

# Acquisition & retention in an increasingly competitive market...



...dystopian future or rich opportunity?

**dystopian** /dis'tɒʃpiən/

*adjective*

relating to or denoting an imagined state or society where there is great suffering or injustice.

“the dystopian future of a society bereft of reason”

## Introduction

geo has initiated a discussion that is often mooted but less frequently directly addressed within the energy sector: that of the pressing and complex challenge of customer acquisition and retention in an increasingly competitive market place.

Parallel industry comparisons point to a plethora of household names that have either had to change their business models or face extinction because of their inability to do so and there is little doubt that the retail landscape for energy services will continue to evolve.

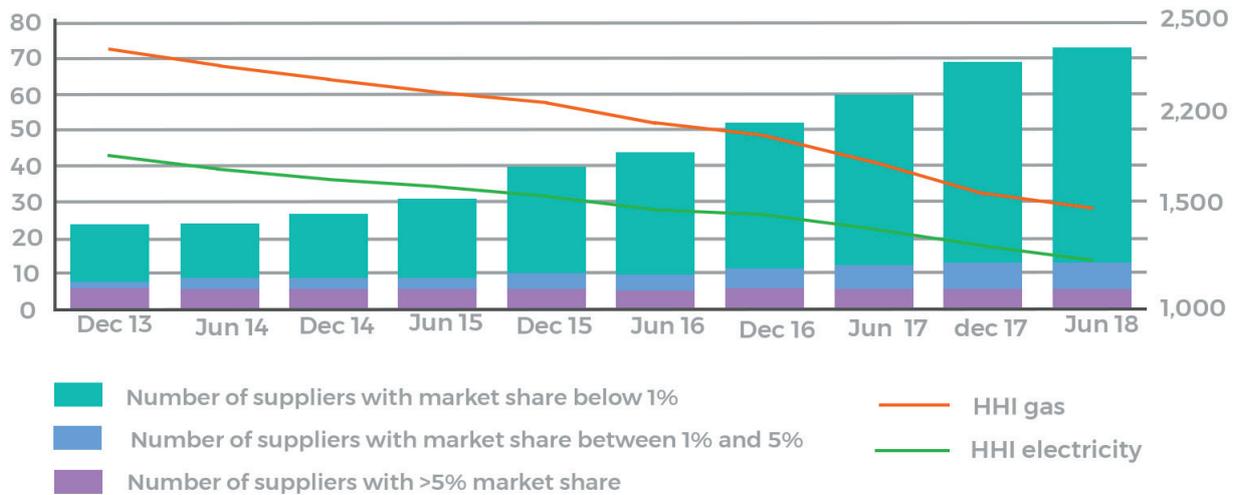
Customer choice in the retail energy sector is growing (73 active licenced suppliers in June 2018 vs 60 in June 2017) and visibility, moreover, ease of switching, has never been easier. (See Figure 1 - Evolution of concentration and number of active licenced suppliers).<sup>1</sup>

# 73

active licenced  
suppliers in June  
2018

<sup>1</sup> OFGEM, State of the energy market, 2018

Figure 1 - Evolution of concentration and number of active licenced suppliers



Source: Ofgem’s analysis of Distribution Network Operations and Xoserve data

We believe that in energy retail and in every sector, there is really no loyalty; only points of predisposition which are hard won and easily lost.

And we believe that the possibility of a dystopian future for this sector is very real, but only if suppliers, operators and retailers fail to grasp the possibilities that can unfold with proposition delivery that is built on genuine and deep customer insight, data analysis that allows the delivery of ever more meaningful propositions and product & user experience development that can support all of it, build those points of predisposition and sustain a market place that is good for customer, retailer and supplier alike.<sup>2</sup>

Scenario 1 : Price-led	Scenario 2 : Innovation-led
<ul style="list-style-type: none"> <li>Energy remains a commodity-based industry, supplying kWh of energy</li> <li>Primary dimension of competition is price</li> <li>Innovation is low</li> <li>Trust remains low</li> </ul>	<ul style="list-style-type: none"> <li>Energy becomes a service</li> <li>Multiple dimensions of competition</li> <li>Innovation increases</li> <li>Trust continues to increase</li> <li>Greater choice, greater control</li> </ul>

In any event, energy consumption to date has been little understood by most consumers, with little awareness of the cost itself, or of measures that can be taken at a customer level to reduce spend or optimise consumption. We think there is a significant opportunity for energy retailers to address that.

