

Building Customer Relationships: But Then Again, How Much “Relationship” Do Customers Really Want?

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If You Build It They Will Come

- The siren call of web-enabled capabilities is sounding again for electric and gas utilities
- As we have been told many times before – and sometimes correctly – if utilities just use the web correctly, they will see a whole variety of positive enhancing outcomes
- But given your history, it is perhaps worthwhile to consider whether customers are ready for utilities to implement a new generation of web-enabled interfaces

This Time, The Claim Focuses on Customer Relationships

- The web enables a much broader set of customer communication interfaces – both reactive and proactive
- The web – and associated analytic tools – makes it possible to integrate information across all these channels
- If these capabilities are leveraged well, companies can:
 - Significantly improve customer-facing processes – which leads to
 - Improved customer experience – which leads to
 - Deeper customer relationships – which leads to
 - Better topline growth and higher loyalty and retention
- Yeah, well, maybe; It depends, and not just on execution

The Web Enables More Communication Interfaces

- Move beyond:
 - Phone service
 - Phone self-service (IVR)
 - Local offices
 - Sales reps
 - Direct mail
 - Mass media
 - Email
 - Web-based
 - Kiosks
 - Chat / IM
 - Click-to-talk / Click-to-chat
- To add:
 - Proactive chats
 - Co-browsing
 - Joint form filling
 - Page pushing
 - Proactive (intelligent) response to multiple search terms (not just search results)

And Makes It Possible to Integrate Information Across Channels

- During specific interactions
 - Link prior purchases to login identity
 - Understand areas of concern as expressed through web search inputs
 - Match behavior to past purchases
 - Pass search terms used to phone rep or chat rep
- Across interactions
 - Create a complete profile of customers and their preferences by collecting, organizing and analyzing customer data (customer data integration)
 - Implement predictive analytics

And Improve Customer Facing Processes and Customer Experience

- Improve both reactive and proactive customer facing processes
 - CSRs (whether on the phone or online) have a full profile of the customer's history of interaction with the company
 - Contact optimization
 - Event-triggered marketing
 - Interaction management
- Which should yield more customer-centric marketing
 - Find the right product for each customer, rather than the opposite
- And improved customer experience
 - Interactions are viewed as useful, easy, and enjoyable

Which Should Yield Deeper Customer Relationships and Measureable Benefits

- But does all of this – even if you can pull it off – actually lead to a “deeper” relationship with customers?
 - What counts as a relationship to customers?
 - How does this vary?
- And does “more” relationship mean more business and / or more customer loyalty?

What DO Customers Want in a Relationship With Their Utility Service Providers?

- Rather than simply measuring the perceived quality of the relationship they have with their service providers, we have also developed a categorical assessment of the type of relationship that customers want from their electric / gas service provider
- Based on a good deal of qualitative research across a variety of US geographies, we developed a basic typology of relationships:
 - *I do not want a relationship with my electric utility; I just want them to provide the electricity and send us the bill*
 - *I want reliable power and basic service, but I also want SCE to make it easy for me to do business with them over the web and by telephone*
 - *In addition to reliable power and basic service, it is also important to me to have our problems resolved quickly and to be treated like a respected and valued customer*
 - *I really want the company to go the extra step and know me as an individual customer, and to provide me with personalized service when I need it.*

Consumers Tend to Say They Want Some, But Not A Lot of Relationship

- Typical response distributions for residential customers of US electric / gas utilities:
 - Commodity 10% - 20%
 - Easy to do business 20% - 40%
 - Value customer 20% - 40%
 - Personalized service 10% - 20%
- Business customers skew toward the higher end of relationship, but not by a dramatic amount

How Does Preferred Relationship Link to Satisfaction?

- Satisfaction is higher among those customers who believe the company is delivering their preferred level of relationship
- Satisfaction is lower among customers who believe the company is providing a different level of relationship than the want --- regardless of direction
 - That is, even if the company is providing more, or a deeper, class of relationship than they want it to provide to them
- So, is “more” relationship always a good thing?
 - Like almost everything else, the question will be ensuring that customers can see, and attach value, to the different experiences
 - Is “more” relationship more:
 - Easy
 - Useful
 - Enjoyable

And Will More Relationship Yield More Loyalty?

- It depends on how you define loyalty
 - Is it a description of behavior or an internal state?
- Our conclusions on this subject map to those of Lester Wunderman, of the Wunderman Network
 - “If you want loyalty, buy a dog”
 - “Most customers do not purchase repeatedly because they are loyal, they purchase because they are satisfied. . . People are likely to stay with a brand out of habit more than out of loyalty – it’s less work than picking a new one unless a new brand makes the choice irresistible”
- Another way to say this – People are loyal to a given value proposition in a given purchase category

The Implications of Loyalty to “Value Propositions” for Relationship Oriented Service

- In a given product category, customers tend to seek a specific value proposition (for example):
 - Price
 - Ease of doing business / convenience
 - Knows me as an individual
 - Innovation
 - Product quality / features
 - Fun
 - Reciprocity
- “Loyalty” results when companies provide the desired value proposition to the customers who want it
- There can, of course, be transformative changes in marketplaces for any given product category

So, There is More You CAN Do to Develop Deeper Customer Relationships, Should You?

- SOME customers will see the value, but how many?
- Other customers could perhaps be convinced that they could, and should, want a different value proposition from their utility provider than they currently receive
 - This is, of course, not an easy thing to do
 - Customers will need to understand how new behaviors on their part (and on the utility's part) could yield new benefits and why they should value those benefits
- As is so often the case, this becomes a segmentation problem
 - “More” relationship can be a good thing, but not for everyone