REaD Group

Utilities trend report 2018

POWER TO THE PEOPLE

INTRODUCTION

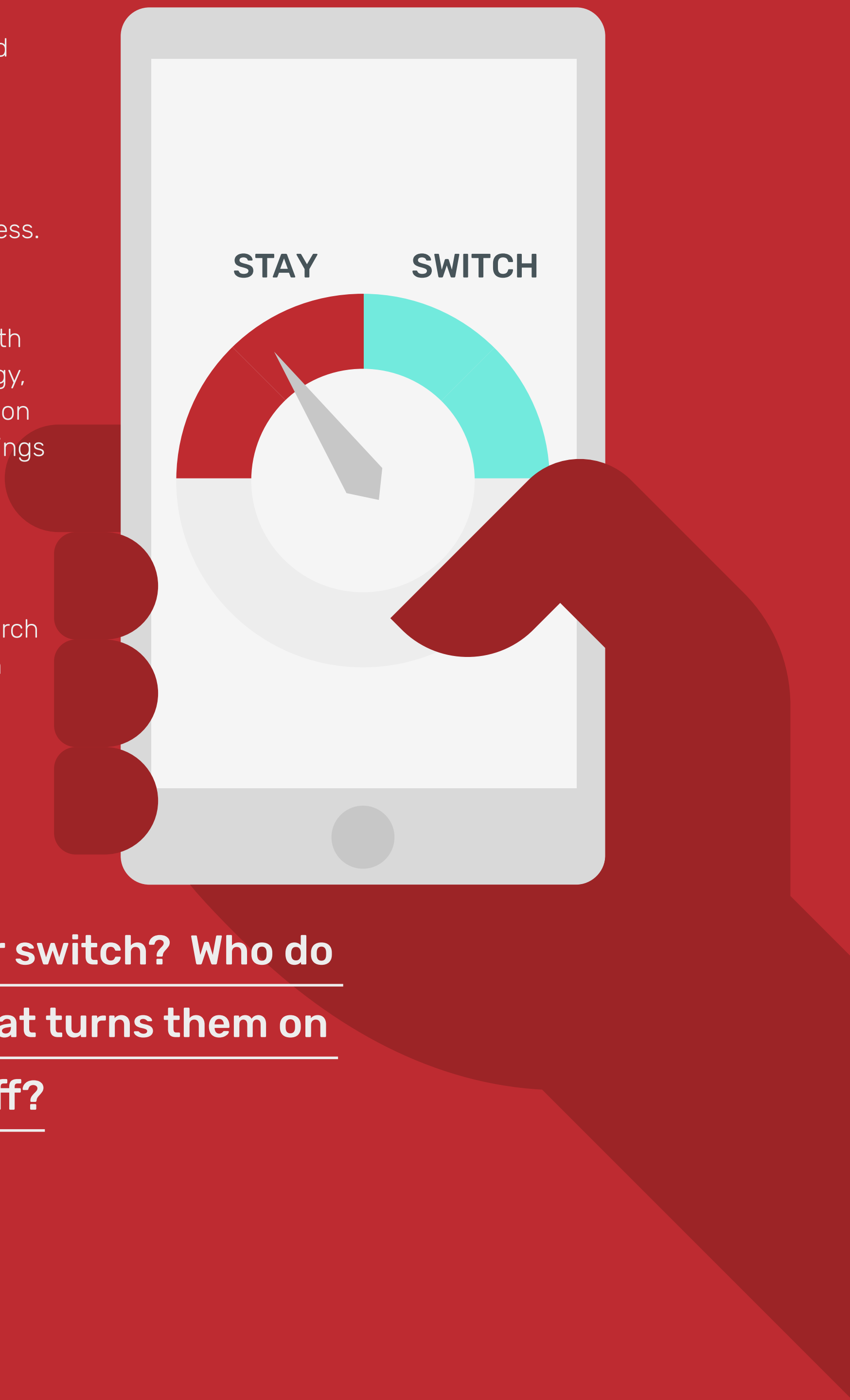
If you were forced to pick just one word to describe the 21st century so far, it would probably be **change.**

We are in the midst of the fourth industrial revolution and it is the unprecedented speed of change that particularly differentiates this revolution from the other three.

Challenger brands, market disrupters and game changers are now commonly used terms and reflect the new and hyper-competitive environment that is the new reality for many industries forcing legacy brands to change the way they do business.

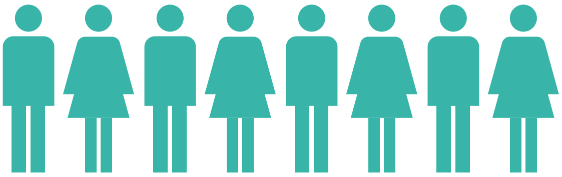
And the Utilities sector is no different. With the dawn of smart metering, green energy, distributed generation, modern automation systems, Big Data and the Internet of Things (IOT) – brands need to be data driven, technology savvy and agile.

It is against this backdrop of change and challenge that we have conducted research to identify the key motivators for modern consumers when it comes to energy providers.



