UNION OF THE ELECTRICITY INDUSTRY
eurelectric

SPARKING CONNECTIONS

Best Practice in
Customer Relationships
and Retail Marketing

The electricity industry is changing rapidly. The first years of liberalisation mainly brought competition between utilities. The separation of supply (retail) from distribution, however, and the introduction ofcompetition for residential customers has taken the electric utilities out of their familiar territory into the stroppy waters of fighting for the consumer. Quite a change of paradigm!

UNIPEDE, one of the two founding organisations of what has now become The Union of the Electricity Industry - EURELECTRIC, has decided to analyse in detail the challenges created by this paradigm shift and the starting position of its members in comparison with existing consumer retail champions. On behalf of UNIPEDE, The Boston Consulting Group conducted a best practice study of customer relationships and retail marketing of UNIPEDE members and their performance compared with world class practice insectors such as telecommunication and electronic commerce.

In order to get a comprehensive picture, the study investigated ten important retail quality drivers: call-centres, customer communications, staff development, complaint management, product/service development, branding, sales channels, advanced customer understanding, customer loyalty and e-retailing. The results are based on customer focus groups, utility interviews and extensive qualitative and quantitative analysis of best practice performers in other business sectors. More than sixty members of The Union of the Electricity Industry - EURELECTRIC have actively participated in what has become the first comprehensive analysis of electricity retailing in Europe.

The study has been designed to help utilities in identifying the areas for action and the instruments to use. This brochure provides an overview of the main results. The detailed report on "Customer relationships and retail marketing" is available for survey participants and EURELECTRIC
members.

EURELECTRIC and The Boston Consulting Group would like to thank all who participated in this unique study. Special thanks goes to the Steering Team within UNIPEDE and EURELECTRIC, Helmut Edelmann, Jarmo Kurikka, Yann Laroche, Didier Gras, Alessandro Ortis and Volker Stehmann. We acknowledge the support of the UNIPEDE Directing Committee and its president François Ailleret.

We hope that electric utilities will benefit from this study's powerful insights into the emerging market of electricity retail.

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The study into Customer relationships and retail[1] marketing set out to capture a true picture of the capabilities of electric utilities across Europe in the provision of customer care and the comparison with 'best practice' from other industries around the world. Work was carried out during a period of rapid change in residential utility retail. The UK was just completing the roll-out of full competition. Norway and Sweden altered their laws, enabling easier switching for customers. And Germany saw residential competition enter with a big bang, taking immediate effect on retail prices. Most markets saw a wave of merger and acquisition activity. These events highlight the battle faced by utilities as deregulation occurs throughout all European markets. The challenge will be to prepare well and to ensure the best possible position to compete in a changing market.

Clearly, the potential value of an incumbent customer base is an enormous advantage to any competitor. To realise this value, however, incumbents will need to ensure the development of genuine relationships with their customers. This will both give the option to broaden future offerings and give protection from competitors. Competition will come from within the utility industry and increasingly from those to whom the art of managing customer relationships is second nature.

The results of the study show that utilities in markets yet to be deregulated appear not to be doing enough to prepare for this battle. The gap between deregulated utilities and the rest is large and implies a lack of pre-deregulation understanding of the reality of a competitive market. Yet even in deregulated markets, utilities are only in the early stages of developing customer relationships in comparison to best practice from other industries around the world. Largely, utility consumers are still unaware in most markets but will be vulnerable to a dynamic approach from an established 'consumer champion'.

As a word of caution, however, individual company strategies will have to be decided in recognition of the specific market environment and competitive position. It may not in all situations be right to set 'best practice' as a target. Nor is there any guarantee that achieving 'best practice' customer care will result in improved profitability. However, the likely direction of the battle for the consumer's wallet and loyalty will be along the lines of the key quality drivers identified in the study.

This report provides score cards in the Appendix to assist utilities in understanding their current position and relative strengths and weaknesses against both best practice and that of their peer group. The score cards form a starting point for identifying the gaps that need addressing. In conjunction with the report the score cards offer some guidance as to the tools needed to succeed in developing customer relationships and in retail marketing.

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(1) Retail is defined as consumption of up to 30KW and includes some small business users

Index

SPARKING CONNECTIONS

Best practice benchmarking of customer relationships and retail marketing

A Joint study by
The Union of the Electricity Industry - EURELECTRIC and The Boston Consulting Group

Executive Summary

Appendix: Score-cards for self-assessment

I. Introduction

The traditional utility today finds itself facing the most challenging market conditions that it has ever experienced. Deregulation is bringing in new competition, not only from other utilities but potentially from competitors with very different backgrounds. These new market entrants can utilise a variety of different strengths to threaten the traditional business model. They may leverage an existing customer base or use technology in general, and the Internet in particular, to leapfrog into the traditional utilities' market space and to steal business from them.

The utilities risk being caught unaware by aggressive competitors from their own and other industries. The pace in the new environment is frenetic and unfamiliar; the breaking up of the value chain has placed a much greater emphasis on skills that were previously far less important. What can be done to survive in such hostile surroundings?

To help find some answers for electric utilities in Europe, The Union of the Electricity Industry - EURELECTRIC and The Boston Consulting Group [1] carried out an extensive review of electric utilities and other industries that have been through a comparable experience. The conclusion is that many electric utilities are lagging behind, some of them seriously so. But all is not lost: there are a number of steps that utilities can take to give them a fighting chance against their rivals if they make the moves fast to strengthen their competitive position.

The study identifies ten quality drivers that utilities need to focus on if they are to remain competitive

- Call centres
- Complaint management
- Customer communication
- Staff development
- Offer development
- Branding
- Sales channels
- Customer understanding
- Loyalty
- E-utility

These ten need not all be addressed at once. They can be tackled in three stages as utilities move from the early stages of deregulation through to a position where they have a real chance to compete against the consumer champions. These stages are referred to as 'Mastering the basics', 'Raising the bar' and 'Changing the game'.

