyond their traditional energy territories, pursuing beyond-the-meter opportunities that may exist in other regions. Providers must maintain strong customer management and channel capabilities to deliver cost-effective marketing, sales and service that is targeted at increasing revenue per customer. Meanwhile, branding initiatives and in-person channels increase in importance as providers expand into additional products and services. Furthermore, full-service providers require a centralized customer data mart with a consolidated view of commodity and noncommodity information in order to mine customer insight.

While becoming a full-service provider offers potential rewards—higher revenues, better competitive differentiation and stronger consumer relationships—it is also a tremendous change that may introduce significant market and internal risks. The evolution is complex and costly, and if an energy provider takes too long, it could find itself losing traditional markets before the growth strategy takes root.

Spotlight on NRG Energy

Some energy providers are already looking to the future by offering products and services in emerging categories poised to dominate the beyond-the-meter marketplace. For example, NRG Energy, a company with holdings in the United States, Europe and Asia, is using this strategy by building subsidiaries that sell specific products or services in such areas as renewable power, thermal steam and electric vehicle services.⁶³ For example, in the United States, NRG owns a number of energy retailers including Reliant Energy. Reliant, a competitive energy retailer in Texas, offers consumers energy and additional products and services such as identify theft protection, air conditioning and heating tune-ups, and solar leasing options.⁶⁴ Under its eVgo™ brand, NRG is also building a mass-market electric vehicle system that customers can sign up for in order to charge their electric vehicles. The service includes a home-recharging kit and bundles the charging equipment with the electricity commodity through subscription-based charging packages. NRG's approach takes advantage of its position as a vertically integrated utility to leverage opportunities across the energy value chain.

Finding the right fit

As previously noted, a single model may not make sense for all of an energy provider's business. The optimal business model may vary by geography and market. Accenture believes that many providers are likely to integrate a mix of models—and that those models may shift over time.

Using a strategy of multiple business models enables energy providers to maximize opportunities in the changing marketplace. For example, an energy provider might find itself in a highly competitive consumer market where becoming a full-service provider would mean going head to head with electronics retailers, telecommunications companies and other highly consumer-savvy providers. In this case, an energy provider might opt to become a standard provider in the residential market but a specialized provider for commercial and industrial (C&I) customers. The C&I market may not be saturated and can serve as a lower-risk, natural extension into value-added products and services, such as energy audits and consultations and energy-efficiency equipment financing.

Regardless of how a utility organizes its approach, it must choose business models wisely. While today's constraints are an important consideration in defining the future, the greatest opportunities often come from questioning the assumptions of the past. The combination of business models will become the lens through which every provider views, assesses and acts upon each opportunity in their journey in the evolving energy marketplace. Each organization begins the journey from a unique starting point and with its own set of complex questions.

What follows is a list of key considerations and questions to help providers determine which approach makes the most sense for their organizations. Accenture has organized the decision criteria into four areas: regulatory and market climate, consumers, products and services, and internal capabilities.

Regulatory and market climate

The critical driver for any new business model is how and where an energy provider can capture new value. The market and regulatory environment play a large part in defining the current and future revenue potential for an energy provider. Thus, the first step is assessing whether it is the regulator or the market—or both—creating opportunity, and how large the opportunity is:

- Have regulators implemented incentives or penalties that essentially force movement beyond the meter? When under pressure to shift or reduce demand, evolving the business model—through internal or third-party capabilities—may be the most efficient and cost-effective way to comply.
- Where are regulators focusing: on creating low-cost, high-value service for consumers or driving energy efficiency and conservation? Or are regulators pushing for deregulation or re-regulation in the market?
- What is the beyond-the-meter business case? If a utility makes most of its revenue from supply and distribution, it may find few to no market incentives to move beyond the meter. Products

and services to reduce or shift demand could actually hurt the bottom line—at least initially.

- Take a close look at the universe of competitive challenges. Are telecommunications companies, home security providers, retailers or other new entrants poised to enter the beyond-the-meter market—with or without utility involvement? Is there room in the evolving market for the utility?
- How mature is the beyond-the-meter market? As with other industries, global standards and open architectures will eventually take hold, removing barriers to entry. How will the utility position itself to succeed in the short term and over the long term? What roles can the utility play to help inform or shape the market?

Consumers

Traditionally, many utilities have not operated with a high degree of consumer centricity. By contrast, many potential competitors—from telecommunications companies to product retailers—have long placed the consumer at the center of their businesses.

Consumer preferences, characteristics and perceptions of a utility will shape how much of the beyond-the-meter market it can capture. Thus, as a utility sets its sights on the future, it needs to find a way to segment and analyze its base of consumers, as well as determine the consumer appetite and value proposition for additional products and services:

- What is the current relationship with consumers? How strong is the utility brand?
- Some of the business models benefit from a larger number of consumers. Each utility needs to determine whether it has the scale to make its strategy viable in the long term. Is the utility's consumer base large enough to create a meaningful business case for beyond-the-meter products and services? Are there opportunities to scale value-added products and services beyond the traditional service territory?
- Energy management technologies continue to become more cost-effective and more popular. Even so, are consumers ready to adopt them?
- What do different consumer segments expect of the utility? Are they open to the idea of their utility providing nontraditional services? If not, how can the utility strengthen the relationship to encourage a broader, deeper view of what it can deliver and ensure consumer adoption?

Products and services

One of the defining factors for the business models of the future is the range of products and services offered. Many utilities currently have limited product and service offerings, focusing mainly on one or two core commodities and potentially a few additional services. The emerging energy marketplace offers a wide range of product and service opportunities. When considering the possible business models ahead, utilities must determine what products and services they can effectively offer and the most effective strategy for bringing those to market:

- Utilities serve a number of stakeholders, including shareholders, regulators, community groups, partners and end consumers. Across stakeholders, what is the appetite for extended product and service offerings?
- Which product and service offerings are mature in the market today, and which require a wait-and-see approach?

- The shifting energy marketplace is full of options for utilities to create new value propositions that combine technology, products and services. Are there niche opportunities to provide products and services to an underserved market? Alternatively, are there "blue ocean" opportunities to define a new market space?
- Can the utility develop and support additional offerings, or is it more strategic to build partnerships to extend the offering?

Internal capabilities

Existing internal capabilities are an important factor that drives the amount of change required to implement a particular model. It is likely that for all providers, current capabilities will not fully align with desired future business models. Some utilities have not needed the organizational skills and capabilities required to thrive in a competitive marketplace. Regardless of regulatory environment, challenges are now emerging from all angles. Utilities that plan to secure a meaningful share of the evolving energy marketplace need to consider what capabilities they currently have, what capabilities they will need, and how they can bridge the gap:

- What internal capabilities are required to deliver on the new types of products and services in the beyond-the-meter space? How can those capabilities be developed quickly?
- Does the consumer-facing portion of the organization have the ability to support future aspirations? How can it deliver the capabilities needed to create additional value in the future?
- Does the organization have the ability to scale in size and scope? Are capabilities in place to monitor the market for opportunities and strategically test, pilot and scale new offerings?
- How does the utility's current financial position affect its ability to change? Is there capital to fund investments in new capabilities and take risks on new opportunities?



Spotlight: Implementing multiple business models

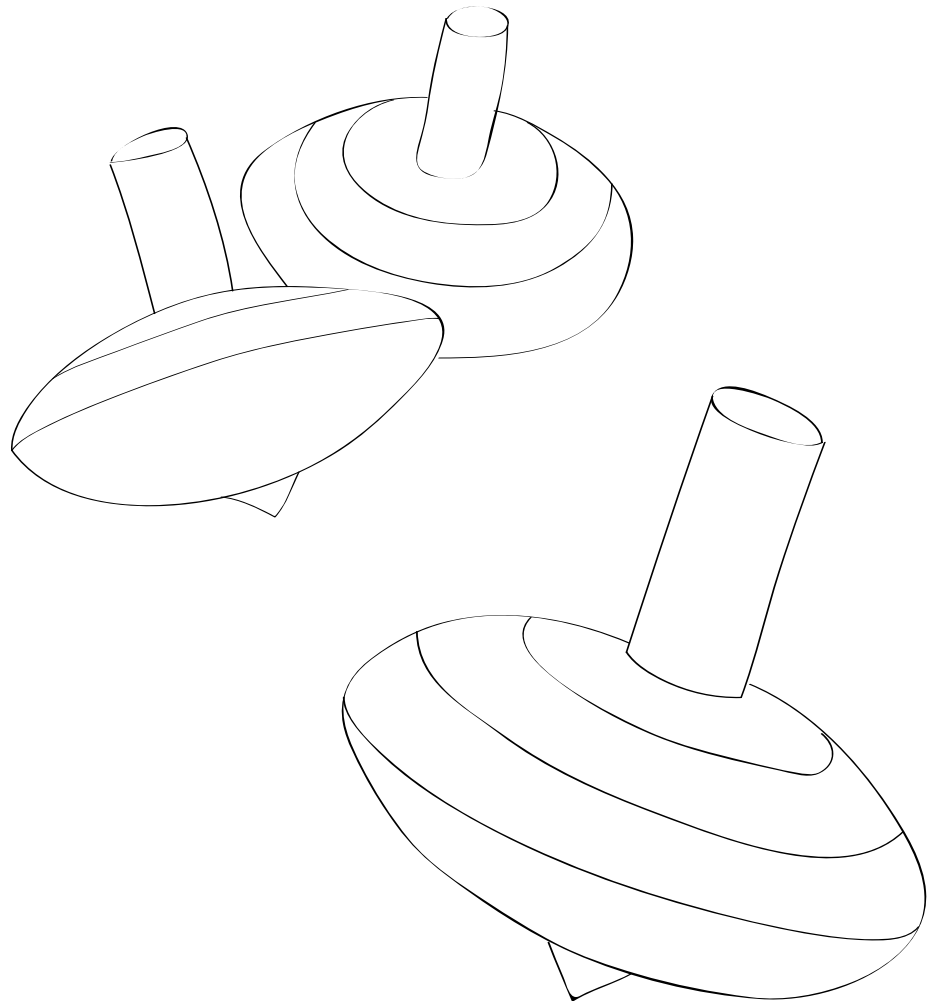
Implementing multiple business models likely will be an attractive option for many utilities. Diverse consumer preferences, emerging competition, regulatory environments and technology maturity are creating specific market opportunities that cannot be pursued with a singular approach. Utilities that pursue multiple business models will face challenges in aligning the chosen models with the organization. A hybrid strategy requires energy providers to become ambidextrous—seamlessly delivering different value propositions to different groups of consumers.

Not surprisingly, managing multiple business models creates additional organizational complexity, as the range and sophistication of required strategic capabilities increases dramatically. Thus, energy providers will need a coordinated approach to balance divergent demands across the organization.

For example, becoming a standard provider for residential consumers may require an energy provider to aggressively shift customer contacts to self-service and closely manage call handle times. Meanwhile, the same organization may embrace the specialized provider model for SMB customers, offering energy audits and specific products. Acting as a specialized provider requires different customer service agents—people with sales orientation and deeper consumer insights in target product offerings, who are backed by systems designed to support multiple products. In short, succeeding at both business models requires a broader range of talent and greater employee flexibility—especially for managers who must constantly balance the priorities of each model.

As utilities consider the opportunities and risks of implementing multiple business models, the following key considerations can help identify whether the models will complement or clash:

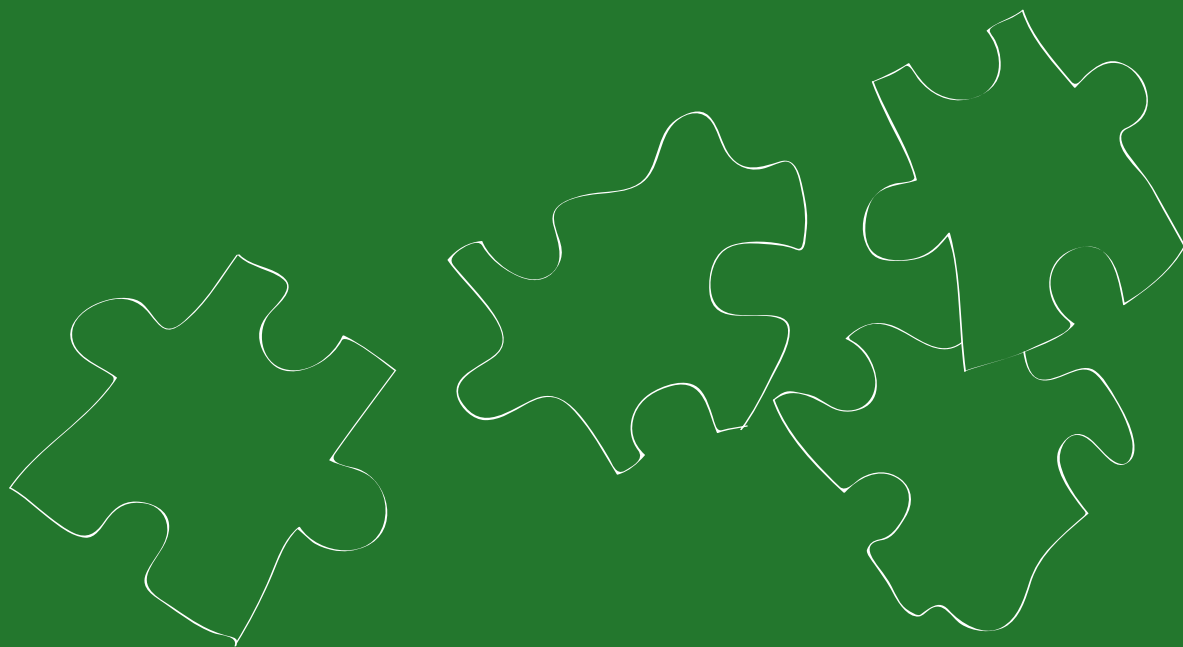
- To what extent do the business models leverage the same organizational assets and capabilities?
- To what extent can a consistent customer experience delivered via a centralized and integrated customer contact layer be applied?
- How can agile customer relationship management (CRM) systems be applied to contain a single view of the customer across multiple business models?
- How do key goals and capabilities of the business models complement or conflict with each other?
- What additional value is created for consumers and the organization by implementing multiple business models?





4 Structuring for success: An enterprise view of customer operations

Today's energy consumers expect a seamless energy experience across products, services and different touch points. However, with the expanding channel mix and growing set of processes that span the organizations, many energy providers face the challenge of breaking down silos and delivering a consistent experience. Energy providers should regard this as an opportunity to create an enterprise mindset for customer operations, leveraging new strategies and technologies to evolve toward consumer centricity.



Consumer centricity has become a hallmark of success across industries, and the new energy marketplace is no exception. As energy providers wrestle with disruptive change in consumer technology, digital experiences and evolving expectations, many are placing the consumer at the center of their organizations.

Some energy providers have achieved successes by improving core customer service with a focus on critical drivers of customer satisfaction such as first contact resolution, billing accuracy and new channel enablement.

Despite energy providers' progress to date, a range of emerging challenges are raising the bar once again. Rising energy costs and, in some markets, smart meter rollouts have eroded positive consumer sentiment. According to *Delivering the New Energy Consumer Experience*, in 2013, consumer trust in energy providers has fallen 9 points from 33 percent in 2012 to 24 percent in 2013.⁶⁵ Many competitive markets are facing similar challenges and are characterized by high levels of customer churn, complicated rate schemes and a general lack of trust. In fact, *Delivering the New Energy Consumer Experience* shows that globally, energy providers' customer satisfaction declined from 59 percent in 2012 to 47 percent in 2013.⁶⁶ That decline may be due in part to providers' traditional transaction-oriented service model. Another likely contributor is the persistence of operational "silos" and the resulting inconsistency in management and ownership of end-consumer interactions.

Exposed seams

Consumers view their energy provider as a single organization. Internally, however, the customer experience is often fragmented across units that make sense only from an operational perspective. Because of these silos, providers often subject consumers to inconsistent messaging and interactions across multiple channels. In some

cases, consumers are left feeling that their energy provider is three or four separate companies rather than one integrated organization.

Many integrated energy providers have separate organizations for core customer care, outage management, new connections and demand management programs. Each of these internal organizations often has a separate relationship with the consumer, a different technology system and a distinct view of channels—from mobile and call center to social media and customer service. The overall Web presence may be run through yet another group, such as corporate communications. Consequently, the goal of creating an integrated experience often falls short. In its place are exposed seams and fractured experiences: A customer service agent may be unaware of an online rebate for energy-efficient lightbulbs. Or different channels may contain conflicting outage information. In these and similar scenarios, consumers may simply click or walk away feeling frustrated and dissatisfied.

For retail energy providers, delivering consumer centricity can be even more challenging because key experiences such as outage communication fall outside their control. Nevertheless, a negative customer experience with a distribution operator can still have a negative impact on the consumer's next interaction with the energy retailer.

New consumer interactions related to distributed generation, electric vehicles and energy management products and services further highlight the need for more cross-organizational

coordination. With these traditional and new organizational silos often comes a fragmented technology landscape that makes a single view of the customer difficult to attain. That, in turn, affects not only the customer experience but also operating costs. As energy providers continue to offer new channels and interaction options, they are finding it increasingly difficult to maintain and upgrade multiple customer systems cost-effectively. While building isolated technology platforms may enable operations in the short term, over the longer term, isolated islands of data and processes will lead to internal inefficiencies and a fractured customer experience.

Consumer centricity is a mindset that requires a commitment to looking from the outside in—reshaping traditional operations to provide a consistent and engaging multichannel customer. Given the impact and complexity of internal barriers, incremental changes are unlikely to yield true consumer centricity. Driving step-change improvement will require an enterprise view of customer operations supported by integrated, consumer-centric operating models, technology and, most importantly, a customer champion.

Case in point: Transparent consumer centricity at Amazon

Founded in 1994, US-based online retailer Amazon is now a *Fortune* 100 company. The company's mission: "to be Earth's most customer-centric company for four primary customer sets: consumers, sellers, enterprises and content creators."⁶⁷

Amazon's consumer-centric approach is built around the idea of transparency—that consumers will view the company as "helping and empowering" rather than "selling."

Amazon also focuses on data analytics and consumer insight, which it applies directly to consumers' online shopping experience. Its recommendation engines and single view of the customer remind consumers of previous purchases and provide suggestions based on similar profiles.

Additionally, Amazon relies heavily on website browsing behavior to augment the customer experience. It is able to provide a shopping experience that makes purchasing items easy, secure and engaging. Furthermore, Amazon has customer service centers that seamlessly link phone interactions with the online experience.

By doing a few channels extremely well, Amazon has proven that keeping it simple can improve consumer interactions while supporting remarkable cost-effectiveness.



An enterprise state of mind

Traditionally, the focus of the customer experience has been core customer care. To achieve consumer centricity, utilities should broaden their viewpoint. Across market and regulatory environments—and regardless of whether they control every aspect of the customer experience—utilities must take an outside-in view and organize accordingly.

A consumer-centric organization makes decisions that balance performance and consumer expectations. In other words, it builds and designs channels and offers with cost, revenue and overall customer experience in mind. This capability requires a single, holistic view of the consumer, as well as advanced customer analytics and technology platforms that

intelligently deliver targeted messages across channels. With those capabilities, consumer-centric organizations are able to support highly tailored interactions and consistent experiences across interactions, channels and consumers.

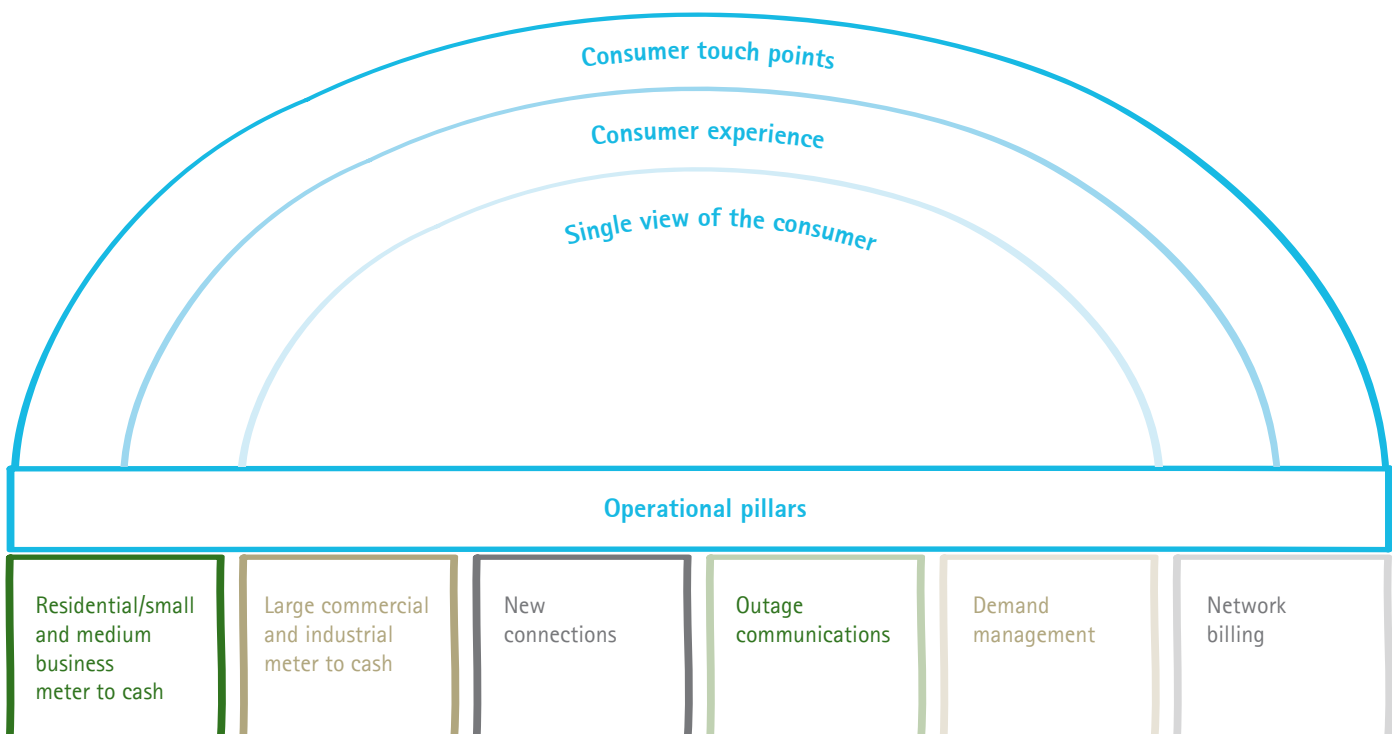
An enterprise mindset incorporates the consumer's perspective, values and actions into business and operations strategy, capability development and operational execution. This drives not only consistency, but also simplicity inside and outside the organization. In doing so, a utility can improve consumer engagement and build loyalty—ultimately driving top- and bottom-line business performance.

The enterprise view defined: Becoming customer relevant

For energy providers, taking an outside-in view and putting themselves in the consumers' shoes is the first challenge. The next challenge—delivering a positive consumer experience—is more difficult and sometimes requires a radical rethink of the way business is conducted. This, in turn, requires a holistic approach encompassing everything from strategy and operating model design to governance and execution.

Accenture's model for enterprise customer operations (see Figure 7) combines four elements to create a consumer-centric view predicated on people, processes and systems:

Figure 7. A model for enterprise customer operations.



- **Consumer touch points:** All of the available consumer channels through which an energy provider may interact with consumers. Beyond channels, this also includes all touch points a provider could have with a consumer including field agents and potential partners.
- **Consumer experience:** Delivery of the designed experience by executing tailored treatments, including a single governance structure and defined organizational responsibility for the customer experience. Accenture believes that this critical organizational function can make or break a transformation to consumer centricity.
- **Single view of the consumer:** A single, thin-layer technology platform and data repository that provides an integrated and holistic view of the consumer. This technology layer supports all parts of the organization and is a single source of the truth for consumer information across operational pillars.
- **Operational pillars:** Operational functions to support consumers of integrated utilities, distributors and retailers. Depending on market and regulatory framework, many energy providers will have one or many organizational units that interact with end consumers. These functions may include meter-to-cash, new connections, outage communications, marketing and corporate communications, demand management and network billing.

All units should be governed by a single customer system and standard processes to deliver a customer experience that is consistent across touch points and relevant at every "moment of truth." Establishing a seamless approach to the customer experience through all available channels is what Accenture calls "omni-channel." In an era in which consumers are increasingly using multiple channels and devices, sometimes at the same time, energy providers will need to bring the omni-channel concept to enterprise strategy. In other words, it is not enough to maintain a strong presence in each channel; true consumer centricity requires a fully connected, cohesive experience that seamlessly transitions across channels and from one touch point to the next.

For inspiration, energy providers can look to other industries:

- Starbucks leads the way in connecting the dots across in-store, online, mobile and social media environments with a common language, look and feel, philosophy and commitment to personalization and intent-based options. Whether interacting with Starbucks on Twitter, through mobile applications, an online portal or in a store, consumers receive a consistent experience. The integration of mobile payments, loyalty rewards, and even the ability to download applications, books and music through the Starbucks mobile application, offers a seamless and enticing experience across devices and channels.⁶⁸

- For decades, LEGO has been the dominant manufacturer of interlocking bricks for children. As playtime has increasingly shifted to the digital frontier, the Danish company has introduced new capabilities. What used to be just a box of plastic bricks is now a multichannel experience that neatly adapts the timeless LEGO product to the high-tech tastes of today's consumer. LEGO's operating model enables connectivity, creating links between its traditional, store-bought products and new, flashy digital channels and services. Children can learn to build like the pros through an MBA ("Master Builder Academy") program, which sends new models with special building instructions directly to subscribers' homes every two months. The program also allows builders to show off their creations in an online community. Through apps, teens can test their building skills and challenge their friends to "build-offs" using their phones and tablets.⁶⁹

Operationalizing consumer centricity: The chief customer officer

As part of the journey to mastering consumer relationships and becoming an outside-in organization, providers will require a point of accountability, which may take the form of a chief customer officer (CCO). Under this model, responsibility and accountability for consumer interactions remain with each touch point, but the CCO assumes ultimate responsibility for ensuring the consumer is at the heart of key decisions.

The CCO is also responsible for crafting a customer experience governance structure, which all operational pillars must follow when developing inbound and outbound consumer interactions. Moreover, the CCO is the true experience engineer—taking consumer insights, developing a strategy and assuming responsibility and accountability for ensuring organizational and cultural alignment across the business.

Although the CCO role is still evolving, it is already clear that implementing this function can be instrumental in creating a consumer-centric organization. It sends a strong internal and external message that the consumer is a strategic priority. The CCO function also becomes a powerful asset for resolving consumer issues, creating sustainable competitive advantage and driving profitability through an effective consumer strategy.

Make it a dedicated function

Introducing a new executive-level role is easy; driving real change in the organization is often anything but. While many providers have introduced a CCO who acts as a customer service or process lead, Accenture's experience has shown that the CCO can be effective only when that individual is a dedicated resource with authority over the entire consumer value chain.

To improve the overall customer experience, the CCO must be able to examine and drive improvements in any process and at any touch point. Thus, the CCO needs to be more than a process owner and must also have the credibility and authority to be an influential change agent. As such, it is likely that the CCO will not fit neatly into an energy provider's existing organizational structure. Rather, the CCO's responsibility and authority will cut across organizational pillars, shift the power base of the organization and introduce matrixed reporting relationships.

Consider a team approach

Of course, creating accountability for the customer experience does not have to equate to a single person. Many utilities operate under a decentralized structure that confines business objectives and reporting relationships within functional silos (demand management, outage communications and customer operations, for example). Within the customer organization, roles are similarly aligned to and evaluated based on functional areas, such as contact centers, rates and tariffs, or marketing and sales. Recognizing that each area has an impact on the consumer, some energy providers have moved toward a coordinated structure.

Such a structure brings together business departments under the umbrella of a centralized governing body responsible for the consumer. This governing body essentially functions as the CCO and is responsible for coordination across the business. The body can act as an integrated point of accountability for areas such as consumer research, customer experience design and consumer delivery activities. For this approach to work, departments must have coordinated reporting with targets, joint ownership of metrics and clear responsibility to the governing body. Indeed, energy providers have formed a range of successful initiatives—from customer councils and customer experience boards to customer

satisfaction committees. Naming the body is not what matters; the key is bringing together consumer-facing functions, creating accountability to particular metrics and then driving—and measuring—coordinated improvement initiatives.

Realign around consumers

Some energy providers have decided that having a CCO or coordinated group is still not enough. Such providers are breaking down functional barriers and establishing ownership for specific consumer segments. Thus, profit-and-loss reporting, customer satisfaction and other operational metrics are measured at the consumer level and roll up to segment owners. With this approach, an energy provider is not merely placing a generic consumer at the heart of its operations; it is aligning its business around specific consumer segments.

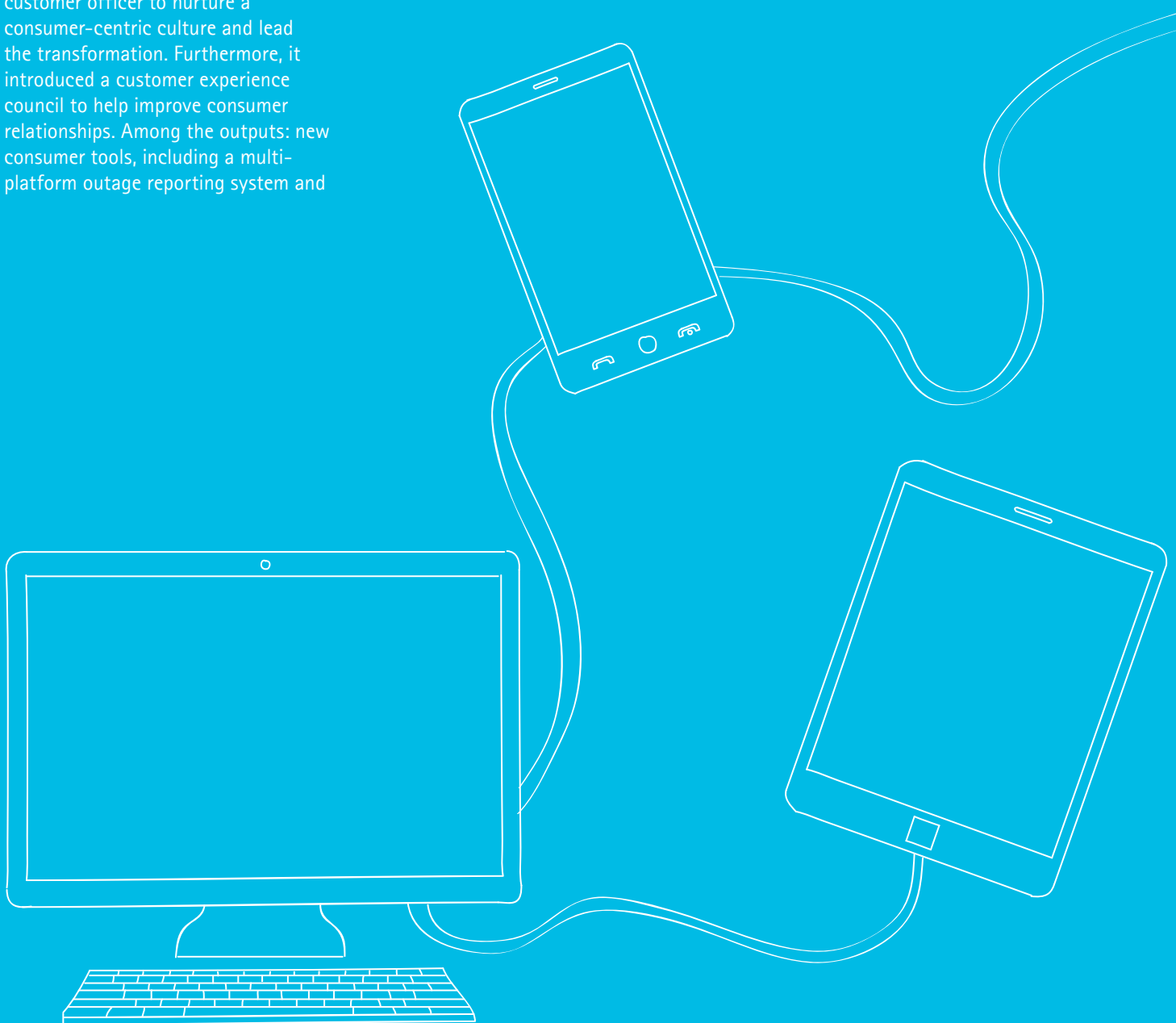
Of course, no single approach is right for every energy provider. Whether an organization appoints a CCO, forms a customer council or restructures around enterprise customer operations, the support of the CEO and executive team is critical. Every provider must identify a champion to drive the consumer vision and strategy for building customer loyalty and increasing profitability. Equally important is fostering a consumer-centric culture—weaving the consumer into the fabric of the organization and empowering employees with the authority they need to drive real change to truly establish enterprise customer operations.

Case in point: Oncor puts the consumer at the center of operations

After Texas deregulated in 2002, electric distributors in the state no longer had ongoing contact with end consumers. In spite of these changes, Oncor, a transmission and distribution provider with more than 10 million customers, re-established a consumer-centric operating model to improve customer contact.

In 2010, Oncor established a chief customer officer to nurture a consumer-centric culture and lead the transformation. Furthermore, it introduced a customer experience council to help improve consumer relationships. Among the outputs: new consumer tools, including a multi-platform outage reporting system and

interactive outage maps that enable consumers to choose their method of interaction. By tackling these and other initiatives—such as interactive voice recognition (IVR) redesign, social media and mobile features—Oncor is taking a disciplined and forward-looking approach to consumer centricity.⁷⁰



Consumer centricity at a technology level

When it comes to enterprise customer operations, technology can be a powerful lever for breaking down organizational silos. Applying a common customer IT system—such as a CRM or customer information system (CIS)—can drive creation of standard processes for consumer interaction.

In Accenture's view, a common technology layer should fit over the operational pillars and include a single view of customers for:

- Contact and channel interaction management.
- Case management.
- Customer advocacy.
- Campaign management.
- Consumer insight and segmentation.

With a common layer, companies can automatically flag incoming calls with information from cross-channel interactions. With that insight, the system can prompt the agent to deliver relevant messaging or offers. The result is a more personalized interaction.

The common layer should also be used to harness the power of reporting and analytics. Tools that provide a 360-degree view of customer profile information, preferences and behaviors provide a more complete understanding of consumers. By building on such a foundation with predictive modeling and next-best-action decision tools, an energy provider can anticipate a consumer's needs or actions, tailor messages and offers to deliver a differentiated experience.

Creating a blueprint of consumer data is a good starting point. Continuously collecting and managing this data requires integration across multiple data sources, including those housed within the organization and those offered by

third parties. Ultimately, developing a single source for consumer information, collected across multiple channels, is the ingredient that will support the move from intuition to data-driven insight.

Starting the journey

The consumer expectation of seamless interaction will only increase, and energy providers will need to bring an omni-channel mindset to developing enterprise strategies. What once seemed like a prudent structure—one with discrete processes, databases and teams designed for efficiency—may increasingly prevent many providers from coordinating interactions and over time lead to stagnated customer experiences and satisfaction.

Energy providers can begin the journey by taking steps toward truly developing enterprise customer operations—stepping back to consider across the organization:

- How are you responding to the digital energy consumer market?
- How well do you know your consumers?
- Just how loyal and engaged are your consumers?
- Is your customer experience differentiating or diluting?
- What dictates the customer experience—internal capabilities or consumer expectations?
- Who is accountable for the customer experience across fragmented operations?
- Are you approaching consumer interactions from an omni-channel perspective?
- From a consumer perspective, where are the fractures in the experience?
- With new additions to the experience, are legacy holdovers also removed?
- Is simplicity in operations and in the customer experience a key driver of change?

With the answers to these questions in mind, energy providers can begin to take steps to reshape enterprise operations. Focusing on simplicity and developing an omni-channel approach will help to better align the organization with the experience consumers expect.

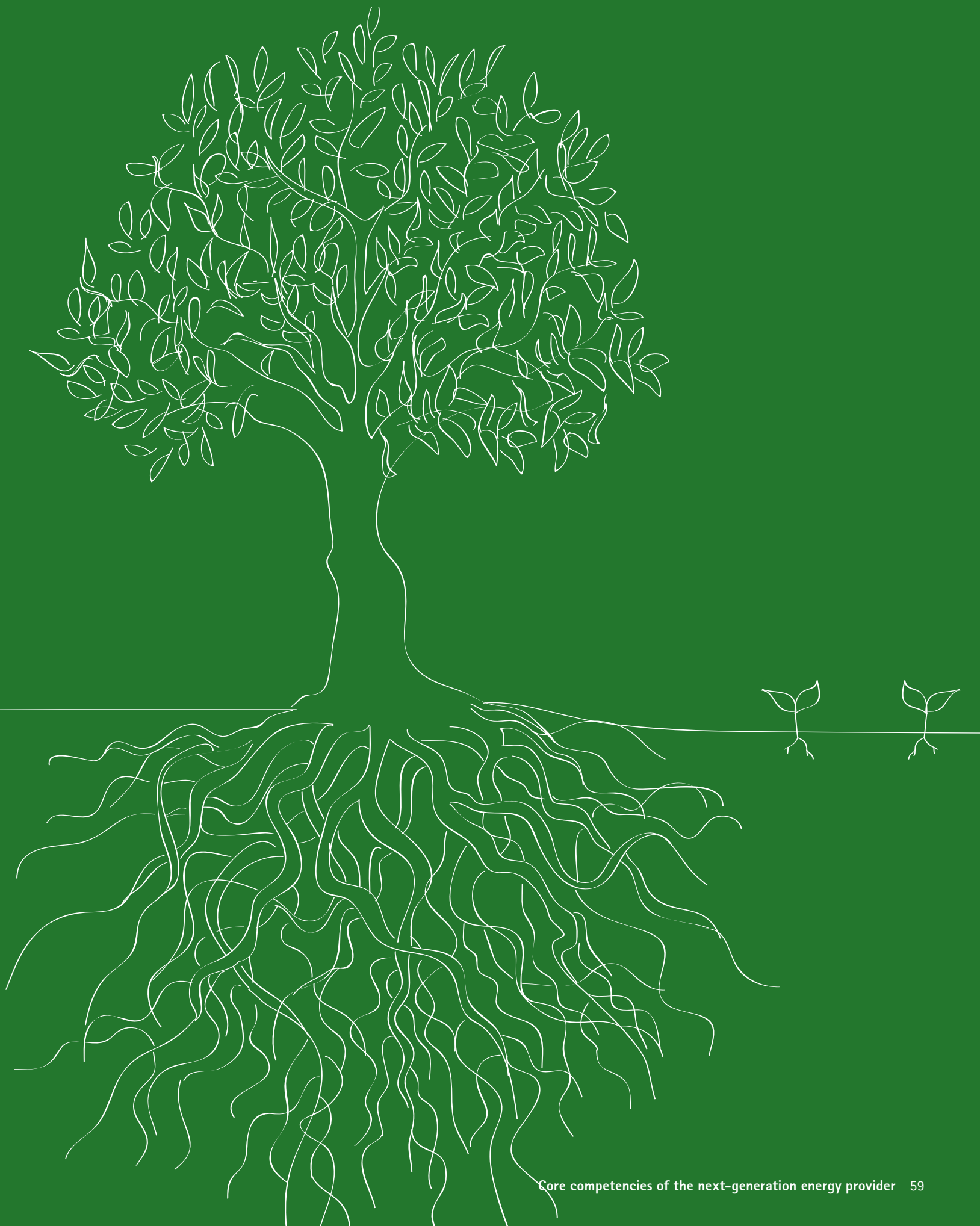




5 Core competencies of the next-generation energy provider

To succeed amid the forces shaping the marketplace and become more consumer-centric, providers should embrace a focused, staged approach to strategically building and enhancing core competencies for the future. Providers that balance the operational needs of today while evolving to meet the requirements of tomorrow will be positioned to deliver step-change improvements—regardless of the market situation.





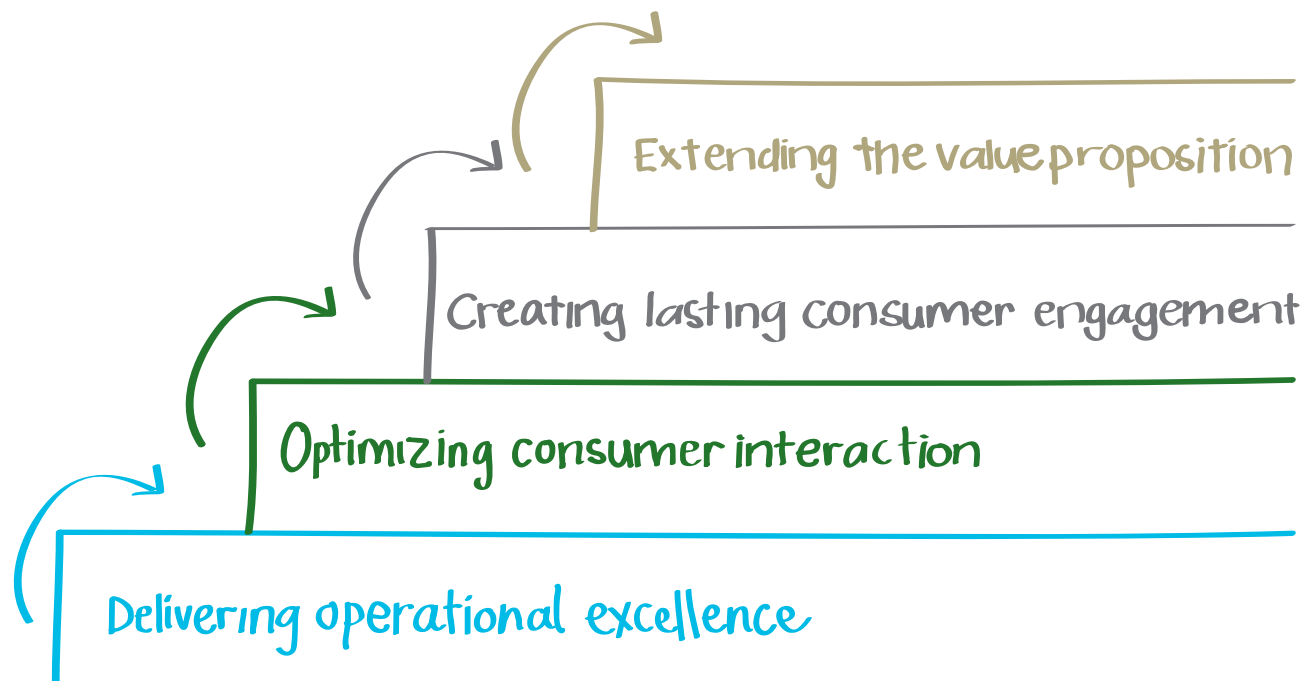
Changing consumer preferences, new technologies, converging industries and shifting government and regulatory environments are creating a landscape where the only constant is change and the only certainty is that energy providers of the future will not look the same as utilities of today. This is one of the most challenging, and most exciting, eras in recent history.

Four core competencies

As with any major transformation, knowing where and how to start can be difficult. To help energy providers envision a path forward—regardless of market type or other variables—Accenture has identified four core competencies that will be central to success in the future.

Although many utilities currently have elements of these competencies in place, it is the holistic culmination of the four core competencies that will define the next generation of customer operations (see Figure 8).

Figure 8. The four core competencies of the next-generation energy provider.



1. Delivering operational excellence

For utilities, operations has always been a critical area of focus. Many providers have worked diligently to streamline operational processes, trimming costs and putting in place strong measures and controls. However, over time, many providers have also continued to add new features, functions and processes. In many cases, this has created layers of complexity, cost and a stagnated customer experience that today limits agility and drives consumer dissatisfaction. Operational excellence remains an elusive goal and a key competency that will help to entrench an operational mindset of simplicity, efficiency and agility. Accenture's experience has shown that focusing on consumer "dissatisfiers" can drive as much as 30 percent of a utility's controllable operational costs. With this new lens for viewing operational excellence, utilities have a significant opportunity to reduce costs, improve customer satisfaction and establish the fundamentals that enable more nimble and flexible operations—key characteristics for the new energy marketplace.

2. Optimizing consumer interaction

In recent years, there has been a profound shift in the possibilities for consumer/utility interactions. An ever-expanding set of channels and consumer devices has changed the traditional interaction paradigm. Many energy providers have established effective self-service and digital capabilities. Unfortunately, such efforts are creating an increasingly fractured customer experience that may actually be driving up provider costs and consumer frustration. Using consistent, easy-to-use channels, energy providers will need to develop a cost-effective mix for consumer interactions.

3. Creating lasting consumer engagement

Historically, utilities have had a low level of interaction and a low-value relationship with consumers. Engagement has been driven primarily by negative triggers, such as high bills and outages. Today, a number of factors have converged to make consumer engagement a new imperative. The definition of consumers is fundamentally shifting from "bill payers" to a much more complex and diverse set of energy users. At the same time, introduction of more complex products and services is fueling a renewed need for tailored, in-person education and sales interactions. Whether to meet energy-efficiency goals, drive new revenue opportunities, achieve cost efficiencies or improve satisfaction, energy providers have growing opportunities to deliver more tailored experiences that contribute to sustained consumer engagement and loyalty.

4. Extending the value proposition

The convergence of technologies and industries is redefining energy. Once just a commodity, energy is evolving to become a consumer product with a range of other value-added products and services emerging. Energy providers now have access to enhanced revenue and engagement opportunities supported through compelling consumer value propositions and advanced products and services. However, extending the value proposition will require energy providers to develop a new mindset of innovation and agility that manifests in consumer-oriented offerings.

Staging competency development

Today, each energy provider maintains a unique set of competencies, differing based on past strategic areas of focus and operational strengths. Many providers have focused significant efforts in particular areas, such as developing leading self-serve channels. While providers have often achieved results in these particular areas of focus, they typically have not seen step-change improvements across operations.

With the sense of urgency driven by the evolving marketplace, some providers may be tempted to tackle all four core competencies in tandem. Accenture's point of view, however, is that there is a sequence of priority. Utilities should focus on getting the basics right by first building a strong operational foundation to support further layers of competency development. It is difficult to gain value from new products and services if operational challenges such as billing accuracy or first contact resolution remain. Jumping too quickly into developing more advanced competencies may pose significant challenges to utilities. It is a classic case of walking before running: The basic foundation must be strong before shifting focus to innovative new initiatives. Without a strong operational foundation, the development of core competencies is likely to become bogged down in existing challenges—delaying benefits and hindering the ability to launch and operate at scale.

And yet, with the market changing fast, utilities cannot afford to stand still or move slowly. Accenture believes utilities can benefit from quickly and decisively developing core competencies. Exactly how a utility starts and the speed of development may vary depending on its current state, capacity for change and market context. Some may opt to develop core competencies while taking steps toward establishing new business models and revenue streams; others may be facing so much uncertainty that drastic shifts simply are not feasible. For all utilities, regardless of current state and no matter the approach, building these core competencies represents a regret-free investment strategy.

The path forward

Energy providers must take a structured approach to developing an actionable business blueprint and roadmap that will move the organization from current state to future state. Adding layer upon layer of new capabilities is unlikely to drive improvement and in the long term will create organizations that are unable to adapt to marketplace change and disruption. There must be a discipline of simplicity applied to a roadmap that may span years.

The chapters that follow dive deep into each competency, exploring the trends reshaping every provider's operations. To illustrate some critical facets of each competency, Accenture has included articles on, among other topics, succeeding with operational analytics, optimizing channel strategy, engaging consumers with gamification and developing new product and service innovations. These articles include case examples from leading providers worldwide within and outside the energy industry to provide enticing and inspiring glimpses into what is possible.

Of course, while ideas and examples are valuable, hard facts are also critical to planning a detailed roadmap for the future. In defining and describing the four core competencies, findings from Accenture's New Energy Consumer research program provide an outside-in perspective drawing on insights from four years of market and consumer research.

Ultimately, the "core competencies of the next-generation energy provider" offer an actionable framework for a focused and pragmatic approach to envisioning the future, as well as inspiration for creative new strategies to capture and create value today and tomorrow.



Case in point: Using technology as a strategic enabler

In the past, utilities could count on a relatively stable consumer base, a defined set of products, a fairly static set of processes and a limited number of channels to integrate and support. Consequently, many implemented large, often rigid technology systems. Today, these technology environments may be unable to support development of core competencies for the future.

As technology, consumers and the marketplace evolve, most utilities will need to assess and likely modify their existing technology platforms. The evolving energy marketplace demands flexible solutions that can provide deep operational and consumer insights. Energy providers will also need systems that can quickly adapt to support new interaction channels, additional products and services, or integration with partners—all while providing a single view of the consumer.

To that end, CRM systems are emerging as a core enabler for many utilities in regulated and deregulated markets. Utilities can no longer lean on their billing systems as a de-facto CIS and contact tool. CRM systems can help providers analyze and segment the consumer base, yielding insights into what consumers want and how they behave. With this knowledge, providers can optimize the design and launch of products and services, as well as tailor treatments to specific consumer groups to improve revenue opportunities and cost to serve. Further, CRM systems can help utilities create a full view of each consumer—empowering more effective monitoring of marketing and sales campaign performance, improved take-up of programs and optimized channel utilization.

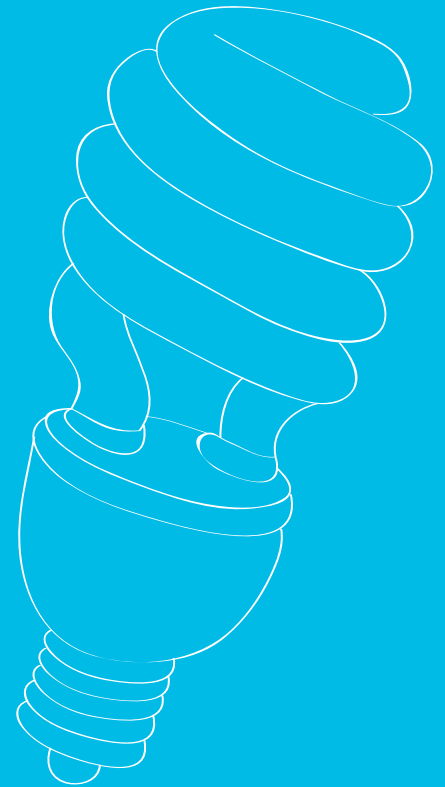
In many cases, a CRM system alone may not offer the full set of technology enablement required for success. To drive operational efficiencies and meet employee and consumer expectations, many providers will also need to look to more advanced workforce planning tools, knowledge management applications, workflow management solutions, collaboration platforms and consumer-facing Web portals.

As technology has evolved, so has the ability to analyze and design integrated business cases to capture capital and operational costs while providing better insight and assumptions around potential benefits. Thanks to greater business awareness of the hidden costs of process inefficiencies and outdated business models, utilities have new opportunities to develop business cases that support a positive return on investment.

In addition to adopting new types of systems, energy providers can also benefit from embracing new approaches to purchasing and managing technology. Cloud, software as a service (SaaS) and managed service solutions are increasingly viable options for utilities. SaaS and managed service solutions allow a provider to maintain low costs by avoiding large up-front investments and paying only for the required capacity. Additionally, such solutions are inherently flexible, enabling an organization to deploy, ramp up and ramp down quickly and relatively easily. Enhanced responsiveness typically translates into faster time to market. Though still relatively new, emerging cloud-based CRM and billing platforms are gaining momentum as an option for providers seeking flexible, scalable technology solutions to support entry into new markets or pilots of new products and services. For example, Ferranti, a Belgium

based software company, has developed MECOMS™, a business support system for energy and utility companies built on Microsoft Dynamics AX. The platform offers a flexible cloud-enabled solution with a familiar Microsoft user experience.

In the evolving energy marketplace, change is the only constant. Energy providers need to identify the capabilities they need today and in the future, and enable them through cost-effective, agile technology.



Spotlight: Accenture's High Performance Utility Model

Accenture developed its High Performance Utility Model based on more than four decades of experience working with more than 400 utilities around the world. Reflecting the entire scope of the business, the model provides a framework for identifying, assessing and addressing the strategic capabilities required to help achieve high performance across business models (see Figure 9).

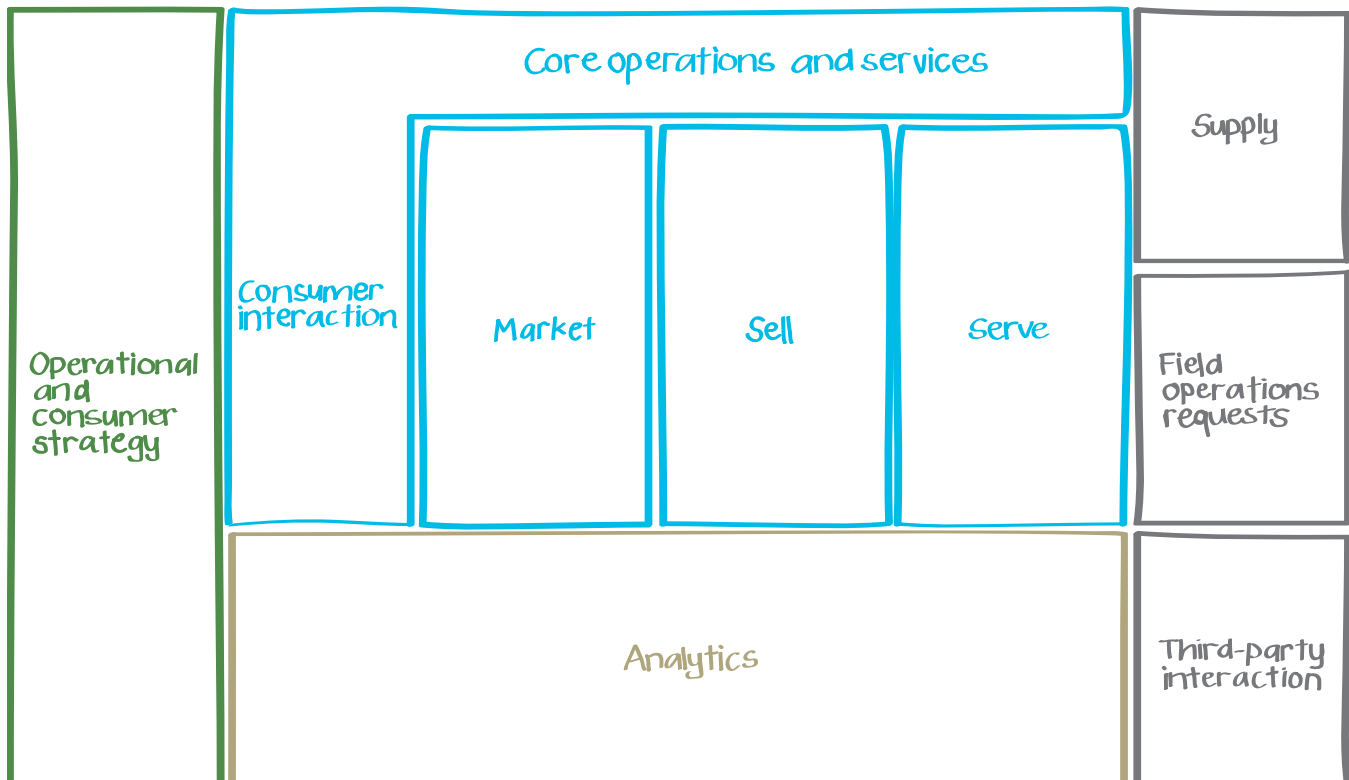
Our High Performance Utility Model brings together global leading practices, established business processes and key performance indicators for traditional and smart metering operations, as well as proven solution architectures that constitute the detailed capability model. The framework guides the optimal configuration of governance and organizational structure required

to support existing and future-state capabilities and processes. The model is based on experience from hundreds of client engagements around the globe, as well as Accenture's owner/operator perspective developed through Accenture Utilities Business Process Outsourcing (BPO) Services.

The High Performance Utility Model forms the foundation for a core competency development roadmap by:

- Providing a leading-practice model.** The High Performance Utility Model provides reusable utility capability definitions and end-to-end operational processes that have been field tested through decades of consulting and operational experience. In addition to distilling cross-industry and utilities BPO experience, Accenture has built the latest capability definitions with smart meter-enabled customer operations in mind. The model can be used to identify the core capabilities of today and tomorrow.
- Evaluating current performance.** The model provides a transitional and target operating state with corresponding capability levels of mastery. The benchmark repository enables utilities to understand the capability spectrum while providing tangible characteristics for prioritizing and measuring future development.
- Evaluating business process alignment.** The model's architecture contains more than 500 utility business processes and subplatforms for smart-enabled and traditional operations, offering a coherent baseline solution for smart technology process improvement projects. The business processes contained in the model integrate marketing, sales and service with other operational capabilities to form a consumer-centric organization driven by consumer insight. Accenture has incorporated its deep industry experience in process design and its process excellence knowledge into the model.

Figure 9. Accenture's High Performance Utility Model.



- **Focusing the project scope.** The model builds an integrated view of capabilities and processes across and within high-level business platforms. The result is a holistic picture of the impacts of new initiatives and business strategy choices. While the top level shows distinct platforms and capabilities, the linkages and process flows between capabilities are identified and detailed within the process library. This approach helps utilities focus on projects with high-value processes—identifying initiatives that will have the greatest impact.
- **Integrating with a holistic view of the utility business.** The High Performance Utility Model for customer operations links with corresponding models for generation, transmission and distribution, and corporate services. This coordination provides logical integration points and a comprehensive, end-to-end process view for a utility encountering disruptive change.

Using the High Performance Utility Model, utilities can help to envision their desired future state, assess current performance and understand the competency gaps that must be addressed to create a long-term foundation for success.

About Accenture's High Performance Utility Model

In developing the High Performance Utility Model for customer operations, Accenture has distilled extensive resources, knowledge and experience:

- Proactive management by dedicated resources of the comprehensive key performance indicator and benchmark repository
- More than 20 years of experience in CIS consulting and implementation
- More than five years of experience in smart metering and beyond-the-meter products and services at utilities in Australia, Asia, Europe and North America, including implementing smart metering operations and advising on demand-side management and energy-efficiency programs
- More than 10 years of customer care outsourcing, as well as owner/operator experience
- More than \$10 million in R&D investment over the past five years
- A dedicated team of industry and subject matter professionals who regularly support, refine and update the model while liaising with project delivery teams on the ground
- Experience with gas, electricity, water, wastewater and nuclear energy providers in both regulated and deregulated markets
- Input from cross-industry specialists bringing leading practices and insights from a range of other markets and organizations
- Global steering committee of senior Accenture personnel and select clients around the world who lead design and additions to future iterations of the model
- Third-party verification of the model from operational and technical industry leaders

5.1 Delivering operational excellence

In preparing for the future, a utility may be tempted to jump quickly into designing new channels, advancing consumer engagement or unveiling innovative products and services. But providers must not forget the basics: consistently delivering optimal quality and performance at the lowest possible cost. Even with such fundamentals in place, providers need to streamline governance and bring new levels of discipline to applying operational excellence principles to deliver continuous improvement. Over time, these investments pay dividends, driving operational simplification and increasing business agility.

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Competency in brief:

Delivering operational excellence

The term "operational excellence" has been around for a long time, and definitions vary widely among utilities. Although often used to describe process simplification, standardization and elimination of waste, operational excellence is much more than streamlining processes or cutting costs.

Accenture views operational excellence as a comprehensive discipline that delivers measurable, repeatable and predictable business results through continuous improvements in effectiveness and efficiency. And yet, operational excellence is not simply about doing the same things better; it also addresses the way the business is set up and how the work is executed on a day-to-day basis. In this way, operational excellence is about creating a foundation for simple, agile operations today while taking a forward-looking view focused on generating value over the long term.

Operational excellence offers a disciplined framework for carrying out daily operations while implementing a continuous improvement cycle—helping energy providers stay attuned to external market changes and internal performance insights. Streamlined governance combined with discipline in daily operations confirms that actionable insights are derived and fed back into operations, thereby optimizing the organization as the business evolves and matures.

For today's utilities, operational excellence is becoming even more essential to driving business value, and applications of operational excellence concepts and practices are being applied equally to the front office, back office, IT and operations. Many utilities have strong components of operational excellence and have focused investments in improving a range of operational processes. Despite these strengths, few would say current operations have the agility, transparency and cross-functional integration required for success. In fact, across many providers' operations, years of improvement projects have added new process steps, new applications and new organizational functions, ultimately adding complexity. So while processes may have been streamlined in the name of operational excellence, they remain weighed down by layers of history.

Within this context, operational excellence should be more than just cost cutting. Energy providers must embrace it as a discipline to drive greater operational simplicity—questioning business as usual and challenging long-held practices with the goal of establishing a solid foundation on which to build additional competencies.

The necessity of operational excellence

In general, energy providers' operations must be simplified to become more flexible and agile in order to consistently respond to ongoing changes in the energy marketplace (see Figure 10). Cross-functional capabilities and end-to-end process integration are increasingly critical to deliver consistency and transparency. Increasingly, decisions must become more distributed, data-driven and customer-centric.

For energy providers, operational excellence is also an important lever in achieving these goals and integrating previously siloed functions to serve common business goals. By focusing on the basics, energy providers can achieve significant and measurable performance improvements in flexibility, speed to market, quality, reliability and customer value. After all, even the best service offering will not deliver value if a provider cannot sell and support it well. Nor does it matter that front-line customer-facing functions are exceptional if a provider cannot deliver at the point of service. In short, success results when the operational whole is greater than the sum of the parts.

In many cases, operational excellence can allow organizations to work smarter instead of harder. Understanding root causes of work can help to identify policies, channels and processes that may create little value but take up large amounts of operational time. In these cases, eliminating or automating low-value work not only reduces cost but also frees agents and management to focus on higher value and more complex challenges.

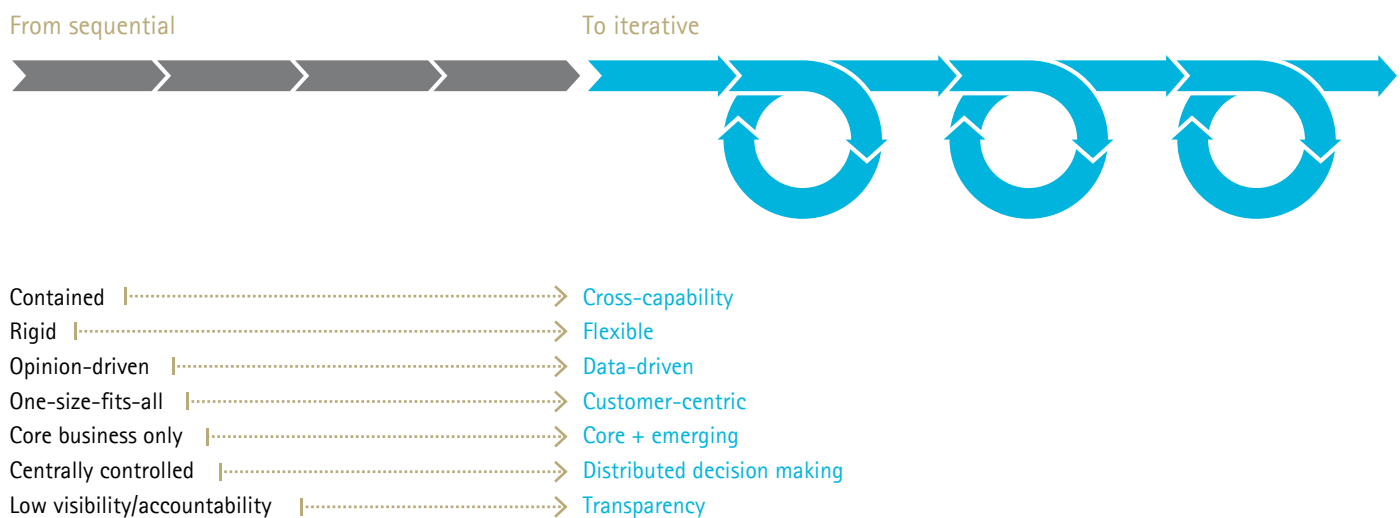
Removing consumer dissatisfiers

Although customer satisfaction is a key metric and consideration for utilities, improvement programs often fail to deliver significant results. Accenture's experience has shown that up to 30 percent of controllable operational costs are driven by a utility's efforts to manage dissatisfaction. From broken processes and poorly communicated messages to unmet expectations, it is often failing on the basics that impacts customer satisfaction the most. Areas that dissatisfy consumers not only point to opportunities to improve the customer experience but often highlight critical operational inefficiencies that are draining resources and consumer goodwill.

Accenture's research has shown that areas—such as price stability, reliability, service quality and perceived accuracy of the bill—can be critical drivers of dissatisfaction. *Delivering the New Energy Consumer Experience* also clearly shows that getting the basics right is critical to driving satisfaction and to building consumer trust. When it comes to perceived bill accuracy and easy-to-understand pricing information, gaps of 11 percent and 22 percent, respectively, highlight opportunities for improvement (see Figure 11).⁷¹

By focusing on eliminating dissatisfiers and understanding consumer expectations, energy providers will be able to more cost-effectively target high-potential areas for improvement. In some cases, consumers have particular service expectations when it comes to their energy providers. Accenture's Consumer Tolerance Survey shows that unlike other service providers, for energy providers, first-contact resolution (FCR) is the bottom line when it comes to satisfaction with an interaction. In fact, in scenario testing with consumers, FCR always overcomes longer wait times, being put on hold or being transferred.⁷²

Figure 10. High performance is increasingly driven by taking dynamic new approaches to operations.



This example highlights the importance of understanding where to focus improvement efforts to fix dissatisfiers and where there may be opportunities to reduce costs by targeting particular areas of customer service that have significant impact on customer satisfaction.

Making analytics part of business as usual

Understanding where there are operational bottlenecks or experiences that are driving dissatisfaction is not always an easy task. Increasingly, operational and consumer insights fueled by analytics are a cornerstone of operational excellence.

While many utilities currently have ambitious plans for data analytics, the data management, technology and talent requirements often take years to establish. However, by focusing analytics tools and talent available today on targeted business outcomes, providers can drive business improvements and begin

to build a culture of data-driven decision making. This focused approach can help to drive specific business outcomes; the additive impact of which can fuel significant results across operations.

At the same time, many energy providers will need to explore new operating models to get the most from analytics. With analytical talent in short supply, not just for energy providers but across industries, Accenture believes that a center of excellence model that establishes a team of analytical specialists is an effective approach. The central team can help verify consistency of analysis and data management while also supporting analytics talent embedded in functional business units.

Regardless of the approach, it is clear that analytics and operational excellence increasingly go hand in hand. Data delivers insights that lead to improvements that are measured and tracked, and so the cycle of improvement continues.

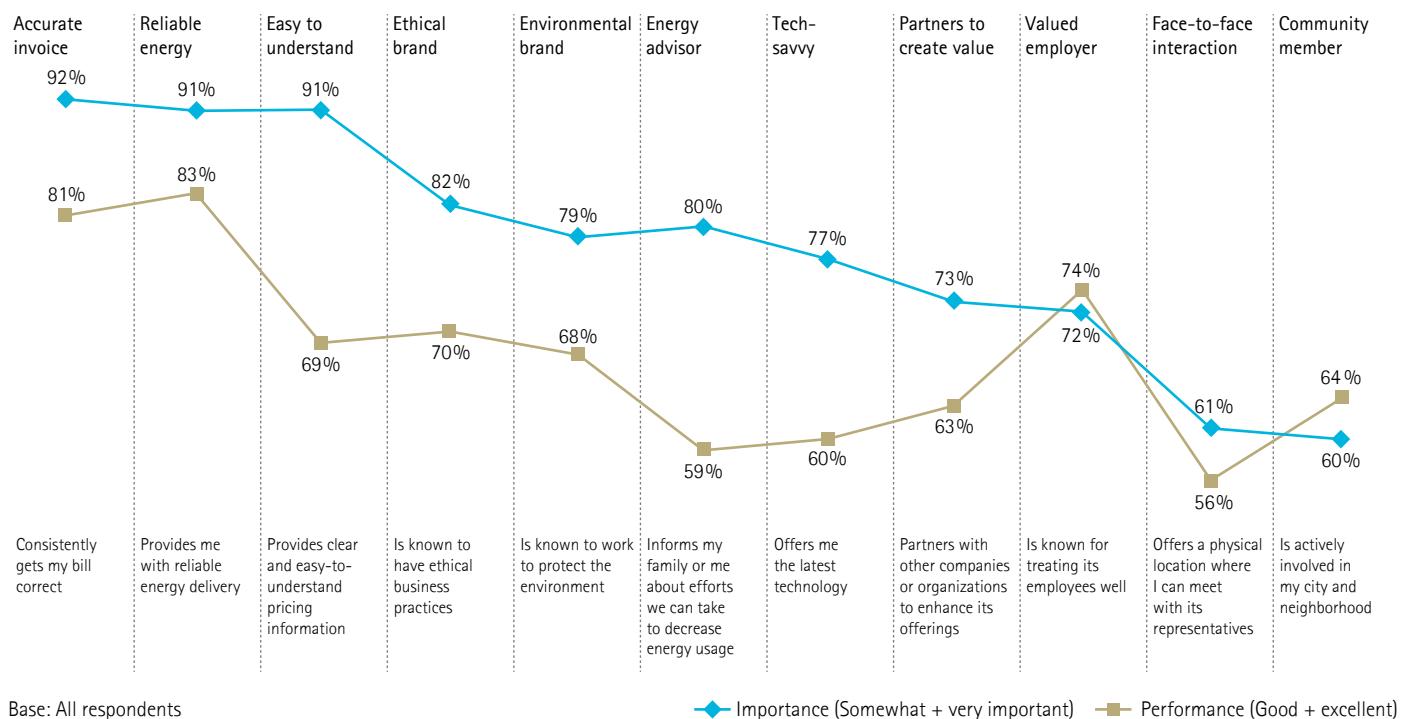
The bottom line

Moving forward, strong core operations and getting the basics right every time are becoming increasingly important. Creating a discipline of operational excellence enabled by data and insights can help to deliver cost savings while also helping to simplify operations. Any provider without this operational foundation will likely be hindered in the ability to create sustained differentiation and to move with speed and certainty.

The following pages offer additional insights into some critical areas that support operational excellence. Topics include demonstrating speed to value with operational analytics, the value of "little data," models for operationalizing analytics, and options for building smart-enabled back-office capabilities.

Figure 11. Operational basics are critical drivers of consumer trust in their energy providers.

How important are each of the following factors in building your trust with your energy provider?
Based on your experience to date, how would you rate your energy provider's performance on each of the following factors?



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Case in point:

Is low-cost customer satisfaction a myth or fact?

We Energies, the principal subsidiary of the US company Wisconsin Energy Corporation, with more than 2 million electric and natural gas customers in Wisconsin and the Upper Peninsula of Michigan, has driven successful customer operations results over the past five years. The transformation has been powered by a relentless focus on cost effectiveness and an internal corporate mantra of "We are Neighbors and Friends Serving Neighbors and Friends." We Energies has focused on three core areas to drive its customer strategy: customer culture, service differentiation and operational excellence.

Customer culture

We Energies is passionate about its customers. It believes in ensuring customers are satisfied during every interaction, whether it is in the field or on the phone. To drive a customer culture, We Energies has embedded customer satisfaction goals and incentives across the organization.

The CEO is actively involved, receiving feedback on customer satisfaction each day, and providing input to and oversight of the customer programs. The focus on customer satisfaction from the top has driven higher levels of performance throughout the organization. We Energies also understands that one in six of its customers knows an employee of the company and places community at the heart of its operations. The utility's "Cookie Book" is an example of this. Released each year during the holiday season, the Cookie Book is an 82-year-old tradition that connects We Energies to its customers in an emotional way. Whether it is leaving cookies after service calls or handing out books to thousands of customers at distribution events, We Energies taps into values that go beyond what is thought of as standard service.

Service differentiation

We Energies understands its customers by actively segmenting and providing differentiated treatment. Analyzing customer touch points, the utility maps out the requirements of every transaction to ensure high customer satisfaction. Segmentation also has helped We Energies develop its self-serve capabilities by linking system design to business outcomes. We Energies is not only proactive in its approach but also goes to greater lengths to ensure customers are satisfied after the fact. Through its WeCare program, employees in customer care are involved in following up personally with customers about everything from outage restoration to appointments. In fact, employees make more than 600,000 WeCare calls every year.

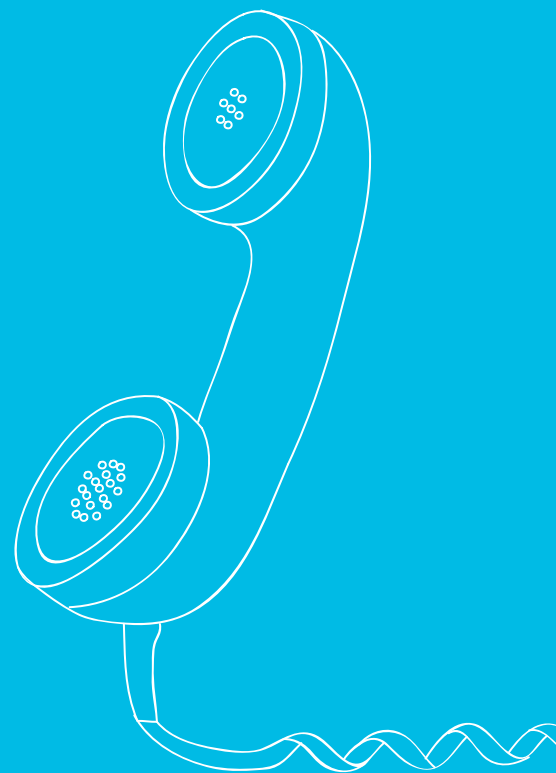
Operational excellence

Creating actionable and agile insight is the center of operational effectiveness at We Energies. The company monitors appointment scheduling to ensure the customer receives a reminder call the day before the appointment, another call while the field representative is en route to the premise and finally a call to make sure the field representative arrives on schedule. Daily reporting in the call center keeps staff members vigilant in confirming "we do what we say." If a customer is not completely satisfied with the service they received, the case is escalated to team leaders who call back the customer within two to four hours to ensure that issues are fully resolved. We Energies is paying attention to what customers are saying every day and taking action immediately. A focus on reporting has enabled We Energies to take every opportunity to verify that customers are satisfied.

The result

While it is important to recognize the need for new channels to connect with consumers in the digital age, We Energies has recognized that the underlying drivers of customer satisfaction exist across all interactions and touch points. The company also understands that excellent customer interaction does not necessarily mean added cost. The results of We Energies' focus on customer satisfaction include:

- A balance between high customer touch and operational effectiveness.
- Consistent first-quartile, industry-leading customer satisfaction ratings and overall reduced customer care call volume.
- Maintenance of costs in customer operations.
- Strong brand recognition and an engaged work force.



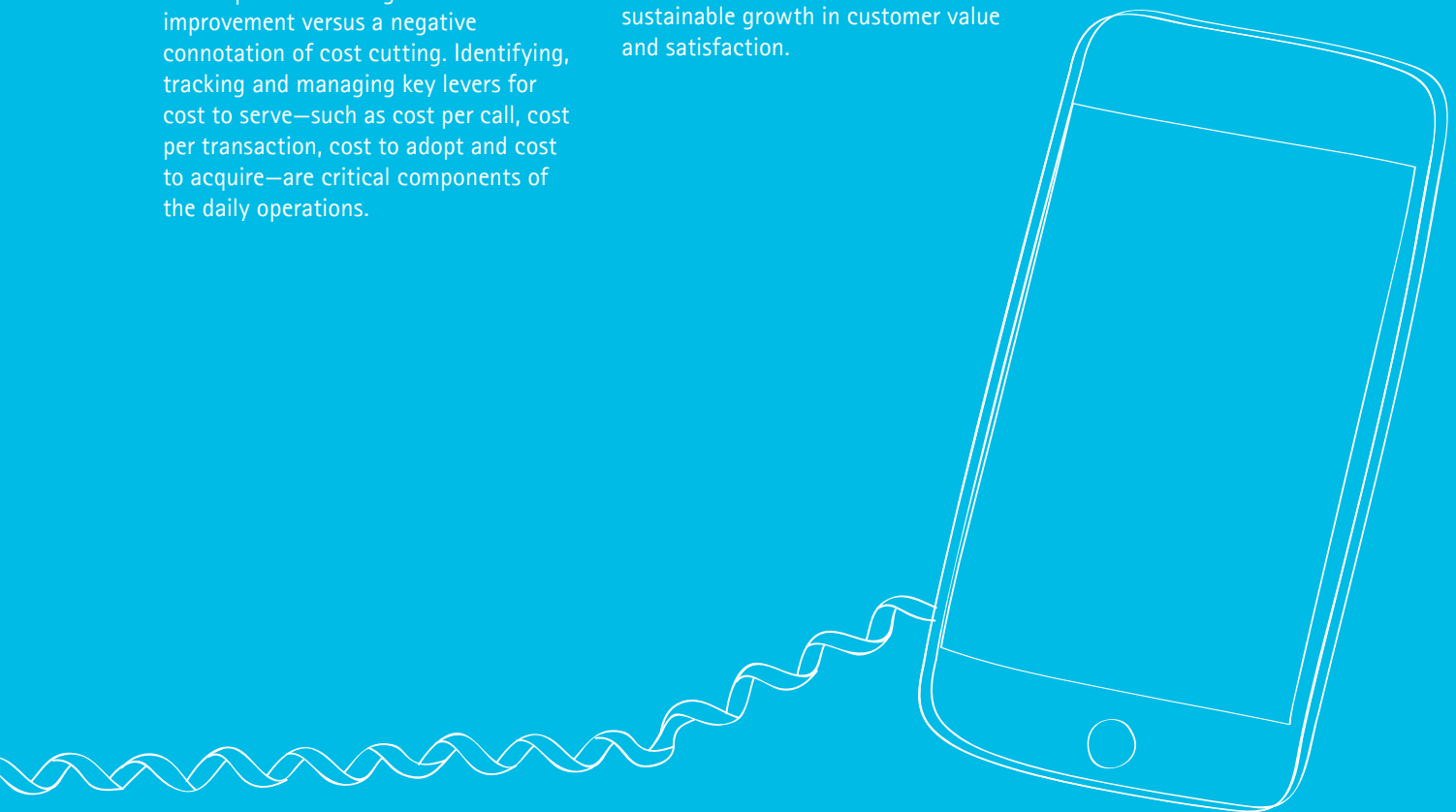
Case in point:

Focusing on strategic business outcomes for customer operations

As utilities face relentless change and complex challenges, they must continue to focus on the critical outcomes that drive their business. The weighting of these outcomes may vary among providers, but each plays a foundational role in the organization. And when implementing any new change or operational excellence initiatives, each must be reconsidered and balanced with the others.

Though sometimes competing, these strategic guiding principles will help define the specific areas of focus for operational excellence:

- **Cost effectiveness.** Managing daily operations with cost to serve as a key performance indicator will raise awareness, helping bring waste and inefficiencies to the forefront and stimulate improvement actions. It requires a cultural mindset focusing on the positive message of continuous improvement versus a negative connotation of cost cutting. Identifying, tracking and managing key levers for cost to serve—such as cost per call, cost per transaction, cost to adopt and cost to acquire—are critical components of the daily operations.
- **Revenue management.** Top-line growth likely will be a core goal as utilities pursue new business opportunities. Meanwhile, proactive revenue management focuses on designing and implementing solutions that maximize these processes across the customer operations value chain. By understanding revenue assurance opportunities, utilities can develop specific solutions for credit management, usage leakage and energy theft, as well as unbilled, uncollected and unread revenue.
- **Customer value and satisfaction.** Emerging channels of interaction, smart technology, analytical consumer insight capabilities and value-added products and services provide many new capabilities to optimize customer value and satisfaction. Energy providers leveraging these new capabilities to shape and deliver a personalized customer experience will benefit from sustainable growth in customer value and satisfaction.
- **Demand-side management.** Many utilities are working to achieve demand-side management goals through product and service differentiation and demand response. To that end, providers must focus on advanced program adoption strategies and sophisticated marketing and sales capabilities. Such capabilities should be fully integrated and consistent within the operating model, allowing providers to increase consumer energy efficiency, shift and reduce peak demand, and enable consumers to better manage their energy costs.



Demonstrating speed to value with operational excellence

For many utilities, building a suite of new competencies requires significant time and organizational realignment. Operational excellence can be a key starting point that redefines the culture of an organization, improves employee engagement and delivers rapid results.

When facing an energy marketplace defined by change and disruption, it can be challenging to know where to focus efforts. However, energy providers that turn their attention inward to establish a core of operational excellence will be positioned to not only manage changes with agility but also deliver rapid results from operational improvement and simplification.

Focusing efforts on enabling the workforce, embedding analytics and creating a continuous rhythm of success will ingrain an operational culture that thrives on improvement and can manage change that may come from within or from external forces.

Enable the workforce

The customer operations workforce truly is the front line in delivering the energy experience to consumers and driving operational excellence. While the front office is the voice of operations, the back office is also a critical part of the experience, and if not managed effectively, can be a driver of dissatisfaction in critical areas such as invoice accuracy or credit and collections. Thus, effective workforce management and motivation across operations is a critical capability for all energy providers. In the constant search for cost savings, tactical workforce reductions are a common approach and can indeed provide short-term benefits. In the long term, however, such benefits are easily eroded by absenteeism, attrition, poor quality

and inefficient training and onboarding of employees. Fortunately, lower labor costs and higher customer satisfaction need not be mutually exclusive. A focus on developing people, nurturing essential skills, rewarding performance and keeping employees engaged can drive significant long-term gains for the organization.

Engaging employees and creating a culture of operational excellence goes beyond training and performance management. Employees must understand how each action contributes to the broader operations. They need to have an end-to-end view of their contribution operationally and to the customer experience. In this way, personal performance measures such as first-contact resolution and average handle time come to mean more than just personal performance; they represent the consumer experience and operational costs. Understanding the critical inputs and outputs from their activities creates a sense of employee empowerment and helps to establish an environment where everyone is responsible for delivering and improving the end-to-end process.

Another key element of delivering operational excellence is consistently driving to simplify the organization. Exploring options for more effectively controlling overhead can identify opportunities to reduce costs and create a more agile organization. Energy providers operating across multiple locations and regions can reduce overhead by centralizing forecasting,

workforce planning and scheduling. When combined with virtual interaction routing functionality and multiskilled agents, centralization helps improve service levels, scheduling efficiency and forecasting accuracy.

Finally, in addition to strategically managing labor costs, energy providers can identify strategic outsourcing opportunities. Partnering with a vendor who has industry experience for staff augmentation or capacity services may be more cost effective and provide a higher-quality alternative to scaling internal operations.

Embed analytics

Vital to the success of operational excellence is effective reporting and analytics. Gaining actionable insights requires a holistic approach that incorporates consumer, operational and third-party data.

At the core, analytics capabilities have two key functions. First, they derive consumer insight, which is embedded into processes and channels to deliver the targeted customer experience. Second, internally descriptive and predictive analytics are applied to measure the performance of the organization's people, processes and technologies and to predict what the operations will face in the coming period. Embedded analytics should exist at each touch point, measuring every success and providing insights into every improvement opportunity.

Metrics and reporting can play a key role in breaking down operational silos. Cascading metrics that cover end-to-end processes help operational leads understand how their department is performing compared to others or compared to benchmarks, and how performance has changed over time.

When embedded within operations, analytics capabilities become an integral part of the energy provider's culture and help to drive fact-based decision making by creating transparency and clarity of operations for all levels in the organization—from the contact center agent to the C-suite.

