

A hand is holding a tablet computer. The screen shows a dark interface with a prominent green line graph that trends upwards from left to right. The background of the screen is dark with some faint, illegible text and lines. The hand holding the tablet is visible on the left and bottom edges.

Deloitte.

Expanding the pie
Opportunities for utilities
to monetize customer
engagement

Deloitte Center
for Energy Solutions

Executive summary

The [Deloitte Resources 2015 Study](#) gave voice to more than 600 businesses and 1,500 household decision makers, and their message is clear: the concept of energy management has become ingrained and the commitment to reducing consumption has become entrenched. Consumers are looking to utilities for information and guidance regarding how they might reduce their electric bills and businesses consider energy management to be an essential aspect of corporate strategy. These findings suggest a significant opportunity for electric utilities to provide new and innovative demand-side energy management services. According to an article published by Edison Electric Institute (EEI), perhaps the biggest and most exciting change unfolding for electric utilities is the increased focus on customer engagement.¹ As customers continue to seek energy management advice from their service providers, utilities are presented with opportunities to strengthen trusted relationships and expand their revenue-generating services. In many instances, regulators encourage such offerings through state-level energy efficiency standards and renewable energy policies.



Introduction

The cost to generate and deliver a kilowatt hour (kWh) of electricity is rising in an environment where future kWh sales may be flat or declining despite economic expansion—a condition the US electric sector hasn't experienced in recent memory.² Factor in heightened competition from new market entrants offering distributed generation and energy-management services, and the call becomes increasingly louder for utilities to optimize their existing services and seek alternative revenue streams. Customer engagement will be central to achieving these objectives, but how? The findings of the Deloitte Resources 2015 Study point to an opportunity for utilities to work more closely with both business and household utility decision-makers to help them achieve their energy management goals.

About the study

In March 2015, Deloitte, with strategy and market research firm Harrison Group, a YouGov Company, conducted its fifth annual nationwide Resources Study (the "2015 Study" or "study") to provide insights that can be useful in helping energy companies and businesses make energy-related investment and business decisions. The study captures two views: a consumer perspective and a business perspective. The consumer portion is based on more than 1,500 demographically balanced online interviews with

household decision-makers for utility services. The business portion is based on more than 600 online interviews with business decision-makers responsible for energy management practices at companies with more than 250 employees across all industries. The findings of the 2015 Study not only corroborated the main conclusion of the previous year's study—that energy management was becoming a core business competency—but it further suggested that a tipping point has been passed: thoughtful, deliberate energy consumption has permeated the business psyche, and companies, by and large, now consider energy management to be an essential aspect of corporate strategy. While businesses matured in their views and practices concerning energy management, consumers generally held steady in their attitudes and behaviors in the 2015 Study, as they continued to employ basic tactics, such as turning off the lights and adjusting their thermostats, to save money on their electricity bills. Importantly, however, they showed little desire to abandon their frugal ways, even as the economy has improved. Both groups appear to have "passed the point of no return," whereby the concept of energy management has become ingrained and the commitment to reducing consumption has become entrenched.

Committed and looking for help to do more

At first glance, the ongoing commitment by both businesses and consumers to reducing their electricity consumption may seem unfavorable for electric utilities. However, a closer look at the findings suggest that both groups will need help in the form of education and/or new products and services in order to accomplish their energy management goals, and despite increased competition from new entrants, utilities in many instances are still the front-runners for providing this assistance.

For example, on the consumer side the study found:

- Sixty-four percent of consumers believe they have done all they can to keep their electricity bills down. This implies that 36 percent believe they can do more, up from a low of 23 percent in the 2012 Study.
- Consumers continue to look to their electric utility for tips on how to save energy and money. Among those who report receiving “several good tips,” more than two-thirds (67 percent) say they got some of them from their electricity provider.
- Trust in utilities as a source of information is growing, with 30 percent of consumers perceiving the information included with their monthly electric bills as “extremely/very trustworthy,” compared to 24 percent in 2014.