<sup>2</sup> Forbes <https://bit.ly/2DimdUr>

## geo's point of view

We see a future where every household is able to manage its overall consumption and carbon footprint, without even having to think about it.

Over the last decade or so we have been on a journey to introduce that concept to regulators, industry bodies, retailers, suppliers and customers. Our strategy is and has always been, to engage customers by first making energy visible and engaging; and we believe that doing this is the first step in helping householders to understand what they are consuming.

After visibility and engagement, we progressively introduce ways in which householders can control their consumption, for example how they can switch things on and off in a systematic way. The final stage is automation, so that it all happens in the background, using AI (Artificial Intelligence) to predict and then optimise household consumption patterns. Adapting appliances to pick the most cost effective times of the day to use electricity (and increasingly, to store it in batteries for later use), to most efficiently consume and store power generated from solar panels and ensure that electric cars, for example (more and more apparent on our streets today and expected to account for 25% of new car sales by 2025 and 40% by 2040), are ready to use when they are needed, balancing knowledge of when the car will next be in use by integrating with household diaries and charging in the most cost-effective way.<sup>3</sup>

Our early thinking has taken somewhat longer than we had anticipated to bed into peoples' minds; and before we can hope to realise that automated future, there remains a long way to go with early engagement and critically, building consumer trust. But we believe that our perspective remains the right one and we intend to lead the energy discussion with a series of papers and forums, informed by experts and insights both from within and outside the sector, which in turn will help to shape some of the customer opportunities available to retailers and suppliers.

## Digital engagement

For any discussion about digital, it's important in the first instance to define our terms:

- 1) digital engagement as a marketing tool and /or
- 2) digital engagement through smart devices, facilitating a 2-way interaction between supplier and retailer, retailer and customer.

For the purposes of this discussion we are referencing both and we will explore each in more depth in future papers.

The opportunity to attract, but more critically, to retain customers through digital engagement, is one that is already deeply explored (and exploited) by many retail sectors. The energy sector is only in its first foray of doing similar, partly because of the relative invisibility and in truth, lack of consumer appeal to date.

As important to convey here is that digital engagement and transformation are terms that can be somewhat over-used and already there are a litany of examples where businesses have embarked on such strategies in name only, only to fall

