Out of sight, out of mind
Reconnect with customers
Oil and gas companies and the disconnect with consumers

It’s time for oil and gas companies to rediscover the customer, before it’s too late.

For years, oil and gas companies have focused solely on creating shareholder value while increasingly losing touch with consumers. Publicly traded companies in the industry talk with Wall Street every quarter, discussing results and strategies in detail. Each decision is explained with thought and analysis regarding the impact on the business. CEOs and CFOs can tell you exactly which funds and analysts are important to their business.

But that same foresight is not used in interactions with oil and gas customers.

Instead, the customer today is an unknown entity. Outside of some specific outreach related to individual projects or initiatives, the public is often viewed as an adversary – or not considered at all.

Why? Think about it: even the majors no longer own most branded retail outlets.

That approach has worked for decades, but the world is changing.

Troubling signs for the industry

However worthy and necessary they are, oil and gas exploration and production still place a strain on the landscape, the environment, local infrastructure and more. This is increasingly evident as the shale revolution has led oil and gas to less traditional geographies. And the general public is progressively questioning this effect.

This message came through loud and clear in the results of our recent EY industry perceptions survey, which measured Americans’ attitudes toward oil and gas. You can read more about the survey at ey.com/oilandgas/perceptions, but in general, the younger the consumer, the less favorably they view the industry.

What do these views mean for oil and gas companies? It means that a large and increasingly powerful cohort of Americans – teens and young adults – not only don’t want to buy oil and gas, they don’t want to work for oil and gas companies either.

The teacher concerned about climate change doesn’t want her pension fund investing in companies that aren’t carbon friendly. The new car buyer believes oil companies gouge consumers and is happy to pay more for an electric vehicle. Homeowners hate the noise and traffic that trucks headed to a drill site create. Anti-fracking voters seek candidates who share their point of view. The list goes on and on.

The pressure of consumer views

The expectations that consumers place on companies have never been greater. And those expectations are filtering down, increasingly, into business impact.

We’ve seen, for example, how public perception has impacted project progress in the midstream sector.

It can impact demand too. Today, consumers have more energy options and they are growing in availability, cost-competitiveness and acceptance each year. For example, sales of electric vehicles in the US rose 37% in 2016, with more than 150,000 vehicles sold. Buyers can now choose from around 30 different electric models – 5 of which sold more than 10,000 units last year.

Even shareholder resolutions related to hot consumer topics such as climate change have increased. And these resolutions aren’t just from socially responsible funds or obscure nonprofit groups anymore. The largest institutional investment funds are getting pressured on environmental and social issues, and they are passing those demands on to the companies whose stock they own. Even small and mid-sized independents are being pushed by investors to operate in a more transparent and responsible manner.
People are the driving force of change
Maintaining a license to operate in today’s world is
difficult, and the challenge grows greater by the year.
It may be possible to ignore consumer sentiment
today – although that is debatable – but what about in
five years?

Every day, individual consumers make choices and
decisions that impact the industry. This is a complex
issue that can’t be solved overnight. But there are four
important steps that oil and gas companies can take
today to begin re-engaging with the public.

First, oil and gas companies should – on their own
volition – seek to become as transparent as possible
about their businesses. A basic minimum is an annual
corporate social responsibility report that openly
discusses the company’s activities surrounding issues
such as public safety, energy efficiency measures and
environmental stewardship.

Most oil and gas companies are extremely
conscientious about their performance in these areas.
But few make the effort to communicate to the public
their risk assessment and management efforts, or
even explain why safety, health and environment are
important at a strategic level.

Additionally, oil and gas companies should engage with
their employees more frequently and authentically.

Often, these employees have the potential to be
a company’s greatest advocates.

A further step would be implementing some
form of ongoing interaction with actual
consumers. Executives need to exercise their
customer relationship “muscles” and develop a
rapport with the people who ultimately use their
products.

This type of outreach could take many forms.
But ideally, CEOs should be as comfortable
talking with the public as they are with Wall
Street analysts or bankers.

Finally, oil and gas companies need to get
better at proactively using social media and
other non-traditional forums to engage with key
audiences. The strategy should be to develop
a robust mechanism that allows for two-way
communications, including listening and
responding to consumers.

The reality for oil and gas executives is that the
disconnect with consumers will not go away on
its own. If not addressed properly, it will soon
impact every aspect of the business.

And the end result? A significant loss of
shareholder value. 

About Frontiers: In order
not just to survive, but thrive,
oil and gas companies and
their executives must look
around every corner, into
the distance, to forecast the
industry’s next frontier. There
are many weak signals that,
if they gain velocity, could
have major implications
on the industry. But what
happens when companies
are too busy managing
the current environment,
especially in today’s lower-
for-longer landscape, to
focus on the horizon? And
how can companies prepare
for those weak signals with
an eye on the present and
toward the future? Please
follow along as we analyze
different energy futures and
weak signals impacting the
industry regularly through
our Frontiers series. If you are
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