And, on the business side the study found:

- Businesses are allocating more capital to energy management. Ninety-three percent of companies in the 2015 Study have invested funds in energy management programs over the last five years, representing about 17 percent of their capital budgets. In comparison, 91 percent of companies in the 2014 Study invested funds in energy management programs, representing 12 percent of their capital budgets.
- Thirty-nine percent of businesses say new/innovative energy management solutions are actively encouraged, experimented with, and deployed, up from 30 percent in 2014.
- More than one-third (34 percent) of businesses say they participate in the majority of available utility-sponsored demand-response programs, and 29 percent say they participate in all available programs.

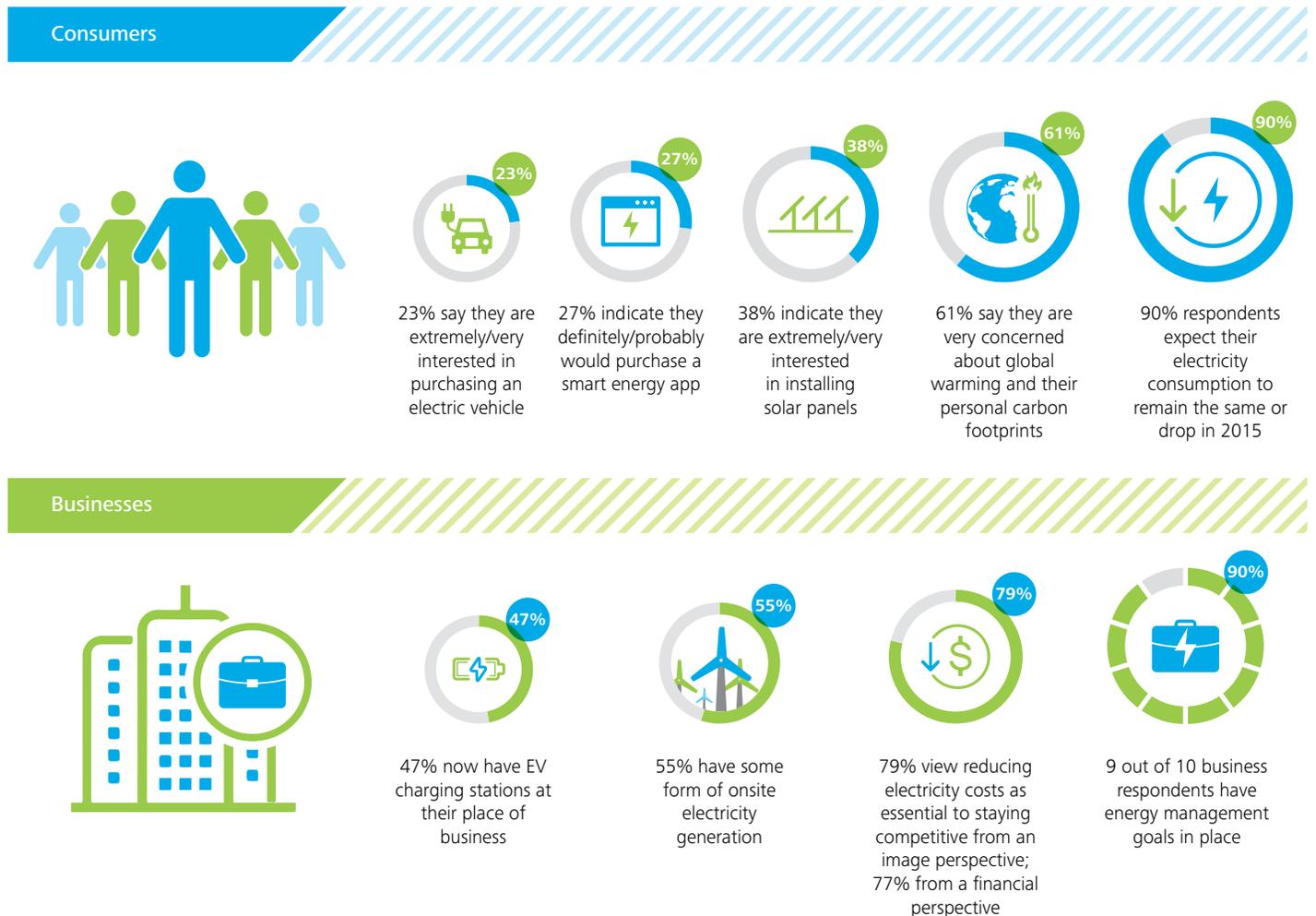
Considering these findings, utilities are working with a more receptive audience for new and existing energy-management services, demand-response programs, energy efficiency incentives, and renewable development efforts than they have previously imagined. For many utilities, the key to realizing this potential lies in involving customers as active participants in the provision of services and the development of new offerings.