Create a rhythm of success

Energy providers that emphasize measurability, rigor and continuous improvement as core foundational values are able to achieve operational excellence, thereby driving predictable business outcomes. Achieving operational excellence requires reporting and operational transparency to not only reduce variability of business performance but to drive actionable insights into areas for improvement. Thus, it is important to establish key performance indicators and to understand the complex interrelationships among these measures.

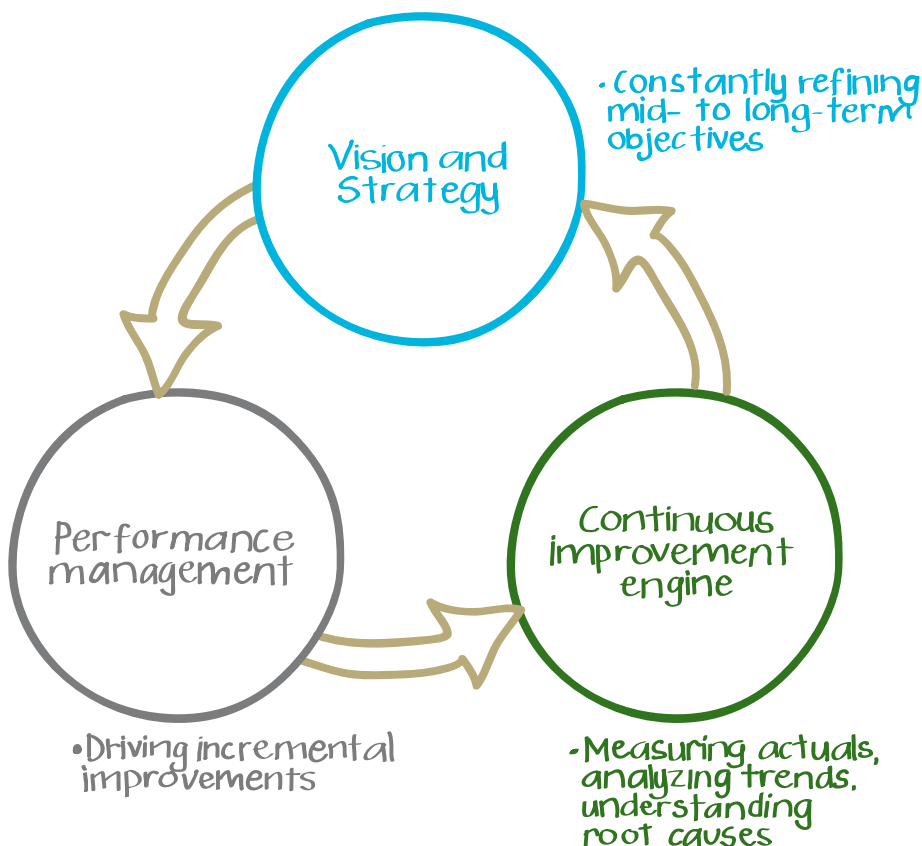
With a focus on operational excellence, energy providers can streamline core business processes, eliminate waste and accurately predict, control and monitor achievement of strategic objectives. At the heart of operational excellence is an integrated approach to performance management—one

that is built around accountability and transparency and that empowers employees to bring forth the best thinking around improvement initiatives.

Energy providers need to set a rhythm of success within daily operational management. This rhythm represents an operating team's ability to obtain flow—that is, to be in tune with business objectives, predicted and actual performance. The team must be aware of results and contributing ideas for driving incremental improvements (see Figure 12). In this way, employees feed the continuous improvement engine with initiatives and solutions, bringing together the best an energy provider has to offer.

This flow of performance awareness and ideas is not limited to employees within the customer operations team. A true rhythm of success establishes and draws upon cross-functional engagement.

Figure 12. Achieving a rhythm of success is key to delivering operational excellence.



Targeting low-hanging fruit

Utilities can drive benefits for themselves and consumers by focusing on targeted opportunities to become operationally excellent in the contact center and back office. Accenture's experience has shown that there is often a shortlist of initial opportunities where many utilities can derive value by decreasing the contact rate, increasing handling efficiency and improving operational performance.

Decrease contact rate

Examples of proven approaches energy providers can leverage to reduce the average contact rate include:

- Identify and eliminate root causes for service inquiries by redesigning the bill, decreasing bill errors and addressing channel, process and policy inconsistencies.
- Harness insights from agent errors, complaints and issues to identify and address the root cause: knowledge gaps, processes, policies or technology.
- Create or improve self-service capabilities within multiple channels: identifying and fixing existing breakpoints in current capabilities that lead to unsuccessful transactions.
- Design and execute targeted self-service campaigns to increase awareness and usage of self-service functionalities and deflect inbound contacts to traditional channels.
- Reduce transfers and misdirected calls with interactive voice response (IVR) optimization, agent-level performance monitoring and cross-channel interaction analysis.
- Improve first-time completion rates by empowering front-office agents with the appropriate training and systems and remove unnecessary handovers to the back office; at the same time, implement new metrics that drive resolution accountability to the agent level—identifying performance outliers and actively coaching toward first-time resolution.

Increase handling efficiency

Most contact centers and back-office operations still have opportunities to streamline business processes and make handling more efficient:

- Make simple adjustments to screen flows or small integrations to provide quick access to data.
- Optimize call routing to verify seamless information transfer and match the most capable agents to the consumer and the content of their request.
- Provide supervisory agents with tools and insights into individual agent performance so they can spend their time coaching and managing their teams rather than gathering and analyzing data.
- Create a culture of efficiency by providing real-time feedback to agents on their performance, posting key performance dashboards and soliciting feedback on ways to improve existing processes.
- Learn from high performers. Often the employees who are the best at their jobs have developed their own improvements to existing processes. Identify what makes them high performers and incorporate those techniques into process improvements and employee training.
- Fully automate routine exception-handling business rules and self-service transactions.

Improve operational performance

Measuring and continuously improving or sustaining agent performance creates a virtuous cycle that can reduce cost to serve while improving customer and employee satisfaction:

- Improve efficiency by cross-utilizing agents. For example, use low-volume times in the call center to have agents support back-office transactions.
- Continuously monitor forecasts and gain a holistic view of marketing campaigns and other initiatives to maintain forecast accuracy, optimal staffing and service delivery quality.

- Add variable staffing to the sourcing mix. Part-time agents, capacity service vendors and home agents can provide flexibility for handling high-volume events, such as outages or backlogs in the back office.
- Apply front-office quality and performance tools to the back office. Often, the front office is the target of improvement initiatives with more advanced quality and performance management tools and processes, and often these can be equally applied to the back office to provide insights and controls, automate work and increase productivity.
- Design and deploy recognition programs on a regular basis to give thanks back to the individuals and the teams. The focus of recognition is not just to promote those with the highest scores, but rather to use a range of concepts and themes to trigger employee and team engagement and provide public recognition and rewards to acknowledge their contributions.

Case in point:

Operational excellence at BC Hydro

As the North American utility industry evolved, BC Hydro began evaluating strategic opportunities to focus on core utility operations and cost reductions. After a thorough due diligence process, BC Hydro decided to establish a long-term outsourcing partnership with Accenture.

Since 2003, BC Hydro and Accenture have worked collaboratively to develop and enhance a long-term roadmap to incrementally improve processes, tools and training to reduce operational costs and drive operational efficiencies.

A cornerstone of the program was a rigorous focus on quality that provides agents and management with the tools and information needed to identify continuous improvement opportunities. The approach integrates technology, people and processes to provide information for coaching, workforce planning and a fact-based view of performance across all dimensions of the contact center and back-office operations.

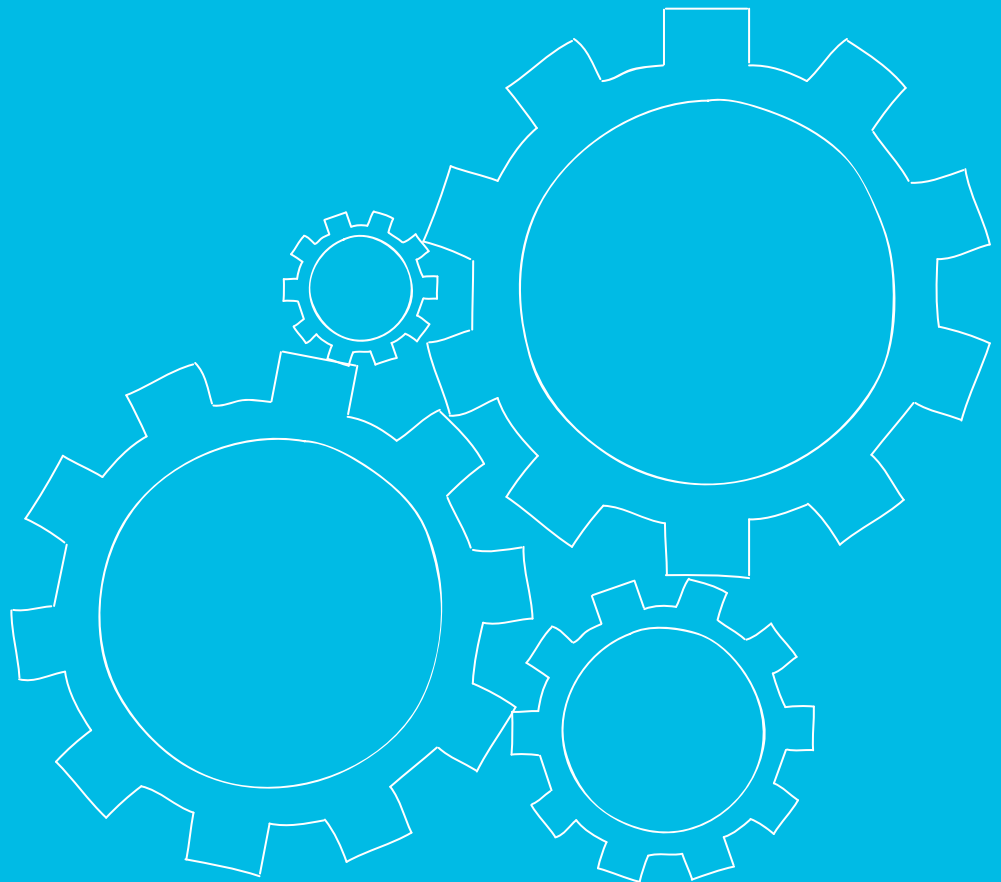
In the contact center, billing and field service operations, rigorous quality monitoring processes were introduced, allowing for more-effective agent management and coaching. Valuable insights were identified by in-depth observation of top-performing agents, which were then implemented across the operations.

To proactively manage escalated complaints, BC Hydro implemented a customer advocacy capability. Customer advocacy incorporates real-time tracking and statistical analyses of issues across functional areas and translates data into actionable insights to improve resolution of issues and consistently drive down complaints.

The program was underpinned by the implementation and enhancement of a new CIS, which provided improved customer service capabilities and modernized the technology infrastructure to allow for future needs.

BC Hydro understands that standing still is not an option, and it continues to work with Accenture to further enhance the customer experience. Recent initiatives have focused on improving paperless billing adoption and enhancing service and support for business customers.

In recognition of BC Hydro and Accenture's strong customer care performance, the partnership has won top placements at the customer care industry's Top Performers competition organized by ContactCenterWorld, a global association for contact center industry professionals, and has also won the Stevie® Award for Back-Office Customer Service Team of the Year.



The value of “little data”

While big data may be grabbing all the headlines, energy providers have much to gain from focusing on “little data”—using analytics to understand specific business challenges and drive toward targeted outcomes while fostering a culture of continuous, data-driven improvement.

With unprecedented volumes of data from a range of sources including smart meters, social media and improved operational reporting, many energy providers are placing even greater emphasis on analytics. In fact, the Utility Analytics Institute has reported that in North America alone, 57 percent of utilities are currently working through an analytics initiative, with another 17 percent planning to undertake an initiative in the next 12 months.⁷³

At the same time, the concept of big data continues to dominate headlines, enticing readers with promises of unparalleled insights. By its very name, big data implies major investment in resources and technology, which can seem overwhelming. Perhaps that is why some 33 percent of utilities have not moved forward with analytics initiatives. In a survey conducted by the Utility Analytics Institute, providers cited lack of support, systems, budget and staff skill set as reasons for delaying analytics initiatives.⁷⁴

Accenture believes that while big data remains an important opportunity on the horizon, in the shorter term, successful energy providers will focus on “little data.” We define little data as analytics initiatives that target specific business outcomes and encourage an organizational shift toward continuous, data-driven improvement. Instead of requiring major new investments, little data initiatives focus on making better, more thorough use of existing operational and customer data to drive actionable insights.

Identifying opportunities

To tap into the power of little data, providers can identify specific business challenges—pockets of value where analytics can make a positive, measurable impact. Providers can use backward-looking descriptive analytics and forward-looking predictive analytics to begin a virtuous cycle of data-enabled operational improvements. Some examples of tactical applications of little data include:

- Increasing transactional customer satisfaction.
- Decreasing customer complaints.
- Decreasing customer churn or increasing customer acquisitions.
- Increasing return on marketing investment and sales effectiveness.
- Improving self-service or electronic bill adoption rates.
- Increasing customer enrollment in demand-side management programs.
- Decreasing bad debt.
- Improving average handle times or first-contact resolution rates.
- Reducing billing exceptions.

The 2012 US presidential election provides a compelling illustration of the power of little data. Exploring transaction records, President Obama’s campaign team realized that with campaign e-mails, one-quarter of click-throughs came from mobile devices, but few led to donations. Based on this data discovery, the team initiated a Web redesign to make it

more mobile-friendly. The redesign also included a new “quick donate” program, which allowed for single-click repeat donations. In short, a small insight about how users were accessing information led to relatively simple changes—and significant results. Compared to other donors, users of the “quick donate” option gave four times as often and three times as much.⁷⁵

Energy providers can achieve similar results not only by crunching large amounts of data, but also by conducting hypothesis-driven testing. Already, many energy providers perform this type of testing after spikes in call handle times or increases in billing exceptions. Typically, however, these efforts are reactive, kicked off only after significant declines in performance. To yield continuous improvements over the long term, providers need to apply hypothesis-driven testing as part of daily operations.

Building a data-driven culture

The insights from little data do not emerge by themselves. They require access to specific data; skilled, analytical employees with a holistic view of operations; and the support of key process- and outcome-oriented reporting. A cross-industry survey of business professionals explored the effectiveness of analytics and found that the ability to integrate insights and maintain a culture of fact-based decision making were key drivers of success in analytics programs (see Figure 13).⁷⁶

To deliver ongoing insights and sustain performance improvements, utilities need to take a structured approach to implementing little data as a key enabler of operational excellence. In practice, this means leveraging data insights to

identify and execute improvement actions to create transparency, reduce waste and establish stable operations.

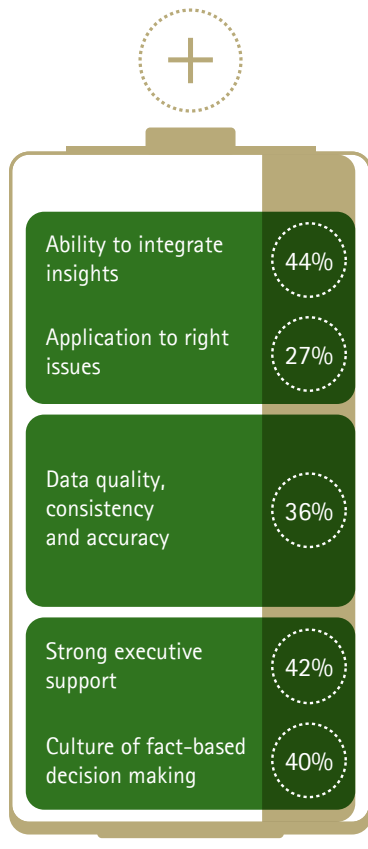
Little data has the ability to deliver enduring results by providing needed insight into specific challenges, which in turn feeds the continuous improvement engine.

In harnessing the potential of little data, energy providers must not focus on collecting data for data's sake. Doing so will provide little value, especially for those busy running operations. Energy providers need to identify the required data attributes to solve for the most common business challenges. By creating analysis and reporting frameworks to capture and communicate selected data, energy providers have the ability to establish reusable little data solutions.

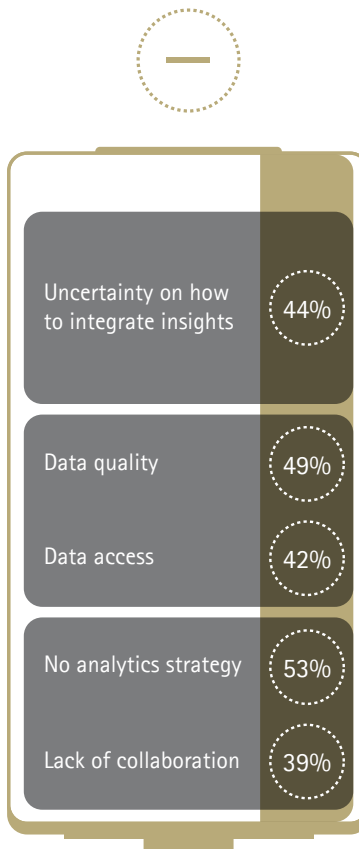
As little data initiatives are implemented to drive specific outcomes, energy providers need to establish quality controls for each handoff in the end-to-end process. With end-to-end visibility in place, employees can leverage the analytic insights to identify issues and lead the charge to improve the outcomes they own.

Figure 13. Enablers and barriers to analytics success.

Factors that have the most positive impact on analytics success



Factors that are the biggest barriers to analytics success



Source: Getting Your Money's Worth with Analytics, Accenture SAS Analytics Group, 2012, www.accenture.com.

Little data: An iterative approach

To maximize the value of little data, energy providers can leverage a hypothesis-driven, iterative process. Such a process helps to develop a prioritized pipeline of identified business challenges and targeted outcomes. This approach provides the performance management team with deeper insights to help identify improvement initiatives.

Accenture's experience has shown that utilities have much to gain from encouraging operational managers to take this more-scientific approach to identifying improvement opportunities—developing and testing hypotheses themselves or in small teams. With appropriate governance, this approach also gives employees ownership over results and, in time, develops their analytical skills.

Ultimately, providers can scale this approach into a more formal process engaging a cross-functional team consisting of business stakeholders, IT professionals and members of an analytics reporting team. Running on regular cycles, the team is able to establish and prioritize a set of hypotheses for investigation. Analytics specialists would then work with the business to validate the hypotheses and assemble the required data or "tests" that may need to be carried out. Analysis is then conducted and, in some cases, operational experiments carried out providing detailed insights that allow for an informed evaluation of possible operational changes. Finally, new solutions can be rolled out and scaled.

While this might sound complex, in fact, iterative hypothesis testing can happen very quickly. It also offers the data required to take immediate actions to improve operations—removing guesswork and decisions made on "gut" feelings. This type of process can be applied effectively to small-scale change to call-handling processes or scaled up to larger changes, such as self-service designs. Over time, this approach and emphasis on what-if thinking can yield incremental gains and, in some cases, breakthrough improvements.

Fueling big results

Through little data initiatives, energy providers can leverage existing people, tools and data, fostering a culture of data-driven decision making and continuous improvement and focusing resources on highly targeted outcomes. Success not only creates a strong operational foundation but also can be a key step in identifying and addressing critical operational breakpoints that cause consumer dissatisfaction.



Operationalizing analytics

As they implement data-driven decision making throughout the business, energy providers need to establish a scalable approach to analytics. Operationalizing analytics requires providers to define an effective operating model and identify new talent sources to support it.

Although analytics has been a part of most energy providers' operations for many years, advances in technology and the expanding availability of data are creating significant untapped potential. GTM Research has reported that power investments in utility data analytics will top \$3.8 billion globally by 2020.⁷⁷

With high expectations for analytics—and a wide range of emerging technologies that offer new analytical horsepower—it may be tempting to jump straight into technology investments. However, as analytics extends into virtually every part of the business, data volumes and analytical complexity will continue to increase. Thus, energy providers will improve the value of analytics not only by acquiring new enabling technology, but by taking a disciplined approach to defining an analytics operating model and then supporting it with the right people.

Embedding analytics

The first step is to establish business objectives for analytics and to capture the future-state vision for how analytics will fit within the organization. Not every provider will choose to align its entire business around analytics. Some may determine that data and insights will, indeed, become a core capability for the future.

With clearly defined goals, energy providers will need to understand what is necessary to truly maximize the return on investment in analytics. A large part

of the answer lies in the ability to embed analytics into every process within the operating model, enriching each consumer interaction and providing valuable insight into every operational decision.

Although most energy providers already have a range of analytics skills, it is fair to say analytics is not truly embedded in these organizations; nor is it systematically developed as a capability. As a result, certain functional areas may have deep capabilities while others do not—creating internal dissonance and, in some cases, resulting in pressure on analytics talent. Fragmented initiatives and talent also make it challenging for energy providers to industrialize analytics capabilities. That, in turn, can hinder providers' ability to generate insights for developing growth strategies, identifying cost-reduction opportunities or improving customer satisfaction.

Choosing an operating model

To more effectively operationalize analytics, energy providers need an end-to-end operating model that supports the organization in obtaining the right insights at the right time and in the right place. Accenture has observed certain characteristics among organizations that are able to consistently derive value from analytics. These organizations have reinvented their operating models to obtain the appropriate talent and structure so they can produce business-relevant insights and deliver them where and when needed.

In our work with energy providers and across other industries, three operating models for analytics have emerged (see Figure 14).

Energy providers likely will go through an evolution of how analytics really works within the organization. Accenture believes a center of excellence approach offers an enticing model for maximizing the value of analytics in the long term.

Building resource agility

Although the center of excellence model may be the preferred option for more effectively operationalizing analytics, it can be challenging to identify, recruit and retain high-quality analytics talent. In fact, the search for analytics talent is not unique to the energy industry. Cross-industry analysis suggests there will be a significant gap in supply and demand. The United States, which is forecasted to create 44 percent of new analytics jobs but only 23 percent of talent, expects a shortfall of nearly 32,000 professionals by 2015. When considering "analytics scientists"—precisely the talent that energy providers may need for a center of excellence—shortages are also projected in Brazil, India, Japan, Singapore and the United Kingdom.⁷⁸

Given the talent challenge, energy providers need to become more creative and agile in tapping into analytics resources. Leveraging partners is one approach that could yield dividends. For starters, using partners allows a provider to access talent on an as-needed basis. Additionally, it can provide opportunities to take advantage of labor arbitrage, as some of the top talent is in lower-cost, offshore locations. Other important advantages of partnering on analytics include:

- **Control.** Energy providers can prioritize analytics activities across internal and external resources, enabling them to better align supply and demand. Leveraging a combined pool of talent also offers opportunities to assign work to the resources with the most relevant experience and expertise.

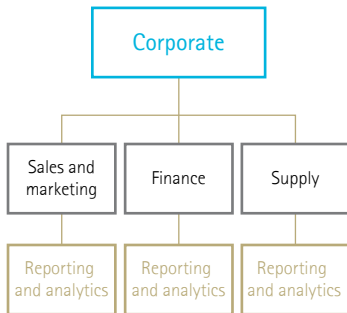
- **Flexible capacity.** Engaging external providers supports scalability, enabling a provider to quickly ramp up or scale back as business needs fluctuate. For example, many energy providers may find that internal resources are capable of managing day-to-day analytics, while more specialized work can be outsourced as needs arise.
- **Knowledge building.** Partnering with external analytics talent provides a vehicle for sustainable knowledge transfer at a pace comfortable for the organization. This form of knowledge transfer is particularly valuable for providers whose internal analytics capabilities are more limited.

Regardless of how an energy provider chooses to operationalize analytics, success will be driven by a scalable approach that delivers insights when and where they are needed. Simply developing new analytics tools will not be enough. Providers must complete the journey to fully operationalize analytics—including finding innovative ways to overcome the talent shortage by leveraging internal and partner resources.

Figure 14. Operating models to implement analytics.

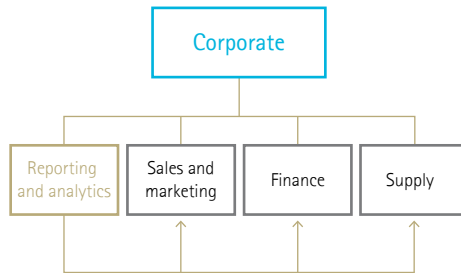
Distributed model

Autonomous analytics departments report to and managed by regions, brands or functions at the local level



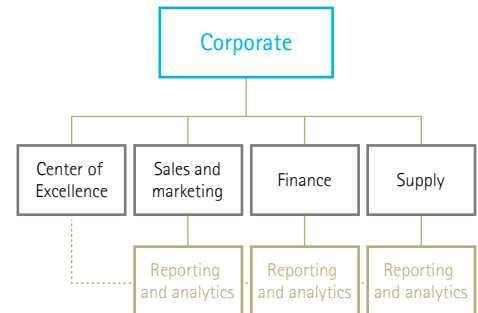
Centralized model

Analytics managed and organized in a central body that provides insight for other regions, brands and functions



Center of excellence model

Analytic processes owned centrally with support given to distributed analytics teams



	Distributed model	Centralized model	Center of excellence model
Advantages	<ul style="list-style-type: none"> • Aligns analysis fully with business needs • Leverages and grows existing analytical talent within functional teams 	<ul style="list-style-type: none"> • Unifies data analysis, reporting, data management and quality control • Develops a skilled pool of talent quickly and with limited organizational change 	<ul style="list-style-type: none"> • Establishes standardized governance, data management, tools, models and quality control to complement day-to-day work performed within specific functional teams • Creates a pool of resources to tackle challenging or creative analysis too difficult or time consuming for functional teams
Disadvantages	<ul style="list-style-type: none"> • Creates multiple processes, databases and applications, which may hinder holistic insights • Establishes talent silos, which may limit cross-functional learning and analysis 	<ul style="list-style-type: none"> • Removes central team from day-to-day operations • Creates single point of analysis which may quickly be overwhelmed with work 	<ul style="list-style-type: none"> • Establishes processes, roles and responsibilities that may require a significant operational shift • Requires skilled resources and potentially additional investment in analytics tools

Smart-enabled back-office capabilities: Build, buy or ally?

Smart grid and smart metering are having major impacts on a utility's back office, and virtually every function, from billing to metering, will need to change. In building new capabilities providers may look to partners to accelerate speed to value.

Smart grid and smart metering are driving, and will continue to drive, significant change for utilities' back-office functions—including billing, credit and collections, metering and distribution operations and outage notification.

Billing

Billing is evolving to accommodate complex rate plans, distributed generation and interval billing cycles. Meanwhile, increased consumer interaction over multiple channels will require an evaluation and possible restructuring of a utility's billing capability. During deployment of smart metering, utilities will experience an increase in the quantity and complexity of billing exceptions. Utilities need to have people with the analytical skills, tools and the appropriate training to handle both. In some cases, existing talent may not have enough capacity to manage the increased volume and complexity of exceptions. One approach some providers have taken is to tap into partners that can offer short-term capacity services to support their transition.

Additionally, utilities need to maintain a single view of the consumer and deliver a consistent customer experience across both the front and back office. And while smart metering deployments may drive up workload in the short term, over the long run, streamlined exception processing capabilities and smart technology should reduce much of the back office's manual workload.

Credit and collections

Credit and collections are evolving from a focus on dunning and collections to proactive revenue assurance and management. This shift requires employees with different skills, as well as new processes and technology for proactively identifying and addressing nonpay situations. The remote connect/disconnect capabilities available with smart grid and smart metering technology will help enable such an approach. But they will also introduce new complexity: an increase in disconnections for nonpayment will lead to changes in credit cycles, increased security deposit and social funding requests, and a potential increase in meter theft and tampering. Deeper insights into consumer usage patterns and real-time grid information create new opportunities for theft analytics. Florida Power and Light, for example, has been using smart meter data to improve theft detection and has achieved 80 percent effectiveness in detecting diversion conditions.⁷⁹

Smart metering also makes prepaid metering a feasible option for a mass market and a new tool for credit management. As utilities roll out smart meters at scale, prepayment can be used as a way to transform the payment cycle and become a new default option for high-risk customers or those who do not pay on time. With all these new capabilities, a utility will need to train and develop its workforce to manage the increased complexity in smart-enabled credit and collections.

Metering

Business processes to support smart metering are often a fundamental change to operations. Utilities are bound to face issues during deployment and even during normal operations. As just one example, meter data-based billing exceptions are likely going to become more complicated due to large volumes of interval data. As a result, they may require more time to correct than they currently do with traditional metering processes. Back-office personnel will need training on new types of technology-related exceptions or providers can look to outsourcing partners with existing capabilities. These exceptions will require support from more than just people; utilities will also need to develop technologies and processes to manage the new exceptions—a task that has proven challenging to date.

In addition, the role of the field force will fundamentally change. The reduction or complete loss of meter readers also will result in fewer "eyes in the field." This in itself creates new challenges as meter readers are often the front line for noticing safety issues or theft. Many providers will need to look to reinvent the field force into a higher-skilled but smaller group that can work with new metering technology while also continuing to monitor physical meter points on a regular basis.

Distribution operations and outage notification

In the future, integration between field operations, distribution, the smart network and back-office operations will become increasingly important. In fact, Accenture expects there to be some crossover between capabilities in transmission and distribution and meter-to-cash operations. Energy providers will be able to look at the voltage levels of all consumers, allowing them to proactively predict, and in some cases prevent, outages and to restore them more quickly when they do occur. This predictive capability allows energy providers to notify consumers before an unplanned outage and before restoration.

Sharing operations

Given this level of change in the back office, how can a utility get operationally lean to meet current and future challenges? Utilities will need to develop creative solutions to cut costs and acquire capabilities. Accenture believes the available opportunities for collaboration and cost-cutting can be critical components of transformation, and may include shared workforces and shared billing and meter-to-cash services.

There are multiple opportunities to share workforces—from meter reading to contact center personnel. Utilities have an opportunity to reduce costs by collaborating with other commodity or service providers to consolidate these services. While shared workforces are hardly a new idea for many regulated utilities, we believe the current challenge may motivate many organizations to more aggressively evaluate options. When considering this approach, it is critical for utilities to understand the capabilities of their partners and determine whether they are able to deliver as required. As these significant changes continue, third-party partners must also be capable of adapting.

Utilities, particularly those in the municipal and midmarket, have an opportunity to pool resources when adopting and deploying new technology. For example, rather than building a unique CIS or CRM system for a small consumer base, utilities can share systems or use a common platform—serving consumers across commodities or service territories. Many CIS systems and software vendors are already vying for a piece of the shared services market. Some larger, more cost-effective utilities may evaluate opportunities to offer back-office functions to the midmarket and municipal utilities.

Making the choice

With the increasing complexity of back-office operations, utilities will need to determine the best approach for the organization to develop additional capabilities: build, buy or ally. When making a decision, the critical factors to assess are the level of operational and strategic importance of a capability versus the speed or urgency to implement and resource availability.

During implementation, smart metering projects often involve multiple vendors and Accenture's experience has shown that a central project management function is often critical to success. In some cases, engaging a partner to act as the project manager can help to ensure transparency across vendors and accountability to the business.

Smart metering projects are often under tight timelines and stretch resource capacity. As a result, Accenture's point of view is that the most innovative utilities will collaborate with other like-minded organizations and leading providers.

Spotlight: New metrics for smart operations

Smart metering creates a ripple effect of change across customer operations, and operational metrics are not left untouched. Through deployment and into steady state, a new approach to metrics is required to manage the shift and optimize performance. Accenture's experience has shown that during deployment, existing targets for some metrics will need to be relaxed while new technology is stabilized and increased levels of consumer interaction are managed. Targets for customer complaints, average handle times, meter reading exceptions, billing exceptions and high-bill investigations will all likely require adjustment during deployment.

As providers reach steady state, a range of metrics will also require redefinition. Some metering-related measures will either become irrelevant or require redefinition. At the same time, process changes will require new metrics related to billing and credit and collections. Interaction-related measures may also require revisiting. Traditional call volumes are likely to shift, particularly as new smart-enabled notifications and Web capabilities are offered to consumers. This will redefine metrics and impact scheduling, forecasting and baselining, which may all require new approaches.

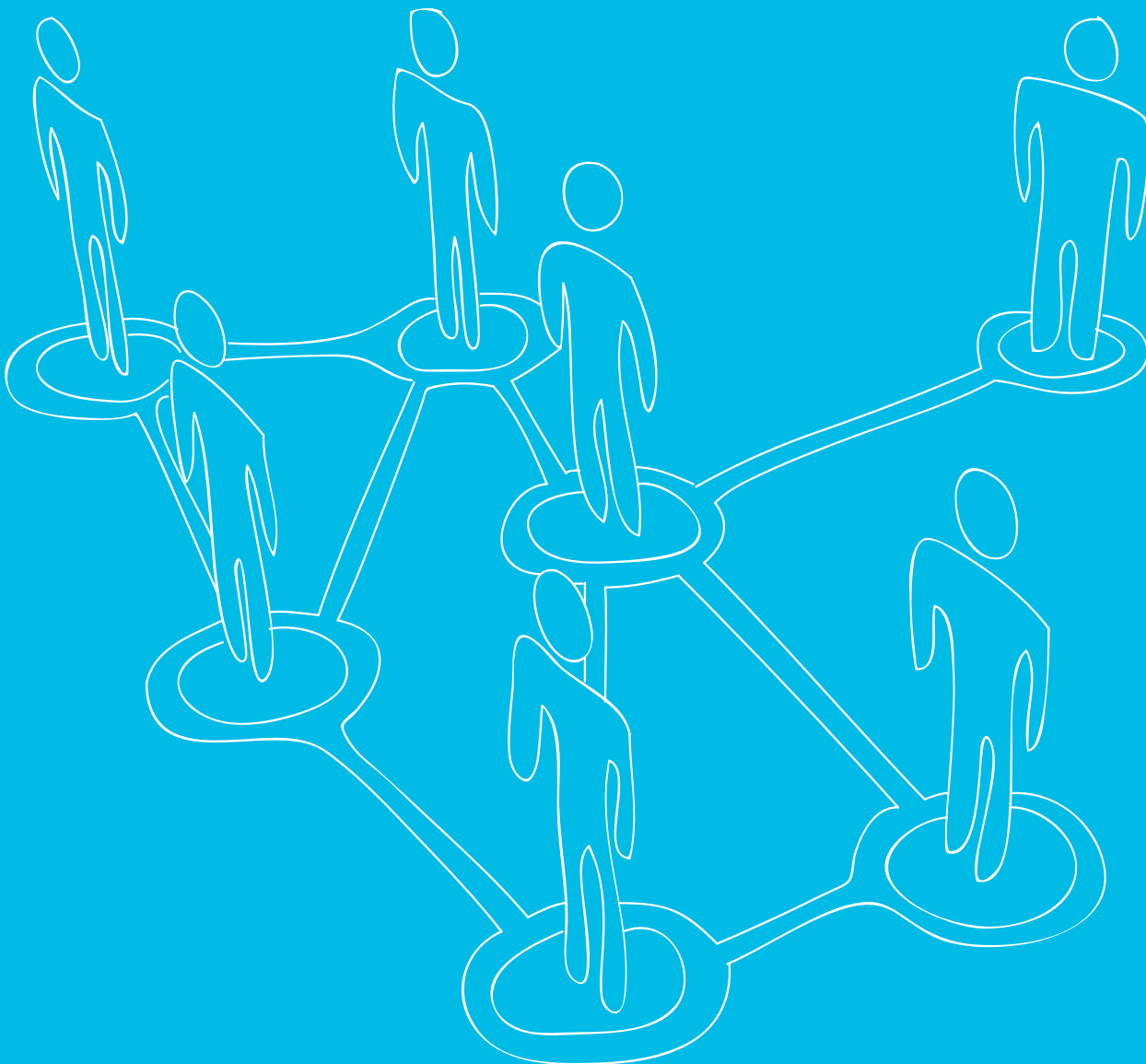
Metrics and reporting are the foundation for successful customer operations. A proactive approach is required to analyze and lay out a roadmap for how metrics and targets will shift throughout a smart meter deployment and into steady state.

Case in point:

A cross-industry perspective from Bharti Airtel

Bharti Airtel, a wireless provider in India, has taken the approach of unbundling and specializing. In the newly deregulated market of the early 2000s, Bharti Airtel was struggling against competitors that could undercut its prices. Other players simply did not carry the heavy capital investments of building out infrastructure.⁸⁰

In 2004, Bharti Airtel decided to unbundle the business and specialize in creating and marketing new telecommunications services. It outsourced IT services and call centers—shifting responsibility for network development and management to Ericsson, Nokia and Siemens. That move allowed Bharti Airtel to focus on marketing, sales and finance. It also freed up capital to begin pursuing aggressive growth.⁸¹ Today, Bharti Airtel is the fourth-largest telecommunications provider in the world with 250 million subscribers.

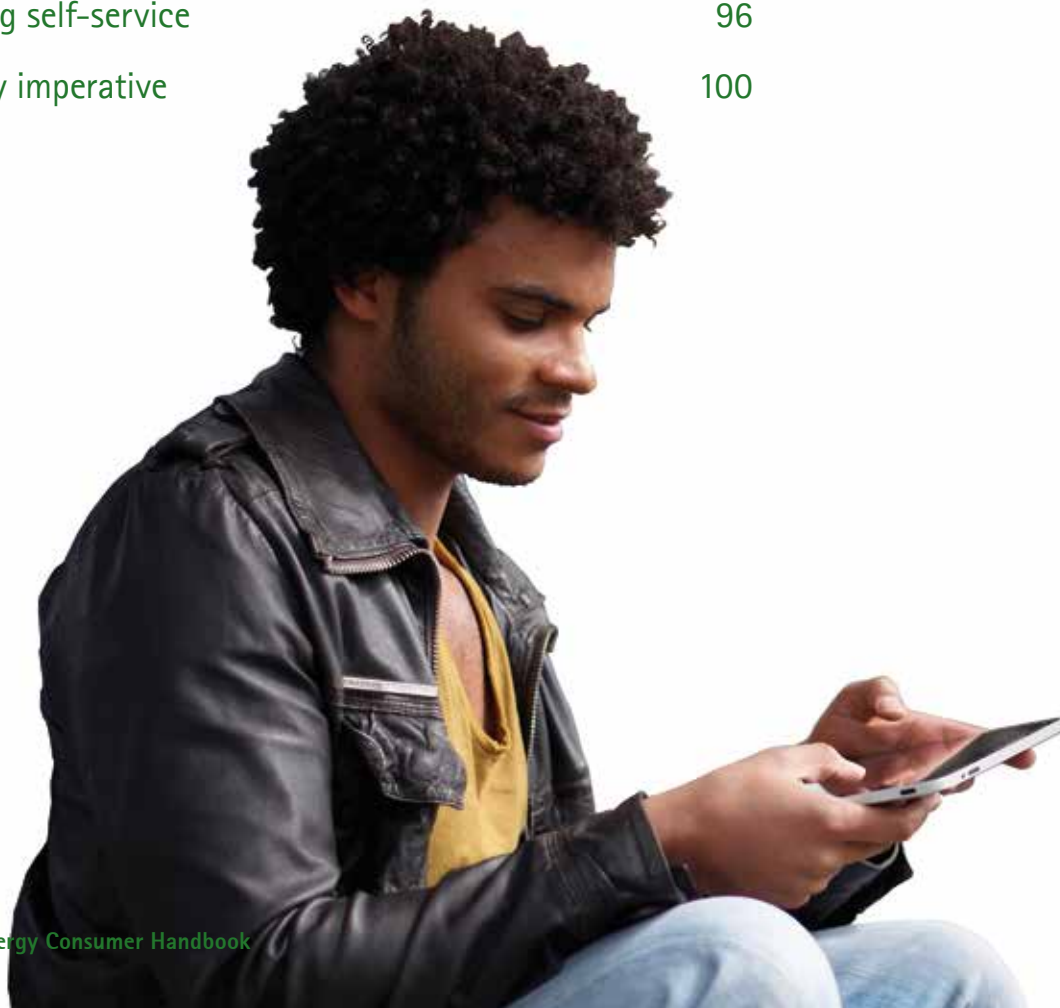


5.2 Optimizing consumer interaction

Changing consumer interaction preferences have given way to a paradox: They want not only convenient self-service but also high-touch, value-added interactions. Within an environment of growing channel options, utilities must establish a cost-effective cross-channel approach focused on meeting current and future consumer preferences.

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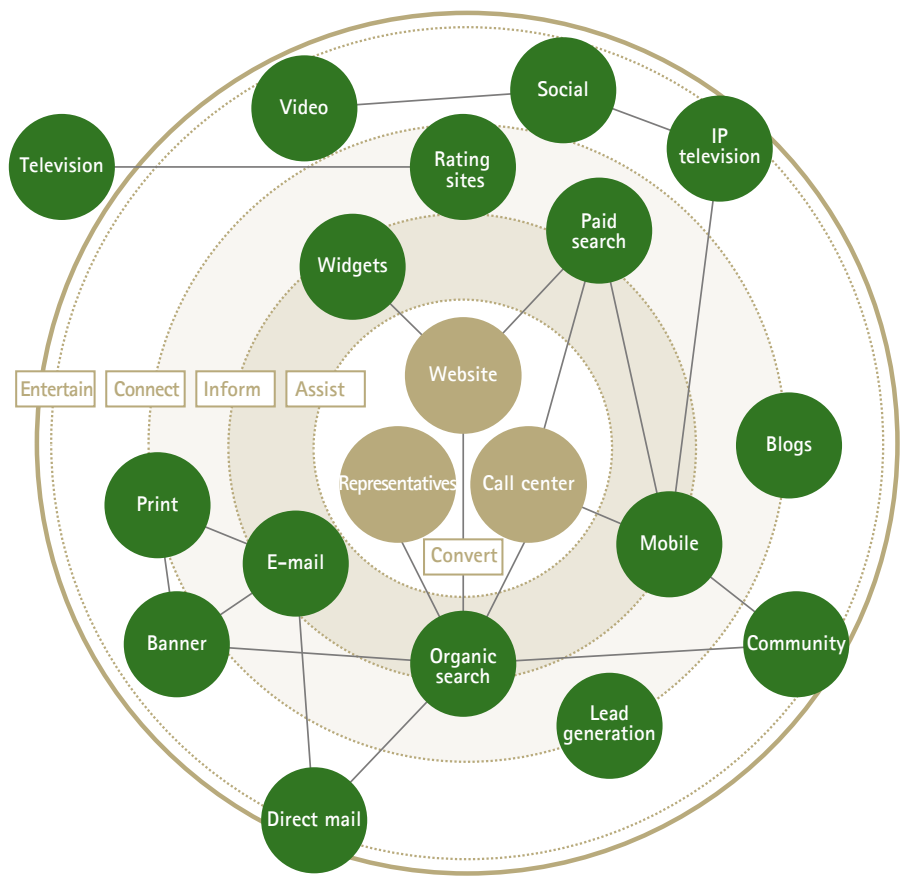
Competency in brief: Optimizing consumer interaction

New channels, new devices, new types of interaction—all are creating a new landscape for utilities. Facing this proliferation of options, utilities have an opportunity to create a channel mix dominated by mobile and Web self-service. Doing so not only delivers on the changing preferences of consumers but also can address a range of operational and efficiency goals.

Disruptive technologies, soaring consumer expectations and channel proliferation have made the ever-evolving landscape of consumer interaction increasingly difficult to navigate. Many utilities are being challenged to constantly redefine channel strategies and capabilities to keep pace. Indeed, rapid development and diversification of interaction options present very real challenges around which channels to use, when to use them and how to seamlessly integrate interactions to deliver a consistent, tailored customer experience.

To remain relevant to consumers, utilities cannot simply master the mechanics of interaction; they must also address the changing expectations and preferences of the new energy consumers, who are increasingly social, mobile and connected. Within this environment, a fundamentally different channel landscape is emerging (see Figure 15).

Figure 15. A new channel landscape is emerging.



Operating in the cross-channel era

Together, a range of factors are driving the need for an integrated, cross-channel approach to consumer interaction. In many cases, adding more channels and more features may not be the appropriate approach. Utilities will need to establish cross-channel strategies that focus on simplicity and consistency while always considering, "If we add something new, what can we retire?" Choosing where to focus must be driven by a mix of business objectives, channel purpose and capability.

Social media is an area of increasing focus. While it is a subset of consumers who take part in the online conversation, it is a vocal, amplified voice that can quickly garner attention from media, regulators and other consumers. Engaging through social channels is critical to mitigating potential risks but also offers a direct channel to consumers and a valuable source of insight.

Recent mass outages and storms have shown that social media is not only an option for communication; it has quickly become a critical channel during disaster and outage recovery. In search of the latest news, consumers increasingly turn to their mobile devices and real-time information through social channels. Offering up-to-the-minute information to consumers during critical periods reduces calls to the call center and builds trust—an increasingly critical commodity for utilities.

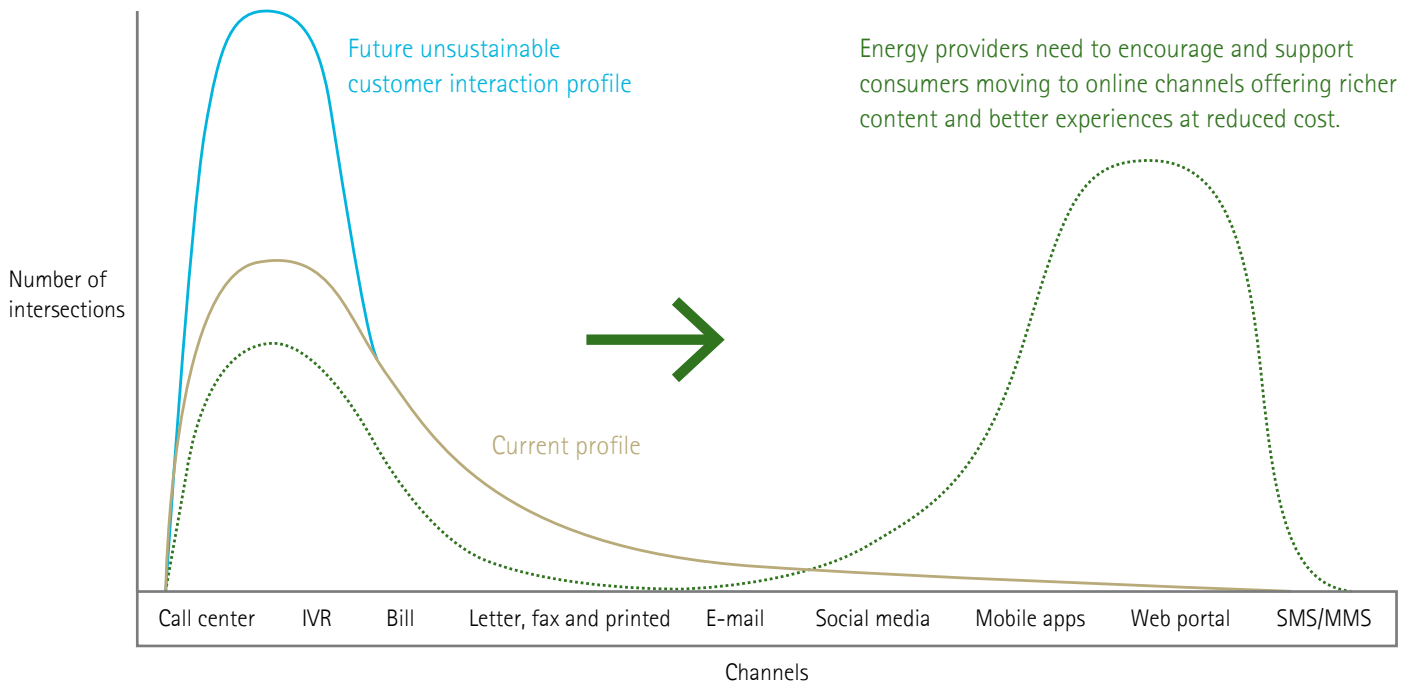
Changing the relationship

Consumers' changing preferences are leading to a more complex relationship with their energy providers. Thanks to the expansive growth in consumer interaction channels, coupled with advancement in analytics capabilities, utilities have an opportunity to reinvent customer service with increased focus on consumer centricity and cost-effectiveness. *Actionable Insights for the New Energy Consumer* identifies

clear consumer interaction preferences, incorporating traditional and emerging channels. With a holistic understanding of drivers and expectations around consumer interaction, energy providers will be able to deliver the right kind of support at key moments in the consumer life cycle across all customer segments.

By changing the interaction mix and approach to reflect consumer preferences, utilities can deliver a tailored, personalized customer experience. These multifaceted customer relationships serve as the basis for achieving a genuine connection with the new energy consumer. From these relationships, utilities can develop value-added interactions and realize key business outcomes: customer satisfaction, reduced cost to serve, revenue assurance and demand-side management.

Figure 16. The profile of channel use will shift as energy providers engage consumers.



Satisfying the thirst for self-service

"Anytime, anywhere" is the service mantra of many energy consumers today. Increasingly, consumers prefer the convenience of self-service for a wide range of interactions. *Actionable Insights for the New Energy Consumer* clearly highlights that, for the majority of traditional interactions with energy providers, consumers prefer Web-enabled channels.⁸² Historically, many utilities have appraised self-service initiatives based primarily on cost reduction. However, with the rise in consumers' desire to proactively manage their own transactions, self-service becomes much more than a tool to drive down cost to serve; it also represents a key determinant of customer satisfaction and loyalty, serving as a primary enabler in developing and maintaining customer relationships. Further, the impact of near-real-time usage information, energy management and new value propositions that include home monitoring will feed the growing consumer appetite for 24/7 service. With this in mind, new capabilities through self-serve are becoming increasingly important to help shift the interaction mix (see Figure 16).

Self-service must be a critical area of focus and represents a key enterprise value lever. Energy providers that can successfully design, implement and deliver excellence in self-service capabilities will reap dividends that extend well beyond the commercial.

Meeting the mobile revolution

Internet availability and mobile adoption have changed the way consumers interact with the world around them. Consumer adoption of mobility has been historically faster than any previous platform and has now reached mass-market status, with more than two-thirds of consumers regularly using mobile devices to access the Internet.⁸³ Mobile adoption has set an interaction precedent and increasingly represents a key platform for innovation, personalization, self-service and relationship-building potential.

As smartphone adoption increases and consumer preferences shift toward Web and self-service, mobile capabilities are becoming an integral part of every energy provider's consumer interaction strategy. The value and innovation potential of mobility extends far beyond standard transactions into advanced application development, social media connection, remote home energy management and proactive notifications. Increasingly, mobile represents the convergence of changing consumer preferences innovative interaction and effective cost management, making it critical for energy providers to develop mobile infrastructure as a strategic growth initiative. The key to success will be an agile framework that can adapt as possibilities evolve over time.

The bottom line

As the complexity of consumer interaction continues to increase, energy providers must adopt a holistic approach to determining where to focus. The opportunity to fundamentally shift the interaction paradigm is here. With a focus on effective mobility and self-service capabilities for transactions, combined with higher value in-person interaction, providers can reduce costs while improving satisfaction. A cohesive cross-channel strategy is crucial to managing costs while investing in the next-generation capabilities that will drive tailored, profitable consumer engagement and interaction.

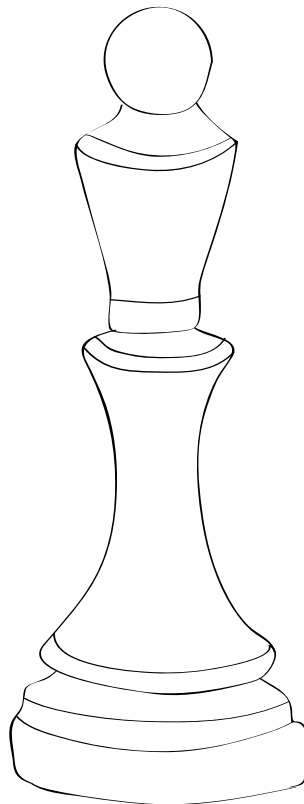
The articles that follow offer additional insights into some critical areas, including managing channel proliferation, building multifaceted customer relationships, capitalizing on demand for self-service and the increasing importance of mobility.



Spotlight: Getting cross-channel strategy right

Today's energy consumers want it all. They expect the same levels of service and experience online from their computer and mobile device when calling the contact center. What's more, they want information, updates and interaction via social media in addition to in-person experiences to learn about more complex products and services. Seamless, consistent, easy-to-use—these expectations require a holistic cross-channel view to achieve. Accenture has observed leading providers adopting seven principles for success:

- 1. Establish channel governance.** By shifting from independent, nonintegrated channel ownership to a centralized, coordinated approach, providers can manage channels more holistically. Cross-channel management drives consistent customer experiences, as well as functional alignment and process efficiencies.
- 2. Limit the channel mix.** Given the numerous interaction options, energy providers must be highly strategic in selecting channels. The optimal interaction mix must balance cost and value with current and anticipated consumer preferences. Mastering a limited number of select interaction channels provides the foundation for step-change growth, supports consistent customer experiences and increases satisfaction while controlling the cost and pace of change.
- 3. Develop insight into consumer preference.** Meeting consumer preferences is fundamental to building meaningful multifaceted relationships. Insights into consumers' interaction preferences will become the primary building block for determining the interaction mix and targeting efforts to increase adoption of self-serve channels.
- 4. Deliver consumer relevance.** Consumers increasingly expect providers to deliver messages, products and services that are relevant to their values and lifestyles. With this in mind, utilities must work to establish channels that can offer tailored and personalized experiences.
- 5. Integrate the channels.** Consumers do not recognize channel boundaries and expect a seamless experience within and across interactions. This will require tighter integration, consistency and a single view of consumer information across channels.
- 6. Create channel choice.** Channel preferences are fragmenting. To deliver the experience consumers desire, energy providers must offer choice. Preference centers are one approach that puts choice into consumers' hands by allowing selection of preferred channels for different types of proactive communications or interaction.
- 7. Focus on the bottom line.** Consumer interaction, revenue and cost management objectives need not be mutually exclusive. Basing cross-channel strategy on interaction value is central to enhancing customer satisfaction, improving revenue in competitive markets and driving down cost to serve.



Channel proliferation: Go broad or deep?

Channel choices will grow, and at the same time some channels will converge. All the while, consumers expect an increasing range of interaction options. How can utilities evolve to provide support through a variety of channels—including call centers, self-service portals, social media and brick-and-mortar locations?

Consumers now expect services to be available around the clock and through an ever-wider array of interaction channels. The continued growth and convergence of such channels is complicating customer operations for many service providers, including utilities.

The traditional channel mix, focused on telephone and paper correspondence, is changing. Just when utilities may have felt comfortable with Web-enabled channels, social media has come along to blur the lines. No longer are channel options discrete. Increasingly, online channels are converging through social media platforms that incorporate chat, e-mail and transaction capabilities. In 2009, social media usage surpassed e-mail—making e-mail the new "snail mail."⁸⁴ At the same time, new devices are compounding channel convergence.

Consumer adoption of mobile devices is increasing. Accenture's 2013 consumer electronics trends study shows that more than half of consumers surveyed now own a smartphone. Meanwhile, tablet computer adoption has nearly doubled from the previous year, with 25 percent of consumers in the countries surveyed—the United States, Japan, Germany, France, China and India—owning a tablet device.⁸⁵ As one example, a typical smartphone or tablet computer currently allows for interaction through Web browsing, custom applications, voice calls and video

chat, not to mention new capabilities such as geo-location and augmented reality. The result is a new and complex channel mix (see Figure 17). In light of channel emergence and convergence, utilities' challenges lie not just in serving consumers, but also in ensuring a consistent consumer experience—especially when so many channels are accessible through a single device.

In preparing for the evolving energy marketplace, utilities need to develop a dynamic strategy for addressing these increasing consumer expectations and the ever-changing channel mix. Accenture believes successful energy providers will define a cross-channel management strategy that aligns each channel's purpose and capabilities. They will tighten integration of traditional channels (such as the call center and the monthly bill) with digital vehicles (such as self-service portals and social media), and they will increase personalization across all channels. Above all, Accenture believes that leading utilities will build their cross-channel management strategy on three pillars: a single view of the consumer, technological agility and effective channel utilization.

Differentiating on self-service

Self-service is about much more than driving down cost to serve. These self-serve capabilities will become a key determinant of customer satisfaction and loyalty. Successful utilities will use self-service as a competitive differentiator by:

- Increasing consumer control.
- Providing personalized, relevant self-service.
- Leveraging mobile devices as a pre-eminent service channel.
- Increasing the focus of self-service to address the needs of younger, more Web-centric consumers.

Leading companies are already developing customer-centric channel strategies to provide a targeted, differentiated experience. Powershop, a New Zealand electricity retailer that operates in a deregulated market, has designed a consumer-friendly mobile phone application and Web portal that allow consumers to monitor usage, purchase electricity and submit meter reads.⁸⁶ Similarly, Eletropaulo, a Brazilian utility, developed the Mobile Virtual Shop and Virtual Agency. The solution allows consumers to access the company's core services using text messaging. Consumers can access services such as outage information, fieldwork updates, account information, billing inquiries and reconnection requests.⁸⁷

Becoming more sociable

Social media is now an imperative for energy providers. In an Accenture survey of 1,000 energy consumers in the United States, 67 percent said they have changed their behavior between one and five times in the past year based on content they have read on a social media site (see Figure 18).⁸⁸

Social media is becoming a crucial channel for energy providers to relay outage information. In fact, executives from five utilities whose distribution systems were affected by Hurricane Sandy, a major storm that hit the United States in 2012, cited social media as a key tool that proved its worth during the outage restoration efforts.⁸⁹ The power of social media does not end at one-way outage communications. During the storm, Duke Energy dispatched field crews to help restore power in affected areas. A member of the corporate communications

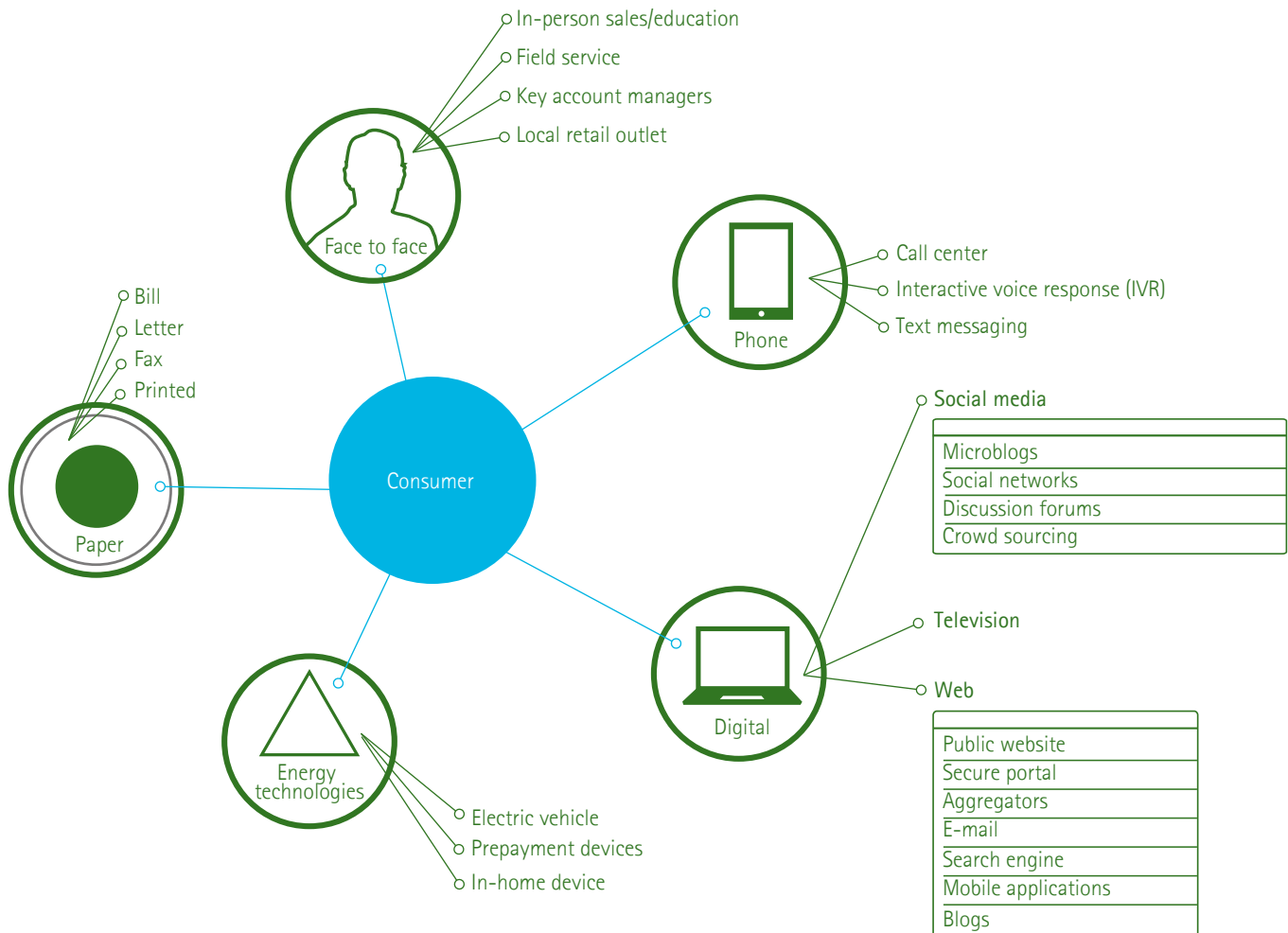
team actively posted to social media with pictures and information on the power restoration efforts. These efforts helped to create a sense of pride internally and promote Duke's brand, as it received national news coverage for its efforts.⁹⁰

Utilities face a fundamental shift from company-to-consumer dialogue to consumer-to-consumer dialogue. *Actionable Insights for the New Energy Consumer* shows that monitoring social media is no longer enough. Nearly one-third of consumers are interested in following and directly interacting with their providers through social media. When asked what would encourage consumers to engage their providers over social media, half reported that quick, convenient service is the most important factor.⁹¹

It is worth considering how to incorporate transactional capabilities via social media. Already, Tesco, a leading retailer in Europe, has launched a Facebook application that allows users to complete purchases within the social media program and have the purchases transferred to Tesco's online storefront.

As consumers continue to engage in online conversations and transactions through social media, utilities ultimately have no choice but to participate. Social media is a core channel—one that can be quickly leveraged to influence consumer behavior, increase customer satisfaction and drive revenue in competitive markets. To achieve full potential, providers must make social media part of customer operations, bringing this channel into the organization, integrating it with traditional channels as part of a holistic cross-channel strategy and building disciplined processes and tools for managing it.

Figure 17. Leading utilities focus cross-channel requirements across the channel spectrum.



Bringing it all together

Many consumers understand and are ready for the benefits that come from active energy management. These consumer sentiments give energy providers an opportunity to target specific consumer segments with unique products and services.

For example, energy providers could offer consumers that value personal convenience a set-and-forget home automation service while offering those that are more hands-on an active energy management program with remote home energy management via a Web portal or smartphone.

The goal, then, is to build a new channel mix that will provide a consistent experience across channels—meeting expectations around traditional service tasks while addressing the need for new, innovative solutions. While it is possible to build out all capabilities in the channel

mix, leading energy providers will focus investment in specific functionality for certain channels. In many cases, excelling at a smaller set of channels will offer greater benefits than simply offering a broad range. Providers will benefit from focusing on a few channels and delivering them exquisitely.

Furthermore, Accenture believes that a traditional, siloed approach to channel management will not lead to success for energy providers. In other words, separate organizations for the call center and digital channels might have made sense in the past, but they will not in the future.

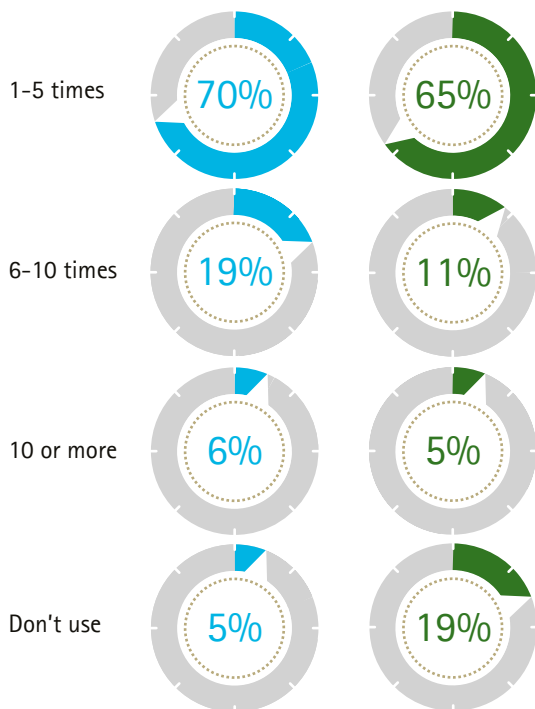
Success in the cross-channel world hinges on a utility's ability to build a 360-degree consumer view that incorporates internal information, as well as external input representing as many of each consumer's energy-related interactions as possible. Leading energy providers will leverage proactive intelligence and gather

capabilities that provide insight into a wide variety of consumer actions. Actions range from changing a setting in a home energy management system, to "friending" a utility on Facebook in France or on Ameba in Japan, to making a complaint in an online forum, or even purchasing a smart appliance at a local utility store.

Ultimately, a utility's operating model needs to evolve to accommodate a vast network of consumers and partners while still identifying clear accountability for each activity within the value chain. With an integrated approach, a utility will be better positioned to identify and effectively manage different consumer segments—encouraging lower-value interactions to migrate to low-cost channels while better engaging and serving higher-value opportunities. This allows utilities to shift resources and capital from traditional low-value transactional interactions to high-value sales and advisor interactions.

Figure 18. Most consumers change their behavior based upon social media.

How many times over the past year have you changed your behavior or purchased a product based on something you've seen, heard, or read on a social media website (i.e. Facebook, Twitter, User Reviews)?



Base: All respondents

■ 18-34 years

■ 35+

Source: New Energy Consumer Channel Preferences for High Performance US end-consumer survey, Accenture, 2011, www.accenture.com.

Building multifaceted consumer relationships

As consumer interactions continue to increase in complexity, how can energy providers drive customer satisfaction while meeting revenue and cost-to-serve goals? Energy providers must look to develop differing relationships with consumers, focusing on delivering high-value interactions and efficient, low-cost self-service.

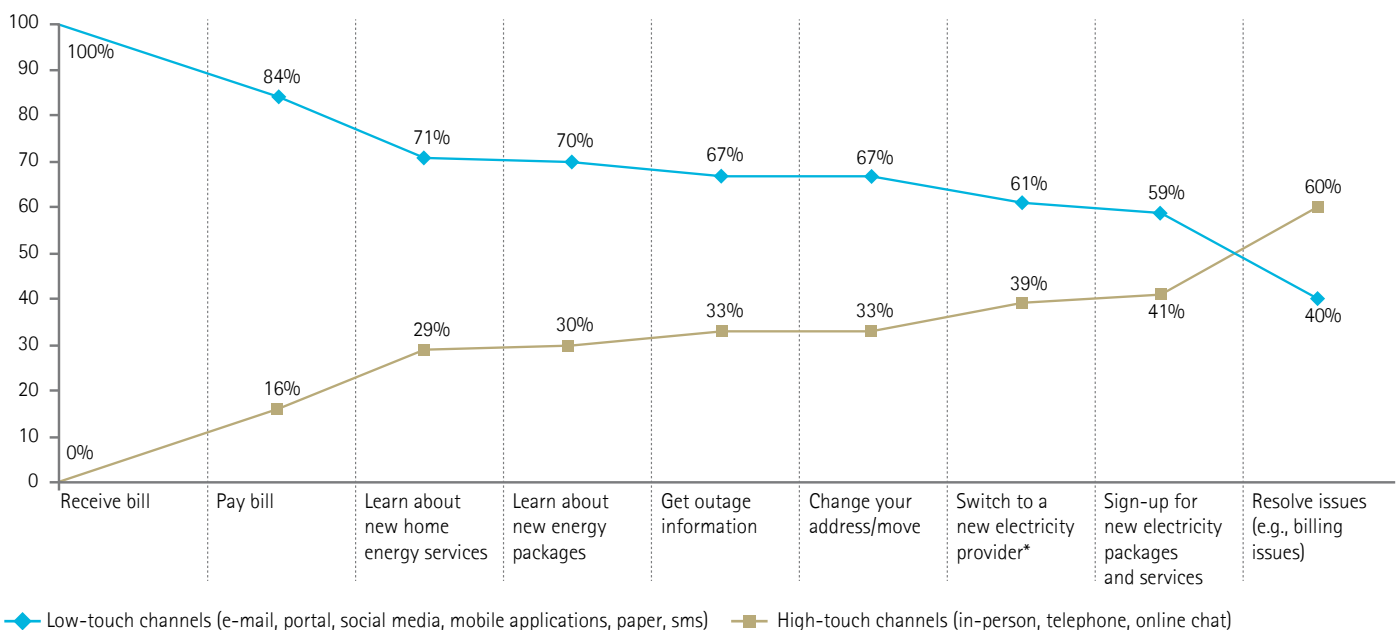
Facing a proliferation of interaction channels and diverse consumer preferences, energy providers have an opportunity to reinvent their approach to customer service. Many providers have invested in lower-cost self-service channels and encouraged consumers to use them. However, there has not always been a holistic approach to balancing consumer preferences with cost and revenue goals.

Actionable Insights for the New Energy Consumer shows that, except when trying to resolve an issue, consumers strongly prefer interaction through low-touch channels where there is limited or no direct interaction with a representative of their utility (see Figure 19).⁹² This preference highlights the enormous significant potential for providers to enable self-service, but it also points to the need for direct interaction for more complex moments in the consumer life cycle, such as resolving an issue or signing up for a new product or service.

As the energy marketplace evolves, utilities will not be able to meet their objectives through a one-size-fits-all focus on customer service. Successful providers will be the ones that transform their approach—creating multifaceted consumer relationships that drive low-value interactions to lower-cost channels while creating the capacity to deliver value-added interactions.

Figure 19. Consumers prefer low-touch channels for the majority of interactions.

Please select your preferred method of interaction with your electricity provider for the following events:



◆ Low-touch channels (e-mail, portal, social media, mobile applications, paper, sms) ■ High-touch channels (in-person, telephone, online chat)

*Only in competitive markets

Base: All respondents

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Indeed, when considering the typical set of interactions a consumer has with an energy provider, Accenture believes that about 30 percent are suited to be higher-touch, more personal interactions, while the other 70 percent can be managed in a low-touch and relatively low-cost manner. The channel and interaction mix chosen may differ among providers depending on consumer preferences, channel costs, products and services offered and competitive intensity within the local market.

Tailoring the experience

Accenture research has shown that consumer preferences for interactions are diverse. Preferences differ from one segment to the other and vary by age, location, intention and numerous other factors. For many utilities, developing deep insight into such preferences and behaviors has been difficult. In addition, a roadblock for some has been a perception that consumers and regulators would not look favorably on "preferential" treatment for some consumers. Not surprisingly, many energy providers in regulated markets have shied away from offering a targeted service experience. Only 14 percent of consumers around the globe report that their gas or electric utility provider delivers a tailored experience—the lowest percentage of any industry surveyed.⁹³ And yet, Accenture's 2010 Differentiated Service Research—which surveyed 2,900 consumers across North America—showed that consumers do not have a problem with differentiated treatment. In fact, 90 percent of consumers surveyed either want specialized treatment or do not care if special treatment is offered to others as long as overall service is satisfactory.⁹⁴

A tailored experience does not necessarily translate to a more expensive experience. For example, introducing new self-serve functions for SMBs to drill into their usage data can reduce billing-related calls—reducing contact center costs and freeing agents to focus on more valuable consumer interactions.

The bottom line is energy providers have a significant opportunity to change the interaction mix, tailor a multifaceted approach to service and, ultimately, balance the resources required to deliver value to their consumers and themselves.

Identifying the right channels, setting the right expectations

As the energy marketplace continues to evolve, leading providers will successfully balance channel economics with organizational goals and the complexity of interactions. Accenture believes energy providers can use three inputs to develop a clear view of the right channel structure:

- **Identify the volume of consumer interactions across channels.** High-volume interactions usually lend themselves to self-serve treatments and will have a significant financial impact.
- **Connect key metrics to channels at the interaction level.** By understanding the cost, value and customer satisfaction impacts of different interactions across each channel, an energy provider can optimize the consumer experience and maximize business value.
- **Understand consumer preferences and expectations.** Deep insight provides a view of how consumers want to interact and what they expect from service interactions. Such insights overlaid with operational goals and cost to serve form the basis for defining the multifaceted relationship.

The third input is particularly important and challenging. Consumers assemble their own service expectations from experiences not just with energy providers but with a variety of service providers. Those collective experiences drive ever-increasing expectations that may not be intuitive or easy to identify. Energy providers can proactively work to understand consumer expectations and influence them with differentiated support offerings.

Spotlight: Opower's holistic channel approach

Opower, a smart grid software-as-a-service provider, is a powerful example of aligning channels to the purpose and the person. The company currently delivers personal energy reports to consumers via traditional mail. Though not the lowest-cost channel, traditional mail is well-suited to the personalized nature of the content and message. Thus, the experience of a personal letter has proven an effective channel to engage consumers on energy efficiency.

However, different consumers have different preferences. To meet growing digital needs, Opower offers consumers Web and mobile capabilities to view energy usage, receive usage alerts, compare to neighbors, perform self energy audits and receive personalized tips on how to reduce usage. Through a partnership with Honeywell, Opower can connect to a smart thermostat in the home that can be controlled remotely by consumers through their mobile devices or by utilities for demand-management programs. The thermostat offers consumers "on-the-go" control or can be a set-and-forget energy-efficiency solution.

Opower has also partnered with Facebook and the Natural Resources Defense Council (NRDC) to jointly develop a new social energy application built on the Facebook platform.⁹⁵

By combining traditional channels with digital and social channels, Opower is able to reduce consumption in a cost-effective manner, while also helping energy providers create a personalized experience.

Brand, price and service all affect customer satisfaction, and as other industries have illustrated, consumers can actually be more satisfied when they approach interactions with lower expectations. Consequently, consumers often perceive discount brands as outperforming traditional brands. For example, Canada's discount wireless brands consistently earn higher customer satisfaction scores than higher-cost competitors.⁹⁶ The same holds true in the North American airline industry.⁹⁷

Accenture research has shown that consumers have specific service expectations when it comes to discounted or premium energy. More than 76 percent of consumers are willing to accept limited customer service options in exchange for discounts.⁹⁸ This has been put into practice by New Zealand's low-cost online retailer Powershop, which tops customer satisfaction surveys—underscoring how utilities can benefit from offering differentiated support to specific consumer segments.⁹⁹ Meanwhile, another segment—31 percent of consumers—would pay for a premium energy service but overwhelmingly expect product differentiation—such as a greater mix of renewable sources.¹⁰⁰

Ultimately, energy providers need to develop customer insight in order to identify opportunities to reduce cost and deliver a relationship mix that increases value for consumers and the business.

Going face to face

The introduction of more complex rates and value-added products and services will further compound the challenge around channel management. As self-serve capabilities are introduced and adopted, volumes for those transactions will decline. However, the impact of self-serve transactions creates a wider impact on interaction preferences, namely a renewed focus on "old-fashioned" service: face-to-face channels. This preference emerges in relation to specific points of the customer life cycle, where consumers now prefer human interaction. Consumer preferences clearly show that they desire support when it comes to learning about new products and services and issue resolution as opposed to the purely transactional interactions they can manage unassisted.

Revealing the Values demonstrates that two-thirds of all consumers desire to purchase energy-efficient products in person through an in-store or in-home interaction.¹⁰¹ Individuals and families are likely to have questions about beyond-the-meter products and services, due in part to consumer perception of product complexity. Even so, door-to-door sales tactics have achieved mixed results. In the United Kingdom, energy providers used this technique to effectively build their consumer base, but many have subsequently abandoned it following consumer complaints.¹⁰² A similar outcome also occurred in Australia, where door-to-door sales channels are also

being abandoned. The challenge then is to redesign face-to-face interactions in a way that allows these interactions to deliver a new facet in relationship building—one that provides the right kind of personal advice and support rather than pure transaction.

As energy providers move beyond the meter and face the need to develop multifaceted customer relationships, retail locations will gain importance. After years of increasing use of electronic payment methods, the rollout of smart meters is also creating a need for a network of physical locations able to take payments. In the past, disconnections for nonpayment may have taken weeks or even months; however, smart meters allow for much quicker remote disconnections and reconnections. Low-income consumers in some cases do not have easy access to the Internet and may not be able to pay through electronic payment methods. In fact, research of low-income consumers in the United States by the Smart Grid Consumer Collaborative shows that 42 percent do not have Internet and only one-fifth have a smartphone.¹⁰³ To effectively serve this group of consumers, providers require locations where payments can be made quickly and easily to avoid disconnections. With these challenges in mind, providers must redefine the purpose of existing retail locations while seeking out other innovative approaches and partnerships to address the need for face-to-face interactions.



Energy providers with a retail network may find ideas and inspiration in the financial services sector, where some banks have developed an effective model for multifaceted relationships. Many retail banks have shifted most interactions to self-service channels. To retain their position as trusted financial partners—and to deliver more complex financial products—banks also provide a tailored branch experience. This “hub-and-spoke” retail branch model has allowed banks to tailor the branch experience in particular areas. Full-service hub branches are organized to support smaller, more numerous spoke branches, which are targeted to particular segments. Each spoke is designed to provide an experience tailored to the preferences of consumers in the local area.

Utilities that lack a brick-and-mortar footprint can partner with retailers to create an interactive, face-to-face energy experience. US-based electronics retailer Best Buy has partnered with some providers to pilot a home energy store within a store. The home energy department demonstrates and sells home energy management, home control and home security products. Meanwhile, trained employees are available to provide information on energy assessments,

product installation, energy rebates and other offers.¹⁰⁴ The partnership with Constellation Energy goes further. Consumers can sign up for Constellation Energy in a number of Best Buy locations and also receive a gift card for the store.¹⁰⁵ This application of a business alliance drives home the point that utilities with an existing store network, and those that can quickly partner with others to create a retail footprint, will be most successful in driving early adoption of products and programs.



Transforming self-service

Advances in smart technology and self-service capabilities are fueling new ways to engage consumers and provide self-service when and where consumers want it. How can energy providers seize opportunities to create a win-win situation of increasing satisfaction while lowering costs with effective self-service?

Energy providers are keenly aware that implementing successful self-service solutions is critical to reducing operational costs and delivering what is increasingly a basic consumer expectation. To that end, providers have made significant investments in developing self-service through new interactive voice response (IVR) systems and online capabilities. While self-service adoption has increased, many providers have not seen the same high levels of

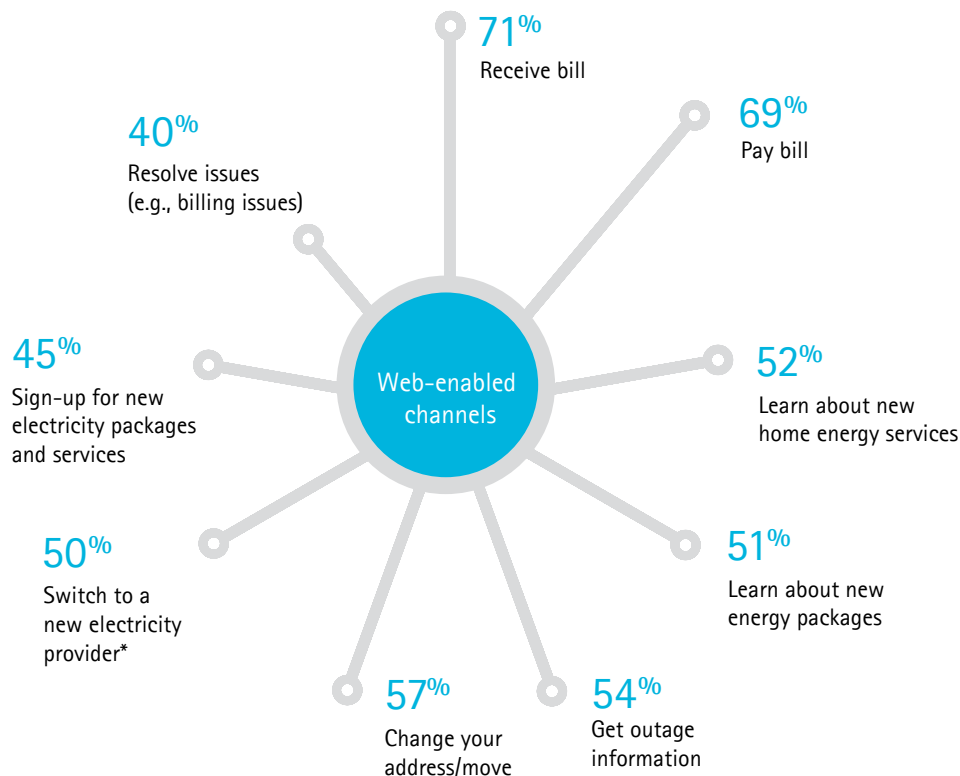
adoption common in other industries, such as financial services or telecommunications. As consumers increasingly embrace the Internet and mobile technologies to perform transactions, energy providers have a valuable opportunity to redefine the self-service experience.

Tackling the complexity

Energy providers are facing an increasing set of interaction channels, and self-service is no exception, with an increasing number of devices, as well as an expanding set of options on those devices. Already, a consumer can use a single smartphone to access self-service through a mobile website, a mobile application, short message service (SMS) or IVR. As the permutations of self-service increase, so does the complexity for providers.

Figure 20. Consumers prefer Web-enabled channels for the majority of interactions.

Please select your preferred method of interaction with your electricity provider for the following events:



Base: All respondents

*Only in competitive markets

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Consumer preferences have reached a tipping point, and they prefer Web-enabled channels for the majority of interactions (see Figure 20). By tailoring self-service options to certain consumer segments, energy providers can improve self-service adoption and empower consumers to control when and how they interact with the provider. Sprint, a large US wireless company, has already given consumers control through applications for Facebook and Google. The widget allows a consumer to perform specific billing portal functions, such as viewing an invoice and paying a bill, directly from Facebook or the Google home page.¹⁰⁶

As technology limitations disappear, the key question becomes not what is possible, but what is meaningful and valuable to consumers.