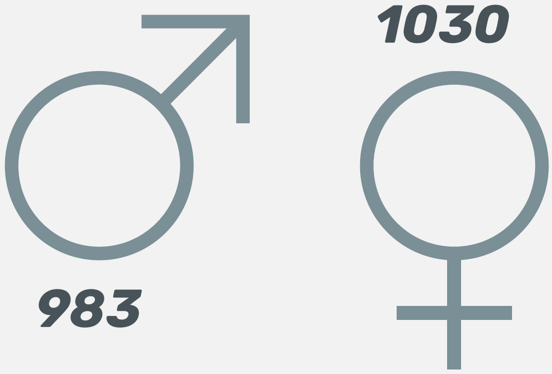
What make them stay or switch? Who do they trust and why? What turns them on and or switches them off?

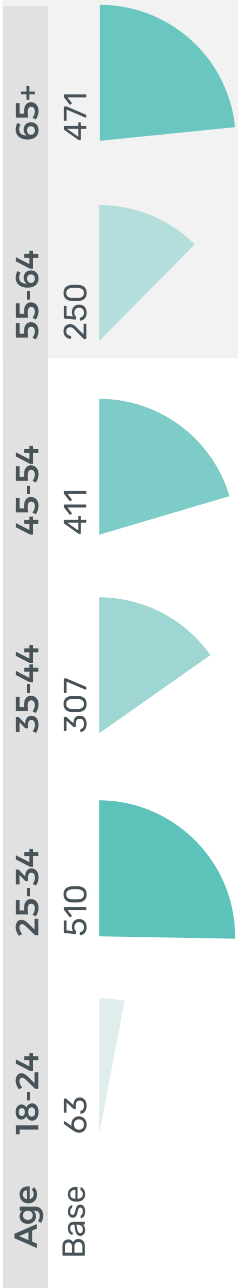
OUR SAMPLE



X 2013

Gender split





Geographic distribution

Scotland	**170**
Northern Ireland	**56**
Wales	**97**
South West	**172**
South East	**276**
London	**265**
East of England	**187**
West Midlands	**176**
East Midlands	**146**
Yorks & Humber	**166**
North West	**221**
North East	**82**

1

It’s who you know, not what you know (or is it?)

The “Big Six” have dominated the UK energy market for many decades but their market share is reducing.

To set the scene, we wanted to find out who current energy providers are for our sample. And there was a mixed bag of results. Not surprising is the “Big Six” were all represented in the top 6 position (with nPower and SSE tied as 5th most popular provider. Notably, but not necessarily surprising is that, in second spot is “Other” used to categorise any provider stated outside of the 11 providers listed.

Fig. 2 shows the 59 suppliers named in the ‘Other’ category. The Big Six and other suppliers in our top 11 should take note - these ‘Others’ are the challengers who are competing for your customers! As these results prove - the utilities market place is becoming increasingly crowded and competitive so there is no room for complacency.

Q: Who is your current energy provider?

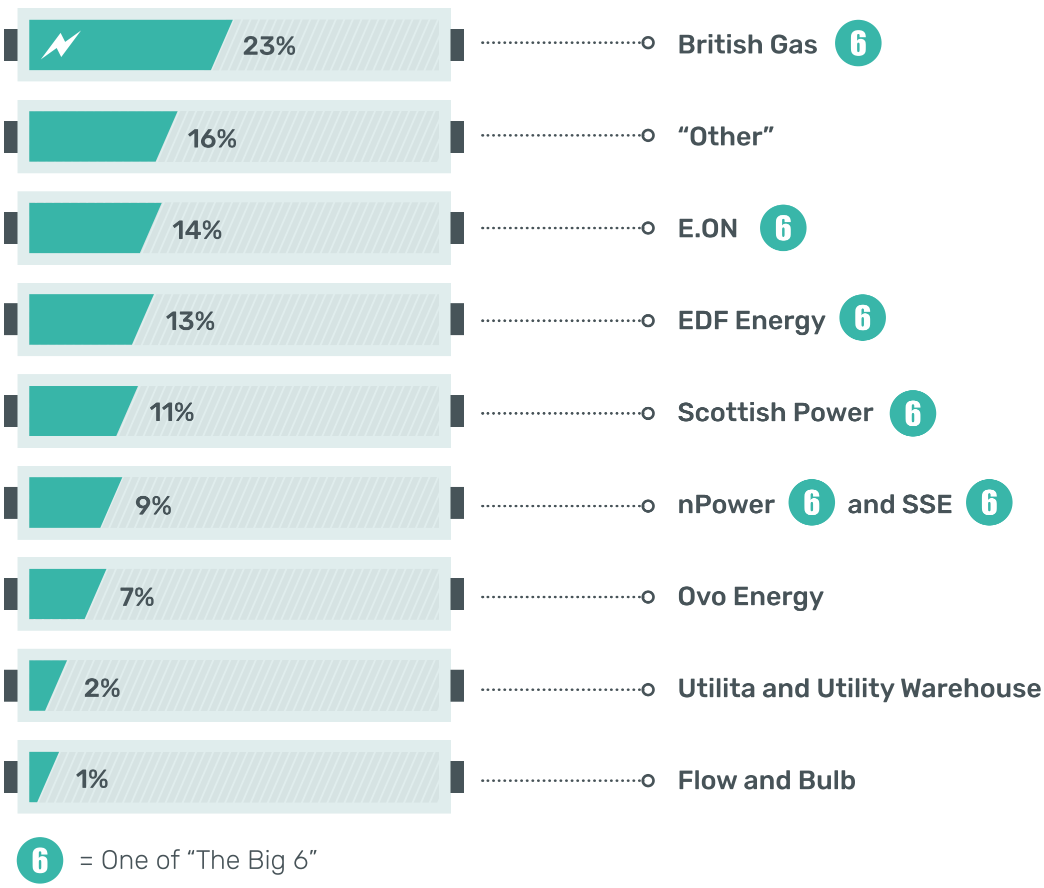


Fig.1

The “Others”

This list of other providers constituted a whopping 59 other brands, which demonstrates just how competitive this market has become – with many new to market challenger brands firmly in the mix.

