US utilities: time to get smart about marketing
The US utility sector is in the midst of rapid transformation due to smart technology, distributed generation, new entrants and empowered customers. These changes are driving big changes in marketing within power and utility (P&U) companies. The role must move beyond simply selling electricity, water or gas and related energy efficiency products to demonstrate that utilities understand customer needs and align the messages and products and services to deliver value and to build a trusted relationship. In short, utilities must offer a superior customer experience.

Come out of the shadows

A recent Forbes Insight/EY study of more than 300 US senior executives from across all industries found that customer experience was considered the most important marketing priority. Respondents ranked this need above new product innovation, branding and content creation. So why do most US utilities face a bigger challenge than other sectors when it comes to improving customer experience?

In most US states, customers do not choose their utility providers. This tends to leave customers feeling they have little control within their relationship, while utilities may consider these customers as merely “rate payers.” The challenge for marketing is to shift this corporate mindset and instead put the customer at the center of all they do. While this is a significant cultural change, those utilities that begin listening, understanding and acting on customer needs will improve interactions and establish a more engaged, loyal and profitable relationship with customers.

A second key challenge is the tendency in developed countries, such as the US, to take utilities for granted. When customers expect lights to come on and water to flow on demand, their utility suppliers are almost “invisible.” And while US utilities have accepted this customer indifference in the past, the sector’s major changes mean marketing can now play a pivotal role to raise the profile of a utility’s brand and change the customer experience.

Turn negative into positive

Historically, the majority of customer and utility interactions have been driven by bad experiences: outages, billing issues and rate hikes. Marketing offers an opportunity to handle these seemingly negative events in a proactive way, using sophisticated engagement tools to generate a positive customer experience, improve operations and even enhance revenue. By placing customer needs at the core of their marketing strategy, utilities can begin to use the data they have to communicate relevant and timely information to change the way customers feel about them and begin building a trusted relationship.

Marketers within US P&U companies are challenged by the relatively low corporate value placed on the function. Utilities have been built on their ability to deliver safe, efficient and reliable services, and with a guaranteed rate of return. The concept of marketing does not fit easily within this traditional model where customer churn is not important.
The challenge now for utilities’ marketing teams is to begin engaging customers to reduce the risk of large numbers of defections to new providers. This means:

- Capturing customer feedback
- Understanding customer behavior
- Applying segmentation and data analytics
- Using insights to match the right products and services to the right customer at the right moment

These actions will also help raise the profile – and perceived value – of marketing in utilities.

Get social

The Forbes/EY report revealed that more companies are incorporating social media into marketing strategies. In many US states, utilities fall well behind other sectors in their use of social media. Others, particularly in Texas and parts of the country’s northeast, have made significant progress in using social media, websites and other digital platforms to engage and update customers during emergencies and outages. During 2012’s Hurricane Sandy, New Jersey-based PSE&G assigned 22 staff members to read and send tweets. By the time service was restored to normal, the company’s number of Twitter followers had jumped to 57,845 from 14,787.¹

Lessons can also be learned from sectors with more advanced social media strategies that encompass social care, interactive care and engagement. For example, companies in the airline and hotel industries use interactive games to engage with customers and potentially strengthen brand loyalty.

More generally, a marketing strategy focused on improving the customer relationship must also include broader customer research. While utilities have historically focused on satisfaction surveys, we are beginning to see them conduct ethnographic research, which aims to better understand how customers live and the role that energy plays in these lifestyles.

Analytics will also become increasingly important. Gathering, identifying, tracking, measuring and monitoring customer data enables organizations to personalize customer experiences and evaluate the effectiveness of marketing campaigns.

Take a long-term view

For marketing to offer real value to the utility sector, a new mindset needs to emerge where marketing is viewed as an investment in a long-term, positive relationship with a customer. Whether utilities decide to stay a “pipes and wires” company, offer new products and services or partner with those who do, improving the customer experience will ensure the business is ready for what promises to be an increasingly competitive sector.


Barbara Porter
Executive Director, Advisory Services – Customer
Ernst & Young LLP
barbara.porter@ey.com
+1 312 879 2620

Barbara has more than 25 years’ experience in developing and implementing customer experience strategy as an entrepreneur and in Fortune 500 organizations. She has been a frequent speaker at utility and customer experience forums across the country and is noted for her passion and ardent belief in the positive impact that employee engagement has on the customer experience and the bottom line.

Barbara has more than 25 years' experience in developing and implementing customer experience strategy as an entrepreneur and in Fortune 500 organizations. She has been a frequent speaker at utility and customer experience forums across the country and is noted for her passion and ardent belief in the positive impact that employee engagement has on the customer experience and the bottom line.
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's Global Power & Utilities Center
In a world of uncertainty, changing regulatory frameworks and environmental challenges, utility companies need to maintain a secure and reliable supply, while anticipating change and reacting to it quickly. EY's Global Power & Utilities Center brings together a worldwide team of professionals to help you succeed – a team with deep technical experience in providing assurance, tax, transaction and advisory services. The Center works to anticipate market trends, identify the implications and develop points of view on relevant sector issues. Ultimately it enables us to help you meet your goals and compete more effectively.