# 40

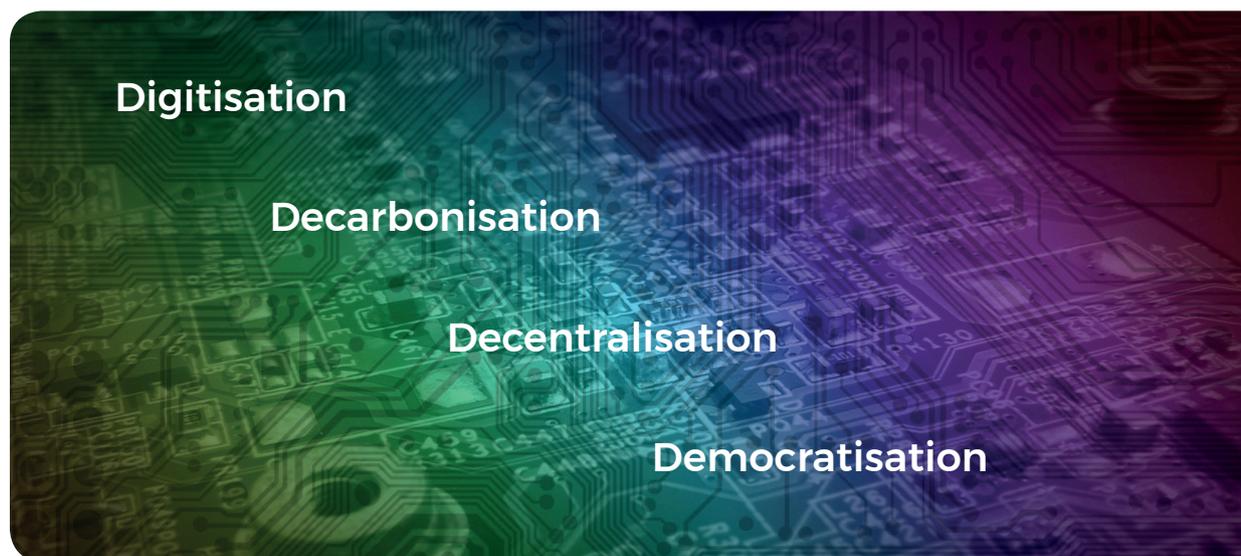
% new car sales in  
2040 expected to  
be electric vehicles

<sup>3</sup> CAM (Centre of Automotive Management) 2018

at early stages due to a lack of strategic and organisational commitment to engage.<sup>4</sup>

But the opportunity to engage through digital delivery within the energy sector, as more is understood about consumption, more weight is put against personal sustainability agendas and price becomes a more apparent issue, is increasingly there. For those prepared to invest the appropriate time and effort in a strategy that will go through several evolutions before being fully realised, patience will nevertheless be a pre-requisite.

Our supposition is that while the Smart Meter roll-out is mandated, it does represent the beginning of a digitally enabled consumer engagement strategy. Data from Smart Energy GB, underlining the growing propensity for visibility and control from those that already have smart meters installed and the growing appetite of customers to have them installed, supports this.<sup>5</sup> The way we think about building our products and services is informed by this belief (and we believe, should be by everybody). Socioeconomic drivers and technology innovation are transforming utilities and energy retailers into digital enterprises and globally, the four “megatrends” of **digitalisation**, **decarbonisation**, **decentralisation** and **democratisation** will continue to create both challenges and opportunities in the sector.<sup>6</sup>



The possibility of delivering real time analysis, providing more and more control in the home and ultimately, complete automation of household consumption, presents huge opportunities for customer engagement.

What is also clear is that trust is a significant barrier to overcome for every energy supplier and retailer, though the 2019 Edelman Trust Barometer (figure 2) at least indicates that trust in the energy sector specifically, has been improving over the last five years, albeit an improvement to neutrality from distrust.<sup>7</sup> Questions around security of personal data will only become greater as interaction capability is increased, so there needs to be a general level of acceptance that customers can not suddenly be presented with a raft of propositions. They need to be introduced gently and gradually over time – perhaps frustrating to those that understand what technology can do, but a practical reality of introducing engagement propositions in this sector.

