

PERSPECTIVES



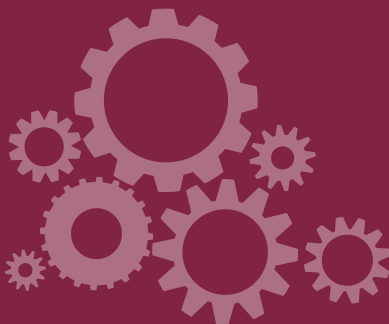
UTILITY



CONSUMER



ENGAGEMENT



McDONNELL
GROUP

The Case for

UTILITY CONSUMER ENGAGEMENT PLATFORMS

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THE CASE FOR UTILITY CONSUMER ENGAGEMENT PLATFORMS

Consumers love choices. How can utility executives – who sell indistinguishable commodities like water, electricity and gas – offer meaningful choices to their consumers? Increasingly, the answer lies in online engagement platforms and choice engines. Early signs seem to indicate these tools can not only improve customer satisfaction but also drive fundamental business transformation.

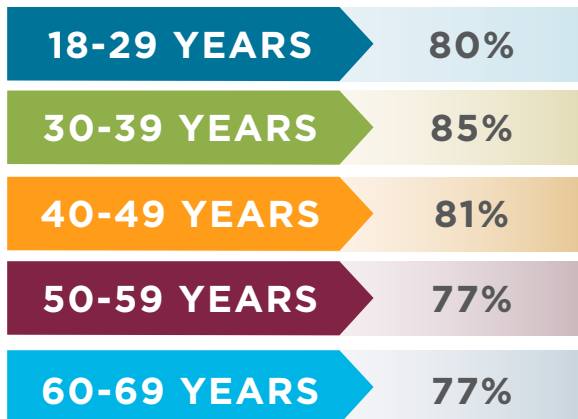
A WORD ABOUT “CHOICE”

The old notion of utility consumer choice calls to mind deregulation and the incumbent threats posed by retail energy competition. While regulators play a key role in supporting utility consumer engagement investments, today’s challenges around “choice” are less about the merits of retail energy choice or the responsibility of regulators to envision and enable the distribution level transactive energy future. Instead, today’s most compelling conundrum regarding choice is all about how to engage with customers in a new era of digital expectations.

Whatever operational challenges utilities face, they are united in their need to address this. The need for consumer engagement platforms and the opportunity to deliver value for all utility stakeholders is compelling. These trends defy utility segmentation as well. While some may view this as a “large utility” area of focus, this is not the case. Digital natives – those persons born or brought up during the age of digital technology – are digital natives whether they live on a farm served by a rural electric cooperative, a small city served by a municipal utility or in a major metropolis served by an IOU,

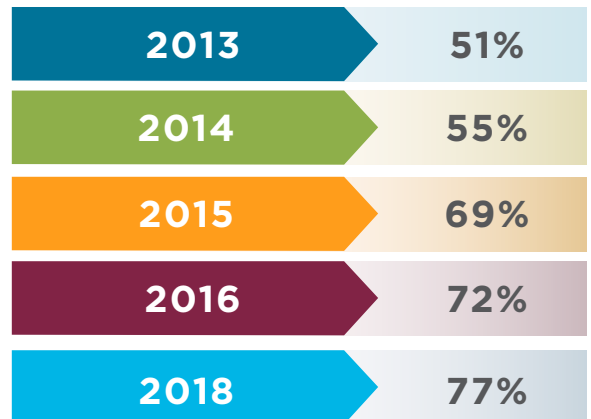
THE NEXUS OF SMART PHONE AND E-COMMERCE GROWTH ARE DRIVING THESE TRENDS ACROSS ALL GENERATIONS OF ENERGY CONSUMERS:

U.S. Percentage by Age Shopping Online 2018



Source: McKinsey Periscope ⁱ

Percentage of U.S. Consumers with a Smartphone



Source: Pew Research 2018 ⁱⁱ

One thing all utility executives can agree upon is this: self-directed, digitally-native customers are coming into buying authority in droves.

THEREFORE, A NEW APPROACH IS LONG OVERDUE.

Today's utilities must eliminate silos within their program and customer experiences. In the face of digital service expectations set outside of the industry, utilities can no longer rely on homegrown and first-generation customer information systems (CIS) with cobbled up integrations and one-off systems for various programs that don't unify the customer digital experience. Fortunately, a number of new, purpose-built utility-customer engagement platforms hold promise to unify utility customer experiences. The best offerings embrace the latest in data analytics and behavioral science.

UTILITIES TAKING THIS APPROACH TODAY HAVE ALREADY ACHIEVED HIGHER CUSTOMER SATISFACTION, IMPROVED PROGRAM ROI, increased electrification and have even avoided costly infrastructure investments through the deployment of non-wire alternatives.



DIGITAL AND CONNECTED: THE INFORMATION UTILITY

Utility social media has grown into a vital two-way channel with followers and usage up over 1,000% in just the last five years based on [McDonnell Group research](#).

