

Power Insight: Getting to know your customer

Customer profiling and segmentation in the power & utilities industry

It's crunch time for the P&U industry

Electric industry deregulation and evolving customer expectations are driving intensity and complexity in the P&U industry. Added to that is an influx of players that is spurring unparalleled competition. And while the introduction of smart grid technologies has created a substantial growth of usage and measurement data, few organizations have discovered how to transform that data into actionable insights.

With "Power Insight," Deloitte is leveraging analytics to move beyond the traditional focus on service reliability and usage-based block rates to help take data to another level. Using advanced analytical capabilities, P&U companies can unearth new insights on customer behavior and preferences. These insights then inform the development of products and services tailored to specific customer segments.

Increasing business performance by taking advantage of customer data — and indeed the entire smart grid paradigm — is dependent on customer participation and buy-in. The customer has a role to play and utilities need to help to transition consumers from passive purchasers to informed decision makers.

Customer segmentation analytics helps facilitate this by providing customers with useful information and engaging them in deeper relationships. Analytics increases demand response effectiveness by targeting highly engaged consumers and reaching the highest value customers. Also, usage-based product offerings help save customers money by reducing peak-demand usage and driving them toward more cost-efficient energy solutions.

As a result, companies not only improve customer enrollment and retention, but can also to create long-term satisfaction and ultimately optimize the economic return on smart grid investments.

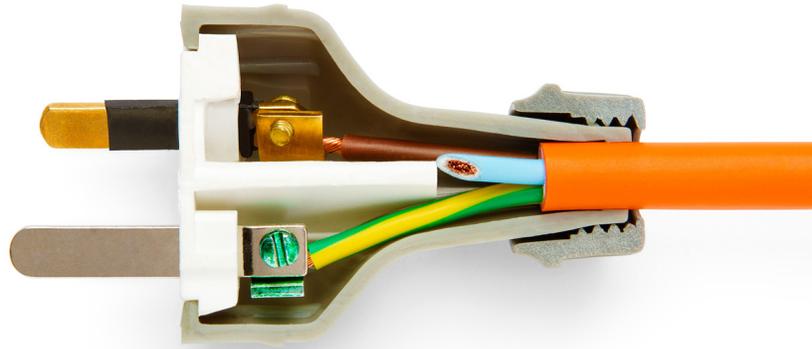
Cross-Industry Insights

Using data-driven customer behavioral analysis, a global consumer products company and a US-based retail chain collaborated to increase total store sales by 138% and trips by 90%, elevate multiple category purchases by 80% and improve sales per trip by 25%.

Five phases of customer segmentation analytics

Customer segmentation analytics creates distinct groups of customers with common characteristics, such as interests, risk factors, behaviors, likes, dislikes, propensities, etc. Having an integrated and realistic view of the life time value of all customers at each moment, can enable a utility to make value-generating decisions on many levels --- from strategic to operational. Utilities can thus deliver better sales, marketing and service efforts via new education, incentives and customer motivations. A comprehensive segmentation analytics strategy should be comprised of five phases

1. **Planning and data gathering:** Craft the vision and define the approach to analyzing existing data. Supplement initial analysis with additional research. Develop market summary based on data and research.
2. **Segmentation analysis:** Analyze data to identify meaningful customer segments by synthesizing key attributes and prioritizing customer needs by segment. Supplement this analysis with quantitative methods to facilitate analytical rigor.
3. **Organization and change:** Develop high-level change management and training strategy in order to "activate" the customer segment.



4. **Business case/finance:** Determine high-level benefit and cost drivers to identify how serving the prioritized segments will impact P&L.
5. **Pilot solution:** Build an initial model, segment a specific customer base, and test the power of the analytics solution on a modest scale. Measure results and determine opportunities for expansion.

Our capabilities

Deloitte's combination of analytics and extensive power and utility industry experience can drive significant value for P&U companies. Through an integrated set of cross-service area capabilities, Deloitte Customer Transformation helps companies improve sales, marketing, and customer management. Deloitte Analytics helps clients to drive value through in-depth understanding of customer insights. Finally, our Information Management practice helps companies extract and employ data from existing systems and capitalizes on emerging technologies.

A recent MIT Sloan Management Report found that organizations using analytics are more than twice as likely to substantially outperform their competitive peers.¹

Learn more

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¹ Analytics: The Widening Divide, By David Kiron, Rebecca Shockley, Nina Kruschwitz, Glenn Finch, and Dr. Michael Haydock, MIT Sloan Management Review, Winter 2012.

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