Creating a new value proposition

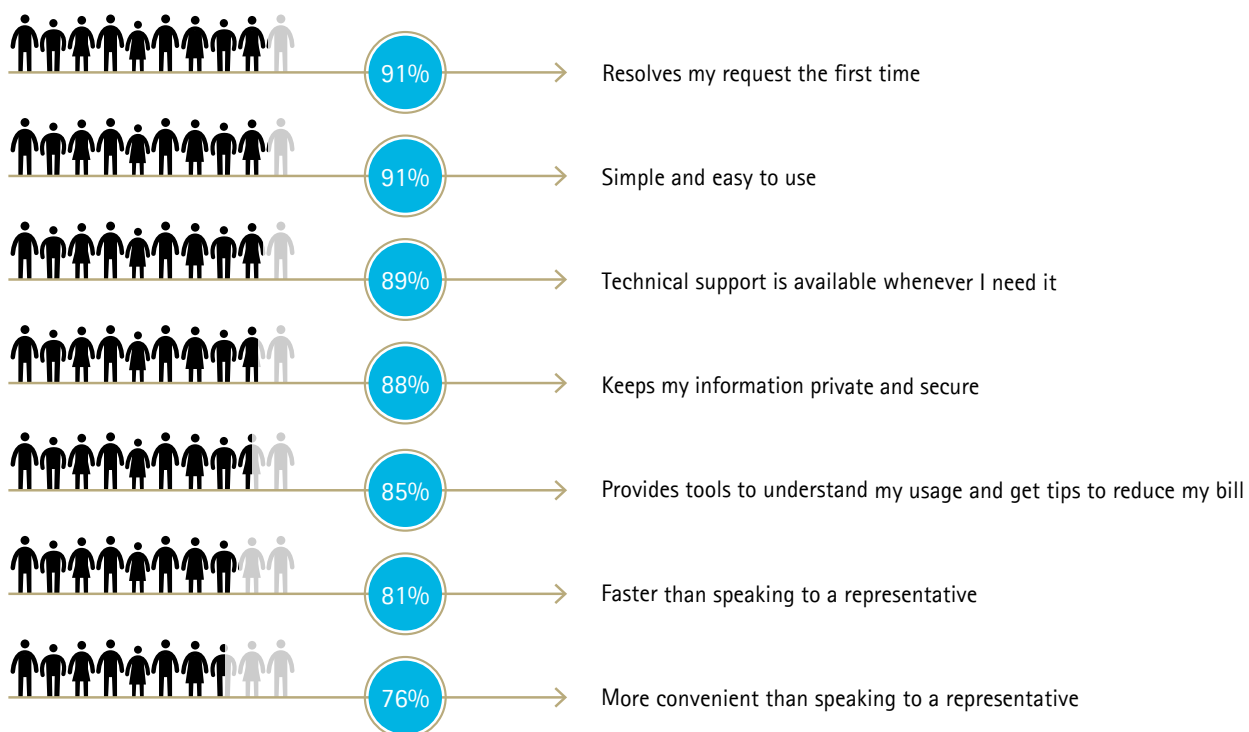
Historically, energy providers have developed self-service capabilities for a select set of relatively simple transactions, such as viewing bills or making payments, with a core value proposition of convenience. Today and in the future, expanding use of smart meters, home energy monitoring, and controllable applications and thermostats will converge with exploding use of the Internet and mobile technologies, creating new avenues for self-service.

As energy providers begin to redefine the traditional self-service offering, the value proposition will become more complex. While convenience may still motivate some consumers, others will seek different benefits from self-service, but all will expect basic self-service capabilities from their providers.

Indeed, Accenture's research has shown that when considering self-service, energy providers need to first master the basics. When considering the use of self-service, consumers reported that the most important factors are ease of use, first-time resolution and the availability of technical support when needed (see Figure 21). Consumers are not forgiving: One bad experience can turn a consumer away from self-service or from the provider.

Figure 21. Consumers expect providers to get the basics right and create an efficient, easy self-service experience.

How important are the following characteristics when you consider using self-serve channels to interact with your electricity provider?



Base: All respondents

■ Somewhat + very important

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Designing from the outside in

In the past, technological limitations, operational needs and cost-reduction goals shaped the design of self-service capabilities. Given the increasing universe of self-service options and consumers' diverse preferences, this inside-out approach is becoming obsolete.

To succeed, providers need to build self-service from the consumer point of view. An outside-in approach incorporates consumer insights, anticipates users' next actions and understands user intentions. Tactics that may have been reserved for market research, such as consumer interviews, focus groups and in-the-field observations, can be applied to self-service design.

Consumer insights may not always come from outside the organization. Self-service design can leverage lessons that come from the call center, where top-performing agents have perfected the language and flow of an exceptional consumer interaction. Energy providers have an opportunity to continually apply these methods, not just in the call center, but across all channels of interaction, to create a consistent and valuable experience for consumers.

Placing consumers at the center of self-service design can help an energy provider manage complexity and create a consistent and efficient experience.

Start today

Accenture believes utilities have the opportunity to dramatically flip the existing balance of interactions, shifting a large portion of transactional, low-value contact to self-service. The critical first step is initiating the virtuous cycle of self-service:

- **Target IVR improvements.** In order to realize the most immediate gains, utilities should focus investment in the channels consumers already use. Often, IVR systems lack consistent governance and oversight, which degrades the consumer experience, making the channel a target for improvements.
- **Leverage paperless billing as a gateway to self-service.** Drive adoption of paperless billing through targeted campaigns and make it a default option for consumers. This effort will push consumers online and initiate the Web-based relationship.

- **Deliver end-to-end process automation for self-serve capabilities.** Encouraging self-service does not reduce costs if transactions still end up with an agent for processing or require manual interventions. Holistic automation across the self-serve transactional process creates true self-service for consumers and reduces operational costs.

Cost pressures and consumer preferences have made effective self-service a fundamental capability for energy providers. Successful providers will reap the dual benefit of decreasing cost to serve while improving satisfaction.



Spotlight: Driving self-service adoption

Even the best-designed self-service capabilities are valuable only if consumers use them. Accenture believes the phrase “if you build it, they will come” does not hold true for self-service. Rather, we believe successful providers will take a holistic approach, focusing on nine key tenets:

- 1. Start at the contact center.** Because the contact center keeps its finger on the pulse of consumers, it can provide insights into consumer intentions, as well as iterative feedback providers can leverage to develop relevant self-service solutions.
- 2. Reward the front line.** As the front-line voice to consumers, service agents can sell the value of self-service. Ensuring the front line promotes self-service and using agents to enroll consumers while on the phone can drive results.
- 3. Target specific interactions.** Interactions related to bad payers and move-in/move-out processes typically account for significant service efforts. Building simple self-service capabilities for these types of interactions can yield significant benefits.

- 4. Increase consumer control.** Different consumer groups—residential, SMBs and large enterprises—all have different needs. Increasing consumer control creates options and allows energy providers to meet diverse needs by letting consumers define their own self-service experience.

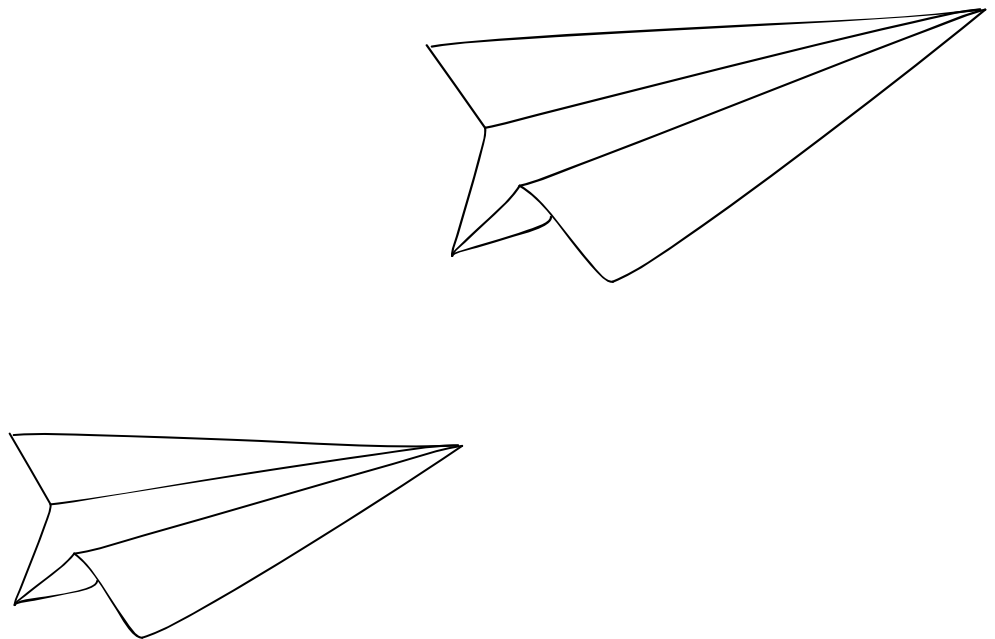
- 5. Design from a consumer's point of view.** Too often, designs are driven by an inside-out mentality. Terms like “KWh” or “PEF value” mean little to consumers. Taking an outside-in approach will identify consumers' priorities, helping to infuse simple solutions and transparency throughout the service process.

- 6. Measure and manage the end-to-end experience.** Energy providers should track and manage user experiences across different channels and lines of business. Doing so enables providers to create a consistent experience, identify bottlenecks and iteratively improve interactions by proactively addressing service triggers.

- 7. Customize self-service benefits and messages.** Consumers have differing drivers for using self-service. For example, paperless billing can be leveraged to drive consumers toward additional online capabilities and channels. Understanding what messages and incentives resonate with different consumer segments is important to driving adoption.

- 8. Motivate and create accountability across the organization.** A culture of self-service does not end at the contact center. To see marked increases in adoption, energy providers need to create the right incentives. They also need to drive accountability and make self-service a defined goal across the organization—throughout marketing, sales and service.

- 9. Develop formal governance, process and ownership.** Self-service is a core component of a wider, holistic cross-channel strategy and needs to be delivered, monitored and measured as such. Maintaining rigor around ownership and delivery of self-service capabilities will avoid operational silos and inconsistencies in customer experiences, ensuring all stakeholders act as part of an integrated interaction function.



The mobility imperative

As consumers increasingly embrace smartphones and other mobile devices, energy providers need to rethink their digital strategies. Instead of treating mobility as an afterthought, providers must build a mobile-first mentality.

Across age groups and geographies, mobile devices are rapidly becoming consumers' primary medium for accessing the Internet—and interacting with service providers. In 2012, mobility reached a milestone, with more than 1 billion consumers using smartphones.¹⁰⁷ Further, Accenture's research shows that 41 percent of consumers plan to purchase a smartphone in the next year.¹⁰⁸ The sheer scale of mobile adoption makes it clear: The question is not whether energy providers should develop mobile capabilities, but rather how they will do so.

Many utilities already recognize that mobility is becoming a critical customer service channel. During major storms and mass outages, mobile capabilities are proving invaluable as a vehicle for keeping consumers up to date with outage information, enabling consumers to report outages and delivering mass messaging via social media. For instance, when Hurricane Sandy hit the Northeastern United States in 2012, smartphone traffic to utility websites surged by as much as 16,000 percent.¹⁰⁹

With the mobile opportunity growing rapidly, how can energy providers get the most value as they develop and scale a consumer mobile capability?

Getting mobile

With so many options for mobility, some providers would prefer to dip their toes in the waters before diving in. While taking a test-and-learn approach may be tempting, it is important to understand that consumers have little patience for a bad experience on a mobile device. This lack of patience is exemplified by consumers' online shopping behavior. Sixty-seven percent of consumers are more likely to buy from a mobile-friendly site; 57 percent say they will not recommend a poorly designed mobile site; and 40 percent have turned to a competitor's site after a bad mobile experience. What is more, half of consumers said that even if they like a business, they will engage with that business less often if the website is not mobile-friendly.¹¹⁰

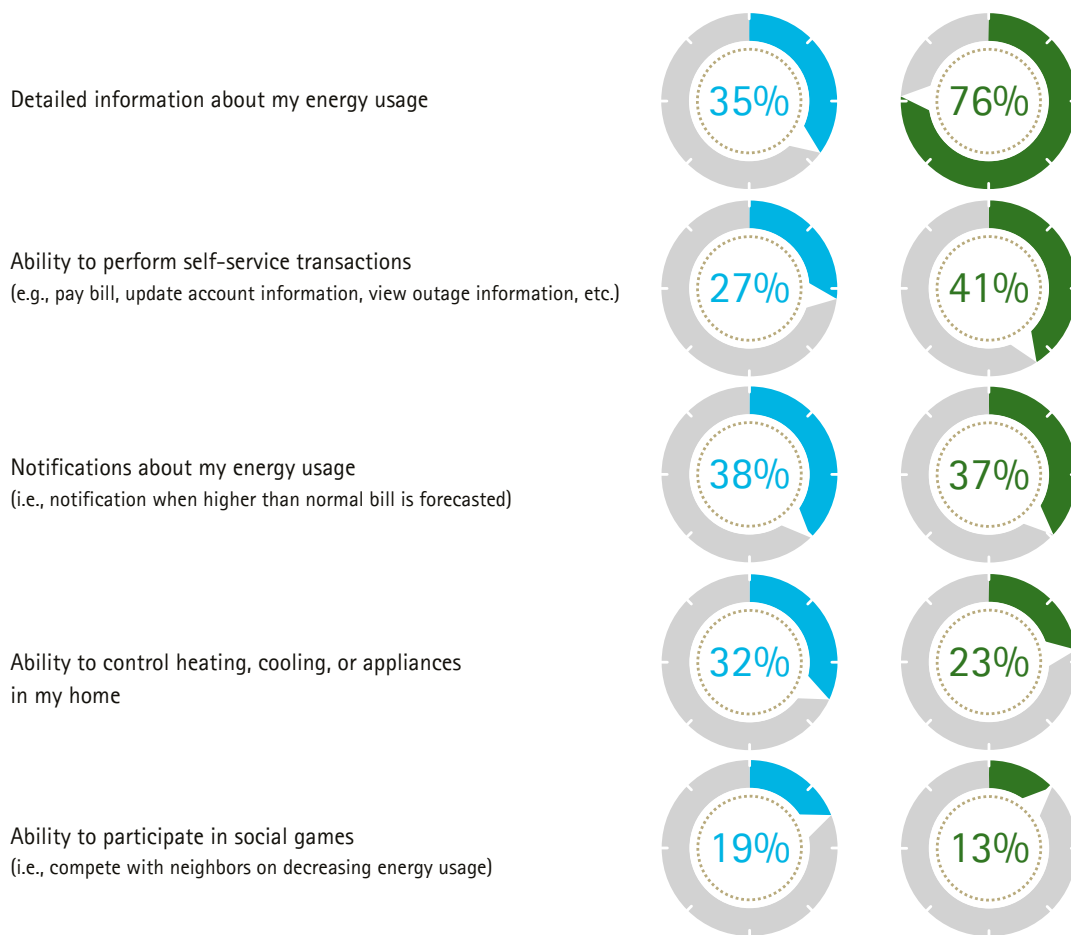
In short, when it comes to mobility, energy providers need to get it right the first time. That can be challenging given the array of choices. Should a provider design a mobile website, a mobile app or both? What functionality should the provider offer and for which digital channels? What operating system should the provider build in?

While there is no one correct answer for every energy provider, Accenture's research clearly shows that consumers have different expectations for their experiences on traditional computers versus mobile devices (see Figure 22).

A mobile website or app that allows consumers to complete basic self-service transactions can be an effective first step in any mobility strategy. Although such capabilities can help reduce call volumes, many users may already be taking advantage of online self-service. Thus, the real win is in customer satisfaction and delivering the modern experience consumers have come to expect. Over time, energy providers can work to increase mobile adoption by expanding their mobile platforms to include more transactions and more dynamic, engaging content, such as loyalty programs, games, other rewards and location-based coupon services. Leading utilities are already leveraging the broad range of capabilities new mobility channels offer. For example, Enel, a large Italian energy company, has designed a series of mobile applications that provide information and engage consumers through gaming mechanisms. One application related to wind power asks users to blow into the microphone to see how much power would be generated.¹¹¹

Figure 22. Consumers have different expectations for the features offered on an energy provider's website if they are accessing it via a mobile device versus a traditional computer.

Provided you had access to a traditional computer (e.g., laptop or desktop) and a mobile device (e.g., smartphone), which of the following features would you want available on your energy provider's website?



Base: All respondents
 ■ Using a mobile device ■ Using a traditional computer

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

With mobility—as with so many other aspects of meeting consumer needs—one size does not fit all. When designing mobile capabilities, it is important for energy providers to keep customer segments top of mind, and to tailor mobile capabilities to the needs of as many segments as possible. One solution for a tailored approach: allowing consumers to self-select the support they need by offering individual widgets for various functions. In more advanced implementations, energy providers can use location-based push notifications to deliver usage information, alerts or coupons for energy-related products and services.

Reshaping the value proposition

Above all, it is important for energy providers to realize that mobility is not merely a platform for completing simple transactions; it can be a true game-changer, helping redefine the energy provider value proposition. For proof, consider British Gas.

British Gas already provides its customers with a fully functional mobile application, through which consumers can manage their energy accounts on the go. The application supports such basic features as submitting meter reads, checking account balances and paying bills. It also enables consumers to schedule an engineer to fix an appliance and view energy usage or compare their own usage to that of other consumers in the area. The app even offers a built-in flashlight to help read meters in the dark. In addition, British Gas customers who have the Remote Heating Control and Safe & Secure products are able to use their smartphones to control heating, home security and door locks. For consistency and ease of use, British Gas designed its mobile app to mimic the look and feel of other British Gas interaction channels. By leveraging mobility to offer convenient integrated solutions, British Gas has created a new value proposition and new revenue opportunities.¹¹²

Providers inside and outside the energy sector are also leveraging mobility to change the energy experience. For example, Austin, Texas-based Allure Energy has developed the EverSense mobile app, which connects consumers' smartphones to their homes and allows them to establish location-based event triggers.¹¹³ In other words, using a mobile phone's geo-location capabilities the app controls heating, cooling and other home devices automatically based on a consumer's location. Meanwhile, telecommunications providers in North America and Europe are beginning to offer home management services that leverage mobile devices to control lights, thermostats and other devices.

Accenture's research reveals a consumer appetite to use smartphones to manage the home (see Figure 23). As the capability of mobile devices surpasses that of fixed computing devices, demand and expectations of mobile functionality will increase. For energy providers, the disruptive power and possibilities of mobility are likely just beginning.



Principles for mobility success

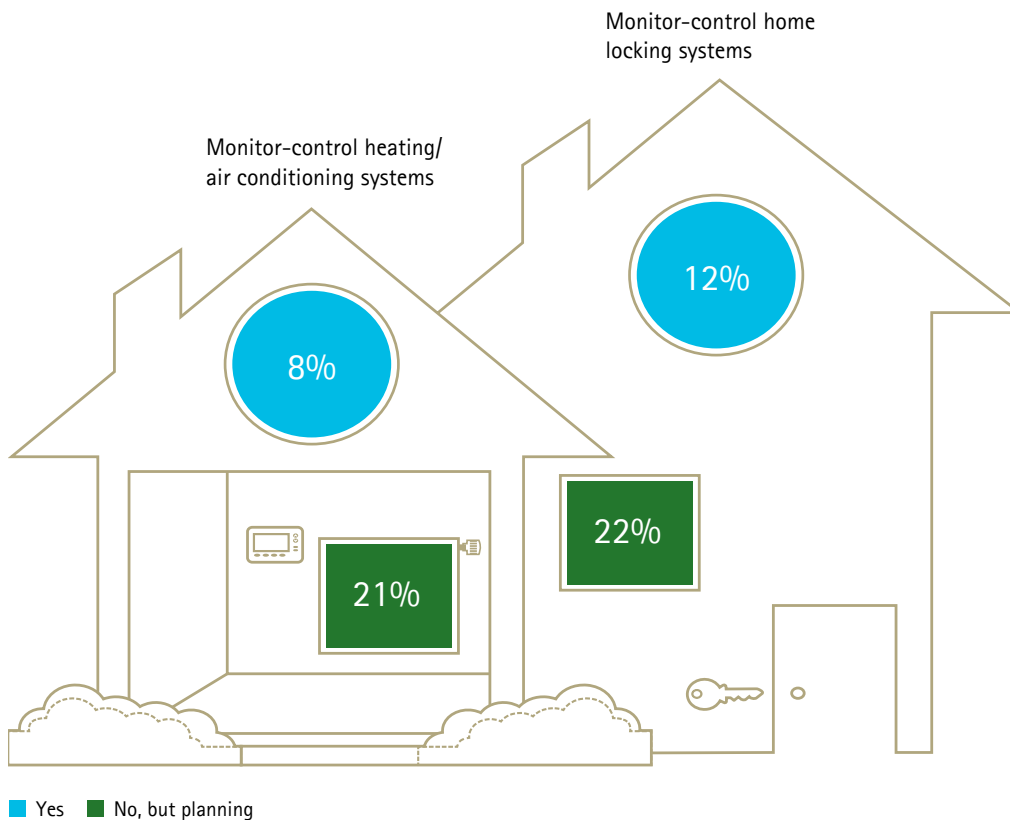
To succeed, energy providers need to act quickly to determine how mobility can help create and capture value. They may also benefit by following the lead of Google chairman Eric Schmidt, who has implemented a "Mobile First" principle calling on every team to include mobile in their product and business plans.¹¹⁴

As energy providers evaluate and expand their mobility strategies, they need to examine how mobility impacts initiatives in all parts of the customer organization. Accenture's experience has shown that five crucial principles can help to drive mobility success:

- 1. Support mobile initiatives with effective marketing programs.** Like any channel, mobility adoption comes with awareness and targeted value messaging.
- 2. Do not consider mobility a one-and-done initiative.** The best mobile websites and applications change constantly. Consumer preferences and providers' use of mobile technologies may look very different tomorrow. Flexibility and adaptability are key.
- 3. Approach mobility with an open mind.** Consider how it can serve as more than a transactional channel and how it can support—or even become—an innovative product.
- 4. Integrate mobile capabilities.** A consistent and seamless experience requires mobility to be integrated with the organization's back-end technology, channels and processes.
- 5. Create accountability.** For energy providers, mobility is an incremental capability that requires a role with responsibility for managing and delivering the mobile experience.

Figure 23. Consumers show significant interest in using mobile devices to control the home.

Do you do any of the following over your mobile device (phone or tablet)?



Base: Respondents owning a smartphone or a tablet

Source: The 2013 Accenture Consumer Electronics Products and Services Usage Report, Accenture, 2013, www.accenture.com.

Spotlight: On the move with mobility

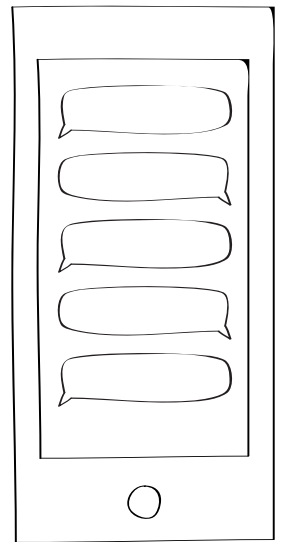
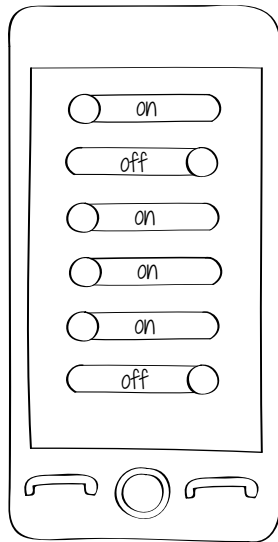
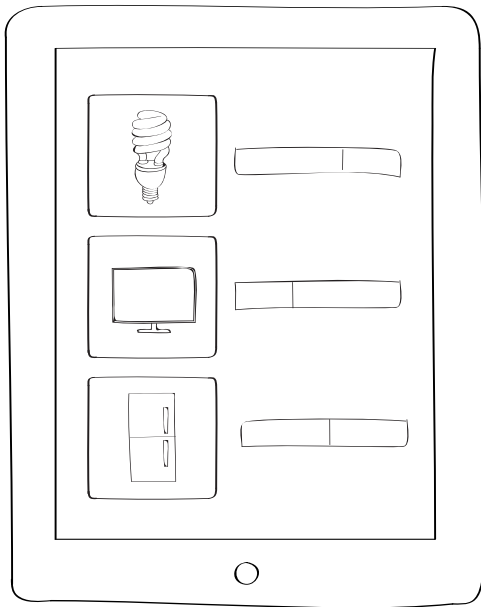
Many energy providers have begun to implement mobile platforms and capabilities for consumers; however, the possibilities expand much further to employees and machine-to-machine communications.

Enterprise mobility

Utilities also have the opportunity to use mobility to enhance workforce productivity and impact. Regardless of a utility's scale and size, having a clear enterprise mobility strategy is critical to promoting productivity and employee engagement. With the appropriate approach, utilities can use mobility services to create more-informed, more-effective employees. Using a mobile device, a field agent can conduct a home energy audit and use on-demand data to provide location-specific estimated cost savings.

Machine-to-machine mobility

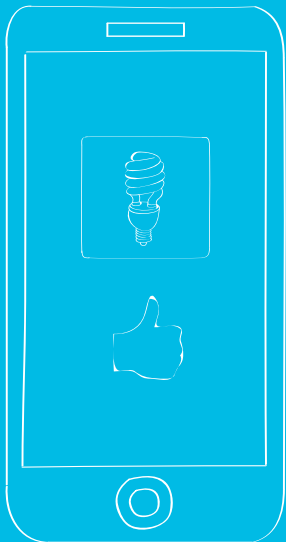
Communicating with devices—mobile or not—presents new opportunities for utilities and manufacturers to offer services and address regulatory requirements. For instance, smart devices may detect that a household is empty and therefore disconnect all nonessential appliances in the house to reduce energy consumption during the day. Passive homes that generate their own electricity may have devices that communicate with the energy provider over the grid and allow it to control when to draw power during peak periods to support demand. Additionally, utilities may be able to send out notifications to mobile and in-home devices to indicate that an outage is about to occur. Ultimately, the possibilities for machine-to-machine communication are just beginning to be explored.



Case in point: ComEd puts mobile first

Commonwealth Edison, better known as ComEd, is part of Exelon Corporation, one of the largest electric utilities in the United States. With 3.8 million customers, ComEd provides safe, reliable electric service while continually seeking new ways to improve customer service. Increasingly, mobile solutions are at the core of efforts to offer greater value and deliver on the changing needs of energy consumers.

For ComEd, mobility is not just another channel; it is at the center of an evolving channel strategy. After recognizing that the growth of mobility could not be ignored, ComEd systematically established a proactive approach to building mobile capabilities. Seeing that Web traffic would increasingly come from mobile and tablet devices, ComEd launched a mobile-enabled website in 2010. The site allows for a simplified user experience focused on allowing consumers to address the reason for their visit quickly and conveniently. This capability complemented existing two-way SMS capabilities for outage reports and notifications.



Outside-in design in action

The growth of mobile applications signaled a new era for mobility. In 2012, ComEd launched a full-featured smartphone app.¹¹⁵ The organization took a fundamentally customer-led approach to design, working to create a mobile experience comparable to what consumers now expect from leading online retailers. Every design decision was held to the golden rule: "Can consumers achieve their goal in three clicks or less?"

ComEd's smartphone app allows consumers to view account details and bill information, make payments, report outages, receive outage notifications, submit meter reads, find payment locations, manage automatic payment options and more.

Driving mobile adoption

Within one year of the app's launch, nearly 60,000 consumers had downloaded it and completed more than 1 million transactions.¹¹⁶ To achieve this level of adoption, ComEd took a holistic approach, engaging key stakeholders within the organization and piloting the app with executives and municipal leaders. The organization also recognized that consumers may not go out of their way to download an energy provider's mobile app. Thus, ComEd included QR codes on bill inserts, envelopes and other collateral so consumers could download the app with a quick scan.

Social media has also been a powerful tool to encourage tech-savvy consumers to use the mobile application. Leveraging social conversations, customer service representatives have been able to market the features of the app and encourage consumers to use it to complete transactions. In addition to driving self-service and mobile adoption, ComEd has also increased online engagement through social media. It has one of the largest Facebook followings of any utility in the country.

Thanks to rapid adoption, ComEd was able to achieve the initial business case for the mobile application in a little over a month. The value has also extended beyond dollars and cents. On average, consumers have interacted with the mobile app 17 times per year, creating a new platform for engagement that has already led to gains in customer satisfaction. With opportunities to integrate with advanced metering infrastructure and smart meters, link to home automation solutions and increase available notification options, ComEd sees a range of exciting opportunities ahead to create more value for increasingly mobile consumers.

Social media is becoming a crucial channel for energy providers, especially during times of disaster and recovery. Utilities will need to recognize that consumers are shifting more of their provider interactions to these informal, high-touch channels. Energy providers should leverage social media to build brand awareness, strengthen relationships with consumers and provide any and all updates on outages.

5.3 Creating lasting consumer engagement

Engaging the new energy consumer has become a critical imperative for many providers. However, building long-term satisfaction and loyalty increasingly requires innovative approaches that go beyond the traditional energy experience.

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Competency in brief: Creating lasting consumer engagement

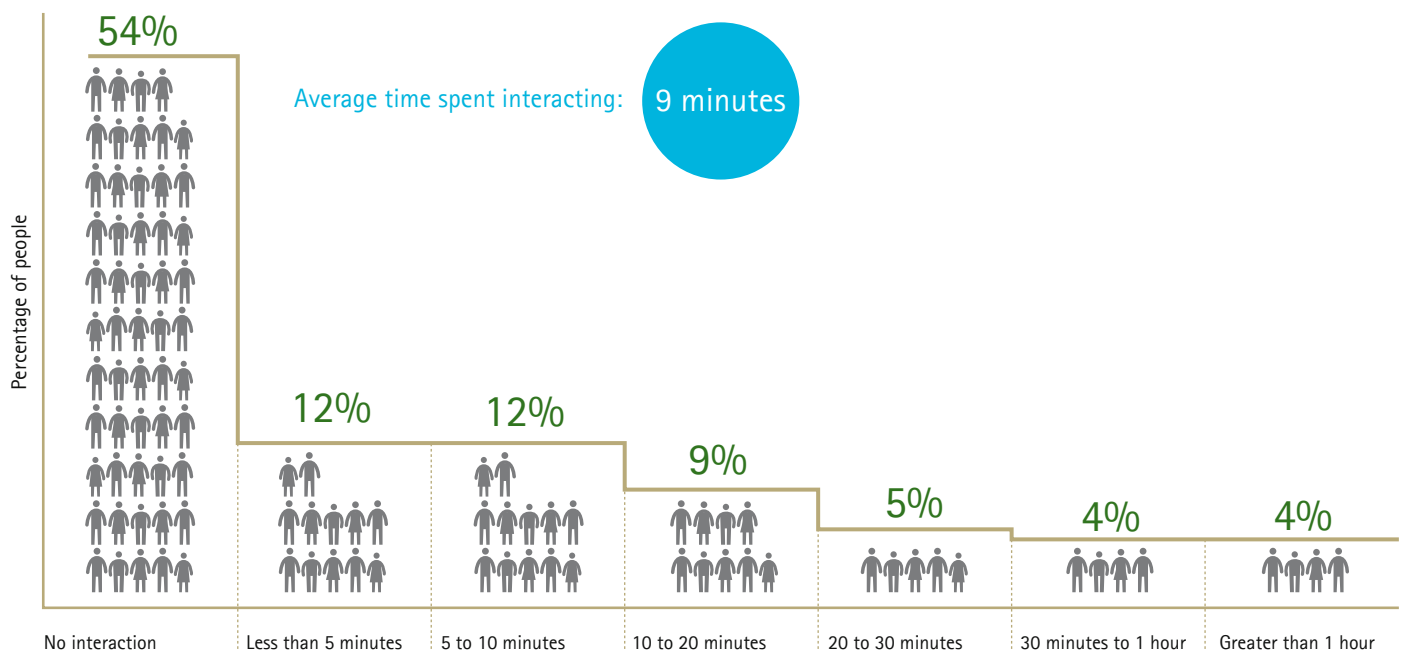
Many utilities will soon bid farewell to the days of infrequent, low-value consumer interactions. Whether to meet energy-efficiency goals, fuel new revenue opportunities, drive cost efficiencies or improve satisfaction, consumer engagement is becoming a much more critical component of virtually every provider's strategy. In strengthening engagement, utilities need to consider consumer preferences and technology advances to deliver innovative, tailored experiences that contribute to long-term satisfaction and loyalty.

Traditionally, consumers and their utilities have not had a high-touch, high-value relationship. Most consumers interact with their provider an average of just nine minutes per year (see Figure 24).¹¹⁷ These interactions are generally neutral or

negative—typically pertaining to billing, credit or supply issues. However, consumer-utility interactions are changing as a range of factors makes consumer engagement an imperative for energy providers.

Figure 24. Consumers typically have limited interaction with their electricity providers.

In the past 12 months, how much time did you spend in total interacting with a representative of your electricity provider (e.g., over the phone, e-mail, in a store, in your home, etc.)?



Base: All respondents

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

For starters, consumers' growing awareness of energy and increasing interest in new products and services is creating a push for more transparency and control over usage. *Delivering the New Energy Consumer Experience* shows that the introduction of a smart meter or time-of-use pricing leads to higher stakes—including expectations for proactive notifications, personalized advice to reduce bills and even new products and services.¹¹⁸

Changes occurring outside the energy industry are also driving the need for stronger engagement. When it comes to energy, many organizations are emerging as new competitors for consumer attention. Within this environment, providers must work to build lasting consumer engagement that drives long-term satisfaction and, in competitive markets, loyalty.

Changing the definition of an energy consumer

In many ways, the definition of an energy consumer is shifting. As the growing adoption of electric vehicles creates a "roaming" energy consumer, energy management and other home solutions are challenging providers to develop relationships beyond the bill payer and to engage more actively in the home. Growing adoption of distributed generation (residential solar, in particular) is also creating a new dynamic for providers. The nature of the relationship fundamentally changes when consumers become "prosumers"—creating their own energy and, in some cases, selling it back into the grid.

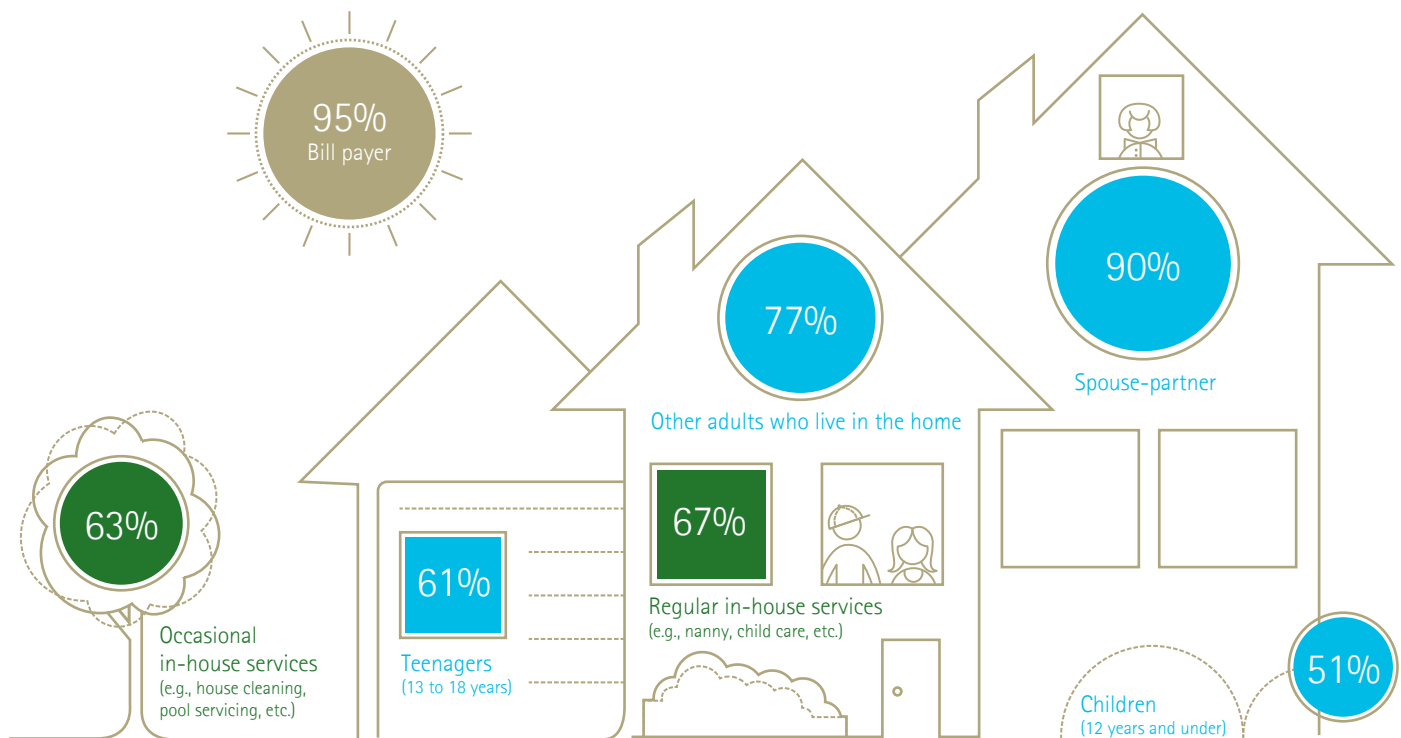
The need to take a more holistic view of energy consumption is even more critical when considering energy conservation. While utilities today often maintain their primary relationship with the bill payer, in multiperson households, others have a significant impact on energy usage. From spouses and children to nannies and housecleaners, other individuals affect when and how energy is used in the home (see Figure 25).

In other cases, groups of consumers are coming together in communities to influence the types of available energy options. Some organizations are responding by creating new offerings aimed at communities. For example, the Orlando Utilities Commission is looking to entice communities to lock in energy rates for up to 25 years, using the guaranteed revenue to finance a community solar project.¹¹⁹

Figure 25. Aside from the bill payer, others in the home influence energy usage.

Thinking about all the members of your household, please indicate the level of influence the following have on energy usage in your home (e.g., set the temperature, turning lights on/off, turning on/off entertainment, doing laundry, etc.)?

Members of the household with moderate to significant influence on energy usage



Base: All respondents; excludes "Not Applicable" responses
Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

Case in point:

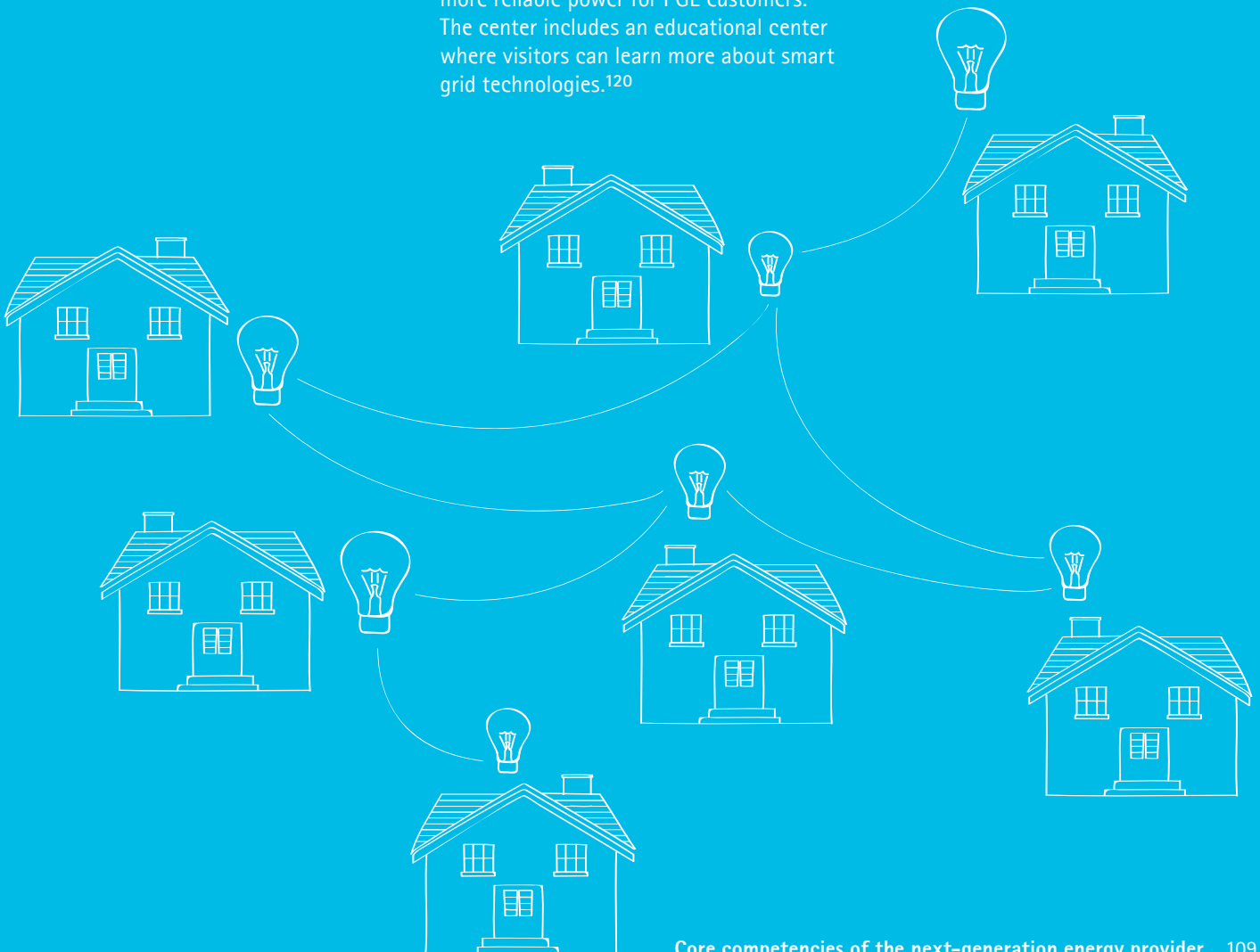
Portland General Electric becomes part of the fabric of its community

Engaging consumers is becoming increasingly important and Portland General Electric (PGE), a US energy provider with more than 828,000 customers in Oregon, has found innovative ways to become part of the fabric of the community. PGE's success is built on engaging the local community by supporting a range of initiatives aimed at future workforce education, making communities safer, and improving the environment. PGE works collaboratively with a variety of nonprofit partners, including Oregon Museum of Science and Industry, Friends of Trees, SOLVE, and Oregon Children's Theatre, on programs that make a positive impact on the communities in which they operate.

PGE also works with the community to engage consumers in the latest in energy innovation—including roadside educational exhibits about the benefits of solar power at its Baldock Solar Station, the largest solar highway project in the United States, and Electric Avenue, a street on the Portland State University campus that showcases the latest in electric vehicle technology.

PGE also has a project underway to test the latest in smart grid technology at its Salem Smart Power Center, a working smart grid demonstration project. The 8,000-square-foot facility in South Salem, Oregon, is testing how groundbreaking smart grid technologies—including large-scale energy storage—can work together for greener, more efficient, more reliable power for PGE customers. The center includes an educational center where visitors can learn more about smart grid technologies.¹²⁰

By engaging the local community and giving consumers the opportunity to experience the latest innovations, PGE has truly placed its consumers at the center of its business. As a result, PGE ranked number one in the Western United States in overall business customer satisfaction and third in residential customer satisfaction, according to 2012 and 2013 J.D. Power & Associates Electric Utility Satisfaction studies.¹²¹



Similarly, some organizations are applying the success of online crowd sourcing to energy. California-based Solar Mosaic has created an online marketplace to attract crowd-sourced financing for solar projects. Investors can contribute to specific solar projects around the United States and are repaid with interest as the project is completed and begins to generate energy. With returns of 4.5 percent or higher, the organization has already invested more than \$1 million of investor funds and has a track record of 100 percent repayment.¹²² Although Solar Mosaic is not a utility, it demonstrates that taking innovative new approaches to engaging communities of consumers may offer opportunities for energy providers in the future.

As organizations seek to capture energy-related value, this group approach creates new challenges and opportunities. Providers will increasingly need to engage a broad range of stakeholders to tap new opportunities and remain relevant in the new energy marketplace.

Creating a new energy experience

While competitive marketplaces have seen new innovations—primarily in the form of expanding tariff options—most consumers' energy experience has not changed significantly from decades ago. However, today a new energy experience is increasingly possible. Smart meters offer new levels of transparency into energy usage, analytics tools support personalized offerings, energy management solutions empower unprecedented control and automation of devices, and mobile and online interactions facilitate creative engagement techniques.

One of the most fundamental shifts underway is the digitization of the energy experience. Whether through tablet computers, mobile devices or traditional computers, today's consumers are "always on." As relationships based on phone calls and paper communications continue to diminish in consumer relevance, energy providers

need to become part of consumers' digital lifestyles. Thus, engagement is increasingly about self-service and digital interaction—executed through gamification, energy usage benchmarking and other innovative digital experiences.

For many providers, the new energy experience requires a shift in mindset across the organization. It also requires a more iterative approach to creating, monitoring and adapting consumer experiences. For example, traditional bill designs and customer communications—which have remained largely static for many years—will not meet consumers' expectations for innovation and continual improvement. In the current environment, a new energy experience will require ongoing adaptation incorporating consumer insights and optimizing operational performance.

Engaging consumers through an ecosystem

Many utilities may look to partners to help build new capabilities and strengthen consumer engagement—particularly as providers extend into more complex products and services.

Revealing the Values shows that 63 percent of consumers would want to purchase a set-and-forget program from a salesperson either in a store or at home.¹²³ In competitive markets, the Web is the preferred channel for switching to a new energy provider—but more than one-third would still want to switch with a representative at their home or in a store.¹²⁴ Many energy providers have little or no physical retail presence. Thus, in the quest to engage consumers face to face, providers will likely search for partners that can offer brick-and-mortar locations with trained sales and education representatives.

The need for partners is not driven only by the growing importance of physical locations. Consumers look to a broad range of organizations as sources of information about energy and related products and services. Smart homes, smart buildings and smart cities are seldom "owned" by a single provider. Rather, the energy marketplace is an increasingly interconnected ecosystem. With that in mind, energy providers will need to strategically identify and foster partnerships with organizations that will help to create value for their consumers and for themselves.

Data—the key to successful engagement

Engaging consumers is no longer a mass-market proposition. When it comes to energy, consumers have a wide range of values and preferences. To capture their attention, deliver satisfaction and sustain loyalty, energy providers need data and, more importantly, insights. Fortunately, energy providers are often in the enviable position of having significant quantities of operational and consumer data available. The continued rollout of smart meters is only increasing these assets. As providers work to engage consumers, they must find new ways to attain operational insights that can improve cost effectiveness and consumer insights that support tailored, lifestyle-oriented value propositions.

Customer segmentation is one way that data is creating dividends for providers. Understanding consumer needs and values can help identify the types of offerings that will resonate. When it comes to considering energy management programs, *Revealing the Values* points to six key segments, each expecting a different value proposition from their energy provider (see Figure 26).

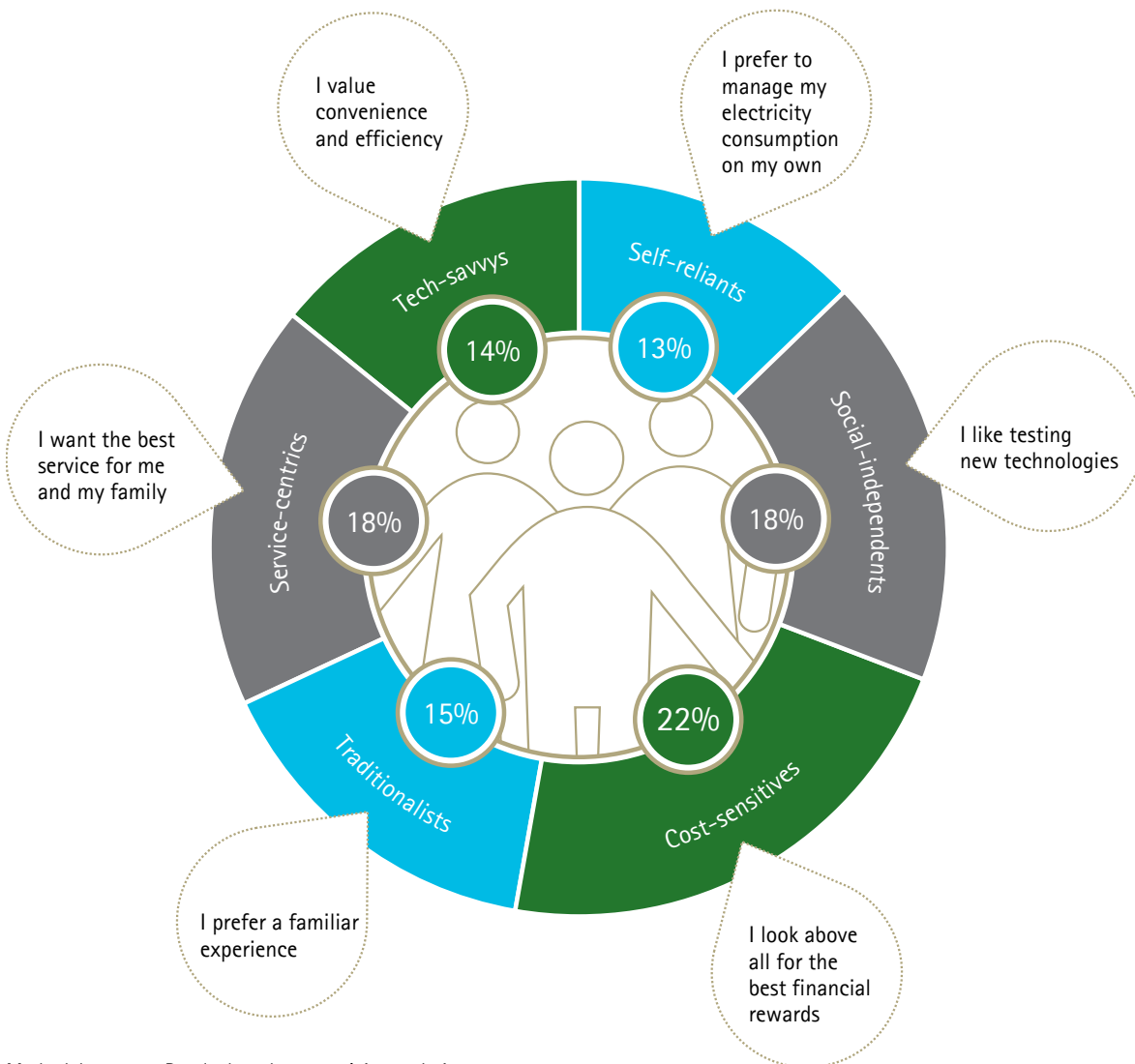
Ultimately, energy providers will need to make consumer data pervasive and a key driver of decisions throughout the organization. In its most successful form, actual data may go largely unseen as processes and workflows automate actions based on operational and consumer insights.

The bottom line

As consumer preferences continue to evolve and the energy marketplace grows in scope and complexity, engaging consumers will become increasingly important. Whether energy providers focus on improving customer satisfaction, acquiring new consumers, retaining existing consumers, driving behavior change or extending beyond the commodity, consumer engagement will be at the center of these strategies. In a time of technology disruption and expanding channel options, consumers have short attention spans. Engagement cannot be static; energy providers must continually innovate to capture share of mind and, in competitive markets, share of spend.

The following articles include a deeper dive into some of the key aspects of consumer engagement—including the changing definition of the energy consumer, new opportunities to reinvent the energy experience, how data can be leveraged to personalize and tailor engagement, the potential of gamification, and how collaboration is fueling new approaches to engagement.

Figure 26. Consumer segments have different values and preferences when it comes to energy management.



Methodology note: Results based on a conjoint analysis.

Base: All respondents

Source: Revealing the Values of the New Energy Consumer, Accenture, 2011, www.accenture.com.

Spotlight: Using "waste" to change consumer behavior

Encouraging energy conservation and managing demand is a critical imperative for many providers. Whether to mitigate supply shortages, shift and reduce peaks or meet regulatory requirements—influencing energy usage behavior is an important objective. However, particularly in geographies where energy costs are relatively low, providers are often challenged to gain consumer interest let alone influence behavior.

While many providers have worked to bring consumer attention to the potential environmental benefits of saving energy or increase awareness of what energy

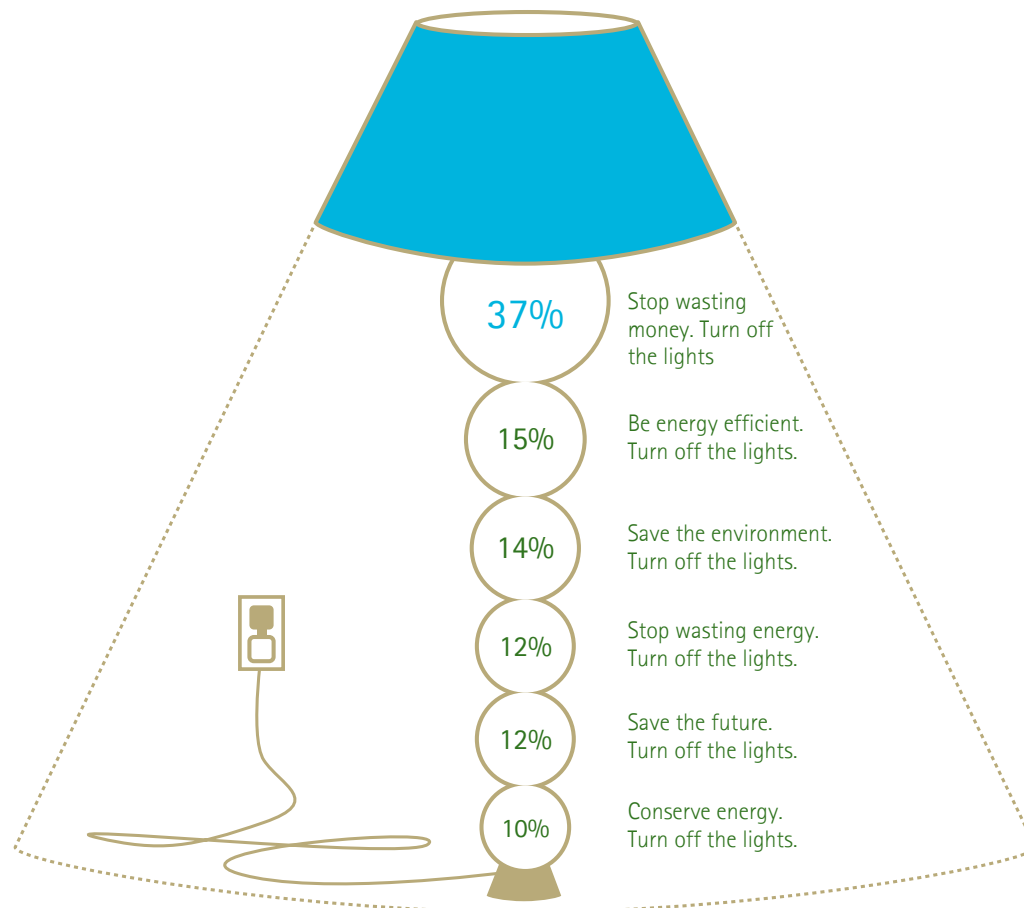
efficiency actually means, focusing on "waste" may in fact be more effective. *Delivering the New Energy Consumer Experience* shows that when asked which statements would most likely cause them to take action, stopping waste, particularly wasting money, is a key trigger (see Figure 27).

BC Hydro, a large Canadian energy provider, has developed a creative marketing campaign to bring wasting energy to consumers' attention. With an integrated campaign across bus shelters, television, print, billboard and online, BC Hydro highlighted that wasting energy is the same as wasting water or food—items that many consumers have been taught not to waste. With this exaggerated and often humorous approach, the campaign achieved impressive results:

- Increased the number of consumers who reported they would be "doing more" to save power by 6 percent, to a total of 91 percent
- Increased online visits to the energy conservation website by more than 350 percent
- Increased the number of fans and followers on social media¹²⁵

Figure 27. "Stop wasting money" is the message most likely to cause consumers to take action.

Which of the following statements would most likely cause you to take action?



Base: All respondents
Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

Spotlight: What is customer satisfaction?

For energy providers, customer satisfaction (CSAT) is among the highest-profile and most monitored measurements—a key metric reported and tracked from the contact center to the C-suite.

Top-level corporate satisfaction measures are popular and offer insights into consumer perceptions of a provider's brand. Third-party satisfaction surveys are yet another measure that can allow for comparison to other energy providers or even other industries. While these measures allow for benchmarking and establish industry standards, it is sometimes difficult to understand how to move the needle on this high-level metric.

Traditionally, energy providers have used a combination of transactional and overall satisfaction surveys to triangulate customer satisfaction. Transactional measures are often a key part of operational reporting, agent coaching and customer experience measurement programs. Although transactional CSAT surveys offer a wealth of insight and coaching opportunities, some of the most interesting findings can come from looking at the root cause of dissatisfaction and the correlation with other measures. As an example, Accenture's research has shown that first-contact resolution (FCR) is critical in driving customers' satisfaction across service providers—but is even more important for energy providers. Indeed, FCR trumped hold times and transfers, underscoring the importance of energy providers "getting it right" the first time.¹²⁶

Of course, a wide range of studies have shown that satisfaction does not always equate to loyalty or predict purchasing behavior. In addition to traditional CSAT measures, providers are increasingly adopting new, more sophisticated approaches to understanding

how consumers view their providers and predicting consumer behavior. In competitive markets, Net Promoter Score (NPS) has gained traction. This approach measures which consumers are "promoters" based on self-reported likelihood to recommend. Providers can also use churn and loyalty metrics to help identify experience breakpoints; however, these are trailing metrics that may not directly identify root causes. Meanwhile, social media has introduced the opportunity to perform mass sentiment analysis. While social media sentiment is highly visible—and analysis can be valuable—it is important to remember that often only a subset of vocal consumers interact via these channels.

Another viable measure is Customer Effort Score. Reliant Energy, an electricity and energy services retailer in Texas, has adopted this measure and implemented a team dedicated to reducing customer effort. In following this approach, an energy provider seeks ways to understand and then reduce the amount of effort consumers must exert for each interaction. For Reliant, this exercise yielded a range of initiatives, including a reduced focus on call-handle time, training to improve agent friendliness and new customer tools to empower greater visibility and control over energy usage.¹²⁷ One drawback of this measure: it only applies if consumers have had an interaction with their energy provider.

Every measure has pros and cons, and no single measure is likely to provide sufficient insights. Successful energy providers are using a blend of transactional and outcome-based metrics as well as leading and lagging indicators to quantify CSAT and predict consumer behavior. Accenture's view is that this balanced approach is most likely to yield actionable insights on how to reduce costs, pinpoint areas of dissatisfaction and improve the customer experience.

Engaging the new energy consumer

Electric vehicles and other beyond-the-meter products and services are redefining the energy consumer and reinforcing the absolute necessity of developing deep consumer insight.

It used to be relatively simple: a consumer was attached to a "premise" using energy. A utility would track how much energy each premise used, send a bill, collect payment and repeat the process again every month or quarter. But as electric vehicles, prepaid energy cards, solar panels and other new technologies take hold, there will be nothing simple about defining—or understanding and serving—energy consumers. Some energy providers' consumers will be—quite literally—on the move, consuming energy services in various places and in varying quantities. Others may not be paying the bill, but they will still play a critical role in how energy services are selected and used. In fact, for the energy provider, traditional household segmentation may no longer be valuable.

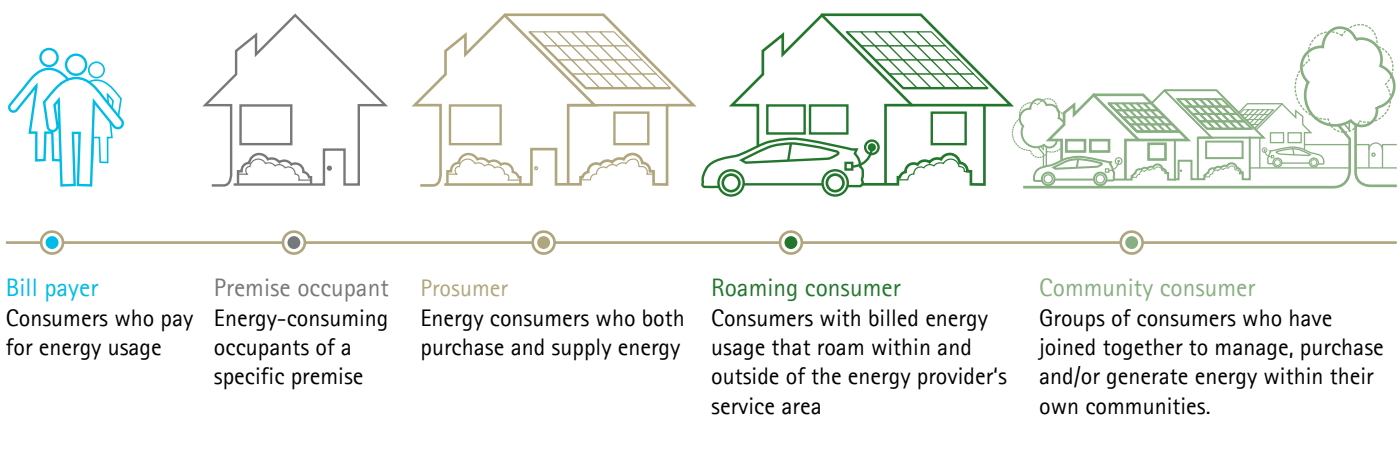
The energy provider must shift to a dynamic consumer concept and recognize new types of consumers. Energy providers must now consider overlapping consumer types that require differing levels of sophistication to understand and engage.

While utilities have extensive experience addressing the bill payers, Accenture believes that energy providers will need to build greater sophistication to address the increasingly complex needs of the other four types depicted in Figure 28. These emerging consumer types will provide challenges and opportunities that will require a redefinition of how providers think of consumers.

The rise of prepaid energy

As smart metering, home area networks and other technologies give consumers more control over their energy usage and point-of-use billing reshapes energy transactions, the industry will need to evolve payment options as well. Even if a utility opts not to participate in this space, other players in the consumer market will facilitate point-of-use energy sales. In fact, GE Energy's Industrial Solutions business and PayPal have partnered to create a solution that enables drivers to securely and conveniently pay for charging fees through a mobile application.¹²⁸

Figure 28. The definition of the energy consumer continues to evolve.



With this in mind, Accenture expects approaches to charging for energy, including prepaid energy, to gain momentum in some markets—eventually becoming a de facto standard similar to prepaid telephone cards. Through prepaid energy, consumers can become more conscious of their own consumption, and utilities can gain valuable insights into a broader scope of energy consumption.

In some markets, prepaid energy is already in widespread use and has proven to be a successful tool for consumer engagement. Eskom, a major South African utility, has deployed more than 3.9 million prepay meters and maintains a network of vendors that sell prepaid electricity.¹²⁹ Comparably, in the United Kingdom, 16 percent of electricity and 14 percent of gas consumers use prepay meters.¹³⁰ In the United Kingdom, a 2012 consumer survey found that 81 percent of consumers using prepayment are satisfied with it. In particular, they liked the control that prepayment offers, helping them to budget and reducing the worry about receiving bills that could push them into debt.¹³¹ For the concept to take off more widely, consumers will need to experience convenience and security—two of the key barriers to mass adoption of virtually any technology. Providers will need to engage consumers around the potential benefits of prepay and target those who are most interested in adopting solutions that offer greater control over energy costs.

The electric vehicle opportunity

Around the world, the adoption of electric vehicles continues to grow slowly. Some forecasts call for electric vehicle demand to increase as electric vehicle costs fall and consumers and governments work to address challenges related to air pollution and climate change. Electric vehicles may gain significant traction as developing markets, such as India and China, continue to grow.

While specific growth forecasts may vary, it is clear that electric vehicles represent promising opportunities for utilities to increase revenues and a new platform to engage consumers. Accenture research has shown that 60 percent of global consumers would consider a plug-in hybrid or full electric vehicle for their next vehicle purchase, and they have clear expectations about how they want it to fit into their lives.¹³²

Additionally, consumers report that they want to charge the vehicle at home and at a time that suits them.¹³³ These preferences highlight consumer desire for flexibility and convenience; however, they likely require investments in intelligent infrastructure to manage the increased complexity of grid management.

The electric vehicle may be the technology that truly connects consumers with their energy consumption by creating a platform for daily engagement. However, the opportunity also extends outside the utility industry. Energy providers, third parties and other stakeholders across the energy value chain have an opportunity to scale their businesses by installing home- and office-based charging stations, placing charging spots in public locations and partnering with both consumers and producers. The majority of consumers (79 percent) prefer to purchase charging services from their providers; however, they are also interested in purchasing from traditional gas/petrol retail stations and other retailers.¹³⁴

Offering opportunities beyond the charging infrastructure, electric vehicles can enable entirely new value propositions. BMW recently partnered with Texas-based Green Mountain Energy to offer consumers renewable energy certificates to cover the estimated electricity that will be used to charge their electric vehicles.¹³⁵

Successful energy providers will be those that consider not only the consumer adoption challenges, but also the new operational challenges and opportunities created by this new type of consumer. How will utilities address consumers who cross territories in their vehicles? How will utilities bill a consumer who plugs in a car at his or her grandmother's house? How will electric vehicles create new energy value propositions for consumers?

Case in point: TXU Energy and SolarCity

In early 2010, consumers in North Texas gained access to a low-cost option to obtain solar power. For less than the monthly cost of a cell phone plan, North Texans could obtain a renewable source of energy to help power their homes. TXU Energy, a US-based energy provider, has partnered with SolarCity, a leader in solar financing, design, installation, monitoring and related services, to implement this program.¹³⁶

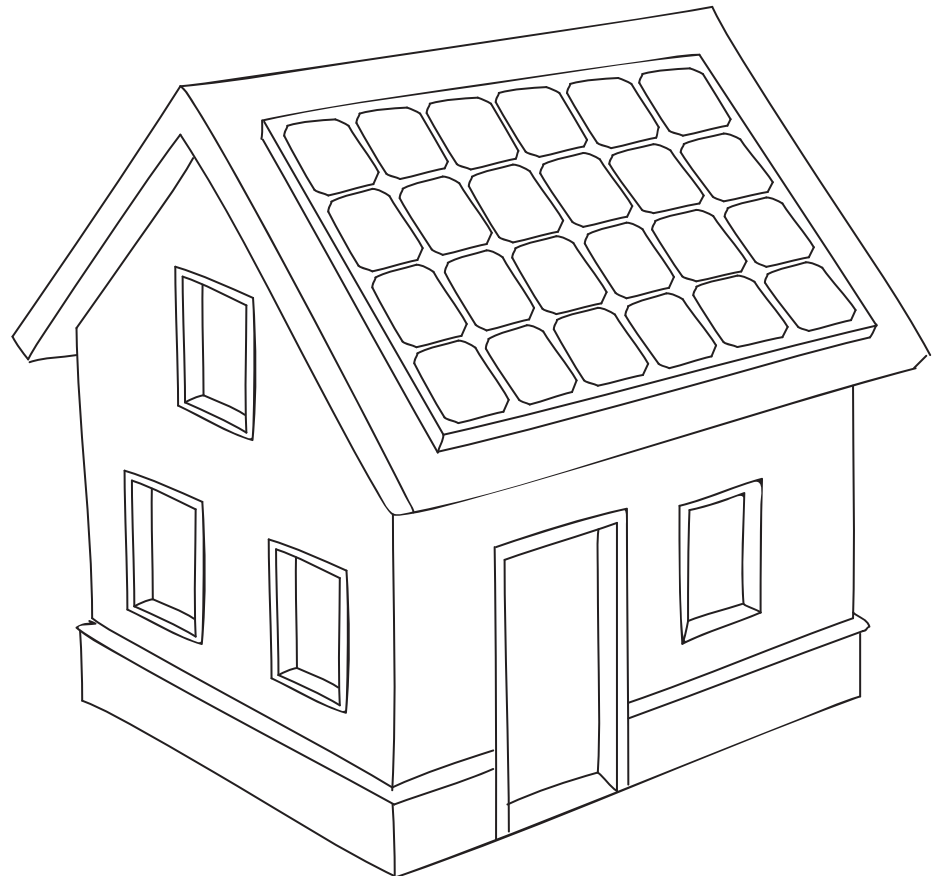
With an average price per kilowatt-hour (kWh) above 10 cents, Texas has a compelling market for solar panel penetration. As an example, a 4 kW residential solar system, appropriate for a typical three- or four-bedroom home, would initially cost approximately \$35 a month—with no up-front cost. Consumers could purchase the same system outright for \$26,000, not including rebates or federal tax incentives. TXU Energy and SolarCity recently expanded their partnership by establishing a \$5 million incentive fund to encourage solar adoption by TXU customers. The solar fund provides a \$1,000 incentive for current or new residential customers who sign up for the offer.¹³⁷

The TXU Energy and SolarCity partnership highlights a number of important developments in the industry. First, it showcases the increasing consumer interest in renewable energy. Second, TXU Energy is expanding its traditional commodity portfolio—adding a product that represents a new potential revenue stream. Finally, TXU Energy is using a partnership approach to implement its retail strategy.

Buyers and suppliers

Environmental awareness, rising energy costs and the declining cost of microgeneration technology—such as solar panels and small-scale wind turbines—are driving governments and citizens to increase the number and variety of distributed energy sources. Further fueling the trend is the emergence of new resources, such as geothermal, microcombined heat and power boilers, biomass, hydrogen fuel cells, electric vehicles, and batteries. As utilities deploy smart meters and smart grid infrastructure, we are seeing a gradual democratization of energy generation. In other words, many utilities' consumers are about to become its business partners—and that will introduce a host of new complexities around billing, customer support and field maintenance.

Accenture expects to see buyer/supplier convergence, especially in developing markets where electricity shortages are common and in developed markets with high energy costs or financial incentives. In some markets, solar is emerging as one of the first technologies to become a cost-effective solution for residential and commercial consumers. The cost of producing solar panels has fallen exponentially in recent years, and grid parity—the point at which solar costs the same as traditional energy sources—is fast approaching or has already been reached in markets such as California, China, Hawaii, India, Italy, Spain, Australia and Germany.¹³⁸ In some cases, regulations are significantly accelerating solar adoption. Lancaster, a small city in California, recently passed building codes requiring new developments to install solar on every new home.¹³⁹ As consumers become suppliers, utilities need to work hard to maintain strong consumer relationships.



An advanced buyer/supplier ecosystem is not as far-fetched as it may sound. The Yokohama Smart City Project is a pilot demonstrating "smart house" technology with an automated energy management system that balances energy. The home is powered by self-sufficient renewable energy sources, including a Nissan LEAF™ electric vehicle. The vehicle not only charges at the home, but its batteries can also provide power for residential use.¹⁴⁰

Competition for consumers' attention is fierce. If a utility is able to evolve its consumer relationships—remaining relevant to the new buyer-and-supplier consumer—it will reap the benefits of a truly engaged consumer partnership.

Trusted advisor and helping hand

As consumers gain greater access to and control over their energy usage, electricity and gas will become much more personal products. Consumers may interact with their utility to determine the most optimal times to wash their clothes or cook their meals, or how best to set the temperature in their homes. However, because of perceptions that such interactions are complicated or inconvenient, some consumers say they are not interested in active energy management participation. Rather, they tend toward a mindset of set-and-forget convenience. Consumers do not want merely an advisor; they also seek a provider that can help manage and simplify their lives. *Revealing the Values* demonstrates that nearly half of all consumers would be willing to exchange savings on their energy bill for convenience.¹⁴¹ Utilities can capitalize on consumer values of convenience and simplicity by offering products and programs that help to automate home energy management.

Move to the front of the line

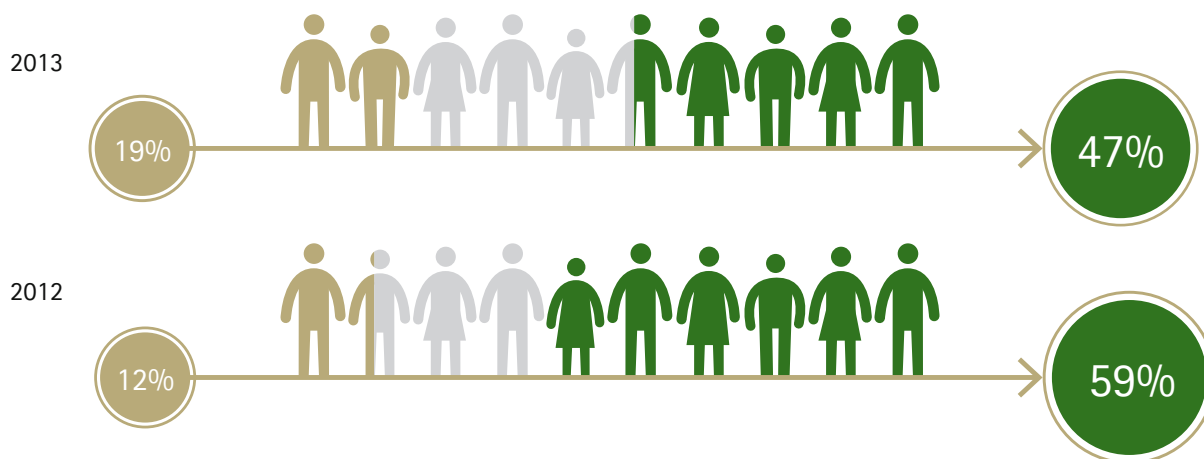
Delivering the New Energy Consumer Experience has shown that consumer satisfaction with their energy providers has fallen in the past year (see Figure 29). Amid changing expectations and shifting consumer relationships, it is clear that action is needed to re-engage consumers. Utilities that focus only on keeping the lights on may be unable to create and nurture consumer relationships in the future.

In addition to the risks of not managing the evolving consumer, there is also the opportunity inherent in leveraging new technologies. Utilities that understand what consumers want and then pair it with appropriate business processes supported by the right technology have a chance to leapfrog other industries and deliver a tailored, differentiated customer experience.

Figure 29. On a year-on-year basis, consumers are less satisfied with their energy providers.

What is your level of satisfaction with your current energy provider?

Please use a 10-point scale for which 1 means that you are extremely dissatisfied and 10 means that you are extremely satisfied.



■ Not very satisfied + not satisfied at all
 ■ Satisfied + very satisfied

Base: All respondents

*2013 scope = 2012 + Poland and Turkey

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Spotlight: The next-generation energy consumer

As a new generation of energy consumers emerges, Accenture's *Actionable Insights for the New Energy Consumer* shows that younger consumers have a number of defining characteristics. On average, these younger consumers:

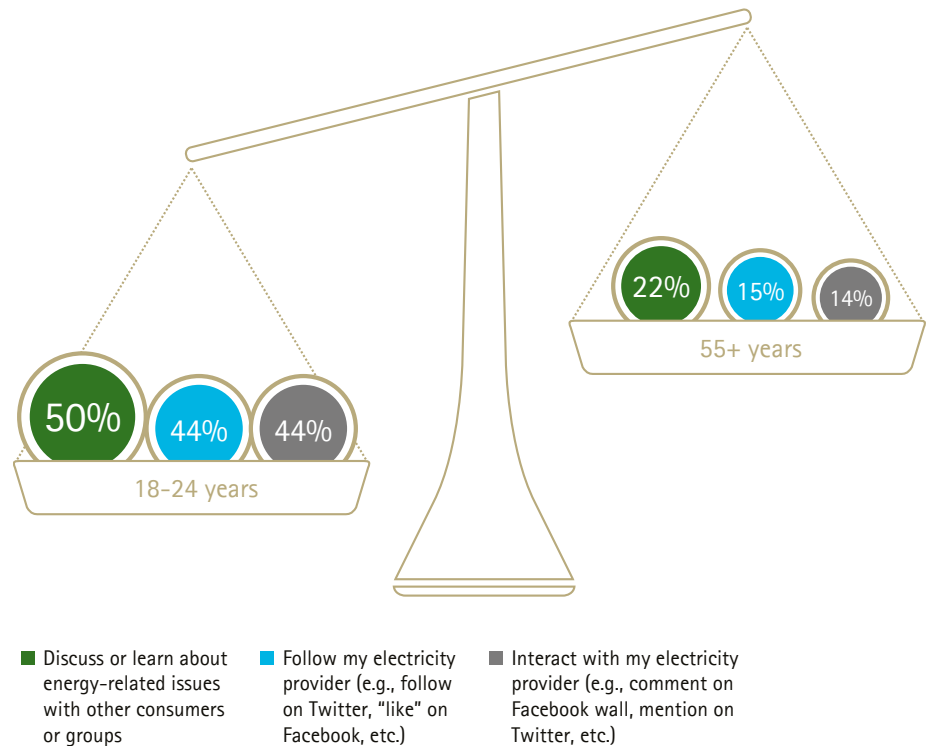
- Prefer high-touch channels, such as in-person or on the phone, across a variety of interactions with their electricity provider.
- Interact more with representatives of their energy providers (11 minutes a year compared to an average of nine minutes).
- Display lower levels of loyalty to their energy providers.
- Show more interest in using social media for interaction and service, with nearly half of 18- to 24-year-olds being interested in engaging with their energy providers through social media (see Figure 30).¹⁴²

Younger consumers are also more likely to be encouraged to engage through social media—particularly if providers offer access to exclusive offers or quick and convenient service (see Figure 31). Similarly, *Delivering the New Energy Consumer Experience* shows that social levers—such as recommendations from friends and family or reviews on social media platforms—play a larger role in increasing younger consumers' interest in energy-related products and services.¹⁴³

The findings suggest that younger consumers are more demanding of their providers and drive higher cost to serve due to increased contacts and a preference for high-touch channels. Utilities need to develop cost-effective strategies for creating targeted experiences and engaging the next generation of energy consumers.

Figure 30. Younger consumers are more interested in learning about energy or engaging with their providers through social media.

Have you used or do you plan to use social media to discuss or learn about energy-related issues or to interact with your electricity provider?

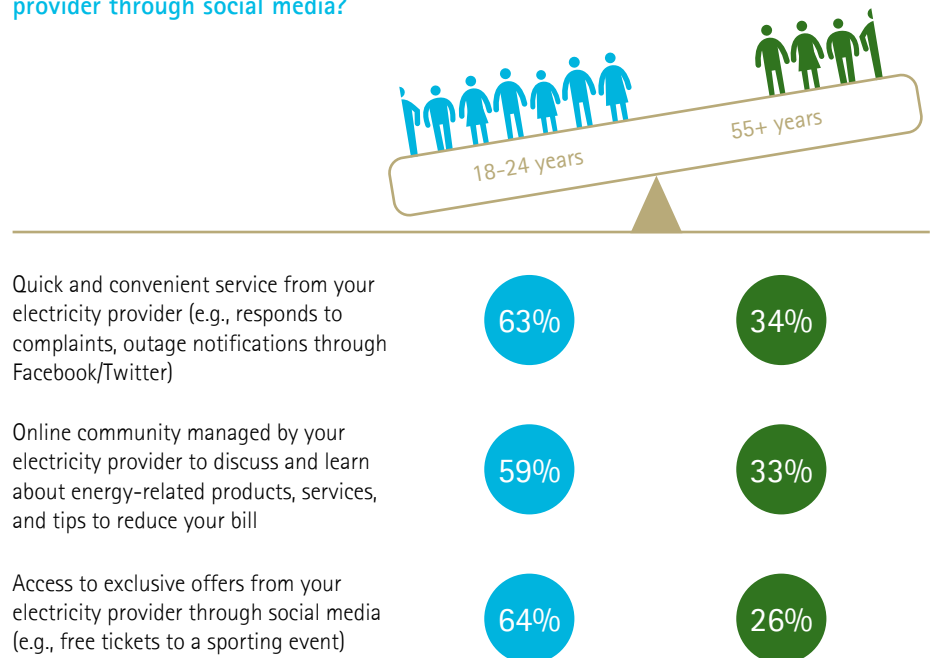


Base: All respondents

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Figure 31. Younger consumers are also more likely to be encouraged to engage through social media.

Would the following options encourage you to interact with your electricity provider through social media?



Base: All respondents

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

"Gamification": The next engagement frontier

Offering fun, friendly competition, games give energy providers a new tool for engaging communities, consumers and employees.

Over the past 30 years, video games have become increasingly interactive and engaging. With the advent of social media, smartphones and interactive Web technologies, games have also moved squarely into the mainstream. In 2011, consumers spent more than 300 million minutes per day playing the mobile game Angry Birds.¹⁴⁴ While popular games may come and go, the trend is clear—gaming is now big business. In fact by 2015, according to Gartner Inc., spending in the gaming and gaming-related markets is projected to reach \$112 billion.¹⁴⁵

Quite simply, games are no longer just child's play. They represent a significant new tool for addressing many of the most pressing challenges facing energy providers today. Indeed, gamification—the process of using game thinking and game mechanics to engage users and solve problems—combined with the rollout of smart technology offers a powerful new way to create an excellent consumer experience and encourage conservation behavior.¹⁴⁶ Gamification is also taking root within organizations as a unique tool to connect with a younger generation and motivate employees.

Gamifying the consumer energy experience

With the availability of more granular energy usage data and the ability to easily control consumer energy devices, energy management and conservation are well-suited to gamification. Consumers can be motivated by the social prestige that comes with conserving energy and protecting the environment. They can also be influenced by saving money or earning rewards—particularly in the context of a social game.

The applications of gamification are broad. As energy providers consider opportunities to apply it with consumers, they should first articulate objectives. Providers can use gaming to help solve difficult problems, teach new information or change consumer behavior, as these examples illustrate:

- **Gaming to solve a problem.** The Gaming for Good initiative, a partnership between Al Gore's Climate Reality Project and PSFK, has asked people to design innovative gaming applications to address sustainability and climate change challenges. The request generated more than 60 entries from around the world—reinforcing not only the potential of gaming for conservation initiatives, but also for engaging and mobilizing consumers.¹⁴⁷
- **Gaming as an educational tool.** Using gaming as an educational tool, British Gas's EnCon CITY[®] demonstrates the benefits of conservation by teaching

players how energy is consumed and where it might be wasted.¹⁴⁸ This is also an opportunity to engage the younger generation and encourage family participation in energy education.

- **Gaming to change behavior.** An experiment in Sweden has shown that gaming does not have to be high-tech to be effective. The experiment used a traffic camera to fine speeders and identify those who followed the speed limit. Drivers who obeyed the law were entered into a lottery to win a portion of the funds collected from those who sped.¹⁴⁹

Applying gamification creates seemingly endless new ways to engage consumers. What if you could get a free pizza if you used less energy? Danish energy firm Vestforbrænding and advertising agency Anew did just that when they created a pizzeria whose output depended on the amount of energy being saved by local residents. The campaign first sent consumers information on steps they could take to reduce energy usage. Energy consumption was then measured over a period of time. The less energy consumers used, the more free pizzas were available at the pizzeria. The number of "likes" on the energy firm's Facebook page, as well as the number of hits on its energy-saving tips Web page, also correlated to the quantity of free pizzas.¹⁵⁰ The campaign engaged an entire community—raising brand awareness and making energy conservation fun and rewarding.

While free pizza can be a motivator, so can social prestige and friendly competition. US-based Simple Energy has designed an online platform that allows users to score their energy usage against friends and receive rewards for conservation behavior. San Diego Gas and Electric, a leading US utility, worked with Simple Energy to launch the San Diego Energy Challenge. In summer months, air conditioners, pool pumps and other seasonal devices can put a significant strain on the energy system. To help manage consumer demand, the program leveraged Simple Energy's platform to give consumers a chance to compete against each other in reducing their energy consumption.¹⁵¹

In another pilot with San Diego Gas and Electric, the social gaming application showed positive results in influencing behavior. Over the course of a three-month pilot, the average savings of participants who used the social gaming application integrated with an automated control device was 20 percent, compared with 9 percent for those who used only the automated control device.¹⁵²

Simple Energy is not the only gamified energy platform out there. Opower, a provider of consumer engagement solutions for the utility industry, has partnered with Facebook and the Natural Resources Defense Council (NRDC) to develop a new social energy application allowing Facebook users to compete to conserve energy.¹⁵³

Gamification is a useful avenue for utilities to engage some, but not all, consumer groups. However, the consumers who are gaming may not be obvious. A study that examined game players in both the United Kingdom and the United States found that the average player of online social games is a 43-year-old woman.¹⁵⁴ As gaming's reach continues to grow, so do the opportunities for energy providers to use its popularity to their advantage.

Gamifying the enterprise

Like consumers, employees can be engaged and motivated through gamification. According to Gartner, by 2015 more than 70 percent of Forbes Global 2000 organizations will have at least one gamified application.¹⁵⁵ Gaming is becoming a useful tool for energy providers seeking fresh, innovative ways to drive productivity and engage a new generation of employees.

