FUTURE OF UTILITIES

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VIRTUAL ROUNDTABLE SUMMARY

The Future of Customer Experience in Utilities – Visions of 2050

Nick Kelly, Account Director of Smart Communications and Gavin Geekie, RVP, Energy & Utilities EMEA at Salesforce Industries draw on the key takeaways from the Future of Utilities June 2020 roundtables on Next-gen Customer Experience in Utilities to paint a vision of Utilities CX in the year 2050.

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The Future of Utilities Roundtable 2020 was, as with so many aspects of life this year, unlike any other. Senior executives from utility companies around the UK and Europe gathered over Zoom to share their insight on next-generation customer experience, with Neal Coady, Director of Product, Home Energy Management at Centrica in the chair. Given no one could have predicted the dislocation and disruption that would dominate the first half of 2020, Neal set the participants something of a stretch challenge: to envisage the home technology of the future in 2050.

Transformative technologies

By 2050 augmented reality – a technology that is already here – will be mainstream, enabling utility companies to give employees enriched training to expedite maintenance and improve skills, allowing every field technician instant access to expert knowledge. Customers will also be using augmented reality to increasingly self-serve easy fixes to boilers or to interact with data-rich dashboards to understand their energy usage.

AI and automation will be powering personalised and frictionless customer interactions, transforming asset management and generating previously unimaginable experiences. And no discussion of the future is possible without a reference to blockchain, although it has yet to make much of a dent on the utility customer's experience.

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> Neal Coady, Centrica

"It's a case of one of the fastest moving technologies linked to one of the slowest moving industries," noted Coady.

There's no doubt that in the future blockchain could prove transformative. Blockchain technologies combined with IoT devices would enable consumers to trade and purchase energy directly from the grid, effectively disintermediating energy retailers: GridPlus Energy, for example, allows customers in Texas to receive electricity at wholesale rates. Other blockchain companies are focused on building peer-to-peer energy markets, allowing a network of individuals to trade and buy excess energy from one another. In Australia, Power Ledger's blockchain-enabled renewable trading platform allowed households to buy and sell excess rooftop solar energy in near real-time, with residents able to view electricity usage in 30-minute intervals. These micro-grids currently exist as a layer on top of the national power grid but theoretically, they could be separate and self-sustaining.

For now, such projects are small-scale and experimental but Coady thinks that in "five to ten years" we could see technologies like this giving consumers more power.

New models

One technology trend of the future that is starting to gain traction is AI-powered auto-switching, although it remains niche for now and the switching tends to follow a yearly-cycle: Look After My Bills, for example, switches customers when their existing contract comes to an end. By 2050, however, the customer of the future could be auto-switching their energy supplier every 30 minutes or even every second to get the best price.

As with the advance of blockchain, however, it's a trend that could see utility companies increasingly disintermediated with margins squeezed to anorexic levels. Auto-switching augurs a powerful role for the intermediaries offering such switching services – whether evolutions of today's Flipper or Look After My Bills or European versions of today's "super apps" in Asia, through which consumers manage almost every aspect of their lives or, perhaps, a remodelling of some of today's incumbent utility brands. Traditional utilities players face the prospect of very low margins unless they can find new ways to add value for customers.

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As digital technology tips the power balance ever more in favour of the consumer, incumbent suppliers will need to not only up their customer experience game but also find new models that are fit for purpose in a digital, Net Zero age.

"Auto-switching means traditional utilities are going to have to find different ways to be relevant to the consumer," said Neal Coady of Centrica. "That may naturally lead to more margin."

A trusted brand

This search for relevance and margin will take utility companies into new areas, possibly through partnerships with companies in other sectors, such as smart appliance manufacturers and tech companies. Smart home kit is an obvious area, with utility companies able to leverage their existing connection to people's homes to deliver trusted solutions that make life simpler, smarter and safer where it matters to them most.

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"Trust is a legacy advantage," said Neal Coady. "People really trust the engineers who come into their homes to fix boilers or leaks and it does give utility companies a headstart when it comes to selling smart home devices."

Hive, owned by Centrica and which offers everything from smart thermostats and lightbulbs to motion sensors and leak detectors, leverages that brand advantage.

"That implicit trust in the brand has been partly responsible for enabling quite a technologically advanced product to enter a mass-market domain where some other high-tech products have struggled," noted Coady. "Trust makes a real difference and utility companies shouldn't underestimate that."

A consumer technology revolution

Consumer technology is moving fast and the key will be to part of the customer's chosen interface with their intelligent home. Smart speakers, increasingly ubiquitous as devices to play music and access weather and travel information, may prove to be the customer's channel preference in the near to medium term. It will be essential that utility companies stay abreast of these trends. British Gas, for example, has partnered with Google to offer its Boiler Support service via Google's smart speaker, Google Assistant. Customers with a Google Home or Google Nest device can say, "OK Google, talk to Boiler Support" to start a dialogue with the troubleshooting system.