The gateway to added value

David Owens, executive vice president of business operations group and regulatory affairs, Edison Electric Institute, emphasized the imperative for utilities to consider the evolving demands of their customers and to engage them to a greater degree. “Utilities must acknowledge that they no longer have customers in the traditional sense; instead, they have ‘pro-sumers,’” observed Mr. Owens. He further explained that electricity consumers today are proactively involved in all aspects of energy management and they can no longer be thought of as homogenous load. As reflected in the study findings, an increasing number of consumers and businesses now have the ability to generate their own electricity; nearly all have specific energy-related goals, such as cutting their costs, reducing their carbon footprints, or attaining greater resiliency; and they are no longer looking to the utility to meet all of their needs (see Figure 1).

While the evolving nature of electricity customers and the entry of new competitors raises the specter of disintermediation, Mr. Owens suggests that it also presents utilities with an opportunity to leverage their strong suit: ongoing customer interactions stemming from the ubiquitous necessity of utilizing the grid. Even customers with distributed generation solutions, such as rooftop solar and microgrids, still must integrate with the utility-managed transmission and distribution system to fill intermittent gaps, and to distribute and monetize any excess power that is produced. Communication touchpoints accompany pro-sumers’ need to connect to the grid and, therefore, utilities have a window through which they can better understand their customers’ evolving demands and provide meaningful assistance in fulfilling them.