For 'Mastering the Basics', the first four dimensions are the main priorities to establish the core front office capabilities; for 'Raising the bar' of competition, offer development, branding and new sales channels will be the most important drivers. For really 'Changing the game', the key dimensions are likely to be deep customer understanding, forging loyalty and introducing the e-utility.

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(1) Hereafter referred to as EURELECTRIC and BCG

II. Methodology

The study investigates best practices in retail[1] marketing and customer relationship management and draws conclusions about which initiatives are most effective in preparing electric utilities for the new competitive world after market liberalisation. In analysing best practice from other industries, the focus was on the residential market.

The study set out to:

- Identify and understand the needs of residential utility customers and their likely future trends. For this, three main sources were used - focus group discussions[2], market research surveys, and BCG's extensive utility industry experience. The focus groups were held in Germany, Spain, Sweden and the UK. In the UK and Sweden they included some participants who had switched their utility supplier as well as some who had not.

- Identify which customer-oriented quality drivers best fulfil those customer needs.

- Identify and select industries and specific companies that excel in performing those quality drivers.

- Analyse 'best practice' performance
  This involved drawing on a wide range of BCG experience in the customer facing industries of financial services, telecommunications, retailing, travel and tourism and e-commerce

- Analyse utility performance by way of a questionnaire.
  The questionnaires were sent out to EURELECTRIC members across Europe. The results were analysed grouping UK and Scandinavia as deregulated, all other countries as deregulating. Utilities were classified as large (> 1 m customers) or small (< 1 m customers).

- Provide score cards which utilities can use to benchmark themselves against best practice and their peers; they can be found in the Appendix of this report.

- Draw conclusions for the electric utility industry.

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(1) Retail is defined as consumption of up to 30KW and includes small business users.
(2) Focus group results are qualitative not quantitative in nature and may not reflect attitudes of customers across the board.

As explained in the introduction, the results for the ten quality drivers have been grouped into the three stages of market development. In 'Mastering the basics' the emphasis is on meeting the basic customer requirements consistently and cost-effectively in a competitive environment.

This is typically followed by the stage called 'Raising the bar' in which companies develop new dimensions of customer care, new ways of reaching the customers and ways to 'lock them in'. The emphasis is increasingly on growth and value creation.

The final stage is called 'Changing the game'. Here companies endeavour to create a long-term, binding relationship with their customers that allows them to set the rules of competition and create a sustainable competitive advantage.

To pass through these stages companies need to build and excel in the ten quality drivers of customer care. Each driver addresses pertinent questions of customer care, as shown in the chart below. Obviously, these ten are not the only drivers of performance excellence and competitive success but they have been shown to bear significant importance in consumer facing industries.

Most, if not all of the quality drivers are relevant across the stages. Some level of customer understanding, for example, is a pre-requisite even for 'Mastering the basics'. But its real importance comes at the later stage when companies are looking to switch from product marketing to relationship marketing.

KEY QUESTIONS IN 'BEST PRACTICE' CUSTOMER CARE

① Call Centre	② Complaint Management	③ Customer Communications
④ Staff Development	⑤ Offer Development	⑥ Branding
⑦ Sales Channels	⑧ Customer Understanding	⑨ Loyalty
⑩ E-utility		

① How can telephone contact be used to manage the customer relationship?

② How can the complaints process be used to enhance the relationship?

③ Which are the key communication moments?

④ How can a customer care mentality be developed?

⑤ How to ensure relevant product and service offer development?

⑥ What steps are required to achieve a truly branded service and offer?

⑦ How can sales channels be aligned to best economic effect?

⑧ How to get really close to the customer?

⑨ How can customers lock-in be improved?

⑩ How will e-commerce affect the business?

