

5 Ways to retain more customers in the energy retail sector

Offer better experiences and increase overall profitability
...spoiler alert! It's all about service.



Introduction

Even before recent events, there was a shift in the way that customers preferred to interact with their energy provider, but starting with 2020 the differences between certain generations and their communication channels of choice have become more obvious than ever. Instead of waiting in line for sometimes hours on end to contact a customer support representative, consumers became fond of faster ways to solve their issues. Whether it be instant chat, a conference call or simply finding the information they need in their user accounts, human interaction shifted more towards a “want” rather than a “need to” and the move towards digitalization became a direction hard to ignore.

The effects of the pandemic have also been reflected in customer billing priorities. Some families are experiencing lower household incomes due to this global situation, coupled with higher bills from staying home.

Becoming a valued energy partner means supporting customers and going above and beyond to make sure they do not get cut off, end up in energy debt or simply have a bad experience. Generational differences drive a need for a diverse and integrated range of both digital and analogue channels to support all customer needs (Oracle led UK consumer case study).

In this e-book, you’ll uncover a few simple tips on how your company can improve how it caters to its customers’ diverse needs to grow retention rates in a highly competitive market.

1.

Customer preferences will differ from one generation to another.

Cater to all accordingly.

Who are you catering to?

Looking at past and future generations, we can see that each of these will most likely have very different preferences when it comes to communication channels. But, some of them may adapt faster than others. Let's take applications (apps) as an example: Generation Z will most likely prefer using an app rather than a web browser. This will be in stark contrast to a Baby Boomer's preferences, but the latter is more likely to adapt to using applications, rather than a Gen Z'er start to use a web browser.

Who is Generation Z? Generation Z is mostly defined by our children. It's only natural that we want to provide the best for them as a family. We envision them as digital natives that can wield social media influence to create change.

In a study developed by McKinsey¹, Gen Z behavior is influenced by the need for truth and authenticity.* When interacting with this generation, you may want to focus on individual expression rather than on labels. Since they've grown up with technology all around them, Gen Z are more willing to accept diverse points of view and to compare

information from different angles/sources to find their best option. This is in contrast with older generations who may not put as much emphasis on these aspects and are more likely to take information as-is. You can see now why Gen Z has a high chance of imposing some challenges to businesses in a competitive landscape. In the above-mentioned study, McKinsey identifies a few specific challenges relating to Gen Z behavior:

- Consumption as access rather than possession
- Consumption as an expression of individual identity
- Consumption as a matter of ethical concern

“Businesses must rethink how they deliver value to the consumer, rebalance scale and mass production against personalization, and—more than ever—practice what they preach when they address marketing issues and work ethics,” they said.



What can you do to be sure you'll meet these demands?

Keep these challenges in mind when building a go-to-market strategy. Gen Z grew up having everything at their fingertips: from grocery shopping to movie subscriptions, they are used to finding every piece of information exactly where they are. They won't sit down to sort through paper bills trying to understand their consumption footprint, nor will they wait for minutes on end to get in contact with a call center representative. If they are unable to find out what they want fast, they will switch providers. This behavior is probably a lot different from what other generations might prefer. Our [Global Utilities Consumer Trends Report 2021](#) indicates that while only 29% of Millennials prefer communicating with their energy supplier via telephone, Baby Boomers are more fond of this channel with 55% of those surveyed gravitating towards it.

Looking in the direction of ethical concern, the same case study conducted by Oracle points out that interest shown in decarbonization and detailed information about their carbon footprint has skyrocketed amongst gen Z.

91% mentioned that their carbon footprint has become a more important subject in the past year, with them being 3 times more likely to invest in environmentally-friendly appliances, than other generations. But, don't think that they are the only generation looking for a greener future. 64% of respondents from all generations want an energy partner who both actively embraces a greener future and is proactive in helping them reduce their carbon footprint.

Utilities need to be there and meet these demands as fast as possible.

To summarize:

- Build a strong and comprehensive communication strategy offering personalized information at the time of need
- Focus on efforts to support decarbonization in the best way possible (and not just on paper).



2.

Balancing retention and acquisition strategies.

What drives utility customers towards or away from their retailer? Pressures of retail competition demand greater focus on your products, costs, service quality and also price.

Since we're talking about price and costs, a retailer could focus on winning 20%+ customers to show growth, but retaining an existing customer is up to 25x less expensive than acquiring a new one. Increasing customer retention rates by 5% can increase profits by 25% to 95%². Retention is all about service and this is why it will drive down costs for your company. It is much harder to make an impression on the customer in the acquisition stage when prices are not that different from one energy retailer to another. Customers will not experience your service until they sign with you. The company will drive higher churn rates if the service is not qualitative, even if your prices are higher compared to your competition.

Looking towards the future, it will all boil down to building a closer relationship with the customer.

