



# This time it's personal: Adapting to new consumer trends

New trends are transforming the way consumers interact with – and buy from – utilities. Companies must rethink traditional segmentation and marketing ideas to capture these new “chameleon” consumers. Frank van Gelder reports.



## New consumer trends

Digital technology is changing not only how, where and when consumers buy their energy but also their expectations of, and interactions with, suppliers. To understand the new consumer and offer solutions for keeping pace with their shifting needs, we conducted an extensive international survey which revealed five key trends:

1. **“Chameleon” consumers:** Today’s utilities consumers defy traditional market segmentation – they are hard to read and harder to please.
2. **Brand loyalty split:** While still strong in emerging markets, brand power has weakened in Western countries. Only 24% of Western Europeans and 25% of Americans say they are swayed by reputation, compared with 40% of Chinese consumers.
3. **Personalised communication:** Social media has overtaken traditional channels, although personal contact is the most preferred communication channel in all regions.
4. **“Know it all” consumers:** In 2011, 62% of consumers did at least part of their shopping journey online, and 55% of those said the ability to research on the internet made them less impulsive shoppers.
5. **Empowered ‘co-creators’:** Consumers are active co-creators in the products and services they buy. They want them designed, sold and delivered *their way*.

These trends have major consequences for all consumer-reliant organizations including utilities: staying relevant means undergoing radical change.

## Get to know your customer

This transformation should start with a renewed focus on getting to know your market. Less than 5% of consumers said their utility providers were trying to build a personal relationship with them.

It is now more important to understand customers and improve engagement that can lead to more personalised and profitable relationships. We are working with clients to build new segmentation models based on, for example, customers’ profiles, behaviour and value.

A 2011 survey asking what consumers want from multi-channel retailers showed their primary concern was a seamless price, quality and brand experience. For example, a cheaper electricity price offered exclusively to online customers may backfire if others cannot access the deal. For example, companies must be vigilant to ensure that comparison websites do not offer better tariffs than those available on their own websites.

## Utilities slow to move

Consumers’ lack of excitement over buying power may partly explain why utilities have been slower to act on these new trends than other industries, but as customer turnover increases, so does the need for change.

In our experience, utilities operating in countries with smart meters, for example, Italy and Sweden, are adapting better to new consumer trends, as are those in markets that experienced early liberalization, like the Nordic countries and the UK. Many newer market entrants are also doing well, partly because they are building flexible CRM systems from scratch, rather than reshaping traditional models to new trends.



## Opportunities

Utilities appealing to certain consumer groups are also succeeding.

One Swedish start up is donating all profits to charity, while another utility is combining environmentally friendly power and cultural events to build consumer loyalty.

Price (more than 80%) and quality (more than 70%) are by far the biggest driving factors for consumers' when choosing an energy provider, but our survey highlighted other areas where companies can establish competitive advantage. For example, around 30% of consumers said they were prepared to pay an extra 10% for more environmentally friendly products.

Companies such as GE have also decided to include consumers directly in their innovation process. Their Ecomagination Challenge (see inset box) allowed GE to invest in winning ideas that reflect consumer needs and offer the company a genuine competitive advantage.

Utility companies that make real and rapid efforts to know and please their "chameleon" consumers, and transform operations to reflect their preferences, will succeed.

### Case study: GE's Ecomagination Challenge

In June 2010 GE asked external collaborators for ideas on "Powering the Grid" and "Powering your Home," and received 5,000 business plans within 12 months. Since then, GE and its venture capitalist partners have invested US\$134m in several of the winning businesses, and have launched a US\$20m Ecomagination Innovation Fund to accelerate promising ideas within commercial GE pilots.

The company's Chief Marketing Officer, Beth Comstock, told the Harvard Business Review the program was changing the way GE worked:

"Mainly it challenged our assumptions ... many ideas came in and at first we thought this is not scientifically possible, but then we'd look closer and figure out why it is."<sup>1</sup>

[Click here](#)

<sup>1</sup> "GE's Eco-innovation platform," *Harvard Business Review website*, [www.blogs.hbr.org/winston/2011/10/ges-eco-innovation-platfrom.html](http://www.blogs.hbr.org/winston/2011/10/ges-eco-innovation-platfrom.html), accessed 19 January 2012.

## How Ernst & Young can help

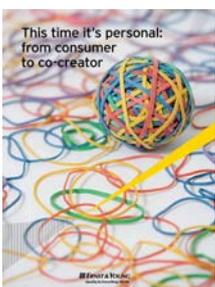
Our Advisory Services team is working with clients to understand these new consumer trends and make the most of the opportunities they offer.

We are helping companies develop and deploy new customer strategies and implement analytics that anticipate customer needs. We are also helping companies develop better pricing, promotion, channel and product strategies, improve customer service management and ensure marketing and sales programs address today's consumers' needs.



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Frank van Gelder is responsible for the customer management practice within Ernst & Young Advisory Sweden. Frank has more than 20 years of experience working in customer management, both as a sales and marketing manager within the energy sector and as a management consultant, focusing on customer insight, segmentation and strategies.



## About this survey

[Click here](#)

Our survey "This time it's personal" interviewed almost 25,000 people in 34 countries, across mature and emerging markets.

We asked detailed questions about purchasing activity, preferences and perceptions across 10 different products and services, from food and beverages, to consumer electronics and public services. The findings provide further evidence of the changing nature of commerce, and valuable insight into current and future trends.

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