III. 'Mastering the basics'

In the early stages of competition the most important quality drivers are call centres, complaint management, customer communication and staff development. Here the larger deregulated utilities are close to operational excellence, but utilities in the deregulating and yet-to-be deregulated countries are clearly lagging. These utilities need to take steps to improve immediately, before the reality of competition consumes them.
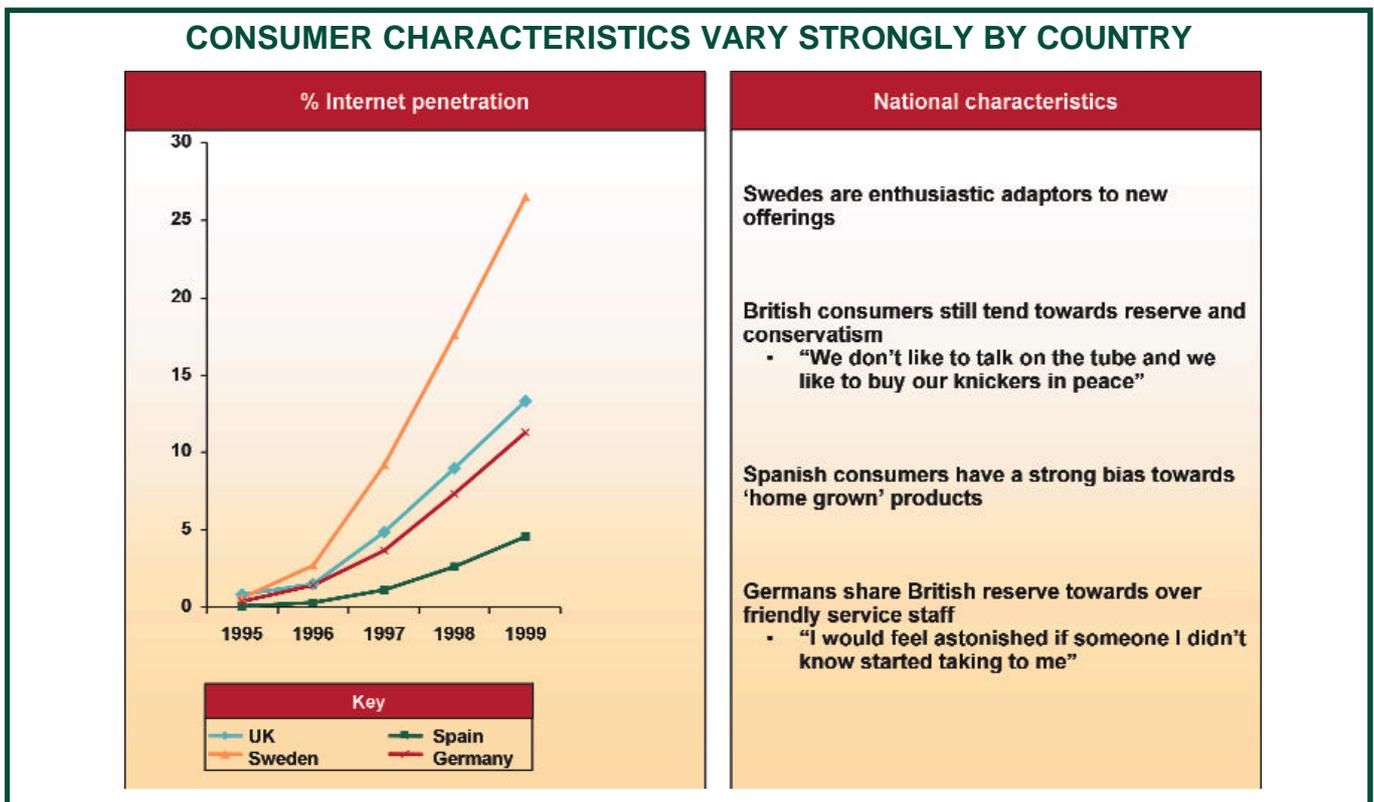
Call centres

Call centres often represent the main contact that a customer has with a utility. At best, they provide customers with an easy and cost-effective way to solve problems and to answer questions. At worst, they provide customers with endless waiting in queues and countless impersonal transfers from operator to operator. The aim of the call centre should be to take an active role in managing the customer relationship and not just to be a reactive respondent.

By and large, customers contact their utility call centres only rarely. Usually it is because of a change of address or a billing enquiry. And they have little recollection of their trouble-free encounters. They only remember the bad experiences.

Research has shown the following to be the five most important features of a call centre according to consumers, ranked in order of importance:

- Short waiting times
- Accuracy of information
- Ease of filing complaints
- Ease of obtaining information
- A single central phone number

CONSUMER CHARACTERISTICS VARY STRONGLY BY COUNTRY

% Internet penetration

Key: UK, Sweden, Spain, Germany

National characteristics

Swedes are enthusiastic adaptors to new offerings

British consumers still tend towards reserve and conservatism
- "We don't like to talk on the tube and we like to buy our knickers in peace"

Spanish consumers have a strong bias towards 'home grown' products

Germans share British reserve towards over friendly service staff
- "I would feel astonished if someone I didn't know started taking to me"

While short waiting times were the most important feature in all countries, there was some variation in service level expectations across the different countries.

For example, the participants in the German focus group found it acceptable to have access to a call centre only during normal business hours, but in Scandinavia, Spain and the UK, consumers expected them to be open much longer, especially in the evening. These expectations are formed by their experience with other industries - notably banking and telecoms.

'Best practice' in call-centre management suggests operating with something like a 15-second
average response time and not more than one transfer per call. To achieve these levels requires substantial scale. Given the small average size of most utilities, they may be able to achieve the economies of scale needed for best practice only through the means of out-sourcing.

Omnitel

The Italian mobile services provider Omnitel is now Europe's second largest operator, with more than eight million sub-scribers.

Omnitel has built up a reputation as a friendly, client oriented company through an aggressive brand building campaign which focuses primarily on younger cus-tomers and highlights their ability to offer innovative solutions.