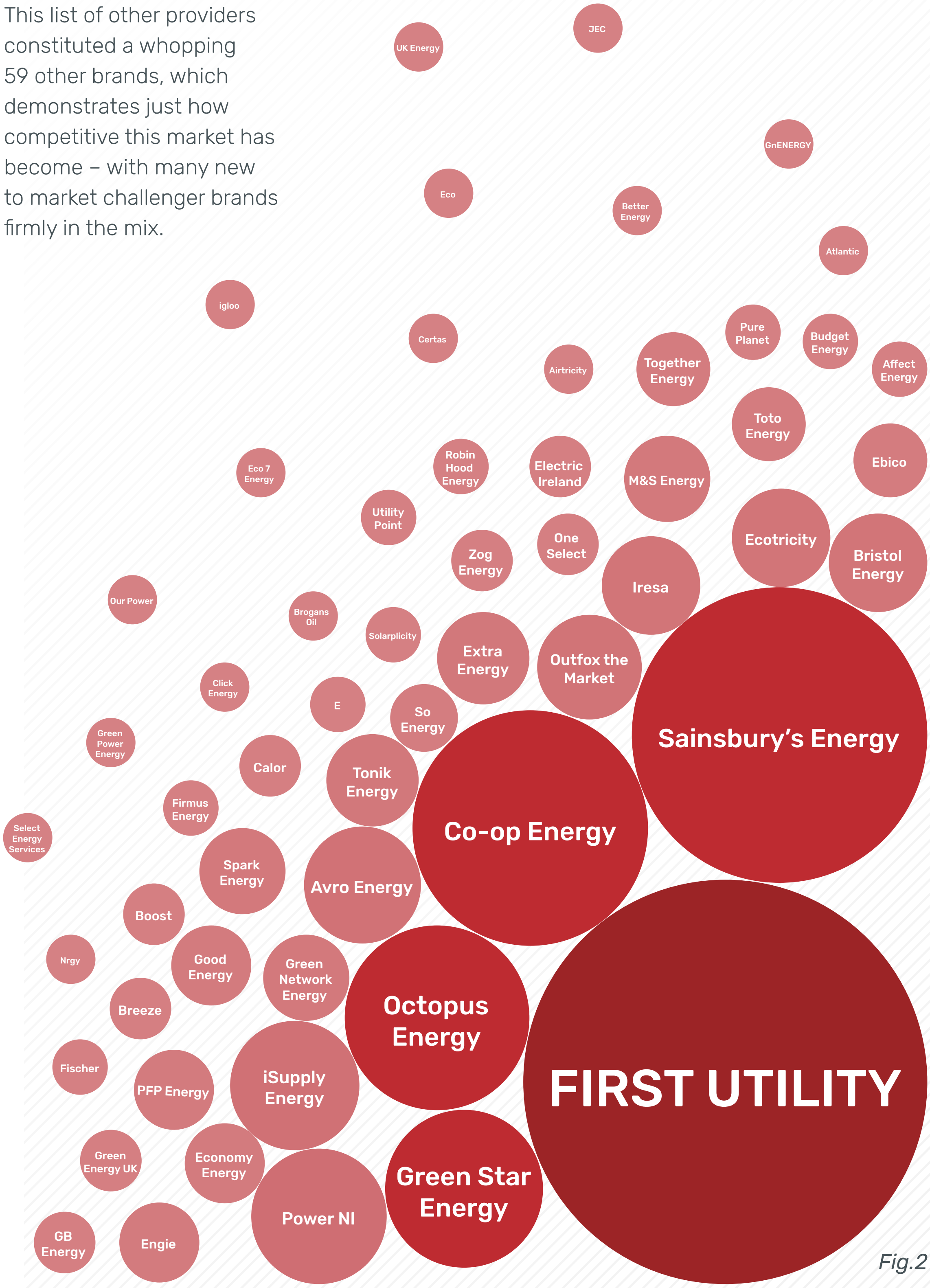


Fig.2

2

Treat ‘em nice to keep ‘em keen!

Previous good service and high quality customer service are the run-away leaders when it comes to trusting an energy provider, with nearly half of respondents citing these as the key influences on their level of trust.

On a more negative note, one fifth (20%) stated that they do not trust energy providers. Definitely some work to do there!

Recommendation and WOM also scores highly – and there's no doubt that consumers are more likely to share their experiences of bad customer service using the many public channels now available.

So customer service and thoughtful communication should be a priority, not an after thought.