Utility social media has grown with followers and usage up over

1000% 

in just the last 5 years

Source: McDonnell Group ^{vii}

In a majority of larger utilities, outage and usage alert notifications have been automated via AMI, emails and texting. New utility consumer mobile apps support outage monitoring, energy usage analysis and even real-time bill pre-pay. These are only the beginning.

The next wave of utility digital marketing investment includes the full integration of new program offers, rates and other interdependent consumer choices. Most importantly, these will be delivered in a consolidated consumer experience that enables self-directed research and analysis of choice trade-offs. **THESE UTILITY CONSUMER ENGAGEMENT PLATFORMS WILL FOCUS ON CUSTOMER VALUE, AS DEFINED BY EACH CUSTOMER,** in their individually tailored view of utility services. It's the closest thing to "one-to-one" residential marketing within utilities today. Leading utilities are simply reading the tea leaves and investing accordingly.

Con Edison, Duke, National Grid and Georgia Power are among those **STEPPING UP THEIR DIGITAL GAME**. Con Edison has launched tools to allow customers to better understand the full lifecycle costs and savings from buying an EV along with capabilities to allow customers to research and plan their purchases. In addition to a successful rollout of behavioral energy efficiency programs including home energy reports, Duke has launched a geographical and visual energy efficiency tool that allows consumers to visually navigate home energy efficiency opportunities and purchases through a dedicated interface. Southern Company unit Georgia Power features multiple smart thermostats free of charge for customers to maximize savings on time of use rates. Qualifying EV customers in Georgia Power's service territory can also take advantage of programmable charges to leverage a special one cent overnight charging rate. Georgia Power's efforts have paid off, despite having the 4th largest outage SAIDI in the U.S. in 2017, largely due to major event days including hurricanes and frequent storms, Georgia Power was nonetheless recently ranked number one in large utility residential customer satisfaction by JD Power.



“Proactive communications, primarily delivered through digital channels, such as email, text message, or social media post, are having a significant positive impact on residential electric utility customer satisfaction,” said John Hazen, senior director of the energy practice at J.D. Power. “Power outages are going to happen. The more proactive electric utilities are in clearly communicating information about the cause, anticipated duration, and repair of an outage, the more satisfied their customers will be with their overall service.”

BUILDING BRAND TRUST THROUGH DIGITAL CHANNELS

Ideally, consumers should believe that when they call their utility company, they are calling a trusted energy advisor with the knowledge and experience to guide them on their energy and ways to save. To meet this expectation - and to build brand trust - utilities must consolidate their customer data and programs to meet consumers when and how they choose to engage a utility customer experience. Recent research by Accenture sums up the challenge: **“CONSUMERS HAVE UNEQUIVOCALLY SHOWN THAT WHEN IT COMES TO THEIR ENERGY PROVIDER, TIME, CONVENIENCE AND VALUE ARE ALL THAT REALLY MATTER.”** Utilities have on average about 10 minutes to digitally engage an individual utility customer over the course of the year. Making these touchpoints count by ensuring a seamless experience across all contact channels is critical.

38%

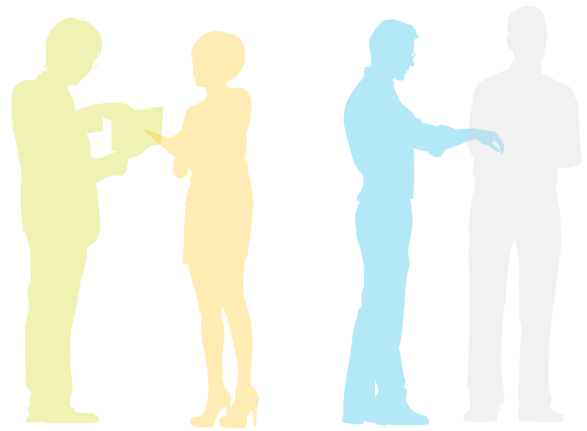
Accenture notes that “only 38% of energy consumers consider their digital energy engagement experience on par with leaders such as Amazon, Google and Netflix.”

But, growing use of digital channels across all industries suggests that utilities must improve to keep up and take advantage of growing consumer preferences and trends. The traditional practice of utility CSR's handing people off to experts, engineers or program leaders for callbacks later fall far short of today's consumer expectations. Similarly, customers expect better experiences than holding on long "virtual queues" waiting to connect with a rep for a solar interconnection study. Multi-step manual processes for enrolling in new energy efficiency programs or even just attempting to install solar PV, will not meet the standard expected - and largely set outside of utilities - going forward.

CONSUMERS INCREASINGLY DEMAND ROBUST SELF-SERVICE. They expect to get what they want and need online, tailored to them, when they want it. In its 2019 State of the Consumer Report, the Smart Energy Consumer Collaborative observed:

"Consumers of all stripes now use technology to meet their daily needs." The report concluded that, "The utility customer relationship is no longer purely transactional, but an end-to-end experience, and technology should be a meaningful component of this journey."^{iv}

When utilities provide customers with programs that are mapped to the way customers live their lives and expect to be serviced, they find answers more readily and engage more. Utilities looking to drive engagement in programs including time of use rates, direct load control, energy efficiency or demand response, should take note. Consumers engage more when they are presented those options in a consolidated framework that reflects their personal preferences and values.