Omnitel, the Italian mobile phone opera-tor, has successfully built its business on excellent customer service at its call centres. Its business makes extensive use of sophisticated technology, and the use of an interactive voice response system (IVR) allows customers to access their account information and to leave meter readings, for example, with-out ever speaking to an operator. Human contact, though, is always avail-able when needed.
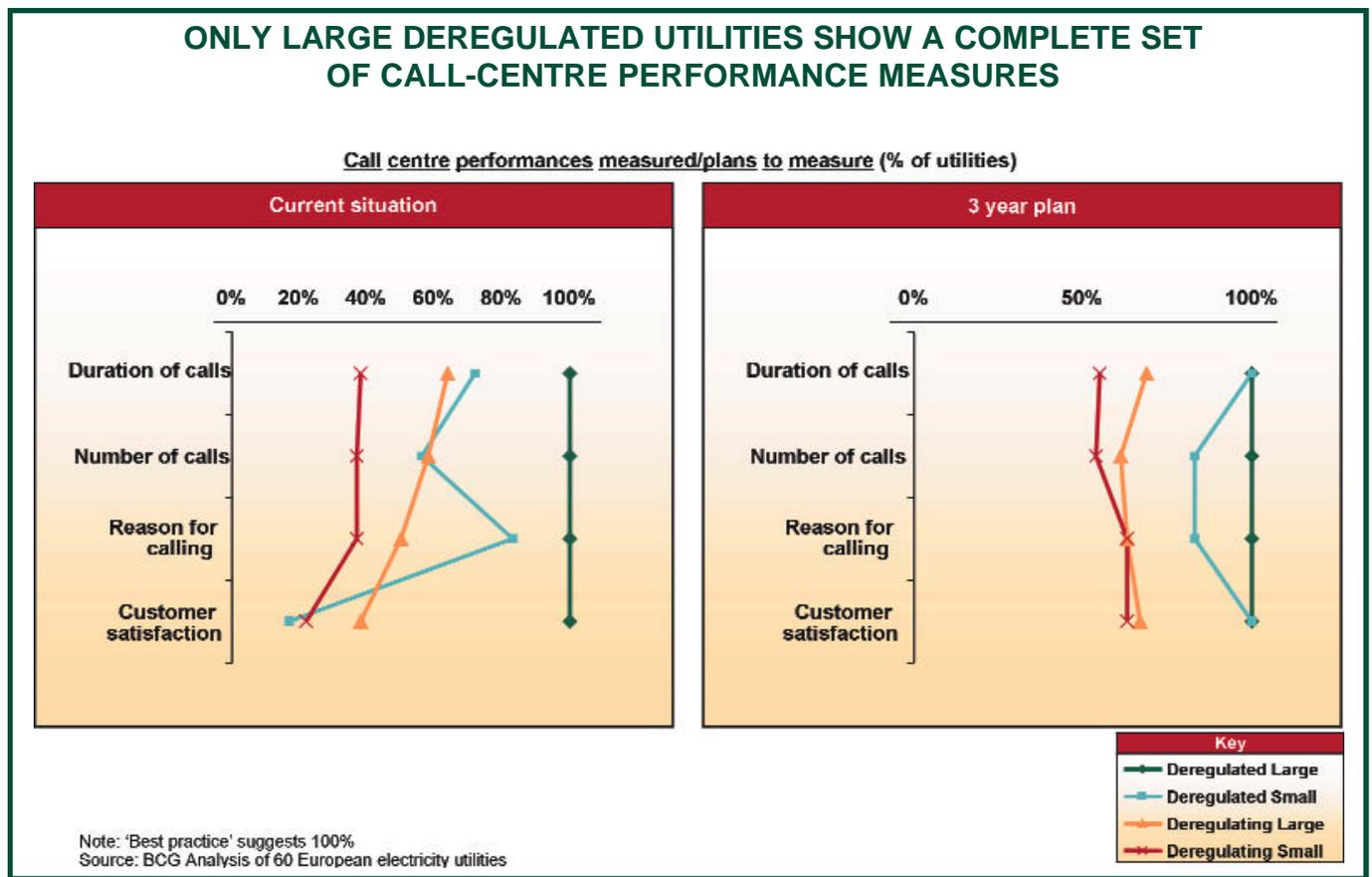
Running that type of call centre requires a highly effective customer database to be run in parallel. Ideally such a data-base will capture information on cus-tomers' lifestyles and their propensity to buy additional products. Ultimately it will also give a clear indication of the profitability of each customer. When Omnitel operators answer a call, for instance, they have immediate access to a file on the individual customer, showing how valuable that customer is expected to be over the lifetime of the relationship. This allows Omnitel's operators to target their customer care accordingly.

The database also identifies customers who seem likely to 'churn' (switch to another provider) through close monitoring of customer usage patterns. These customers can then be targeted by call-centre staff and offered special deals to encourage them to stay with Omnitel.

Our research shows that once utilities are in a fully competitive market they have to move very rapidly to improve their call centres. The message from utilities that have already experienced the harsh reality of a competitive market is unequivocal: make sure that your preparations start early.

Those that are already in deregulated markets are largely up to 'best practice'. But some 20% of the smaller utilities in markets that have yet to be deregulated do not have any call centre capability at all. And the absolute minimum requirements of customer data are still only captured by the very largest of the deregulated utilities.

ONLY LARGE DEREGULATED UTILITIES SHOW A COMPLETE SET OF CALL-CENTRE PERFORMANCE MEASURES

Call centre performances measured/plans to measure (% of utilities)

Current situation	3 year plan

Key
- Deregulated Large
- Deregulated Small
- Deregulating Large
- Deregulating Small