Q: What makes you trust an energy provider?

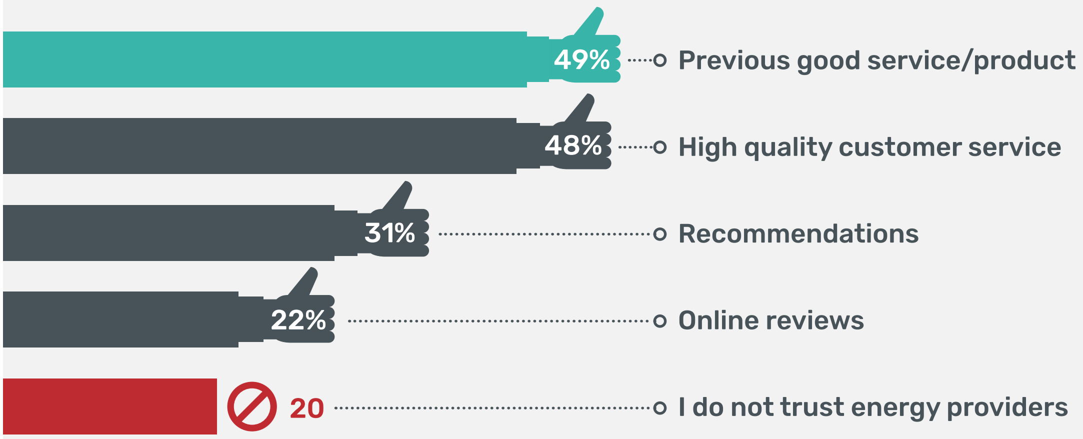


Fig.3

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Deal or no deal?

Q: Do you trust your provider is giving you the best deal?

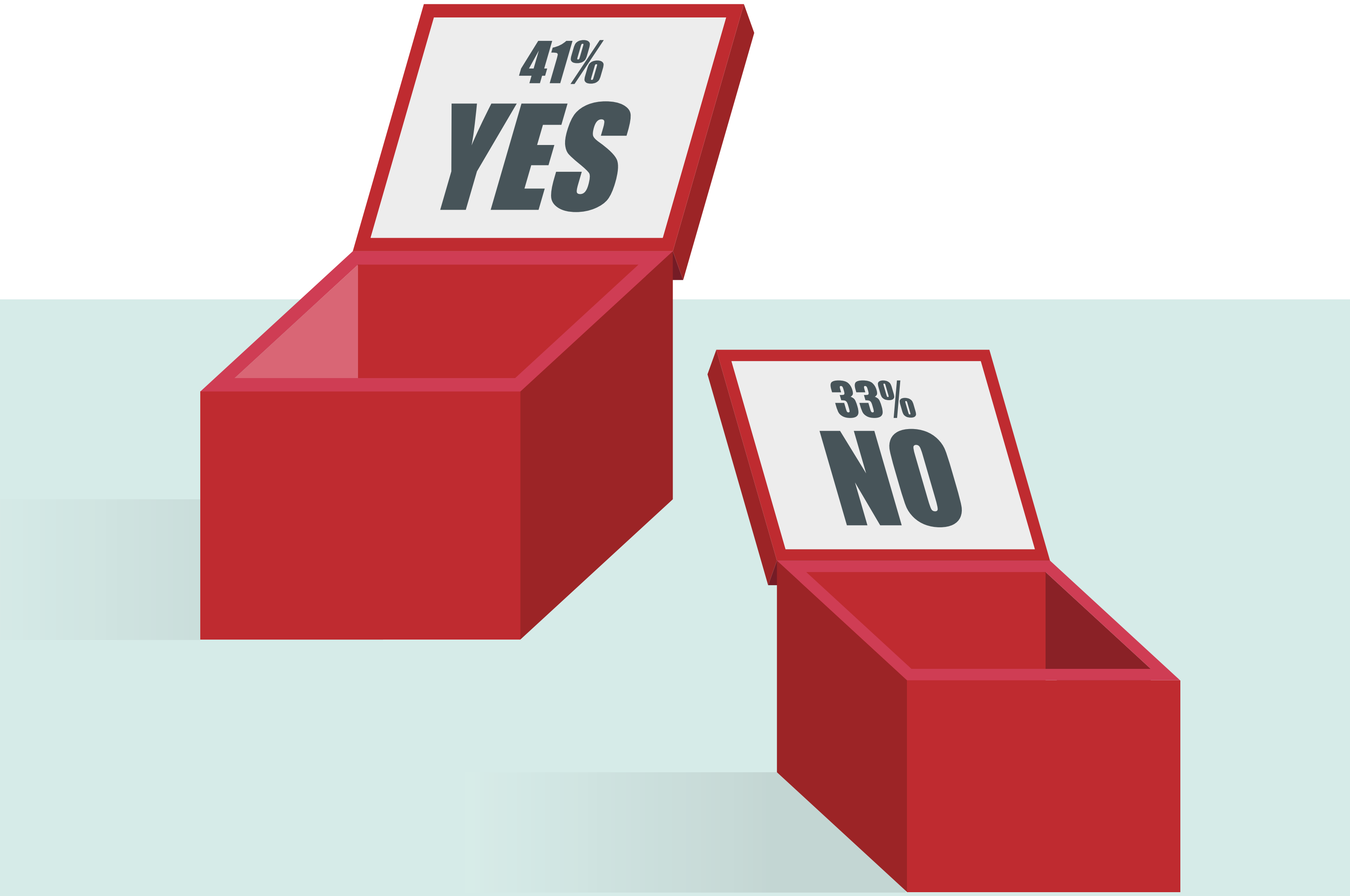

Fig.4

Building more on the area of trust, we asked consumers if they trust that their current provider is giving them the best deal. Two fifths (41%) said yes – this is encouraging – compared to 33% who said a definitive no.

