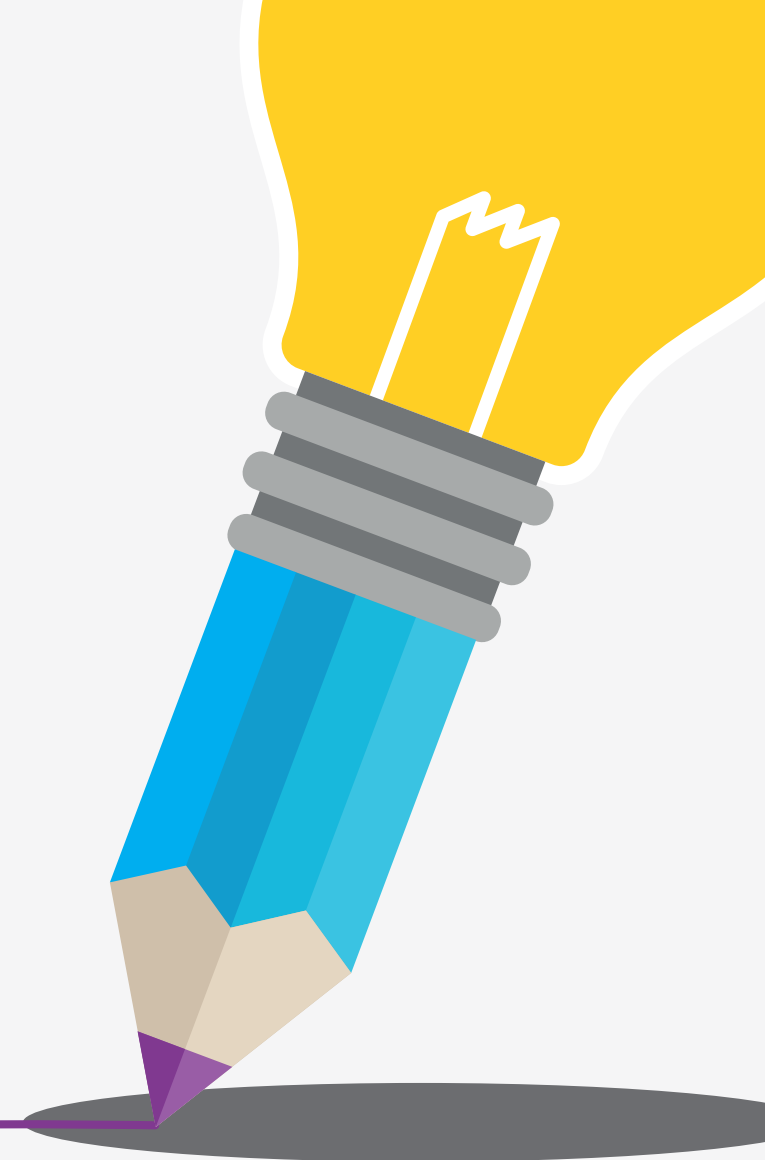


White Paper

The Power of Customer Experience in the Utilities Industry



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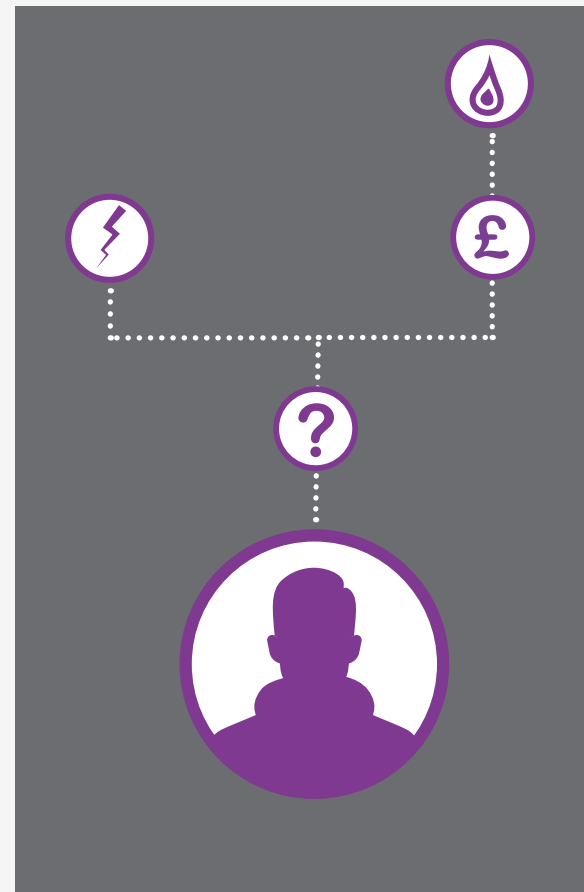
The case for CX