Note: 'Best practice' suggests 100%
Source: BCG Analysis of 60 European electricity utilities
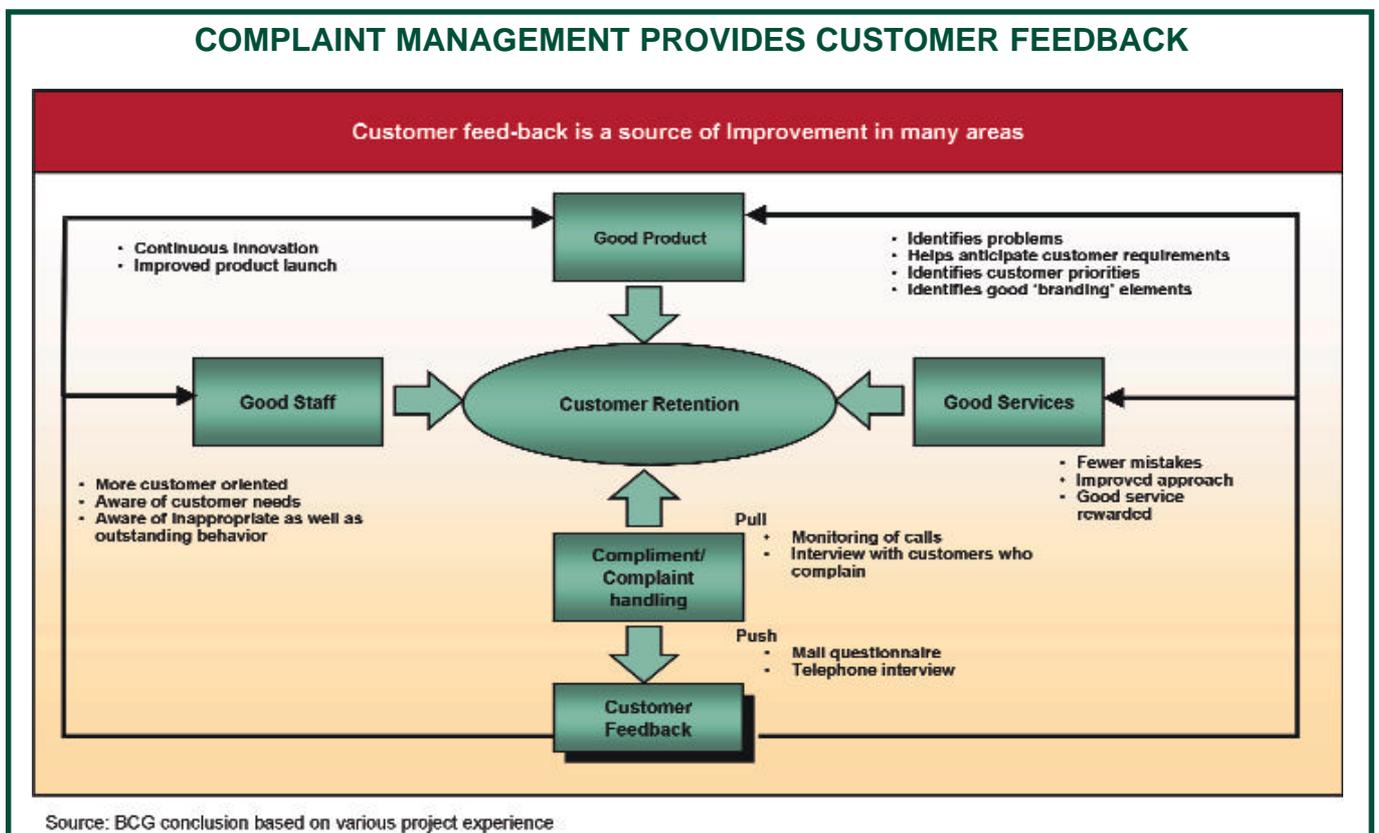
Complaint management

Complaint management can be one of the key steps in building a real relationship with the customer. Ideally, a company should look to stimulate customers' complaints in order to prevent customer attrition. Complaints can be used to develop new products and services, as well as to improve processes and organisation.

As a rule of thumb, four out of every five customers who complain but receive satisfactory treatment remain loyal. Moreover, these customers may tell up to ten or twelve other people of their positive experience. Every dissatisfied customer, by contrast, will typically share his or her experience with double that number.

Research has indicated that customers complaining to utilities have few positive experiences to report. A BBC programme in the UK documented the case of a consumer who was double billed by two utilities for 18 months. When she tried to correct the error she was threatened with the seizure of goods in lieu of payment. In the end, an apology did come by way of flowers, followed ultimately by compensation - but the damage was already done.

In a deregulating market, errors of this kind are inevitable as competitors get to grips with the systems for transferring customers. Companies need to prepare in advance to ensure that such errors are dealt with speedily and effectively, and that complaint management alleviates rather than aggravates the damage.

Teamwork and regular customer surveying are the key elements in outstanding complaint management. Companies should not rely solely on received claims to measure customer satisfaction. They need to encourage customers to communicate through the use of pre-paid post cards, toll-free numbers or email. And any replies that they receive should be used to improve products and services as well as people and processes.

COMPLAINT MANAGEMENT PROVIDES CUSTOMER FEEDBACK

Customer feed-back is a source of Improvement in many areas

- Continuous Innovation
- Improved product launch

Good Product

- Identifies problems
- Helps anticipate customer requirements
- Identifies customer priorities
- Identifies good 'branding' elements

Good Staff

Customer Retention

Good Services

- More customer oriented
- Aware of customer needs
- Aware of inappropriate as well as outstanding behavior

- Fewer mistakes
- Improved approach
- Good service rewarded

Compliment/ Complaint handling

Pull
- Monitoring of calls
- Interview with customers who complain

Push
- Mail questionnaire
- Telephone interview

Customer Feedback

Source: BCG conclusion based on various project experience

Effective complaints handling was central to the transformation of British Airways' from a provider of commodity transport services in the 1980s to become 'the world's favourite airline'. The company's aim was to retain customers and to learn from the feedback in order to create a first-class service reputation. To do that BA adopted four golden rules:

- Apologise and 'own' the problem
- Do it quickly
- Assure the customer that the problem is being fixed
- Do it by phone whenever possible

The use of complaint management as a means to enhance the customer relationship is a distinct change in culture for any utility facing competition. Even among the deregulated utilities in our sample, which already make greater use of consumer research, the standards still fall some way short of 'best practice'. Some of them are assigning more resources to understanding complaints. But there is evidence that others may still be unclear about what actually constitutes a complaint. One utility discovered, when it elicited customer feedback, that half of all the calls defined by its agents as "complaints" were not actually perceived as such by the customer.

Customer communication

Customer communication is more than the message on a mailing. It more importantly takes place via bills, statements and all dealings with staff, customer care or other.

The focus groups in the study highlighted the uphill struggle that utilities face in order to find an effective means of communicating with their customers. Currently customers are scarcely aware of any communication. What they are aware of is what arrives with their bill, yet leaflets in the envelope tend to be thrown out immediately.

> # British
>
> British Airways transformed themselves in the 1980's, moving from a national airline with the emphasis on transportation, to a service industry offering a state-of-the-art customer service. BA continously focused on understanding customer needs in order to re-design its products and services. It invested heavily in consumer research and crucially, communication of the research findings to customer facing staff was considered vital.
>
> Since the strategy change was first implemented, BA has trebled revenues and profits, with a CAGR of around 10% to 1998.