The innovation won't stop there: from wearables to connected cars, utilities need to be where their customers are. As Neal Coady noted, thought control that delivers seamless management of the home environment is not out of the question by 2050.

Think of how far customer experience has changed in the last 20 years: one-click shopping experiences, taxis hailed at the swipe of the smartphone and banking at our fingertips 24/7. Utility companies that want to seek out higher margin business are going to have to deliver the kind of CX that keeps pace with the digital leaders that pioneer these disruptive leaps forward. Indeed, one leading survey of utility leaders found that four out of five think that within ten years utilities that fail to match the level of personalisation and convenience that customers receive from Amazon, Google and Netflix will find it extremely difficult to satisfy customer demands.

In the future, utilities' customer experience won't be judged against the best-in-class in the sector but the best-in-class period.

Adding value in the platform economy

The higher margin ground isn't just about seamless communications and smart home kit, however. Increasingly, in a world of blockchain and AI-driven disintermediation, utility companies will need to find ways to add real value and meaning to customer's lives. Indeed, 91 per cent of surveyed utility executives think it's vital that energy and water companies provide value-added services in order to avoid being further commoditised .

These services could well involve generating useful insights that will help the customer better manage their energy usage, reduce bills and lessen their environmental footprint. Product bundling could also prove a useful innovation, perhaps pulling together energy, water, home maintenance and insurance into one tariff, adding real convenience to customers with scope to build-in additional margin.

And in a world where the most successful companies are increasingly platform businesses, it would make sense to configure a platform based around the home, pulling together an ecosystem of services, from energy and water to home maintenance and insurance into one online marketplace.

This will be a stretch for utility companies. Some incumbent players may struggle culturally to adapt to a digital economy in which traditional value chains are being disrupted by platforms and eco-systems. Utilities are used to owning the customer relationship and ceding that ownership to a partner could prove challenging for some.

Electric Vehicles: a catalyst for change

An introduction to this new way of operating is likely to come with the rise of the electric vehicle (EV). Customers have a far more personal relationship with their car than their boiler – yet the running of both will increasingly be down to the same utility company. However, it's the car manufacturer that will inevitably dominate the customer space-of-mind, further relegating the utility company – the engine of this green transport revolution – into the back seat.

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Yet the electric vehicle is also a huge opportunity for utility companies. "Having an electric vehicle can increase electricity use by as much as 50 per cent for the average UK home and that prompts people to become much more engaged in how they think about electricity, carbon and costs," said Neal Coady. "It's a great starting point to have different conversations with customers and really build engagement in new products, like solar, energy efficiency and different tariffs."

Tariff innovation is expected to be one side effect of EVs. But Coady isn't a fan of tariff innovation for innovation's sake. "Too much sophistication is confusing for the customer," he said. "You really need three tariffs: a flat rate one that everyone can understand, an economy seven type tariff where energy is cheaper at off-peak times and a dynamic tariff that changes every day."

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He suggested utility companies should look at the mobile phone companies over the last 15 years. "They developed a huge array of complex tariffs and then came back to simple, transparent products," he said. "If you look at that curve of commoditisation, you see they increasingly have to differentiate themselves not on price but on other features, such as international presence or additional services."

Innovation works where it solves a customer problem. This is where challenger brand Octopus has succeeded: it identified that customers had a problem when it came to charging their EVs on the road and came up with a seamless solution, Electric Juice, which allows drivers to use any charge point with the charges applied to either an Octopus customer's home electricity bill or sent as a separate bill for non-customers. For customers, the solution is slick, easy to use and removes a big barrier to EV usage, namely charging anxiety. For Octopus, it's a way of adding real value to customers and extending its reach to a new customer base.

Environmental sustainability

The most radical part of the 2050 vision, however, is not augmented reality, smart homes or thought control. It's Net Zero. The timeline currently stands at 30 years but that's not a lot of room for manoeuvre given the lifecycle of the assets and the investment required. 2020 has been an unusual year and it remains to be seen how the economic fall-out will impact the energy transition. Fossil fuel prices have collapsed along with demand but will this slow the shift to green energy? Or will Net Zero be part of the post-COVID stimulus package? The July mini-budget from chancellor Rishi Sunak certainly offered some Government-backing for an acceleration of the transition.

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"These are exciting times to work in the utility sector," said Coady. "It's almost gone from being the dullest industry on Earth to now being the one that's going to save the planet. We have a real opportunity to help shape the future and we now have the digital tools to develop new relationships with our customers to really drive this change forward."

This is a moment of huge opportunity and digital transformation is going to absolutely critical to making sure all of us not only benefit from the Net Zero agenda but also enjoy more convenient and economically, as well as environmentally, efficient lives.

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