With an existing infrastructure of metrics and reports, the contact center is a logical place to start. Providers can leverage existing quality and performance management programs for gaming systems. For example, LiveOps Inc., which operates virtual call centers, uses gaming to help improve agent performance. Agents earn virtual badges and points for keeping calls brief, closing sales and completing other key tasks. Leaderboards allow the agents to see how their performance compares to others' achievements.¹⁵⁶ Such approaches appeal to a workforce that is increasingly accustomed to receiving real-time feedback and that is likely to thrive in a gamified environment.

How to win at gamification

With gamification, energy providers have a powerful new tool for educating and influencing the behavior of consumers and employees. Organizations that succeed at game-based engagement will consider the following guidelines:

- **Emphasize the right results.** Energy providers should design gaming characteristics with care. It is critical that games incent the right desired behaviors and balance intrinsic motivation with friendly competition.
- **Shorten the feedback loop.** Gamification relies on short feedback loops to drive momentum and engagement by drawing clear connections between actions and resulting outcomes and rewards.

- **Create social connections.** Playing a game alone can be effective; playing a social game is even better. By tapping into competition, fostering social connections and providing social recognition, energy providers can create a cycle of positive reinforcement that keeps consumers engaged and motivated.
- **Provide incentives.** Gamification relies on incentives to encourage specific actions or behaviors. Incentives may include recognition, access to exclusive offers or monetary rewards. Some games even have users put their own money on the line.
- **Define achievable challenges.** Successful gaming techniques provide users with challenges that are difficult and require effort but that are achievable and rewarding. Effective games present different levels of challenges to meet a range of ability and to keep participants engaged.

Case in point: Recyclebank gamifies being "green"

Small changes can make a big difference. Recyclebank, an online company currently operating in the United Kingdom and the United States, gives consumers innovative incentives to make greener choices in their everyday lives. In exchange for taking actions, such as recycling waste, using CFL bulbs and washing clothes in cold water, Recyclebank members earn points that can be redeemed for coupons, discounts and gift cards from partner brands. The organization has also partnered with utility organizations in the past. For example, in partnership with Citizens Utility Board of Illinois,

Recyclebank helped launch the CUB Energy Saver program in Chicago and its suburbs. When consumers reduce energy consumption, they earn points that can be redeemed for discounts at stores.¹⁵⁷

Recyclebank has more than 4 million users in the United States and the United Kingdom and continues to expand partnerships with leading global brands. Its platform encourages changes in consumer behavior while providing opportunities for partner companies to market their brands and products.¹⁵⁸



Creating data dividends

With soaring consumer expectations, increasing competition and rapidly changing technology, it is easy to imagine a future in which energy providers face data overload. Accenture believes one thing is certain: information has become, and will remain, a vital currency and critical enabler of consumer engagement.

The ability to manage, analyze and extract insights from data will power success with consumers and operations. If a utility is really ambitious, information could even become the core of its competitive differentiation.

Using data to tailor interactions

Smart technology will generate vast quantities of data that utilities can use to understand—in real time—consumer response to sales and marketing initiatives and demand-response programs. Just how much data will be produced is anyone's guess. Market research firm IDC has predicted that the "digital universe"—the amount of digital information created and replicated in a year—will increase to 35 zettabytes, or 35 trillion gigabytes. That's enough to fill a stack of DVDs reaching halfway to Mars.¹⁵⁹ It is certainly enough

to help deepen knowledge of consumers—developing a detailed view of their values, expectations and past interactions.

Indeed, to meet objectives for the evolving energy marketplace, utilities will need to use that data to take customer service to another level. There is a significant gap between successful organizations and others in the adoption of data technologies (see Figure 32).

Consumers expect differentiated treatment based on their preferences, past history, attitudes and current and future value to the organization. Accenture believes that successful energy providers will take it a step further—using consumer insights to proactively tailor interactions across channels and to enable new services. One prime example is intelligent invoicing, which allows utilities to deliver different

bill formats and messages based on consumer segments, past history and value to the organization. Ultimately, Accenture believes that consumer data will become pervasive throughout every part of the organization. Instead of being accessed only by customer operations personnel, data will eventually be disseminated and used for decision making across functions and departments.

Consumer data will no longer be only what is housed within a utility's internal CIS. The information universe will grow to include data from bidirectional sources, such as smart meters and social media sites. Despite current security and privacy concerns around smart metering data, consumers may be willing to provide data about themselves. They do it all the time for credit card reward programs and other online services, such as Mint.com, which

Figure 32. The majority of consumers appreciate a company that allows tailoring of products and services.

I appreciate a company that allows me to customize the products and services I receive based on my personal preferences and situation.



Base: All respondents

Source: Building a Differentiated Service Experience Strategy, Accenture, 2010, www.accenture.com.

aggregates all of a consumer's financial data and presents it through a single portal. In other words, by finding the right value proposition with appropriate security and privacy controls, a utility can entice consumers to share personal information.

Interestingly, *Revealing the Values* demonstrates that nearly half of all consumers are not opposed to having utilities share their usage data with third parties to offer additional services that provide consumers with value through bill savings. When the data is shared only for purposes of making electricity management programs work, even more consumers—nearly two-thirds—are not opposed to having their data shared.¹⁶⁰

The research illustrates that to operate and personalize energy management programs based on the latest technologies, some consumers may opt in to allow third-party providers access to personal usage information to provide more value-added services. The implication for providers is that a segment of consumers will opt in and share personal usage information; however, in order to have consumers opt in, energy providers must first build consumer trust and must also clearly explain and alleviate concerns related to the level of control implicit in the program offer.

The difficulty of obtaining trust is illustrated by Accenture's four-year research study, which indicates that consumers generally have a lower level of trust with their energy provider compared to academic and environmental associations. Furthermore, this research found that when consumers considered enrolling in an electricity management program, they almost equally weighted the extent of the provider's control over their personal energy use as they did the impact on their electricity bill.¹⁶¹

For utilities that are able to build trust with consumers, data may also yield entirely new business opportunities. Across industries, companies with large customer databases are entering the growing information services market. Thanks to their direct consumer relationships and unique information about a large number of consumers, energy providers are particularly well positioned to enter the "business of data."

Monetizing data does not necessarily mean selling consumer information; data can also be leveraged in unique ways to create new consumer value propositions. In the auto industry, for example, some manufacturers have monetized the wealth of data on consumer driving habits that GPS systems provide. General Motors Co. (GM) and GMAC Insurance have partnered to create an opt-in program that automatically uses odometer readings from the OnStar system to offer lower insurance premiums to consumers who drive less.¹⁶² Consumers can save significantly on car insurance, while GM increases revenue by attracting more customers to its OnStar subscription service.

Traditionally, a lack of data standards and privacy concerns have been roadblocks to extending use of consumer data. As those obstacles diminish, new opportunities are emerging. In California, consumer data and privacy rules for smart meters have been defined and provide consumers with the option to share their usage data with third parties.¹⁶³ Major utilities and vendors across the United States are adopting the Green Button as a common data standard for energy usage information—paving the way for utilities and third-party vendors to develop universal energy management systems and smartphone applications that can interpret and use the information.¹⁶⁴

In many cases, data access currently takes the form of allowing consumers to download their energy usage information and share it with whomever they like. Pacific Gas and Electric (PG&E) is piloting an even simpler approach—a Green Button Connect interface that allows PG&E consumers to give other companies and service providers access to their electricity usage information on an ongoing basis. PG&E currently has three authorized third parties offering consumers conservation tips, a mobile app that gamifies energy saving and an electric vehicle charging application.¹⁶⁵ While this approach "gives away" valuable consumer data, it also embraces the notion of creating value for consumers and empowering them with greater control of their usage information.

Giving consumers control of data analytics

As consumers gain greater control over and insight into their energy usage, data visualization and analysis tools are becoming a critical part of solutions that seek to engage consumers around energy usage and management. Regardless of the delivery channel—online portal, mobile application or paper mail—consumers increasingly want the tools to understand, evaluate and gain insights from their energy usage information.

As energy providers look for ways to enable consumer data visualization and analysis, these principles can help ensure that the focus is on delivering consumer value:

- **Understand your consumers and support their goals.** Consumers have a variety of reasons for analyzing their energy data. Understanding consumers' goals will help to build tools that create value.
- **Make it easy, make it cool.** Consumers have grown accustomed to having data presented in intuitive, innovative forms. If an energy provider offers tools and visualizations that are difficult to use or feel like "throwbacks" from another era, consumers will be unimpressed.
- **Get it right the first time.** If consumers have a bad experience once, they will not return. Analytical tools made available for consumers need to work the first time. Data consistency can be a particular challenge; for example, usage data on an in-home display, Web portal and bill may not align. Inconsistencies and confusion will frustrate and drive away consumers.
- **Make it actionable.** Data is only as valuable as the actions it informs. Tools to analyze or visualize energy data must provide actionable insights consumers can use to accomplish their goals.

Competitors within and outside the energy industry are gathering and analyzing consumer information. With the vast consumer data already in their possession, utilities have a short-term advantage. They can tap into its full potential to build strong consumer relationships and deliver differentiated products—both of which are critical to protecting existing business and identifying new opportunities.

Spotlight: Succeeding with analytics

In the evolving energy marketplace, energy providers will require next-generation analytics that offer forward-looking, predictive capabilities (see Figure 33). Such analytics will help to define new measures of performance beyond the traditional mission of delivering a commodity in the most efficient and cost-effective manner possible.

In particular, providers that decide to move into the beyond-the-meter market will need new metrics that better reflect the multiproduct, sales-oriented nature of the business. For instance, they will need ways to measure cost to adopt and customer lifetime value to ensure profitability for beyond-the-meter products and services. In deregulated markets where utilities already manage to these types of metrics, organizations will need to change benchmarks and targets. Energy providers may face the need to reduce or shift demand to manage what

Accenture calls the “cost to conserve”—that is, the cost-per-kWh saved. Such metrics will allow energy providers to rank and prioritize various conservation programs and efforts.

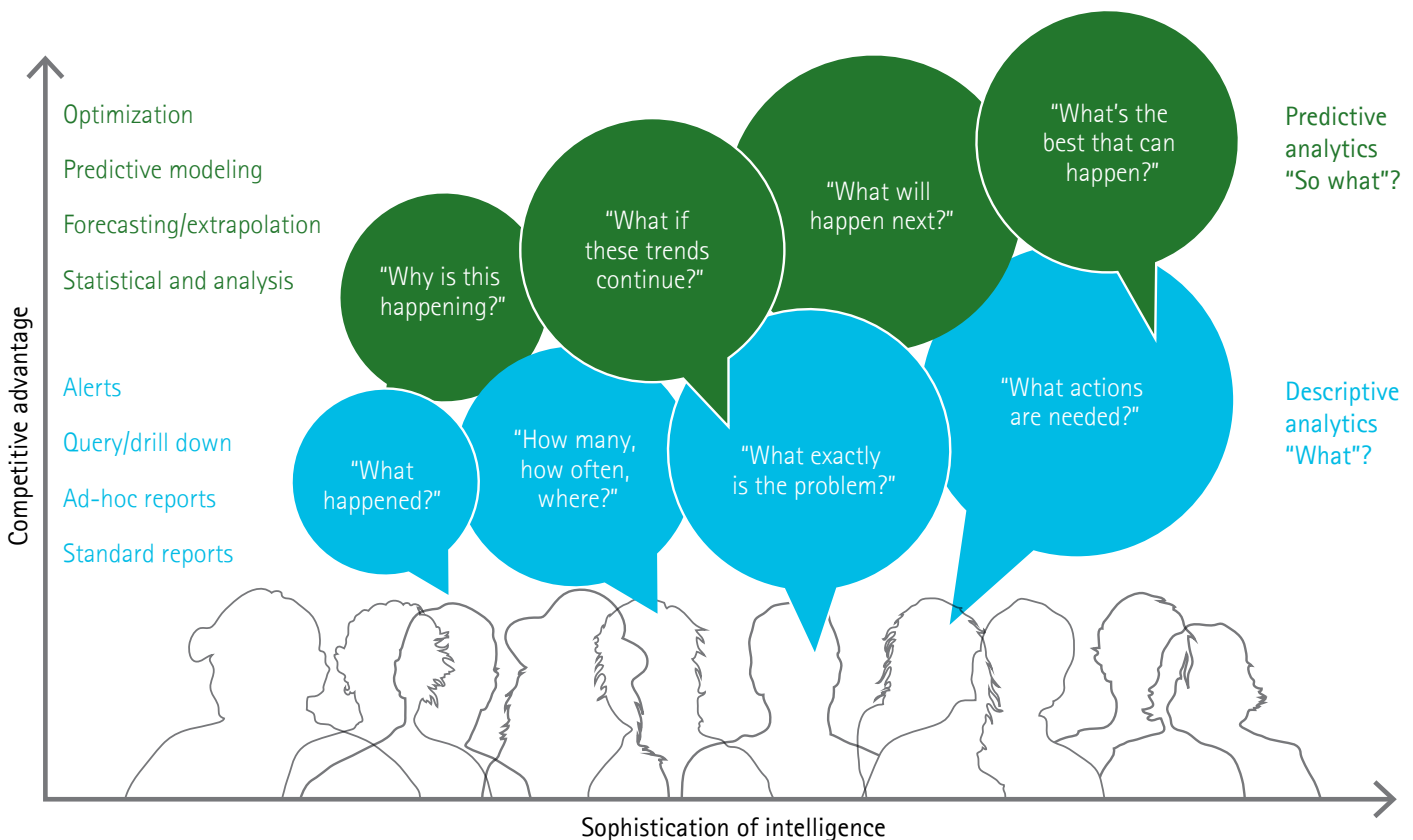
To meet evolving consumer expectations, the energy provider will need to anticipate issues, resolve them in a single transaction and address the emotional aspects of interactions. Doing so requires sophisticated analytics that enable agents to deliver differentiated treatments based on consumer insights. Representatives must be highly flexible—able to shift among different styles from interaction to interaction—with data and systems that offer the insights and tools they need to succeed.

In designing new analytical capabilities, Accenture has observed a number of functional and technical leading practices that can help energy providers succeed.¹⁶⁶

Functional design

1. Design analytical systems to support the execution of specific business processes that can help improve efficiency and achieve business objectives for enhanced operational excellence.
2. Leverage the leading practices of other industries—such as financial services and telecommunications—that face similar challenges in designing architectures to support low-latency analytics.
3. Deploy analytical systems that support human decision processes and deliver measurable business value through advanced visualization techniques.
4. Use the insights from analytics and business intelligence to close the loop for continuous improvement of business processes.
5. Explore opportunities to use data to enable benchmarking and deep insight into the characteristics of high performance.

Figure 33. The relationship between analytics and competitive advantage.



Technical design

1. Drive analytical and architectural approaches based on the latency requirements of the process.
2. Operationalize the understanding of consumer and network behavior at scale to enable real-time processes to be optimized.
3. Design technical architecture and infrastructure to support the unique demands of analytics development and execution at scale.
4. Design analytical systems to capture outcomes and feed information back to the analytic model development process, to close the loop for continuous improvement of analytics.
5. Employ holistic data management strategies, including data-quality tools and data management processes and applications, to deliver the accurate, consistent and well-understood information analytical systems require.

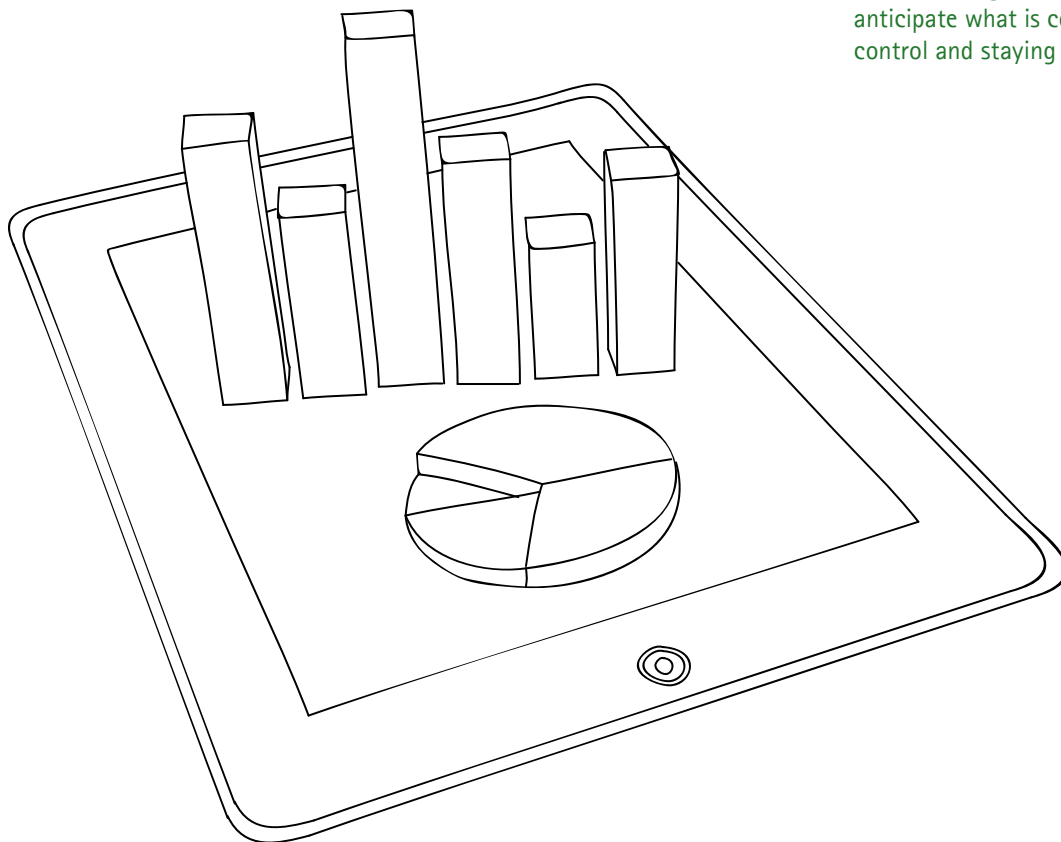
Spotlight: Sharing data for better decision making

As operational and consumer data proliferate, energy providers can benefit from a new approach to managing data. Conventional constructs in terms of how data is organized, accessed and managed are being challenged by the enormous volume of data, near-real-time analysis requirements and the need to access external data hosted in the cloud or from publicly available sources.

A shift in mindset is underway; the age of viewing technology through an application lens is coming to an end. In its place is a data-centric view—with data itself becoming a platform. As a result, energy providers will need to take radically different approaches to data processing architectures, master data management, data backup and information recovery strategies. They should do so while implementing tools and processes to drive business value from data.

A leader in leveraging data to help drive agile decision making, Proctor & Gamble has been investing significantly in "decision cockpits." These community workspace portals bring together data from across the organization to facilitate streamlined decision making. Using a new development platform to drive operational excellence, the company sees far fewer reports being generated and 70 percent fewer "touches." In other words, information is handled far less frequently because the portals reduce the need for e-mail traffic.

Proctor & Gamble's unique approach to data sharing enables better decision making and also incorporates social networking, blogs, wikis and other Web 2.0 capabilities into the cockpit framework, further enabling collaboration and real-time decision making. Says CIO Filippo Passerini: "We have eliminated thousands and thousands of legacy reports and we're moving everything to visual cockpits where you can drill down with alerts, color coding, etc. This makes the business flow much more fluid, much more dynamic, much more in touch. Instead of reading what happened yesterday, last week or a month ago, we are trying to anticipate what is coming, staying in control and staying relevant."¹⁶⁷



Getting targeted with segmentation

When it comes to understanding consumers, vague segments and high-level personas will not be enough to drive actionable insights in the new energy marketplace. Successful energy providers will take segmentation to a new level—using analytics to dive deeper into specific consumers' values, preferences and behaviors.

Energy providers have often taken a one-size-fits-all approach to customer operations. Historically, two factors have driven this tendency: the fact that energy has not been top of mind for consumers and utilities' lack of consumer insight and technology necessary for more personalized experiences. At least one of those factors is quickly losing steam, with energy providers gaining more data and insights into consumer energy usage, needs and preferences. At the same time, investments in more advanced billing, analytics tools and CRM applications are enabling more targeted consumer approaches across marketing, sales and customer service.

In this environment, segmentation is a critical tool not only for tailoring consumer messaging, but also for optimizing operations. Insights into who is most likely to self-serve, who is interested in new technologies or services, and who has the ability to control consumption can help guide providers' decision making and tailor interactions. Further, these insights can enable providers to do so in a way that addresses operational priorities and maximizes customer operations investments.

Segmentation—which, in its most basic form, involves dividing a consumer base into groups based on shared characteristics—is not a new concept for utilities. Energy providers often employ

a broad range of consumer groupings. Many have five to 10 high-level consumer segments, often with personas, basic demographic differences and high-level defining characteristics. This information is typically used for marketing campaigns, energy-efficiency messaging and training contact center agents.

While traditional segmentation is useful, Accenture's experience has shown that it often fails to yield the "micro" knowledge essential to establishing highly effective applications of segmentation. More specifically, the traditional approach presents two main challenges. First, the segmentation is often focused primarily on current customers' behavior-based observations, ignoring preferences and values. In some cases, in deregulated markets, prospective customers are overlooked as segmentation approaches are based only on existing customers. Second, there has not always been a focus on assigning individual consumers to segments across the customer base.

To address these challenges, energy providers need to take a blended approach to segmentation incorporating consumer behaviors as well as needs. Providers will also need to establish robust methodologies for applying segmentation across the entire customer base and, in competitive markets, to prospective consumers, as well.

Implementing a blended approach

Utilities have long used behavioral segmentation as a key tool for delivering operational and consumer insights. To truly drive value, Accenture believes providers need to combine this approach with needs-based segmentation. Behavior refers to the consumer's actual actions and lifestyle. For example, does he consume more energy in August? How often does she call the energy provider? Does he use self-service channels? By contrast, needs and attitudes refer to how a person feels about energy and his or her provider. Would she buy other products from an energy provider? Does he prefer set-and-forget solutions? Is she concerned about the environment? How does he feel about his energy provider compared to other providers?

Utilities often have a wealth of behavioral information, and smart technology offers even more granular data on usage behavior. Needs and attitudes are much more difficult to decipher. To gain insights into consumer needs, providers often must purchase or perform primary research and consumer surveys. Through surveys, consumer intents, preferences and needs can be more clearly identified. Reported behavioral information can also be gathered and compared against actual behaviors the energy provider has observed.

As an example, an energy provider could solicit survey responses from a representative sample of consumers. That data could then be paired with existing behavioral data and augmented with third-party demographic, social media or other types of information. This blended approach can establish rich customer segmentation—but it is still only the beginning. The next step is attributing this segmentation of a subset of customers to the full customer base and even to prospective customers (for whom there is often much less available insight). The process of assigning customers to segments is not a one-off project; it is an iterative process of testing and adapting the models to achieve the highest possible accuracy.

In the journey to develop increasingly sophisticated segmentation approaches, Accenture believes providers need to consider a number of key factors (see Figure 34).

Applying customer segmentation

Defining segments and dividing the customer base are the first steps in achieving value from segmentation, but they are not the end goals. Ultimately, segmentation should support the entire consumer organization—delivering insights into credit risk, customer lifetime value and customer service or retention programs. The possible applications of segmentation are seemingly endless. For inspiration, energy providers can look to organizations in other industries:

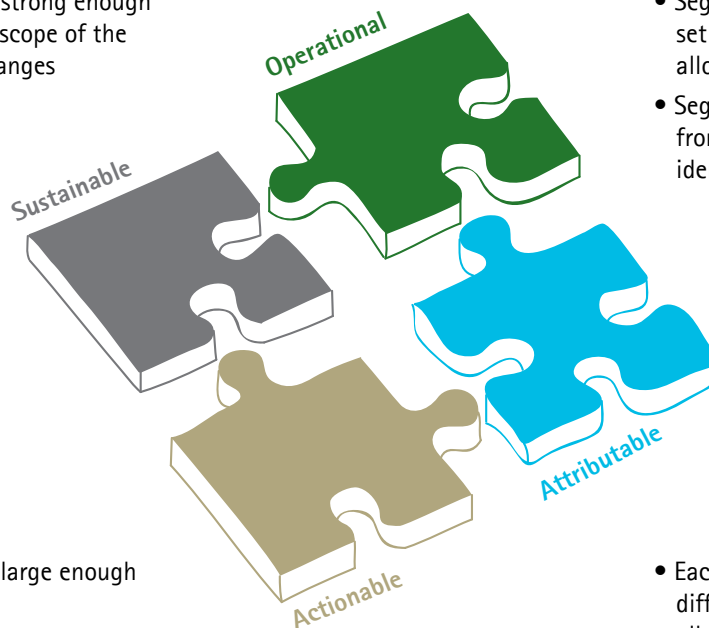
- Netflix, a video streaming service, and Amazon, an online retailer, have taken segmentation to a personal level by creating “segments of one.” These microsegments target each consumer uniquely with tips and recommendations, allowing the companies to create highly personalized experiences and to build long-term, high-value relationships. For example,

Amazon's approach creates a user experience where each prospective customer views a unique set of merchandise.

- Over the past five years, gaming industry leader, Harrah's, has profiled casino visitors to separate loyal, repeat visitors (a highly profitable segment) from “professionals” (a hard-to-please, revenue-draining group). With these insights, Harrah's can properly distribute customized freebies and loyalty perks.¹⁶⁸

Figure 34. Characteristics of effective segmentation.

- Segmentation should be strong enough to hold form even if the scope of the consumer population changes



- Segmentation should result in a small set of segments (four to eight), allowing it to be easily operationalized
- Segmentation should be easy for frontline employees to understand and identify in the systems they use

- Each segment should be large enough to support action
- Clusters should be developed and attributed such that the provider has a “right to win” in each segment
- Segmentation should allow for application along all aspects of the customer life cycle

- Each segment should be sufficiently different from other segments, allowing a single segment to be clearly associated to a particular customer

Many energy providers are also leveraging segmentation in some parts of the business. The key is to begin scaling the use to meet broader, and more ambitious, goals. Energy providers also need to leverage segmentation across the organization—using it to help improve customer service, develop segment-specific value propositions, increase revenue and profitability, optimize marketing spend or increase self-service adoption. Depending on the specific business application, an energy provider's four to eight segments may even be broken into 30 or 40 microsegments to allow for deep targeting around specific outcomes. Above all, energy providers need to define the segmentation objectives and an iterative capability to create and apply multiple segmentations for different uses across the organization.

Overcoming the obstacles

Even with a clear understanding of the benefits, energy providers can hit a few roadblocks in developing more-effective segmentation. Among them: poor data availability, inconsistent data quality and disparate systems that do not facilitate a full view of the customer or allow quick, iterative analysis. Even so, energy providers should not be discouraged. It is important to start now and improve over time.

Accenture has observed that following a few key principles will allow for much richer, more successful segmentation approaches:

1. Make data gathering "business as usual." From phone calls to online energy audits and self-service transactions, every consumer interaction is an opportunity to collect data. Over time, identifying critical information to be gathered, establishing training and processes to capture that information, and building warehouses to store the information will allow energy providers to create rich consumer insights and segmentation.

- 2. Move data quality up the agenda.** Capturing and storing data sounds simple, but as utilities well know, maintaining the data integrity is a challenge. Providers must make data quality and data management a priority across the organization—from the contact center to the data center. Good insights can come only from good data.
- 3. Tap into third-party information.** The availability of data is growing and not just in the energy marketplace. Online social platforms, credit card companies, mobile providers and others increasingly have more information about consumers. Energy providers can partner with others or purchase additional data to help round out existing information and deliver unique new insights into consumer values, preferences and behaviors.
- 4. Focus on consolidation.** Data consolidation and management is a particularly challenging aspect of segmentation. Disparate tools and systems, all containing consumer data, are a reality. Focusing on consolidation and effective data management not only allows for richer segmentation but also more timely, iterative updates.

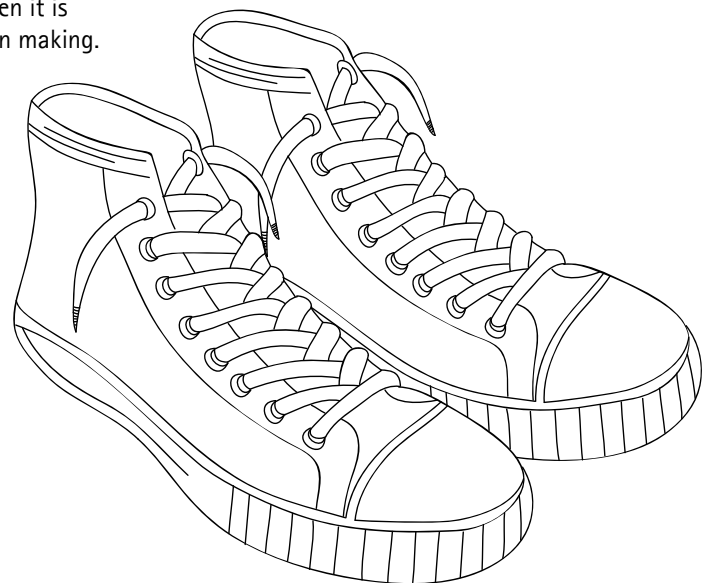
Making it all work

Successful segmentation is part data analysis and part operational alignment. Translating a set of segments into tactical applications, such as process changes, segment-specific offers and targeted customer service treatments, represents a significant shift for most energy providers. It is also a critical shift, as the value of segmentation comes only when it is embedded into everyday decision making.

A few factors can mean the difference between great consumer segmentation that sits on a shelf and segmentation that reaches and delivers value throughout the business:

- **Leadership and accountability.** As with any organizational change, operationalizing segmentation requires leaders to communicate the benefits and be held accountable for the results.
- **Cross-functional teams.** By building cross-functional teams and assigning them responsibility for specific segments, an energy provider can break down traditional change to silos and deliver greater value.
- **Reporting.** Energy providers need to establish standardized metrics and reports that can be tracked at a segment level. With those metrics and reports, a provider can demonstrate successes, create accountability and, in some cases, align incentive mechanisms against specific segment performance.

A holistic approach to segmentation will help drive business benefits far more than generic groupings and stock personas. Energy providers have an opportunity to bring together behavioral and needs-based factors and focus on creating a flexible, iterative approach to assigning customers to segments. With such an approach, providers can establish detailed, microinsights that can be translated into actions—and meaningful operational outcomes, over time personalizing to create the ultimate "segment of one."



Spotlight: Achieving consumer relevance at scale

In this era of personalization, consumers are increasingly in control. With seemingly unlimited choices and intense competition for limited consumer attention, relevance is the key to rising above it all.

Providers need to consistently deliver relevant experiences across all consumer segments, geographies and channels (digital, social, mobile, traditional and in-person). Doing so cost-effectively often means scaling every essential function—channels, actionable data insights, segmented content, enabling technologies and more—while continually monitoring performance in real time and rapidly responding to new consumer insights. In essence, achieving relevance requires energy providers to be dynamic, precise, intentional and agile.

Though that may sound daunting, it does not necessarily mean creating more organizational complexity or cost. Successful energy providers use the economy and flexibility of scale to make relevance affordable and effective at every moment of truth. Less can be more when providers intelligently apply data and technology to ensure that each experience precisely targets the right consumers and is designed to be relevant to each target's intent.

Online content personalization is one way that energy providers may look to deliver this kind of mass tailoring of experiences. It is easy to write off personalization as too complex, costly or invasive. But a range of online organizations are taking advantage of social networks on their own websites to help deliver relevant online content. By enabling social log-in on their websites, energy providers can gain access to their customers' social network—which contains a wealth of consumer information.

In the past, providers may have targeted communications or online experiences based on demographic or location information. Today, there is an opportunity to become even more relevant by delivering an experience tailored to consumer segments or even to an individual consumer's interests and values.

In today's increasingly digital world, the window of opportunity to say something meaningful to consumers is measured in milliseconds. For energy providers, every interaction must be relevant—every time and at every touch point. Providers that cannot consistently and cost-effectively deliver relevant experiences across channels and at scale will likely face tremendous challenges in engaging consumers.



Redefining retail

Energy consumers' retail experience has changed dramatically in recent years. To engage consumers in innovative ways, educate on new products and services and compete effectively with nontraditional providers, energy providers must redefine the online and offline retail experience.

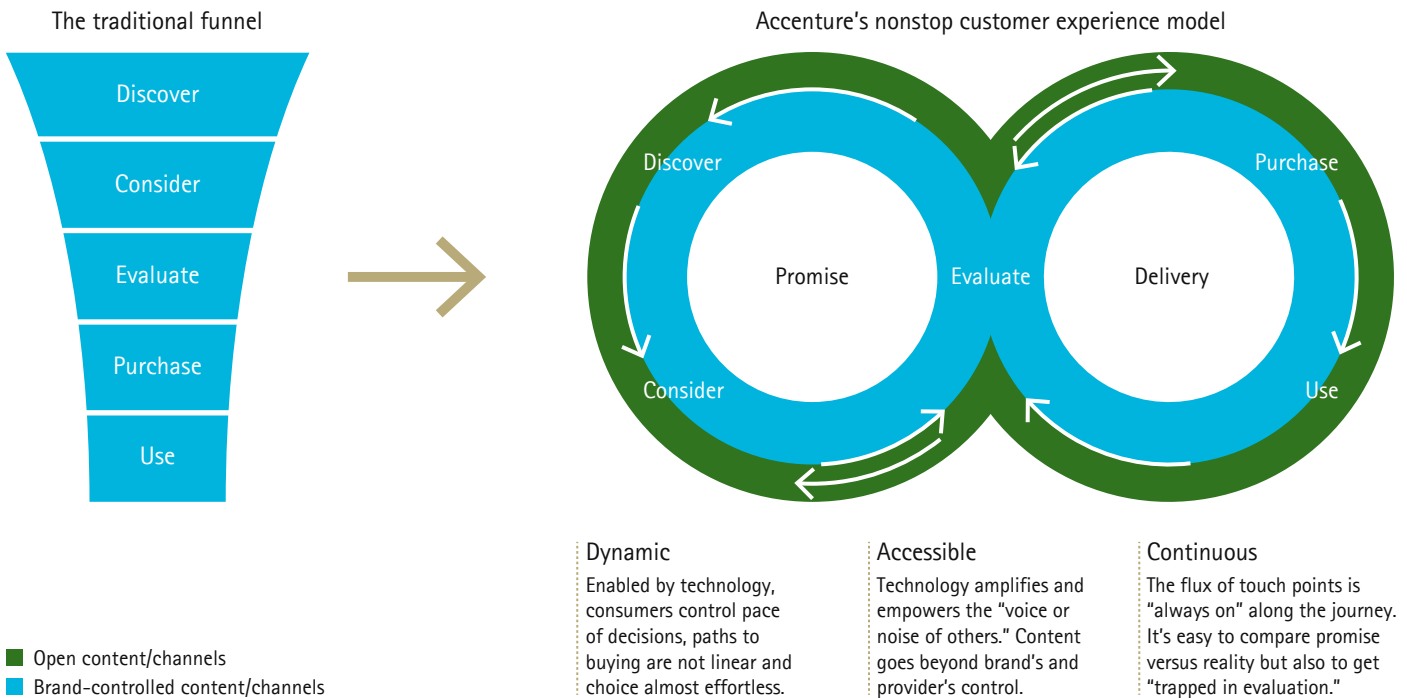
Retail shopping has undergone a dramatic transformation in the past decade. As online researching and shopping become the norm, physical locations that were once primary points of sale and customer service are evolving into showrooms and education centers. And while the path to research and purchase used to be linear, the consumer journey has now become dynamic and ongoing.

Even the multichannel view is increasingly falling away as consumers are continuously in the channel. As long as they are within arm's length of a smartphone, tablet or traditional computer, consumers can engage when and where they want. Seamless movement between various channels—sometimes in multiple channels at the same time—is driving a single, all-encompassing concept of how consumers interact with energy providers. This new model is what

Accenture refers to as the nonstop customer experience model (see Figure 35).

In both competitive and regulated markets, today's energy consumers go to multiple sources to learn more about products, services and demand-side management programs. While they may prefer to get information from their utilities, many consumers are willing to purchase from brands and retailers they associate with technology and household improvement products.

Figure 35. Accenture's nonstop customer experience model.



Source: 2012 Accenture Global Consumer Pulse Research Study, Accenture, 2012, www.accenture.com.

For energy providers, the complex dynamics of the nonstop consumer provide new opportunities and challenges. Accenture's New Energy Consumer research has consistently shown that consumers prefer low-touch Web-enabled channels when seeking customer service and when signing up for new energy rate plans. When it comes to learning about or purchasing more complex products or services, however, they prefer in-person experiences (see Figure 36).¹⁶⁹

This dynamic poses a challenge for many utilities that have actually been reducing their retail footprints over the past decades. While retail locations may not be where many consumers or energy providers want to perform basic interactions, as providers look to engage consumers with new products, new services or more complex demand-side management programs, retail will become an important channel to consider.

Changing the in-person experience

Energy providers can tap into other retailers' innovations to create unique in-person experiences. "Pop-up" stores—generally small, short-term shops—have become one way large and small brands are engaging consumers and quickly creating a splash in targeted markets. Pop-up retailing can leverage engagement tactics that some providers have created for major events. For example, as part of the Smartcity Barcelona initiative, Endesa built an innovative pavilion to engage the public around the program. The Smartcity Barcelona Control Centre is a solar-powered building that will stand for one year. In addition to serving as control center for Smartcity Barcelona, it is also open to the public as an exhibition center showcasing Endesa's initiatives in remote energy management, electric vehicles, efficient lighting, energy monitoring and linkage of renewable energy to the grid.¹⁷⁰

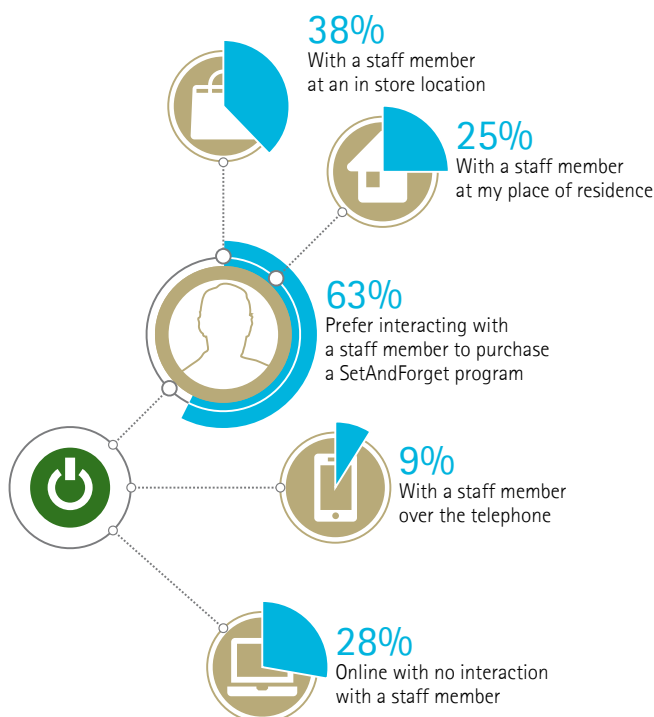
Pop-up locations create new ways to engage consumers and offer the added benefit of grabbing the attention of the media and influential online voices, which can draw additional attention to exciting new initiatives, products or services.

"Experience centers" are another way providers are working to engage consumers in face-to-face conversations. Swiss utility CKW has The Current World, an experience center that covers electricity from production through consumption. Guided tours include on-site generation equipment and interactive displays that offer consumer, business and school groups the opportunity to learn about hydro generation, network control, renewable generation and new home technologies.¹⁷¹

These unique approaches embrace the notion that for consumers, attracting their attention is as much about the experience as it is about the product or service.

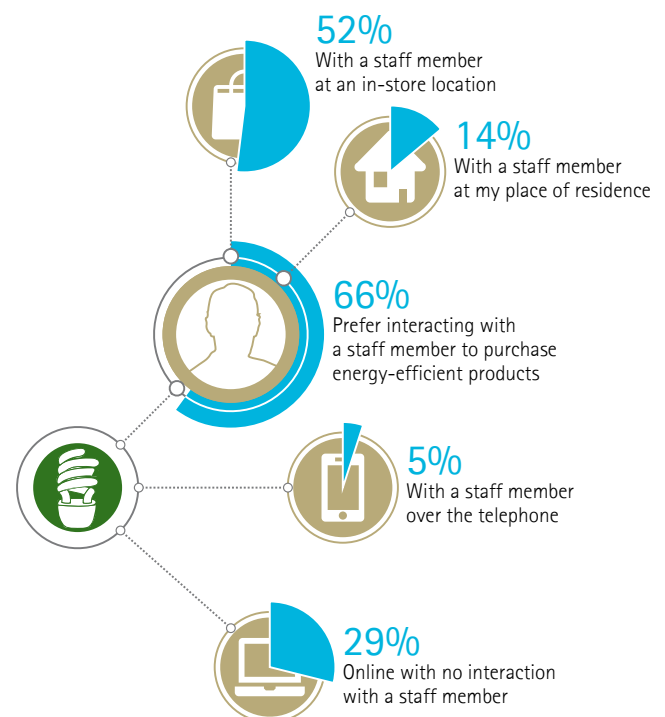
Figure 36. Consumers desire face-to-face interactions.

How would you want to purchase a SetAndForget program?



Base: All respondents interested in SetAndForget programs
Source: Revealing the Values of the New Energy Consumer, Accenture, 2011, www.accenture.com.

Some programs allow you to purchase energy-efficient products (e.g., smart thermostat) at a discount. How would you want to purchase such a product?



Base: All respondents
Source: Revealing the Values of the New Energy Consumer, Accenture, 2011, www.accenture.com.

Embracing "showrooming"

As the nonstop customer experience model demonstrates, channels are overlapping and interconnected, and consumers' traditional approach to learning about and evaluating products and providers has fundamentally shifted. In a cross-industry study by Accenture, nearly three out of four consumers aged 20 to 40 in the United States and the United Kingdom report that they use mobile devices while in store to compare prices. The majority leave the store before making a purchase. Across age groups, what do they do after leaving the store? Nearly half (48 percent) go home to buy the products from that retailer online; 32 percent buy products online from a different retailer. Only 20 percent of consumers actually make their final purchase in the store.¹⁷²

Often referred to as "showrooming," the trend of consumers going to the store to see (and touch) products and then purchasing online is reshaping the world of retail. While showrooming behavior is often driven by price

checking or online searching for better deals, it is also a clear example of how digital and physical experiences are now intertwined. For energy providers that want to become part of the shopping experience, showrooming may offer new opportunities.

Imagine shopping for a new appliance and finding that an energy provider has placed a QR code on each product. For the consumer, a simple scan of the code pulls up reviews, recommendations and information on how much energy the appliance could save. In addition, providers could offer information about appliance rebate programs and demand-response packages that leverage an appliance's built-in capabilities.

From consumer electronics companies to home improvement retailers, many brick-and-mortar organizations are working hard to tackle the challenges that showrooming creates. Energy providers have an opportunity to partner with these retailers or even go it alone by creating innovative capabilities that appeal to an increasingly omni-channel consumer.

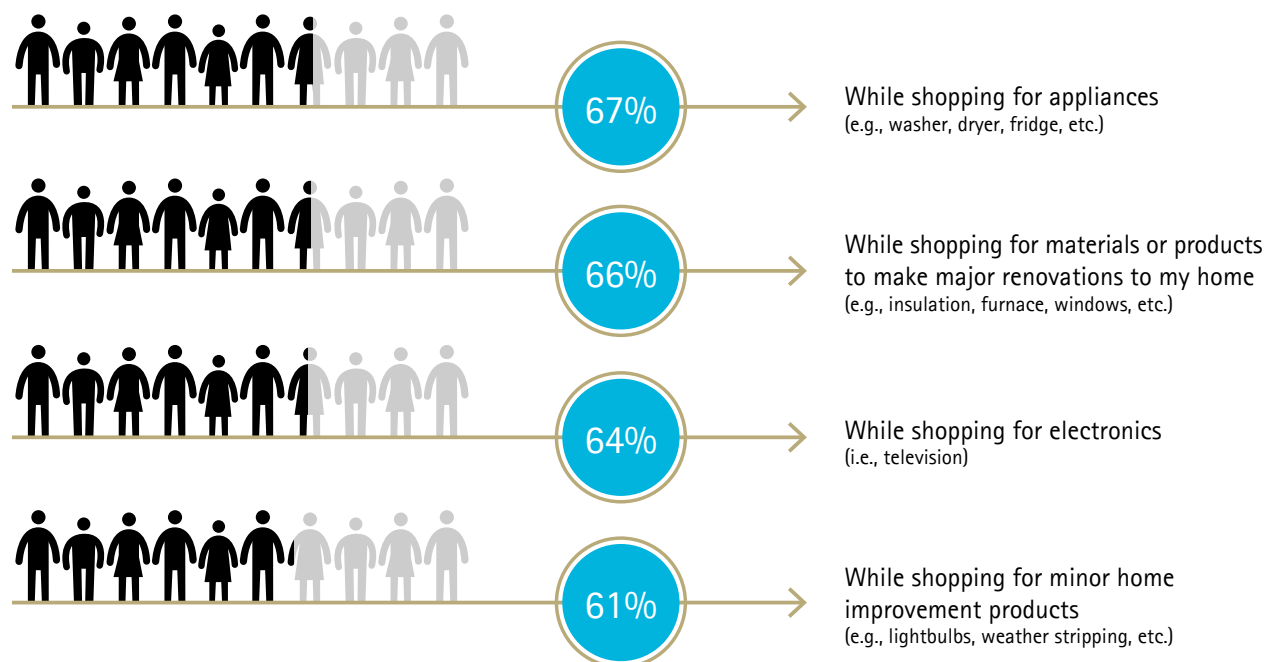
Creating a new experience through collaboration

To effectively engage consumers and meet goals around profitability and energy efficiency, many utilities face the need to transform their retail operations. And the transformation is likely to be significant.

Delivering the New Energy Consumer Experience demonstrates that consumers are interested in learning about new energy or related products and/or services when they are shopping for other types of products for their home (see Figure 37). And the experience they are looking for is not just having information displayed for them; when engaged at a physical location, they want to view product demonstrations, talk to a representative or even play a game (see Figure 38).¹⁷³ Often creating and delivering these types of retail experiences are not a core competency for providers today.

Figure 37. Consumers are interested in learning about energy or related products and/or services when shopping for products for the home.

Where would you be most interested in learning about energy or energy-related products and/or services, and how much time would you be willing to dedicate to learning about them?



Base: All respondents

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Accenture has observed many utilities leveraging strategic relationships to address both the evolving energy marketplace and energy-efficiency goals—using partners to quickly and effectively build capabilities across customer and retail operations.

Best Buy, an electronics retailer, is an example of a retailer open to partnering with utilities. In 2009, the company helped Pacific Gas and Electric Company (PG&E) develop the first ENERGY STAR® consumer program in California. Best Buy provides promotional support for targeted ENERGY STAR®-qualified products, and utilities provide incentives to Best Buy to offer rebates or other sales inducements to accelerate sales of targeted products.¹⁷⁴

In Canada, Home Depot, a large North American home improvement supply store, has partnered with multiple energy retailers, including BC Hydro and Toronto Hydro, to distribute rebates on energy-

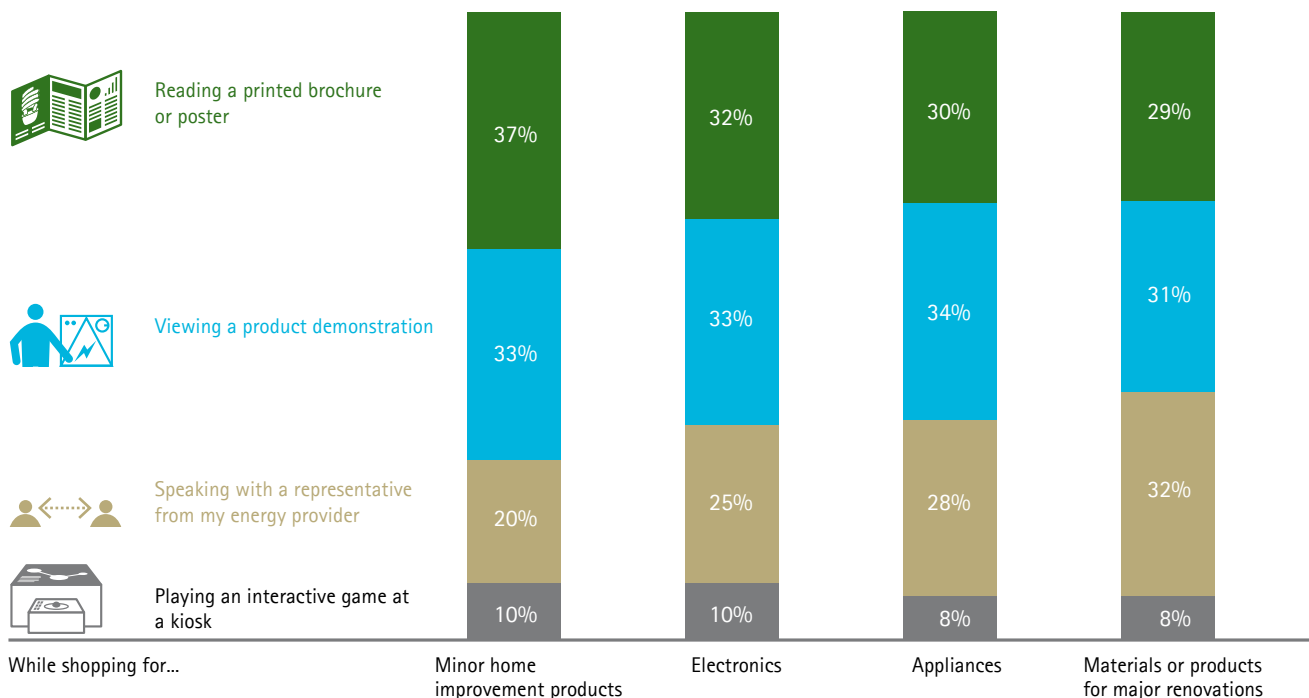
efficiency purchases. Working on Toronto Hydro's "Keep Cool" air conditioning recycling project, Home Depot helped to save more than 1.5 megawatts (MW).¹⁷⁵

Meanwhile in the United Kingdom, British Gas has a partnership with supermarket chain Sainsbury's to sell energy and energy-efficiency products and services such as solar panels and efficient boilers.¹⁷⁶

Regardless of approach, energy providers need to adopt a new mindset for engaging consumers. Whether in a competitive market and fighting to acquire, retain and increase share of spend or in a regulated market and looking to educate and influence behavior, the path forward requires a holistic approach to engaging consumers across channels. Truly, it is time to reinvent retail with a focus on the new nonstop consumer.

Figure 38. When consumers are engaged at a physical location they expect a more interactive experience.

For each situation you selected, how would you prefer to learn about energy and energy-related products and/or services?



Base: All respondents interested in (learning about energy and energy-related products and/or services) in these specific situations
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Spotlight: Are you paying attention to the right marketing channels?

The digital revolution has fundamentally changed how consumers learn about, research and purchase all kinds of products and services—including energy. Accenture's cross-industry Global Consumer Pulse survey found that compared to three years ago, 73 percent of consumers are using the Internet more to research or purchase products and services.¹⁷⁷

While many energy providers have taken steps to upgrade Web capabilities, create mobile applications and establish active presence on social media channels, digital marketing often remains an afterthought. Energy providers have at their disposal an expanding set of options for paid online marketing—including search engine marketing, online display ads, e-mail, mobile ads and social marketing. As learning and purchase decisions shift online, these channels are becoming increasingly important. Across industries, nearly half of consumers (47 percent) report that Internet advertising is the channel most likely to steer them toward buying from a provider.¹⁷⁸

Thus, while paid online advertising is clearly important, sometimes “free” marketing can be just as effective. After all, creative content can go viral quickly—even when it focuses on train safety. Consider that an animated YouTube video and song created by the Australian train company, Metro Trains Melbourne, was one of the most-watched videos of 2012. With more than 44 million views, the video “Dumb Ways to Die” may be one of the most successful safety videos ever made. It has also garnered international recognition for Metro Trains Melbourne.¹⁷⁹

For many providers, focusing on digital marketing and communications requires not only new skills but also new measures of success. Marketing return on investment becomes a much more complex metric when it must be tracked across channels. While consumers often have few problems moving from one channel to another and from one device to another, energy providers may have a hard time keeping track of them. In many cases, providers will need sophisticated new approaches to help to understand consumers' movements and exposure to specific messages—and even changing the messages based on insights into online or offline behavior.

Such insights can be critical as energy providers in competitive marketplaces seek to acquire new consumers or market new products and services. In a noncompetitive environment, this kind of understanding creates a foundation to increase brand awareness and drive adoption of demand-side management programs.

Accenture believes that, going forward, providers should begin to embrace the possibilities of digital marketing while developing new approaches to better capture and analyze consumers' research and purchase journeys across offline and online channels.



Engaging water consumers

As aging infrastructure, water scarcity and water security become increasingly important, so is engaging water consumers. Often taken for granted and expected as a critical necessity, water providers are increasingly being challenged to find innovative ways to engage consumers in order to educate and encourage water conservation.

With the global population expected to reach some 9 billion by 2050, providers are developing innovative ways to deliver water to more people while managing greater stress on water systems.¹⁸⁰ Population growth is not the only driver of innovation. Extreme weather, urbanization and increasing economic development are all increasing the strain on water infrastructure and water supplies.

In light of these trends, water utilities are beginning to consider a new role that stretches outside traditional expertise in infrastructure management. To meet emerging challenges and opportunities, water providers are beginning to engage consumers closer to home, and face a delicate balancing act in terms of consumer expectations.

The new water consumer

Today, many consumers know little about what their water provider does or how they do it. Consumers do not view these organizations as dynamic or forward thinking, and when it comes to water supply, they are happy to trade innovation for predictability and safety. While that represents current realities, consumer attitudes are likely to shift as infrastructure upgrades and scarcity drive new innovations.

As with electricity and gas, smart infrastructure is being implemented for water—bringing new opportunities for detailed usage information, conservation products and efficiency tips. Intelligent water infrastructure is coming more quickly than many consumers realize. For example, Le Havre joint district authority in France is working with m2ocity, a Veolia Water and Orange subsidiary, to deploy a remote meter-reading network for the Le Havre water service. Some 100,000 water meters will soon be fitted with remote technology.¹⁸¹

With this deployment, the water authority will be able to optimize supply network efficiency and automate the water meter reading. Consumers will have online access to detailed usage information, empowering them to reduce water consumption and be warned of any water leaks via text or e-mail message.

Consumer trust: Sink or swim?

When consumer trust is fragile, implementing intelligent water capabilities is not without risks (see Figure 39). Working with the state of Victoria in Australia, Accenture undertook a survey of water consumers. While the 2011 survey focused on the particular region, the findings provide a glimpse into consumers' view of their providers and the amount of innovation they are ready to accept from water companies.

In general, the consumers surveyed expressed very high satisfaction with their water corporations—much more so than for other home service providers. However, consumers generally rated their water provider poorly in relation to being adaptive to their needs. A majority of survey respondents (89 percent) indicated they want their water corporation to tell them when they have a leak, but only 12

percent of respondents were comfortable with their water companies providing usage data to third parties.

In Victoria, Australia, water costs are higher than in many other parts of the world, and scarcity is a known issue. Even so, 82 percent of consumers surveyed said they had no contact with their water provider outside of paying their bill. Thus, engaging water consumers would seem to be a difficult undertaking.¹⁸²

With so little consumer interaction, water utilities must follow the lead of Sydney Water and the government of Venice, Italy, and find creative ways to garner consumer attention:

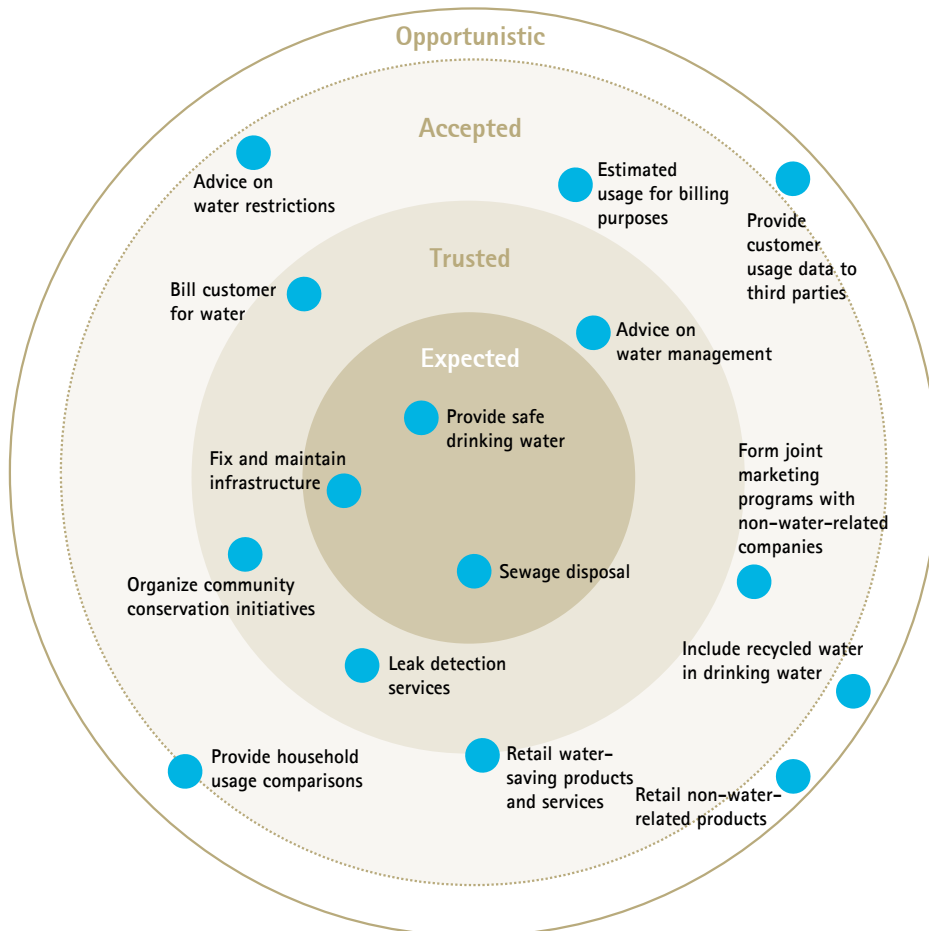
- Sydney Water leveraged its tap™ brand to create awareness around water scarcity and sustainability. As part of the campaign, the water corporation sponsored a public contest to create the

tap™ logo and label for a new bottle. In promoting the contest, Sydney Water embraced social media, including its Facebook and Twitter accounts. Sydney Water's Facebook community selected their top five designs, which are now on display at the Powerhouse Museum.¹⁸³

- In Europe, the government of Venice, Italy, has rebranded its domestic water supply with the name "Acqua Veritas." As part of the launch, a brand logo was developed and advertising placed around the city with branded cafes provided to city residents.¹⁸⁴

These kinds of campaigns help engage consumers, build a new image and make water a more tangible product, while still honoring the boundaries of existing consumer relationships.

Figure 39. The Water Corporation Trust Bubble: What does the water corporation currently have the global community's permission to do?



Source: Adapted from Victorian Water Customer Water Services Needs & Values Summary Report, Accenture, 2012.

Creating new energy ecosystems

For utilities, partnerships increasingly extend beyond the bounds of their internal operations. Leading providers recognize the importance of engaging with governments, academic institutions and other stakeholders to drive development of intelligent cities and the broader energy ecosystem.

Engaging consumers and evolving to achieve the full potential of a smarter grid requires more than operational excellence and consumer centricity. Ultimately, it also requires utilities to engage with a variety of stakeholders including cities, municipal, regional and federal governments, universities, other service providers and even start-up organizations.

Creating intelligent cities

Around the world, such entities are joining forces to create intelligent cities—building them from scratch or upgrading current infrastructures. Growing public-private partnerships are supporting these efforts.

As the intelligent city remains an emerging concept, utilities have the opportunity to be the instigator of the move toward “smarter” cities. Ownership of the partnership platform can allow the energy provider to moderate the energy dialogue, create standards for the evolving energy marketplace and mitigate the impacts of new market entrants. As such, the energy provider has the opportunity to engage with all stakeholders at the same time. This opportunity to bring all stakeholders together is one Accenture believes utilities should pursue.

Not only will creating the intelligent city provide benefits to utilities, but it will also provide numerous benefits to all participants involved. Participants will benefit from increased access to talent, more engaged consumers and innovative, clean-tech start-up companies.

Creating an ecosystem of stakeholders also creates an innovation hub for the benefit of utilities and their partners. Having all stakeholders fully engaged will help grow consumer demand for energy-related products and services. That, in turn, creates a willing consumer base for piloting new product and service ideas. A test-bed not only provides a competitive advantage for the utility and its partners, but also creates a greater draw for other leading organizations to join the intelligent city initiative.

Leading utilities push this level of collaboration beyond the consumer base to the talent pool. Many communities are using intelligent city initiatives as a competitive differentiator to attract and retain a new generation of professionals and entrepreneurs drawn to the growing innovation and immense opportunities of the evolving energy marketplace. Leading utilities are leveraging this community strength to create and incubate talent.

Fostering talent

Utilities have partnered with universities to create a source of talent and advance energy-related research and development. For example, for its Power Smart program, BC Hydro, a large Canadian energy provider, has partnered with the University of British Columbia to create an innovation hub. The partnership has created a Master of Engineering degree in clean energy. BC Hydro supports the Power Smart instructor for the program and provides co-op and internship opportunities for students, while gaining access to leading engineering talent.¹⁸⁵ The energy provider creates and invests in these academic partnerships to advance energy research efforts while creating talent pools for the evolving energy marketplace.

Accenture believes that pursuing smart cities across a service territory will provide a range of benefits to help utilities compete and thrive in the evolving energy marketplace. In addition to reducing R&D costs through partnerships with colleges and universities, building a new energy ecosystem creates the opportunity for energy reduction. It also provides other valuable opportunities to test beyond-the-meter products and services.

Case in point: Creating a new energy ecosystem through stewardship

Southern California Edison Company (SCE), the largest subsidiary of Edison International, is one of the largest electric utilities in the United States, serving a population of nearly 14 million via 4.9 million customer accounts within Central, Coastal and Southern California. To meet a strategy for a clean energy future as well as leading industry stewardship, SCE has built platforms for tomorrow by partnering with consumers, regulatory bodies, governments and industry. Together, SCE is working to create the foundation of a new energy ecosystem. SCE's approach to consumer centricity illustrates how a utility with one foot in today and one in tomorrow can create new value for consumers. Following are some examples where SCE is leading innovation in beyond-the-meter energy technology and consumer engagement.

Engaging consumers. At the Smart Energy Center, consumers are introduced to the progress SCE is making in developing new technologies to build a smart grid, as well as demonstrating new energy-efficient devices, including smart appliances that communicate with a smart meter over a home area network, a garage fully equipped for the next generation of plug-in electric vehicles, and online tools to help consumers monitor and manage their energy costs. SCE's YouTube channel provides informational, fun videos related to smart metering, dynamic pricing, energy efficiency and electric vehicles.

Innovative collaboration. Following a \$65 million stimulus grant, SCE is collaborating with industry stakeholders, academia and manufacturers to develop and conduct a comprehensive demonstration of smart grid technologies. First, they are testing grid-scale energy storage by building the largest lithium-ion energy storage system for energy generated by wind projects. Second, they are demonstrating a variety of smart grid technologies in the same location that will create an end-to-end test environment,

from generation to consumption. What SCE learns is shared with the industry, to understand interconnectivity and interoperability of technologies that will help incorporate renewable energy and distributed generation with the grid. These two projects evaluate potential storage and grid requirements to maintain reliability while also identifying approaches and needs on the consumer-level that promote engagement.

Creating an ecosystem. SCE has established relationships with a range of external organizations to engage consumers and further corporate goals. Relationships span:

- **Consumer retailers.** Working with a number of consumer retailers including Best Buy, Home Depot, Lowes and Sears, SCE has created a number of programs such as instant rebates that allow consumers to receive their rebates on energy-related products from SCE at the point of purchase rather than consumers having to mail in information.
- **Electric vehicle dealers.** As electric vehicles grow in popularity, SCE has partnered with car dealerships to educate representatives on available electric vehicle rates, installation of charging points, the benefits of electric vehicles and the tools and resources available through SCE. SCE also offers "Plug-in Car Rate Assistant," an online tool that puts consumers in the driver's seat to estimate the cost of fueling an electric vehicle and the impact on their electricity bills.
- **Appliance manufacturers.** Working with appliance manufacturers and government organizations, SCE offers consumers a wide range of rebates on energy-efficient appliances and will even haul away the old refrigerator or freezer for free. In the future, the Edison SmartConnect meter will be able to communicate with smart appliances to help consumers gain more insight and control over usage.

- **Energy information and management providers.** SCE has partnered with a number of organizations, including ADT Security and Nest, to embed energy management into consumers existing lifestyles. Leveraging the capabilities of ADT's home management infrastructure, SCE makes it easy for consumers to manage their energy usage. Working with Nest, the maker of an advanced learning thermostat, SCE offers consumers the opportunity to sign up for demand-side management programs that take advantage of the thermostats functionality.

With their unique, collaborative approach, Southern California Edison is truly establishing a new energy ecosystem and working with partners to extend the energy value proposition. In this way, they are delivering solutions that seamlessly align with consumer lifestyles and values.



Case in point:

Amsterdam Smart City facilitates cooperative innovation

Launched in 2009, Amsterdam Smart City is a unique partnership between businesses, authorities, research institutions and the people of Amsterdam. Together, the partners of Amsterdam Smart City have developed a number of smart pilots designed to help change the world—and test innovative new technologies first in Amsterdam. The project was initiated by Liander, the largest grid operator in the Netherlands, Amsterdam Economic Board, the City of Amsterdam and KPN, with Accenture engaged as an active strategic partner.

Amsterdam Smart City focuses on testing innovative technology, driving sustainable economic investments and understanding behavior change among the people in Amsterdam. One of the key elements in this program is the learning potential on technical aspects, but even more importantly, on social components of the different pilots.

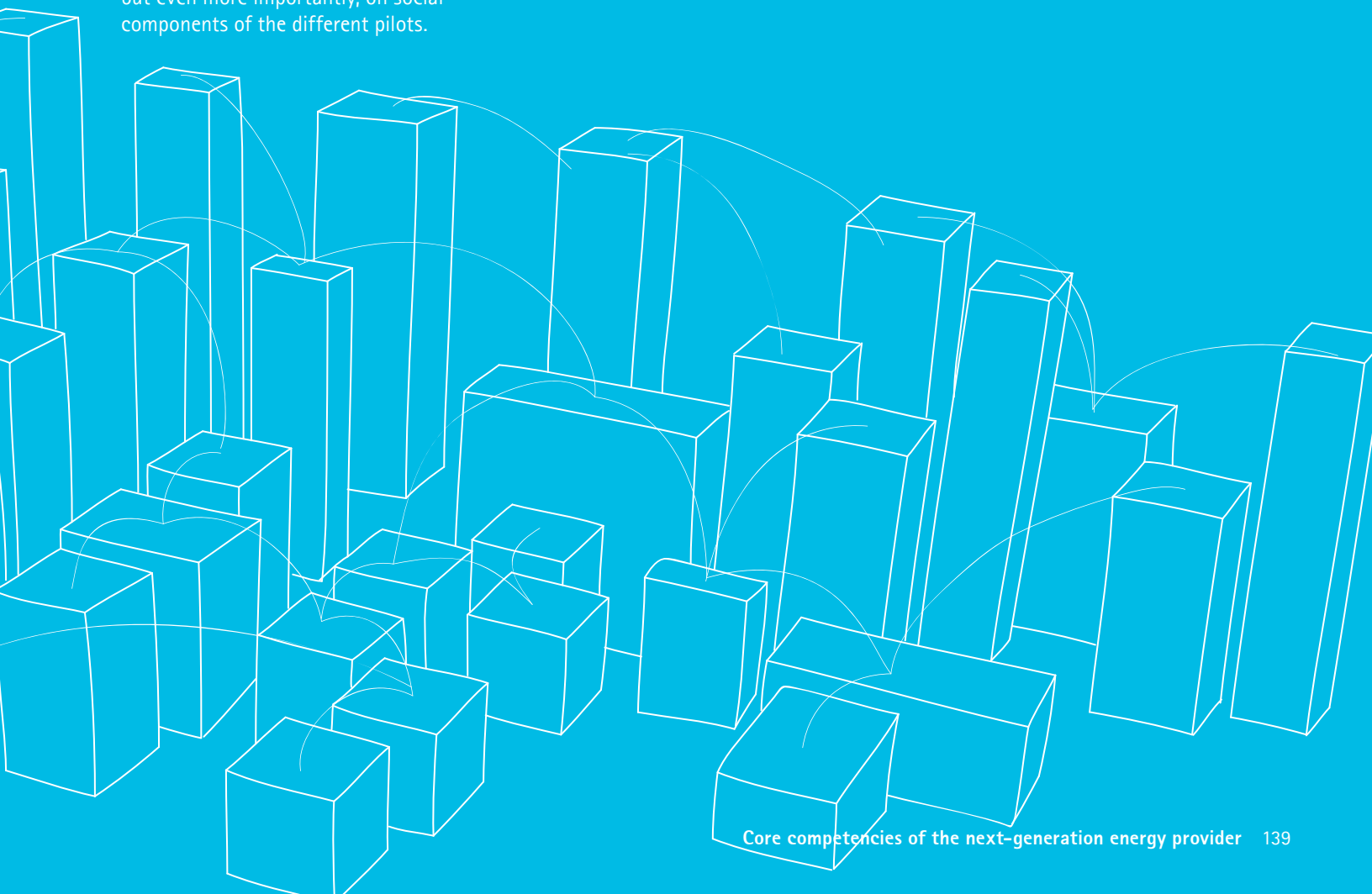
Amsterdam Smart City has engaged more than 100 partners in a variety of projects focusing on smart technologies, energy transition and open connectivity in the area of living, working, mobility, open data and public facilities such as healthcare and education.

The approach to Amsterdam Smart City is exemplified by the core values of the initiative:

- **Platform.** Amsterdam Smart City is positioned as an initiating and facilitating platform for its partners connecting residents, government and business.
- **Testing.** The initiative offers possibilities for testing technologies, products, services and approaches in various "urban living labs."

- **Open.** By focusing on open infrastructures, open innovation, open knowledge and open data, the initiative forms the basis for product and service innovations.

The project has received overwhelmingly positive responses and, after two years, Amsterdam Smart City members extended the project launching a second phase with 93 percent of the initial partners planning to remain involved.¹⁸⁶ Amsterdam Smart City has established a living lab that allows the opportunity to test and demonstrate innovative products, services and partnerships with a focus on developing replicable concepts that can be applied in the region, nationally or even internationally.



Spotlight: Intelligent city archetypes

Each city is unique from a geographic, demographic and economic standpoint. Consequently, cities are not equal when it comes to their impact on the environment, either positive or negative. Based on our research and experience, however, Accenture can group cities by archetype based on current level of environmental impact, history with sustainability initiatives and efforts to promote attractiveness:

- “Pioneers” have already embarked on the journey to decrease their energy consumption by pursuing alternative energy sources and reducing their overall carbon footprint. They are actively considering technology-based solutions such as smart grid to drive decentralized energy production, a higher share of renewables with better demand management, either new or retrofitted smart buildings plans, and pilots or deployments of dynamic mobility solutions.
- “Legacy cities” are those that are also working to reduce their emissions levels, which are generally in the low to medium range, but have not yet begun comprehensive, large-scale programs to enable them to embrace the same ambition as Pioneers.
- “Cities at risk” generate relatively lower levels of pollution, but face significant congestion challenges to their near-term growth plans because of inadequately managed, rapid economic development. These cities also have an expanding population putting additional pressure on the environment through fast, uncontrollable growth of private vehicle fleets, unmanaged building construction and rapidly rising energy consumption.
- “Fast adopters” are cities that are growing rapidly, such as urban areas in China, and that aim to leapfrog toward the intelligent city model to manage hypergrowth without falling into the congestion trap.

- “Large emitters” are the megacities with the most disadvantaged starting position based on their legacy energy and transport systems. Such cities need to engage in a series of initiatives to decarbonize their energy mix as the size of the problem requires extensive supply transformation.

Identifying a city’s current status can help suggest how to most effectively create the partnership ecosystem.¹⁸⁷

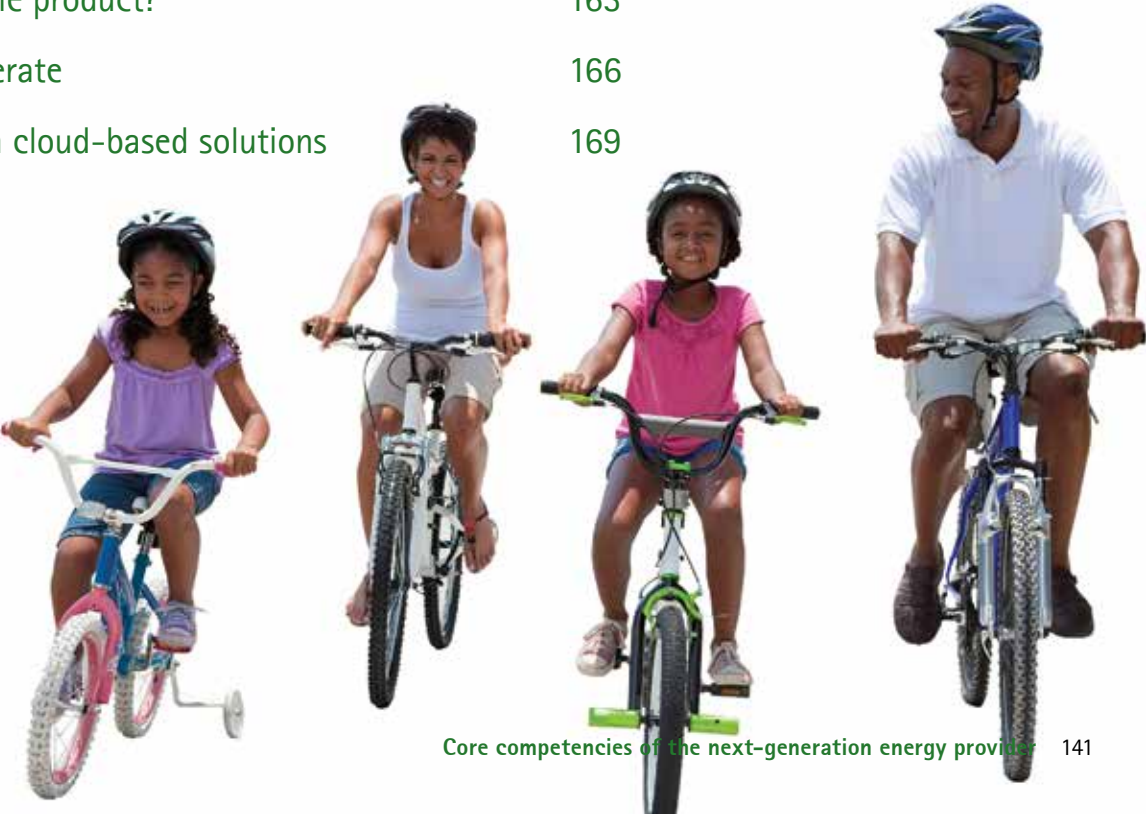


5.4 Extending the value proposition

Quickly becoming more than a commodity, energy is evolving into a consumer product that can align with consumers' values and preferences. As new products, services and technologies break through traditional boundaries, providers can seize opportunities to strengthen consumer engagement and, in some cases, identify new revenue streams. Even so, many providers will be challenged to establish the product management and innovation capabilities essential to extending the value proposition.

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Competency in brief:

Extending the value proposition

The basic commodity may remain the same, but consumer expectations around energy value propositions are anything but static. As industries and technologies converge, energy is at the center of a storm of innovation. Extending the energy value proposition requires innovation and creativity—but also offers a new platform for consumer engagement and revenue creation.

Simply put, energy is not what it used to be. New channels of interaction, new technologies and increasing consumer awareness are creating a marketplace defined by new expectations. Many providers have long offered a relatively simple, mass-market value proposition—one defined by safety, reliability and customer service when needed.

Today, energy can deliver against consumer values and preferences such as sustainability, convenience, control and cost savings. At the same time, the market is creating incentives that make it necessary for many providers to extend their value propositions.

While exact conditions vary by market, many providers face stagnant energy demand. Looking to the future, greater energy efficiency, adoption of distributed generation and government mandates will continue to chip away at core commodity revenues. Meanwhile, margins are shrinking due to increasing generation costs, infrastructure investments and, in deregulated markets, fierce competition.

Extending the value proposition offers opportunities for providers to differentiate in a crowded marketplace and pursue new revenue opportunities. In noncompetitive markets, rethinking the energy value proposition is a way to extend the relationship with consumers—acting as a trusted energy advisor and addressing conservation-related goals. In competitive markets, value-added products and services can help improve consumer stickiness, increase share of spend and reshape providers' brands.

Energy providers are not alone in pursuing value by reshaping propositions. In competitive and noncompetitive markets, nontraditional new entrants are emerging along the value chain—and it is important for providers to move quickly to define their territory and build relationships before others make the market.

Tapping into innovation across the organization

Utilities have long excelled at innovation, often directing efforts at solving significant engineering challenges or profitably managing complex tariffs. Innovation is increasingly required in largely untapped areas including strategic brand management, product development and product portfolio management.

Many utilities have relatively static brands built upon years of safe, reliable energy delivery and consistent customer service. As providers work to extend the value proposition, their brands may need to be updated to better reflect the new world in which energy is more than a commodity. Some providers are going so far as to build multiple targeted brands with consumer segment-specific value propositions. In competitive markets, "fighter brands" are emerging and tailoring propositions to cost-conscious consumers. In other regions, energy providers are differentiating through alternative brands that appeal to conservation-minded or younger consumers. Across the board, any brand has minimal value until a provider delivers on it.

Developing new value propositions and products will require many providers to find fresh ways of fueling innovation internally and externally. Stage-gate development and funding funnels will be required to manage innovation and, in the search for the next big thing, many providers may consider opening innovation to third-party partners or even consumers.

Across the energy marketplace, we can already see evidence of innovation, often coming from outside utilities. To successfully extend energy value propositions, providers will need to internalize innovation and then direct it at specific business outcomes designed to reinvent how consumers view energy and their providers.

The multiproduct opportunity

In extending the energy value proposition, providers will inevitably begin to converge with other products and services. Energy now spans a spectrum of energy-related products and services. Even in the commodity realm, competitive markets are increasingly adopting "dual-fuel" value propositions that combine gas and electricity. However, opportunities to bundle products and services do not end there. Energy management

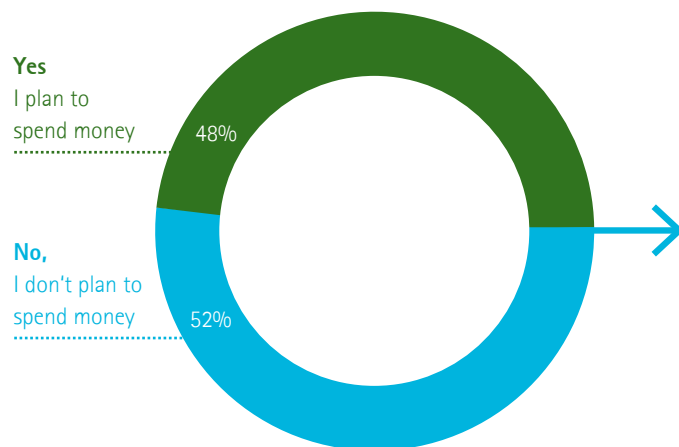
technologies, home service plans, financing, insurance and other home services—from security to cable and telecommunications—are all possible elements of extended value propositions.

When it comes to energy-related products and services, nearly half of consumers (48 percent) plan to spend money on them (see Figure 40).¹⁸⁸ Providers increasingly have the opportunity to capture some of that spend and to influence decisions to increase energy conservation. Moreover, consumers who are not planning to spend are held back primarily by cost or by the belief that they will not see significant savings. Through innovative financing plans and consumer education, providers can break down these barriers, creating more opportunities to influence consumer behavior and capture new revenue.

Becoming a multiproduct organization likely is a significant shift for many utilities. New approaches are required to successfully manage a growing range of products, and product bundling is not without challenges. Experience in other industries has shown that when not managed properly, bundling can lead to lower margins that ultimately drain value from the organization. Nevertheless, the potential benefits of success are compelling. In competitive markets, adding complementary products can reduce churn rates, increase share of spend and customer value with higher-margin products and services. In noncompetitive markets, new rate structures, energy-efficiency programs and new products can create tailored value propositions that engage consumers and support conservation efforts while establishing an element of choice that can help increase satisfaction.

Figure 40. Nearly half of consumers plan to spend money on energy-related products and services, and those who are not cite cost and unclear savings as the reasons.

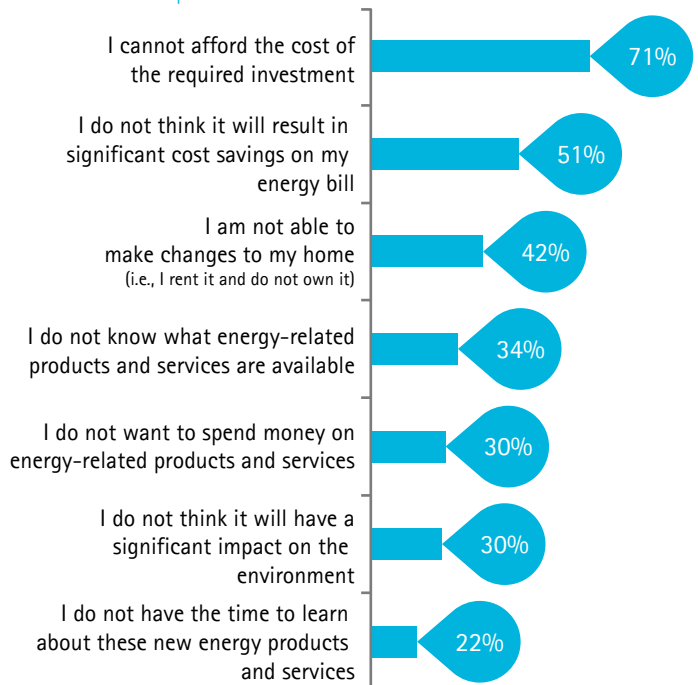
In the next 12 months, are you planning to spend money on energy-related products and/or services for your home (e.g., energy-efficient appliances, smart thermostats, etc.)?



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Why are you not planning to spend money on energy-related products and/or services in the next 12 months?

Mentioned in top three



Base: Respondents who do not plan to spend money
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Extending value with partners

Facing the need to innovate across the organization and embrace new products and services, energy providers can go it alone or engage with partners. In many cases, tapping into partners offers new ways to extend the value proposition.

Loyalty programs have served as one example. In competitive markets, energy providers are seeking out partners with loyalty programs that can help attract and retain consumers. These programs also offer opportunities to incent and reward certain behaviors, such as self-service, electronic billing, product bundling or energy conservation. In cases where energy providers may lack the brand strength to extend the value proposition on their own, they can look to partners that offer well-known brands or products. White labeling—that is, selling through another brand—enables providers to tap into partners' strengths while focusing on their own core competencies. As an example, in the United Kingdom, Marks & Spencer acts as a white-labeling partner for Scottish and Southern Energy (SSE). Under its own brand, Marks & Spencer is selling energy delivered and supported by SSE.

The bottom line

Moving forward, strong value-added products and services and end-to-end customer solutions will drive revenues for energy providers. With a fiercely competitive landscape, including increasing threats from new entrants to the energy marketplace, energy providers must have a compelling value proposition. Without it, they will struggle to differentiate their offerings and capture the revenue potential in the market.

