# Utility Week

# Customer First - How to get ahead of the regulatory future

### January 2018

If changes come about anything like those proposed by the recent Reshaping Regulation report, energy companies are going to have to make some very significant shifts in the way they handle customers.

The report painted a picture of the long-term destination of energy systems and proposed a new set of regulatory principles focused around how customers consume energy rather than how suppliers want to engage with them.  Whilst some of the potential scenarios may be considered far-fetched, and the report failed to touch on what happens should the industry face a Corbyn-led government committed to inflexible regulation (if not nationalisation) there is an underlying theme that all utility companies should take seriously now: a sector-wide failure to put the customer at the centre of how they do business.

Just to reinforce how customer behaviour is changing: in 2016 nearly 5 million energy customers swapped their energy supplier.[1]  With about 28 million customers for electricity that means nearly 1 out of every 5 customers in the market opted to change.[2]

## Customers don't respond to engineering

Our work within the water industry suggests that, however hard customer teams work to improve service outcomes, it's the technology and the engineering that surrounds it that excites people in utility businesses far more than providing frictionless service and there's no better place to see this than in their digital executions.

A quick review of energy websites shows a focus on acquiring customers and selling services but far less on customer service and supporting current customers to engage easily and effectively. Many energy suppliers offer "better" tariffs through online-only registration, encouraging more of their customers to sign-up and engage online as this is usually more convenient and a lower cost acquisition for the energy supplier. Many have had significant struggles to register for these tariffs leading to a suspicion that, whilst energy suppliers are after customer data, they aren't that keen on making it easy to access the best price – even for digitally-savvy customers.

Water and telecoms companies are no better – indeed despite not having to compete in the domestic market, many water companies haven't worked out that frictionless self-service is an essential component to retaining customer goodwill, although it will be interesting to see whether the move to a competitive business supply market may shift that perspective somewhat. Many still expect customers to access their accounts through customer numbers (that are difficult to recall) or impose challenging password restrictions for rarely used online accounts.

## Direct Talking

One of the key issues for customers is that the wrong people own the website – just take a look at the following water companies' home pages for example: Thames Water, Anglian Water and South West Water.  With the exception of South West Water, none of them clearly and immediately present the customer with options for what they want to do as the primary engagement when customers land on their site. They promote their investments, their corporate social responsibility and their latest branding, but few talk directly to the customer.

From our work across this sector we know that circa 80 per cent of customers who use digital channels are looking to self-serve, for example paying a bill or reporting a meter reading. These then split into two groups – regular monthly bill payers who input a meter reading and/or pay a bill and irregular users who may pay an annual bill or looking to report a leak or register a house move. Of the latter group, most fail in their attempt, mainly as a result of not getting through the barriers thrown up by the producer mentality and when the customer fails, there is no other choice than to pick up the phone to the company.

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[1] http://www.energy-uk.org.uk/press-releases/370-2017/6000-2016-a-record-year-for-consumers-switching.html
[2] https://www.ofgem.gov.uk/system/files/docs/2016/08/retail_energy_markets_in_2016.pdf

## Good Growth
our clients sell more

## Barriers to engagement

This is painful for the customer, but also for the utility, as the cost associated with call handling is one of the major outlays. As it stands, the digital options offered by utilities tend to serve the functional needs of a transaction, rather than offering convenience to the customer. Turning this approach on its head can increase the effectiveness of the digital channel by more than 50 per cent.

The barriers to engagement are one of the reasons that the majority of customers do not choose to manage their accounts through the digital channel, the other is the lack of education of the customer that the option exist. Recent research suggests that, in water, only about 20 per cent of customers choose to self-serve.

The key challenge faced by utility companies generally (energy, water, telecommunications and broadband) is to build customer faith that they come first. This isn't a easy task and is as much about culture and mind-set as it is about improved digital effectiveness: nothing is stopping any company engaging customers first with the customer agenda rather than with a producer perspective, but most seem not to want to do it.

It has been shown that there is a significant commercial gain to be had by moving ahead of any future regulation changes and ensuring that customer service sits front and centre of what they do.

Responding to the customer can bring millions of pounds worth of savings that could help support reduced bills. The consequence of not doing this not only increases the likelihood of margins coming under pressure as regulation tightens, but also the risk that a future government will take back control of the sector playing on significant customer dissatisfaction. Given the state's track record in delivering utility services and investing in the future this move would be to the detriment of both shareholders and customers alike.