Those who weren't sure (26%) are clearly not concerned enough to interrogate their bills in detail or shop around – which suggests they are not overtly unhappy with their deal. Or they fall into the "Inert Customer" classification - identified in research conducted by Populus in 2016. The research found that an astonishing two thirds (67%) of UK energy users fall into this 'Inert Customers' category i.e had not changed their supplier in the last two years. However, if the research were to be repeated now... it would almost certainly be a different outcome with a likely uplift in "The Savvy Switches" and "Tariff Tarts".

[The sluggish, the savvy and the downright promiscuous: The truth about energy customer behaviour, April 2016, Populus]

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Time to make a change?
It's price and reputation that count!

Q: What would make you want to change to a new provider?

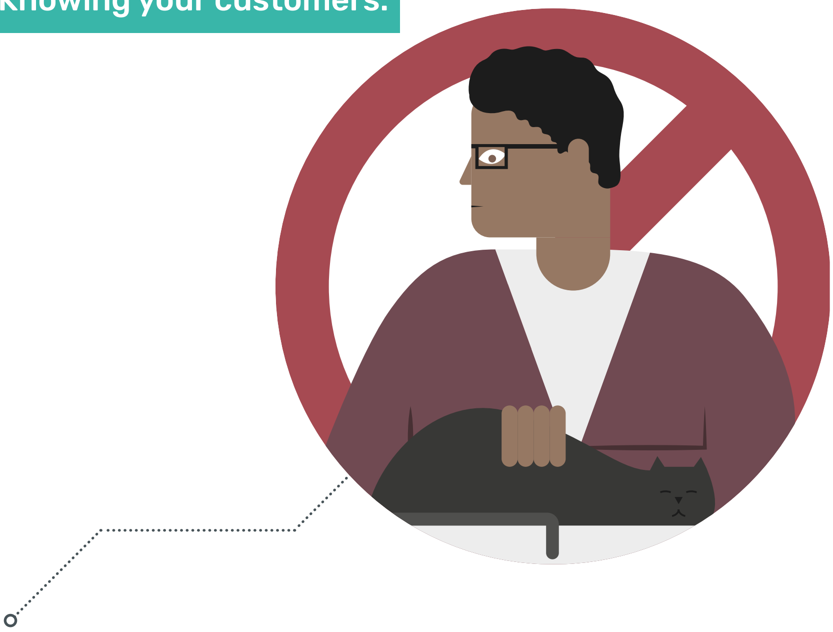
58%	Cheaper offering
34%	Tariffs that better suit me/my needs
19%	Company reputation
17%	Nothing would make me want to change
17%	Green Credentials
10%	A provider I trust more
9%	Better functionality e.g. smart-home devices
8%	Have better ways to pay my bills
5%	Information about competitor providers by mail
2%	Other

Fig.5

No great shocks here – it is price that influences the majority with nearly three fifths (58%) stating that a cheaper offering would make them consider switching. But it is important to note that there are many other variables that encourage people to switch (or stay) – including reputation (19%) and Green creds (17%) - which should not be overlooked.

While companies cannot realistically hope to cater to all of these, it's important for them to consider other means to help them stand out from competitors. Considering these results with the factors that most influence trust - customer service and previous good service – and you have a checklist of must do's to retain your customers.

Knowing your customers:



Ed lives alone with his cats. He's 46 years old and very much enjoys his routine. He prefers minimal communication, and if need be he would like to be contacted by post or online, but not SMS, social media or chatbot. Ed isn't easily swayed by extra features and so is unlikely to switch providers for a competitor with better functionality with smart-home devices/mobile payment methods or base his decisions on leaflets from competitors. He would, however, be likely to switch based on a competitor with a more suitable tariff.

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Is anybody out there?

Q: Would you like to hear more from your provider on energy usage and tips on how to conserve energy or information about the company?

Over half of energy bill payers (54%) would like to hear more from their energy provider on energy usage and tips on how to conserve energy, or information about the company, with this rising to two-thirds (67%) of those aged 25-34.

Knowing your customers:

Meet Andrew, he's 28 years old and works in marketing, making £29,000 annually. He's interested in being communicated with by energy provider online/on the website, also relatively interested in face-to-face communication. He's also very interested in social media communication and wants to hear about energy usage and tips on how to conserve energy or information about the company. Andrew is rather loyal (as well as being rather lazy) and is not overly likely to switch energy providers just for a more convenient tariff, however he would switch energy providers based on a competitor's informative mailed leaflet.

6

This, that or the other?

Q: What information would you be interested in hearing about from your energy provider?