In developing strong value propositions, energy providers will need to assess their capabilities across innovation, product development and product and services management, as well as the systems that bill and support these capabilities. Above all, utilities need to become more agile.

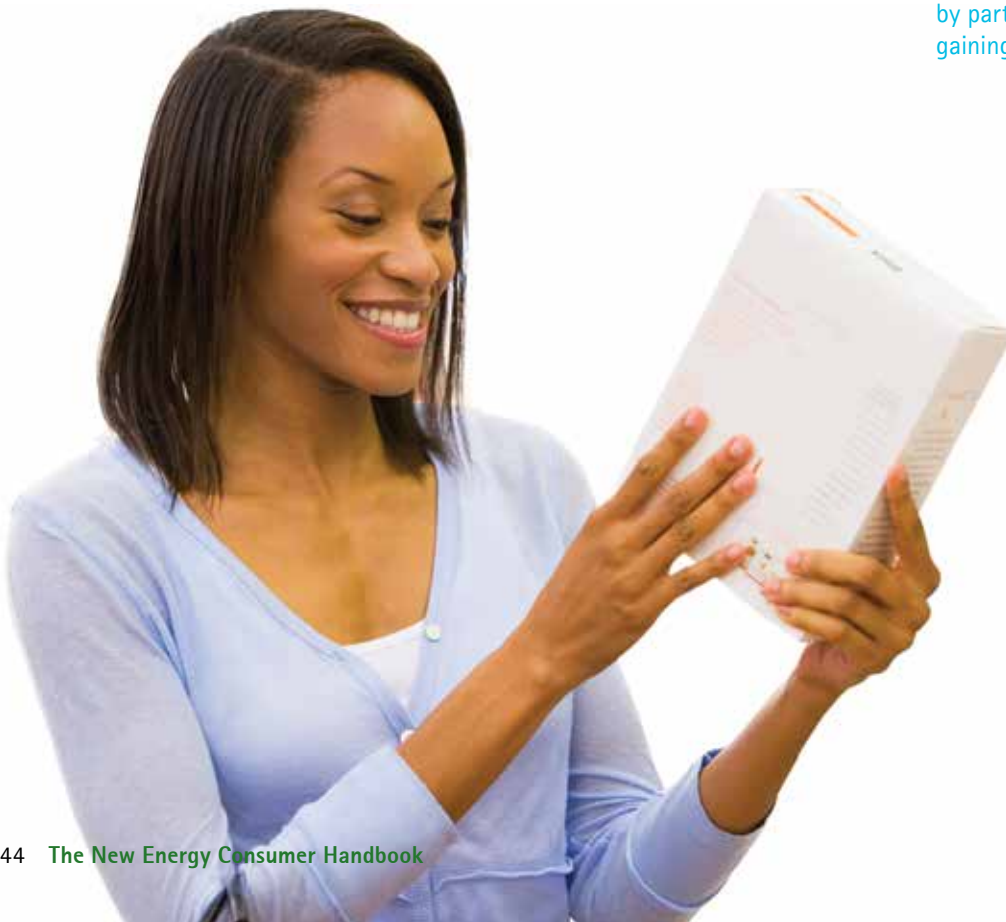
The following articles include a deeper dive into how energy providers can extend value propositions—including how successful providers will drive value by placing greater emphasis on branding, how other organizations can be viewed as commodity competitors and collaborative partners and why innovation is critical to embrace change. Other topics include the effect of multiproduct bundles, the new state of natural gas in the energy ecosystem and a value-based approach to new products and services.

Case in point: Scottish and Southern Energy and Marks & Spencer partnership

In 2008, in the deregulated UK market, Scottish and Southern Energy (SSE) partnered with Marks & Spencer (M&S) to provide white-labeled gas and electricity services through M&S's website and retail stores.

M&S Energy offers rewards for certain consumer activities, such as signing up for paperless billing and achieving electricity reduction targets. M&S also offers other value-added products and services, including home insulation and home energy audits in addition to gas and electricity services. In March 2010, SSE reported having 175,000 customer accounts through this product offering.

For SSE, partnering with a retailer is decidedly complementary. The arrangement provides a secured source of demand for its generating assets and offers M&S Energy an additional product to draw new consumers or increase share of spend with current consumers. At the same time, with a growing baseline of customers supplied by M&S Energy, SSE is able to benefit by partnering with a strong brand and gaining access to new consumers.¹⁸⁹



“Brand” new opportunities

As the energy marketplace evolves, successful providers will drive value by placing greater emphasis on branding. New tactics such as fighter brands can attract cost-conscious consumers while alternative brands can extend an existing brand to appeal to distinct consumer segments.

To deliver against increasing conservation mandates, diverging consumer preferences and new beyond-the-meter opportunities, many energy providers will begin moving outside consumers' traditional definition of an energy provider. Such providers will be challenged to focus on an area that for some has received limited attention: advanced brand management.

Brand will play an important role in differentiating providers, engaging consumers and articulating a provider's value to the consumer. Energy providers that excel in the emerging marketplace will build brand equity and create a meaningful value proposition for consumers while balancing other priorities for the organization.

Rethinking brand value

In regulated markets, energy providers' brand focus has been on staying involved in the community and managing public opinion. In deregulated markets, increasing price competition has driven fierce marketing and sales campaigns but not necessarily a strong focus on brands. It is not surprising, then, that consumers have traditionally seen little difference among energy providers. Energy providers are not alone in their challenges to build meaningful brands that consumers value. A global survey exploring how consumers relate to different brands found that most people would not care if 70 percent of brands ceased to exist.¹⁹⁰

Energy providers face an uphill battle in carving out a meaningful, compelling brand proposition—and they will need fresh, creative approaches that extend far beyond a new logo or color palette. In all likelihood, they will also need to look beyond traditional products and even outside the industry to understand what truly creates value for consumers. BC Hydro, a large Canadian energy provider, has developed Power Smart, which has gained recognition as a conservation initiative. Power Smart has its own Facebook and Twitter communities, where members share tips on saving energy.¹⁹¹ Outside the industry, we see other examples of brands extending their value proposition for consumers. Kraft Foods has introduced the iFood assistant, a mobile phone app that allows users to search for recipes, view cooking videos, create shopping lists and scan barcodes to look up items.¹⁹² In this case, selling products is secondary to the goal of creating a unique, useful experience bridging purchasing to the kitchen—which ultimately benefits Kraft.

For consumers, a brand identity is often an extremely visual experience. Some of the best-known brands are recognized simply by their logos. With this in mind, some energy providers are creating innovative new visual identities that catch consumers' attention and define their position in the marketplace. For example, EDP—one of the largest energy operators in the Iberian Peninsula with holdings in Portugal, Spain, the United

States, Brazil, Africa and Asia—recently undertook a significant brand redesign. The company's goal was to create a new image that captures specific brand attributes: human, innovation and sustainable.¹⁹³ To create the new identity, EDP engaged a well-known design firm. The result was a new brand image with bold red colors and simple icons, which are immediately recognizable on the company website, printed materials and television commercials. The brand is also represented in the company's mobile application, which uses the simple icons to create a series of games.¹⁹⁴ While image may not be everything, it certainly is a critical place to start for energy providers seeking to engage consumers and establish stronger brand positioning.

Starting from scratch

For low-involvement purchases such as standard utility products, it can be a challenge to differentiate in the eyes of consumers. Accenture has observed the emergence of two specific brand tactics used to engage consumers: fighter brands, which are typically used to appeal to value-oriented consumers without diluting the parent brand, and alternative brands, which offer more targeted propositions under the umbrella of the parent brand.

Low-cost fighter brands have become common in the telecommunications and air transportation industries. When Virgin Australia entered the Australian market in 2004 and began undercutting Qantas Airlines, Qantas countered by creating Jetstar, a new, low-cost brand that offers no-frills service and appeals to cost-conscious travelers. This fighter brand empowered Qantas to refocus its parent brand on business consumers. By 2008,

Jetstar had captured significant market share and was making a considerable contribution to Qantas' bottom line.¹⁹⁵ *Actionable Insights for the New Energy Consumer* shows that when it comes to energy, consumers are also interested in discounted prices with fewer traditional service options (see Figure 41).

In competitive markets where nimble, low-cost providers are gaining market share, a fighter brand gives an energy provider the flexibility to reduce operating costs and compete effectively with an entirely new value proposition. Reliant Energy, an incumbent retailer in the Texas market, was facing increasing competition from low-cost providers and new entrants. In response, Reliant launched Pennywise PowerSM. Focused on providing the basics of competitive prices and dependable service, Pennywise Power makes it clear that consumers will not be paying for unnecessary extras.¹⁹⁶ This approach is also reflected in the

program's energy plans, which include automatic payment and paperless billing, supporting greater convenience for consumers and lower operating costs for Reliant. The brand's simple, clear value proposition resonates with cost-conscious consumers.¹⁹⁷ It also enables Reliant to retain and focus on consumers who value more choice, premium service and other higher-end benefits.

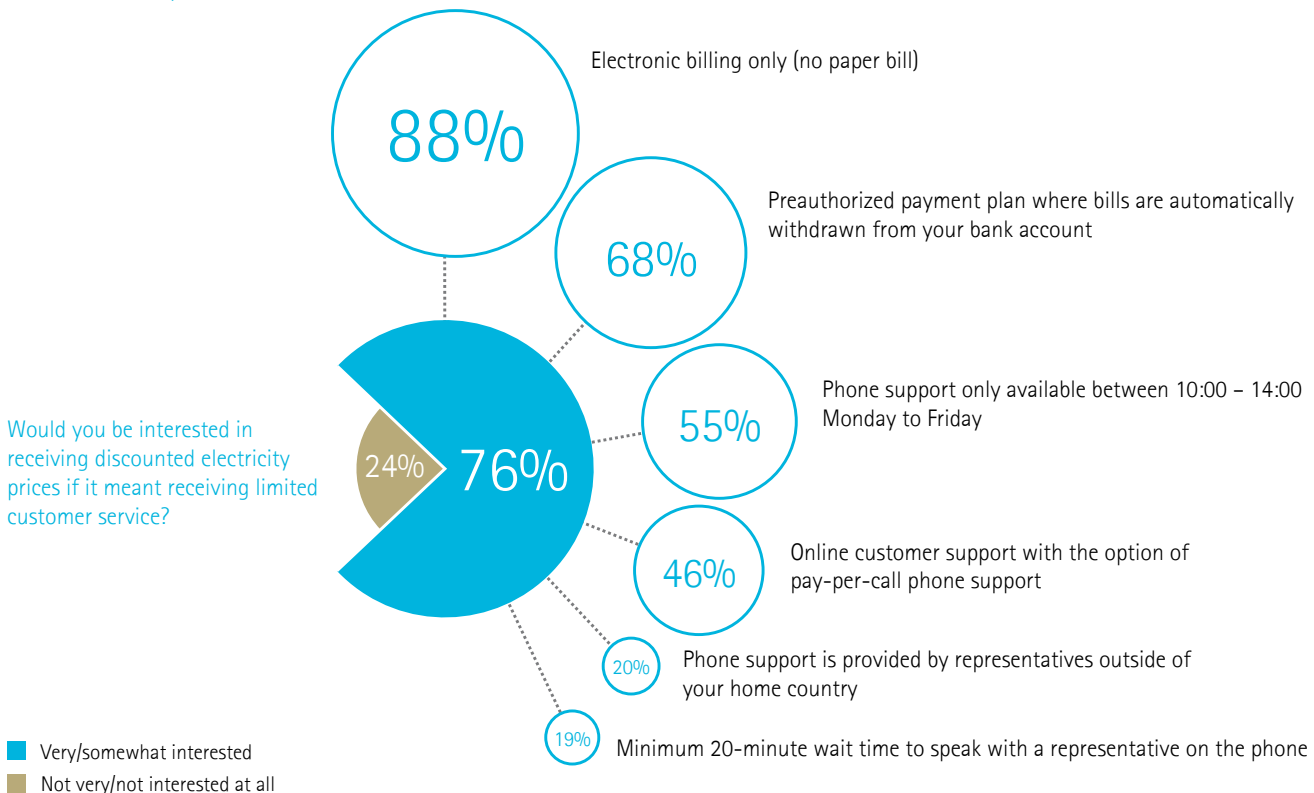
Crafting targeted sub-brands

Fighter brands are not the only way energy providers can successfully differentiate in the marketplace. They can also develop alternative brands, a tactic consumer product companies often use when consumers perceive clear differences between related products or their value propositions. For energy providers, alternative brands provide an opportunity to build trust, generate public awareness and align messaging with the values of specific consumer segments.

Figure 41. The majority of consumers are interested in discounted electricity with limited customer service options.

Which of the following options would you select in order to get discounted electricity prices?

Mentioned in top three



Base: All respondents

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Sydney Water, Australia's largest water utility, built an alternative brand for tap™, a Sydney Water product. The goal of the branding effort and marketing campaign: to show consumers that tap water is not only more economical and environmentally friendly than bottled water, but also healthier than other packaged drinks.

The branding effort included a separate website, branded reusable water bottles and the opportunity for Sydney businesses to become a registered "tap™ destination."¹⁹⁸ Similarly, energy providers can use alternative brands to appeal to specific consumer segments—some focused on cost, some on conservation and others on convenience.

Brand with caution

Building a new brand or repositioning an existing one is not a minor undertaking, nor is it an exact science. A change in brand affects what consumers think about a company and what they expect. For many providers, such changes will have implications that cascade through the organization's strategy, people, processes and technologies. That is particularly true with fighter brands, as providers must profitably deliver low-cost, no-frills services. Often, the existing operating model cannot support such a change, and a new approach is required to balance operational cost with the brand promise.

Another key challenge is potential cannibalization of sales. When launching additional brands, providers need to verify there is a distinct tradeoff between current and alternative offerings, and that the tradeoff is clearly communicated to consumers. With fighter brands, there is a risk consumers may believe they will receive the same product for a lower price, eroding significant value from the premium brand.

Ultimately, energy providers should carefully consider their objectives, determine if a different brand is truly necessary and build a case for how it can move the organization closer to its goals in the evolving energy marketplace.

Fueling the innovation engine

Consumer-focused innovation is not a one-time endeavor. To ward off disintermediation and fully harness opportunities, energy providers need an organizational commitment to building and accelerating an “innovation engine.”

As the energy marketplace continues to shift with new products, services, consumer engagement approaches and even business models—innovation will be critical for any utility embracing change. To capture a share of the marketplace, utilities will need to develop a sophisticated set of product, service and pricing capabilities to address a range of consumer needs. They will need to be quick to market, but without sacrificing the tailored features consumers value. Equally important, they will need to address their own key outcomes: cost effectiveness and operational excellence, revenue management, consumer value and satisfaction, and demand management.

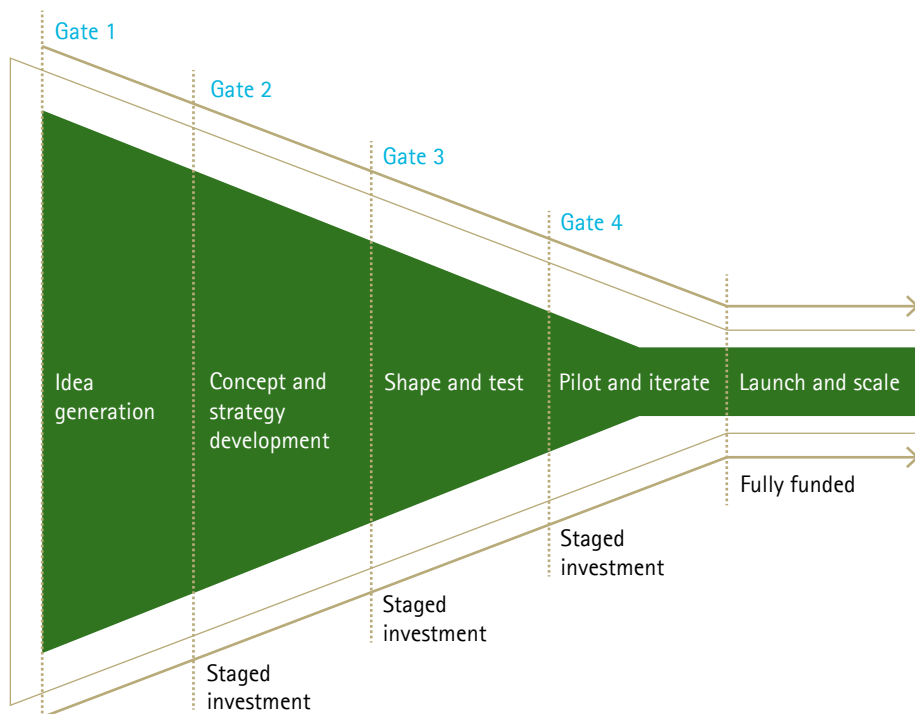
All of those goals require effective product life-cycle management, as well as greater consumer understanding and engagement.

From study to scale

Energy providers need to establish a long-term position on technologies and market changes and develop an innovation program that strategically prioritizes investments and initiatives.

An innovation engine will be critical to sharpening the competitive edge and tapping into new market opportunities. Companies that achieve high performance will use their innovation engines to leverage new channels (such as mobile apps), to develop value-added products and services, and to build online and offline communities that influence consumer behavior. Above all, energy providers must be able to continually monitor trends and translate them into value-added products and services—moving quickly and efficiently from study to scale (see Figure 42).

Figure 42. Successful innovation funnels through stage gates.



Three paths to innovation

Historically, utilities have demonstrated great strength in innovations around supply and distribution, in many cases supported by a centralized organization structure. However, this structure may need to be reevaluated for fostering innovation around products, services and consumers.

In other industries, companies focused on consumer-centric innovation have followed three paths:

1. Building innovation initiatives within the existing organization
2. Buying innovation through strategic acquisitions
3. Incubating innovation in separate teams attached to the parent organization

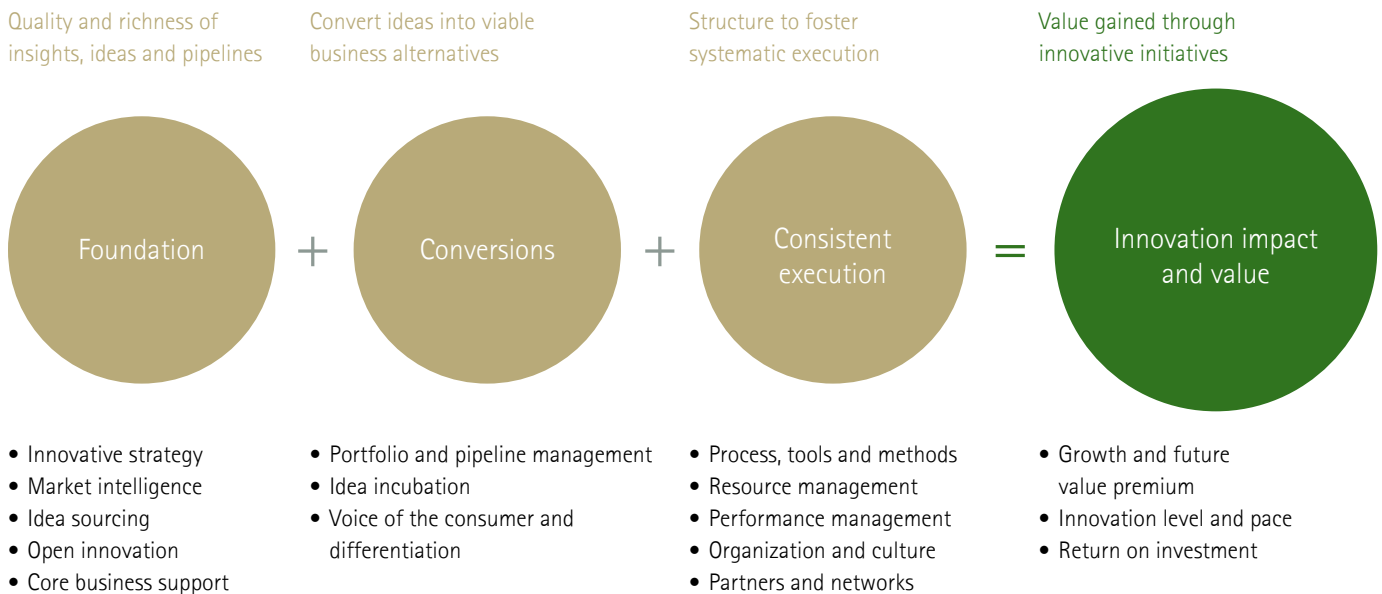
Accenture believes that the third option—innovation incubators—provides a relatively quick way to establish an innovation capability that is helped, not hindered, by a utility's existing strengths and resources. However, the innovation incubator will require structure to optimize investment (see Figure 43).

Separating the innovation incubator from the organization's traditional structure and culture provides the time and space for new ideas to gain traction. At the same time, staffing the innovation incubator with organizational champions from across marketing, sales and service will help confirm that resulting products and services can be quickly deployed and scaled by the organization. When it achieves sufficient momentum, an energy provider can fold the innovation incubator back into its core operations; it can continue operating the incubator as an internal partner, or it can spin it off as a new entity.

Innovating from the outside

Of course, innovation does not need to come only from within. Increasingly, organizations are tapping into the power of open innovation, which combines an internal innovation engine with fresh ideas and bold insights from outside the four walls of an organization. Consider the U.S. Department of Energy Solar Decathlon initiative. It challenges student teams to design, build, and operate solar-powered houses that are cost-effective, energy-efficient and attractive. In 2012, the winning team created a solar-powered home with a Microsoft Xbox Kinect, taking advantage of the full-body gaming the platform has to offer and making home energy management fun.¹⁹⁹

Figure 43. The building blocks of innovation.



Open innovation empowers an organization to identify ideas from suppliers, partners, consumers and even employees who are not assigned to the innovation function. In Figure 44, we illustrate how the funnel of open innovation is semipermeable—thereby offering access to a much larger pool of talent. The organization is then able to move an idea from concept to commercialization more quickly and efficiently. Utilities that want to compete in the evolving energy marketplace will benefit from integrating open innovation into their organizations to rapidly augment internal innovation capabilities.

Looking across industries, Procter and Gamble (P&G), a large consumer packaged goods company, is widely believed to be a leader in open innovation. The company's Connect + DevelopSM platform is an online innovation engine that allows anyone to connect with the company and offer an innovative idea. Through the platform, P&G has established more than 1,000 agreements with innovation partners.²⁰⁰ It has also developed global research centers and technology scouts, and built an extensive external network of entrepreneurs, academics, alumni,

suppliers, technical and consumer communities, creative agencies, bankers and venture capitalists—all to generate ideas and complete deals.

Since moving to this open innovation model, P&G has achieved noteworthy results:

- More than half of P&G's inventions come from the outside.
- Innovation-driven value creation and sales growth have doubled.
- R&D productivity has increased by 85 percent, while R&D spending has increased only moderately.²⁰¹

By following P&G's example, energy providers can use open innovation to identify opportunities that fall within traditional boundaries as well as nontraditional ideas that could generate value from new markets.

Engaging consumers

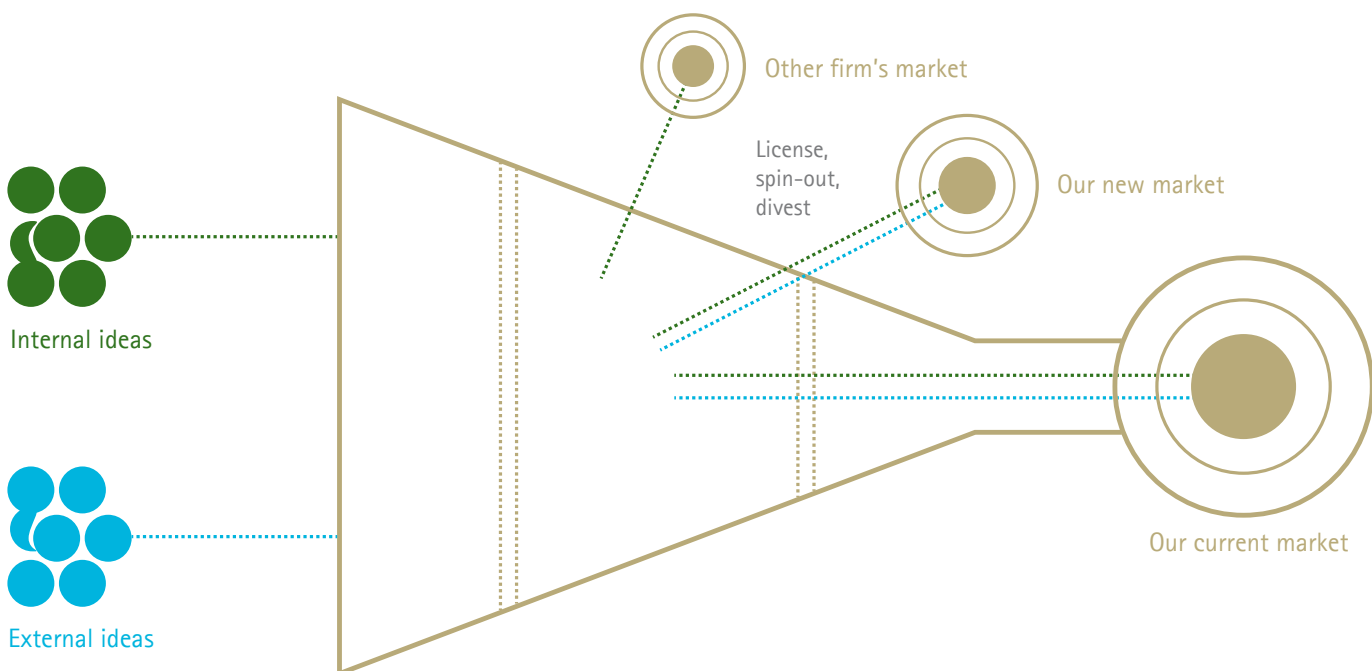
Innovation does not occur in isolation. As organizations that have previously experienced the innovation curve will attest, energy providers need to continually vet and validate ideas with

consumers. In a 2009 survey of consumer packaged goods companies, 71 percent reported the main reason new products fail is because consumers find no new or differentiated value proposition in them.²⁰² Consumers are ready to engage with providers around innovation. Accenture's 2011 global consumer research study, *The New Realities of "Dating" in the Digital Age*, showed that across industries, 67 percent of consumers would be interested in participating in online innovation efforts for a company, and 74 percent would be interested in participating in offline efforts such as focus groups or product trials.²⁰³

Energy providers are in the enviable position of having vast quantities of consumer data that can be used to identify and evaluate potential innovations. A solid understanding of consumers, combined with in-depth market analysis, can position an energy provider to select and commercialize the right ideas.

After all, no matter how an energy provider fuels its innovation engine, consumers will play a critical role in every success or failure.

Figure 44. The funnel of open innovation is semipermeable.



Source: Permission to adapt image given by Bengt Järrehult; "Open Innovation and Open Business Models: A new approach to industrial innovation," presentation to the 2010 Conference of Rectors and Presidents NTNU, Henry Chesbrough, Haas School of Business, UC Berkeley, 2010, www.crp-ut.org.

Spotlight: Does innovation equal risk?

Many energy providers may hesitate at the idea of unleashing innovation, believing it is too risky. However, Accenture's cross-industry research has found this is not the case. The research examined 60 publicly traded companies in the United States, including *Forbes* magazine's list of the world's most innovative companies. Moving beyond typical measures of a company's innovation, such as executive or employee perceptions, the research examines how investors vote with their wallets; in other words, the innovation premium they ascribe to companies they are investing in.

Accenture examined the risk of these companies via beta value (a measure of a company's share value volatility relative to the market volatility as a whole). A beta of 1 indicates that a company's share price will move with the market fluctuations. Surprisingly, the beta of the most innovative companies averaged only 1.1—essentially no more risky than less-

innovative peers. In addition, there was no correlation between a company's beta and its position on the innovation list. In the end, a higher innovation ranking does not translate into higher risk. For energy providers that are risk-averse, this evidence shows innovation can be a key component of future strategies without creating more risk for the organization. For many providers, innovation will be required to capture and create value in the emerging energy marketplace.²⁰⁴



Value: The key to unlocking consumer adoption and behavior change?

With utilities trying to create additional value in the evolving energy marketplace, consumer adoption remains critical. But how can utilities motivate consumers to change their behavior? The answer is in building the appropriate value proposition.

Success in the evolving energy marketplace depends on consumer engagement. Energy providers aiming to drive profitable growth, and those aiming to reduce and shift consumption in a cost-effective manner, require consumers to be engaged with various services, products and programs. Many utilities are still figuring out how best to engage

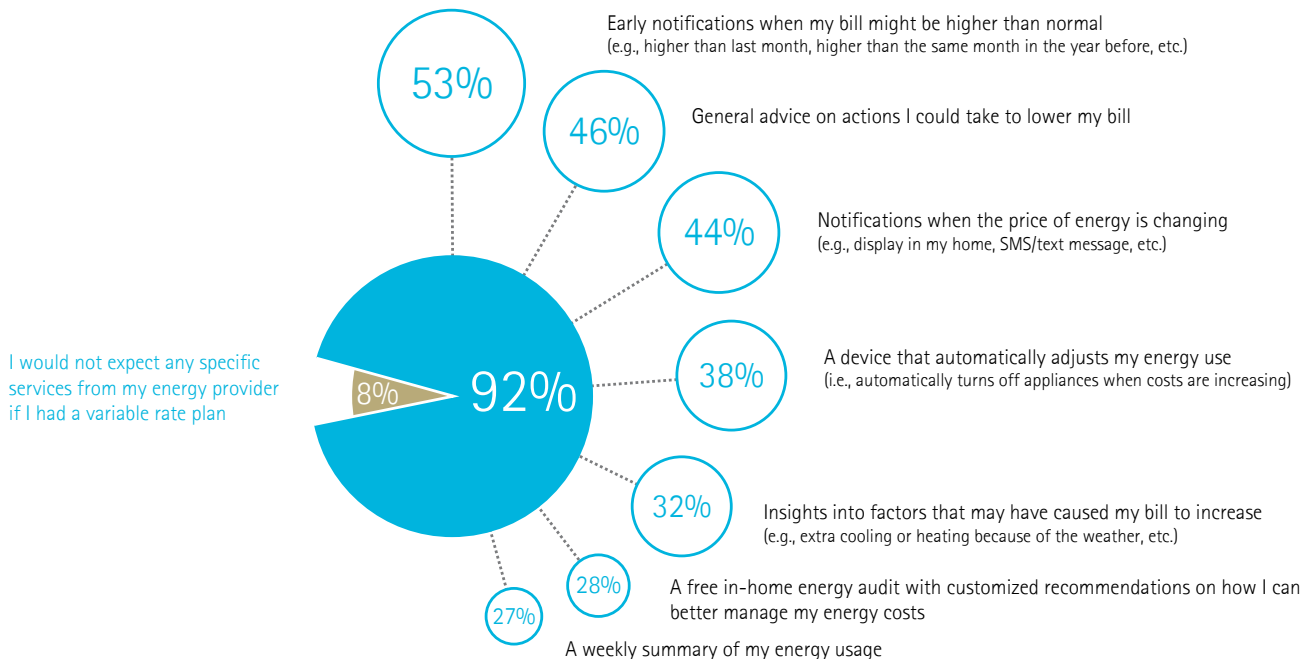
consumers to build trust and, ultimately, drive added value. Accenture believes the most effective way to change consumers' behavior is to give them what they value.

To date, numerous utilities have launched pilot programs offering consumers value through more active management, new rate structures and savings. Organizations such as The Brattle Group have conducted extensive research to better understand the design of rates and tariffs related to demand-side management programs and demand response. Preliminary

Figure 45. With a variable rate plan, the vast majority of consumers would expect their energy provider to offer new features to help them manage their bill.

If you had a variable rate plan, what would you most expect from your energy provider?

Mentioned in top three



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

results suggest that when utilities give consumers monetary savings through dynamic pricing, consumers will change how and when they use electricity. These results hold true for reduction of peak usage, especially when the reduction is enabled by consumer technologies and tools, such as smart thermostats and online energy management portals. To that end, many utilities are working with regulators and markets to establish rates and tariffs that will promote behavioral shifts.²⁰⁵ In fact, *Delivering the New Energy Consumer Experience* found that 58 percent of consumers would select a variable rate plan that allowed them to save money on the energy bill by actively managing when energy is consumed. However, with a variable rate plan, consumers would expect their providers to help them manage their energy bills with notifications, advice to reduce bills and devices to automatically adjust energy usage (see Figure 45). Accenture believes providers that offer set-and-

forget value propositions are likely to see the most success. Some of these options are already emerging in the marketplace. The Nest Learning Thermostat is one such solution that helps consumers easily automate energy management. Read more in *Spotlight: Nest thermostat—the killer application?* on page 157.

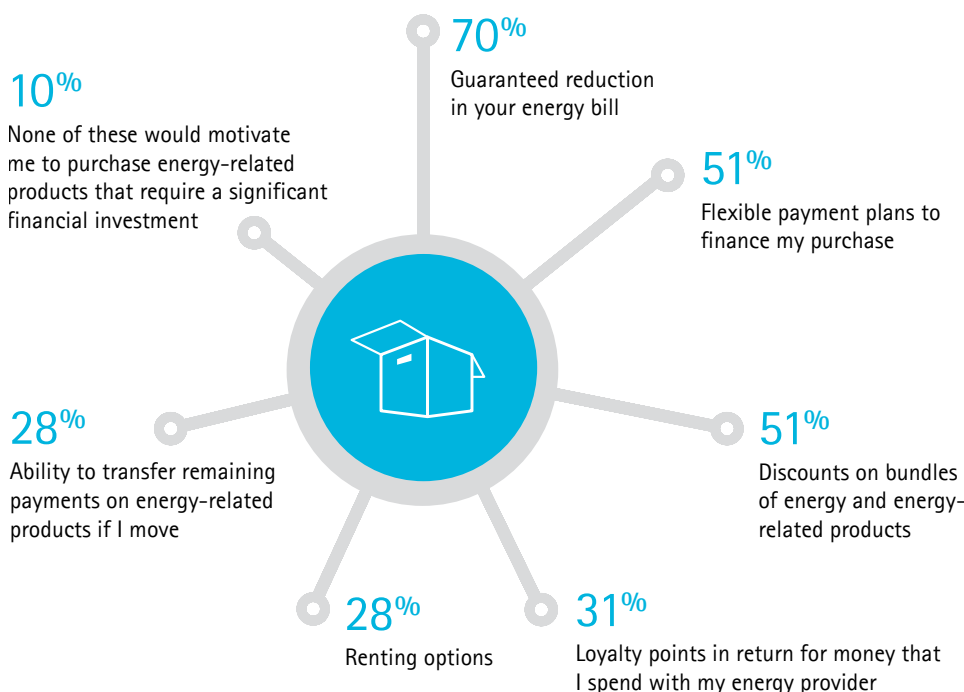
While price signals remain a pivotal factor in driving adoption of energy-related programs and services, utilities will need to look beyond price to other elements that may provide value for consumers. Studies into consumer values and behavior have revealed a paradox: "Those who are most motivated by cost savings on their bill are not necessarily the ones willing to pay more for a home energy management system that will allow them to achieve their goals. A majority want advice and recommendations about what they can do to further save energy, whether it is delivered through a device, website, application or a human being and they want to decide for themselves whether and how to take action."²⁰⁶

While early adopters may be willing to pay for the latest technology and invest in more expensive smart thermostats, energy-efficient upgrades or even microgeneration, there remains a mass market unwilling or unable to pay more for these products and services. For adoption to hit a tipping point, providers must address the financial aspects. When considering what would motivate them to make larger investments in energy-related products such as solar panels or energy-efficient appliances, consumers would look for a guaranteed reduction in the energy bill, flexible payment plans and discounts on bundles of energy with related products and services (see Figure 46).²⁰⁷ These findings suggest that to encourage broader adoption, particularly of more expensive products, energy providers or other organizations need to create innovative financing or discounts that lessen financial barriers for consumers.

Figure 46. Discounts and flexible payment plans are critical to encouraging consumers to invest in energy-related products.

Some energy-related products (e.g., solar panels, energy-efficient appliances, etc.) can be expensive. Would any of the following motivate you to purchase energy-related products that require a significant financial investment?

Mentioned in top three



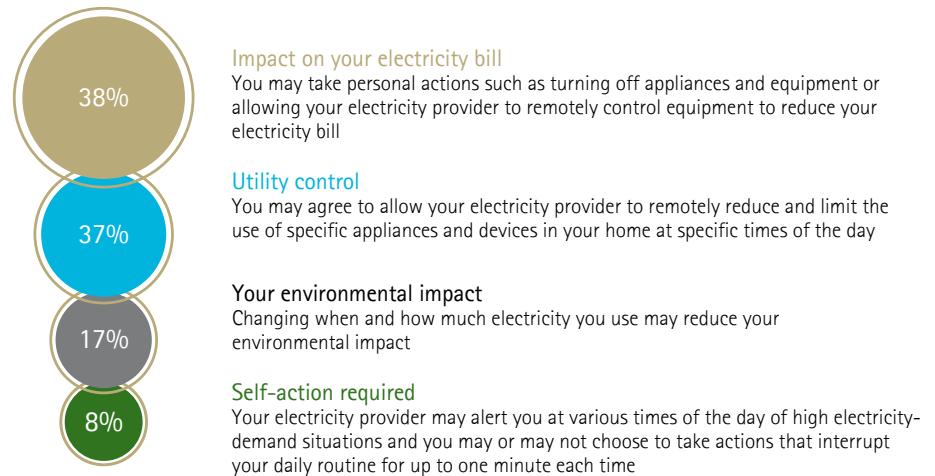
Base: All respondents
Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

However, money is not the only consideration for consumers, and energy providers can tap into other factors to deliver new forms of value. *Understanding Consumer Preferences in Energy Efficiency* found that only 38 percent of the decision to enroll in an electricity management program is based upon impact on the electricity bill, while the remaining 62 percent is based upon other factors not related to monetary savings (see Figure 47). Such factors include how much control the energy provider has over the consumer's home usage, how much impact the consumer has on the environment and how much personal action the consumer has to take.²⁰⁸

Revealing the Values found that many consumers perceive value in various product or service attributes, such as increased convenience, comfort or control as it relates to home energy use (see Figure 48).²⁰⁹ Using these and other key value levers, a utility can target specific consumer segments with appropriate value-added products and services. For example, Essent, the largest energy provider in the Netherlands, offers a discounted e-thermostat to consumers along with certain rate plans. The device connects to a user's wireless network and allows control of heating and cooling from an attractive wall display or through a mobile application.²¹⁰

Figure 47. When consumers make purchasing decisions regarding electricity management programs, they value more than just price.

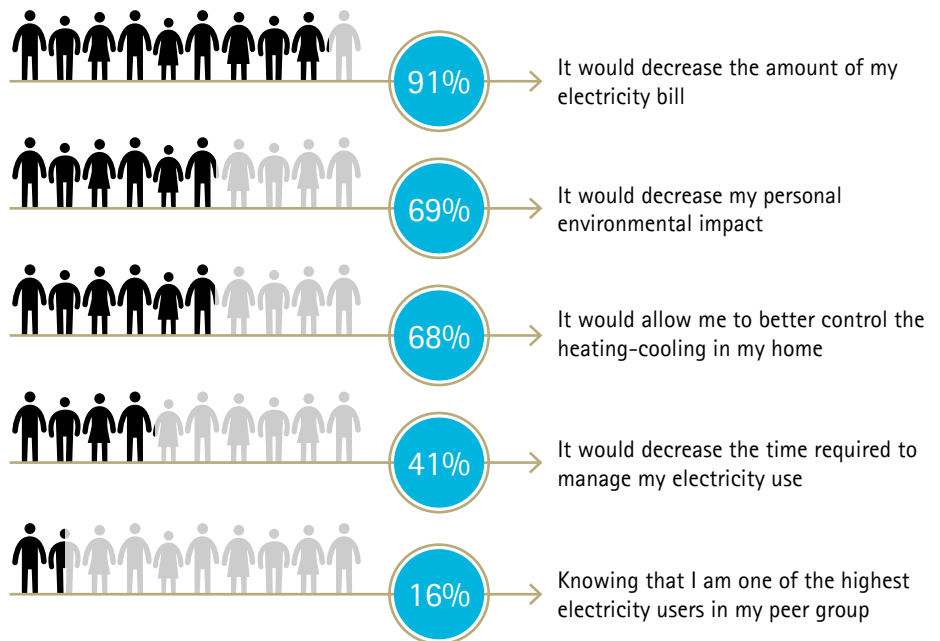
Relative importance (weight) of each component in the decision to adopt electricity management programs



Methodology note: Results based on a conjoint analysis
 Base: All respondents
 Source: *Understanding Consumer Preferences in Energy Efficiency*, Accenture, 2010, www.accenture.com.

Figure 48. Consumers perceive value in a range of product or service attributes when considering adoption of an electricity management program.

What factors would most encourage you to use electricity management programs?



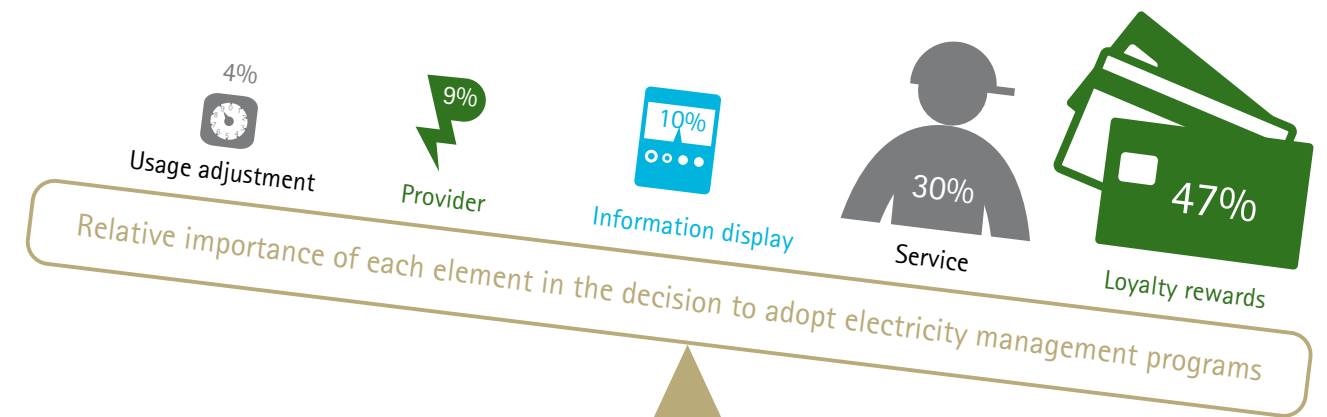
Base: All respondents
 *All factors appeared among respondents' top three
 Source: *Revealing the Values of the New Energy Consumer*, Accenture, 2011, www.accenture.com.

Utilities can provide nonmonetary value in other ways, as well. Examples include free services, travel rewards, sponsored entertainment and loyalty rewards programs that consumers can use to obtain electronics, household goods and other products. *Revealing the Values* demonstrates that offering loyalty rewards for enrolling in electricity management programs is an important element of the adoption decision (see Figure 49).²¹¹ These types of loyalty programs can be beneficial to utilities as well; they can increase consumer “stickiness” and retention, and they can drive down retention costs. For example, AGL, a leading energy provider in Australia, offers vouchers to consumers who sign up for certain program offers. Consumers

can use the discount vouchers toward gas and electrical services provided by AGL Assist—a team of tradespeople who will supply, repair, service and install home energy equipment.²¹²

As energy providers build their beyond-the-meter strategies, they should consider what kind of value they can offer to consumers to increase adoption and engagement across the product and service portfolio.

Figure 49. Loyalty rewards are a critical element of consumers' adoption decision when considering an electricity management program.



Methodology note: Results based on a conjoint analysis
 Source: *Revealing the Values of the New Energy Consumer*, Accenture, 2011, www.accenture.com.

Spotlight: Does energy efficiency make us use more energy?

Governments, businesses, manufacturers and consumers have all been working hard to reduce energy consumption by taking direct actions to reduce usage and improving the energy efficiency of buildings and machines. Over time, these efforts have led to significant improvements. From 1990 to 2006, Europe achieved a 40 percent average decrease in final energy consumption per unit of gross domestic product—a measure often used to calculate energy efficiency.²¹³ Nevertheless, overall use of energy continues to rise. This has given way to a paradox that continues to stir debate: Does increasing energy efficiency actually make consumers use more energy?

In 1865, William Stanley Jevons asked a similar question about the use of coal in the United Kingdom. His theory: that improving the efficiency of coal use in producing iron would in turn lower the cost of iron, thereby increasing demand for the product and ultimately increasing

demand for coal. Put simply, increased efficiency actually drives more demand. The Jevons paradox, also known as the "rebound effect," may also play a role in energy efficiency.

With that in mind, should we simply abandon energy-efficiency efforts? A wide range of studies have explored the rebound effect and the impacts on energy conservation efforts. A recent investigation by researchers from Yale University, the University of California and the U.S. Environmental Defense Fund identified four ways that the rebound effect impacts energy efficiency:²¹⁴

- 1. Direct rebound effects.** In this case, consumers actually use more energy after purchasing an energy-efficient device. For example, a consumer who purchases a new washing machine ends up using it more.
- 2. Indirect rebound effects.** Energy efficiency helps consumers save money, which can then be spent on other products and services that consume more energy. In this way, energy efficiency indirectly increases consumption.

- 3. Shifting consumption rebound effects.** If a large group of people—for example, an entire country—reduces consumption of energy, the price will fall. That, in turn, makes it more affordable for other groups, who will then consume more.

- 4. Economic growth rebound effects.** Higher energy efficiency can help to drive increased economic growth, which then leads to more consumption.

A cross-study analysis estimates the overall rebound effect to be between 5 and 30 percent, with direct effects estimated at 10 percent or less.²¹⁵ This suggests that, psychologically, consumers do store up their good will when saving energy. This mental tracking, or "eco piggy bank," influences decisions that cause increased energy usage. However, even with this in mind, it is clear that energy-efficiency efforts are not in vain. The benefits are only slightly diminished by the rebound effect, they are not lost completely.



Spotlight: Nest thermostat—the killer application?

Energy providers and vendors across the industry have been trying to find the killer application to capture consumers' imaginations and motivate a change in energy usage behavior. Could an intelligent thermostat become the game-changing technology for energy management? The Nest thermostat may hold that promise.²¹⁶ Developed by Tony Fadell, who helped to design the Apple iPod®, Nest is a thermostat that automatically learns to personalize settings based on user behaviors. The device also allows consumers to view and manage their temperature controls online or through a mobile application.²¹⁷

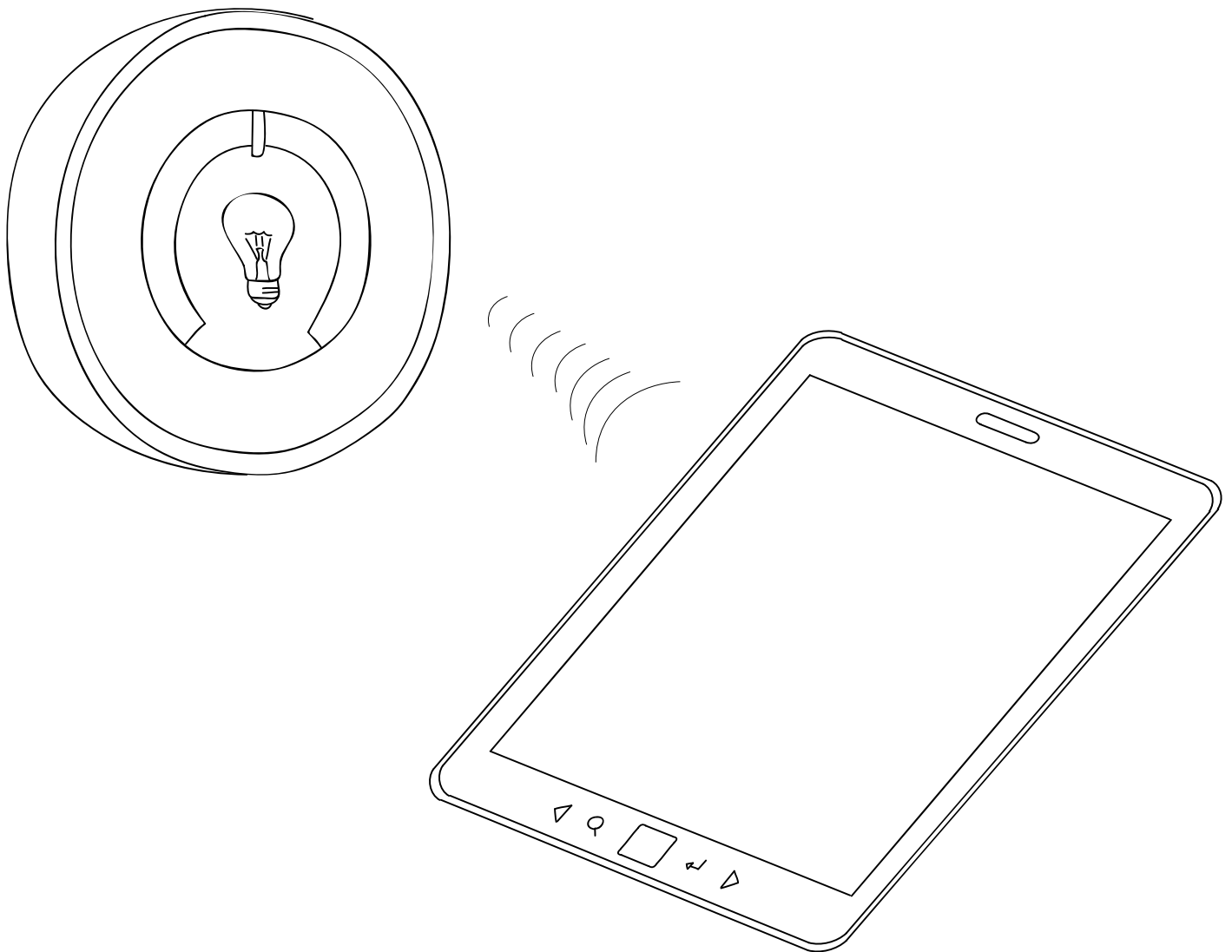
Nest encourages efficiency by displaying a leaf icon when consumers have taken actions that conserve energy, such as turning down the heat or air conditioning. Motion sensors detect when no one is around. By automating away settings, the device becomes a simple set-it-and-forget-it solution to managing home heating and cooling.

Recent upgrades and partnerships with utilities across the United States are also making the Nest thermostat a viable demand-side management tool. In 2013, Nest began enabling two new energy management programs in partnership with a number of utilities:

- **Rush Hour Rewards™.** Uses the Nest thermostat to automatically adjust temperatures in the home during periods of peak energy demand allowing consumers to earn money or credits from participating energy provider.

- **Seasonal Savings™.** The Nest thermostat uses its knowledge of a consumer's schedule and preferences to fine-tune home temperatures to help save more energy. Nest studies show this approach can help consumers to use 5 to 10 percent less energy.

Because Nest is Wi-Fi enabled, it allows for software updates and integration with other devices that could extend the functionality and reach further into the home in the future. The product already has wide distribution and some utilities such as Reliant Energy and Green Mountain Energy in Texas offer the thermostat with particular energy packages. The success of Nest is also spawning a range of new products that similarly look to make energy management convenient, fun and stylish.



Succeeding in a multiproduct world

Succeeding in the evolving energy marketplace will require many utilities to change from a single-product, commodity organization to one skilled at developing, delivering, bundling and supporting complex programs and multiple products and services.

As utilities' market space evolves into an ecosystem that includes smart appliances, electric vehicles and distributed generation, consumers will begin to take a holistic view of energy and energy-related products and services. Regardless of whether a utility decides to take the plunge into the beyond-the-meter market, it will likely face increasingly complex rate structures that may be bundled with other commodities or value-added products and services.

Utilities will need to restructure their organizations and evolve capabilities to support two competencies:

- Product life-cycle and portfolio management for effectively managing multiple offerings
- Consumer insights for bundling multiple products into tailored, value-added offerings

For most utilities, making multiple products and services operational is largely new terrain; however, they may be able to learn from service providers in other industries that have gone from single-product to multiproduct providers. For example, Accenture's experience in the telecommunications industry suggests that the most successful multiproduct organizations integrate operations rather than maintain organizational or technology silos.

Successful organizations maintain integrated functions and processes supported by common technology platforms that provide 360-degree views of consumers. They take a holistic approach—building a suite of strategies, processes and technologies to support not only product life-cycle management, but also overall organizational performance.

To that end, the following guidelines can help utilities make progress from single-product organizations to multiproduct organizations:

- Prioritize consumers and their requirements—and use that information as the basis of all product-related decision making.
- Define a clear product strategy and allow it to guide portfolio decisions.
- Increase the level of internal collaboration and innovation to gain more and better ideas.
- Leverage partners for ideation and developing new products and services.
- Develop and optimize portfolios of products and services based on value, strategic fit and balance.
- Place portfolio management at the heart of the strategic planning process.

- Establish an agile and well-formulated product governance model that can support efficient decisions.
- Verify that the foundational information technology is in place to support product life-cycle and portfolio management.

Energy providers that achieve sustainable success from value-added products and services will apply these guidelines when entering the beyond-the-meter marketplace.

Building the right bundles

Successful energy providers may also focus on more specific strategic and operational capabilities such as creating and offering product and service bundles to consumers. Bundling is a strategy of combining several products together into a single combined offering.

When well-designed and implemented, product and service bundling can support some key benefits for energy providers—including greater competitive advantage, increased revenue per customer and improved customer stickiness. Bundling can also serve as a beyond-the-meter gateway into additional home products and services.

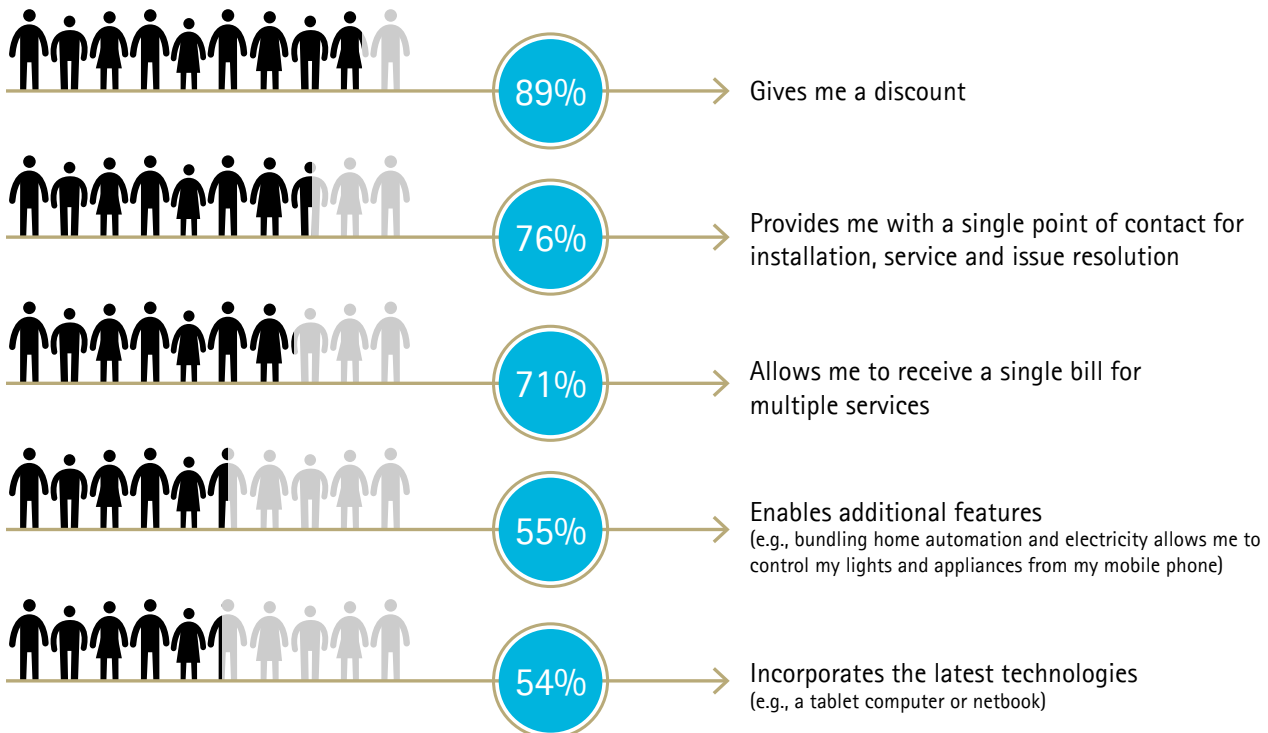
In the telecommunications industry, bundled services have become standard. In fact, in the United Kingdom in 2012, more than half of consumers were using bundled telecommunications products.²¹⁸ For telecommunications providers, bundled offerings provide advantages and disadvantages. In some regions, discounted offers and operational integration challenges have eroded profitability. Accenture's experience has shown that emphasizing discounts on multiproduct holdings may have long-term consequences—setting consumer expectations that can be difficult to reverse. Utilities will have to manage discounting carefully and focus on other drivers of bundling, such as ease of use and convenience (see Figure 50).²¹⁹

For energy providers, bundles may take a number of forms, including energy plans, dual-fuel offerings, groupings of multiple energy-related products and services or bundling of new nonenergy products and services.

Figure 50. Potential savings, ease of use and convenience are the main drivers for bundling.

In the future, electricity providers may bundle additional products and services with electricity. You may be able to purchase a bundle that includes electricity as well as other home services (e.g., natural gas and water, home phone and Internet, home security, financial services, home energy audit, etc.).

How important would each of the following factors be in your decision to sign up for one of these bundles?



Base: All respondents

■ Somewhat + very important

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

Actionable Insights for the New Energy Consumer showed that consumers today generally receive only commodity service from their utilities, but have significant interest in receiving additional energy-related products and services from providers (see Figure 51).

To succeed at bundling energy with additional products and services, energy providers should have a brand that is sufficiently strong and elastic. Providers that lack sufficient brand strength can engage partners to support innovative bundles. For example, Bounce Energy, a competitive retailer in Texas, partnered with satellite television provider DIRECTV to offer bundled electricity and satellite TV.²²⁰ Meanwhile, in Australia, more than 21,000 consumers are taking advantage of bundled electricity and natural gas,

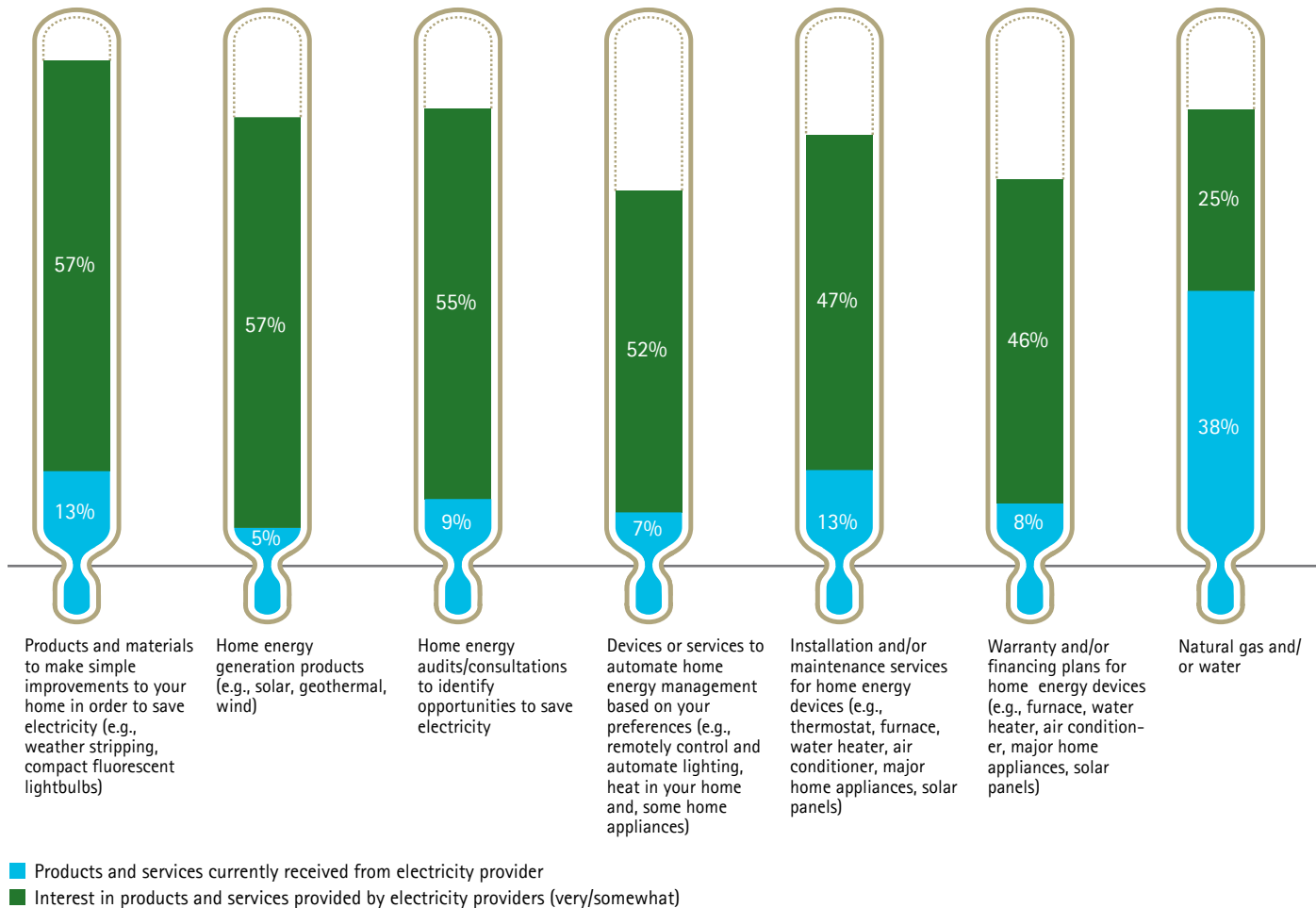
green energy, Internet, phone, mobile and television services from ActewAGL and TransACT, in packages that offer discounts of up to 25 percent.²²¹

Energy providers should seek to create value-based lifestyle bundles that address the requirements of different consumer groups. In addition to creating additional value through synergies for providers, lifestyle-oriented offerings naturally fit together in the minds of consumers—an important factor when considering what products and services to bundle (see Figure 52).

Addressing bundling challenges

In concept, product bundling may sound simple. In practice, it is highly complex—affecting billing infrastructure, vendor management, pricing strategies and customer service. Consider a simple product bundle that involves a dynamic rate structure for electricity, a flat rate for gas, a rental of an in-home energy monitoring device and a free programmable thermostat. This bundle drives a number of technology-related requirements—including creation of a single bill, management of an expanded product and rate catalogue, and the need for more comprehensive consumer records. Application integration can be a significant hurdle when it comes to implementing product bundles. Bundling also necessitates hardware acquisition and installation that likely involves

Figure 51. Consumers are interested in receiving additional products and services from their energy providers.



Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

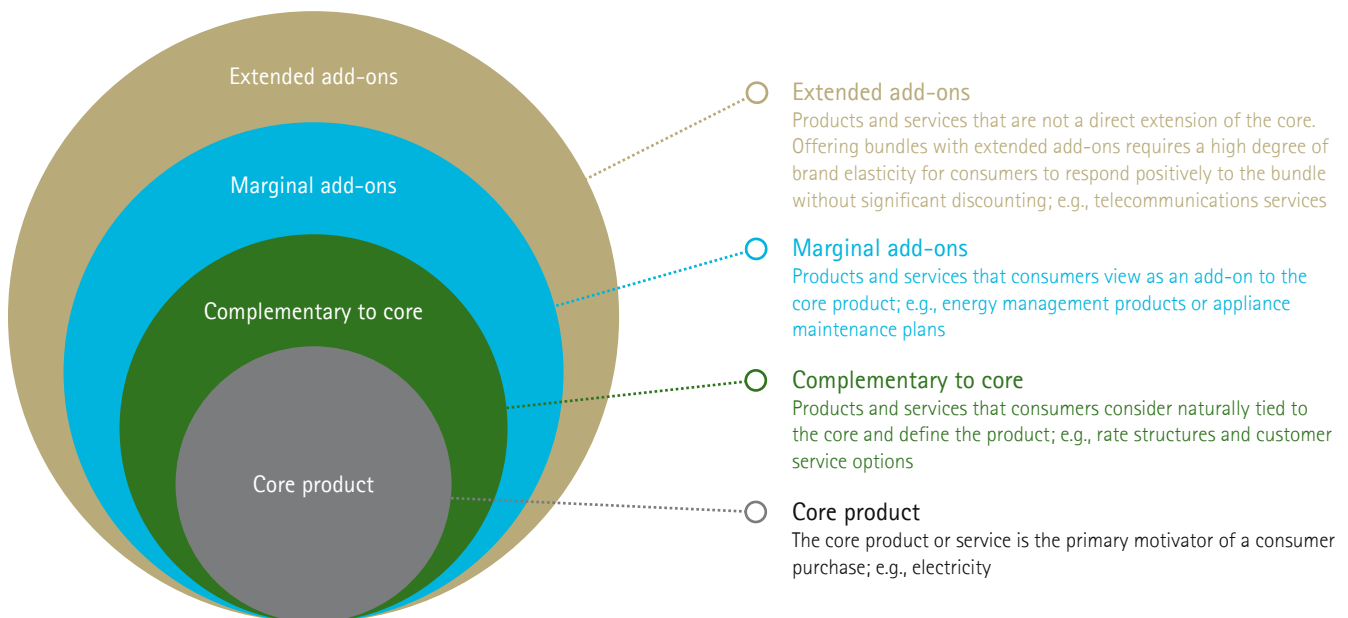
multiple vendors, and creates new support requirements resulting in increased agent training and potentially longer call handle times. Just as important, an energy provider should perform sophisticated pricing analysis to verify the product bundle actually meets targets for revenue and margins.

Meanwhile, it is important not to overwhelm consumers with too many options. In deregulated markets, the number of rates, contracts and energy products have already expanded substantially—but more choice is not necessarily better. Columbia professor Sheena Iyengar has studied consumer choice extensively and uncovered sometimes counterintuitive consumer behaviors that attest to the challenge of choice.

In one study, she set up a free tasting booth in a grocery store. When she offered six different jams, 40 percent of consumers stopped to taste and 30 percent of those consumers purchased jam. But when she offered 24 varieties of jam, 60 percent stopped to sample, but only 3 percent made a purchase. In other words, when given four times the choices, consumers were 10 times less likely to buy.²²² In focus groups in the United Kingdom, where a large number of energy packages are available, consumers showed similar apathy toward purchasing decisions, reporting that they feel overwhelmed with choices of complex and undifferentiated offerings.²²³

To maximize success with bundled offerings, energy providers should take an end-to-end view that starts with creating differentiated bundles that align with consumer values and follows through to a seamless marketing, sales, support and billing experience.

Figure 52. The anatomy of a bundle.



Case in point: Endesa's multiproduct journey

Endesa, one of Europe's largest electric utilities and a leading electric utility in Latin America, operates as the largest electricity retailer in the Spanish market with more than 10 million residential customers. As its liberalized electricity market has matured over the past decade, Endesa has strategically pursued opportunities for growth.

The organization approached growth by focusing on its core capabilities, competencies and the strength of its brand. The organization started with gas services. While gas services have provided top-line growth, Endesa, like other utilities in deregulated markets, has been challenged to find opportunities to grow profitability in noncommodity-oriented sales.

Endesa has set out to tackle these opportunities by pursuing a multiproduct/service approach to extend its position in the beyond-the-meter market. The company has been taking measured steps when adding to its product portfolio. Endesa now offers a wide range of products and services for the mass residential market including:

- Home maintenance services.
- Wiring and plumbing maintenance services.
- Residential solar power.
- Home heating control.
- Personal insurance (including personal life and disability insurance).
- Home protection services—protection from power surges.

What has made Endesa successful in the search for growth is its understanding that bottom-line growth is inexorably linked to customer satisfaction and engagement.

With consumer centricity at the heart of its approach, Endesa has ensured that each of the products and services added to the portfolio are not merely there to add revenue, but also to solve distinct customer needs and problems. Putting the customer at the center of new products and services has allowed Endesa to successfully grow its presence in the home while maintaining high rates of customer satisfaction and retention.

By implementing a multiproduct/service approach, Endesa has also recognized that each new product/service adds exponential complexity to its operating model. To maintain customer satisfaction and engagement, it recognizes it must focus on preserving service levels. The challenge of maintaining or even increasing service when going from a single product provider to multiproduct provider is very difficult, as has been demonstrated through transformations in banking, telecommunications and other industries. Further complicating this challenge for Endesa was that some products offered are administered and delivered by partner organizations. In the case of insurance services, Endesa works with AON Direct Marketing. Endesa has aligned its own operating model to deliver on multiple products while maintaining service levels, and also working with partners and vendors to provide a consistent level of service across all products offered.

Further, Endesa recognized that while it could offer new products and services through the existing channels, it would need to foster new capabilities within those channels. As a result, Endesa has invested in both its retail footprint and online social presence. Endesa has enhanced its more than 400 retail stores by investing in training for technical support staff to become sales and support associates. These employees are now capable of pushing products and services through the retail network, while also providing direct support for all of the products offered by the utility. Endesa has also invested in the website www.twenergy.com, an online social site that provides consumer education and promotes consumer engagement with energy by using gaming mechanics to provide "points" for action and education.

In moving to a multiproduct organization, Endesa's approach has clearly improved its strategic position in the Spanish beyond-the-meter market. The organization now has multiple relationships with the same customers. It has been able to increase margins and top-line revenues while benefiting consumers by fulfilling their needs. What's more, Endesa's multiproduct/service approach benefits society at large, as its share of renewables and energy-efficiency products and services continues to increase.

Gas energy: A lifestyle product?

Though safety and reliability remain critical goals, one gas energy supplier demonstrates an innovative approach to fire up consumer engagement.

Natural gas is in the spotlight as new extraction techniques open up untapped reserves of shale gas, tight gas and coal bed methane. By 2035, natural gas is projected to surpass coal and become the second-largest source of energy globally, falling just behind oil.²²⁴

As consumers become more aware of the possibilities for natural gas and as consumption increases, gas energy providers have a significant opportunity to strengthen consumer relationships and earn higher revenues through add-on products and services.

Gas energy has always been intricately and tangibly connected to some of the most-used items in consumers' homes. From gas stoves and fireplaces to water heaters and clothes dryers, many consumers count on gas energy every day without being aware of that dependency. Suppliers often view gas energy as a commodity workhorse, not a lifestyle product. But in Asia, one innovative energy supplier is successfully reshaping that perception and setting an inspiring example for others.

Founded in 1862, Towngas has more than 1.8 million customers, making it one of the largest energy suppliers in Hong Kong. In addition to managing the production, distribution and sale of gas, Towngas has for many years sold gas appliances, offered aftermarket services and extended its business beyond traditional boundaries. By bringing together multiple products and innovative engagement approaches, Towngas has redefined the customer experience for gas energy.

Consider, for example, Towngas Avenue, an award-winning, holistic retail concept with two locations in trendy shopping districts. Here, consumers can try out different gas appliances being displayed in a real kitchen setting, watch live demonstrations and even hold parties and team-building cooking events. Towngas Avenue stores also sell kitchenware, household gadgets and other related products.²²⁵ But the gas energy experience does not end there. Towngas Avenue runs Flame, a restaurant whose mission is to bring great flame cooking to a broader audience. The outlet also markets Mia Cucina, a top-quality kitchen cabinet brand, which offers consumers a one-stop solution from kitchen design to production and installation.

This approach to engaging consumers in person also carries over online. The Towngas website includes "Towngas Funland," where consumers can play games and send e-cards, while a mobile application allows consumers to submit meter readings, find recipes and even maintain a food diary. As testimony to the company's success, it won the "World Summit Award Mobile Content 2012" in the m-Government & Participation category.²²⁶

Indeed, product and service innovations have always been part and parcel of Towngas culture. With its in-house-developed gas stovetops and leading customer service practices, Towngas has won both Consumer Product Design awards and the Grand Service Award in the Hong Kong Awards for Industries.

These achievements not only reflect the company's consumer focus, but also demonstrate how extending the value proposition for gas energy is embedded in the company ethos.

In addition to wooing residential consumers, Towngas has also developed a tailored suite of consulting services targeted at SMBs. These include assistance with designing pipe systems and a range of gas appliances and equipment, all with the goal of helping SMBs use gas energy to enhance operational efficiency.

In short, Towngas has created an enviable customer experience that takes the use of gas energy far beyond that of mere energy supply. The company has redefined the commodity as a lifestyle product. This unique approach not only engages but also reshapes perspectives and, over time, helps to drive demand for gas energy and, ultimately, bottom-line results.

Spotlight: Encouraging consumer to switch to gas appliances

Natural gas seems to be increasingly in the news and on the minds of consumers. With the market heating up, natural gas providers have new opportunities to engage consumers and further increase demand. In fact, many providers have opportunities to increase usage by persuading consumers to convert to gas-powered appliances and grow share of spend by offering new products and services. In *Delivering the New Energy Consumer Experience*, Accenture examined consumers' propensity and motivations for switching to gas appliances.

The finding: When it comes to encouraging consumers to switch some appliances from electricity to gas, Accenture's research shows that a proportion of consumers would switch a wide range of appliances (see Figure 53).²²⁷

Some natural gas providers have worked to create an image of natural gas as a "green" product, building a perception that it is more environmentally friendly than some other energy sources. Nevertheless, Accenture's research suggests that as with most energy-related decisions, consumers prioritize cost reduction and convenience when considering switching appliances (see Figure 54).²²⁸ With this in mind, it will be important for gas providers to communicate to consumers how gas appliances can reduce overall energy costs, particularly over the lifetime of the appliance.

While important, monetary incentives are not the only way natural gas providers can appeal to consumers. Consider gas stoves, which have surged in popularity thanks to the home-cooking trend. Likewise, outdoor heaters, barbeques and swimming pools are all lifestyle-oriented items that can be powered by natural gas. Accenture's New Energy Consumer research reveals that gas and electricity

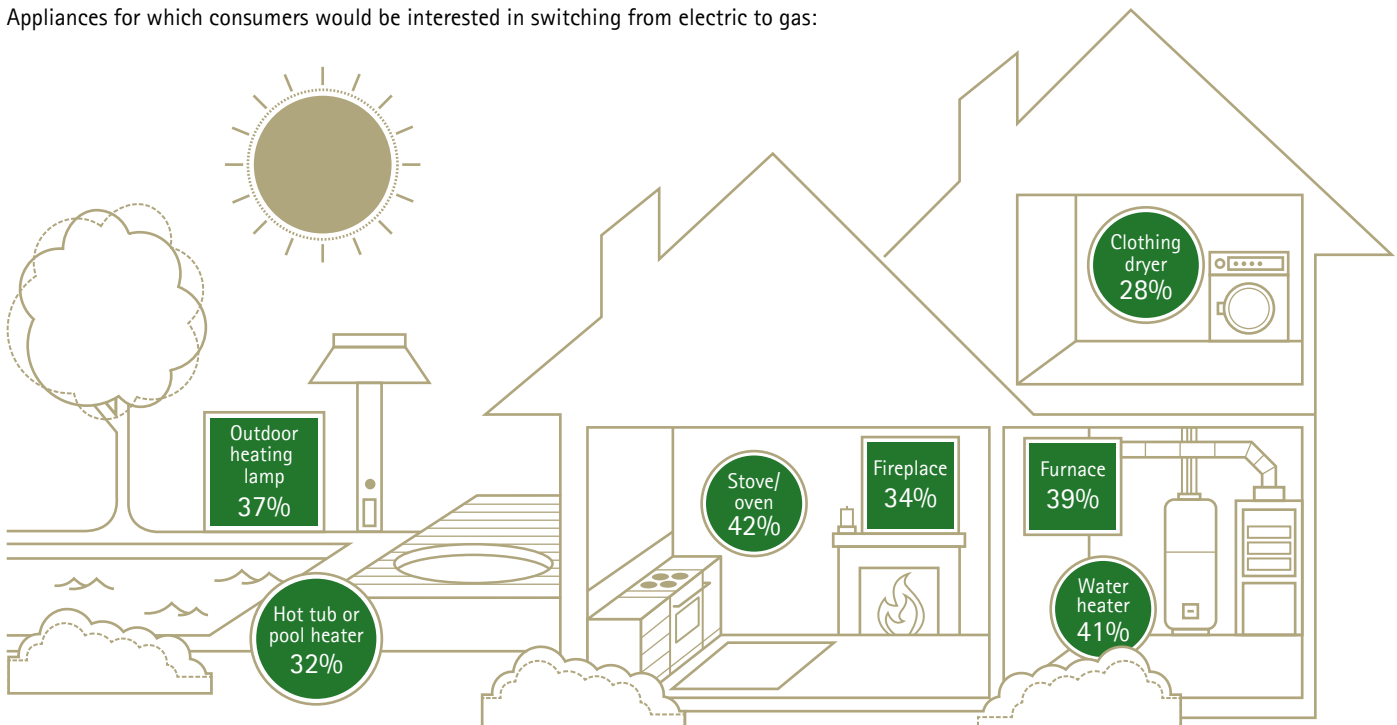
consumers are interested in engaging with their providers to learn about value-added products and services.

Understanding which products consumers have, which products they would like to acquire and when they plan to replace existing products will be key to targeting offers and communications.

Figure 53. A sub-set of consumers would be interested in switching appliances from electric to gas.

Would you be interested in switching the following appliances from electric to gas?

Appliances for which consumers would be interested in switching from electric to gas:

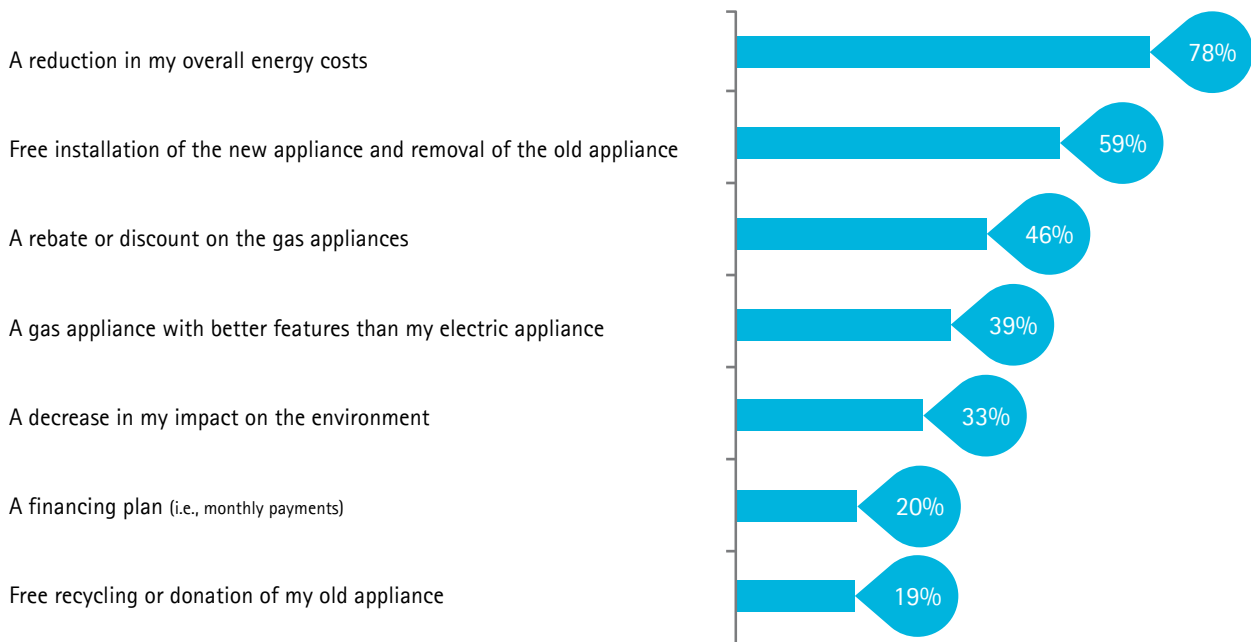


Base: Respondents who have these appliances in their home
Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

Figure 54. When considering switching to a gas appliance, consumers value cost savings and ease of replacement.

If an energy provider was encouraging you to replace some of your electrical appliances with gas appliances (e.g., stove/oven, water heater, furnace, etc.) what would encourage you to make this switch?

Mentioned in top three



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.



Collaborate to accelerate

Consumers expect new energy value propositions, tailored products and personalized services, yet many utilities do not have all of the capabilities required to meet those demands. Fortunately, the growing energy ecosystem offers providers a range of partnering opportunities.

Facing a need to extend the energy value proposition, utilities can leverage partners to augment their own offerings and extend into beyond-the-meter products and services. If a utility effectively co-brands through retail or other partnerships, it can add nontraditional offerings to its portfolio. Partnerships can take a number of forms and offer a range of value for providers and consumers.

In the United Kingdom, multiple utilities, including Scottish and Southern Energy (SSE), are creating strategic front-office partnerships with consumer goods retailers to sell energy and energy-related products to consumers. Unlike many utilities in heavily regulated service territories, those in the United Kingdom operate in a deregulated market and have significant experience attracting, acquiring and retaining consumers. This begs the question: Why would utilities choose to partner in the front end if they already have customer-facing capabilities? Accenture believes these utilities are capitalizing on a net-new revenue stream opportunity. They are building on their core strengths and becoming a back-office provider for other organizations, allowing them to profit from their back-office cost-center operations. This strategy could be particularly viable for other utilities seeking to exit consumer-facing operations to focus on supply, distribution and energy trading.

Providing single-commodity billing for other entities is not the only opportunity to create revenue streams. Another is providing services for a range of offerings. Utilities that lack scale may find it more efficient to have a larger entity manage these operations; others may recognize the potential value in combining billing across service providers. For further examples of businesses that have successfully focused on their strengths, see *Retail revisited: New energy market strategies* on page 212.

Partnering for loyalty programs

Utilities can leverage partnerships to implement loyalty programs, which offer rebates or other rewards to consumers for purchasing certain products or taking specific actions. *Actionable Insights for the New Energy Consumer* shows that loyalty programs are an effective retention tool, with 69 percent of consumers stating that a traditional loyalty points program, in which points can be used for a variety of products and services, would encourage them to stay with their current electricity provider. By directly rewarding customers for their continued business, providers can build loyalty among their customers and encourage them to stay.²²⁹

Some markets have established loyalty programs that are well known to consumers. Providers can leverage such programs for a “halo effect”—tapping into other well-known brands and creating even more value for consumers. In particular, being the first to partner with a popular loyalty program can serve as a differentiator and equip a utility with a more compelling offering for certain customer segments.

TXU Energy, a competitive electricity retailer in Texas, partnered with Southwest Airlines, which has an established airline point program, to launch a set of products called LUV 2 Fly Plans. Customers earn Southwest Airlines Rapid Rewards Points when they sign up for specific TXU plans and earn additional rewards the longer they remain as customers.²³⁰ With this program, TXU Energy has developed a unique value proposition for specific consumers and has created a new product by pairing specific plans with a partner's reward program.

To succeed in expanding energy providers' relationships with consumers, loyalty programs must have a clear strategy. Utility providers need to determine the goals of the program—to encourage certain behaviors, create new relationships and/or or deepen existing ones. With those answers in mind, providers must also evaluate whether to pursue an internally developed program or to partner with an established network.