Customer expectations in the Utilities sector are growing. The likes of Amazon and Apple have driven the customer-centric agenda and consumers now expect their experience to be tailored to their needs rather than business processes. However, with increasing levels of competition and threatened margins, it has been historically difficult for Utility companies to maintain a primary focus on 'customer experience' in the face of other competing KPIs.

According to a PwC report, 97% of industry experts expect to see a medium to very high level of market disruption by 2020 and 78% anticipate greater competition.

Source: PwC, Global Power and Utilities Survey 2016

In December 2007, there were just 11 Energy suppliers in the market¹. Jump forward to June 2017, and this number has grown to 60. Consumers have been pro-active in switching between them, with 2.5 million gas customers and 3.2 million electricity customers changing suppliers between January and August 2017. Crucially, 28% of total switches across both fuels moved to small and medium suppliers (net gain)². This poses a problem for larger suppliers, who have found it increasingly difficult to retain their existing customers.



While in the past competition between suppliers has been based on price, these battles are becoming increasingly unsustainable as the market approaches near saturation levels. Organisations are therefore beginning to turn towards customer experience as a differentiator, with the percentage of Energy and Utility companies that have a primary focus on boosting levels of consumer satisfaction nearly doubling from 2012 to 2015 (increasing from 18% to 35%)³.

¹ Ofgem, *Number of active domestic suppliers by fuel type (GB)*.

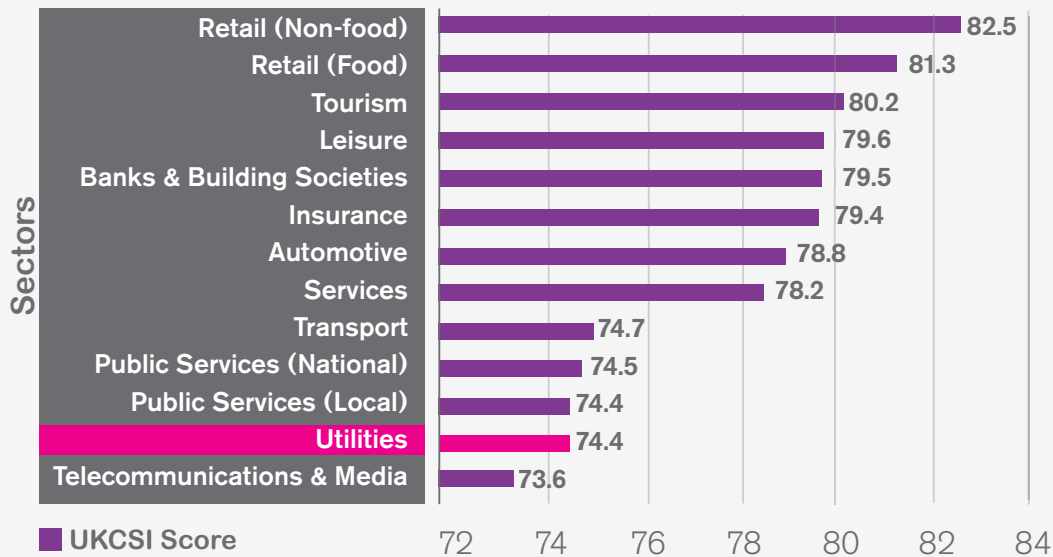
² Ofgem, *Infographic: Bills, prices and profits*.