PLATFORM NEEDED TO ADDRESS DER (DISTRIBUTED ENERGY RESOURCES) GROWTH

Many utilities are mandated to pursue DER, while others are pursuing DER (Distributed Energy Resources) for shareholder economic reasons. Regardless the reason, DER is coming and not slowing down. The movement toward [energy prosumers](#) is here in some locations with corporates and others considering increased deployment of microgrids. Additionally, community energy cooperatives are likewise growing, leaving utilities wondering how to best anticipate and adapt to these changes.

Utilities will likely serve as distribution system operators (DSO) in the future. This approach could allow utilities to optimize the locational and time value of dispatchable DERs for the benefit of all system stakeholders. Utilities may be positioned to fill a good percentage of their integrated resource plan (IRP) each year using DERs, even smoothing load locally with controllable and dispatchable DERs, storage and other non-wire alternatives (NWA). None of these future benefits will be possible without a customer-centric platform that can integrate and engage the right consumers with the right offers, based on their perceptions of value across time and by location.

This DER “transactional information value” may ultimately become as critical to distribution system operators (DSOs) as their core power delivery systems.

Today’s early adapters of the DSO model would be dramatically and radically customer-centric. The next generation of the customer engagement platform would be absolutely essential to their role as arbiters of information, reliability, integrated system control/dispatch and local market settlement/billing.

PLATFORMS THAT ENABLE NON-WIRE ALTERNATIVES (NWA)

Utilities, spurred by aggressive regulator support in states like New York and California, are embracing the new system and demand management techniques available from the deployment of non-wires alternatives (NWA). NWA are electric utility system investments and operating practices that can defer or replace the need for specific transmission and/or distribution projects, at lower total resource cost, by reliably reducing transmission congestion or distribution system constraints at times of maximum demand in specific grid areas.

CONSUMER ENGAGEMENT PLATFORMS ARE VITAL TO SUPPORTING THE NEED TO ENGAGE CONSUMERS IN NWA PROGRAMS. They help ensure NWA reach desired penetration rates at the right locations and at the right cost. They also provide a key consumer interface to manage their ongoing interactions with programs over time.

NWA continue to grow in popularity, with new capacity-driven storage unfolding in Southern California and additional programs rolling out in New York. Their potential to reduce peak demand, to defer peak infrastructure upgrades and, in some cases, to avoid the need to construct new power plants, indicate that the benefits to stakeholders and consumers will grow.



CALL TO ENABLE CHOICE

To provide the choices consumers truly desire, utility companies must provide effective choices to consumers. Utility companies must build on their consumer insight data, deploy digital engagement platforms with choice engines and apply proven digital techniques and tools that help end consumers make real-time value trade-offs regarding their homes, energy, appliances and EVs. The future growth and scaled success of utility DER, DR, EV, EE and other NWA programs requires these investments.

These platforms will help utilities complete their full migration, from the treatment of residential consumers as a relatively homogeneous block of load to the future where each customer is provided tailored choices, as a “market-of-one.” **UTILITIES WHO EMBRACE THIS FORWARD-LOOKING APPROACH WILL BE THE INFORMATION UTILITY LEADERS OF THE FUTURE.** Ultimately, utilities of all types and sizes can now integrate customer and program data with purpose-built utility engagement platforms to drive a truly digital customer experience that delivers value for all stakeholders where, when and how they chose to engage.



NOTES:



- i McKinsey Periscope, [*CPG Goes Omnichannel: Shoppers Grasp Digital Opportunity*](#) (March 2018)
- ii Pew Research Center, [*Mobile Fact Sheet*](#) (2018)
- iii Electric Power Research Institute, [*Guidance on DER as Non-Wires Alternatives \(NWAs\): Technical and Economic Considerations for Assessing NWA Projects*](#) (December 31, 2018)
- iv JD Power, [*Electric Utility Residential Customer Satisfaction Study*](#) (2018)
- v Accenture Research, [*Customer Centricity: Must Have or a Waste of Money?*](#) (2017)
- vi Smart Energy Consumer Collaborative, [*2019 State of the Consumer Report*](#) (2019)
- vii McDonnell Group, [*Research Indicates Utility Perspectives on Prosumers Has Evolved Rapidly*](#) (2012)
- viii NARUC, [*Evolution of the Distribution System & the Potential for Distribution-level Markets: A Primer for State Utility Regulators*](#) (2018)

The logo for McDonnell Group, consisting of the letters "MG" in a white, serif font, centered within a dark blue square.

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As the leading integrated marketing firm for the energy industry, McDonnell Group has been creating value for clients while transforming the efficiency of the industries we serve since we opened our doors in 2005. We give our clients competitive advantage and long-term market leadership by building powerful brands and positioning them for success. Serving companies from startups to members of the Fortune 500, McDonnell Group is privately owned and based in Roswell, Georgia.

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