There is some indication that communication on the actual bill itself would not be so totally ignored. Customers say that utilities could be doing far more to make their bills more understandable and informative. Adding information, for instance, on the different consumption levels of different household appliances could be interesting to consumers (but understandable, please, not in technical jargon!). Almost universally, consumers seem to dislike estimated meter readings .

'Best practice' companies in this area are increasingly turning to the Internet as an effective channel of communication with their customers. What's more, this is developing from only offering customers the basic sales and marketing information to a more effective way of executing all customer interaction, including billing, complaint management, etc.

It is rapidly becoming clear that paper is a poor communication channel by comparison. It allows for limited feedback and generally elicits a low response rate when combined with a marketing message. At the same time, it is the biggest drain on customer-care resources: more than half of all calls to call-centres are, and will be, enquiries about bills which can be handled more efficiently by interactive electronic communication - or by better bill design.

Charles Schwab, the American brokerage firm, is one company that has made a successful switch from paper to the Internet. It offers customers free Internet access to their accounts and encourages them to communicate that way by providing a free on-line help service (as opposed to the $3 it charges for postal queries). Not only has this improved Schwab's customer communications, it has also helped to establish the company's reputation as a technology-based service firm.

MOVING FROM PAPER TO INTERNET

Source: Public Press, Company WEB Site

At the moment, few utilities have fully appreciated the importance that customers place on their billing. This lack of awareness should be tackled with high priority. Relatively few utilities are fully aware of the potential of new channels for traditional areas of service. Roughly half, only, say they intend to make fuller use of credit cards and electronic payment systems over the next three years.

UTILITIES STILL NEED TO EMBRACE THE FUTURE BILLING OPTIONS

Payment and billing options (% of utilities)

(1) Eg Braille bill for blind customers
Source: BCG Analysis of 60 European electricity utilities

Key:
- Deregulated Large
- Deregulated Small
- Deregulating Large
- Deregulating Small
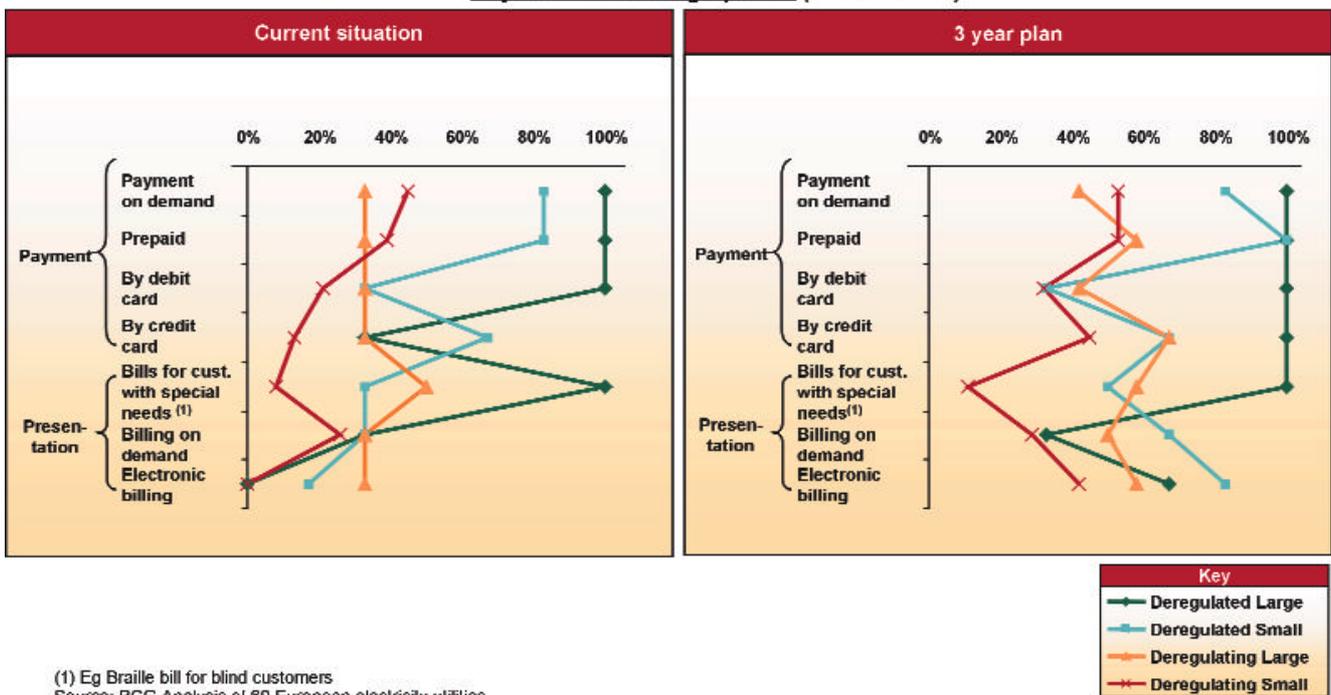
Staff Development

Staff development is central to overcoming the traditional monopolistic cultures and attitudes to be found in many utilities. In order to master the basic operations of call centres, complaint management and customer communications a vigorous training programme is required. The challenges of competition will demand new skills from all customer facing staff. They will have to learn how to elicit essential information, how to deal with the complexity of problems that competition is sure to bring, and how to become sales agents of the company's image, what-ever their role. Utilities need to begin empowering their employees as soon as possible in order to bring about the culture change that a new competitive environment demands.

'Best practice' across industries suggests that there are nine fundamental areas in which customer care employees need to be trained:

- Orientation
- System operations
- Administrative work
- Stress management
- Communication skills
- Customer understanding
- Segmentation
- Emergency handling
- Sales techniques

'Best practice' also suggests that the required training is likely to be fairly intensive, spread over something like three weeks during the first six months and backed up by on-going training throughout the duration of the employment.