Some challenges that energy retailers might face around this can be related (but not limited) to:

- Accurate bills that are clearly communicated to customers on their favorite channels
- Choosing channels according to the customer's journey stage (e.g. sign-up: a website; first build-through: mobile app, post (in the case of Baby Boomers); enquiry: chat-bots; call centers; FAQs, etc.
- Upselling being a lot more complex in terms of channels.

So how do you break down the above-listed hurdles? Since each retailer is trying to differentiate and has unique needs, finding a solution that supports a modular approach with configurable features and tools to delight a customer's engagement needs may be desirable. Capabilities must include marketing automation, salesforce automation, online chat, knowledge management and more. Another important factor would be the ability to choose the Customer Experience (CX) features needed and implement additional modules as the business grows, building the perfect solution to fit your company budget and serve all customer segments.



3.

Stay relevant and get inspired by popular go-to-market (GTM) strategies.

Think about the businesses that make the most impact in today's world from both a revenue perspective as well as from a customer service point of view. What do these businesses have in common? First, they know very well what their customers want, where they want it and when they need it. Not only that, but they've found a way to always communicate with their customers even when there is no transaction going on. They've discovered that retaining a customer is centered around constantly being in their mind and staying relevant to their specific demands. We're not talking about any kind of wizardry, but about the ability to offer services and communications in such a way that your customers feel like you are the best option for them. As we mentioned previously, generation Z will always compare. They won't be the ones to go for the first option just because it crossed their paths.

We've watched Gen Z grow with mobile devices in their hands, paying for monthly subscriptions for about everything. Rarely do they have to go online and search for what they need because big companies have already built an app for that, which is more easily accessible. In the 1980s, the same companies were adapting to a Baby Boomer/Gen X-dominated market. Back then, everything was about prompt call center operators and the rise of internet websites. However, what they did was to always stay up to speed with everything that digital transformations had to offer.

It's all in the hands of a very well-researched go-to-market strategy. If energy retailers can't keep up with these trends, their competition will for sure.

4.

Customers will remember the experience more than the actual product.

Utilities in the 1980's were only about putting the product in front of the customer. Customers only had one available choice, so there was never a real need to invest in building relationships. A new household or business was being built and they naturally came to talk to the only utility that was available. Nowadays, with competition building up everywhere, energy retailers must build the same level of "need to speak to X business" coming from the customer's side.

What could be the clear differentiator from the classic product-focused model? You've guessed it! Service.

The actual product can be bought from anyone else. It's all in the experience and the value.

From the way you address the customer's specific needs to making sure that information is always available at their fingertips, this will be your differentiator. Stop thinking about what you offer and start thinking more about how you offer it. We're no longer in the 1980s where people only care about the

end product. A simple example of the way things are changing is a coffee shop. Even though the act of grabbing a cup of coffee in the morning has become such a staple in everyone's daily routine, without even knowing it, you're no longer going to a specific coffee place just because of the coffee. You've chosen that place because they either offer you convenience, great service, awesome sandwiches or all of the above. Coffee, in this case, is just a mere excuse. This is what the end product needs to become in the energy retail industry.

So what could an energy retailer do to ensure a seamless customer experience? Aside from acknowledging this need, improvement opportunities need to be pinpointed. A well-integrated strategy, together with a customizable CX platform could pave the way towards a seamless delivery of both an exceptional product and great customer service.

5.

It's also about being profitable.

Cost to serve through automation is critical since the ability to run a profitable business is always centered around cost.

What are the most common indicators that help energy retailers stay on track when it comes to costs? Cost To Acquire(CTA) and Cost To Serve (CTS), of course.

Reducing the CTA brings significant benefits to the bottom line, but, as we previously discussed, if there is insufficient focus on the service offered to retain customers, there is a good chance they'll soon leave. At the same time, activities that reduce the CTS will be more focused on improving customer interactions. If the overall number of inquiries increase, the Energy Retailer can infer that customers likely have to contact them multiple times to solve a specific inquiry or problem. This is an indicator that something might be broken in the service chain.

Having customers make use of self-service tools will ultimately free up the Energy Retailer's customer service representatives and reduce adjacent spending, like the cost of handling a client's telephone call.

Often there isn't a system or an automated workflow to magically satisfy every customer need. It would indeed be nice to have, but what makes such processes work includes human interaction. An account manager can be just as impactful to your customer relationship as an impersonal newsletter. Imagine having to speak to an Account Manager that knows nothing about your usage footprint or that will have you wait for several minutes on the phone for him/her to search for your information and still not being able to provide you with the right information or create the best-personalized offer for your user profile. This kind of service would probably upset any type of user in any industry or circumstance. Invest in a system that will be able to take all of these issues off your plate.

Final thought

Generational differences drive a need for a diverse and integrated range of both digital and analogue channels to support all customer needs. Customers are demanding better communication and insights from their energy provider. The future is full of possibilities for energy providers to push beyond their traditional role. The way to long-term success in a transforming market is to listen to customers and their disparate needs - across all generations. Start by delivering omnichannel communications, immediate and reliable access to information (including self-service) and an exceptional customer experience. **Can your CX do that?**

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