Partnering on products

Loyalty programs are not the only way partnering can help to extend the energy value proposition. Providers can also look to partners for other products and services. Indeed, many energy providers may not have the internal capabilities or desire to develop new products and services or manage them on an ongoing basis. Partnering can bring value to consumers, providers and their partners. One excellent approach is to co-brand an offering. Bounce Energy, a Texas-based energy retailer did just this in 2012, partnering with Blinds.com, an online window covering retailer to offer the "Sizzlin' Summer Energy Savings Program." Over the summer, the organizations together offered blog posts, articles and videos with information, resources and tips about how to decrease energy usage and bills for Texas homes and businesses. Consumers who switched to Bounce Energy also received a promotional offer from Blinds.com.²³¹

Co-branded offerings require coordination, synergies and a partner with an established brand and product offering. For emerging energy-related products and services, such established partners may not exist. As such, energy providers seeking to shape emerging products can take another route to market by investing in start-up businesses. A number of energy providers and other home service providers have taken this approach, hedging bets on possible winners in the energy marketplace:

- In 2010, British Gas acquired a stake in AlertMe, a cloud-based home energy management platform. British Gas furthered the partnership in 2012 when they chose AlertMe to provide its software to all British Gas consumers with smart meters.²³²

- Alliander, the largest energy grid management company in the Netherlands, has invested in a range of start-ups, including decentralized energy generation (BlueGen), smart energy networks (Locamation), electric car services (The New Motion) and wireless plugs (PlugWise).
- Broadscale Group is an investment firm working with leading energy corporations to scale up the industry's most promising innovations. The first corporate investors included Duke Energy and National Grid.²³³
- Eneco, an international sustainable energy company with operations in the Netherlands, the United Kingdom, Germany, France and Belgium, partnered with Quby, an energy management product development company to create Toon®. The innovative thermostat and in-home display allows consumers to track energy usage, display the weather and remotely control heating and cooling.²³⁴
- Comcast Ventures, Rogers Communications and Tyco International, the parent company of ADT Security Services, have all invested in iControl, which offers a platform for broadband security and home management.²³⁵

While picking a winner in the emerging energy marketplace may be a challenge, it is clear that providers must quickly identify potential partners and a plan for successful collaboration. In this way, providers can place their bets on potential new revenue sources while offering investments that will help to shape the future of the marketplace.

Setting the partnering strategy

Although partnerships can provide many upsides for both parties, collaboration is not without risk. To help avoid potential pitfalls, energy providers need to establish a concrete governance model to guide strategic choices and day-to-day actions. As decisions are made about how data and money flow between partners, and how products and services are developed and branded, governance should aim to establish mutually beneficial outcomes. Above all, in today's fast-moving energy market, partnership governance needs to enable companies to make quick decisions. Slow decisions yield poor customer service and can quickly put a partnership in jeopardy.

While the examples highlighted here present strategies specific to various regions and utilities, each utility needs to determine what type of customer-facing role it desires. With this in mind, utility providers can begin to determine which companies will best complement their current businesses. Potential partners should not only complement a provider's current offering, but also bridge capability gaps and consumer access that will help support provider goals. In many cases, partnering will be much faster and less expensive than developing internal capabilities.



Case in point: British Gas partners with Nectar and Sainsbury's

At the start of 2011, British Gas partnered with two extremely popular UK brands: Sainsbury's supermarkets and the Nectar loyalty program.²³⁶ Because Sainsbury's was also a member of the Nectar loyalty program, each partner stood to gain a number of benefits.

The partnership with Sainsbury's functions as a white-labeling partnership, with the retailer reselling British Gas's energy services to its customers under the Sainsbury's brand. This approach has given British Gas access to customer segments where Sainsbury's has a loyal following, without the need for additional acquisition efforts.

The Nectar loyalty program, a national third-party loyalty program in the United Kingdom, has enabled British Gas to provide a new loyalty platform for new and existing customers. British Gas customers can earn Nectar points in a number of ways, including receiving gas and electricity services, subscribing to home maintenance services and submitting meter reads.

British Gas has also leveraged the Nectar loyalty program to encourage specific consumer behaviors. Continuing service will earn customers 200 Nectar points every year, while changes such as switching to direct debit or paperless billing will also be rewarded with Nectar points.²³⁷

These partnerships have already yielded a number of benefits for British Gas. Within six months of initiation, British Gas drove more than 100,000 additional sales through these channels and enrolled some 3 million customers into the Nectar loyalty program.²³⁸



Finding an edge with cloud-based solutions

Providers face the need to deliver unprecedented agility—the ability to quickly derive insights from data and translate them into operational, process and system changes. In light of these challenges, providers may uncover game-changing opportunities in cloud-based solutions.

Cloud computing is the dynamic provisioning of information technology (IT) capabilities, including hardware, software and services, via the Internet. It is possible due to the pervasiveness of the Internet and Internet technologies and advances in virtualization, hardware commoditization, standardization and open-source software. Some marquee names such as Google, Amazon and Microsoft are driving the prevalence of cloud computing.

Across industries, cloud services offer some common and compelling characteristics:

- Little or no requirement for capital investment to enable usage
- Variable pricing based on consumption; buyers pay per use
- Rapid acquisition and deployment
- Lower ongoing operating costs compared to IT resources owned and managed in house
- Configurable and adaptable functionality
- Scalability to meet on-demand requirements

With cloud computing, a utility may be able to augment its existing infrastructure and acquire new skills while avoiding major capital investments and containing operating and variable costs. In short, cloud services offer enticing opportunities in this era of increasing demand for analytics horsepower, “always-up” operations and adaptable technology platforms that allow providers to quickly seize opportunities.

Making sense of the influx of data

It is no secret that utilities have ever-expanding data assets at their fingertips. While providers that have deployed smart meters enjoy vast amounts of energy usage data, all providers have access to increasing third-party information about social media and consumer behaviors, along with extensive data about their own operations.

To turn that data into useful insights, utilities need powerful and sophisticated analytics. That often requires far greater technology infrastructure capacity and processing power than many utilities have in their current in-house systems.

Expanding those systems is one option, but doing so will involve massive up-front investments in capacity that will take time to develop and may ultimately be underutilized. By contrast, cloud-based solutions can offer virtually unlimited capacity and scalability, potentially making them more adaptable while delivering accelerated return on investment.

Cloud services offer an alluring cost proposition. Not only are cloud services relatively inexpensive, but they also enable a utility to avoid significant up-front costs for servers, software licenses, maintenance fees, data center space, electricity and IT labor. In some cases, cloud services also enable providers to access developed processes or expertise on a pay-per-use model, offering a relatively easy, low-risk way to quickly gain new capabilities.

Meeting the needs of the always-on consumer

The sheer scale and power that cloud-based solutions can offer is also an attractive proposition for many providers. In an environment where consumers increasingly expect service when and where they want it, shifting applications to the cloud not only offers more data-crunching capabilities but also reduces downtime from batch processing.

Consumers today will not be impressed if they log in to a mobile app or Web portal only to find service is unavailable. Cloud-based solutions offer ease of connectivity and more consistent uptime that can benefit consumer mobile applications, field force applications and Web portals alike.

The case for cloud services is even clearer when considering new value propositions, such as energy management, residential solar and home control. Connected thermostats, home video monitoring,

home sensors, remote locks, wireless electrical plugs and solar panels—all are increasingly available to consumers. For many energy providers, these devices are part of value propositions they would like to offer. Many of these devices can be monitored or controlled via Web portal or mobile apps. By establishing a foundation in the cloud, utilities are better positioned to integrate with the growing range of connected devices and offer a seamless energy experience.

Using cloud to get agile

The low start-up cost, flexibility and scalability of cloud-based solutions create an enticing option for energy providers exploring emerging opportunities. In many cases, the costs of extending existing systems to support trials of new products and services or to enter new markets do not add up. By contrast, cloud-based solutions can often be implemented quickly and then monitored to prove value over time.

Taking risks involves successes and failures; cloud solutions are often more flexible and easier to quickly change, a critical enabler of success in fast-shifting environments (such as recently liberalized markets) or when aggressively introducing new products and services. By leveraging the cloud, providers can reduce sunk costs while establishing a foundation that can scale with growth.

Options in the cloud

Even as cloud computing is maturing quickly, privacy concerns remain an issue for some providers and regulators. To alleviate data privacy concerns, utilities must be prudent in implementing cloud-based solutions.

Utilities may be able to address concerns by building private clouds based within their own data centers or through a third party. In fact, in semi-regulated markets such as China, India, Italy and Germany, many utilities are starting their journey with a private cloud approach.



Compared to a public cloud solution, this approach increases the initial costs, but avoids significant risks to data security, customer loyalty and brand reputation.

Looking to the future, Accenture expects the industry to adopt a hybrid public-private model with certain functions, such as billing, housed in a private cloud and others, such as CRM, in a public cloud.

With this in mind, it is clear that as providers begin to adopt cloud-based solutions, legacy integration will be key. Utilities likely will test cloud-based solutions in areas outside of core billing processes before they consider moving these critical applications to the cloud. As such, an important step in a utility's journey to cloud enablement will be the integration of legacy applications with those provisioned from the cloud.

Starting the cloud journey

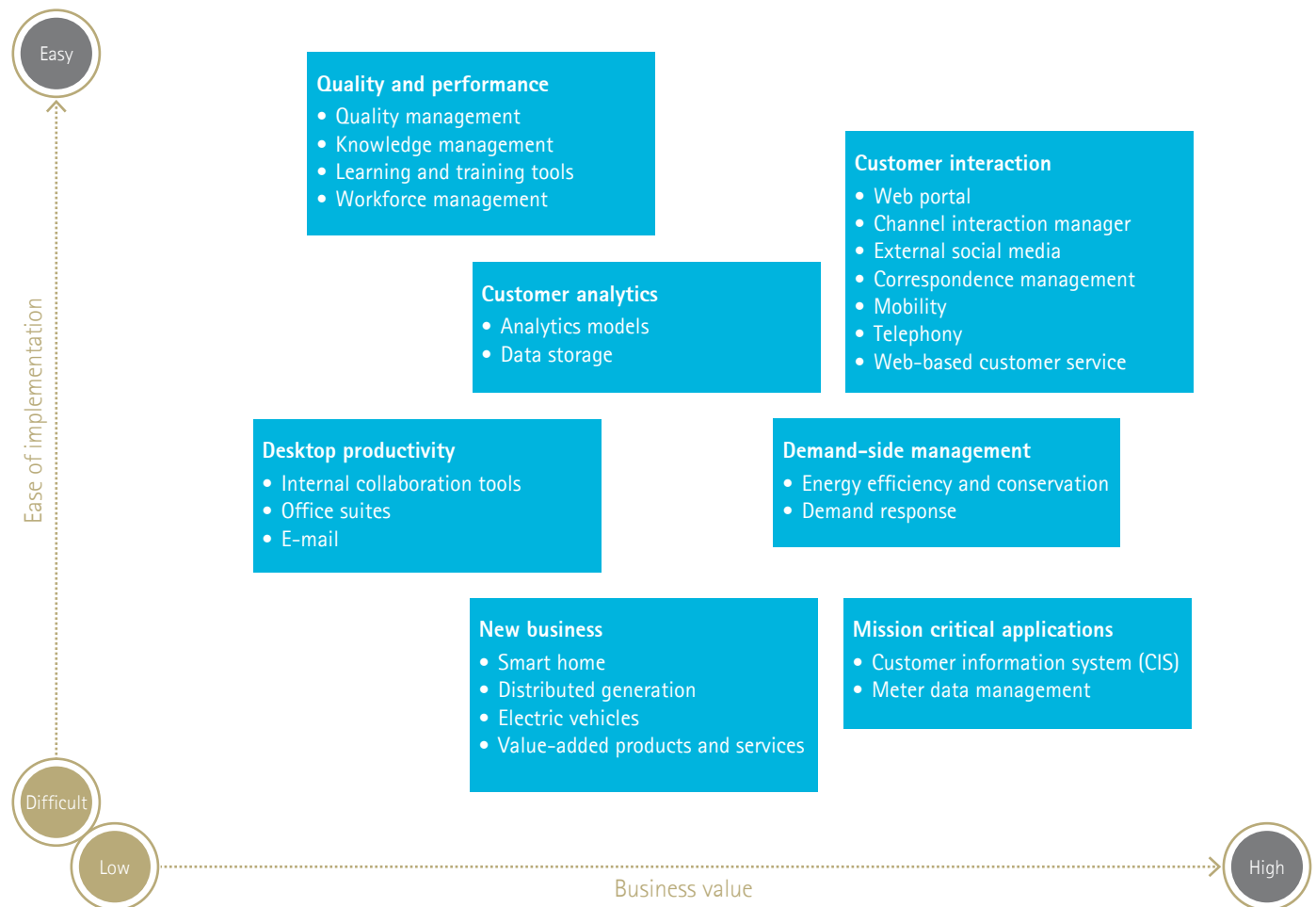
Utilities will need to take a strategic approach to understanding how and where cloud computing makes sense within the organization. Before betting the business on cloud, they should experiment or pilot these services on the proverbial low-hanging fruit (see Figure 55). Possibilities may include workplace applications, such as e-mail and collaboration tools, or new opportunities that look enticing but require low up-front technology investments and will prove value over time. In the medium term, Web portals and specialized systems such as business-to-business billing may be strong candidates for cloud.

Accenture also recommends taking a rigorous approach to investigating the total costs of cloud services. After all, hardware is a relatively small component of data center costs. Digging deeper may uncover hidden costs around cloud

management, transition and usage. In addition, cloud is not the only option available today. Vendors have recently achieved huge breakthroughs with new approaches to database structure and in-memory processing. While these technologies do not come without cost, they offer some of the same benefits of cloud computing, particularly when it comes to processing power, and can be attractive to providers with capital expenditure budgets.

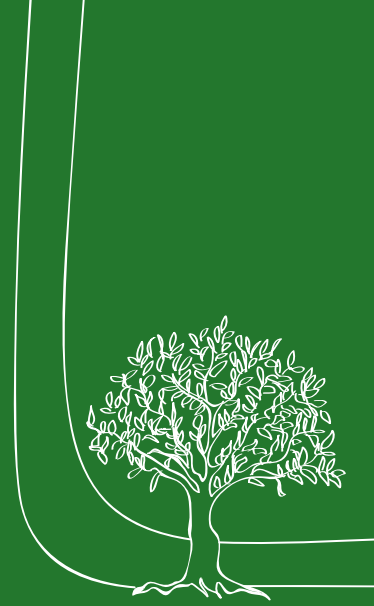
Most providers have made relatively limited progress into the cloud—creating major opportunities for those that move assertively. In particular, utilities will achieve the greatest success in the cloud not by migrating traditional processes and systems. Rather, providers will benefit from implementing innovative new processes, services, applications and offerings that have been too difficult or expensive to launch in the past.

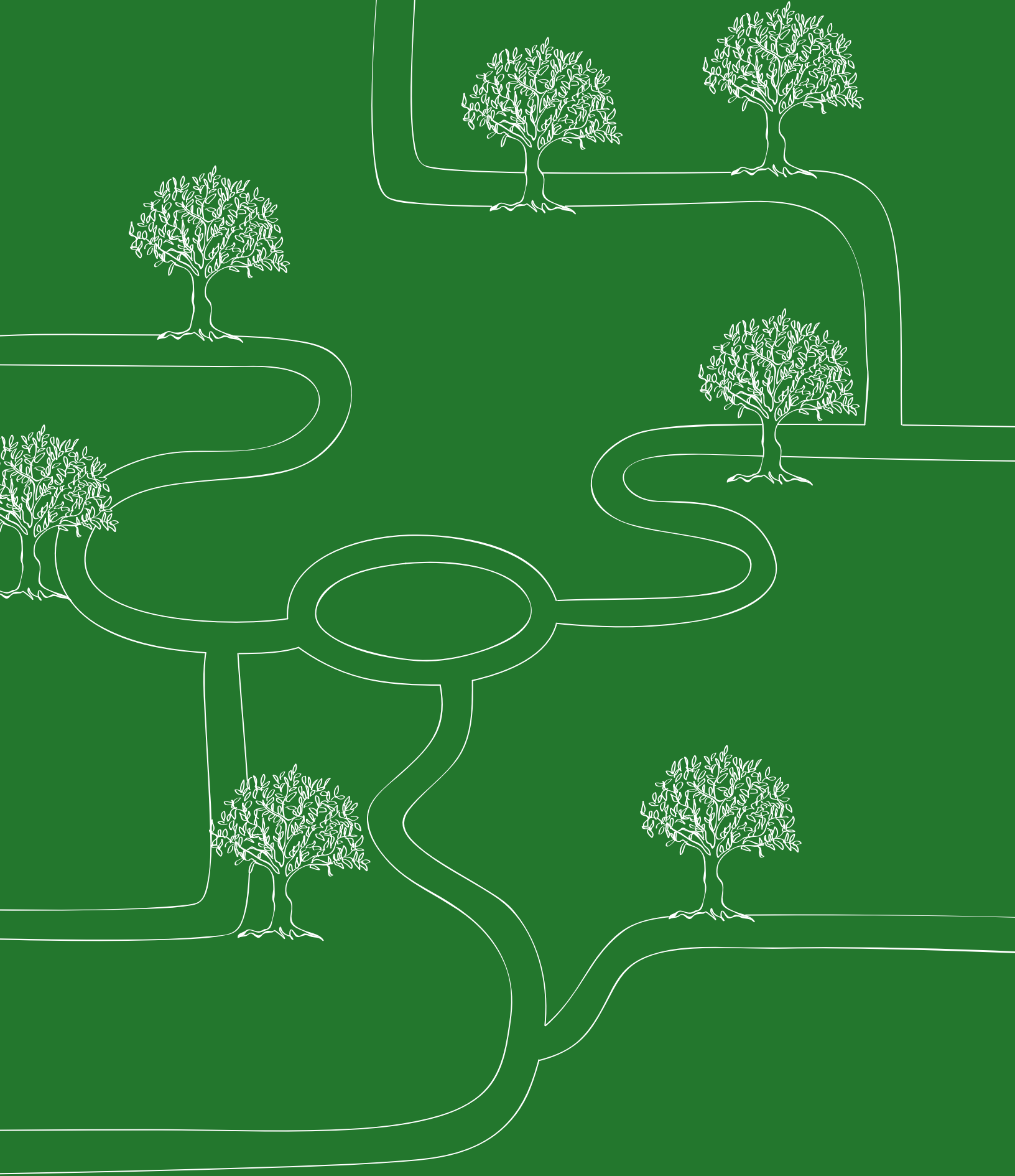
Figure 55. Opportunities for energy providers in the cloud.



6 The change-capable energy provider

As providers work to establish critical competencies around operational excellence, consumer interaction, consumer engagement and develop enticing new energy value propositions, they must also address the foundation of the business—their people and culture. Successful providers will be marked by the ability to tap into new sources of talent and constantly adapt to the changing energy marketplace.





Energy providers of tomorrow will likely look very different from the utilities of today. The shifting marketplace and changing consumer demands will require utilities to identify and recruit new types of talent while also establishing a culture and organizational ethos that is focused on being “change capable.”

From shifting consumer preferences and nontraditional competitors to the need for new core competencies, change continues to be rapid, pervasive and continuously evolving. To capitalize on new opportunities and remain relevant to consumers, utilities are being challenged to develop new levels of organizational agility. However, for many utilities, the scale of adaptation is stretching employees and operating models. The challenge of change is not unique to the energy marketplace. In fact, Accenture’s High Performance Workforce study shows that half of executives do not believe their company is sufficiently adaptable to respond positively to change.²³⁹

Effectively responding to change is a critical capability for successful organizations and has an impact on performance. In an Accenture survey of 600 executives in 10 countries, executives most frequently cited the slow internal pace of change as the barrier that prevents them from realizing growth opportunities. However, the fastest-growing companies (with revenue growth of 16 percent and above in the past year) are less likely to be hindered by a slower pace of internal change (see Figure 56).²⁴⁰

For energy providers, the ability to adapt to change will only grow in importance as the marketplace evolves, consumer preferences continue to shift and new technology disruptions appear.

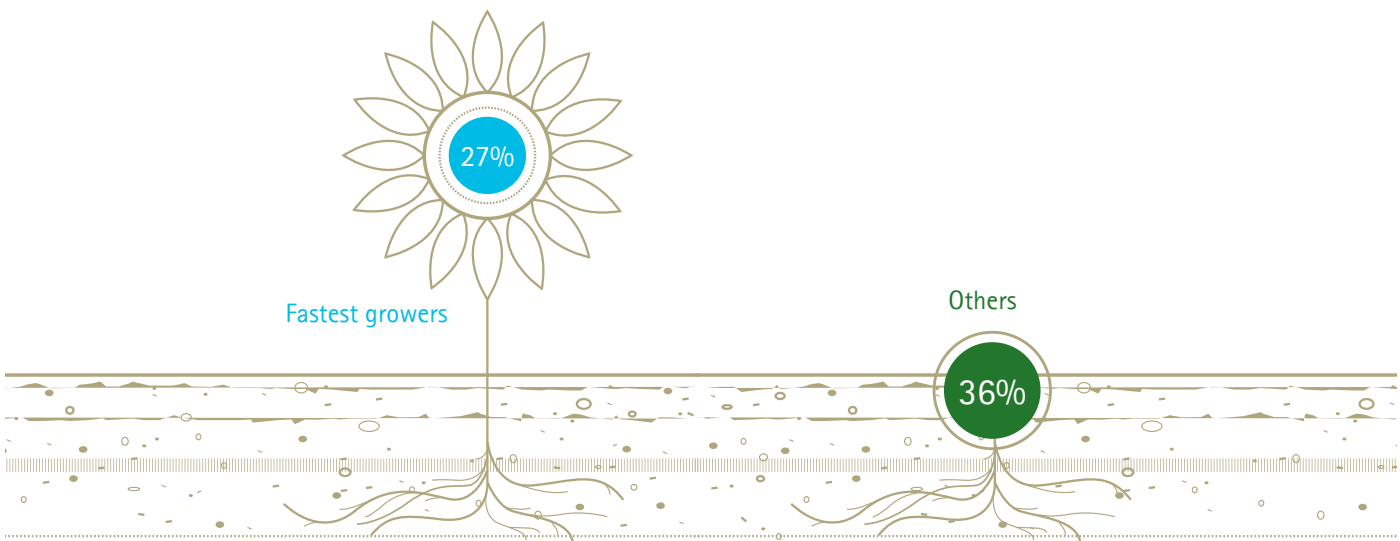
Accenture believes that to thrive, utilities need to embrace change. They need to become “change capable”—not sometimes, but all the time. For many providers, this will mean embracing a new organizational culture while also recruiting a dynamic workforce that comes with new skills as well as different expectations for their employers.

Working at the speed of opportunity

In the past, transformation was often treated as an initiative—something to be planned and implemented on a one-off basis. However, facing the need to establish a range of new core

Figure 56. Faster-growing organizations do not face the same challenges as others when it comes to the slow internal pace of change.

Respondents who report that the slow internal pace of change is likely a main barrier to maximizing growth opportunities created by changes in consumer behavior:



Source: Energizing Global Growth: Understanding the Changing Consumer, Accenture, 2013, www.accenture.com.

competencies while also responding quickly to new market disruptions and opportunities—for energy providers the need to change and adapt is constant.

Many utilities have already taken on transformation initiatives with great success and leveraging the approaches to these programs can help to infuse new agility into the organization. Developing a change-capable organization is not about eliminating current change management methods. Rather, it is about infusing those tactics throughout day-to-day operations—redefining, organizing and applying existing capabilities in the appropriate way to create a culture of transformational readiness. By tactically applying the building blocks of any successful change program on an ongoing basis (see Figure 57), energy providers can shape a culture and workforce that is more agile and flexible—and ultimately more able to change.

Assessing the organization's tolerance for change

Many energy providers have developed a strong corporate culture—one with clearly identifiable values, belief systems, presumptions and ways of working that are found throughout the organization. Developing flexibility and corporate agility may not be at the core of every provider's established culture. Thus, gauging the utility's readiness for change is an important first step. Utilities can use tools to assess employee readiness—including their engagement and commitment to innovation. Utilities can also use these tools to track complex variables, such as employee effectiveness, skills and the pace of change.

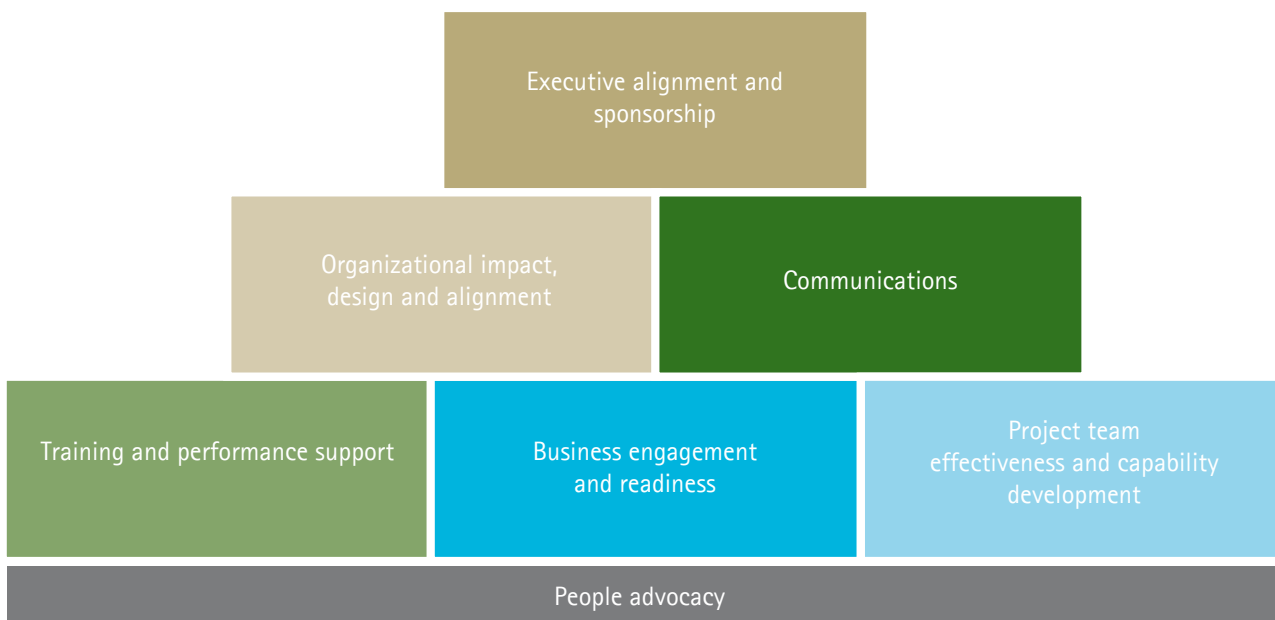
Assessing change readiness and progress should not be a one-time exercise. Without ongoing insights, senior management may develop an unrealistic view of how changes are being received and implemented on the ground. As a result, they may operate with false assumptions that could jeopardize the success of initiatives and damage morale. Thus, utilities should verify that they

embed effective change monitoring into every step of the change process—and confirm that change communications are accurate and timely.

Looking forward, many utilities will be challenged to develop a more agile, flexible organizational culture at all levels. One successful model for building an organizationwide change competency is a "change academy"—a dedicated learning function explicitly charged with developing change management skills, tools and methods. Over time, this academy can train a broad range of employees in the leading practices for managing change.

Perhaps most importantly, a change academy can also give a utility the focus and rigor needed to consistently evaluate the success of change initiatives and pinpoint functions or areas that require extra attention. Rather than relying on intuition or the charisma of a few leaders, energy providers can use research-based, field-tested knowledge and methods to build a broader foundation for ongoing change.

Figure 57. The building blocks of a successful change program.



Spotlight: Building a bridge between IT and the business

Siloed business and IT functions are a challenge for many utilities today and are set to become a key area of focus. With the increasing importance and investment in multichannel technologies, mobile solutions and customer relationship management systems, providers should build better bridges between IT and the business.

Technology is now a significant driver of change for utilities. From smart infrastructure to mobile solutions for consumers and employees, technology is shaping future capabilities and interactions. Every utility is becoming a digital business and technology executives will play a key role in guiding the organization through the fast-changing landscape and in creating a foundation that enables agility and efficiency. Meanwhile, virtually every member of the workforce will need to understand new technologies and how emerging channels can improve business processes.

Bringing together IT and the more operational side of any business is never easy. Even so, some energy providers are finding ways to bridge the gap. To help confirm alignment between business requirements and technology plans, some providers are bringing people from IT into business roles. Others are assigning call center agents to roles within the IT support organization to bring a consumer-oriented mindset to optimizing Web interactions.

Above all, energy providers need to break down cultural barriers that can often cause clashes between engineering-focused and consumer-oriented functions. In Accenture's experience, cultural tensions are pervasive, especially during corporate mergers. While differing cultures create internal strife, destroy synergies and ultimately erode value, the opposite holds true as well. A strong, unified culture magnifies the abilities of great talent.



Leading change from within

In mapping their plans for transformation, utilities should determine who will be leading and executing. While change may be constant, Accenture recommends that utilities appoint an executive to sponsor specific initiatives, engage management, establish an enterprisewide change network and make change part of everyone's responsibilities.

Just as a chief customer officer holds ultimate responsibility and accountability for the customer experience, an executive transformation leader should be appointed to lead and orchestrate change. Cutting across functional and departmental boundaries, this leader should have accountability for driving the transformation program and changes throughout the organization. The appointment of an executive transformation leader sends a strong signal internally and externally that transformation and change are important and ongoing. Such an appointment also provides a champion to drive change initiatives, confirm cross-functional integration, lead innovation and idea generation, eliminate roadblocks, and facilitate decision making—which is often the biggest impediment to change.

Change leadership need not stop with the upper echelons of management. Middle managers are at the center of daily activities and operations. As the most connected and influential leaders with frontline employees, these managers represent crucial allies of any transformation. Utilities should equip middle managers with the tools, capabilities and support they need to accelerate change initiatives. Finally, utilities need to regularly update training, compensation and recruitment programs to align talent acquisition and performance incentives with their vision for the future.

Sustaining change with people advocacy

Driving and sustaining change should not end with executive leadership or middle management. Utilities can leverage people advocacy programs to engage employees at all levels and to create a cultural shift within the organization. When coupled with strong communications, these initiatives can be a driving factor in creating changes that are not "to" the business but rather "with" the business. People advocacy can span five critical areas of engagement:

- **Continuous learning for continuous change.** Change should be transparent. Employees need to understand the skills required in the future and be provided the tools needed to succeed. Constant and open communication, training and knowledge sharing about the broader context for change are crucial—as is establishing a clear vision for the future of the organization and their roles in it. Energy providers that successfully sustain change will be those that continually invest in training and learning.
- **Mentoring and coaching to develop the change leaders of the future.** Many utilities are already using coaching programs to build change leaders. Such programs keep a pulse on the organization and reinforce a culture of continuous improvement.
- **Recognizing change enablers.** Sustaining change across an organization requires rewarding specific behaviors and recognizing employees who embody the spirit of flexibility and improvement. Even small rewards let employees know their hard work is recognized and appreciated. Such measures can go a long way in inspiring and motivating individuals and creating momentum throughout the organization.
- **Creating opportunities to grow.** Creating a culture of change requires employees to continually stretch their capabilities. To sustain engagement and develop a sense of responsibility, utilities should give employees the

opportunity to grow. When an employee shows interest in assuming more responsibility or extending into other areas of the business, utilities would be wise to support their ambition.

- **Addressing change barriers.** Change can be uncomfortable and not every employee is willing or able to adjust. Recognizing and addressing the roadblocks to achieving a change-capable organization is difficult but necessary.

Above all, people advocacy should become a key aspect of a successful change program. These initiatives allow a utility to not only manage skepticism but also to encourage and empower employees to own the change.

Develop a value orientation and a "yes" culture

With value becoming an increasingly important element of operational success, energy providers need to shift the mindset of some employees. Rather than prioritizing compliance and controls, employees need to be able to make decisions based on the value that each interaction project, work stream or task can deliver to consumers and to the organization. This is particularly important for energy providers looking to drive step-change improvement in customer satisfaction or develop a relationship as a trusted energy advisor.

Developing this value orientation represents a subtle but important shift in mindset—one that can drive consumer-focused decision making, a passion for continuous improvement and a proactive, get-it-done, "yes-oriented" culture. Some employees naturally offer a "yes" orientation, but it can and should be fostered as an organizational mindset. When leaders support employees in developing a value orientation, it permeates the organization and unites employees around a common goal: driving business performance.

Infusing an outside-in mentality

Historically, many utilities have recruited technical talent with a nearly singular focus on engineering skills and contact center talent with an emphasis on compliance. Such employees typically succeed in delivering predictability and reliability. However, they may lack the skills and characteristics that will be essential to meeting the challenges and opportunities of the changing energy marketplace.

As interaction channels, product offerings and energy usage information become more complex, energy providers will need to add another key recruiting criterion: empathy. Leading providers will recruit professionals who can put themselves in the consumers' shoes. A consumer-oriented mindset is becoming essential in every functional area from the C-suite to the contact center. Whether providing tips on conserving energy, recommending the appropriate tariff, working to retain a dissatisfied customer or developing sales and marketing campaigns, energy providers need a new breed of talent that is not only technically competent but also relentlessly focused on consumers.

Choosing change

As utilities face new and complex challenges, change is inevitable. While providers cannot stop the need to change, they can control whether and how they embrace it. Success requires an enterprise change capability that is woven into the fabric of an organization. It also requires a change-resilient operating model—one that enables responsiveness and is sufficiently flexible to react to disruption and capitalize on new opportunities.

One of the critical errors is not developing a strong vision and not effectively communicating it to stakeholders. Thus, creating an invigorating vision and actively embracing change—driving it not just on paper, but in every aspect of the organization's culture and operations—will be the difference between stagnation or success.

Spotlight: How agile is your organization?

It has never been easy for large, complex organizations to be agile. Many utilities have established processes, hierarchies and cultures that in some cases do not align well with creating agility. However, in today's energy markets marked by uncertainty and disruption, providers that can change and adapt quickly will be better positioned for success. The following questions can help providers consider the organizations readiness for change and the current level of agility:

10-point change agility checklist

1. Does the organization have at least three scenarios for how the energy industry is most likely to evolve over the next 36 months? Does it have good options for responding?
2. What three big opportunities would the organization be pursuing if it were more agile?
3. How is the utility augmenting its ability to quickly sense new market opportunities?
4. What are the three biggest factors preventing the organization from being more agile? How do you plan to overcome them?
5. In the search for cost reductions, has the organization made such big cuts, particularly in terms of talent, that agility and ability to grow have been damaged? If so, how is the utility compensating now for those cuts?

6. Is the organization taking full advantage of the new capabilities of today's analytics tools?
7. Who among the organization's new leaders will be most effective at taking advantage of market disruption? What makes them different from other leaders?
8. Which consumers are the best leading indicators of future market opportunities or threats to business as usual?
9. Where would faster decision making be most beneficial to the organization?
10. In what areas should the organization be collaborating to drive changes in the market or increase agility?



Case in point:

Cisco Systems: Developing precision and predictability in managing change

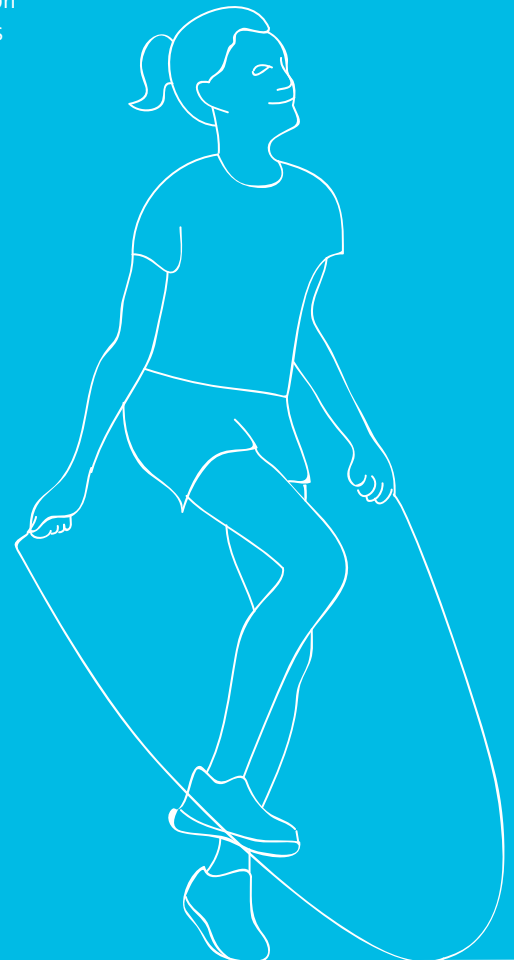
One company leading the way when it comes to creating a change-capable organization is Cisco Systems. To maintain its market leadership position, Cisco is in the midst of updating its global organizational structure. Cisco's senior management understands the challenge of getting its more than 72,000 employees across all major geographies to think and act in new ways as the organization restructures itself. The company is taking a scientific approach to helping people collaborate more effectively and adapt to new ways of working.

To support the entire organization, Cisco is working with Accenture to build internal, enterprisewide change management capabilities so that the ability to adapt—as individuals, as teams and as a company—becomes just a normal part of the operations, embedded in all programs and projects.

The work to establish this internal change capability involved coordinated and integrated efforts along several different routes. First, Cisco launched a Change Leadership Center of Excellence to serve as a hub for the change programs. The center builds the organization's change agility along several dimensions. One involves educating employees at all levels—from top executives down to the newest hires—about how to operate in a world of continuous change and about the kinds of responses necessary to help everyone adapt their behaviors to support a changing environment.

Cisco has also worked to develop a comprehensive methodology for leading change, which is being implemented consistently across the company. At the beginning of the effort, the team inventoried the company's existing methods around the world for managing change and discovered more than a dozen approaches in use.

Today, informed and guided by academic research, external advisers and its own experience, Cisco has standardized its approach to business change, helping leadership and all employees operate with common assumptions and mindsets. To spread this consistent methodology across the company, Cisco supports a number of change management Centers of Expertise in different parts of the organization that provide a wide range of information and guidance covering communications programs, sponsorship initiatives, assessments and training.



Extend the talent pool

Talent is one of the critical components to enabling a change-capable organization. In an age of near-real-time energy usage information, set-and-forget energy management solutions and a growing range of nontraditional interaction channels, energy providers' talent needs are changing dramatically. Providers face a fundamental shift in the type of work employees are performing—and the kinds of attributes and skills that workers will need to drive success. While the pace of change varies by market circumstance and consumer trends, all providers should begin to understand and plan for the workforce of the future.

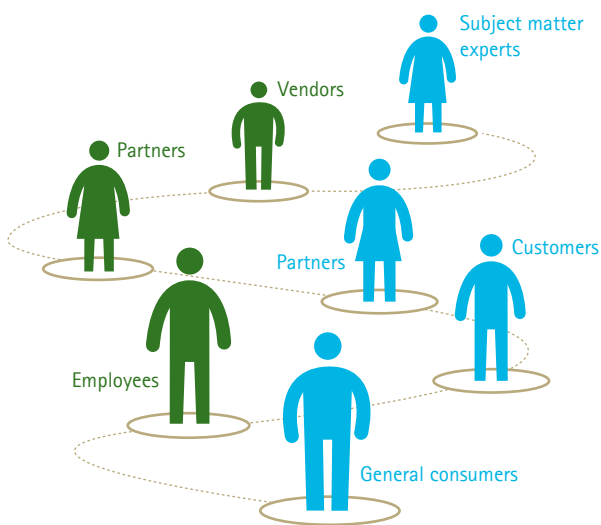
As the workforce evolves and talent requirements shift, energy providers need to take a more holistic view of their potential talent pool. The talent pool is quickly becoming much larger than many executives realize (see Figure 58), with talent no longer restricted to a permanent employee base. Leading energy providers are looking to vendors, partners, subject matter experts and even consumers in general as potential sources of needed skills and contributions.

For inspiration, energy providers can look to other industries, where organizations are beginning to experiment with innovative approaches to not only acquire new expertise, but also to tap into consumers.

The Finnish insurance company If is connecting potential customers with more than 800 current customers through a new website, enabling prospects to hear unbiased assessments of the firm's service. The company has recruited customers who have agreed to be available from 9 a.m. to 8 p.m. every day for phone conversations with potential customers. Between those hours, volunteers' contact details are made visible on the website—enabling would-be customers to gain highly credible insights into policyholders' satisfaction and dissatisfaction.

Figure 58. The available talent pool for energy providers is expanding.

The extended energy provider talent pool



- Traditional energy provider talent pool
- Extended energy provider talent pool

Employees: Increasingly dynamic positions with range of work opportunities across the organization. High degree of flexibility when it comes to work location, hours worked per week and flexible working arrangements enabled by collaboration technology.

Partners: Viewed as strategic sources of talent and direct involvement in operations. Focus on establishing long-term strategic partnerships of shared mutual value.

Vendors: Leveraged to allow for extreme scalability when staff augmentation or additional capabilities are needed.

General consumers: Engaged for crowdsourcing of ideas and market testing. Consistently evaluated as a possible source of talent.

Customers: Customers can be tapped into for product and service ideas as well as references during the learning or sales cycle.

Subject matter experts: Leverage forums and technology platforms to tap into the best talent around the world for guidance and insight.

Other Providers: Formal knowledge-sharing and employee-exchange programs between other energy providers or other providers.

Spotlight: Redefining the call center and field force

As energy providers introduce new products and services and look to further engage consumers, there will be significant impacts on customer operations—including the charter of customer service call centers and the field force. Traditionally, each of these channels has had a straightforward mandate. The call center, currently set up to respond primarily to consumer requests for service and support, will need to evolve into a robust resource for education, engagement and, in some markets, value-added sales centers. The field force, though currently tasked with conducting meter reads, completing connect/disconnect orders, proactively identifying outage triggers and managing other field requests, will need to be redesigned to provide at-premise service and sales support. For many utilities, each of these channels will undergo substantial evolution.

Redefining the field force

As a utility adopts advanced metering infrastructure, it will no longer perform many of the core field force functions, such as manual meter reading, disconnect and reconnect activities and outage management activities. But even as those tasks become automated, the nature of the field force is changing. As many providers move beyond the meter, the field force will need to evolve to deliver new and expanded skills that may include:

- Communication and technology skills needed to troubleshoot alarms and other events on smart meters and various home-based energy products.
- Education skills to help act as a trusted energy advisor offering insights to help consumers reduce costs and consumption.

- Sales skills to influence consumers and drive new revenue from value-added products and services.
- Next-generation technology skills for smart in-home technologies and distributed-generation devices (such as solar).
- Ability to use mobile applications to gather consumer information and provide sales and technical demonstrations in the field.

Redefining the call center

In a world of smart meters and beyond-the-meter products and services, call center agents will have access to real-time consumption data, billing information and historical energy usage patterns. With that information, they can engage in proactive value-added services discussions with consumers. They can also make more informed and dynamic recommendations for products and services. Such changes have real implications for call centers, as the agent on the phone must be able to handle more complicated and diverse inquiries.

In other words, energy providers will need a very different kind of person answering the telephone. As with the field force, utilities will need to identify and nurture a new kind of talent within the call center—people with a rare blend of personal characteristics and hard skills required to manage a much wider variance and a more complex set of consumer inquiries.

Call center agents of the past:

- Hired for service role
- Deliver single-product support
- Have limited decision-making authority
- Use traditional communication channels
- Have limited technology knowledge and exposure
- Focus on compliance and not trained to influence

Call center agents of the future:

- Hired for trusted advisor/consultative consumer sales role
- Deliver multiproduct or solution support
- Possess broader decision-making authority powered by analytic insight
- Use new and emerging interaction methods, including mobile and digital channels
- Are competent with technology capabilities
- Are able to empathize, influence and drive value in alignment with organizational goals



Meanwhile, mobile applications are providing unprecedented ability to tap into consumers as a workforce. For instance, the EasyShift application allows companies to offer small sums of money for consumers who complete a task in a mobile application.²⁴¹ Potential uses include leveraging the app to monitor advertising in partner stores. Of course, a more holistic view of talent also extends beyond low-level tasks. Energy providers can now tap into some of the top talent in the world on an as-needed basis. As one example, the online platform Kaggle enables organizations to post their data and enlist the help of some of the world's top analytics talent. In exchange for a prize, individual or teams of data crunchers dissect the challenges—creating algorithms and models that the organization can then adopt and reuse going forward.²⁴²

In some cases, the skills energy providers require may already exist within the organization. Using new talent management approaches can allow providers to quickly match the right talent to business need. For example, Campbell Soup Co. uses a talent management system that documents an employee's full range of skills and career aspirations, making it easier to match the right talent to the business demand. Jackie Scanlan, the company's vice president, states, "The key is to proactively mine this data to really get to know employees beyond just their current role."²⁴³

Flexible talent

The nature of work and the expectations of younger employees are creating a need for energy providers to be more flexible and agile in deploying traditional in-house talent. In the past, an employee may have been largely dedicated to a single role within the organization. Today, providers are rethinking this model. Some are adopting a highly flexible approach in which a pool of resources can "roam" the company, dropping in to roles and projects as needed (even at a moment's notice).

Outside the energy industry, some providers have launched employee exchange initiatives to temporarily lend resources from one noncompetitive firm to another. Although such programs are difficult to execute, the concept shines light on the type of innovative thinking that leads to flexible sourcing options for energy providers and personal development opportunities for a new generation of employees.

As energy providers look for new talent and continue to create a more flexible foundation that can adapt to change, they will need to take a holistic and innovative view of the potential talent pools. The question is no longer: "How do we get the work done with the talent we have?" Leading providers are instead asking: "How do we gain access to the best talent to get the work done?"

As providers develop new competencies for the evolving energy marketplace, it is clear that developing a more change-capable organization will be a critical area of focus. Establishing new approaches to acquiring, motivating and retaining talent is a key platform that will help providers create organizations that are more nimble, flexible and ultimately more successful in an increasingly dynamic marketplace.



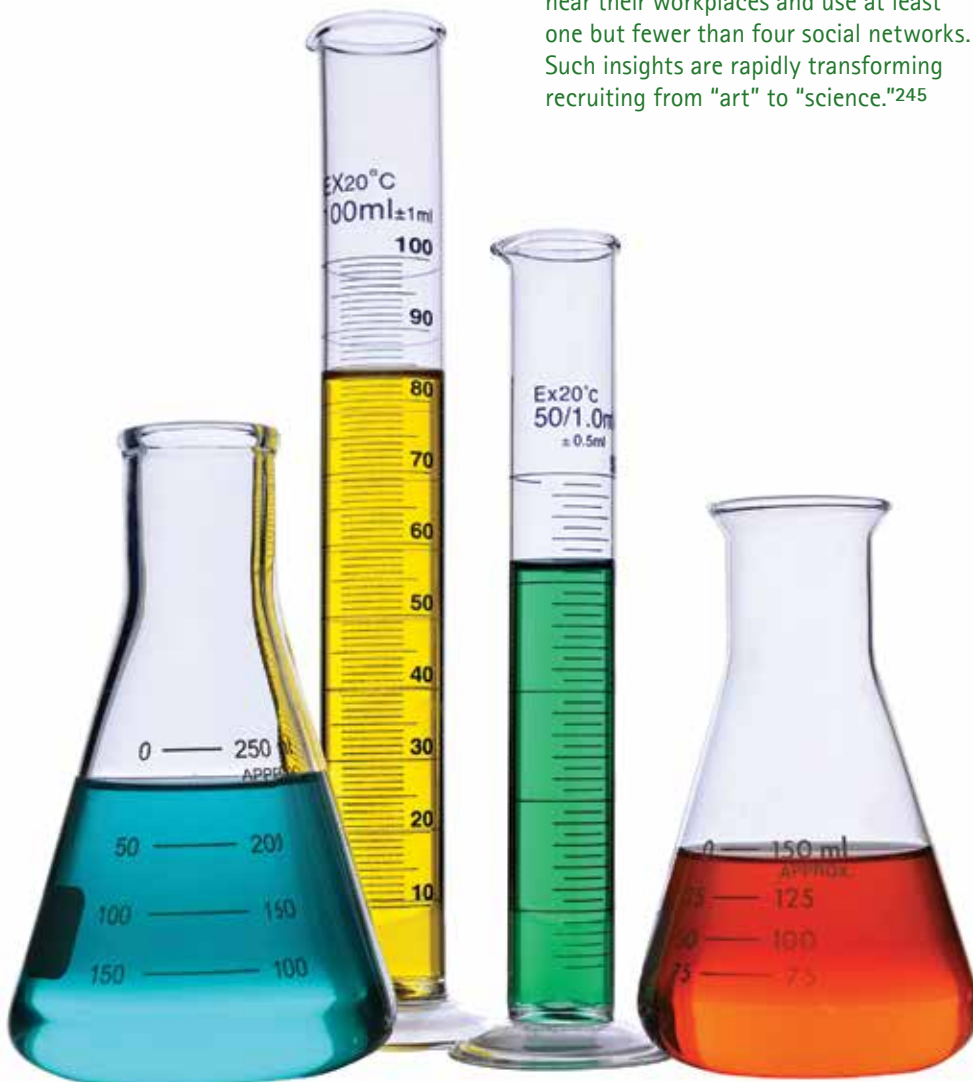
Spotlight: Transforming recruiting from an art to a science

Analytics continues to permeate nearly every facet of an energy provider's business, and recruiting is no exception. Reviewing resumes and evaluating first impressions are quickly giving way to more modern, data-driven methods.

Innovative tools and software are making it possible for energy providers to conduct behavioral and personality profiling at scale to identify their new face of talent and meet changing requirements in operational delivery and organizational goals. This ability to generate insights into optimal characteristics for each role is creating entirely new opportunities to improve operational effectiveness, employee satisfaction and retention and, ultimately, customer service.

Energy providers may wish to follow the lead of Xerox, which has adopted a strictly data-driven approach to hiring. For its 50,000-seat call center, the technology giant now entrusts all hiring decisions to software. Using tools from Evolv, a San Francisco-based start-up company, Xerox has streamlined hiring practices through online testing that screens for personality traits and certain behaviors.²⁴⁴ These tools also benefit prospective employees—giving them a realistic picture of a job by providing detailed scenarios and even sample calls. The approach avoids unpleasant surprises for providers and workers alike.

Once employees are hired, analytics delivers real value in feeding back insights about which workers prove to be most reliable and successful. These insights empower providers to continually adapt their hiring profiles. Interestingly, Evolv-generated statistics have shown that the best Xerox call center employees are those who live near their workplaces and use at least one but fewer than four social networks. Such insights are rapidly transforming recruiting from "art" to "science."²⁴⁵



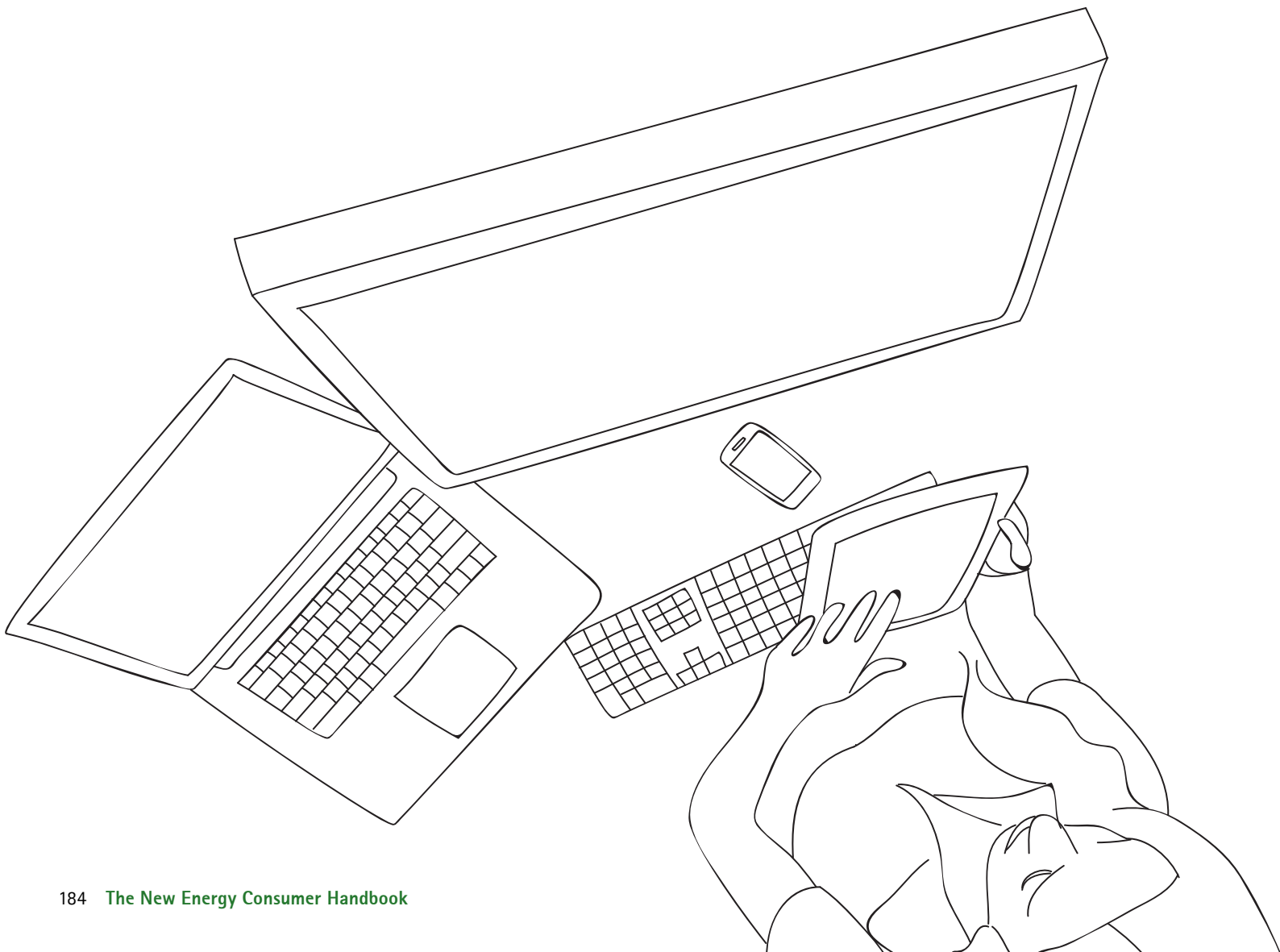
Spotlight: Who is the next- generation workforce?

In many geographies, the workforce is aging, and some utilities are particularly challenged thanks to the “job-for-life” culture that has developed. But the challenge of the aging workforce is not just about the shrinking pool of workers, but also about significant changes in the abilities and aspirations of younger workers. Next-generation employees tend to value flexible work arrangements and collaborative, nonhierarchical work environments. While they are loyal to their career visions, they are not necessarily wedded to a specific employer. These attributes represent a radical shift for utilities at the same time that they require a rapidly changing mix of skills.

As the energy marketplace evolves, the skills and talent utilities need to be successful will continue to shift. Many job descriptions of the future will bear little resemblance to those we see today. Call center agents will need the ability not only to solve common consumer issues, but also to advise and sell energy-related products and services. Across the customer organization, new analytical and technical skills will be in ever-greater demand. In general, utilities will face the need to attract and retain employees who are more educated, more specialized, have greater technical knowledge and are avid users of social collaboration tools.

As they transition to the workforce of the future, utilities should also rethink talent management. They need practical training programs and redesigned work roles to decrease time-to-competency for new employees. They also need to capture and transfer the knowledge of the tenured employees nearing retirement.

Recruiting this new generation of employees also requires new approaches. Increasingly social media is a primary channel that job seekers use to learn about a company and also a tool that recruiters can use to help screen applicants and get information beyond the resume. The potential for social recruiting has not gone unnoticed—a survey of US companies by Jobvite, a recruiting platform for the social Web, showed that two-thirds of companies now recruit via Facebook; more than half use Twitter and almost all use LinkedIn.²⁴⁶ In the fight for talent, energy providers will need to be actively recruiting in these channels or risk losing the best employees to others. In addition, utilities need to reposition themselves—building their image as an exciting, fast-paced and technology-driven employer. To attract the employees of tomorrow, utilities should engage and share this vision of the future.



Conclusion

A new, more dynamic energy marketplace continues to take shape, driven by shifting consumer preferences and accelerating market disruptions. The changes underway present a series of opportunities and challenges that require providers to relentlessly focus on establishing simplified organizations that are more agile and change-capable. Within this environment, providers must establish new core competencies that will create a foundation for success regardless of how the marketplace evolves.

Creating and capturing value in the evolving energy marketplace is more than enabling new channels, introducing new products or deploying new technologies. Consumer preferences are fundamentally shifting, while the underlying energy value propositions are being reinvented by energy providers and nontraditional entrants to the market.

To be successful, utilities should establish new core competencies spanning operational excellence, consumer interaction, consumer engagement and extended value propositions. Developing these competencies is not a short-term initiative. For many providers, it requires a transformation that will reshape the organization and redefine business as usual.

While uncertainty about the future of the marketplace remains, increasingly, standing still is not an option. Change is emerging as a constant, and utilities require agile consumer organizations that can continuously adapt to effectively and efficiently balance an organization's strategic imperatives.

During this unparalleled time of transition and opportunity, the role of energy providers is being recast. Today, providers have the chance to define the role they wish to play and the relationship they desire with consumers. But time is short and the energy ecosystem is expanding in ways that are only beginning to become clear. To realize greater long-term value—and help achieve high performance—energy providers should start now to define and build competencies for tomorrow.

Special report: Small and medium businesses: The untapped energy consumer

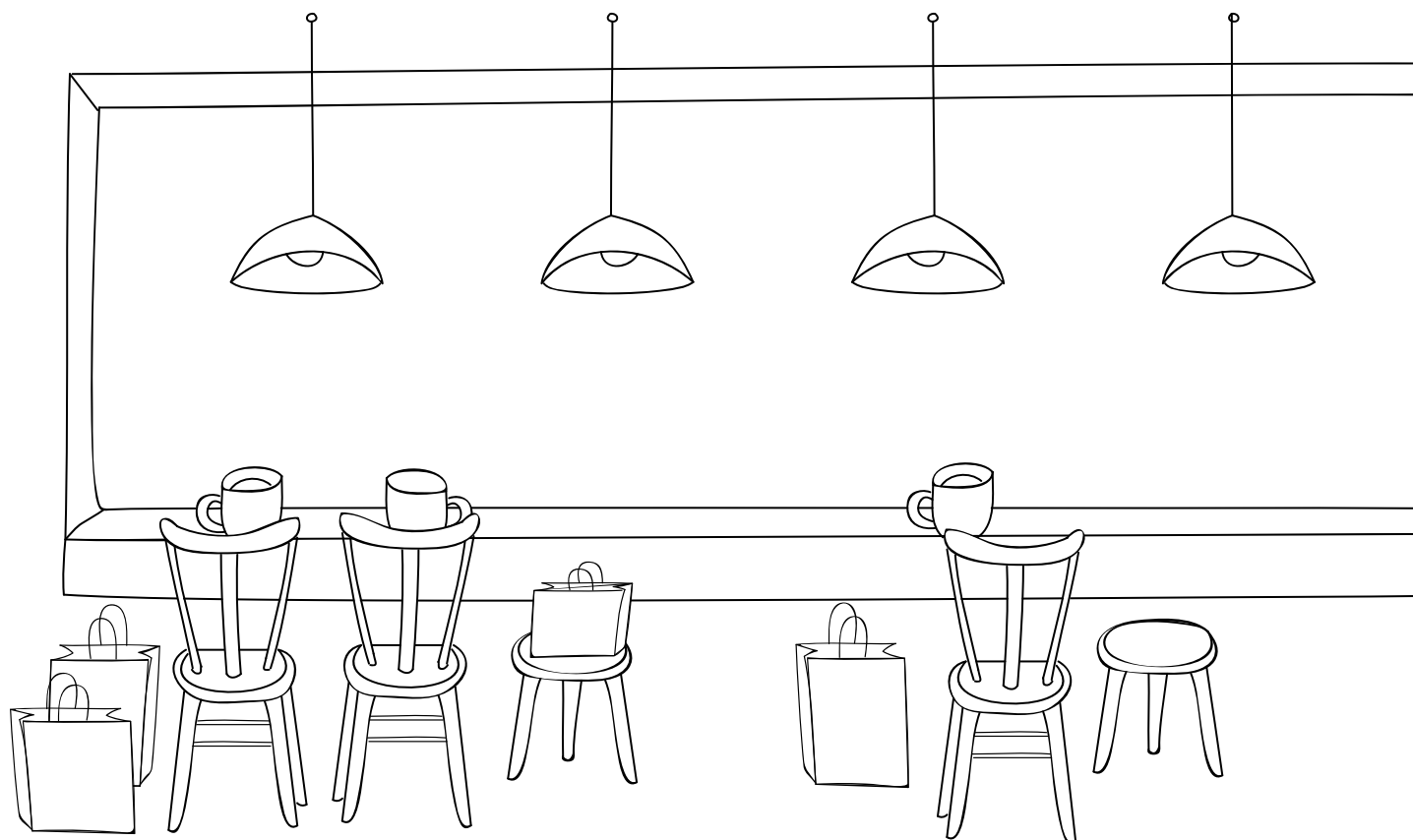


Small and medium businesses: The untapped energy consumer

They are not the largest commercial consumers, nor do they fit neatly into residential segments. Yet there are an estimated 125 million small and medium businesses (SMBs) in operation globally, and they represent a significant opportunity for energy providers.²⁴⁷ As SMBs seek new opportunities to reduce operational costs while still fueling their own growth, providers have a chance to engage this largely underserved market and succeed big by thinking small.

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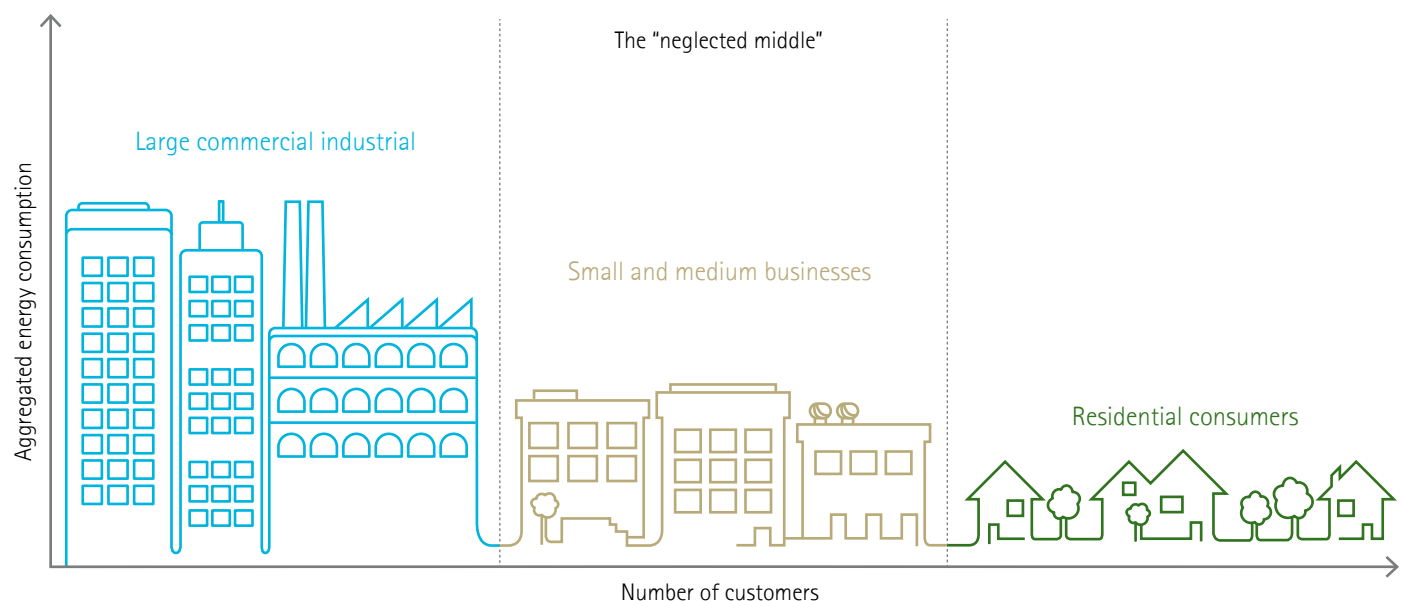
The untapped energy consumer

Residential consumers—due to their vast numbers—and commercial and industrial consumers that often have significant energy demands, have long been key groups for most energy providers. Whether enhancing customer service, promoting energy conservation or offering new products and services, energy providers have often devoted significant attention and investment to these consumers. However, in the new energy marketplace, the next big opportunity to create and capture value will likely come from a different group: small and medium businesses.

SMBs may not be the largest commercial consumers when it comes to energy usage or as numerous as residential consumers. However, they represent a significant proportion of an energy provider's consumer base and in many cases have long been a "neglected middle" that offer untapped potential (see Figure 59). In fact, nearly 90 percent of US businesses

have fewer than 20 employees, and 3.6 million of those companies have fewer than five employees.²⁴⁸ Around the world, there are an estimated 125 million SMBs in operation and they employ more than one-third of the world's labor force.²⁴⁹ In other words, SMBs represent a big opportunity.

Figure 59. Small and medium businesses have traditionally been the "neglected middle" and offer a significant opportunity.



*Illustrative example of energy provider market breakdown

Thinking small to win big

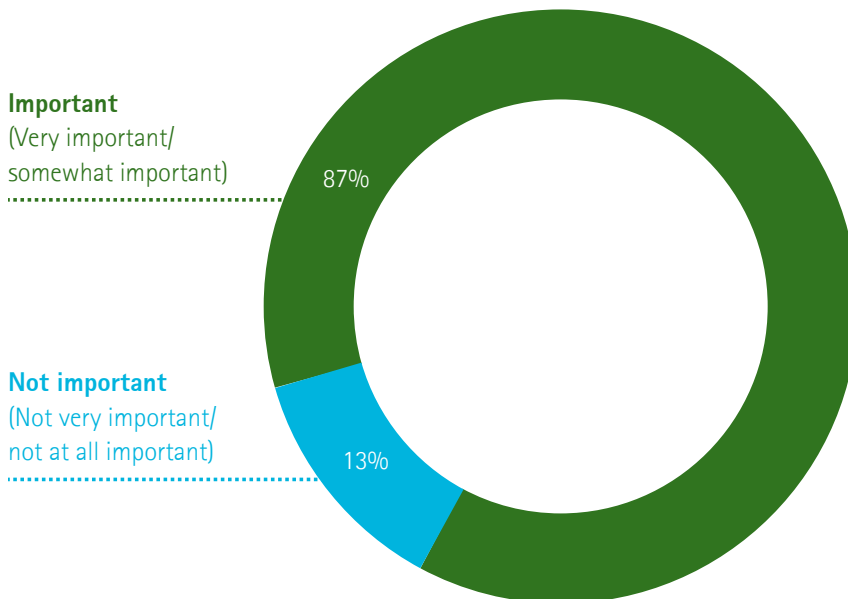
In many ways, SMB consumers represent an important and largely underserved market segment. Some utilities have recognized the potential value and have begun to tailor customer service, conservation programs and value-added products and services for SMBs. For these providers, business-specific customer service phone numbers and online content are common offerings. While providers have achieved some gains in creating targeted messaging, there remains a significant disconnect between providers' efforts and businesses' perceptions of the products and services they are currently offered by their utilities. Eighty-seven percent of SMBs believe it is important for their energy providers to offer solutions tailored to their business needs. Even so, only 35 percent report that the products and services they receive from their utilities are specific to their businesses' needs (see Figure 60). Furthermore, the majority of SMBs would be willing to pay

for products and services specific to their business needs (see Figure 66 on page 199).²⁵⁰ For utilities, the perceived lack of a differentiated approach to this market may come with a high opportunity cost.

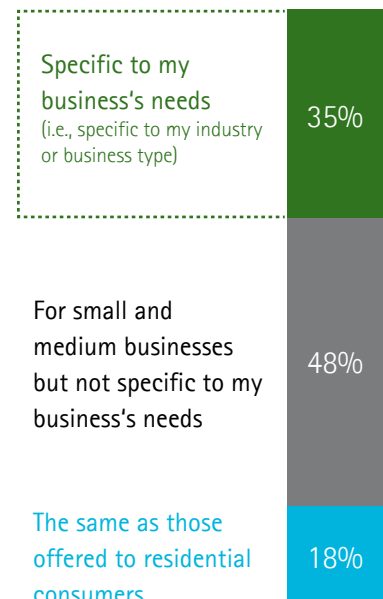
To shine a light on this sometimes overlooked and underserved segment of consumers, Accenture explored the specific needs and preferences of SMBs in *Delivering the New Energy Consumer Experience*. Spanning nine countries and targeting 2,200 businesses across a range of competitive and noncompetitive markets, the end-consumer survey reveals the unique values and preferences of SMB consumers. The results highlight particular differences from their residential counterparts, offers insights into tactics to cost-effectively serve this market, and points to opportunities to engage SMBs in order to create new revenue streams or drive energy conservation.

Figure 60. There is a significant disconnect between the importance of targeted business solutions and what SMBs perceive they receive from their energy providers.

Importance of offering targeted solutions for my business needs



Perception of the products, services, and support offered by my energy provider



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Spotlight: Can energy providers help SMBs spark economic growth?

Slow growth in many countries has driven governments and policymakers to seek opportunities to spur economic growth. The answer—at least in part—is SMBs, which have long been recognized as the backbone of economic growth. In the European Union alone, there are 23 million small and medium enterprises, which represent 99 percent of the total number of businesses.²⁵¹

Despite challenging economic conditions, SMBs continue to be the engine powering many economies. In high-income countries, SMBs contribute up to 50 percent of gross domestic product on average and employ the majority of workers. In Organisation for Economic Co-operation and Development (OECD) countries, for example, SMBs with fewer than 250 employees account for two-thirds of the workforce.²⁵² In many regions, SMBs have struggled due to the economic downturn. For example, European SMBs have not fared well, as economic challenges have led to slower growth and even contraction of businesses; however, SMBs remain a key component of the region's economic recovery.²⁵³

Against a backdrop of economic uncertainty, successful SMBs are implementing flexible business and labor sourcing models. More than ever, SMBs are searching for innovative ways to reduce costs, free cash flow and grow profits at a faster rate. But the hunt for growth is not easy. SMBs are facing lower consumer spending, higher taxes in some geographies and growing expenses, including energy costs.

Energy providers have an opportunity to become a business enabler by offering SMBs tailored products and services to help mitigate risk, reduce energy costs and spur growth. Whether SMBs are investing for growth or cutting costs for profitability, energy providers have a chance to help them navigate variable expenses. They can do so by engaging SMBs with energy advice, new products and services, and solutions tailored to support the growth of local businesses and communities. These are classic “win-win” opportunities delivering social benefit, building relationships and potentially creating new revenue opportunities for energy providers.



Understanding SMBs

In regulated and deregulated markets, SMBs typically have greater opportunities than residential consumers to save energy and may be more likely to embrace energy efficiency. After all, every cent in energy savings helps the bottom line. *Delivering the New Energy Consumer Experience* shows that energy is a significant expense for many SMBs. More than half of SMBs report they spend at least 10 percent of annual revenue on electricity and 36 percent report they spend 10 percent or more on gas.²⁵⁴ It is clear that energy is an important expense for many SMBs. At the same time, they have significant untapped opportunities to reduce energy consumption. ENERGY STAR, a U.S. Environmental Protection Agency (EPA) voluntary program that helps businesses and individuals save money on energy, estimates businesses that strategically invest in managing energy consumption can cut utility costs by 10 to 30 percent without sacrificing service, quality or comfort.²⁵⁵

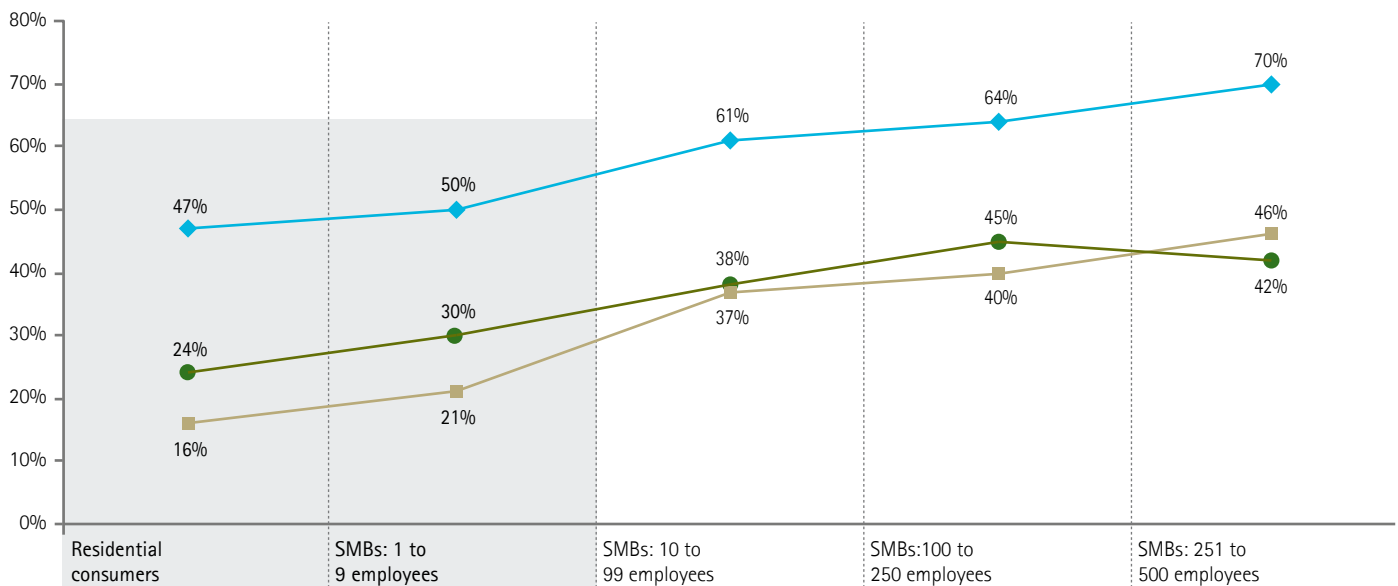
Engaging SMBs also offers providers a chance to build inroads with a group of consumers that often has a strong voice politically and with regulators. Because of their importance to economic growth, involvement in local communities and connections with business organizations, SMBs often have an amplified voice that can influence public opinion and quickly gain media attention. As providers look to engage consumers and build trust, SMBs are a key stakeholder with high expectations for their providers.

In competitive markets, SMBs often offer higher margins, making it critical for energy providers to hold on to these valuable consumers. Even so, Accenture's research shows that while SMBs tend to be more satisfied with their energy providers than residential consumers, SMBs are also more than twice as likely to consider switching providers. In fact, in competitive markets, 35 percent of SMBs report they are considering switching providers in the next year.²⁵⁶

The question remains for some utilities: "How do SMBs really differ from residential consumers?" *Delivering the New Energy Consumer Experience* shows that as SMBs increase in size, they diverge from residential consumers in a number of ways. Larger SMBs are more satisfied with their energy providers, have more trust in their providers, but in competitive markets are also more likely to switch providers (see Figure 61).²⁵⁷

Figure 61. SMB characteristics and behaviors diverge from those of residential consumers as they increase in size.

What is your level of satisfaction with your current energy provider?
 Are you considering switching to another energy provider in the next 12 months?
 What organizations do you trust to inform you about actions you can take to optimize your energy consumption?



Base: All respondents; for considering switching, residential consumers from competitive markets only

- ◆ Satisfaction with current energy provider (very satisfied/satisfied)
- Trust in utilities to inform about actions to optimize energy consumption
- Considering switching to another energy provider in the next 12 months

Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

SMBs offer energy providers opportunities to achieve a range of objectives—including delivering on conservation goals, tapping into new revenue opportunities, actively engaging with a more vocal group of consumers and, in competitive markets, reducing customer churn and improving profitability. However, SMBs are challenging and paradoxical—at the same time more satisfied and trusting of their energy providers as well as more volatile than their residential counterparts.

Energy providers are not alone in seeing the potential value of SMB consumers. Telecommunications companies, retailers, energy management vendors and in competitive markets, energy brokers are all moving to serve this market, and SMBs are interested in what they have to offer. In an era of increasing energy costs and nontraditional entrants moving into the energy marketplace, energy providers will need to act decisively to engage SMBs to create and capture value from the neglected middle.

Spotlight: Should energy usage define who is a SMB?

The definition of SMBs varies greatly across countries and energy providers. In general, energy providers define residential, SMB and commercial and industrial consumers based on their level of energy usage. And yet, kilowatt-hours, therms or other measures of usage may mean little to a business owner who expects to be treated as a business regardless of how much energy they use.

Taking an outside-in view to defining SMBs is one way to be more business-oriented while offering greater clarity for consumers on how they will be treated by their provider. For example, AGL in Australia helps its consumers find their "fit" in the energy consumer ecosystem. It has established two types of parameters and allows business owners to classify themselves and then

engage over the appropriate channels. On its public website, AGL clearly defines SMB as a business that spends less than \$20,000 on electricity and less than \$50,000 on gas each year. Multilocation businesses with fewer than 10 business sites are also considered an SMB.²⁵⁸ This approach allows AGL to highlight products and services specifically designed for SMB consumers while pointing larger businesses toward appropriate offerings.



Actionable insights for engaging SMBs

To deliver a new energy experience for SMBs, energy providers will require innovative strategies that recognize the diversity of this unique group. Accenture has identified six actionable insights that offer a fresh view of the values and preferences of SMBs.

Actionable insight No. 1: Addressing the bottom line

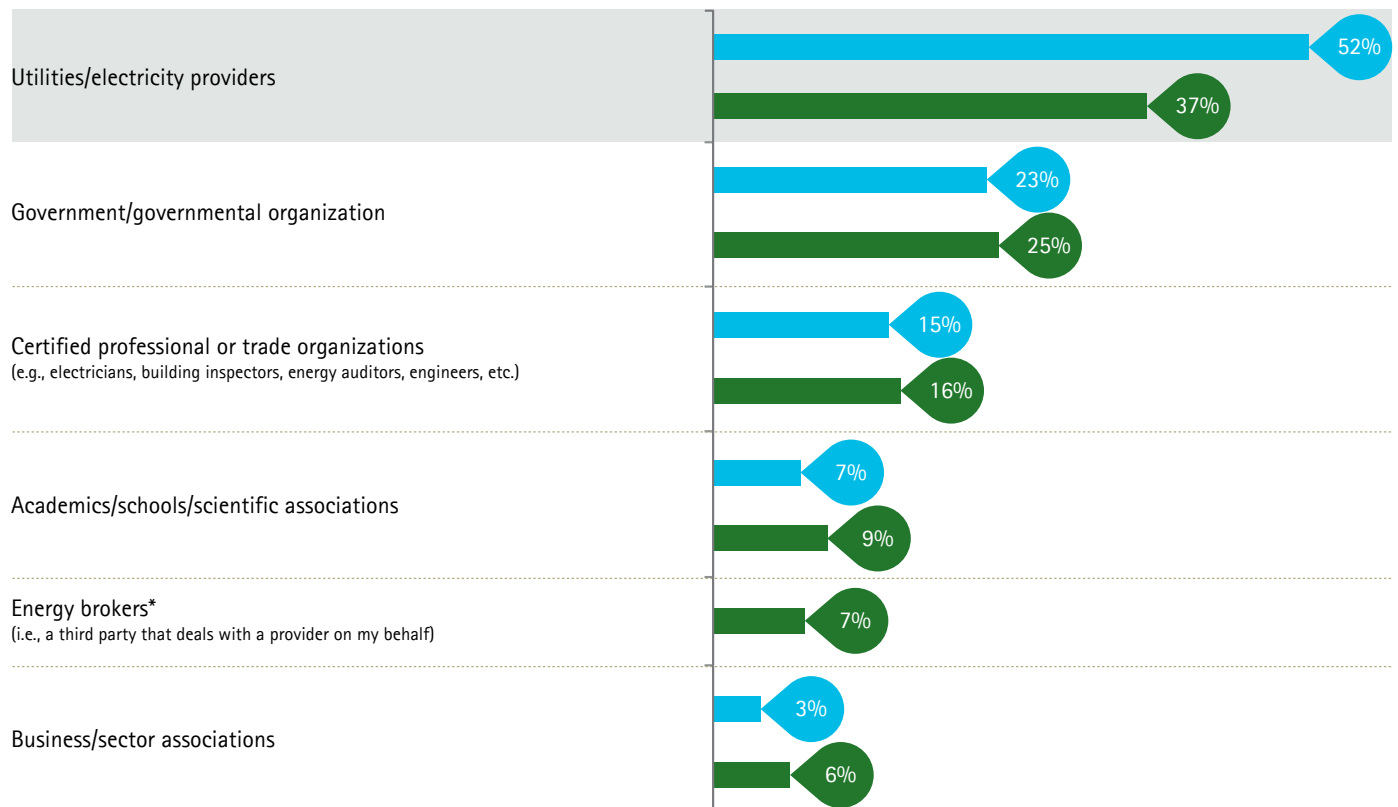
When it comes to making energy-related decisions, the bottom line for SMBs is simple: "help me reduce my energy bill." After all, rising costs affect profitability, and unexpected expenses can crunch cash flow.

Who would SMBs turn to for help managing energy costs? Fortunately for energy providers, SMBs place them at the top of the list. In fact, more than half of consumers in regulated markets and more than one-third in competitive markets believe their energy providers should help them manage energy costs (see Figure 62). Given the choice, however,

83 percent of SMB consumers would consider an alternative provider, such as a telecommunications provider, retailer or other organization, for energy and related products and services. And the reasons for considering other providers: price, convenience and customer service.²⁵⁹

Figure 62. SMBs expect utilities/electricity providers to help them manage their energy cost, especially in regulated markets.

What organizations do you believe should help you manage your energy cost?



Base: All respondents

■ Regulated markets

■ Competitive markets

*Only asked of competitive markets

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

In competitive markets, the same focus on cost emerges when SMBs are considering switching to another energy provider. When asked what factors would motivate a switch to a new energy provider, more than two-thirds say a reduced energy bill (see Figure 63).