Training of new employees will typically start with a two-to three-day orientation to gain a basic understanding of the company's culture and values, followed by training in the core competencies, including call procedures, contact management, and the daily sales routine (about five days in all).

Stress management training is a critical component. Any job in direct contact with customers has moments of high pressure, and it is essential that staff learn to remain calm in the face of dissatisfied customers. Training in customer understanding should help new employees to understand the type of information needed for customer relationship management, and how to get it.

Coaching in sales techniques will be vital for all staff whether they are, strictly speaking, in the sales area or not. In a competitive environment, every moment of contact with the customer can represent a sales opportunity.

It is important not to use tools as a replacement for training. For example, the use of scripts in call-centres may well assist operators, but they should only be used in conjunction with training in customer understanding and segmentation.

Investment in training helps to motivate staff by making them feel valued by their employer. Experience shows a clear correlation between levels of staff training, staff satisfaction and customer satisfaction. In addition to standard training, it is therefore important that companies continually communicate their brand and strategy to their employees to ensure that they feel part of it and understand their own contribution. Staff development, including all of the above, will also contribute substantially to staff retention which becomes much harder as markets become more competitive. One utility in a market yet to be deregulated states that frequent training programmes to update staff will have a very positive impact on the levels of staff turnover..

Companies need to have a clear understanding of the right type of employee to carry out their business and to present a consistent image to the customer. A company that has focused strongly on projecting its brand identity through every one of its employees is Southwest Airlines. By focusing recruitment criteria on hiring employees with the "right attitude", the company has been able to foster the so-called Southwest spirit, described as "an intangible quality in people that causes them to want to do whatever it takes and to want to go that extra mile".

SOUTHWEST AIRLINES' CRAZY RECIPE FOR BUSINESS AND PERSONAL SUCCESS

The focus group participants found the attitude in utilities to be polite but not dynamic. Many said it was boring and bureaucratic. Complaints often centred around the general lack of confidence from staff when dealing with queries and their inability to deal with problems without several referrals.

Among utilities there is still a strong focus on operational training, with customer handling and communication skills given a low priority. The deregulated companies place more emphasis on customer orientation, but they still have some way to go in order to achieve 'best practice'. Among the deregulating and the smaller deregulated utilities, fewer than 50% include any training in stress management or emergency situations. There does, however, seem to be fairly widespread training in sales techniques.

'Mastering the basics' was all about the quality drivers that mainly ensure competitiveness in the early stages of deregulation. By 'Raising the bar' utilities look to differentiate themselves from the competition by focusing in particular on offer development, branding and development of new sales channels. The emphasis is on growth as well as on customer retention: growing the customer base and growing the commercial value per customer.

Offer development

Offer development in the residential sector has not played a major part in the lives of most utilities. But in the competitive world they are likely to have to do more to develop new services and products. In some cases it may be an advantage to be the first to move. But in others it may prove wiser to wait until a competitor has created a belief in the minds of customers that a utility can be an attractive provider of products and services beyond electricity.

Effective offer development requires the close involvement of customers at all stages of the process. This helps to ensure that time, money and effort are not wasted on offerings that have no marketable future.

MOST UTILITIES PLAN TO EXPAND THEIR PRODUCT RANGE

Type of product [1] (% of utilities)
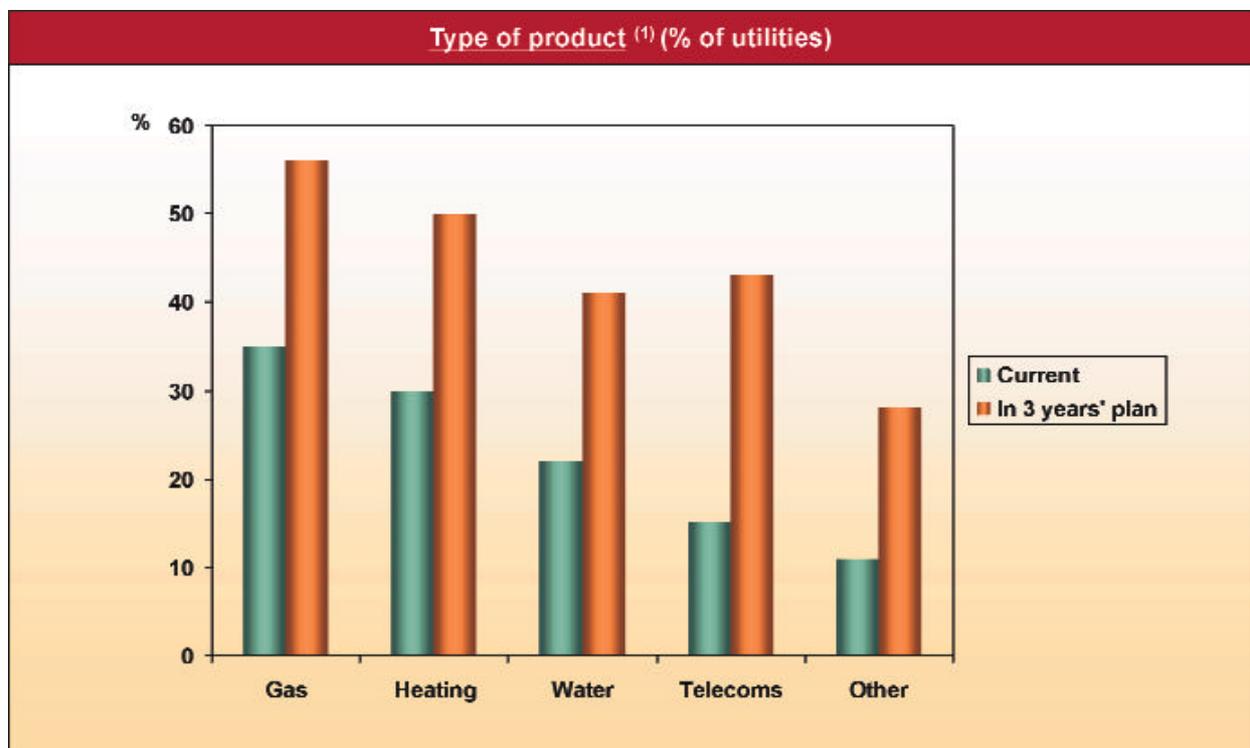
(1) Multiple combination allowed
Source: BCG Analysis of 60 European electricity utilities