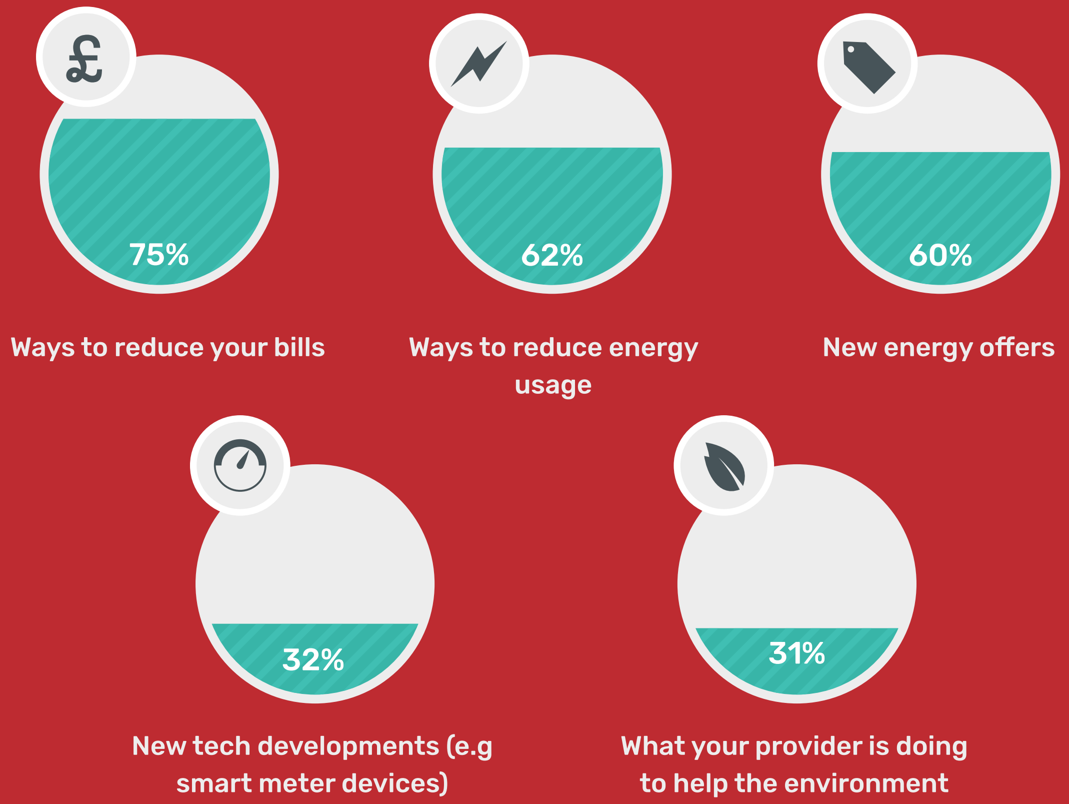

Fig.6

Knowing your customers:

Cheryl, a 51-year-old recruiter lives with her partner; they do not have children. She is very set in her ways and thus very loyal to her energy provider and unlikely to switch. She's interested in a lot of information from her energy provider, especially ways to reduce energy and bills. She also wants to hear about new energy offers and even charity partnerships, the environment and tech. Cheryl wants to be contacted by her energy provider online and via post, and does not want to be communicated with through social media or face to face.

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There's more to us than meets the eye

Q: Would you be interested in hearing about other services from your utilities provider (such as broadband, mobile phone plans, insurance etc)?

Two thirds (67%) of people asked said that they would not like to hear about other services, with only 9% saying that they definitely would. It seems generally as though people prefer to research non-related services independently and do not find the prospect of consolidating services under one provider overtly appealing.

8

Choose a channel, any channel...