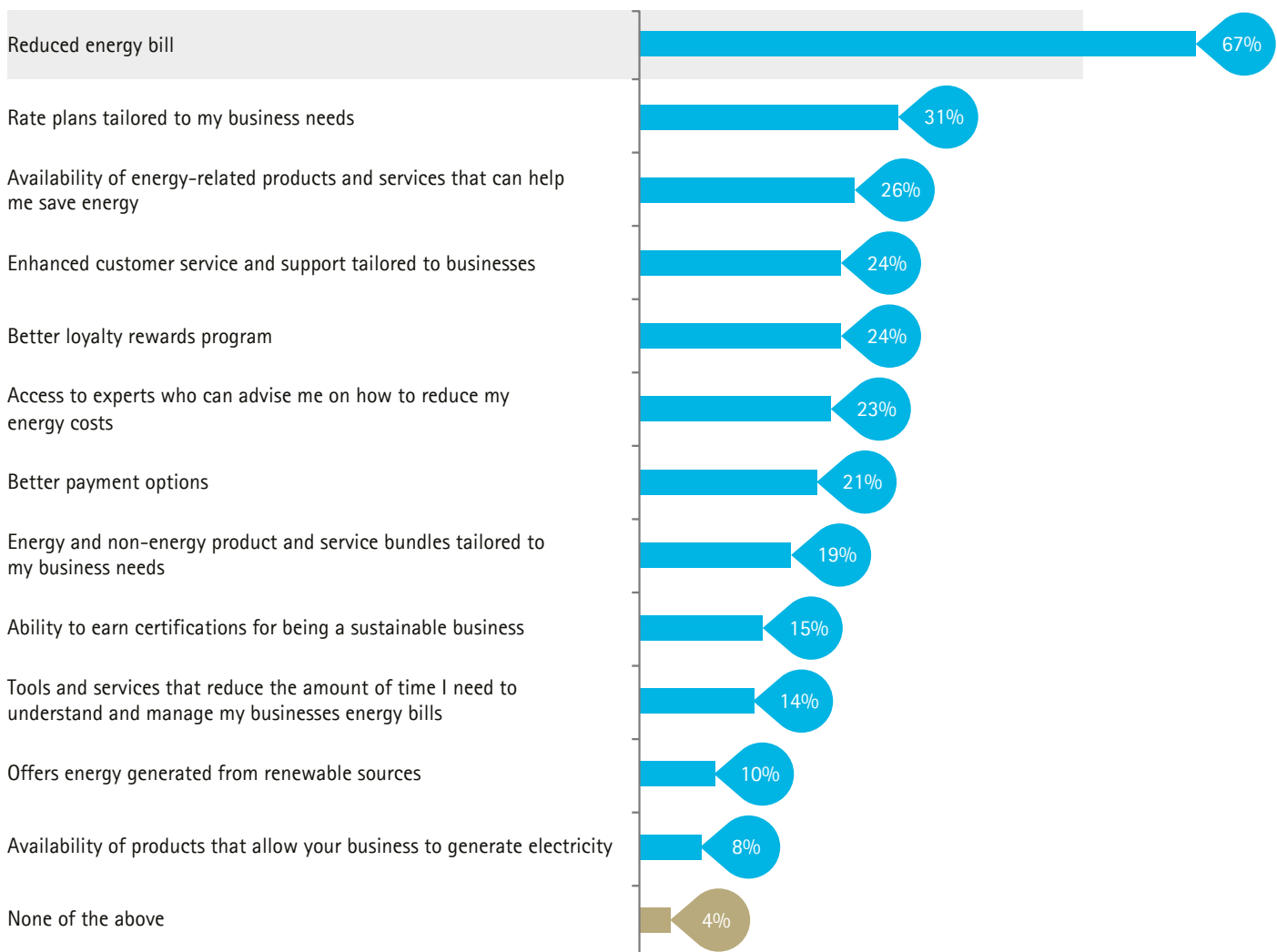
Rate plan preferences also reflect a desire to save money. Given the choice, 56 percent of SMBs would select a variable rate plan that offers the opportunity to save money by actively managing the time at which energy is used as opposed to a flat rate plan where the price is fixed throughout the day.²⁶⁰

It is clear that cost is a critical factor for SMBs. With this in mind, US-based Consumers Energy has developed advertisements that specifically target SMBs—communicating the benefits of energy management programs, new appliances and other energy-related renovations that reduce costs for businesses.²⁶¹ As providers look to engage SMBs, they will need to focus on addressing their energy-related bottom line: reducing the bill.

Figure 63. In competitive markets, SMBs would mainly switch to a new energy provider to get a reduction in their energy bill.

What factors would motivate you to switch to a new energy provider?

Mentioned in top three



Base: Competitive markets only
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Spotlight: Can energy providers leverage group buying to get the price "right" for SMBs?

Given the importance of reducing energy costs, SMBs are embracing some innovative buying tactics that are shifting the balance of power away from energy providers. Special rates and discounted prices for high-volume energy users have long been prevalent in the commercial and industrial space. Today, group energy buying for SMB and residential consumers is gaining popularity. As the following examples illustrate, the group purchasing model can be particularly effective for SMBs—some of which have multiple locations, franchised operations and close connections with others in their local communities:

- In Australia, energy broker PowerGroup Purchasing has created an online channel for community members and individual location operators. Through the site, consumers can sign up to purchase energy in bulk at a reduced rate. In collaboration with head offices of businesses with multiple locations and community group leads, PowerGroup can also establish specific energy rate plans for members of various groups or companies.²⁶² Such energy brokers are increasing the competitiveness of the market and bringing together smaller businesses to get bigger discounts from providers.
- Groundswell—a US-based nonprofit organization—works with communities, nonprofits and businesses to facilitate group energy purchasing, and price is not the only driver. The primary goal: effecting social change by supporting clean energy initiatives and local investment.²⁶³
- Huddlebuy, a daily deals website for small businesses, and Make It Cheaper, a price comparison website for energy and other home services in the United Kingdom, partnered to launch a group switching campaign for SMBs. The campaign aims to connect a group of businesses and negotiate a lower price for energy on their behalf.²⁶⁴

While energy providers may view group purchasing and third-party players as threats, in reality they can also offer the opportunity to create a new business model. Facing the rising use of comparison websites, providers could take a cue from insurance carriers and sponsor their own comparison sites. Providers could also create their own group purchasing models, offering discounts or other incentives to groups of businesses. Similarly, group arrangements could extend beyond energy to include demand management programs or value-added products and services. These kinds of innovative approaches can be mutually beneficial—enabling SMBs to meet their financial goals while driving higher satisfaction and potentially increasing revenue for providers.



Actionable insight No. 2: Looking beyond the bill payer

When it comes to SMBs, utilities typically have one primary relationship: the bill payer. And yet, in many organizations, a wide range of individuals are responsible for energy-related decisions or interactions (see Figure 64). As a result, SMBs often have disconnects between who is using energy, who pays for it and who manages it—creating a need for utilities to engage with multiple roles within the organization. *Delivering the New Energy Consumer Experience* shows that as the number of employees increases, energy-related transactions and decisions are further diffused across an SMB.

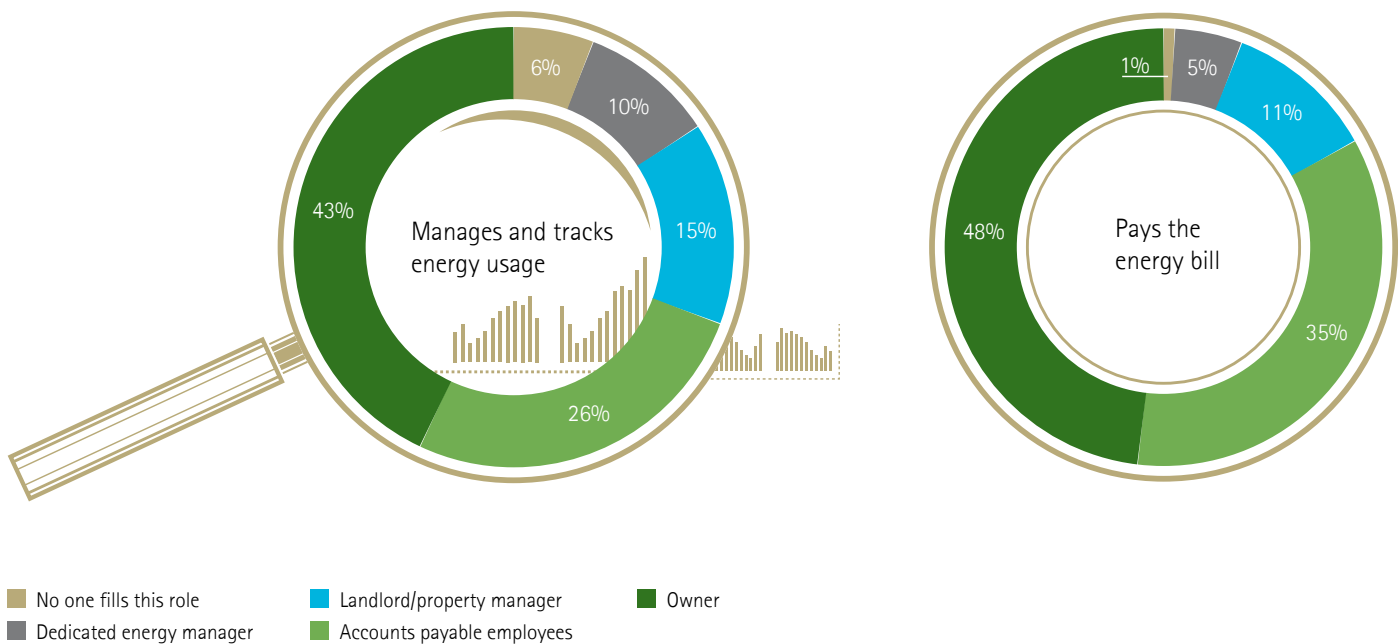
Accenture's research has identified a range of organizations with the potential to influence an SMB's energy-related decisions. When SMBs consider who they trust to inform them on actions for optimizing energy consumption, 48 percent or more trust certified professionals, trades, academics and environmental associations. More

than one-third of SMBs (38 percent) trust their utilities—nearly the same percentage also trust business associations and government.²⁶⁵

With that in mind, some providers have actively built partnerships to better engage the business community. In 2012, Pacific Gas and Electric (PG&E), a large provider in California, introduced time-of-use rates for SMB consumers.²⁶⁶ To help communicate the change, educate consumers and offer support in managing energy costs, PG&E worked with a wide range of community and business groups. Initiatives included seminars and webinars as well as meetings with local organizations including Rotary Clubs, Chambers of Commerce and ethnic associations.²⁶⁷

Figure 64. A diverse set of roles across SMBs are responsible for energy-related decisions and interactions with energy providers.

Please indicate who in your business is responsible for managing and tracking energy usage and who is in charge of paying energy bills?



Base: All respondents

Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

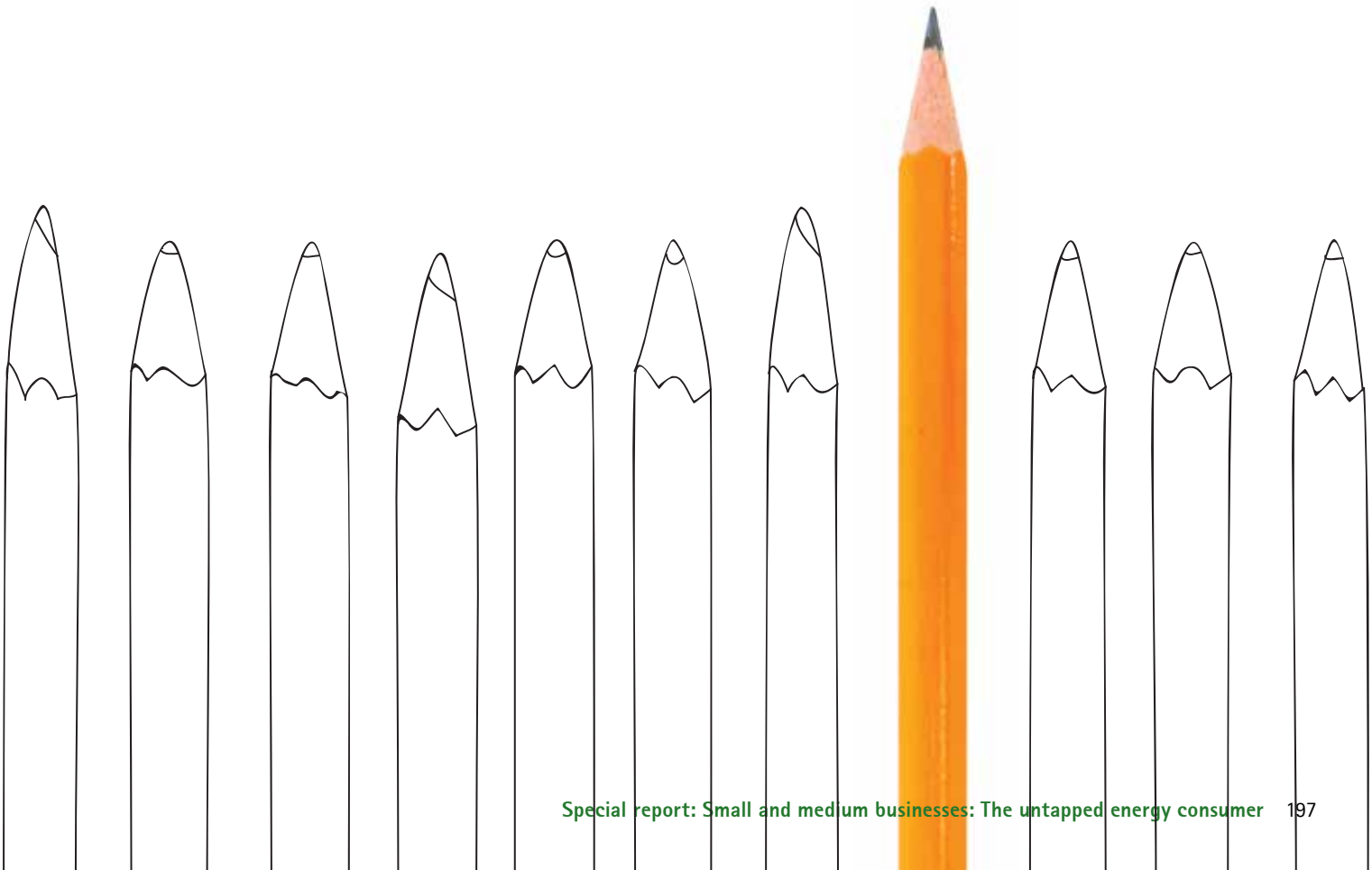
Spotlight: Differentiating the SMB experience

SMBs present a significant opportunity not only to energy providers, but also to telecommunications providers, home and office supply retailers, financial services firms and home improvement retailers. In the search for value, these organizations have all begun to differentiate the SMB experience, attract new consumers, improve satisfaction, grow revenue or just demonstrate that they understand the needs of SMBs. A few examples from around the world show innovative approaches for creating a new experience tailored to SMBs:

- At the height of the recession, Office Depot, a global home and office supply company, announced its "Small Business Self-Bailout Plan"—a program that armed SMBs with tools, resources and support for surviving the downturn. The program's website featured tips, promotions and tools, along with advice from Steve Strauss, author and small-business columnist for *USA Today*.²⁶⁸

- In Australia, Momentum Energy has specifically targeted business consumers with marketing that clearly delivers the message: "We're dedicated to your business." Momentum Energy delivers on that promise with flexible payment options, dedicated business managers for larger energy users and a monthly award for local small businesses.²⁶⁹
- Similarly, the Commonwealth Bank of Australia set out to penetrate an underserved market—businesses led by women. Launched in 2009, its Women in Focus program provides an online forum, access to business mentors, seminars, personal advice and other tools to help grow these businesses. As of 2012, the community had grown to more than 4,000 members.²⁷⁰

Such tailored approaches focus on delivering value for SMBs, and are effective not only in attracting consumers and strengthening relationships, but also in embedding providers in the social fabric of local communities.



Actionable insight No. 3: Offering tailored products and services

When it comes to additional products and services, SMBs show significant interest in receiving tailored offerings. Overall, SMBs report that they have already signed up for or purchased a wide range of energy-related products and services. The majority (more than 70 percent) also take actions, such as shutting down equipment or reducing heat, to decrease usage.

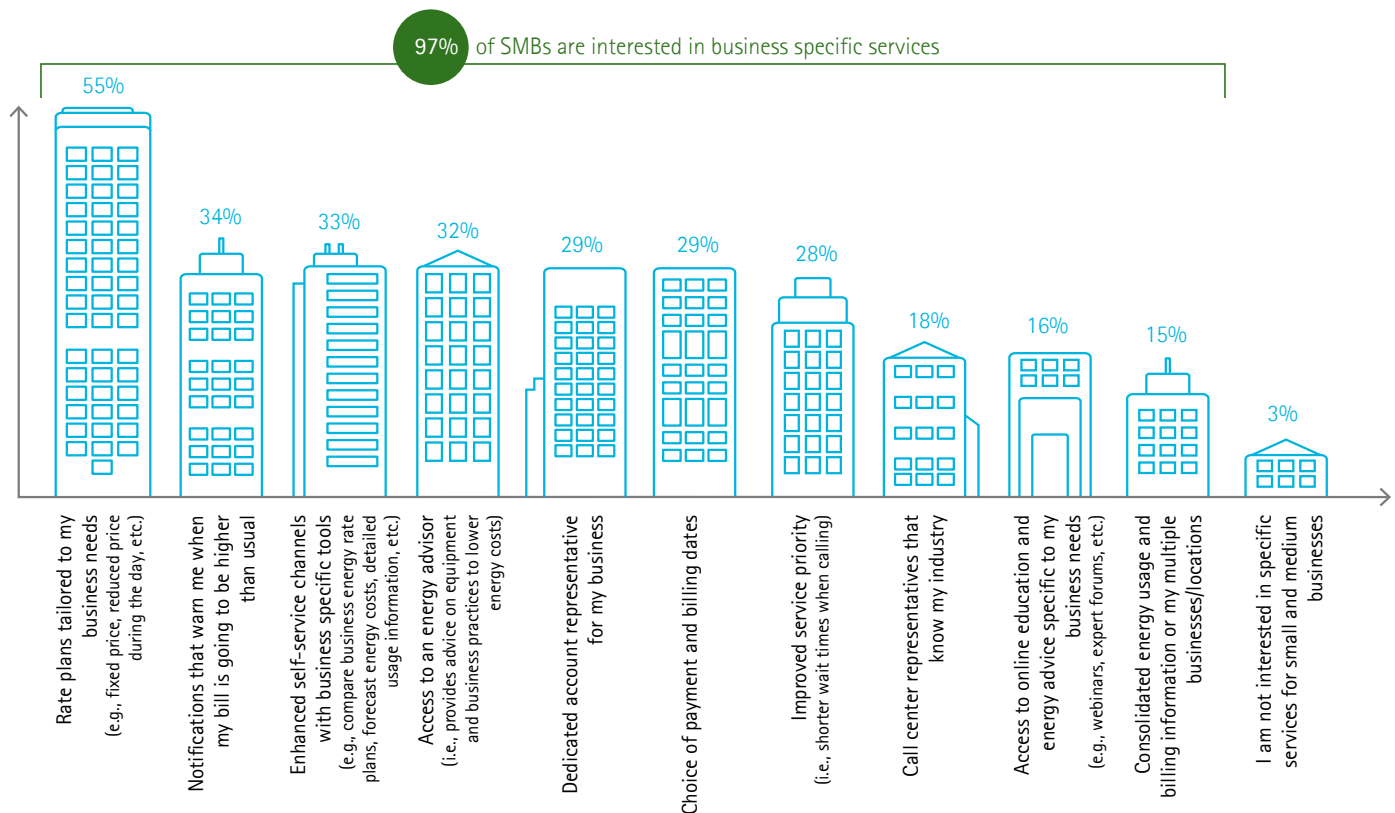
Even with significant actions already taken, 20 percent of SMBs report that they would be interested in energy rate plans that decrease the bill or make it more predictable. SMBs are also interested in devices or services to

monitor and automate energy usage and energy audits or consultations to identify opportunities to save energy. Clearly, making costs more predictable and saving money are key product value propositions.

SMBs also show significant interest in a range of services designed specifically for them. In fact, 97 percent of SMBs are interested in tailored services from their energy providers, and 53 percent report that they would be willing to pay for them (see Figures 65 and 66).

Figure 65. SMBs show significant interest in tailored services.

If your energy provider offered specific services for small and medium businesses, which of the following options would you expect your provider to include?



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

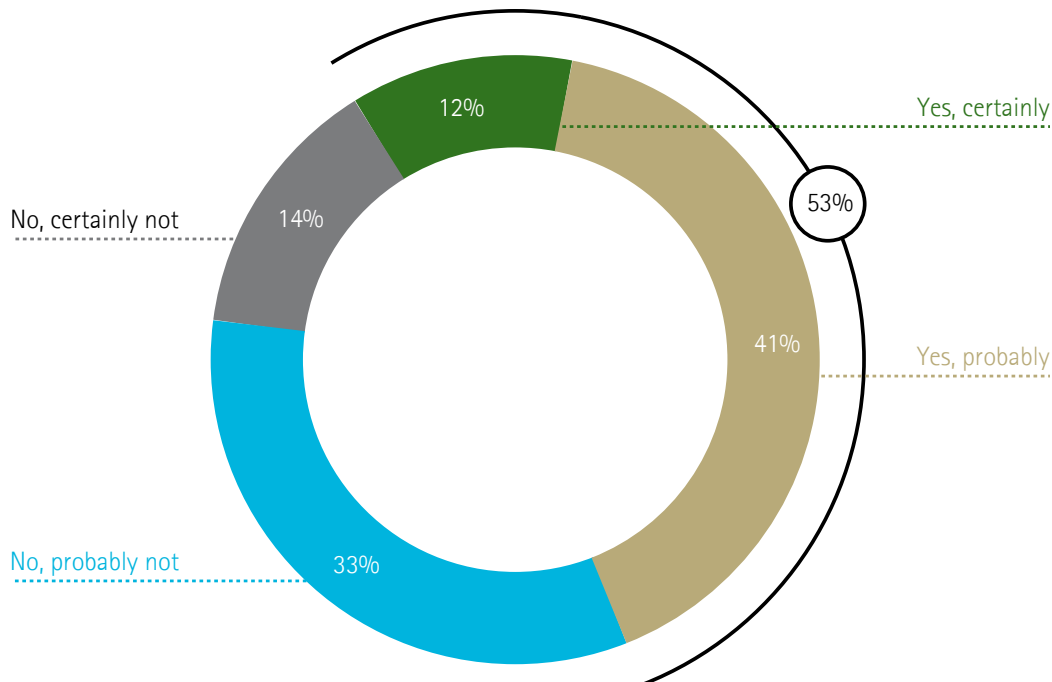
This interest also extends to distributed generation. Interestingly, 74 percent of SMBs report they would be interested in products to generate their own electricity. In some markets, third parties recognize this opportunity and are combining solar solutions with financing options that reduce the need for business to make a large up-front investment. For example, US-based SolarCity has designed solar lease agreements that reduce up-front costs and facilitate transfer of payments if a business owner changes locations.²⁷¹

To catch the attention of SMBs, energy providers need to focus on tailored offerings that align with business preferences. Done right, there appears to be significant opportunity to sell energy-related products and services designed specifically for SMBs and to tackle energy costs directly for business consumers.



Figure 66. The majority of SMBs would likely pay a premium for tailored services.

Would you be willing to pay for these services from your energy provider?



Base: All respondents
 Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Actionable Insight No. 4: Embracing the business cycle

Knowing when to communicate with business consumers and what messages will resonate is important to engaging SMBs. In *Delivering the New Energy Consumer Experience*, SMBs reported they would be most interested in learning about energy-related products and/or services to help manage usage when budgeting for the upcoming year (see Figure 67). The challenge for energy providers: budgeting is a decidedly internal activity that is likely to be managed differently for each SMB.

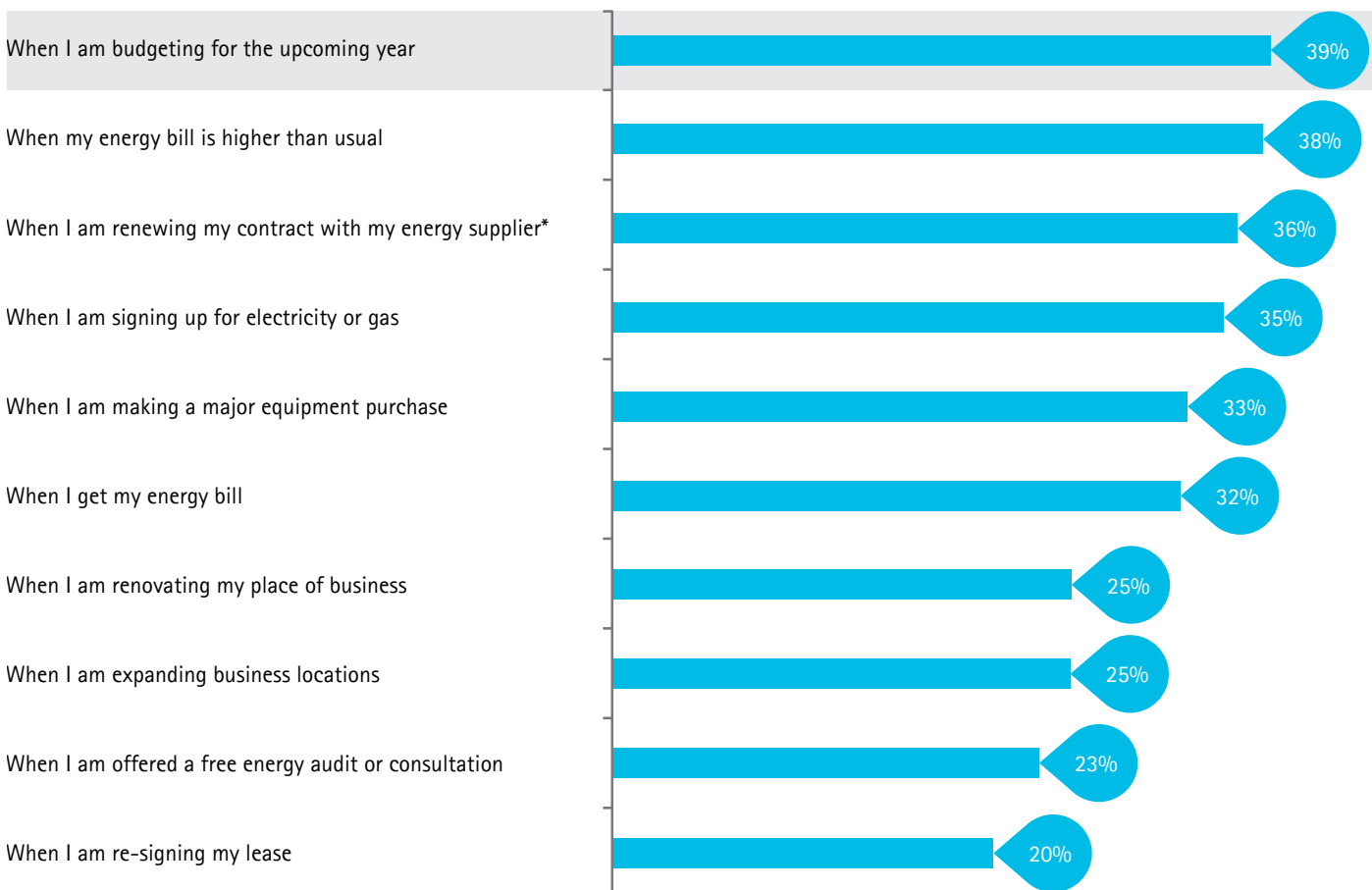
When it comes to products and services, it is also critical to keep business imperatives top of mind. As an example, when considering the impacts that a variable rate plan would have on their business, SMBs report that the biggest impacts would be that budgeting would be more difficult and it would increase the complexity of managing operations.

The key takeaway: businesses have unique needs and challenges that are not the same as residential consumers. Operational and business planning rhythms are critical factors that influence when and how to engage SMBs.

Figure 67. SMBs are interested in learning about energy-related products and/or services during a range of moments, including events tied to their business cycle.

When would you be interested in learning about energy-related products and/or services to help you manage your energy usage?

Mentioned in top three



Base: All respondents

*Only asked of competitive markets

Source: *Delivering the New Energy Consumer Experience*, Accenture, 2013.

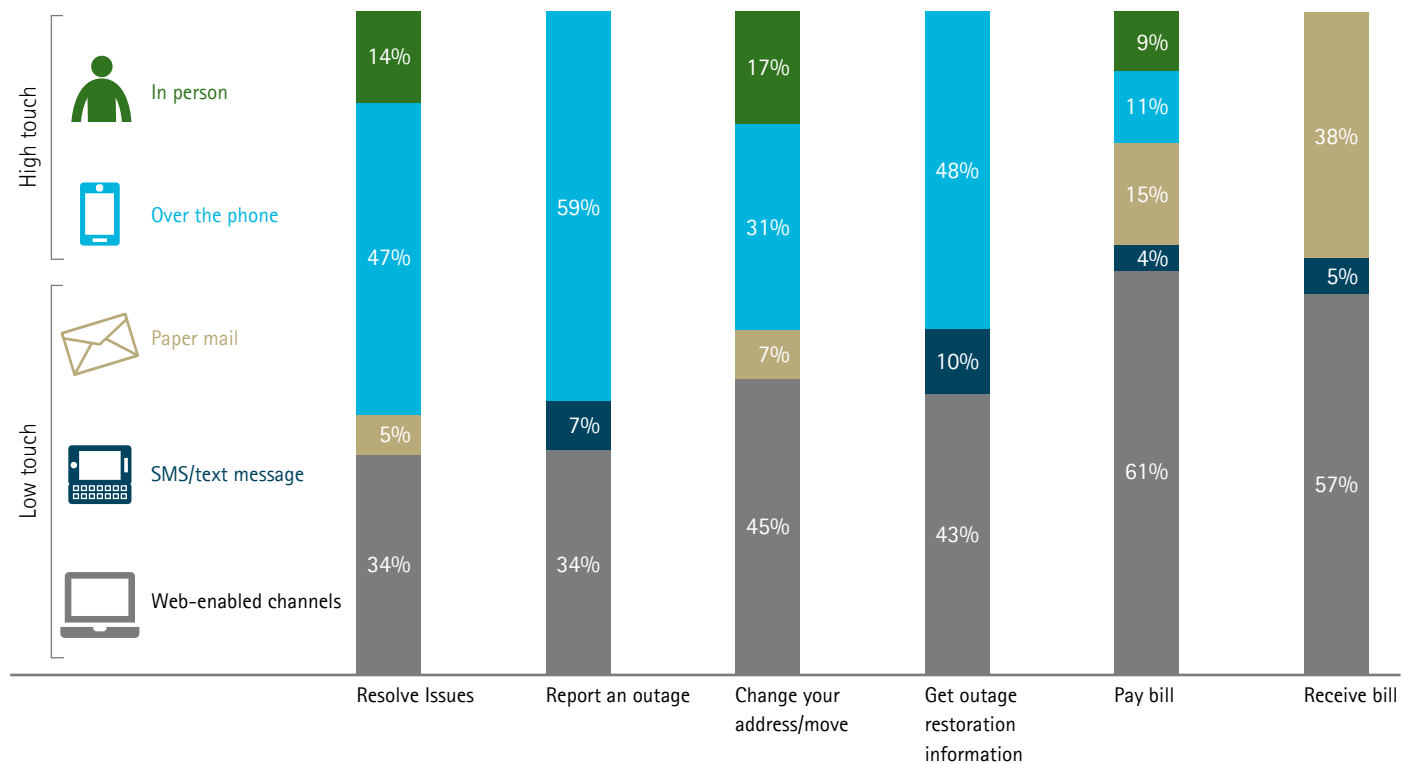
Actionable Insight No. 5: Creating a personal experience

In recent years, channels of interaction have been an area of focus for many energy providers. While many have focused on reducing costs through greater self-service, channel strategies are also a critical part of the consumer engagement puzzle. Accenture's research has shown that similar to residential consumers, more than half of SMB consumers prefer self-service via mobile phone or the Web for four of six primary interactions (see Figure 68).

However, when it comes to business-critical events—such as resolving issues or reporting an outage—SMBs expect higher-touch interactions. Given the potential impact of an outage or other issues to an SMB's bottom line, it is understandable that they would prefer higher-touch interactions, which often provide more personalized service and the perception of quicker resolution.

Figure 68. While SMBs prefer low-touch channels for common transactions, they expect higher-touch interaction for business-critical events.

Please select your preferred method of interaction with your energy provider for the following events



Base: All respondents

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Actionable Insight No. 6: Removing the "dissatisfiers"

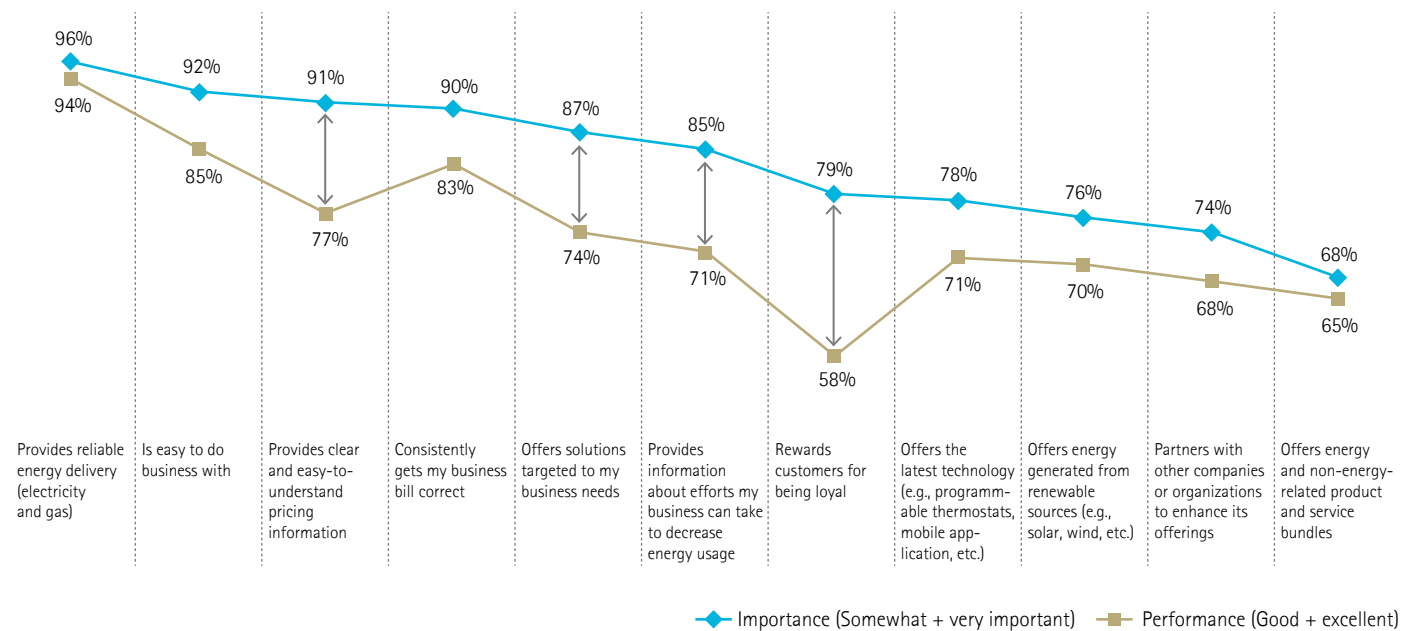
When considering the factors that impact their satisfaction with their energy providers, SMBs rate the basics of the customer experience as most important. Delivering reliable energy, ease of doing business, clear pricing information and getting the bill right are important to 90 percent or more of SMBs (see Figure 69).

Across a number of these factors, providers perform well; however, a number of significant gaps exist between SMBs' expectations and providers' performance. SMBs feel that their energy providers underperform when it comes

to providing clear information on pricing, tailored solutions, advice to decrease energy usage and, in competitive markets, loyalty rewards. These gaps highlight the importance of not only getting the basics right, but also meeting expectations for more tailored information, offerings and solutions.

Figure 69. Getting the basics right is critical for SMBs, but providers underperform when it comes to loyalty recognition, clear pricing information, energy advice and targeted solutions.

How important are each of the following factors in your satisfaction with your energy provider? Based on your experience to date, how would you rate your energy provider's performance on each of the following factors?



Base: All respondents

*Only asked of competitive markets

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Taking care of business

With diverse preferences and values, SMBs offer opportunities for energy providers to deliver on multiple imperatives: customer satisfaction, energy conservation, cost reduction and revenue growth.

While the potential benefits of engaging SMBs are clear, knowing where to begin can be a challenge. Energy providers will need new strategies for developing solutions that redefine the energy value proposition for SMBs. At the same time, providers must do so cost-effectively while creating new opportunities for themselves. Accenture has observed four immediate tactics that providers can use to create step-change improvement in SMB engagement:

- 1. Understand the diverse needs and preferences of SMBs.** Relentlessly gather and mine insights to segment the market and extend the relationship beyond the bill payer.
- 2. Establish tailored channels of interaction.** Create channels of interaction that recognize SMBs as unique consumers and address their specific needs.
- 3. Provide business-specific products and services.** Leverage business insights to create offerings tailored to specific business segments.
- 4. Build a technology foundation for success.** Explore technology options that support cost-effective, tailored SMB approaches at scale.

Understand the diverse needs and preferences of SMBs

To succeed in serving SMB consumers, energy providers must first recognize and understand their tremendous diversity. Among SMBs, business cycles and energy-related needs and preferences can vary widely. As an example, SMB focus groups in the United Kingdom showed that there are specific pockets of businesses that are more interested in engaging with their providers to understand usage. Specifically, businesses with higher energy consumption such as manufacturers or small food retailers were more interested in their energy usage and particularly in finding ways to save money.²⁷²

Delivering the New Energy Consumer Experience also showed that 15 percent of SMBs are interested in receiving certifications for being a sustainable business. So while cost is a key driver for many businesses, some may seek advice on energy efficiency or buy energy-related products and services for environmental as well as financial reasons. Some energy providers such as Bullfrog Power in Canada are tapping into the green values of businesses. When consumers sign up with Bullfrog Power, the energy provider will inject green electricity or natural gas onto the energy system to match the amount of energy the business uses. Businesses can receive signage to let their consumers know they are “bullfrogpowered,” take part in co-branded advertising and gain access to consumer and employee discount programs.²⁷³

This example highlights the opportunity to look beyond energy usage and leverage further insights to segment SMBs and craft unique value propositions for different businesses based on their values and preferences. Factors—such as businesses seasonality, fiscal cycle and business growth—can have a significant impact on when to engage SMBs, as well as the value propositions they may be interested in. These insights are critical to allow energy providers to cost-effectively engage SMBs and have the right conversations with the right consumers at the right time.

In addition to understanding the differences between businesses, providers will need to become more sophisticated in understanding different roles within the business. *Delivering the New Energy Consumer Experience* suggests that, in many SMBs, there is a range of individuals or teams with accountability for different aspects of energy monitoring and decision making. For providers, identifying who owns a business or who processes invoices will not be enough. Providers will need to understand roles and responsibilities within each organization—and define customized service strategies to accommodate distinct needs and build relationships with the right decision makers.

Spotlight: The shifting SMB consumer relationships

Defining the energy provider-SMB relationship can be a difficult task. In many cases, the primary contact is the bill payer; however, a variety of people in a business may interact with the provider—particularly as organizations grow in size and complexity or as providers look to extend the relationship (see Figure 70).

Today, many utilities have a one-to-one relationship with a contact at an SMB. Yet, most businesses have multiple people with responsibility for various energy decisions and interactions. As providers strive for a more tailored approach

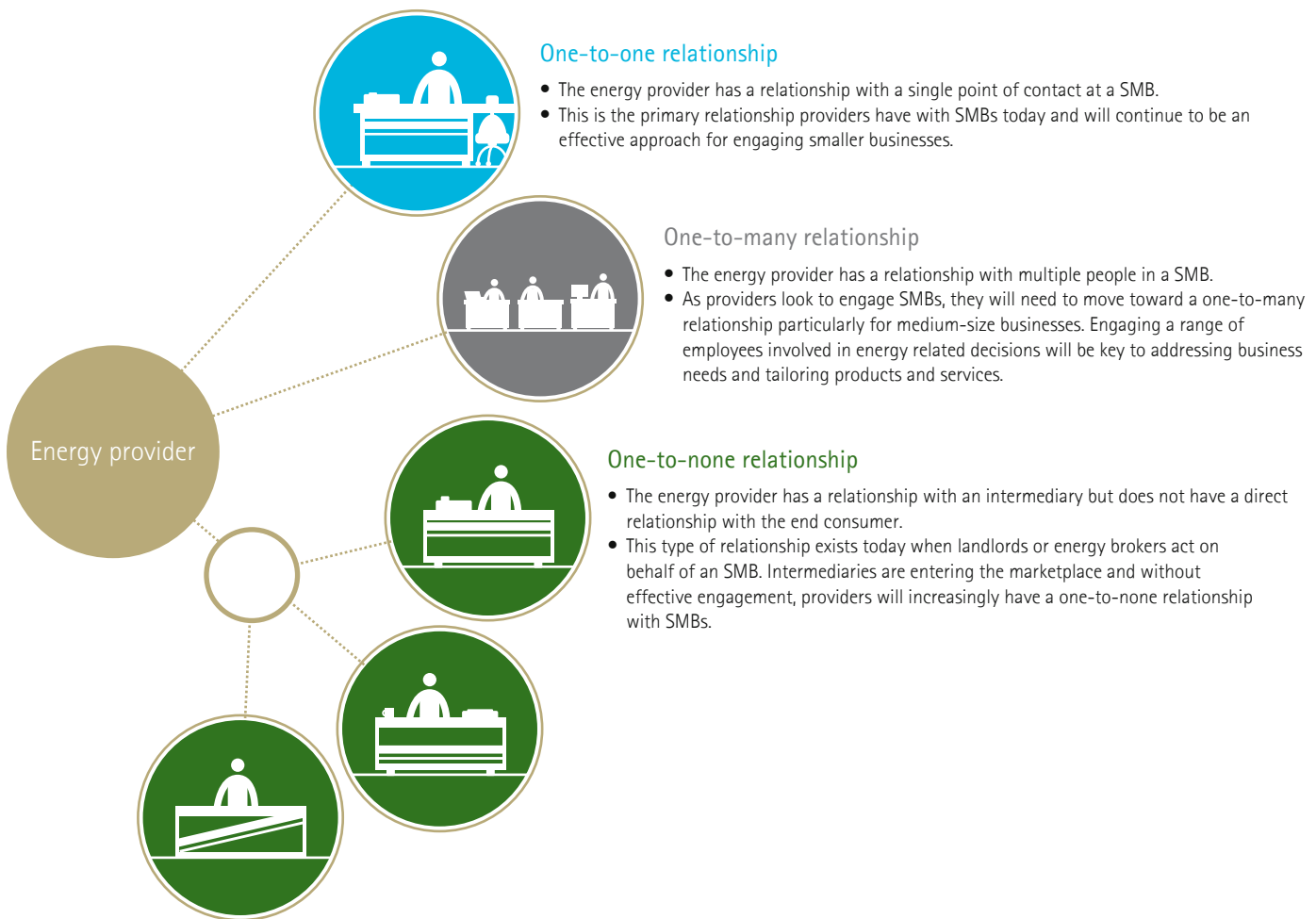
to this market, it will be increasingly important to develop a one-to-many relationship with the different individuals or departments in the organization.

Developing and maintaining a one-to-many relationship with a business is not easy. Keeping track of multiple contacts—including each employee's role, energy-related responsibilities and personal information, such as buyer values is complicated. It requires a strategic approach to information gathering, tracking and relationship development. Developing, storing and acting upon these insights will stretch the employees, processes and technology of many providers. But when it comes to delivering tailored messaging, having a one-to-many relationship allows providers to target

not just a specific business but also a certain person within the business. With robust customer relationship management systems, providers can develop one-to-many relationships with SMBs and deliver cost-effectively at scale.

In some cases, utilities do not actually have a direct relationship with the SMB consumer. Landlords, energy brokers or energy management service providers may stand between the energy provider and the end consumer. Such intermediaries can create challenges in building a relationship, influencing energy usage, selling additional products and services and sometimes even identifying end consumers.

Figure 70. Energy providers relationship with SMBs will continue to evolve.



As new entrants emerge in regulated and deregulated energy markets, Accenture expects that energy providers will see a rise in one-to-one relationships with SMBs. Increasing energy costs, more complex rate structures and the emergence of new products and services are likely to drive more SMBs to intermediaries that allow them to save money and focus on running their business.

In competitive markets, intermediaries are already changing the nature of some provider-SMB relationships. For example, UK energy broker Hotel Energy serves hospitality, catering and leisure companies—offering not only to negotiate contracts but also to monitor usage, perform energy audits and resolve issues

with the energy provider.²⁷⁴ Providers have a chance to work with these new intermediaries and view them as potential partners or consumers, or to treat them as competitors encroaching on the consumer relationship. Energy providers should determine what kind of relationship they want with SMBs while recognizing that third parties are likely to play increasing roles in the energy marketplace.



Establish tailored channels of interaction

One thing is clear—SMBs want to be treated as a unique group of consumers. The challenge for energy providers is how to deliver services cost-effectively. Tailoring channels of interaction for SMBs is a key first step in differentiating the experience and creating an effective mix of high-touch and self-serve capabilities. The call center and Web channels offer immediate opportunities to establish SMB-specific capabilities.

Tailoring the call center experience

Although many utilities have business-specific phone numbers for call centers, these numbers often lead to a general pool of agents. In other words, the differentiated experience ends before it begins. As leading providers begin developing specialized treatments for SMB consumers, they are discovering that compared to residential consumers, SMBs have more complex rate options and greater account management requirements. Common questions from SMB consumers include how to save energy and lower the bill, requests for

detailed breakdown of the various charges on their bill and information on energy conservation rebates or incentives. For a regular contact center agent, fielding these types of inquiries can be a challenge—particularly if a provider maintains a wide range of SMB programs. For SMB owners, time is money, so it is important not only to resolve the issue but to do so in a timely manner.

Providers may find that a dedicated contact center—with sub-specializations based on SMB consumer segments—can facilitate tailored interactions. Inbound calls can be directed to agents who have an in-depth understanding of SMB-specific topics. Meanwhile, certain business types may have larger call volumes than others. Industry training on the specific business challenges, programs or products and services available for these groups can transform the SMB contact center into a specialized advisory group. Cross-training SMB contact center agents to handle residential calls allows for flexibility in staffing and makes it possible to literally embed the SMB contact center within the broader contact center.

BC Hydro, a large Canadian energy provider, has created the Business Customer Care (BCC) help desk—a business support line designed to offer specialized service for businesses. BCC is staffed by a team of specially trained agents who understand and can more effectively solve the specific needs and issues of business consumers. The team has also begun piloting outbound calls to let consumers know about rate changes and energy-efficiency incentive programs that may be of benefit to particular businesses.²⁷⁵

Tailoring the online experience

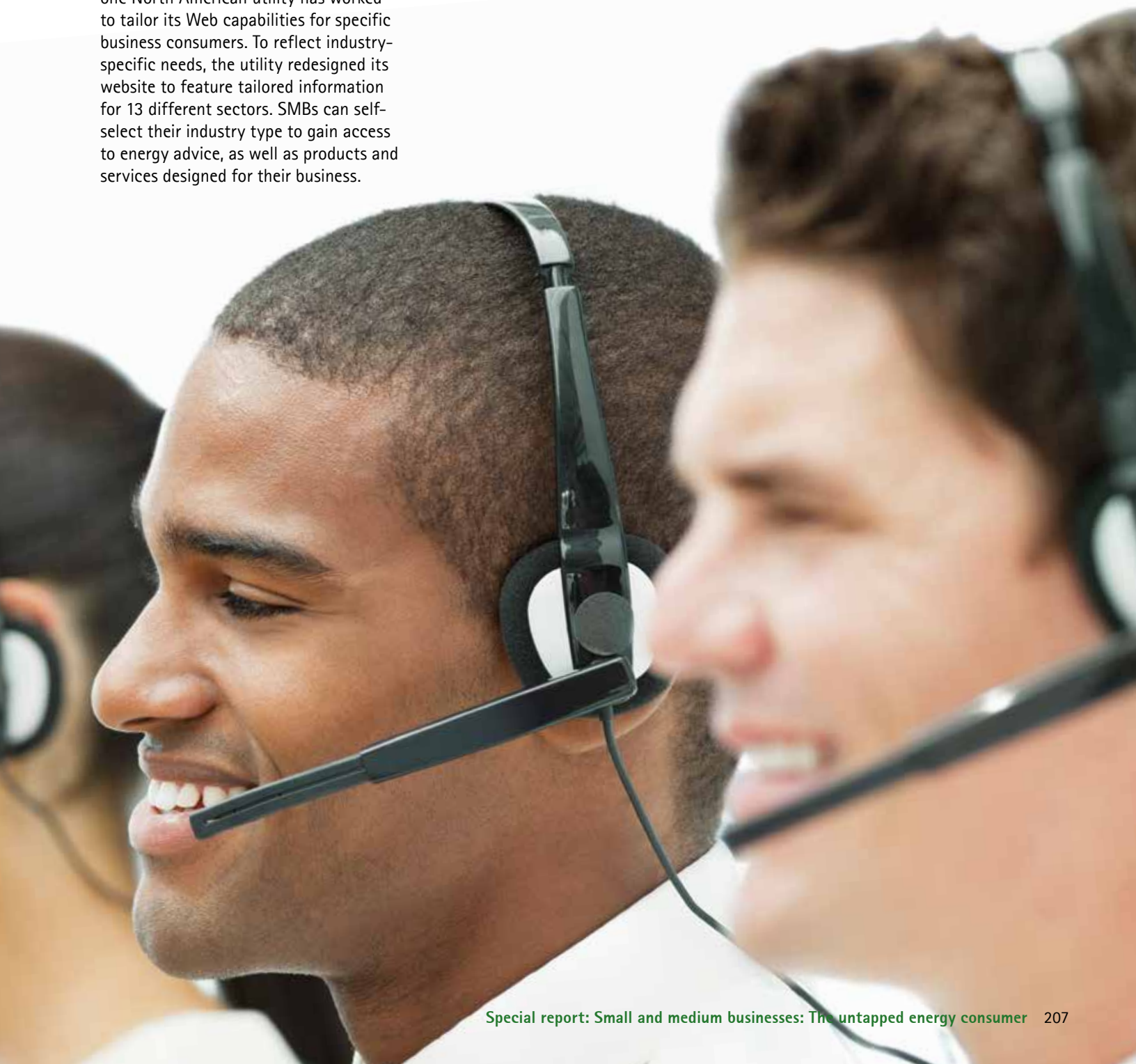
Balancing cost to serve with more tailored SMB approaches is critical to successfully engaging the market. Fortunately, service no longer needs to be in person to be personalized. Web and mobile channels have become sufficiently sophisticated to deliver tailored services to SMB consumers. Developing a tailored Web experience offers a win-win opportunity to more effectively address SMB consumers' self-service needs while freeing call-center resources to focus on more valuable interactions.



As an example, Direct Energy Small Business is a comprehensive Web portal for SMBs. Through the portal, consumers can easily view their online accounts, access simple tips for making their business more energy efficient, sign up for new billing services and purchase rate insurance as protection against rising energy costs. Direct Energy's portal serves as an example of how utilities can create a compelling Web presence and convert high-touch interactions to lower-cost online interactions.²⁷⁶

In seeking to improve SMB satisfaction, one North American utility has worked to tailor its Web capabilities for specific business consumers. To reflect industry-specific needs, the utility redesigned its website to feature tailored information for 13 different sectors. SMBs can self-select their industry type to gain access to energy advice, as well as products and services designed for their business.

A tailored Web experience can go beyond transactions to help strengthen relationships. EDF Energy's business customer website includes a "Business Fit" feature, which allows consumers to provide their energy details and receive tailored tips for reducing energy bills and a detailed plan for increasing savings over time. Consumers can then monitor and track progress against their plan.²⁷⁷ Not only does this feature offer additional value to business consumers, it also creates an opportunity for EDF Energy to gather information that can be used in tailoring future interactions.



Offering face-to-face interactions

Delivering the New Energy Consumer Experience clearly shows that for some interactions—particularly learning about and purchasing new products and services—SMBs are interested in face-to-face interactions including at their business premise. This preference puts pressure on energy providers to build a distinct face-to-face capability for SMB consumers.

Of course, simply sending a field agent to a business is costly, and busy business owners are unlikely to view it as adding value. Energy audits and energy management advice can be vehicles for delivering effective face-to-face interaction. By consumer request or through outbound calling, providers can book audit appointments for high-potential consumers. Providers can then draw on a specialized team with specific industry knowledge to engage SMBs in person.

Offering an energy audit for target groups of consumers may be one avenue to engage SMBs at their business premise—thereby positioning providers to offer tailored conservation solutions and sell additional products and services. It also offers an opportunity for energy providers to collect on-site information about the business premise and organizational responsibilities when it comes to making energy-related decisions. Particularly in competitive markets where driving new revenue is a top priority, these insights offer a win-win scenario for utilities and SMB consumers: money made for the utility and money saved for the consumer.

Provide business-specific products and services

Creating compelling products and services for this diverse set of consumers requires more than repackaging residential offerings. However, developing a product offering that resonates with this expansive market is challenging. The common hurdle for most providers: building offerings that are sufficiently tailored for SMBs while maintaining a level of standardization necessary for profitable and cost-effective service delivery. In some cases, providers may succeed by narrowing the scope of the SMB market. It is possible to design a more targeted approach based on sector-specific offerings. DTE Energy, a US-based provider, has done just that—tailoring offerings for consumers in the restaurant, grocery, healthcare, lodging and education industries. Focusing on energy-intensive businesses, DTE offers targeted advice on its website as well as “Profiles of Efficiency”—short videos that highlight the savings local businesses have driven with DTE's programs.²⁷⁸

Successful energy providers will be those that tailor offerings and engage consumers by tapping into a range of values and preferences. The key: knowing which value propositions will resonate with which businesses. In *Delivering the New Energy Consumer Experience*, SMBs expressed interest in a range of products and services including distributed generation, business-specific rate plans, energy management solutions and energy audits.²⁷⁹ When considered in combination, it is clear that there are opportunities for energy providers to create bundled solutions that bring together rates, products and services tailored for specific segments of SMBs. For another potential opportunity, see *Spotlight: Tailoring products and services for landlords and property managers*.

To deliver on the expectations of SMBs and capture value in the marketplace, a one-size-fits-all approach to products and services will not work. SMBs expect solutions specific to their business needs and successful energy providers will be those that can deliver tailored solutions at scale.

Spotlight: Tailoring products and services for landlords and property managers

Landlords and property managers are one customer segment that has long stood out as unique. With multiple tenants, accounts and locations, this group of consumers often demands more hands-on service from energy providers. In many cases, landlords and property managers are essentially a small business. Depending on who is actually paying the energy bill, utilities may not even have a direct relationship with the end consumer.

Many providers today have specific offerings for landlords and property managers, but in some cases, there may be additional opportunities to reduce operational costs, engage consumers or gain additional revenue by focusing on these consumers. Landlords and property managers are always looking for ways to reduce the complexity of their business and simplify tenant management. Quite simply, they want convenience—and energy providers are well positioned to create channels and product offerings that make their day-to-day operations easier.

Energy providers can offer landlords and property managers convenient tools for managing tenant relationships. Offering tailored information and transactions through self-service can be a first step. As an example, Xcel Energy, a large US energy provider, has a dedicated service offering for landlords. Via the Web, Xcel Energy offers landlords leading practices for managing move-in and move-out, as well as landlord billing and payment information. By deflecting time-intensive questions away from the call center, this approach not only improves service but also helps in reducing costs. Additionally, Xcel Energy offers landlord agreements that allow property managers to preselect the action and communication the utility will take when a resident moves out.²⁸⁰ In a smart meter-enabled world, these types of services can be extremely valuable, allowing landlords to avoid extra energy costs by turning off power to units as soon as they are vacant.

Similarly, DTE Energy offers free online tools for landlords to manage their rental properties. The “Landlord Utility Manager” allows landlords to help tenants start or discontinue service, produce reports on apartments with accounts that are in their name, and offers the ability to enter meter readings for move-ins and move-outs to ensure accurate billing.

These types of landlord services can help to encourage self-service and increase satisfaction, but landlord-specific products and services may also present a new revenue opportunity for energy providers. Maintenance and service plans for rental properties can become an ongoing revenue stream. For example, British Gas’ landlord services include tailored bundles with gas boiler safety certification, plumbing and electrical repair services, and central heating repairs—all for a monthly fee.²⁸¹ Some landlords who have tenants with energy-intensive businesses such as data centers are in essence becoming energy brokers, including complex energy contracts as part of the lease. In these cases, energy providers again could have a role to play in helping to manage or reduce this complexity.²⁸²



Build a technology foundation for success

Implementing more tailored approaches for SMB consumers sounds great; however, it represents a significant shift for many energy providers—particularly when it comes to existing technology infrastructures. Strategically gathering and storing insights on SMB consumers and consistently delivering a tailored experience demands significant technical horsepower. While energy providers typically have more flexible customer relationship management and billing systems for commercial and industrial consumers, SMBs are typically supported by systems largely designed for and used to serve residential consumers.

Today, some providers' legacy technology platforms cannot effectively keep track of multiple contacts with diverse roles and responsibilities. Further, they may be unable to store different types of information on SMBs' business cycles, premise information, business performance and other critical details necessary to offer a more tailored experience. In the short term, utilities may be able to leverage existing technology to improve traction in the SMB market. But to truly engage this important and diverse segment over the long term, many will likely need to develop more flexible technology infrastructure.

New rate structures, a broader set of product and service offerings, targeted energy-efficiency and conservation initiatives and tailored service are all on the horizon. For many providers, to deliver cost-effectively at scale will require more flexible customer systems with enhanced analytics, channel and product capabilities. Before embarking

on such transformation, utilities can learn from telecommunications providers, which have also been searching for value in the SMB market. To support initial efforts to tailor to SMBs, many telecommunications providers looked to cloud-based applications for sales teams before integrating with broader customer service and billing applications. For energy providers focused on capturing revenue from SMBs, this approach may offer speed to market. Over time, providers can build on that momentum to create an end-to-end integrated technology solution for SMBs.

The time for overlooking SMBs is over. Opportunities span a range of goals that nearly every energy provider is focused on achieving: satisfaction, revenue, cost reduction and demand-side management. The key to success will be tailoring the experience. SMBs have made it clear they want offerings specific to their business needs and if energy providers do not deliver, others hunting for value in the energy marketplace could quickly capture the neglected middle.



Case in point: American Express OPEN gets down to business

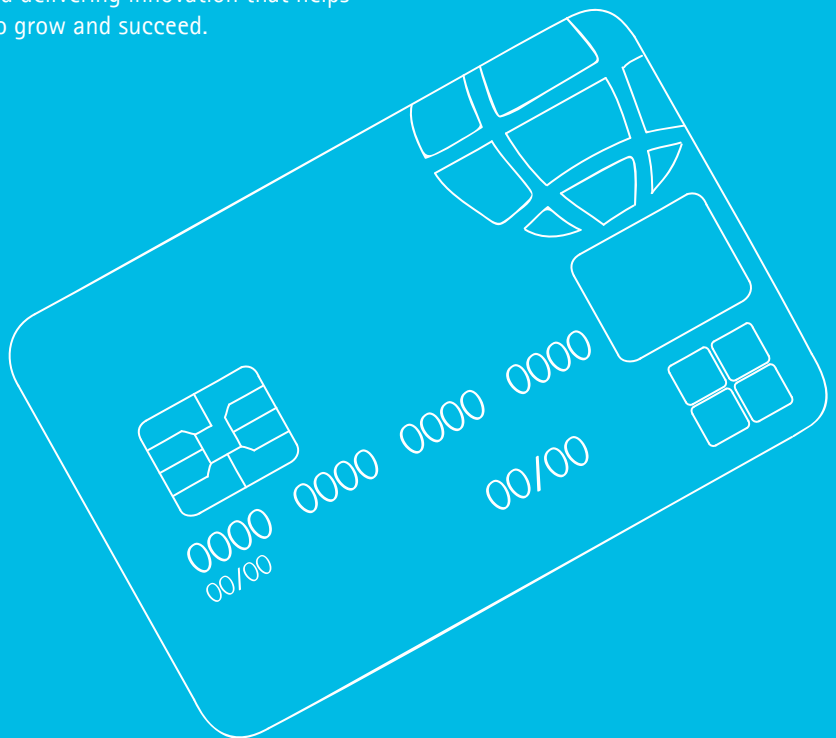
For examples of successful SMB strategies, energy providers can look to the credit card industry, which has been focusing on this segment since the 1990s. American Express OPEN sets a benchmark for serving SMBs.

American Express created the American Express OPEN brand and slogan, "Powering small business success," to cater specifically to small-business consumers.²⁸³ The brand now offers an interactive online forum with management, marketing and technology tips, as well as online crash courses that help educate business owners and executives on a range of marketing and management topics.²⁸⁴ American Express OPEN also maintains a large following on Facebook and YouTube and continues to innovate in order to create value and build close connections with the business community.

To fuel continuous innovation, American Express OPEN uses co-working spaces where start-ups and small businesses share office space. Day-to-day interactions allow for on-the-ground feedback and information from businesses. American Express employees also have opportunities to participate in an "externship" program. Through an externship, they collaborate with a company not only to solve a particular issue but also to gain hands-on experience in the daily challenges of running a smaller business. Those challenges can be vastly different from the problems faced while working in a large enterprise and offer unique insights that lead to new marketing, sales and customer service approaches tailored to small business needs.²⁸⁵

American Express OPEN's emphasis on creating value has generated some unique business-oriented products and services. One of the most high-profile examples is "Small Business Saturday." In the United States, "Black Friday"—is the official start of the holiday shopping season. As such, it is a major source of revenue for large retailers across the country. To help extend this benefit to small businesses, American Express OPEN kicked off Small Business Saturday. To help launch the program, American Express offered consumers a \$25 credit on their American Express cards for shopping at small businesses. Partnering with Facebook, American Express also armed small businesses with a Facebook marketing toolkit to help in promoting the day. Following its launch, the campaign went viral and has since become an annual tradition.²⁸⁶

American Express has invested years in building its small-business focus. Its American Express OPEN brand and program illuminate two keys to success for energy providers: taking a long-term view and delivering innovation that helps SMBs to grow and succeed.



Special report:

Retail revisited: New energy market strategies



Retail revisited: New energy market strategies

Retail energy providers face a marketplace with increasing competitive pressures, squeezed margins and disruptive technologies that are shifting the energy value proposition. Against this backdrop, providers face a critical need to reinvent retail operations to build a foundation for long-term profitability and growth.

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Retail revisited

As energy retailing becomes more complex, successful providers are adopting innovative methods to counter today's disruptive forces, while also laying the foundation to create consumer value in the new energy marketplace.

Retail energy providers (REPs) are in a state of permanent volatility due to the changing marketplace, growing regulatory pressures, heightened competition for consumers and new global economic realities. The pace of innovation has quickened and current tariff offerings and other differentiated products and services are increasingly commoditized. At the same time, disruptive technologies are making some traditional retail energy services redundant, and creating new opportunities for REPs and nontraditional energy providers.

Successful providers will embrace what Accenture calls "retail revisited"—the notion that new mobile and digital technologies empower REPs to be successful as full energy and home service providers. In the past, delivering consumer value beyond the commodity was a more difficult proposition; in many cases, retailers exited the market entirely. However, smart meter technology, mobile applications and new methods of digital interconnectivity are opening the door to any provider seeking to capture value.

Even as REPs begin to identify potential value in the new energy marketplace, there exist significant challenges in current retail environments. To illustrate some of the global trends and challenges, we dive deeper into a handful of mature, liberalized energy markets. This report will examine common trends across the United Kingdom, Australia and the United States including:

- **Retail market movement.** Examines the implications of regulatory trends, sustainability requirements and retailer responses to specific pressures in the retail electricity markets.
- **Competitive intensity.** Explores differing levels of competition and how retailers are responding to the rise of increased open competition.
- **Consumerization.** Discusses the impacts of the digital consumer and the role of consumer behavior in shaping the current retail energy environment.

Although these three trends provide consumer choice of energy retailers at the mass-market level, each exhibit different levels of market maturity and customer churn depending on the competitive dynamics. While this special report is focused on trends in liberalized markets, many of the concepts are universal across regulatory environments.

Retail market movement

Generally, energy regulators seek to balance similar priorities in their respective markets, including price control, energy efficiency, increased competition, fuel poverty, smart meter deployment and reliability of supply. Amid these priorities, Accenture has observed regulatory shifts reshaping the consumer relationship and creating new requirements for retail energy providers.

Balancing consumer protection and competition

There is a global push across competitive markets toward protecting consumers and increasing the competitive market environment. This could be characterized as re-regulation or a move to increase competition, and it is having an impact on energy provider strategies.

In the United Kingdom, for example, the largest six retailers have traditionally shared more than 95 percent of the market share. Today, they are facing regulation to increase tariff transparency. Providers now face new regulatory obligations:

- **Simplicity.** Regulators are demanding REPs apply fewer tariffs (just four tariffs per fuel type).
- **Clarity.** Regulators want providers to give all consumers information on their most cost-effective tariff and provide consumer information using standard, easy-to-understand wording.
- **Fairness.** Regulators are insisting on enforceable standards of conduct, including no exit fee from fixed-term contracts. They are also banning price increases or other changes to fixed-term tariffs.

Regulators in the United Kingdom are imposing a set of four tariffs per fuel type, creating comparability between incumbent providers. These actions will likely have a significant impact on incumbent retailers' strategies. On the other hand, in some Australian states, price controls and consumer protection regulations continue to create barriers to entry for new retail players. In Australia, these regulatory practices ultimately help large incumbent retailers.

Energy efficiency in retail energy markets

Another common trend across markets is mandated energy-efficiency programs and smart technology deployments. Programs required by government and regulators continue to have significant impacts on energy providers, as they create a need for new capabilities but also offer new opportunities to engage consumers. For example, the Green Deal—the UK government's energy-efficiency initiative—allows consumers to borrow money in order to make energy-efficiency improvements to their homes and make long-term installment payments via their energy bills. Accenture analysis has shown that for providers offering energy-efficiency products and services, the Green Deal may lead to dramatic changes in a consumer's value potential.²⁸⁷ The

program has created a way for providers to make energy-efficiency products accessible to consumers who previously would not have considered them. It has also encouraged new market entrants.

On the other hand, in Australia, the government sets energy-efficiency targets and requires energy retailers to deliver on portions of them. Currently, a measurement and verification system defines which energy-savings activities can be used to meet the targets, how to determine the activities' value and how to confirm the activities took place. If an obligated retailer does not meet its allocated portion of the targets, it must pay a specified penalty. In such cases, retailers may seek out options with the lowest cost to serve. Retailers will look to technology to reduce the cost of compliance and to drive program scale and efficiencies—including back-office services that provide fulfillment of energy-efficiency products and services.

Spotlight: Retail energy markets around the world

Market overview: Texas, United States

Though predominantly regulated, some US markets are in different stages of deregulation, with the greatest advancement in Texas.

Texas retail competition began in 2002, when all residential consumers in the competitive areas of the Electric Reliability Council of Texas (ERCOT) were moved from fully regulated service to price-to-beat rates. These rates were established at a discount off existing residential rates. Today, Texas has the highest consumer switching rate in the country. It also has more than 40 retail providers offering over 250 energy products—one of the highest numbers of offerings in any market worldwide.

Traditionally, about half of Texas energy generation has relied on gas turbines. This reliance has kept prices at the consumer level relatively low. Meanwhile, Texas'

nodal wholesale market has helped improve market and operating efficiencies by providing more granular pricing and scheduling of energy services—ultimately driving lower overall electricity costs long term.²⁸⁸ In fact, every competitive area in Texas has variable and one-year fixed rates up to three cents per kilowatt-hour (kWh) below the US national average.²⁸⁹

In 2005, the Texas legislature passed a renewable portfolio standard, setting long-term targets requiring electric utilities and REPs to generate and sell specific levels of renewable power. The ultimate goal is 10,000 megawatt-hours in renewable energy capacity by 2025. Each megawatt-hour of renewable power generated produces a renewable energy credit (REC). Utilities and retailers can meet their renewable-generation targets by generating renewable power or by purchasing RECs, which are openly bought and sold in the environmental commodities market.²⁹⁰

Market overview: Australia

Most jurisdictions in Australia have introduced full retail competition, covering approximately 9 million households. Australia's current utility

industry is largely unbundled and privatized, using coal to generate roughly three-quarters of its energy.²⁹¹ The state of Victoria is often seen as the most competitive market with the highest levels of consumer switching and many similarities to Texas energy markets.

Numerous pressures are driving Australian retailers to review their go-to-market strategies. First, while wholesale electricity prices in the east coast's National Electricity Market have been largely stable and aligned with demand, the introduction of carbon pricing in July 2012, has driven consumer bills up by roughly 10 percent.²⁹² In Victoria, network tariffs represent up to 50 percent of retail bills; by contrast, they are responsible for about 20 percent in jurisdictions such as Texas.²⁹³ Thus, Australian electricity prices have risen quickly and are forecast to become the third-most expensive among Organisation for Economic Co-operation and Development (OECD) countries. Indeed, energy prices in Australia have risen more than 90 percent in the past five years (see Figure 71).²⁹⁴

Figure 71. Australian electricity price index.



Index 1990–91 = 100

Source: Australian Energy Regulator.

— Australian electricity price index

Household energy prices have become a political issue at the state and federal levels in Australia. With prices rising sharply, retailers are facing falling demand driven by:

- Rapid growth in the adoption of solar photovoltaic (PV) technologies.
- Commercial and residential consumer response to increasing electricity prices and energy-efficiency measures.
- Sluggish economic growth, including reduced manufacturing output.

Market overview: United Kingdom

Deregulated since the 1990s, the United Kingdom also faces the same macroeconomic trends driving change for retailers in other regions. In the United Kingdom, deregulation has:

- Allowed privatization without increasing supply-side risk, and improving energy reliability; the United Kingdom has one of the most reliable systems in Europe.
- Removed government ownership of energy assets and created independent market regulation.
- Allowed market forces and competition to replace administration-heavy regulatory processes.
- Allowed markets to drive new investment in generation capabilities and innovation; for example, a focus on technologies and measures to decrease energy intensity have translated into a rise in energy efficiency across the UK economy.

Retail prices for electricity have historically been slightly above average in comparison to other OECD countries. Between 2010 and 2011, the United Kingdom saw less than a 5 percent increase in residential electricity rates.²⁹⁵ More than half of the charges come from generation, while approximately 20 percent are from transmission and distribution costs.²⁹⁶

Similar to retailers in other markets, UK providers face a range of macroeconomic trends impacting energy prices, consumer bills and overall energy consumption. More specifically, UK retailers are facing:

- Capacity mechanism, which will introduce an auction system by which providers bid on contracts for providing capacity; the first auctions may be ready as soon as 2015.
- Emissions performance standards, which disallow coal power stations without carbon capture and storage technology.
- Carbon price support (announced in 2011), which sets a target price of £30 per ton of carbon dioxide in 2020.
- Feed-in tariffs, under which a low-carbon generator receives revenue from the wholesale market for its output and either receives or makes a payment based on the difference between the average market price and the tariff agreed in its contract. The goal: to incent investment in low-carbon generation while limiting the impact on consumer bills.

While major changes are afoot, the specific impacts on consumers' energy costs remain unclear.

The smart meter opportunity

When it comes to disruptive, mandated, marketplace technologies, smart meters are often top of mind. Australia's mandated rollout of smart meters has led to a surge of new solutions from providers offering consumers greater insight into their energy usage. While distribution companies own the smart meters and have near-real-time usage data, they are only obligated to provide retailers with data reports each morning. Thus, retailers and distribution companies have the opportunity to overlay this data with additional information to provide valuable consumer insight. Viewing this capability as a key differentiator to create additional value for consumers and build trust against a backdrop of rising prices, retailers are developing advanced portals and tools for communicating consumption insights.

AGL, a leading Australian retailer, is a prime example of how advanced analytics capabilities can be deployed to meet changing market needs. AGL was the first major Australian retailer to use cutting-edge analytics and smart meter capabilities to deliver energy-monitoring tools to all customers in all states (see Case in point: My AGL IQ™ reinvents the online energy experience). Interestingly, Australian distribution companies are also keen to engage consumers and have begun deploying their own capabilities to share near-real-time consumption insights.

In Texas, where transmission and distribution entities have more mature smart metering deployments at scale, such opportunities are not new for retailers. The Texas market has already seen several smart meter-related innovations, such as time-of-use rates, prepay options and a greater number of energy management technologies and services. In recent years, the Texas market has also produced innovative new rate and product options, including offers for residential consumers to lease rooftop solar systems, rate plans with a capped price that can decrease if natural gas prices fall, and all-in fixed pricing for residential consumers that will not change for any reason during the contract term.



Case in point: My AGL IQ™ reinvents the online energy experience

AGL Energy Ltd (AGL), one of the largest energy providers in Australia, is constantly looking for new ways to engage consumers. Recognizing the shift toward online interaction and its opportunities, AGL worked with Accenture to develop a new online experience for consumers to bring greater transparency and control over their energy usage.

Aimed at residential and small business customers, My AGL IQ™ offers an integrated set of online tools for customers with gas, electricity and solar solutions. My AGL IQ™ helps consumers in three important ways:

1. **See.** The portal allows consumers to track their energy usage and compare against similar homes.
2. **Act.** Consumers are able to create a home profile to receive tailored energy-savings tips. With information on how to save energy, consumers can create personal energy savings plans, set goals and track their performance against those plans.
3. **Save.** By taking actions to reduce energy usage, consumers are able to reduce energy usage, lower greenhouse gas emissions and ultimately save money on their bills.

Consumers with smart meters have the added benefit of being able to view hourly energy usage and bill projections, so there are no surprises when the energy bill arrives.

AGL general manager of marketing and retail sales Mark Brownfield said that AGL wants to make saving energy as easy as possible. "We are confident that My AGL IQ™ will play a significant role in increasing Australians' awareness of their energy consumption, and that using My AGL IQ's™ online tips and tools will help customers reduce their bills."

My AGL IQ™ creates a unique online experience that is not only enticing to existing customers but also is a key differentiator in the competitive marketplace. My AGL IQ™ offers a cost-effective platform for engagement that not only creates value for consumers, but also places AGL squarely in consumers' increasingly digital lives.



Competitive intensity

Assessing competitive intensity across Texas, the United Kingdom and Australia reveals some interesting similarities despite differing market structures and regulatory frameworks. Accenture defines competitive intensity by the number of energy market providers, the barriers to market entry and as the threat of entry by nontraditional players into the new energy marketplace.

Across markets, the need to fend off new entrants, traditional and nontraditional, while remaining competitive with incumbent energy providers is creating margin pressures for REPs. In Texas, providers serving the residential sector have traditionally competed largely on price. However, competition and innovation is intensifying due to nontraditional providers entering the market. Currently, there are more than 40 REPs offering over 250 products in Texas. As a result, Texas is often recognized as the most successful competitive retail energy market in North America.²⁹⁷ However, this success has placed increasing pressure on incumbent energy providers.

Retail restructuring has favored new entrants, with the big three incumbent REPs in Texas steadily losing share since 2007. Accenture estimates incumbent retailers in Texas have lost 30 to 50 percent market share to new entrants.²⁹⁸ There does not appear to be a correlation between lower REP tariffs and customer satisfaction, most likely due to the hypercompetitive nature of the market. Even as most incumbent players vie for premium positioning in the market, legacy operating models and consumer perceptions have often led to stagnated customer satisfaction scores. On the flip side, newer retailers, such as Bounce Energy and Champion Energy Services, offer consistently low rates, price transparency and generally have higher customer satisfaction.²⁹⁹ In the case of Champion Energy Services, a

Houston-based retail electricity provider, it competes by offering competitive rates, flexible solutions and high-quality customer care. With significant capital resources and abundant access to credit, Champion Energy is able to purchase wholesale power more efficiently than many competitors and offer lower rates to consumers.

In this way, the retail market has much in common with the airline industry. Low-cost carriers such as Air Asia, EasyJet and Southwest Airlines have revolutionized their markets and challenged longstanding business models by pairing lower fares with fewer comforts. Low-cost energy providers are entering or positioning themselves in the retail energy market with lower prices and differentiated customer service offerings.

As in Texas, smaller players in Australia—particularly the state of Victoria—are driving greater competitive intensity. Each of the three large incumbent retailers has approximately 20 to 30 percent market share. However, in the past five years, the market has seen the introduction of approximately 20 new entrants. In Victoria, small-retailer market share has surged from 8 percent in 2007 to 30 percent in 2012.³⁰⁰ The influx of new players has been due in part to low start-up costs and the ability to tap bureau services for back-office operations. Thus, while large incumbent retailers have tended to offer a wider value proposition beyond price, new entrants are increasing price competition. For example,

Dodo, an established Internet and telecommunications provider, launched Dodo Power and Gas in 2010. Leveraging lessons learned from their Internet business, Dodo's strategy is to undercut established players in the Australian energy sector. Dodo, which also offers home security monitoring and insurance, has set its sights on becoming a single provider for a suite of home services, enabling customers to consolidate a range of services on one bill. Dodo is also building smart meter applications to provide consumers with detailed energy consumption reports, further extending the value proposition.³⁰¹

As new players enter markets, Accenture has observed a continued trend toward vertical reintegration between retailers and generators. The result: "gentailers" and a rise in the importance of integrated portfolio management. For example, Australia's three large incumbents control nearly one-third of the country's generating capacity.³⁰²

Although new entrants are gaining traction in some markets, in others, such as the United Kingdom, they have not gained significant share. In fact, a recent report showed that despite widespread discontent with Britain's big six suppliers, only 56 percent of UK consumers would switch to a small energy provider.³⁰³ While less than one-quarter of consumers (22 percent) are content to stay with the big six suppliers, misconceptions about small players appear to deter switching.³⁰⁴

Consumer apprehension about company stability and supply security typically top the list of barriers. However, these fears are actually unwarranted since consumers have regulatory protection. Accenture believes many retail markets will continue to bifurcate between large incumbents and a growing number of smaller, more specialized new entrants.

The rise of nontraditional entrants and new value propositions

When it comes to nontraditional entrants, Texas mirrors the trend in many areas of the United States—with telecommunications, security, consumer retailers and e-tail companies searching for value in the energy marketplace. For example, in 2010, ADT—a home security provider with more than 6 million accounts—rolled out ADT Pulse™, a new home automation and monitoring service. ADT Pulse was among the first efforts by any home services provider to deliver complete home automation on a mass-market scale.³⁰⁵ At the same time, home improvement retailers, such as Lowe's and Home Depot, are exploring energy opportunities in the home. Both companies have introduced home energy centers in some stores. These centers feature energy-efficient and home-automation products, and have begun to offer wind and solar generation products and installation services.³⁰⁶ In addition to increasing competitive intensity, these new entrants are also creating partnership opportunities, or “co-opetition.”

Traditionally, in the United Kingdom, six large incumbents have dominated the market and new entrants have been constrained by high start-up costs and lack of access to the wholesale market. Nevertheless, the market has increasing competition through segmented retailer value propositions, which have spawned white-label energy providers and value-added propositions related to smart and in-home technologies. A classic illustration of white labeling is the partnership between Scottish and Southern Energy (SSE) and Marks & Spencer (M&S), with M&S providing gas and electricity services, solar panels and energy-efficiency solutions through its website and retail stores.³⁰⁷

The United Kingdom has also seen growth in community energy projects, as local communities seek to gain more energy independence and generally decentralize the energy grid in the name of sustainability. For example, Community Energy Warwick, a cooperative in Warwickshire, raised £115,000 in six weeks from 70 local investors for its first project to provide energy where needed. Hospitals in Stratford and Warwick now use all of this energy on site.³⁰⁸

Energy goes grassroots with the entrance of cooperatives

As consumer trust and satisfaction in some larger companies have fallen, consumers have turned toward grassroots organizations for energy. Co-ops are an established community wealth-building strategy found in many economic sectors, including banking, agriculture, telecommunications, housing and childcare. In every case, co-ops operate on the core democratic principle of “one person, one vote.” Whether to gain group purchasing power for renewable energy generation, residential solar or to offer a more community-oriented energy offerings—co-ops are becoming a force in the energy marketplace.

Some examples of co-ops in the energy market:

- In the United States, the Solar Up North (SUN) Alliance Program is an initiative of Cherryland Electric Cooperative.³⁰⁹ Providing 33,000 members the opportunity to purchase solar power at a discounted rate, Cherryland aims to address the cost barriers associated with solar through a community-based approach. The program essentially allows its members to buy “shares” on a per-panel basis in a solar array that the co-op owns and maintains.
- Launched in 2011, the United Kingdom's Carbon Co-op is among a new generation of co-ops addressing climate change by making houses more energy efficient.³¹⁰ That, in turn, helps to reduce carbon emissions, and in the long run, saves homeowners money. The United Kingdom has a legally binding target for cutting carbon emissions by 80 percent by 2050 (compared to a 1990 baseline). At the same time, escalating fuel

bills are leading to growing fuel poverty. With its packages of retrofit improvements, Carbon Co-op is helping households address both challenges.

- Windunie is a collective that produces wind power for various regions in the Netherlands.³¹¹ The energy producers are typically farmers generating additional revenue from their land. Co-op members can choose the turbine from which they want to purchase electricity, and their choice is acknowledged with a Windunie passport listing full details of the farmer generating the power. Windunie indexes its prices to other local energy providers, ensuring that participant costs are on par with what their neighbors pay. Windunie also offers a guarantee about the origins and “clean” credentials of its generation. Participants know that by choosing Windunie energy, they are extending the use of clean energy across the Netherlands' national grid.

By nature, co-ops have a strategic advantage over traditional retailers when it comes to consumer engagement. REPs can take some lessons from the popularity of the co-op model and mirror some of the benefits to attract consumers. By bringing more power to the people and engaging local communities, providers can establish the trust required to extend their value propositions and enhance revenue opportunities in the long run.

While competitive intensity will continue to be an important factor in all markets, in many ways the market scope—and thus competitive landscape—has grown beyond traditional borders. Technology and market convergence continues to create not only a deeper value pool for consumer electricity products and services but is also attracting the attention of large players outside the industry. Successful REPs have already recognized that their market has grown beyond core commodity services. New entrants are not only offering low-price commodity services, but nontraditional entrants are also entering with wider value propositions that look to disrupt the traditional REP business model. Effective REPs will be able to quickly identify opportunities in traditional and nontraditional markets and build bottom-line value.

Consumerization

The changing consumer continues to create pressures on REPs to shift their market strategies and customer service approaches. In efforts to attract and retain customers, REPs are offering new mobile services and convenience-focused bundles and improving service.

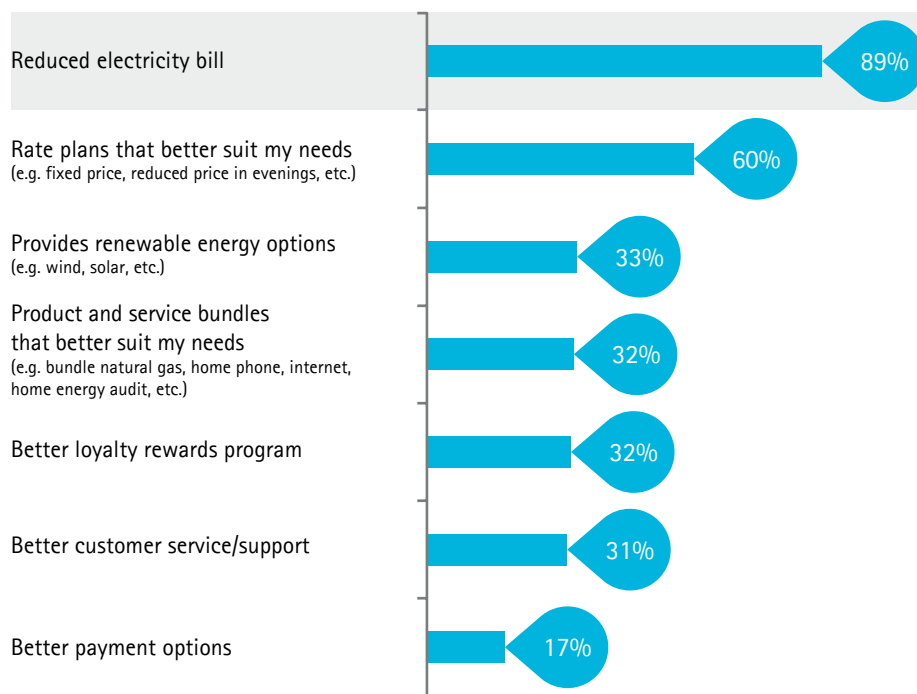
The rise of the digital consumer

Accenture defines the term "consumerization"³¹² as the broad trend irreversibly taking hold as consumers and businesses engage with the new world of ubiquitous consumer electronic devices and the content-rich digital services—video, social content, calendar and convenience applications, among others—accessible through those devices. Consumerization is changing the way consumers live and work, and offers REPs new opportunities to take advantage of these capabilities.