³ IBM, *Energy and Utilities providers are reimagining the customer experience*.

The case for CX

Despite this shift, there is still significant room to improve customer service in the Utilities industry. According to the January 2017 UK Customer Satisfaction Index, Utilities ranked 12th out of 13 sectors:

Sectors compared by UKCSI score



Source: The Institute of Customer Service (January 2017 UK Customer Satisfaction Index: the state of customer satisfaction in the UK)

**TOP 10 CX
COMPANIES
ACHIEVED
£43M
MORE IN
REVENUE
EVERY YEAR**

This low ranking does provide Utilities with an opportunity. Generally low levels of satisfaction means those who focus efforts on CX can quickly create a point of differentiation.

Crucially, a focus on customer experience has direct financial benefits. According to KPMG, in the Customer Experience Excellence rankings, the top 10 companies achieved £43 million more in revenue every year compared with those ranked 11-100⁴. Indeed, the top 20% of Utility companies in terms of CX also displayed 18.9% year-over-year change in average customer profit margins, compared with -3.9% with the bottom 80% companies⁵. This demonstrates that customer experience feeds directly through the bottom line.

⁴ KPMG, *No going back: Five disruptive trends reshaping the Utilities sector*.

⁵ Aberdeen group, *Customer experience management for Energy and Utility companies: the path to happy customers & greater results*.

An industry in flux

It's not just increasing competition that is causing disruption in the Utilities sector. The industry is going through a period of turbulence due to proposed price caps, the rise of third party comparison sites and pressure from the regulator to improve transparency.

The recent Government intervention and proposal to cap Standard Variable Tariffs (also known as Standard Variable Rates) will limit the margins on the most profitable customers. According to Ofgem, figures show that the average annual variable tariff costs approximately £1135, substantially higher than the £827 paid by customers on the lowest cost tariffs⁶. With 12 million customers in the UK on some form of default tariff⁷, there is still discussion on what effect this will have on competition and fixed rate tariffs, with no clear consensus about what the impacts will be.

The rise of third party comparison sites has also presented a problem for Utility providers. Where traditional interactions with customers once provided an opportunity to increase margins through the upselling of additional products, such as insurance, third party sites mean providers

have less opportunity to persuade the customer of their value. Furthermore, sites featuring tariffs from multiple providers can draw attention to lower rates offered by competitors, encouraging switching and decreasing customer loyalty to single organisations.



High profile fines have also been issued by regulator Ofgem for problems pertaining to billing, handling of complaints and explaining contract information. Ofgem are driving organisations towards transparency, with a risk of penalties for those who do not meet the required standard. The question facing Utility companies is therefore, how can we offer a seamless customer experience to encourage customer loyalty, while also delivering clarity? The answer is that the starting point has to be in evaluating the journeys customers go through.

⁶ Ofgem, *Infographic: Bills, prices and profits.*

⁷ Ofgem, *Infographic: Bills, prices and profits.*

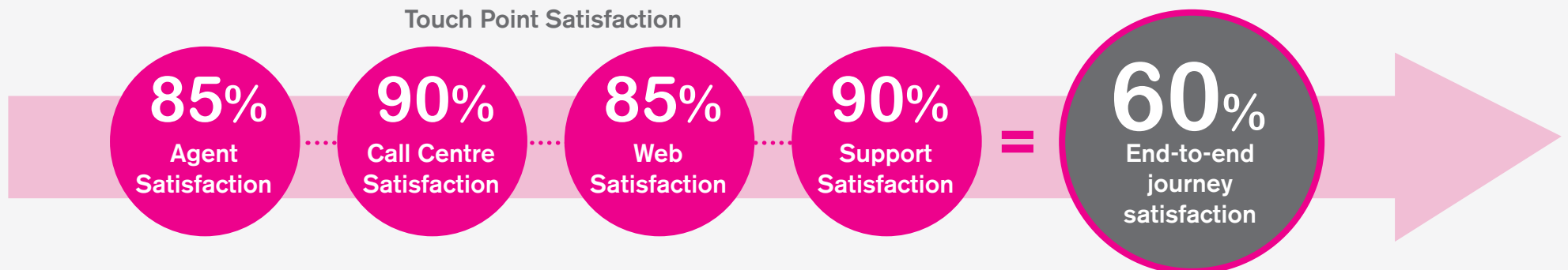
How Utility companies can improve Customer Experience