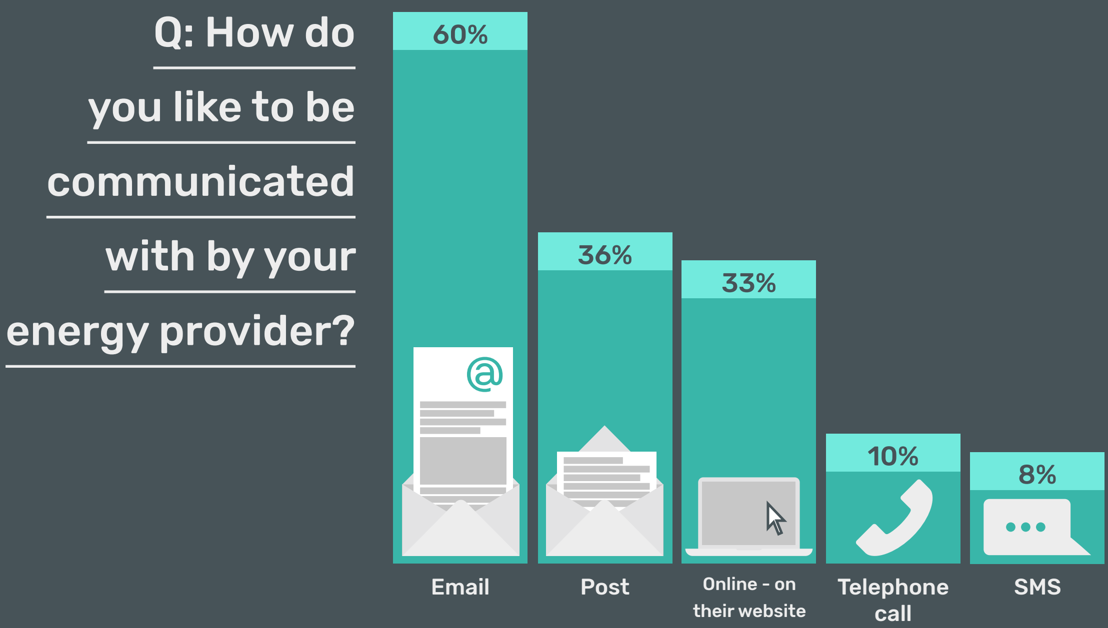

Fig.7

So the research confirms that consumers do want to hear from their energy providers but which channel(s) do they prefer? Results for this question show a strong preference for email and post. Third choice is accessing information online – so your website is clearly also a key communication channel. Telephone and text were by far the least popular (at 10 and 8% respectively). Too invasive perhaps?

When it comes to communicating with customers it is crucial to appreciate the channels through which they prefer to receive communications and the kind of communications they wish to receive. Furthermore, assuring the accuracy of your contact data to make sure that you are reaching the right person with the right message has never been more important.

Knowing your customers:

Danielle is a busy mother to two teenagers. She is very financially conscious and is willing to switch energy providers based on cost, and does not care much for competitors with 'green' credentials. Danielle prioritises her family when it comes to how she spends her time, so she is not very interested in communicating with the energy provider. Although, if she were to hear from them she would prefer to hear about ways to reduce bills and perhaps energy usage through the means of mail, online or a SMS text. She does not want to speak to someone on a telephone call or face-to-face.

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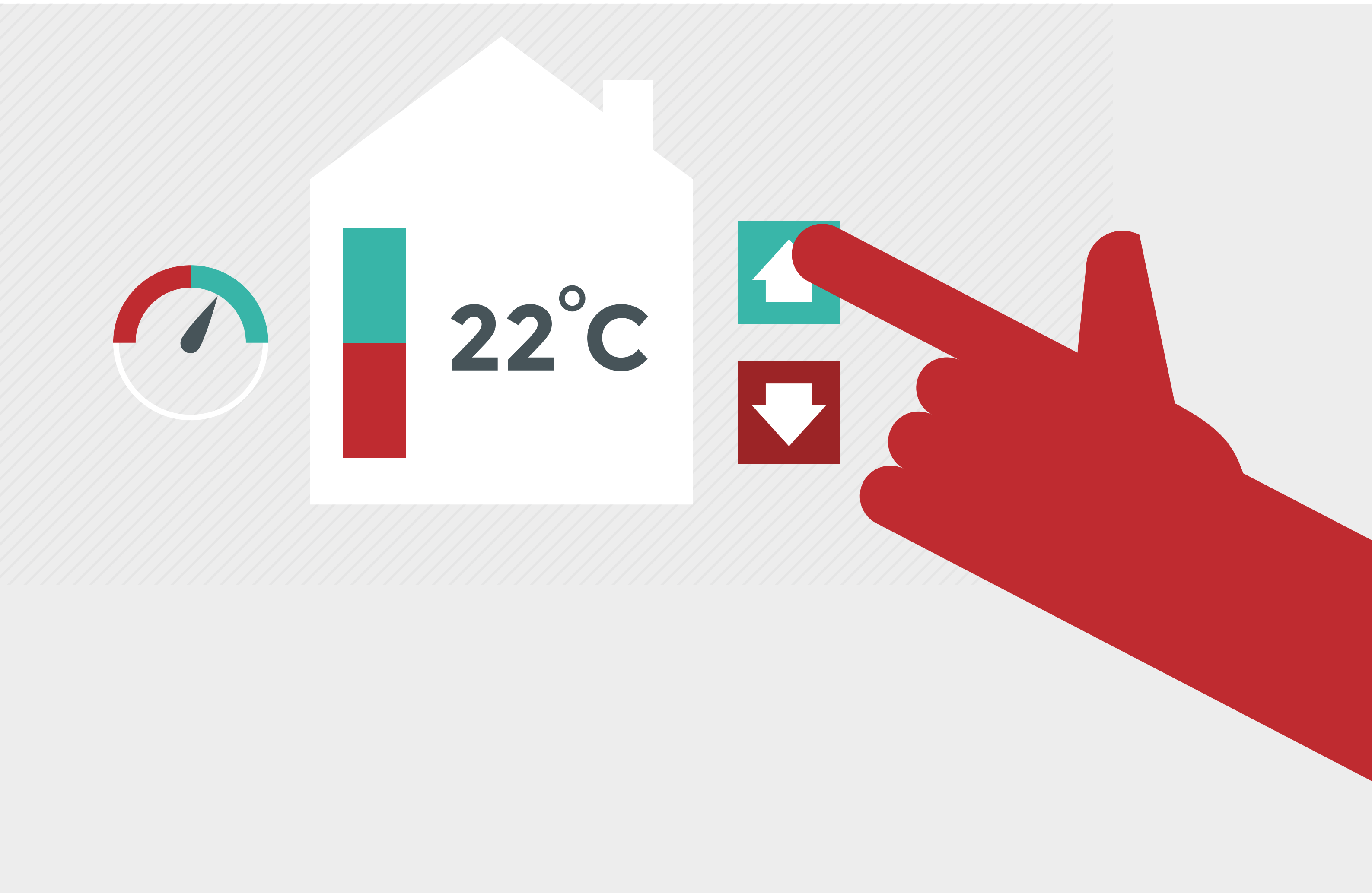
Who is in control here?