Figure 1: The utility “prosumer” at a glance

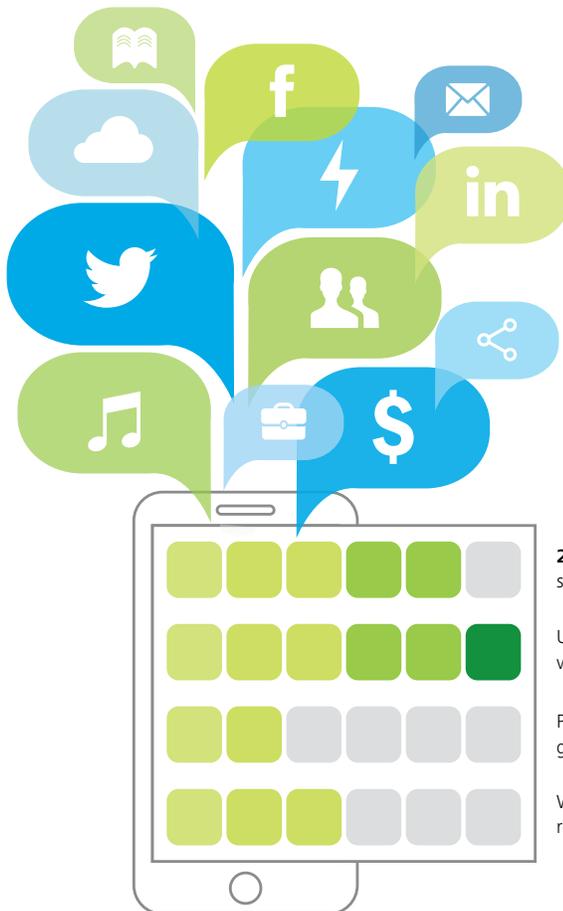


Gregg Knight, senior vice president and chief customer officer, CenterPoint Energy, sees greater customer engagement, accomplished largely by capitalizing upon these automated and live agent communication touchpoints, as the gateway to providing further value to customers. He explained that his company, which provides electricity and/or natural gas service across a mix of regulated and unregulated markets, is focused on being “very easy to do business with” since customer expectations are increasing. “In terms of improving customer satisfaction, you have to get the basic blocking and tackling right,” observed Mr. Knight. “From there, if you can be proactive, and give customers relevant and personalized information, perhaps highlighting an opportunity to save money, customer engagement becomes a very compelling way to add value.”

For CenterPoint Energy, excelling at customer engagement has meant investing in an integrated digital platform that includes a predictive analytics engine. This allows CenterPoint’s interactive voice response (IVR) and customer service personnel to be efficient, as well as proactive, in addressing customers’ needs. If a customer calls regarding a high bill, for instance, the system automatically informs the call-center rep about the reason for the inquiry so the rep can help the customer understand his high usage. The rep also provides the customer with an automated list of energy management tips related to the inquiry so the customer understands his opportunity to make changes and control costs.

Additionally, the system adds a predictive dimension to basic customer interactions such as reporting and resolving outages. When a customer calls the IVR today, it is aware if the customer is currently experiencing an interruption in service and will ask the customer, “are you calling about your current outage?” If a customer has signed up for the utility’s Power AlertSM service, the system will proactively generate text, email, or phone notifications in the event of an outage and provide estimates of when service will be restored, along with updates on progress. The system will also enroll the customer in the Power Alert Service during the IVR interaction if they are not currently enrolled. Not only do customers like the expediency that digital integration provides, but it also helps the utility to drive down the cost of serving the customer (see Figure 2).

Figure 2: Use of digital channels growing among utility customers



28% of consumers say they have received energy saving tips from social media, up from 19% in 2014.

Use of social media is even more pronounced among Gen Y members, with **38%** saying they have received energy saving tips that way.

Participation in online energy savings contests is small but growing, doubling from 6% in 2014 to **12%** in 2015.

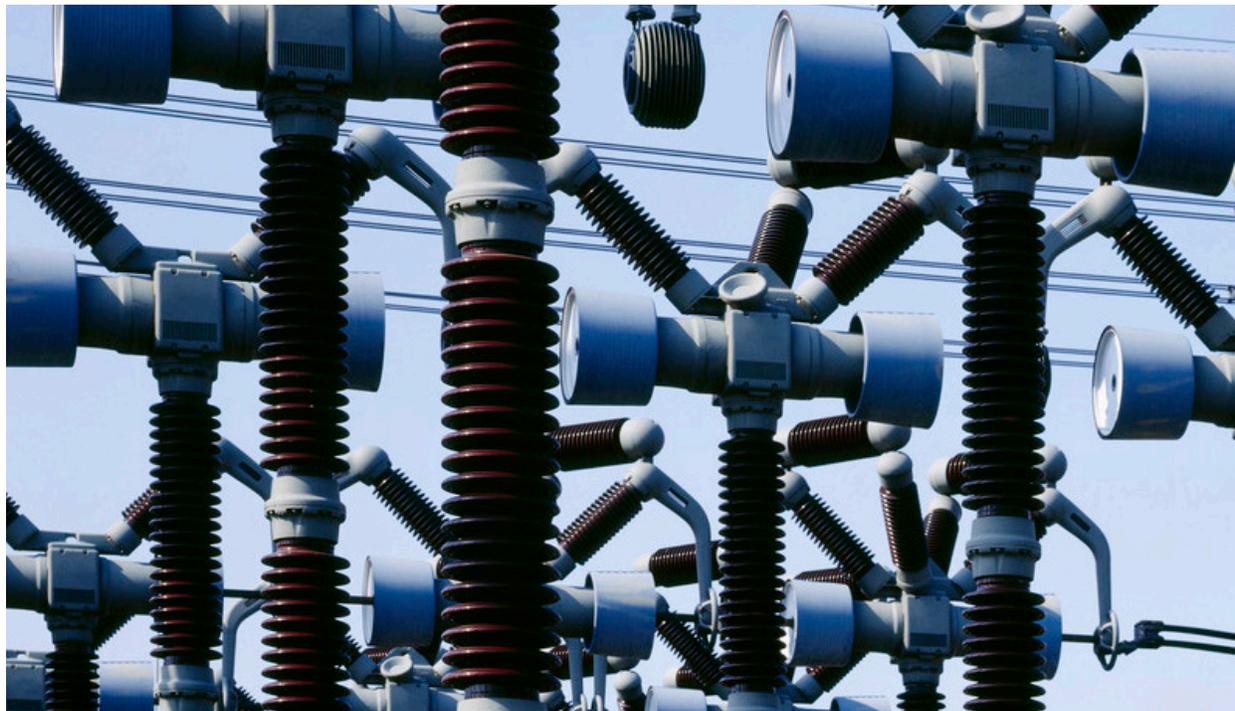
Web engagement is higher among Gen Y members, with **15%** reporting they have participated in online energy savings contests.