Examining end-to-end journeys

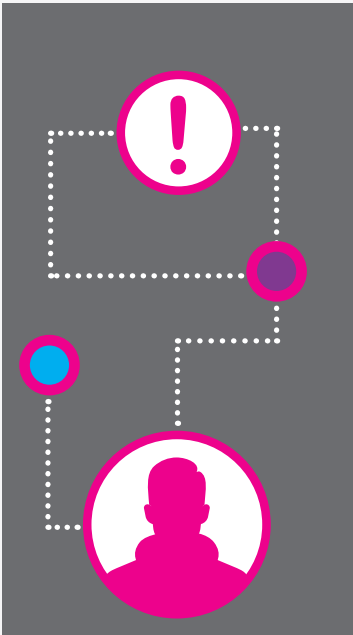
Too often customer experience is measured as a series of individual touchpoints. But when approval ratings at particular stages in a journey seem to indicate high satisfaction, it is hard for companies to understand why overall satisfaction ratings for the whole journey can be much lower.

To truly understand customers' experience, Utility companies need to measure journeys and not channels or touchpoints. Making the right measurements and taking the customers perspective into account is crucial for this. Current customer experience KPIs are often centred around the needs of the organisation, e.g. Average Handling Time (AHT) is a measurement often used in call centres, but it tends to present a narrow and misleading view of the customer journey.

Although AHT can be useful insofar as it tells an organisation how quickly an agent has dealt with a customer, it doesn't measure the effectiveness of the interaction. Under the measurement, two nine minute calls to resolve a single issue would be seen as more successful than one ten minute call. Similarly it fails to take into account whether a customer has also attempted to use other channels as part of their journey, but has perhaps been forced to change channels (possibly against their will) in order to get a successful outcome.



How Utility companies can improve Customer Experience



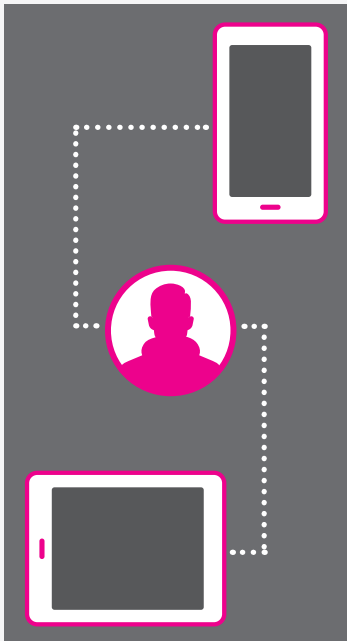
Complex journeys are often non-linear, and involve various channels. Channel-level metrics can only provide an insight into a single aspect of a customer's experience and do not reflect the whole journey. Instead, Utility companies need to rebuild their customer journeys from a granular level, with a focus on identifying and understanding the breaking points that are causing delays or abandonments. Are customers being forced down undesired channels? Is help being provided at the point of need? Are products comparisons being well communicated or are customers confused by a range of options open to them?



These issues are just some examples that create breaks, disconnects and inefficiencies in customer journeys that negatively impact businesses through increased drop offs, decreased competition and reduced NPS scores. Unfortunately, there is no single measure that will encompass how successful customer journeys are, and so the challenge is for Utility companies to approach journeys holistically, first identifying break points and then providing simple and intuitive solutions.