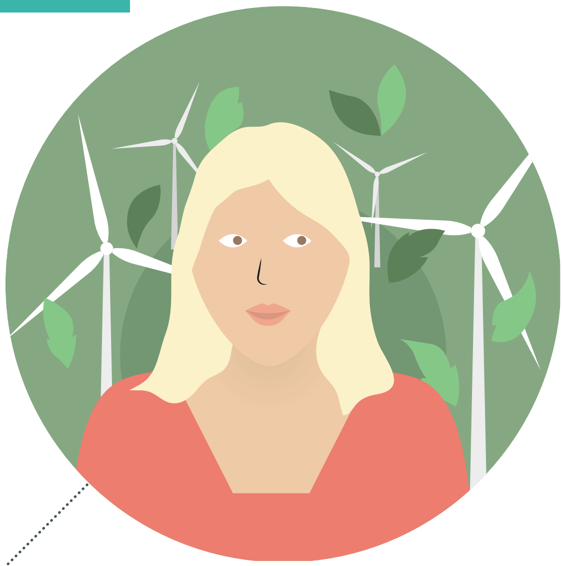
Q: Would you be interested in getting any smart home technology, controlling your energy (e.g. smart meter)?

43% of those surveyed said that they would be interested in getting smart home tech which suggests that this is a growing trend (61% for people said yes in the 25-34 age bracket) as people become more conscious of, and committed to, green energy use.

The UK government launched an initiative back in 2013 legally requiring all utilities companies to have offered the option of a smart metre to their customers by the end of 2020. Only 30% of people said that they currently had any smart home technology, however, if we were to ask this question again in a year's time we would almost certainly see this figure increase quite significantly – as companies continue to meet their requirement before the deadline and consumers become increasingly interested in having more control over their energy usage.



Knowing your customers:



Bella is 35 years old, working in pharmaceuticals with a steady income. She can be swayed to switch energy providers if a competitor offers better 'green' credentials or better functionality with smart-home devices or better ways to pay a bill (e.g. through a mobile app). However, the most important factor for her is reputation. Bella enjoys keeping up to date with scientific and technological advances, and wants to hear about these new tech developments from her provider. She's also keen on hearing about energy usage tips on how to conserve energy or information about the company. Overall, she just really wants to be in regular communication with her energy provider, preferably online or through the website or social media, but not via post.

Up for the Challenge?

In order to succeed, brands need to be competitive, offer excellent customer service and communicate in a personalised and timely manner, but they also need to differentiate themselves.

In spite of recent headlines surrounding rising prices, British Gas was still found to be the most trusted energy provider (23%). This highlights that there is still loyalty in the market. The research also confirms that good customer service is the biggest factor in instilling this loyalty.

Back in 2014, Ofgem approved suppliers' proposals to cut customer switching time to three days (after a two week cooling-off period) making sure that the switching process became much more straightforward and hassle-free. Indeed, Energy UK reported that energy switching hit a record high last year, with 1 in 6 people (5.5 million) switching energy providers – an increase of 15% from 2016. Initial figures from this year suggest that this is likely to be surpassed in 2018, with over half a million people having switched in April alone.

The total number of brands listed in the 'other' category when people were asked their current supplier came to a staggering total of 59 - consumers are truly spoilt for choice when it comes to choosing a supplier.

Challenger brands are beginning to make a real impact on the market (and this looks likely to continue if they focus on keeping energy affordable while providing the good customer service). With comparison websites increasingly prevalent people are discovering these little known brands and choosing them over the household ''Big 6''. However, when faced with so much choice and switching now easier than ever, this is where the need to differentiate becomes vital.

There is still a significant amount of distrust towards energy providers (20%) which suggests that companies may need to evaluate whether they are being as open and transparent with their customers as then can be.

While price has been, and realistically probably always will be, the central factor for many when choosing an energy company, there are now a range of other considerations which can help companies to tip the balance and create their own niche in the market.

The appetite for green and sustainable energy is growing (particularly in the younger age brackets: 31% of 18-24 would consider switching to a company that has better 'green' credentials) as is implementing smart home technology.

More than half of those surveyed said that they would welcome being contacted by their energy provider with helpful and relevant information - such as advice on reducing energy usage and bills. The need to really understand your customers is now a requirement for those wishing to stay competitive. Using data intelligently will provide key insights into consumer behaviour and preferences and allow companies to deliver the best possible service to their customers.

Building relationships with customers via timely, relevant and permissioned communications will not only give suppliers an advantage over competitors, but will ultimately engender loyalty and increase trust in the utilities sector.

Research conducted by Opinium

The research was conducted amongst 2013 nationally representative UK adults (aged 18+) in May 2018 by Opinium. The results have been weighted to nationally representative criteria.

07 Op Opinium

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