Although CenterPoint’s digitally-enabled customer engagement strategy thus far has primarily focused on residential customers, Mr. Knight stressed that the same principles apply to commercial and industrial (C&I) customers who are also seeking relevant information and customized solutions. To this end, CenterPoint has conducted pilot programs aimed at understanding the unique needs of different C&I segments, and ultimately, at making the Texas electric market as competitive and as customer-focused as it can be. The company is currently working on expanding the existing consumer preference center to address the unique needs of C&I customers in the area of energy efficiency program management and notifications, among others. The platform will address C&I customers’ needs concerning grid reliability and resiliency. The company also has plans to digitize C&I new service construction processes. The list, explains Mr. Knight, goes on, but the objective remains the same as in the consumer space: understanding customers’ journeys in order to provide enhanced experiences and to help them make informed energy management decisions—or as Mr. Owens from EEI put it, for the utility to position itself as a “trusted energy advisor.”

But, becoming the “go to” source for energy management information and solutions will likely require utilities not only to engage customers but also to work with technology companies and other third parties who may be more active “behind the meter” than they are. These partnerships are likely to become increasingly essential considering the study’s findings regarding consumer interest in electric vehicles (EVs), smart energy apps, and rooftop solar. Working with partners to bundle in-home products and services may provide a way for utilities to accelerate the development of new consumer offerings and to participate in areas where they may be constrained by lack of capabilities or prohibited by regulation from competing. On the business side, collaborating, or at the very least opening up a dialog, with energy storage providers, renewable developers, and the makers of smart energy-management technologies will be important for identifying the parts of the evolving energy ecosystem that may offer the most value to utility customers now and in the future.

Conclusion

Regardless of the method employed, utilities are being called upon to increase their focus on customer engagement, and to use their knowledge of the customers' goals, to deliver customized energy management solutions and targeted incentives. The power within the utility industry has shifted, and as in other service industries, it now resides in the hands of diverse, digitally-savvy, and ever-more-informed customers. To satisfy them, the study findings, along with the input from our subject matter experts, collectively suggest that utilities will need to think beyond providing electricity and towards offering a broader range of products and services geared toward supporting customers in managing their overall energy usage and in achieving their cost-reduction and sustainability objectives.



Endnotes

- 1 David Helliwell, "Improving the Business Customer Experience," *Electric Perspectives*, July/August 2015 edition: 38.
- 2 Katherine Tweed, "US Electricity Demand Flat Since 2007," *Institute of Electrical and Electronics Engineers (IEEE) Spectrum*, February 6, 2015, <http://spectrum.ieee.org/energywise/energy/environment/us-electricity-demand-flat-since-2007>.

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