How Utility companies can improve Customer Experience

Omni-channels



The growth in digital technology means that customers now have more choice than ever before in how they communicate with organisations. The problem is that these channels have often grown organically and independently from each other, meaning silos prevent customers seamlessly moving between them. The development of omni-channels has become an increasingly important focus for Utility companies, so they can offer a joined-up service and allow customers to move between channels as their journey demands, for example, a customer may start a journey over the phone but want to complete it online.

Customers don't think in terms of channels, but in terms of their end-to-end experience. Complex legacy systems and internal processes are irrelevant to the customer who wants to decide how their buying journey will happen. Utility companies must focus on breaking down these channel silos by building agile platforms that will allow customers to move seamlessly across channels and provide help at the point of need.

Companies that do so are often rewarded. Research conducted by the Aberdeen group found that organisations with the strongest omni-channel engagement strategies retain an average of:

- 89% of their customers compared to
- 33% in those companies with weak strategies⁸.

⁸ The Aberdeen Group, *Why omni-channel strategy matters*.

How Utility companies can improve Customer Experience

Leveraging Technology

It is not technology itself that customers want, but the functionality and capabilities it provides them with. Technology can reshape a customer experience, but organisations should not make the mistake of trying to universalise self-serve platforms for all journeys. While self-serve platforms might be well suited to simple journeys like checking a bill, for more complex enquiries, customers require a higher level of support. For example, it is unlikely that a significant number of customers will sign up for additional energy solutions, such as Smart Home Technology or Solar Panels, without first discussing their circumstances and requirements with an agent.

The focus for companies should be on examining where they can add value to a journey. Digitalisation will not provide significant benefit to an organisation if it doesn't work for the customer, and the reduction in costs will be offset by a loss in customer retention and sales. Instead, providers should look to leverage technology at appropriate points, while also offering human assistance when the customer expects and requires it. This will ensure that if a customer encounters an obstacle, it does not lead to a delay or permanent break in their journey.

Delivering Transparency

A common cause of friction in a customer journey is confusion and lack of clarity. According to Ofgem, there were 3.5 million complaints to suppliers in 2016, with problems stemming from a range of sources, including customer service and billing queries⁹. A variety of products and services often mean customers don't know which option to choose and this can cause multiple customer queries, lack of trust and breaks in the journey. Compliance can be an issue, particularly in telephony interactions, as agents are required to read lengthy scripts. Utility companies that deliver clarity in terms of services, pricing and compliance practices will reduce customer service queries at a later date, remove friction from customer journeys and build trust with the customer. Mobile operators have overcome these challenges by using technology to bring a visual element into a call that enables them to visually demonstrate complex tariffs and compliance info.

3.5M
COMPLAINTS
TO OFGEM
IN 2016

⁹ Ofgem, *Infographic: Energy company performance*.

Conclusion

Utility companies have an opportunity to break out of the increasingly unsustainable price battles and create a market leading customer experience strategy that will set them apart from their competition. By focusing on the customer journey from the customer's perspective and using the right technology, Utility companies will allow customers to move seamlessly between channels, as well as providing much needed clarity for customers. It will also deliver measurable results in terms of increased conversion and retention rates, as well as reduced churn and costs.

Journeys in the future will allow customers to start their journey as self-serve, request help via chat when they have a problem, engage with a customer service telephony assistant to share and sign documents, then move back to self-serve to finish their journey- all seamlessly without the need for delays or breaks. The utopia is one which seamlessly optimises the right blend of channels to maximise the experience for the consumer, while reducing the cost of the customer journey for the company.



White paper by Vizolution.

About Vizolution

Vizolution is a CX Tech company focused on streamlining customer journeys. With a SaaS suite of digital products, Vizolution supports the omni-channel strategy of it's customers to eliminate the breaks in customer journeys.

To find out more about Vizolution visit www.vizolution.com