Customers more determined to switch

Customer Experience Series™—Utilities (Wave 2)
Landscape changing as customers more determined to switch

The Ernst & Young Customer Experience Series™
The Ernst & Young Customer Experience Series has been developed to investigate consumer decision-making in key sectors focusing on the pain-points and opportunities.

Utilities survey:
The Utilities findings are based on both quantitative and qualitative data collected from over 650 respondents across metropolitan and regional NSW, Victoria and QLD. The Series draws upon the findings of a 20-year Australian social values study, AustraliaSCAN¹, which identifies key social trends and cultural change.

The results of the 2013 survey draw upon comparisons with the findings of the same survey 12 months ago, which found that customers were apathetic about switching electricity providers because of perceived time and effort involved.

The Customer Experience Series™ – Utilities found that as the market approaches a tipping point, utility retailers have an opportunity to reward loyalty and attract new switchers, through innovative service offerings which empower their customers to feel more in control of their energy usage.

The Utilities research identified:
1. Why customers are reacting to rising electricity bills like never before
2. Why customers are persevering through the switching process
3. Four key customer groups and their characteristics
4. Real strategies customers were seeking.

Key findings include:
- 73% say that they worry at least sometimes about being able to pay their electricity bill
- 41% ranked energy bills in their top three most stressful issues
- 10% more customers have entered the initial stage of the switching process
- ‘Receiving a high bill’ is the top reason why Australians would consider changing their electricity provider, yet despite rising costs 45% have never actually made the switch.

¹ AustraliaSCAN conducted by Quantum Market Research has been measuring social values and cultural change by interviewing a representative sample of 2000 Australians each year.
Customers feel they have no control over rising costs

Customers are now reacting to rising electricity bills like never before, with rising prices and the increased penetration of solar energy causing demand and usage to decline across Australia for the first time in decades.

The research identified that Australians are becoming increasingly concerned by rising energy costs and consider the electricity bill the most significant price hike in their cost of living – 49% say electricity accounts for a high proportion of their total household costs, and perceive this to be rising. This is up from 45% in 2012.

While switching has not grown significantly in the past year, there is a strengthened determination by customers to find a better deal elsewhere. They are often driven through the switching pathway by increasingly large bills.

Throughout the survey four customer groups stood out, each with their own underlying concerns and characteristics: Price Watchers, Bill Managers, Info Seekers and Control Seekers.

Intelligent retailers need to take positive action to respond to these consumer groups, who feel they lack the visibility and control to do anything about rising electricity costs.

Price watchers
“I don’t know how I’m even going to be able to pay my next bill. How much is the next one going to hurt?”

Bill managers
“I just don’t get my bill. What am I even paying for?”

Info seekers
“It all seems so confusing. Why isn’t there someone to talk to?”

Control seekers
“I want something to make my life easier, or better”. 

In this environment retailers have a real opportunity to reward loyalty and attract switchers, by introducing retail margin reductions or innovative service offerings.
Paying electricity bills has Australians worried

79% of Australians worry about paying their electricity bill (at least sometimes), suggesting we are tightening our purse strings and on average become more and more budget conscious.

For the first time in decades, this sharpened awareness is driving a reduced consumer demand for energy, as customers attempt to control their usage or switch to alternative sources (solar).

Innovative retailers will make the most of these changing dynamics and grow their customer base significantly.

‘General Cost of Living’ tops the hierarchy of stress in our lives (31%), most notably for Regional Australians (37% compared with 27% for Metropolitan counterparts). But 11% of respondents rank ‘Energy bills’ as their most stressful issue, a figure comparable with ‘My Job’, ‘My Families Health’ and ‘Mortgage/Rent’. Significantly, over 41% rank energy bills in their top 3 most stressful issues.
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49% of customers say electricity accounts for a high proportion of their total household costs, and perceive this to be rising (this is up from 45% in 2012).

41% of customers ranked energy costs in their top 3 most stressful issues.

27% of these rank it as their most stressful issue.

energy bills
In 2012 customers perceived the switching process to be challenging with barriers in terms of effort, time and lack of quality of information. Despite a continued sense of these barriers remaining in 2013, there are signs of increased commitment to finding a better deal.

Whilst there has been little increase in switching volumes over the past year, those who attempt to switch are making more concerted efforts to overcome those barriers and are proceeding deeper through the switching pathway. Of those who considered switching, more are actually doing something about it (an increase from 71% to 78% since the last survey).

Furthermore, many more consumers are persevering through the initial ‘information searching’ stage (up from 50% to 64% in 2013).

37% consider switching after receiving a high energy bill

78% commence switching

64% progress past the information search stage

This ‘Pathway Perseverance’, as customers journey further down the switching pathway, is increasingly being driven by larger bills. It is the single most important driver for 37% of respondents to consider switching.
“I know it is going to be hard, but with my bills going up and up, I really need to look for an alternative. There has got to be something better out there.”
Customers focused on budget and seeking more control

Australians are being driven by an increase in costs to look for a better deal in a challenging environment. The Ernst & Young Customer Experience Series Utilities identified four groups of consumers each with their own underlying concerns and needs.

With these core needs driving increased switching activity, consumers are seeking ways to manage their bills and feel more in control of their daily energy usage.

Intelligent retailers are equipping their customers with these tools. This survey pointed to real strategies that retailers can use to respond to the four core customer needs.

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Price watchers
“I get worried about my bill nearly every month – I wish I could plan the cost in advance”
- Are typically budget conscious
- Prefer to find the best fixed deal, then adopt a ‘set and forget’ mentality
- Are generally from lower socio-economic demographics

Info seekers
“I wish there was somebody who could tell me how and when to best use energy”
- Value timely and useful advice
- Want tips on how to use energy efficiently including for example the best times of day
- Are generally time-poor higher income earners

Bill managers
“Why can’t they break down my bill by rooms or appliances? I wish I could track it all in real-time”
- Value tools allowing them to track costs
- Want all the information to self-manage their consumption
- Are generally female, younger and have above average salaries

Control seekers
“I want to be able to turn on my heater with my phone so the house is warm when I get home”
- Are less budget conscious and worry less about costs and bills
- Value added extras and innovative product offers
- Want products to fit in with their lifestyle
- Are generally older and on relatively higher salaries
Questions to ask yourself

1. What innovations are you currently developing which will address the needs of the budget conscious Australian?

2. What types of customer are drawn to your brand at the moment, and what are the implications of this for customer innovation and retention strategies?

3. What are you doing to improve the switching experience for new customers?

4. What are you doing to differentiate yourself and empower customers to feel more in control of their rising electricity bills?

Contacts

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