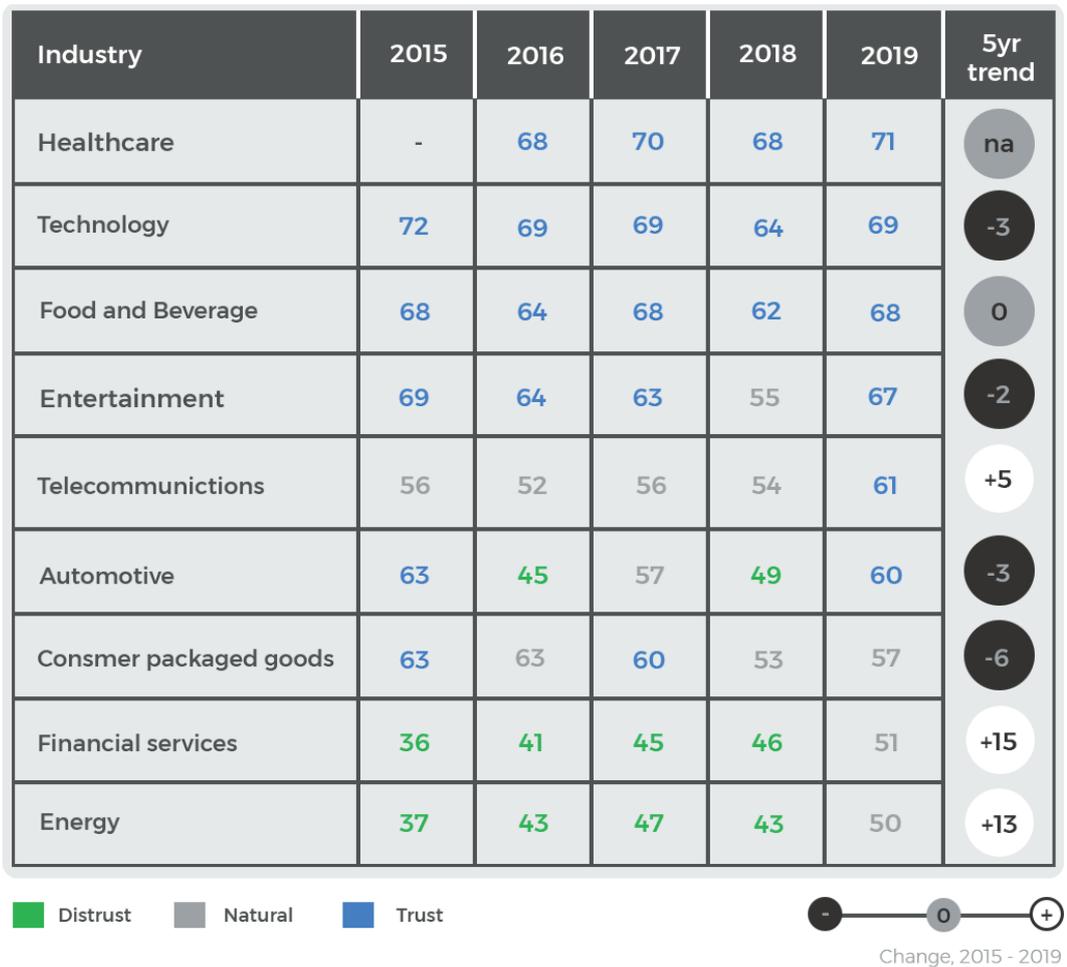
<sup>4</sup> HBR <http://ow.ly/PZxS30oolG0>

<sup>6</sup> Gartner 2019

<sup>5</sup> Smart Energy GB 2019

<sup>7</sup> 2019 Edelman Trust Barometer

Figure 2 - 2019 Edelman Trust Barometer



While the energy sector has moved from a position of distrust, the position now is only **neutral** in stark contrast to other sectors with positive trust scores

In all of this, we need to understand that digital is only one channel for engagement and it's the experience that we offer that will be (one of) the key(s) to success. And getting the basics right will more likely provide retailers with those elusive points of predisposition than any "shiny" development.

Whatever the product, whatever the service, whatever level of insight it is built upon, it needs to be **relevant**, built on **preference** and **propensity** and it needs to be **just enough** (with the specific point that at current levels of acceptance, too much will simply turn customers off).

This means going far deeper with customer insight and certainly discarding any notion (fast disappearing anyway) of one size fits all.

geo partners with leading organisations in app development and insight generation/ CRM. Their views corroborate our own learnings, sighting the importance of building a picture of preferences over time, underlining the "just enough but not too much theme," and making the most of early engagement opportunities pre and post-acquisition. All obvious and certainly nothing new, but amplified in a digital environment when preference will be gained and lost at a vastly accelerated rate. In our next paper, we will explore these themes in more depth.