Coupled with mobility, the rise of the "asset-light" consumer is creating a dramatic shift in the way people actually consume products and services, including energy. One example is the movement from watching TVs to streaming media on smartphones, laptops and tablets. Similarly, the rise of car-sharing companies is changing the way people view freedom through vehicles; they are now consuming the vehicle as a service rather than purchasing and maintaining the vehicle as an asset. Another obvious example is the rise of cloud and digital storage, best illustrated by the music and movie libraries that are larger than ever yet require no shelf space at home. As technology continues to change consumer behavior and interaction, REPs will face new opportunities and challenges in engaging the new energy consumer.

Figure 72. A reduction in the electricity bill is the main reason consumers are motivated to switch providers.

What factors would motivate you to switch to a new electricity provider?



Base: Respondents in competitive markets only

Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com.

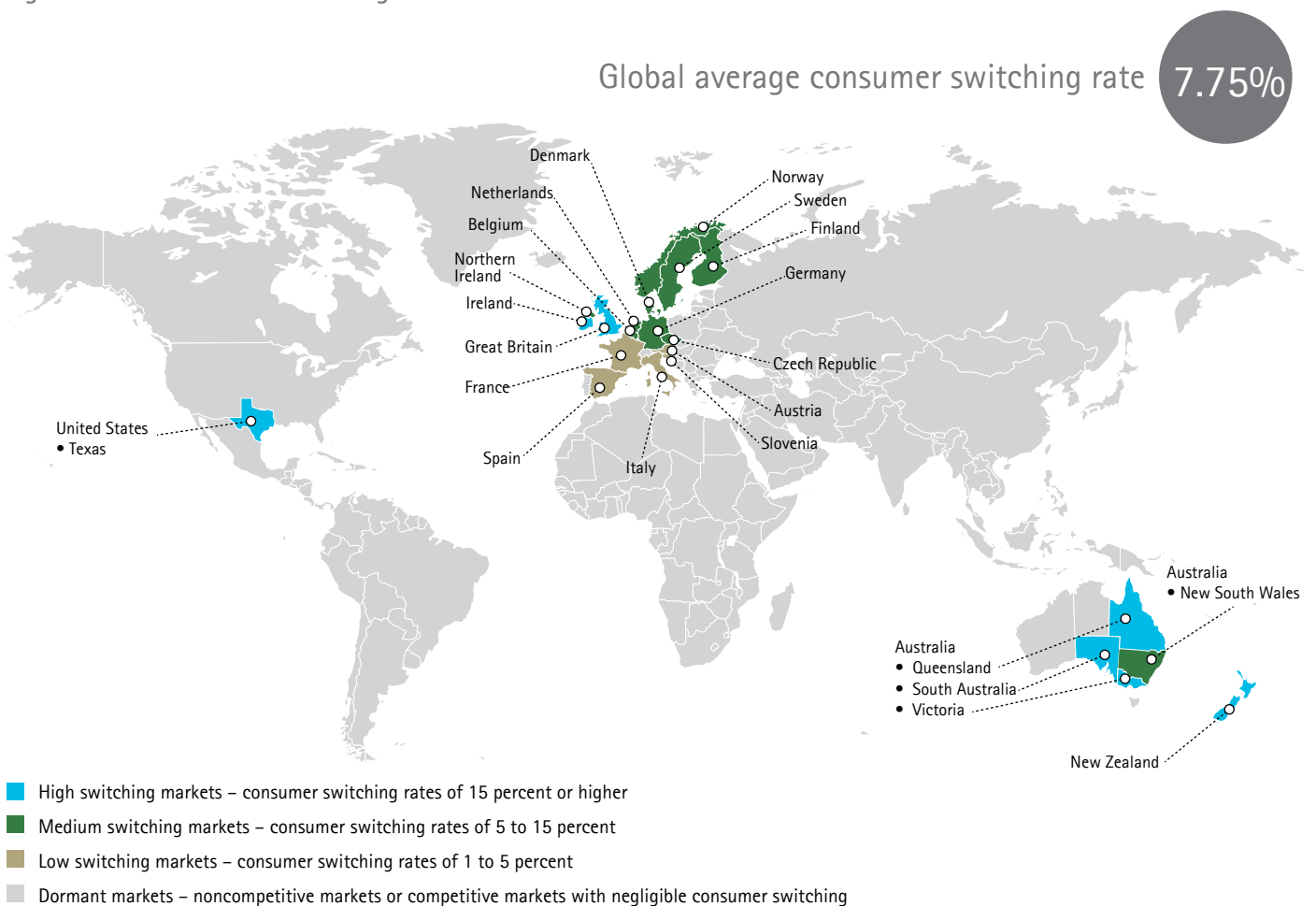
Meeting the needs of today's consumer

When it comes to energy, today's energy consumers want it all: competitive pricing, value for money and high-quality service. More than ever, they will switch providers if they do not find what they want. Accenture's research shows that price continues to be the driving factor when considering switching providers (see Figure 72). Following deregulation, incumbent retailers have seen consumers leaving to competitors. Once consumers realize they have choice, they become increasingly demanding. The rise in online switching, along with the limited cost and effort required to switch, continue to create volatile retail energy markets.

For example, Australia's high retail energy prices driving consumers to continually reassess their current provider, it may come as no surprise that Victoria has the highest churn in the world, with switching exceeding 25 percent per year for the past three years. In comparison, Texas switching rates are between 12 and 15 percent³¹³ (see Figure 73). Furthermore, the United Kingdom continues to be a very active market with switch rates similar to those in Texas. Across all markets, aggressive marketing, increasing consumer awareness and media focus on retail prices further compound consumers' propensity to switch.

REPs are continually challenged to develop new capabilities for acquiring and retaining customers. With the bargaining power of consumers showing signs of increasing, uncertain rates of customer switching and churn will continue to apply stress to REP margins. Furthermore, in evolving to offer additional products and services, engage through new channels, and create new value propositions, energy providers may need to challenge traditional thinking and reinvent their orientation to cater to increasingly digital consumers.

Figure 73. Global consumer switching rates—2011.



Source: World Energy Retail Market Rankings 2012, VaasaETT, www.vaasaett.com.

Retail market accelerators

Adding to the complexity and challenges of highly competitive markets are a series of “accelerators” that are reshaping the retail landscape. To succeed, providers must address margin pressures, the consumer trust agenda and an increasing trend toward group purchasing power.

Increasingly, conducting business as usual is not an option. A range of factors have converged to transform the industry and achieving long-term profitable growth will require REPs to respond with new strategies for value creation.

Multidimensional margin pressures

By maintaining business as usual, utilities risk a vicious cycle from disruptive forces on the supply and demand side. On the demand side, differing pressures that are squeezing margins on the traditional commodity business. In Texas, where residential rates have declined over time, margin compression is a real threat for all competitors, particularly incumbents. Since its opening in 2002, the Texas power market has decreased an average of 13.1 percent for fixed rates and 17.5 percent for variable rates (not adjusted for inflation). In the residential market, the median term price is concentrated at \$0.10/kWh (approximately \$15/MWh margin).³¹⁴ This level of price competition may not be sustainable longer term and continues to apply a great deal of margin pressure on incumbent retailers. On the other hand, rising prices in some markets like Australia have decreased electricity consumption, which is also leading to margin pressures for incumbents.

On the supply side, high prices in some markets are making distributed generation financially feasible for an increasing number of residential and business consumers. In Australia, transmission and distribution costs have inflated retail energy prices despite stable wholesale costs. Similarly, with wholesale prices projected to rise in markets like the United Kingdom, interest in alternative fuel sources is also likely to grow. In the United States, solar energy provides less than 1 percent of the nation's electricity. Yet more than 300,000 homes already have solar panels. In the next decade, an estimated 100 million US households may have residential solar generation available at or below grid parity. The installed cost of solar has fallen 10 percent per year since 2006 and grid electricity prices have averaged a 2 percent annual increase in the United States in the past decade.³¹⁵ Consumers show increasing interest in distributed generation and the business case for adoption is taking shape. Over time, some REPs may see a decrease in energy usage, creating further pressures on margins.

Given margin pressures on both sides of the equation, sophisticated pricing approaches and structures will be key to optimizing profitability. In the business as usual scenario, REPs in

many jurisdictions will likely begin to feel the squeeze of multidimensional margin pressures prompting the need to examine traditional business models and explore new areas for value creation.

The trust agenda

In an era of more demanding, informed consumers, trust of cross-industry providers continues to be a key facet of long-term success. Incumbent energy providers are facing challenges due to greater transparency and the arrival of new players. Accenture's research shows that while energy providers still have a marginal trust advantage over nontraditional market players, overall trust has fallen by 9 points to the lowest levels observed in Accenture's New Energy Consumer research program. In fact, in 2013, fewer than one-quarter of consumers reported that they trusted energy providers to inform them of actions they can take to optimize their usage (see Figure 74).

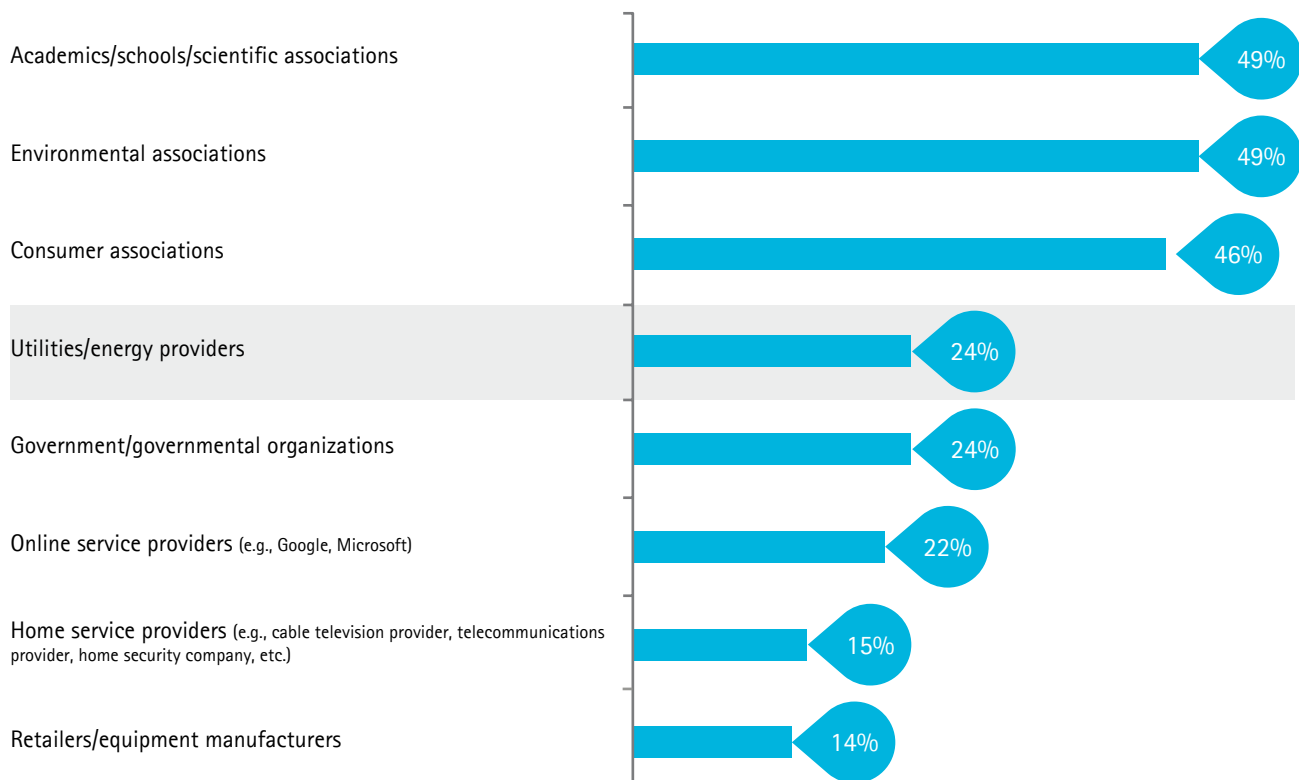
The unprecedented rise in transparency and consumer knowledge of pricing and service options—compounded by media messaging, social media and mobile applications—has eroded trust. The phenomenon is not new and has been called the "choice engine"—the technology services that interpret data from government-owned sources and private-company disclosures made available in machine-readable formats.³¹⁶

Energy consumers are continually bombarded with new retail energy offers, products and services, leading to apathy and confusion. This, in turn, has created opportunities for multiple provider comparison websites across retail markets. Texas has experienced a rapid growth in online comparison sites, with some even offered by the regulator. Interestingly, CenterPoint Energy, a Houston-area transmission

and distribution service provider, hosts the mytruecost.com service, which compares monthly bills based on actual average usage from meters. The service currently provides information on price trends for 12 participating companies.³¹⁷ Similarly, the New Zealand regulator has encouraged switching through its "WhatsMyNumber" campaign. The campaign was developed to provide consumers with information about the ability to switch power companies, including insights on ease of switching and potential bill savings.³¹⁸ Perhaps not surprisingly, New Zealand has one of the highest switching rates globally.

Figure 74. Fewer than one-quarter of consumers trust their energy providers to inform them of actions to optimize consumption.

What organizations do you trust to inform you about actions you can take to optimize your energy consumption?



Base: All respondents
Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

Taking price comparison one step further, energy services companies are starting to provide set-and-forget energy management and switching services at the individual consumer level. US start-up forgetit monitors three things: energy rates in the users' deregulated market, individual usage and billing data. For \$30 per year, users get rate monitoring, usage monitoring, energy-efficiency monitoring, bill monitoring and custom usage dashboards. In addition, the company will automatically switch consumers to the best market rate for them when their contracts are up for renewal.³¹⁹ This example shows how the choice engine can be automated to benefit consumers and the potential for energy providers to be disintermediated from the decision-making process.

Trust is also increasingly a factor as retail energy providers gain more insights into consumer behavior and energy usage. Many REPs can use the notion of the choice engine as a source of

competitive advantage but must be wary of possible backlash from consumers and regulators. In this case, providers can take a page from the strategies of other large consumer retailers. Tesco, one of the largest retailers in the world, plans to link its loyalty program to a shopper's history. Although Tesco will use its loyalty program to gain insights into market and consumer shifts, it also clearly recognizes a competitive advantage in a new, data-driven dimension of consumer interaction. Additionally, Tesco is working to provide consumers access to data before the UK government requires it.³²⁰

As transparency into energy usage, prices and alternative options increases, addressing the trust agenda will be a key component of long-term success for retail energy providers.

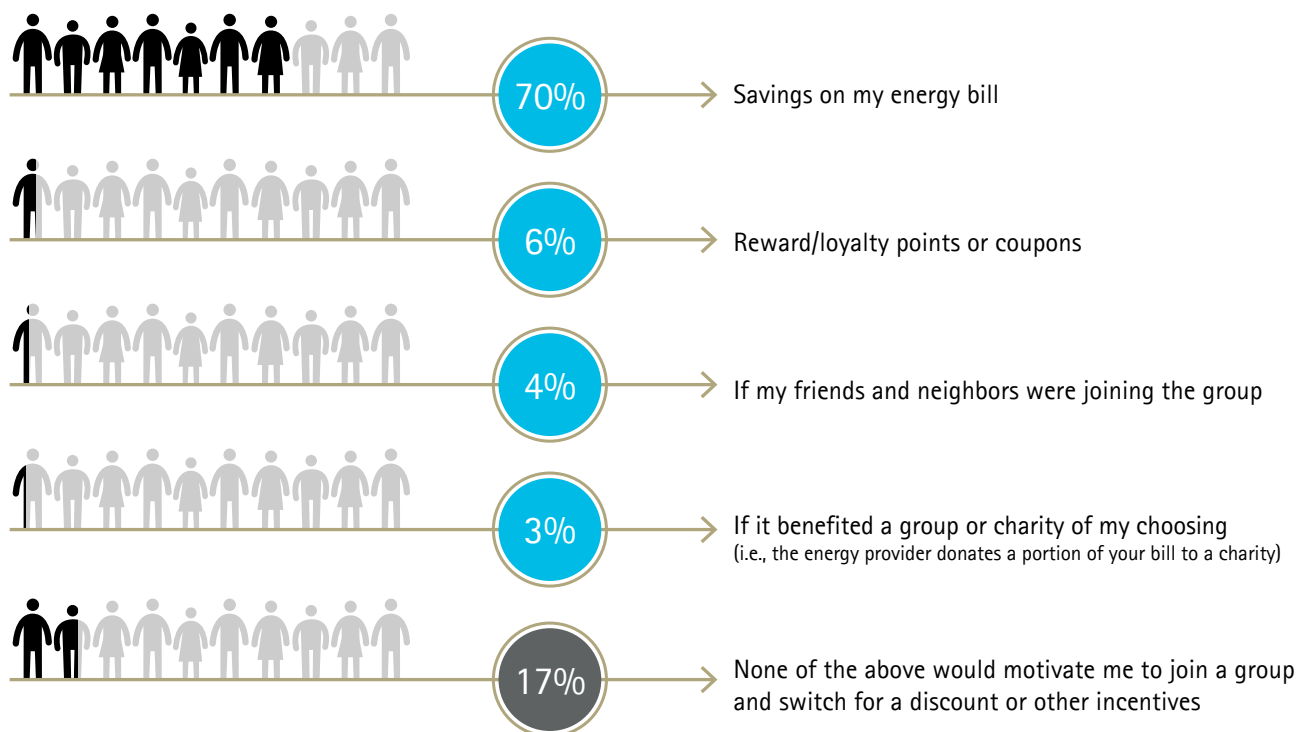
Power in numbers

The rising trend of group switching campaigns and aggregators continues to apply significant pricing pressure on REPs. While aggregation limits individual choice and the need for retailers to innovate services and products, it will likely continue as a method of mimicking mass power trading on behalf of consumers. *Delivering the New Energy Consumer Experience* shows that the vast majority of consumers (83 percent) would join a group to switch energy providers, and the majority of those are motivated primarily by savings on their bill (see Figure 75).

Groups of consumers joining together to aggregate their market power has become a growing trend. In Australia, nearly 200,000 consumers signed up for the "People Power Campaign," which would secure a 16.5 percent discount if consumers switched to a specific retailer. The campaign seeks to mitigate the rising electricity prices consumers have endured over the past five years. It is

Figure 75. The vast majority of consumers would join a group to switch energy providers, primarily for savings on the bill.

If an energy provider offered discounts or other incentives to people if they all switch together as a group to the same provider, what would make you most likely to join a group and switch?



Base: Competitive markets only

Source: Delivering the New Energy Consumer Experience, Accenture, 2013.

part of One Big Switch, an organization that aims to help Australians pay less for their regular household bills, including electricity charges. The mass movement has saved more than 100,000 One Big Switch signatories up to \$400 a year, including households that did not change power providers.³²¹ The campaign to negotiate bulk power discounts has become one of the country's most successful consumer movements, winning praise from the Climate Change Minister and the Australian Competition and Consumer Commission.³²²

Meanwhile, the United Kingdom has experienced a large influx of social consumer aggregation to manage rising energy prices and provide a group of consumers greater bargaining power. Which? Switch is an online energy supplier switching service launched by Which?—the largest consumer body in the United Kingdom, with more than 750,000 members. Consumers are currently saving an average of £217 a year on their gas and electricity bills; calculated based on 53,459 households that switched energy supplier using Which? Switch and The Big Switch.³²³

Taking a more community approach, thePeoplesPower is a nonprofit set up to help people join together to save money on their electricity and gas bills or switch to green energy.³²⁴ Unlike the many other companies offering to help consumers switch energy companies, thePeoplesPower does not charge a referral fee. Instead, it takes a charge of £2 per fuel switch from the winning energy company bidder and also puts aside £3 per fuel switch toward a new, community-based energy advice and switching service. After 5,500 households joined, thePeoplesPower negotiated an average annual savings of £316.

As prices continue to rise in certain jurisdictions and as consumers use home energy management devices to become more attuned to their energy usage, social power purchasing is likely to become an even stronger source of consumer leverage over energy retailers.

Retailers will continue to face disruptive trends in the marketplace—from intense price pressure to the rise of smarter, more skeptical consumers. As choice and transparency continue to increase,

providers will need to work to reestablish trust with consumers. Furthermore, we are witnessing powerful forces creating potential substitutions for REPs and an intense rise in the bargaining power of consumers. Because of aggressive new market entrants with varied value propositions, incumbent retailers will likely face increased gross margin pressure if they continue operating under a business-as-usual model. The accelerators of the new energy marketplace have created the need for change today—and are driving energy providers to reassess their business models for the future.



Protecting the core: Six competitive imperatives

In the face of a more competitive, more dynamic and, ultimately, more challenging retail energy marketplace, Accenture has identified six imperatives that increasingly will differentiate leading energy providers.

As markets shift and margin pressures on commodity sales increase, providers will need to focus on developing a new set of capabilities. Six critical imperatives are emerging for REPs. These examples and strategies offer a view of the emerging landscape for retail energy providers and a litmus test for which approaches are likely to succeed (see Figure 76).

1. Earning the right to grow

Energy may be a commodity that every consumer needs, but given choice, consumers will use a blend of criteria, including price, to select providers. *Actionable Insights for the New Energy Consumer* shows that when considering switching providers, 89 percent of consumers cite a bill reduction as the main reason they would be motivated to move to a new electricity provider.³²⁵ However, a range of other considerations are also important, particularly when it comes to trust and satisfaction. Indeed, the top factors that drive trust with an energy provider are invoice accuracy, reliable energy and easy-to-understand pricing information.³²⁶ And when it comes to customer service, first-call resolution is a key factor for energy providers and a critical driver of customer satisfaction.³²⁷

With this in mind, getting the basics right is critical. Accenture believes that in general, energy providers can reduce controllable operational spend by up to 20 to 30 percent simply by focusing on the root causes of consumer dissatisfiers. In short, mastering the basics is a prerequisite to earning the right to grow. Thus, in many ways "no-regrets" investments act as fail safes in terms of managing costs and reducing margin pressures.

It may sound like a simple answer that many providers are already focused on. However, years of adding new channels of interaction, new tariff options and new products and services have often increased operational complexity. The end result: higher costs, inconsistent consumer experiences and difficulty in responding quickly to new market opportunities. Successful retailers will be those that return to simplicity by reevaluating business processes, tariff options, policies and consumer experiences that are driving added cost and consumer dissatisfaction. Providers that do not move quickly enough to simplify on their own may experience increasing pressure from consumers and regulators. In the United Kingdom, where a wide range of tariff options are available, the energy regulator Ofgem has stepped in amid consumer feedback to influence providers' offerings. New standards of conduct involve a cap on the number of tariff options with a

goal of making it easier for consumers to compare contracts. The reforms will require energy providers to offer no more than four core tariffs for each fuel type (gas and electricity).³²⁸ By proactively returning to simplicity, providers can help to shape the marketplace rather than having it shaped for them.

While focusing on delivering the basics may not appear to be an important competitive value proposition, it can create a stable foundation that differentiates an incumbent from its start-up competitors. Consider the rate of consumer complaints to Australian regulators: consumers have complained about a number of new entrants at double or triple the rate they have complained about incumbent providers.³²⁹ Incumbents have the advantage of understanding which factors are critical to regulators and of having more established systems and processes. As start-ups struggle to deliver accurate billing and customer service, many incumbent providers are already able to do so consistently at scale. Continuing to simplify and focus on the core will not only help to reduce operational costs but also show that incumbents are working in consumers' best interests. At the same time, new entrants will likely face increasing regulatory fines, consumer backlash, and may lose their operating license.

In driving further cost efficiencies, many providers are seeking to develop or further enhance core competencies in marketing, sales and analytics. In these cases, providers can engage partners as a stable, cost-effective channel for delivering high-quality, consumer-centric experiences. Working with partners, REPs can gain three main benefits:

- Leveraging an experienced service provider's expertise, energy providers can drive continuous improvement within operations and bring established tools and processes that help simplify processes and offer consistent delivery.
- Tapping into the power of outsourcing provides access to a high-quality workforce often at reduced costs and with the ability to explore different staffing models for different functions, including onshore, nearshore or offshore.

- Engaging a partner with operational scale offers energy providers the flexibility to quickly ramp support up or down as business needs require.

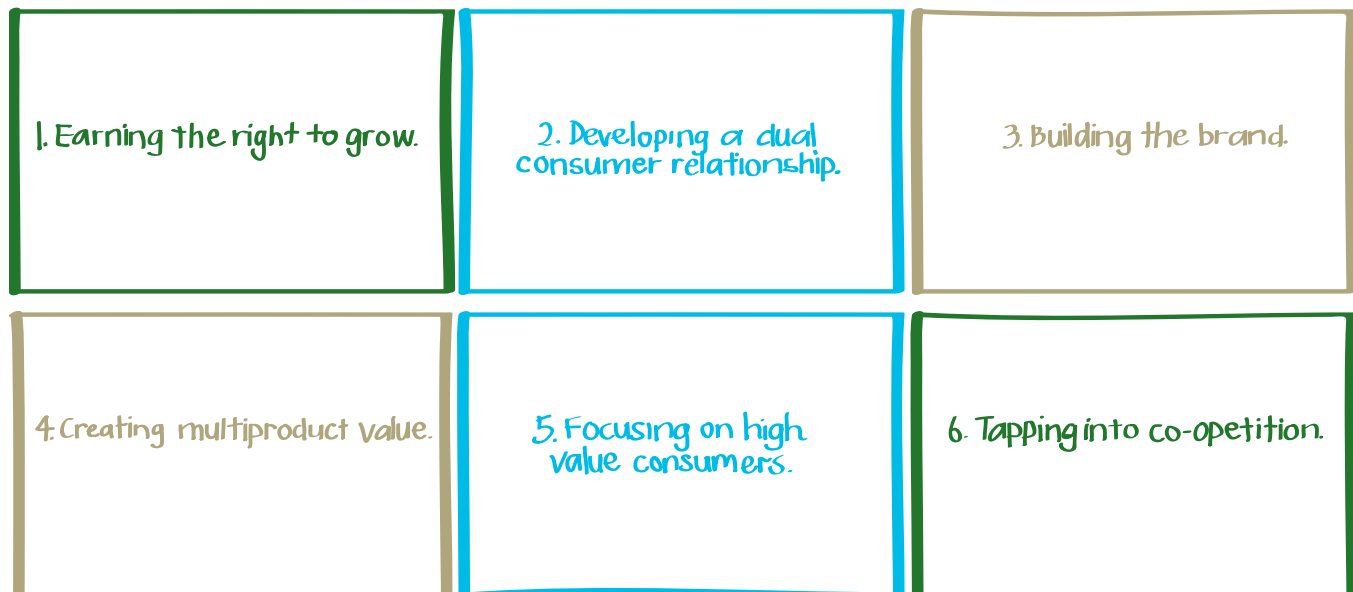
Focusing on getting the basics right may not be as glamorous or glitzy as new marketing campaigns or value-added products, but these fundamentals form the foundation of the consumer experience and directly impact loyalty, trust and satisfaction. In fact, across industries, 73 percent of consumers report that having to contact customer service multiple times for the same reason would make them very likely to consider switching.³³⁰ Earning the right to grow requires a solid foundation of operational excellence. With this in place, REPs can profitably extend into new opportunities for consumer interaction, engagement and revenue generation. (To read more about tactics to simplify for success, see section 5.1 *Delivering operational excellence* on page 66.)

2. Developing a dual consumer relationship

New technologies and changing consumer preferences are driving a fundamental shift toward digital and self-service channels for many transactions. At the same time, providers face the challenge of reinventing the in-person experience to be more innovative and engaging.

Competitive energy retailers face the additional complexity of acquiring, serving and retaining consumers with a cost-effective channel mix. REPs must also adapt to consumer and regulatory pressures. In many geographies, door-to-door sales have been a primary channel for customer acquisition. With the ability to educate consumers on their choices in the market and create tailored energy propositions, "door knocking" has been a successful approach for gaining customers. In Australia and the United Kingdom, however, questions have arisen about the tactics used. For some

Figure 76. The six competitive imperatives.



providers, questionable sales tactics through door-to-door and other channels have resulted in high-profile media coverage and fines from regulators.³³¹ Due to rising pressure from consumers and regulators, door-to-door sales are on the way out in some markets.

The door-to-door acquisition channel is still active in some regions such as Texas and Spain, and for consumer groups beyond residential. However, it is clear that in many geographies successful at-home customer acquisition and interaction will require a fundamental rethink. Accenture believes the basis for reinventing consumer interaction should be a "dual consumer relationship"—that is, focusing on delivery excellence across a few channels that balance effective self-service for basic transactions with higher-touch, more personal channels for high-value interactions. Within this environment, three imperatives have emerged:

- Growing digital
- Creating new channels to the home
- Bringing back brick and mortar

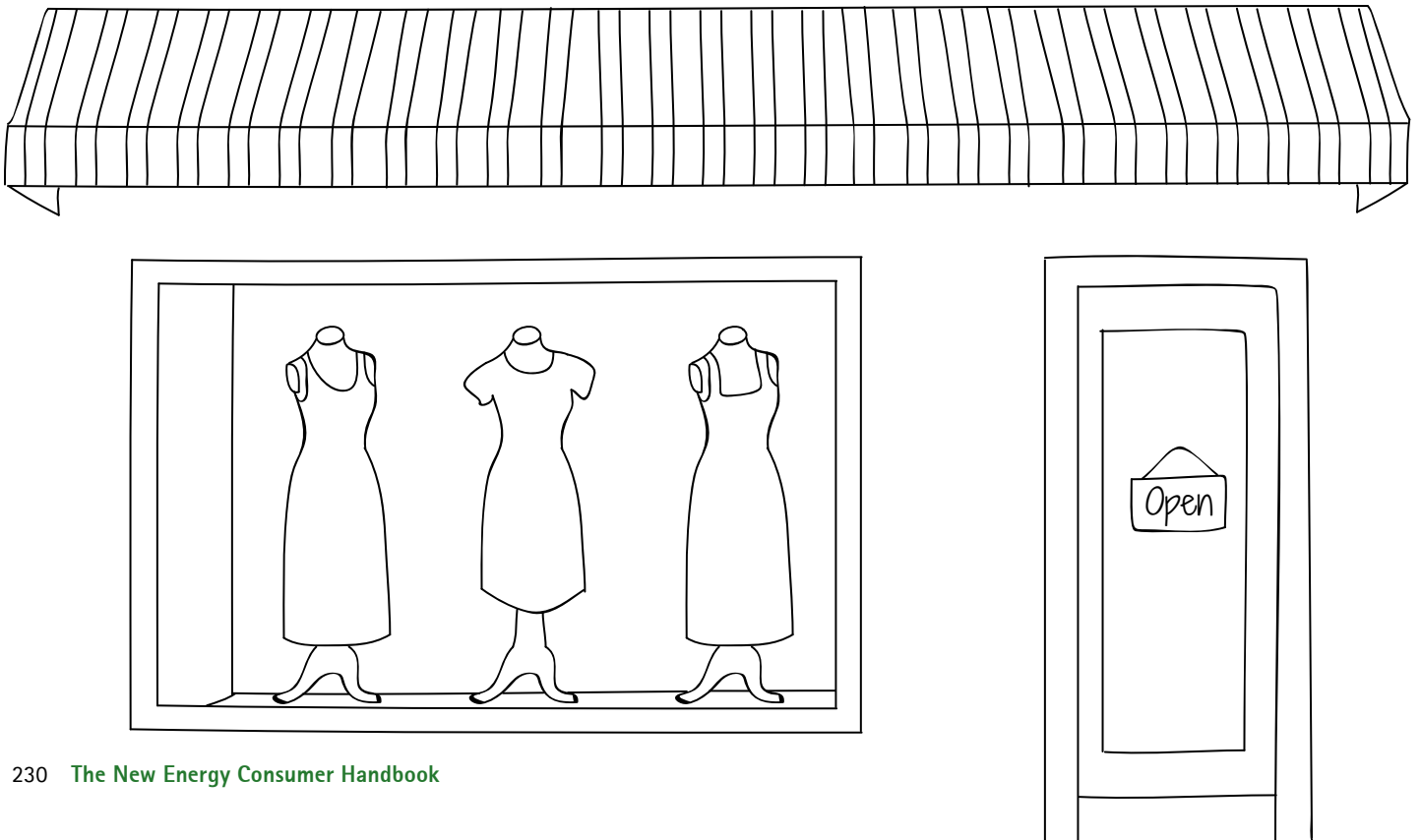
Growing digital

Digital interaction is now a cornerstone of effective consumer engagement. With this in mind, many REPs have turned their attention to digital strategies and capabilities. And yet, digital is not a channel unto itself. Consumers expect the same levels of product and service regardless of the channel. Furthermore, they expect to be able to switch at will between channels in a smooth shopping experience—for example, changing services contracts or products in store even if they signed up for them online. For example, Commonwealth Bank of Australia (CBA) has launched a series of mobile applications to better serve customers.³³² CBA launched the CommBank Property Guide, a mobile app for customers who want to buy a home. Thanks to partnerships within the real estate industry, the bank is able to provide information about houses, prices, area attractiveness and offer tailored mortgage advice. CBA has also created mobile electronic payment capabilities with its "Kaching" initiative, which allows consumers to pay through Facebook, e-mail or a mobile number: in less than two months the app has been downloaded by 110,000 customers.³³³

Today's cross-channel shoppers are significantly more valuable than single-channel consumers. In addition to buying more often, Accenture research reveals that in some industry segments, they spend, on average, almost three times as much per month as those who use just a single channel.³³⁴ Thus, building and maintaining the technologies, processes and talent that provide cohesive integration across digital channels and other points of interaction is critical to success.

Creating new channels to the home

The decline of door-to-door sales in some geographies has left a significant gap for energy providers. However, the home remains an important channel for energy providers as it enables face-to-face relationship building, information gathering and critical cross-selling opportunities. In some markets, smart meter installation offers another unique opportunity to engage consumers at their homes. Through door hangers or in-person interaction (in cases where meters require access to the home), energy providers can leverage this touch point to gather information and communicate the benefits of smart meters. Smart meter-related engagement



may need to be structured so as not to take advantage of consumers or intrude on their privacy. UK regulator Ofgem has implemented an industry code of practice that includes a ban on conducting any sales during the installation visit.³³⁵

New products and services for home energy management, distributed generation and even home energy audits offer scenarios for at-home interactions with consumers. At the same time, advancements in mobile and tablet computing have made it possible for providers to bridge the gap between digital and in person. These devices allow for data capture, advisory services and an improved consumer experience at home. In many cases, this integration will require a field workforce with different skills—one that is more solution oriented, confident with face-to-face communication, able to work with the latest technologies and able to effectively cross-sell and up-sell. Retail energy providers must begin to think holistically about the possible touch points that can move into the home and which interactions will truly create value for consumers and providers. As part of that exercise, REPs need to develop a roadmap for the evolution

of the field force. Traditional field sales is giving way to a more complex environment that will depend on advisory and solution-centric approaches.

Bringing back brick and mortar

Ever since Amazon.com, eBay and Netflix began demonstrating how the Web can transform the retail experience, people have been predicting the demise of the physical retail store. And yet, there is evidence of increasing “retailization.” Companies with a physical retail presence are working hard to reinvent the retail experience while those that traditionally have not had a physical, direct-to-consumer presence are now finding ways to engage consumers in person. In other words, many manufacturers and service providers are building physical storefronts to develop and strengthen relationships with end consumers. Although Apple has been a leader in this shift, others, including Sony and Microsoft, have followed—joining consumer goods and apparel producers in using their own stores to interact directly with consumers.

Few energy providers have a substantial retail footprint, and most of these locations are typically focused on supporting service transactions as opposed to offering an engaging retail experience. That may need to change. *Delivering the New Energy Consumer Experience* shows that when engaged in a physical location, consumers look for higher-value interaction, such as viewing product demonstrations, speaking with representatives or even playing an interactive game.³³⁶ For many energy providers, delivering such an experience will require a step change in retail engagement.

Some providers have already begun to introduce education centers, pop-up stores, expanded service centers or even lifestyle-oriented energy centers. E.ON is piloting “E.ON Open House,” a new store offering consumers a place to learn about making their homes more energy efficient, to view demonstrations of how much energy different appliances use, to pay bills or just to chat about energy. With couches, refreshments and a play area for kids, the store offers a unique in-person experience designed to engage consumers.³³⁷



With locations focused on experiences, energy providers can drive foot traffic and create opportunities to cross-sell additional products and services, such as energy management solutions, that consumers often want to see in person. Defining what success looks like is key when creating a physical retail location. In this increasingly cross-channel world, success may not be defined only by sales. In Accenture's cross-industry research into online and offline shopping, 60 percent of consumers say that online prices entice them to visit a store, where they can compare prices and view merchandise up close. However, nearly half (48 percent) go home to buy the products from that retailer online; 32 percent buy products online from a different retailer; and only 20 percent make their final purchase in store.³³⁸ With this in mind, REPs will need to determine the purpose of retail locations—education, engagement, sales—while establishing sophisticated cross-channel tracking and reporting to more clearly understand how consumers move across channels for marketing, sales and customer service.

You can read more about how energy providers are changing the retail experience and working with partners to establish a physical retail presence in *Redefining retail* on page 130.

As providers work to establish a cost-effective channel mix for marketing, sales and service, using the lens of a dual consumer relationship can help to define areas of focus and measures of success. Digital enablement is creating opportunities to drive new levels of self-service and create engaging, cost-effective, low-touch interactions for a wide range of transactions. At the same time, in-person interaction at home or in store is also important for building relationships and providing information on new products and services. Providers must take a pragmatic approach to defining a subset of channels and then excel at delivering a simple consumer experience that drives satisfaction and loyalty.

3. Building the brand

New entrants are here to stay, and consumer price comparison sites, aggregators and consumer switching services continue to trend upward. Incumbent energy providers are being pushed to offer lower prices to remain competitive. Whether new players are competing on low commodity prices or innovative value propositions, incumbent REPs will be continually challenged to evolve product and service offerings that increase consumer value and profitability. Large incumbent REPs have the ability to effectively compete and access new markets through their established capabilities and scale. In the future, a combination of innovative rate structures, a multibrand approach and value-added options (such as loyalty rewards) will be core to these strategies.

Innovative rate structures

In Texas, REPs are creating new value propositions for consumers through innovative niche commodity plans. For example, Reliant is offering a “Cap and Save[®]” plan. It offers a rate based on a wholesale market index but also affords the safety of a cap. If the wholesale price drops, the consumer saves; if it goes up, the consumer is protected for up to a year.³³⁹ Bounce Energy, another Texas retailer, has taken customization to a new level by offering prospective consumers the ability to choose plan length, green energy percentage, billing options and rewards programs, along with the ability to watch the rate change based on consumer selections.³⁴⁰ Taking a page out of the telecommunications playbook, TXU, a large Texas retailer, is offering free energy charges on nights and weekends with TXU Free Nights³⁴¹—an innovative rebranding of its time-of-use rates that speak to common consumer value propositions that have gained traction in other industries. Lastly, we have seen the emergence of highly targeted sub-segment pricing schemes, such as Champion Energy's Silver Champ Plans. The plan is specifically aimed at senior citizens and offers long-term low maintenance and low prices for electricity.³⁴²

While differing regulatory structures will limit the number of pricing offers that retailers can provide, the key to success is rethinking traditional branding and packaging and offering options that speak to consumer values and perceptions beyond price.

The multibrand approach

To compete against low-cost market entrants and offer targeted value propositions—while preserving their core brands—several companies are launching multiple, segment-specific brands. Large incumbents have critical scale in regulatory relations and compliance, salesforce capabilities, contact centers, back-office processes and, in many cases, secured supply through the ownership of generation assets. As such, they are well positioned to build and acquire fighter and challenger brands to extend their market share.

NRG, a *Fortune* 300 and S&P 500 company, is one of the United States' largest power generation and retail electricity businesses. NRG has two major retail brands. The first is Reliant Energy, which provides a wide variety of innovative electricity and energy-related products to more than 1.5 million customers in Texas and the Northeast. The second is Green Mountain Energy, a specialty retail electricity business that offers consumers the choice of electricity products from renewable sources and is 100 percent focused on cleaner energy in select US markets.³⁴³ In Texas, Reliant was facing increasing competition from low-cost providers and new entrants. In response, it launched Pennywise PowerSM. Focused on providing the basics of great prices and dependable service, Pennywise Power makes it clear that consumers will not be paying for unnecessary extras.³⁴⁴

Another example: Just Energy, a competitive retailer with operations in the United States, Canada and the United Kingdom, offers a wide range of energy programs and home comfort services. Similar to other large retailers, Just Energy manages multiple brands, including Amigo Energy, one of Texas' oldest electric retailers, and Tara Energy, an affinity-based energy retailer.³⁴⁵

To effectively develop fighter brands, energy retailers should consider the following tenets:

- **Maintain a slim cost structure.** Keep development and operating costs as low as possible to be able to pass these savings to consumers.
- **Keep it simple.** Create a distinct brand value proposition with straightforward products, tariffs and services that are distinct from the parent brand.
- **Define competitive positioning.** Determine who is the direct competition and target their value propositions.
- **Build for agility.** Create a foundation to move quickly in the retail market in response to changes in pricing and products.
- **Minimize business-as-usual risk.** Limit cost and risk by avoiding changes to systems and processes.

While fighter and challenger brands can be an effective means to not only counter new entrants, but also expand the overall customer base, there can be risks associated with this strategy. REPs should be prepared for some level of sales cannibalization, in which premium brand sales are diminished as existing customers move to the new brand. Moreover, retailers must focus on their entire portfolio of brands. In competing with other low-cost brands, REPs need to

establish an acceptable level of potential financial loss in the short term for the fighter brand. Lastly, retailers must still hit the mark with their new consumer value propositions, while also considering that a new brand will stress existing management and support functions.

Loyalty programs: A must-have?

In competitive markets, offering consumers loyalty programs or discounts has become commonplace. In fact, consumers now expect loyalty rewards. Rather than providing a competitive advantage, mimicking other loyalty programs has simply created a competitive stalemate.³⁴⁶ However, considering the prevalence of loyalty rewards, premium brand REPs should consider these types of programs as a strategic must.

Actionable Insights for the New Energy Consumer suggests that consumers are interested in innovative retention programs—more than 60 percent of consumers say that ongoing loyalty points programs or surprise consumer recognition would encourage them to stay with their current electricity provider. However, it is important to note that while loyalty programs encourage consumers to stay with an existing provider, only 32 percent of consumers say that a loyalty program would be enough reason to switch.³⁴⁷ Furthermore, in *Revealing the Values*, consumers reported that after price, loyalty rewards are a critical element that consumers consider when adopting an energy management program (see Figure 49 on page 155). These findings suggest that consumers have differing values toward loyalty programs when evaluating their current providers and services versus switching to a new provider.

For example, most major UK utilities offer consumers rewards/incentives for loyalty either through partnering with existing programs or creating their own. E.ON UK, a large UK retailer, has partnered with Tesco, a major European retailer, to offer the exclusive Tesco's Clubcard loyalty points.³⁴⁸ For REPs, partnering with loyalty programs can help to increase brand value. Within two weeks of being announced, the British Gas-Nectar partnership had clear brand impacts—including significant improvement in "Buzz" score and "Reputation" score as measured by YouGov Brand Index.³⁴⁹ In Australia, large energy retailers are working with partners to provide loyalty points. AGL has joined forces with Coles, a large Australian supermarket chain, and their flybuys loyalty program to offer compelling rewards for energy consumers.³⁵⁰ Texas' TXU Energy partnered with Southwest Airlines, which had an established airline point program, to launch LUV 2 Fly plans. Customers earn Southwest Airlines Rapid Rewards Points when they sign up for specific TXU plans and receive additional rewards the longer they remain customers.³⁵¹



Spotlight: First mover or fast follower—what is the right strategy?

In the energy retail market, both first movers and fast followers are reaping the benefits of developing and offering innovative consumer value propositions. Are companies that innovate first the most successful? Amazon, first mover in electronic books and cloud computing, is today the undisputed leader in its field. However, this example is more exception than rule. In analyzing more than 500 companies, researchers Golder and Tellis found that almost half of first movers failed to succeed in the longer term.³⁵² They also demonstrated that fast followers have much greater long-term success despite entering the market an average of 13 years later than the first mover. Consider, for instance, that although Apple was not the pioneer in the digital music, smartphone or tablet computing categories, today it is leading each of those categories.³⁵³

Another case of fast-follower success is in the automotive industry. Ford was the first successfully mass-produced car in the United States. In 1921, Ford sold 900,000 Model T's for 60 percent market share compared to General Motors' 61,000 Chevys, that gained only a 6 percent market share. Over the next decade, Ford focused on cost reductions, while General Motors built a diverse and differentiated product line. By 1931, GM led the market with 31 percent share to Ford's 28 percent, a lead it has never relinquished. Of course, markets are inherently dynamic: Toyota sold its first car designed for the US market in 1964. In January 2013, Toyota officially claimed its position as the world's number-one carmaker by sales.³⁵⁴

In 1998, Goto.com, a small start-up, created the pay-per-click search engine and advertising system and demonstrated it at an annual TED conference. It was not until October 2000 that Google offered its version of a pay-per-click advertising system—AdWords—allowing advertisers to create text ads for placement on the Google search engine. Today, Google is a \$250 billion dollar company with most of its revenue from AdWords. Overture (formerly GoTo.com) was acquired by Yahoo for \$1.6 billion.³⁵⁵

In today's fast-paced mobile phone industry, Samsung has successfully leveraged learnings from competitors. By keenly observing the market and understanding emerging trends, the company has been able to quickly adapt its own offerings.³⁵⁶

The lesson for retail energy providers? Be mindful of the competition. Be prepared to take risks. Whether moving first or second, be nimble and agile. Above all, move before it is too late.



4. Creating multiproduct value

REPs, and especially those perceived as "premium" when it comes to their brands and their customer service, are creating consumer value through "embedded energy." Using white labeling and co-branding, providers are seeking ways to create value beyond the commodity with a host of products and services.

White-label energy

In some regions, energy has become a white-label product, with new entrants leveraging incumbents as their behind-the-scenes suppliers. These new entrants then leverage their own brands, loyalty rewards and marketing capabilities to provide energy as part of a wider offering of products and services. For example, Scottish and Southern Energy (SSE), a large UK retail utility, has partnerships with Marks & Spencer (M&S)³⁵⁷ and Ebico³⁵⁸ to provide gas and electricity services under these partner brands. For the white-label partner, it allows use of energy as a complementary product to help grow share of consumer wallet or offer a new and targeted value proposition. It can also provide REPs with an opportunity to target difficult-to-engage consumers. Ebico is a nonprofit gas and electricity supplier aiming to offer a better, fairer deal for domestic energy to British households. The partnership gives SSE a channel to appeal to consumers outside its traditional target segments.³⁵⁹

White-label partnerships are also more likely to reduce churn and attract higher-value customers through differentiated services and loyalty rewards. British Gas has a partnership with Sainsbury's a prominent UK supermarket and convenience store retailer. The relationship has given British Gas access to consumer segments where Sainsbury's has a loyal following. It also enabled British Gas to leverage Sainsbury's retail store footprint to offer an in-store consumer experience.³⁶⁰ For energy providers to succeed as a white-label offer, both partners' roles must be clear and ownership of the customer experience needs to be clearly defined.

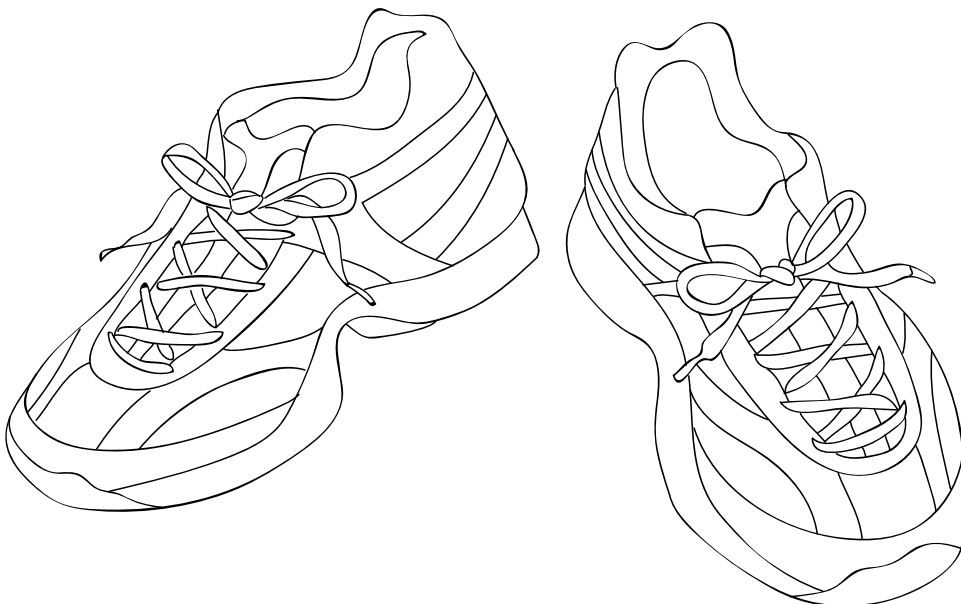
Partnering for value

In the quest for new customers, successful REPs are getting creative with new channels and partnerships to create value. For example, to extend consumer channels and services, Texas' Reliant Energy has partnered with Cricket and other large electronic retailers to provide in-store services. These services include signing up new customers, providing gift cards to new customers and accepting payments—all while consumers shop for the latest technologies and gadgets.³⁶¹ When it comes to additional products, Bounce Energy, another competitive retailer in Texas, partnered with satellite television provider DIRECTV to offer bundled electricity and satellite TV.³⁶² Furthermore, the advent of smart meters

has prompted many REPs to build closer relationships with consumers. Numerous leading retailers are exploring options to provide consumers with greater energy insight, to offer energy-efficiency products and services, and to allow for increased dialogue with the retailer:

- In 2010 British Gas acquired a stake in AlertMe, a cloud-based home energy management platform. British Gas furthered the partnership in 2012 when it selected AlertMe to provide its software to all British Gas consumers who have smart meters.³⁶³
- Texas' Reliant Energy has partnered with Nest thermostat to provide an innovative in-home solution, which it bundles for free with a 24-month contract.³⁶⁴
- Essent, the largest energy provider in the Netherlands, offers a discounted e-thermostat to consumers as part of certain rate plans.³⁶⁵ The device connects to a user's wireless network and allows control of heating and cooling from an attractive wall display or through a mobile application.

For REPs seeking to successfully embed value into competitive prices and services, secure and exclusive partnerships have become the performance standard for creating new types of value for consumers.



5. Focusing on high-value consumers

While REPs have made efforts to understand customer value and use that as a driver of decision making, for many it remains a race to grow—focusing on customers won, customers lost and overall market share. Because of shrinking margins and rising competition, REPs now need to refocus on profitable growth. In some geographies, new entrants with a broad range of products are using energy as a loss leader to help acquire consumers and create more stickiness for bundled products and services. Within this environment, REPs must closely examine the existing and potential customer base to determine whom they really want as customers. This approach requires sophisticated analytics that allow providers to target consumers with far greater precision than simply pursuing a more-is-better, scale-based approach.

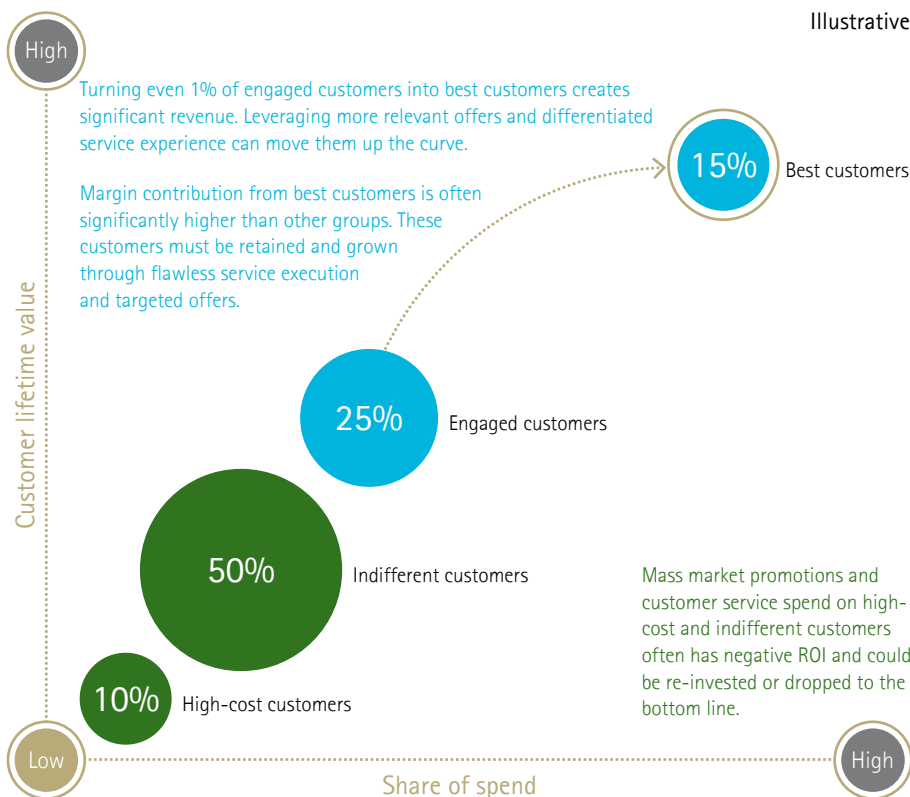
Instead of relying on traditional metrics, such as market share, providers must refocus on profitability in every aspect of operations. Rather than revenue per consumer, leading energy providers are embracing new measures, such as customer lifetime value (CLV), to provide a more holistic approach to understanding and optimizing customer value.

In essence, high CLV means that the cost to acquire, serve and retain consumers is smaller than the revenues that these consumers create through use of products and services over their projected "lifetime" as consumers. This approach to customer value may incorporate a wide range of data—including consumers' energy usage, interaction preferences and credit history. REPs will need to transform data into actionable insights through sophisticated modeling to provide a view of churn propensity, current revenue, revenue potential, acquisition cost and cost to serve.

Determining CLV requires deep insight into drivers of cost and revenue. For example, a consumer who calls the contact center frequently may appear to offer lower value due to significantly higher cost to serve. However, if the consumer is calling because of issues created by the utility, the customer's value will be skewed. Changing that single factor in CLV could alter the way a provider views a wide range of the customer base, resulting in dramatic shifts in treatment.

Customer lifetime value can be a key input in designing marketing campaigns, establishing service treatments, setting cross-sell and up-sell targets and designing loyalty tactics. Time and again, Accenture has seen that a small group of customers creates the majority of value for an organization. Focusing spend on growing the "best customer" group will drive significantly more benefit than spreading investments equally across all customers (see Figure 77). For REPs

Figure 77. Focusing on growing your "best customer" group can deliver significant results.



that often "lock in" energy revenues with multiyear contracts, it is even more important to get smart about selling additional products and services. Research has shown that one in five consumers who cross buy are actually unprofitable—and the more they cross buy, the more unprofitable they become.³⁶⁶

Embedding CLV in decision making is just one example of how retailers can refocus on profitable growth by leveraging consumer insights and advanced analytical techniques. In many cases, this kind of analysis can be performed regularly and then incorporated into workflows and messaging engines to automate the offers, messages and experience extended to particular groups of consumers. In this way, providers can make profitable growth an invisible driver within the organization.

Furthermore, data-driven retention strategies are key to the overall mix. Energy providers will need to take a look at five elements to understand why consumers leave and what they can do about it:

- 1. Focus on retaining the right customers.** Retention efforts should be driven by CLV, and focused on those customers with high current or potential value. Those who consistently drain value from the organization can be left for other providers.
- 2. Develop analytical tools to identify the drivers of churn.** Understanding the root causes of dissatisfaction and churn trigger points allows for proactive retention strategies.
- 3. Master retention marketing.** This capability includes deploying highly targeted offers across multiple channels at speed, learning which offers work most effectively and scaling them, and taking full advantage of consumer-initiated contacts to make targeted retention offers.
- 4. Develop consistent loyalty and retention programs.** Loyalty and retention programs are often inconsistently executed. To succeed, energy providers need processes, policies and employee incentives applied consistently across channels and aligned with overall retention goals.

5. Track the right metrics. Churn is a lagging metric; it may take six to 12 months to show improvement. To gauge the success of a retention program—and make adjustments as needed—energy providers need to monitor leading indicators. Those include campaign effectiveness, offer take-up rates and transactional customer satisfaction.

Building these capabilities will establish a proactive, insight-based approach to retention—a key advantage as the balance of power continues shifting to consumers.

6. Tapping into co-opetition

In uncertain, highly integrated and complex competitive environments, Accenture is observing collaborative partnerships in which direct competitors team up to create new markets or to redefine cost structures on noncore capabilities. The notion of horizontal collaboration is not new to companies that use logistics and shipping as part of their supply chain. While they are rivals in the consumer marketplace, many manufacturers are sharing warehousing, transportation and other elements of their logistics infrastructures—all in an effort to protect margins. In late 2011, two competitive chocolate makers, Hershey Company and The Ferrero Group, announced a joint warehousing, transportation and distribution initiative. The alliance does not touch manufacturing, selling or marketing activities—each company's core competitive advantages. Rather it allows each company to gain efficiencies and contributes to the common goal of lower carbon dioxide emissions.³⁶⁷

While cost cutting can drive horizontal collaboration, establishing new markets or being the market maker can also be an advantage of working with competitors. Consider BMW and Toyota—rival car makers who compete directly in the luxury-car class. They have partnered to jointly develop a sports car platform, next-generation lithium-based batteries, hydrogen fuel-cell systems and new lightweight materials. Moreover, BMW supplies Toyota with diesel engines for the Japanese company's models in Europe.

Not only are these automakers developing new automotive markets, such as electric and alternate fuel vehicles, they are also assisting each other in stepping into markets where they traditionally did not play. Such collaborations can create value for all involved.³⁶⁸

Moving closer to the electricity market, Accenture has observed a rise in partnerships to make electric vehicles more accessible to consumers. Existing public charging station companies have tended to develop their own smart cards, billing infrastructures and networks of charging stations. To increase end-consumer availability of public charging stations and solutions, two major charging companies, ChargePoint and ECOTALITY, have launched a joint project. Ravi Brar, chief executive of ECOTALITY, which makes Blink-branded chargers, said in an interview, "The time is right to put together a seamless experience when it comes to public charging. Just as ATMs and cellphones can operate across platforms and networks, it makes sense for electric vehicle drivers to carry one card and get one bill." The partners, which split the cost of developing the new organization, hope to add other participants before the introduction of these innovative services.³⁶⁹

As long as parameters are clear and nondifferentiating capabilities are the emphasis, REPs can drive a good deal of value through co-opetition. Sharing processes or investments that do not interfere with individual company brands can be a source of long-term competitive advantage. A prime example from another industry: airline alliances. While the obvious goal of these alliances is to expand flight networks, airlines in large alliances also save margin through more efficient back-office services.

While the notion of cozying up with competitors is relatively new in the utilities space, Accenture believes it is important for retailers to begin thinking outside of traditional partnerships and exploring the possibilities for co-opetition.

Solution centrality in new energy frontiers

In the search for new revenue opportunities and consumer value propositions—energy is quickly being redefined as a platform for a range of value-added products and services. Opportunities exist across three areas—home energy services, electric vehicles and distributed generation—all of which are at a customer inflection point.

Energy services relating to electric vehicles, home energy services and distributed generation can play significant roles in retail product portfolios.

Accenture analysis suggests that when deployed at scale in certain jurisdictions, the combination of home energy services and distributed generation can lower annual per-customer commodity revenue by as much as 40 to 55 percent. On the other hand, widespread introduction of electric vehicles could raise base commodity annual revenue by as much as 30 to 40 percent per customer. The overall effect is a net decrease in per-customer revenue of 10 to 15 percent annually.³⁷⁰

On the upside, Accenture analysis projects that energy providers can increase revenue per customer by 40 to 50 percent annually by introducing managed services, financial services and end-customer equipment management.³⁷¹ Further, by providing additional services to consumers, energy providers can drive incremental revenue, lower acquisition costs and improve retention rates while strengthening engagement.

The challenge with some energy services: they decrease consumer energy usage and thus impact the bottom line. However, in other industries, there have been many cases in which businesses have made more by advocating using less of their products. Xerox, Gillette and Patagonia³⁷² are all examples of organizations that have reshaped their brands and, in some cases, their business models to sell less:

- The Xerox brand has long been synonymous with office printing and photocopying. As consumers seek to achieve sustainability and cost-reduction goals, the company has recently focused on helping consumers print less. To that end, Xerox is empowering offices to go digital with networked devices that combine printers, copiers and fax machines. Meanwhile, Xerox has also been developing a new line of services focused on managing consumers' document needs.
- Gillette, a leading razor and shaving products company, publicly told consumers that its ProGlide™ razor could last up to five weeks. Past marketing allowed consumers to make their own judgments, presumably leading to higher sales of blades. With growing competition from lower-cost products, Gillette staked out its value proposition of long-lasting quality.

- Outdoor clothing company Patagonia has taken a unique approach in actively encouraging its consumers to buy less. Patagonia's "Common Threads" initiative literally tells consumers: "Don't buy this jacket if you don't need it." With a Patagonia eBay Common Threads Partnership website and a used clothing store, Patagonia truly embraces a sustainable mindset. For many clothing companies, the consumer relationship ends at purchase; by contrast, Patagonia has created enduring loyalty and attracted new consumers to the brand.

As energy providers' core-commodity margins continue to be squeezed and energy demand stagnates or even drops, these approaches illustrate a range of possibilities that could reshape how providers sell to consumers. Some energy providers—including Netherlands-based Qurrent—are already taking notice. Qurrent complements its core commodity with home insulation, solar panels, energy-efficient lighting solutions, energy monitoring systems and microgrid solutions—all with the goal of helping consumers reduce energy consumption by up to 50 percent.³⁷³

Owning the home

While the concept of home services is certainly not new, REPs still have a significant opportunity to provide new value propositions. In certain geographies, including the United Kingdom, many energy retailers are now providing home services. In fact, the UK home energy services market is significant and projected to deliver steady growth, reaching £9 billion by 2015.³⁷⁴ Bundling and technology convergence will continue, with consumers preferring convenient, appealing and cost-effective devices being presented as integrated home automation offerings. Other examples of home services include coordination of home repair/maintenance, home energy monitoring, medical and security monitoring, energy management portals and dynamic energy pricing.

As energy awareness increases, consumers will be willing to transfer their energy-saving responsibility to a trusted advisor that can realize higher savings through effective analytics and resources.

When it comes to convenience, the New Energy Consumer research program indicates greater opportunity for energy providers to offer set-and-forget services. In the longer term, the in-home monitoring device and active consumer participation will be replaced by online and mobile visualization tools that are augmented with utility-provided set-and-forget energy and home management services.

Owning the road

The era of electric vehicles is upon us. For energy providers, electric vehicles will likely drive an increase in base commodity sales but will also fuel an entire industry of home and public charging infrastructure, pricing mechanisms, and billing and fulfillment services. While fuel prices in differing jurisdictions will drive uptake of other alternative engines, such as fuel-cell technology, the fact remains that the adoption of electric vehicles will continue to increase in many geographies.

According to Navigant Research, a total of 21.9 million electric vehicles will be sold worldwide from 2012 to 2020, with electric vehicles sales growing at a much more rapid pace than the overall automotive market. While the overall auto market will expand only 2 percent a year through 2020, sales of plug-in electric vehicles will grow at a compound annual growth rate of nearly 40 percent over the remainder of the decade.³⁷⁵ Further, the Institute for Electric Efficiency (IEE), an Institute of The Edison Foundation, recently reported that in the United States, even under the most conservative of scenarios more than 5 million electric vehicles will be on the road by 2035. This figure could actually reach as high as 30 million vehicles depending on advances in battery technology.³⁷⁶

For their part, car companies are making big bets on electric vehicles. In March 2013, Nissan sold 2,236 Leafs, a 286-percent increase over March 2012. The Japanese company is betting big on the all-electric car, and Chief Executive Carlos Ghosn has predicted electric cars will make up 10 percent of global demand for new cars by 2020.³⁷⁷



REPs are uniquely positioned to offer a variety of leasing and financial services related to charging infrastructure, along with tiered billing services for public and private use of charging points. In the Netherlands, for example, high fuel prices and a densely populated geography have created a large feasibility test. To encourage electric driving, the country is developing a rapidly expanding national grid of charging stations in cities and along highways. Amsterdam offered electric vehicle owners free street parking and charging. With hefty tax breaks, promotional leases and cheaper operating costs, some analysts estimate that the total cost of ownership is no higher than that of conventional cars.³⁷⁸ Additionally, some electric vehicle leasing programs in the Netherlands provide free or discounted gas vehicles for those who want to take a week-long driving vacation around Europe.

To their credit, energy retailers in the Netherlands have moved quickly into the space:

- Nuon develops and delivers charging solutions for electric vehicles to ensure that whether consumers are at home, at work or in the city, they can recharge easily. It has been installing charge points since 2009. Additionally, Nuon's parent company, Vattenfall, and Volvo Cars have made equal investments in the Volvo V60 Plug-in Hybrid. Vattenfall also contributes solutions for interactions between the car, the home or workplace and the electrical network, as well as expertise in electricity safety, charging and EU standards. Vattenfall's involvement in electric vehicles also extends to the German and Swedish markets.³⁷⁹
- As part of its wider strategy to support electric vehicles, Essent NV won a contract to supply and install at least 125 charging stations in Amsterdam.³⁸⁰
- In 2011, Alliander, a network operator in the Netherlands, took a share in The New Motion.³⁸¹ The New Motion develops products for charging electric cars that are easy and smart and can be placed anywhere. It also provides a charge card with no subscription fees. Because it is interoperable, the pass can be used at almost all public charging points and fast chargers. Finally, The New Motion offers a mobile app to find the closest charge points, as well as a user portal to track charge behavior and usage.³⁸²

For retailers around the world, it will be important to identify opportunities and business models early to capitalize on more than just increasing electricity consumption from electric vehicles.

Owning homemade energy

In many geographies, rapid price increases are stagnating or driving down consumption. Consumers are seeking to substitute the energy supplier with distributed generation technology. A study by the U.S. Department of Energy showed that renewables could supply up to 80 percent of US energy needs, with as much as half being sourced from variable renewable technologies.³⁸³ Spurring the trend is the falling cost of solar panels. In fact, the costs of solar PV cells are falling by around 45 percent per year.³⁸⁴ As battery storage technology and solar panel costs continue to fall, distributed generation is becoming a much more viable option for residential consumers. This is happening in some geographies faster than others. Germany recently introduced a subsidy for PV energy storage. The subsidy is expected to reduce the average 20-year cost of a PV system with storage to 10 percent less than a system without it and will likely help to spur new innovations in energy storage.³⁸⁵



It is no secret that these disruptive technologies could upend the traditional business model, creating a provider-of-last-resort scenario for consumers still on the grid. While selling less to sell more is a difficult proposition, again, the key for energy providers is to rethink their business model around services in this area. From solar panel service and installation to leasing and other financing options, energy providers have an opportunity to hone their strategies now.

The impact of solar panels is also evident in Australia. By April 2013, the estimated number of households in Australia with solar reached 1 million. An estimated one in five Australian households is likely to have rooftop solar by 2020, if not sooner.³⁸⁶ Furthermore, the price paid by consumers for rooftop solar systems has also fallen by 85 percent over the last four years. The plunge in price was driven largely by a fall in the cost of producing PV cells and the higher Australian dollar.³⁸⁷ In response to these market factors, myriad new providers, distribution companies and energy retailers have entered the market. For example, SolarSwitch is an Australian-owned solar power and energy-efficiency company.³⁸⁸ It focuses on helping

consumers save money for the home or business. SolarSwitch has installed more than 6,000 solar power systems for homeowners, businesses and government.

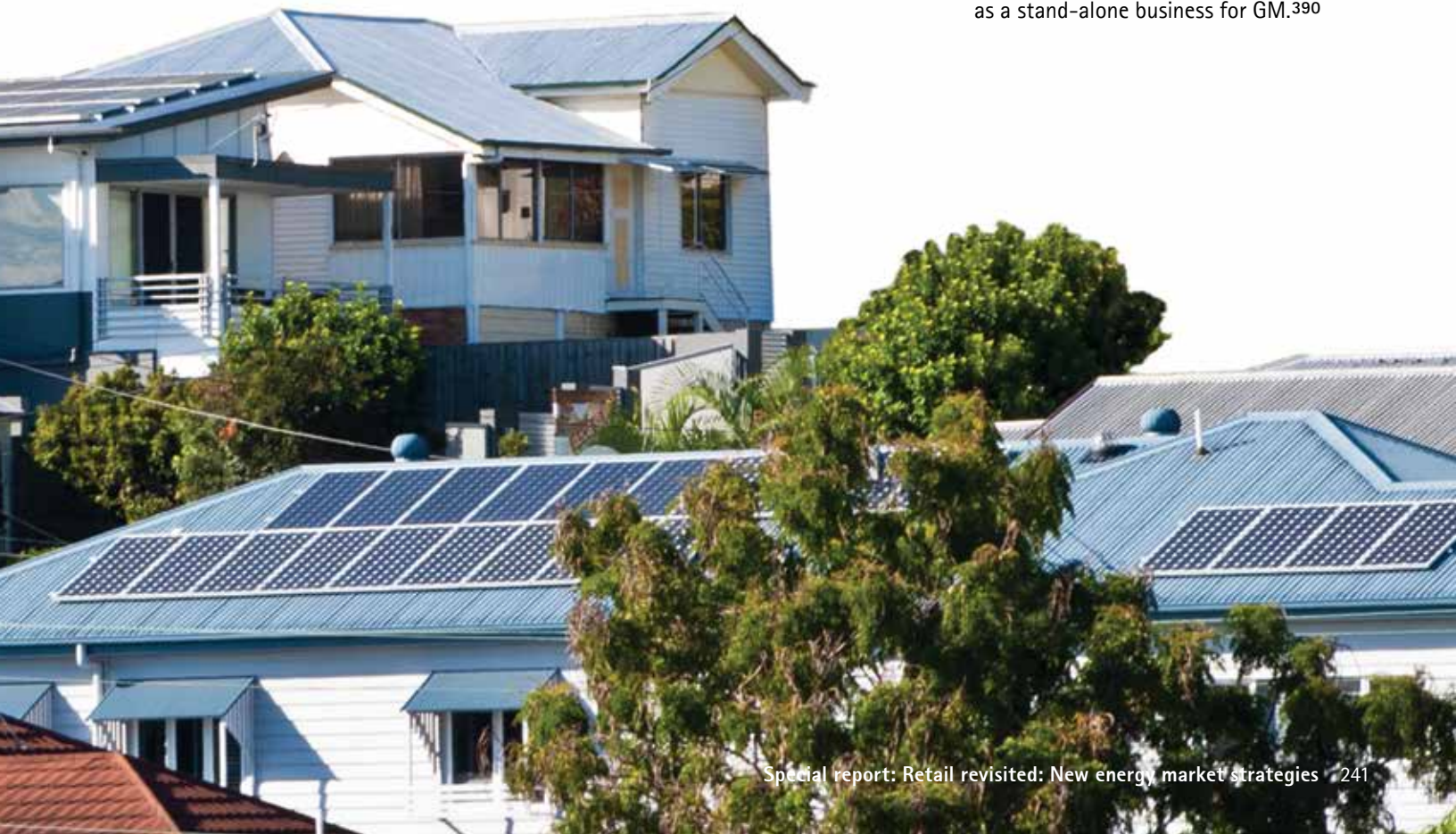
AGL, a large Australian retailer, has also created a broad value proposition around solar panels. It currently offers plans that allow consumers to install solar panels at minimal up-front cost and allows consumers to spread the cost over a two-year payback period. The offer includes all equipment necessary to run the system plus a building guarantee undertaken by AGL.³⁸⁹ While solar currently provides only a fraction of Australia's generation mix, energy providers are reshaping their go-to-market value propositions and business models accordingly.

Embracing a service focus

The evolution of a service-based economy has resulted in a move toward new, innovative business models. This approach embraces services not just as a natural extension of products, but as a source of new opportunities for generating revenue and driving higher customer satisfaction.

By nature, services bring organizations closer to consumers. Multiple interaction points give organizations opportunities to establish ongoing dialogue with customers. This strategy, in turn, creates opportunities to gain further consumer insights. What's more, this dialogue encourages a closed-loop feedback process to better align expectations and delivery, engaging the consumer at the moment of truth.

Over the past decade and across industries, Accenture has observed a growing shift from predominantly product-centric to service-centric business models. The driver: a goal of monetizing engagement efforts with consumers and growing revenues without major up-front investments. Although Apple initially launched iTunes to boost iPod sales, it is now a service in its own right that allows virtually anyone to purchase and manage audio and video. Apple has used the iTunes platform to build an entire ecosystem of services. Another interesting example is GM's OnStar, a high-tech telematics service initially launched to differentiate and drive sales of GM vehicles. Today, OnStar boasts more than 6 million customers, generates about \$1.5 billion in annual revenue, according to analysts, and functions in many ways as a stand-alone business for GM.³⁹⁰



By embracing this trend and evolving toward a service-based approach, energy providers can deliver on three key outcomes:

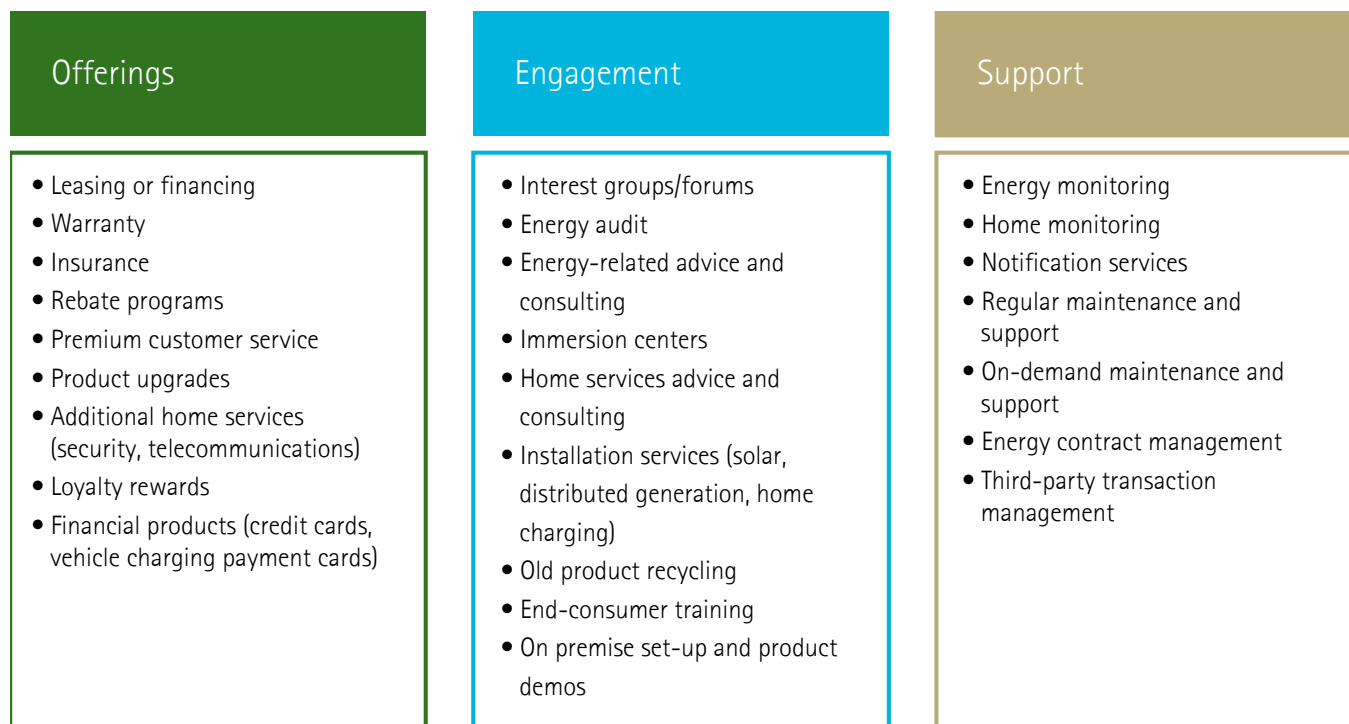
- **Profitability.** More often than not, services businesses deliver greater profitability than those focused on products. In energy, the core product is a commodity. Services can provide much-needed market differentiation, thereby driving a higher price premium. For example, Direct Energy offers maintenance services and advertises that regular maintenance can help consumers avoid costly, unexpected repairs. The company offers maintenance services for humidifiers, furnaces, fireplaces, boilers, air conditioners and pool heaters. Based on the effort required for maintenance, Direct Energy charges between \$85 and \$170 for each appliance.³⁹¹

- **Predictability.** Products—including energy—are more susceptible to economic volatility and risks due to macroeconomic factors. Service businesses, on the other hand, rely on recurring revenue streams rather than one-time sales. Innovative service-based pricing mechanisms are helping some energy providers tap into these sources of predictable ongoing revenue. US-based PSNC Energy³⁹² offers repair services on home appliances for a regular monthly fee, enabling consumers to call any time they need service. When a customer requires a service call, PSNC charges an additional service fee. This keeps ongoing costs affordable for consumers while creating additional variable revenue for the provider.

- **Growth.** Building a portfolio of services opens up new markets and segments. Rather than focusing on specific components of what the consumer wants, this approach provides end-to-end solutions to consumers, with products and services serving as integrated and complementary answers to consumer needs. Endesa, one of Europe's largest electric utilities and a leading provider in Latin America, offers a range of services to consumers including home maintenance services, wiring and plumbing services, and home protection services (see *Case in point: Endesa's multiproduct journey* on page 162).

Energy services can take a variety of shapes—energy management, home maintenance and insurance, to name a few. In exploring options, providers can look for opportunities across offerings, engagement and support (see Figure 78).

Figure 78. Examples of energy services opportunities.



Conclusion

Volatile energy markets, growing competitive intensity and the rise of consumerization are creating opportunities and challenges for retail energy providers. At the same time, the foundation of the industry is being redefined by disruptive consumer technology, distributed generation and the increasing power of consumers. Amongst this complexity and uncertainty consumers continue to search for providers who offer simple and affordable solutions aligned to their lifestyles and values.

Within this environment, Accenture believes that leading energy providers will be those that focus on simplifying their organizations inside and out. With a solid foundation that enables nimbleness and agility, providers can work to extend consumer value propositions, explore new business models and successfully

face increasing competition. In this time of change in the marketplace, many providers will also need to prepare for the seemingly inevitable transition from product-focused operations to service-based. Whether doing so alone or through market partnerships, embracing energy services will be critical to minimizing short-term margin pressures and reversing the impending squeeze on revenue and margins in the longer term.



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The New Energy Consumer research methodology and sample

Accenture's four years of global research surveys are based on questionnaire-led interviews with end consumers. In total, across four years of research, more than 40,000 consumers have been surveyed worldwide. In 2013, more than 2,000 small and medium businesses (SMBs) were surveyed in addition to residential consumers. Surveys were conducted online in native languages for Accenture by Harris Interactive. The selected countries represent a range of regulated and deregulated markets.

For residential consumers, the survey sample was statistically representative of the general population in each country, with the exceptions of Brazil, China and South Africa, where the sample was representative of the urban populations.

For countries with large and/or diverse populations, participants were selected from a broad spectrum of locations. The surveys included attitudinal, behavioral and demographic questions.

In 2010, 2011 and 2012, the survey also presented choice-based questions about various combinations of elements of energy management programs and value-added products and services. The information was evaluated using a conjoint analysis to understand how consumers weigh different components when considering energy packages or energy management and to segment them according to their preferences.

In 2013, more than 2,000 SMBs were surveyed in nine countries. Respondents were responsible for or contribute to electricity- and/or gas-related decisions at their place of business.

The definition of SMBs varies greatly across countries and across energy providers. To obtain a globally relevant and balanced sample, SMBs were defined as companies having between 1 to 500 employees. Home-based businesses were excluded from the survey. The sample included a mix of different-size businesses based on number of employees and different types of businesses spanning services and goods-producing companies.

Countries included in the multiyear research program, with number of participants.

Country	2013 SMB consumer research	2013 residential consumer research	2012 residential consumer research	2011 residential consumer research	2010 residential consumer research
Australia	250	500	500	500	500
Belgium	-	500	500	512	-
Brazil	-	500	500	510	518
Canada	250	500	500	500	500
China	-	500	500	502	500
Denmark	-	500	514	505	500
France	250	500	500	514	500
Germany	250	500	500	500	513
Italy	250	500	500	548	527
Japan	-	500	500	530	530
Netherlands	-	500	500	544	500
Norway	-	500	500	-	-
Poland	-	500	-	-	-
Singapore	200	500	505	510	501
South Africa	-	500	512	500	500
South Korea	-	500	500	537	500
Spain	250	500	500	550	500
Sweden	-	500	500	511	514
Turkey	-	500	-	-	-
United Kingdom	250	634	627	724	500
United States	250	1,020	1,000	1,202	1,005
Total survey sample	2,200	11,154	10,158	10,199	9,108

About Accenture Energy Consumer Services

Accenture Energy Consumer Services provides customer care solutions for competitive and regulated energy providers globally. We help clients to develop and implement full value-chain solutions that achieve three key business imperatives: cost effectiveness, revenue assurance and customer satisfaction. Through new energy customer transformation, next-generation customer solutions, transformational outsourcing and asset-powered services, we bring leading-edge, industry-specific management consulting, technology and business process customer-care capabilities to electricity, gas and water clients.

New Energy Customer Transformation

Accenture helps clients move from issue to outcome with pace, certainty and strategic agility. We help clients understand market trends and continually adapt their strategies, operational models and culture accordingly. Accenture has played an active, key role in managing complex transformation projects for utilities clients related to customer operations, smart technology deployment, demand-side management enablement and competitive differentiation.

Next-generation Customer Solutions

Accenture provides a broad spectrum of customer operations technology services to help organizations translate their strategic business agendas into IT initiatives and offers solutions that measurably improve performance. We help clients address requirements across customer information systems, advanced metering infrastructure, CRM systems, analytics platforms, multichannel capabilities and cloud-based solutions.

Accenture combines industry-specific knowledge, capabilities and accelerators, and insights into how technology impacts people and processes to deliver solutions that help achieve business outcomes.

Transformational Outsourcing

Accenture Utilities BPO Services enables high performance in customer operations. Our experience and global capabilities make us a world leader in bundled contact center and meter-to-cash outsourcing, application outsourcing, infrastructure outsourcing and capacity services. Accenture has helped utilities achieve scale, reduce operating expenses, access new skills and capabilities, and utilize leading processes and technology. Each year, Accenture processes more than:

- 180 million bills.
- 8 million customer calls.
- 18 million meter reads.

Accenture's utilities outsourcing services provide step-change transformation and capability enablement at scale.

Asset-powered Services

Accenture's utilities specific software and services help clients establish strategic capabilities and enhance existing competencies. Our outcome-based approach is designed to accelerate speed to value by combining industry-specific solutions with the scale and quality of our global delivery network. Using our proprietary assets combined with utilities services, Accenture has helped utilities achieve step-change reduction in cost to serve, drive digital interaction and enhance the customer experience.

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About the Accenture Innovation Center for Energy and Utilities

The Accenture Innovation Center for Energy and Utilities is a research entity focused on accelerating the industry's pace to high performance through the facilitation of industry dialogue and thought leadership development across key industry areas—policy and sustainability, consumer influence, technology, innovation, capital, talent and resources. Follow us @Energy_Consumer and read more at Accenture's forum for utilities news and opinion, the U-Blog, on www.accenture.com.

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Accenture is a global management consulting, technology services and outsourcing company, with approximately 261,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

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