## Segmenting propositions

If we agree that digital engagement is an important channel and medium for building trust, providing an exposition (but just enough) of product and proposition capabilities, then the natural extension is to go one layer deeper to consider the specific needs states and drivers of the segments we are targeting.

Combining channel and audience, essentially pursuing the holy grail of right product for right audience, through right channel, at the right time and with the appropriate frequency and volume. That's a utopian ideal and will rarely be wholly achievable, but it's a target that all customer focussed organisations ought to be aiming at.

Any credible retailer should have a good understanding of the segments it has and the segments it wishes to attract. That comes from a good dose of common sense, plus insight and deep analysis of the data that you have (a picture that ought to be getting fuller and fuller as we present customers with more and more visibility and engagement). But making it relevant is the key, in the same way that a gym might do well at attracting new customers in January, but will only hang on to them in the following months (inertia notwithstanding), if it is able to remain relevant and present customers with a fitness proposition that suits their particular needs (think marathon runner versus recovery from an operation, gym classes as a social outlet vs strength training for a specific sport).

geo has developed the Accessible In Home Display (AIHD) proposition for example, in conjunction with the RNIB, by focussing on inclusivity as a design principle rather than limiting the thinking to just sight impaired needs. Through this and the development of propositions across several segments, geo has learned that intelligently thought through propositions needn't only be relevant to the precise segment they were designed for (in terms of product functionality in this case). Thinking through needs states at different life stages will make you more relevant as a brand and a proposition to your audience and doing it well can provide you with ways to attract and then hold on to your customers when there might be other reasons to leave.

Our view is that energy brands which fail to think in this way will ultimately be consigned to "vanilla" status. And brands that do think about it and fight for a share of mind and wallet of an increasingly informed customer set, with an increasingly complex range of products and services to think about (from EV to solar to battery storage and beyond, can think about the possibility of extended tenure and value from customers who will spend more as they trust more. But the proof of that will be in delivery.

## Making it happen

The philosophical position is relatively easy to arrive at. But the complexity of delivery with the combination of a plethora of increasingly complicated technologies in an ever more fiercely fought over market place, is not for the unprepared.

Traditional energy retailers and new market entrants are starting out on their journey to become providers of "digital energy services", instead of just suppliers of kilowatt hours of electricity and gas. Changing consumer habits and expectations along with rapidly evolving technologies at a time when the

**AIHD**  
Accessible In Home  
Display

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competitive environment in the energy industry is undergoing fundamental changes, presents huge challenges and choosing the right technology platform is a critical step in reducing business risk and maximising the chances of success through this transition.

Digital energy services and achieving only a fraction of the possibilities that this paper is referencing will require a capable end-to-end solution which consists of in-home devices, cloud services and apps to capture data from electricity and gas meters, as well as other sensors in the home. It also needs to transfer data to the cloud, transform it into useful information and feed the results into engaging consumer applications.

geo has developed a deep understanding of the customer journey, the underlying insight capabilities and supporting technologies that in combination will be required to win in this new landscape.

## Summary

geo has a point of view around the challenges of attracting and retaining customers in an increasingly competitive energy landscape and has developed a unique toolset to navigate the complex array of commercial, technical and operational challenges that it presents.

The landscape is constantly shifting and we will continue to develop our capabilities to ensure that we remain at the forefront and in the best possible position to enable our partners to effectively compete.

In the coming months we will publish more on the component parts of the subject including:

- Operationalising data insights
- Customer experience requirements for emerging energy technology
- The customer journey from initial energy visibility to control and automation
- Technological considerations and imperatives

And we will also be hosting further events to bring together leaders from energy and parallel sectors to develop shared thinking.

## Get in touch!

If you would like to discuss any of the content in this paper, please contact a member of the geo commercial team at [sales@geotogether.com](mailto:sales@geotogether.com).