Companies also need to manage with care the rate at which they launch new offerings in order to avoid having too many launches that get lost at birth. They need to think of their product and service development as a dynamic portfolio which must be managed and continually scrutinised for its relevance to the markets for which it is intended.

'Best practice' in other industries shows that the key to successful offer development lies in the
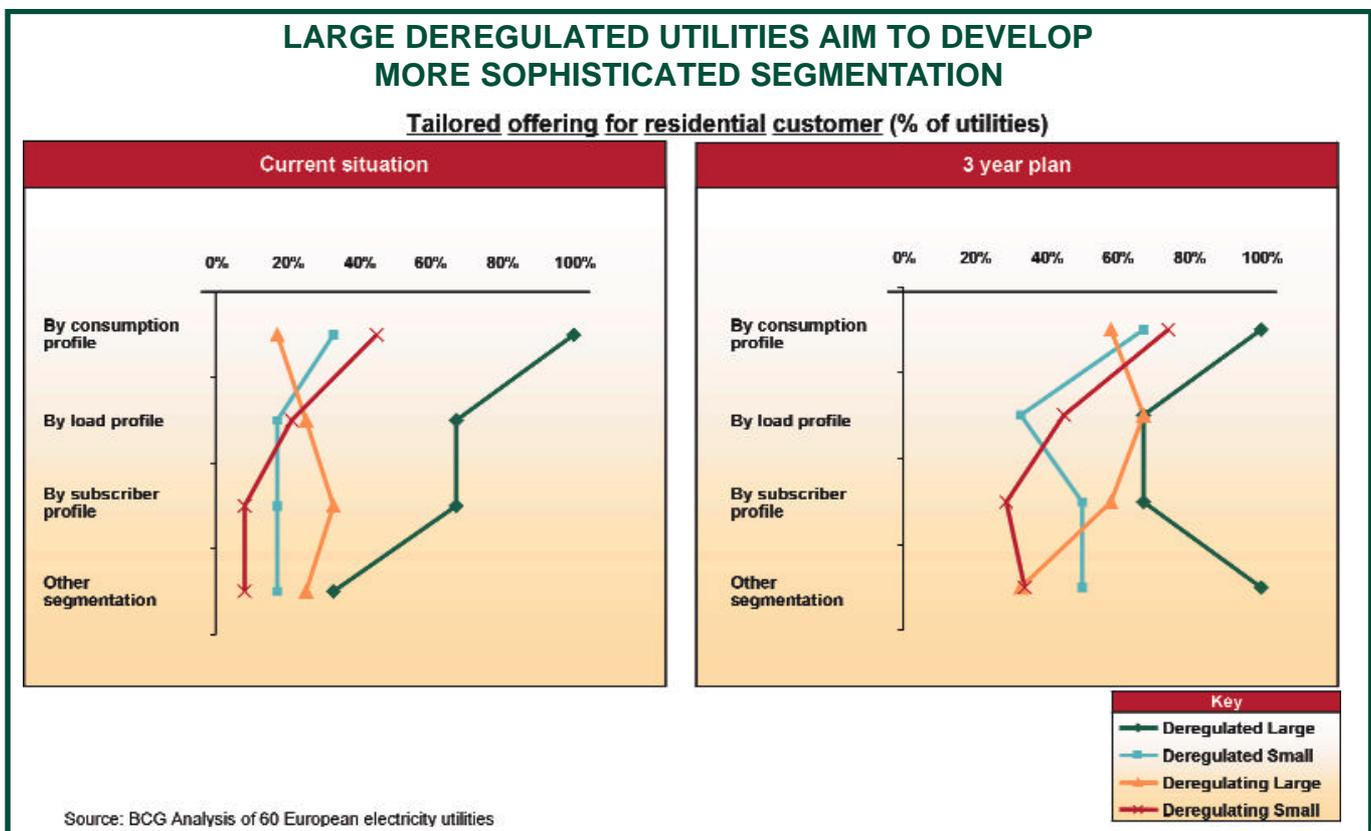willingness and ability to experiment both for and with the customer. It requires regular interaction with the customer at all stages of the process through methods such as focus group discussions and mass surveys. The main areas to be addressed are pricing, service and customer care as well as billing. Each of these must be thought of in the context of different

LARGE DEREGULATED UTILITIES AIM TO DEVELOP MORE SOPHISTICATED SEGMENTATION

Tailored offering for residential customer (% of utilities)

Source: BCG Analysis of 60 European electricity utilities

customer segments.
Customer segmentation is central to effective product and service design, and it leads inevitably to differentiated offerings. Segmentation should be defined by socio-demographic factors, and by attitudes and behavioural groupings, rather than by consumption alone. The segmentation should attempt to identify groups according to their profitability over the lifetime of the relationship. MCI, for example, the US telecoms operator, identifies specific customer segments as interesting for them. These include "frequent travellers", "truck drivers", "students"or "vacationers", all of whom MCI offers an individual package to. Segmentation can have a significant impact on profitability through improvements in cross-selling rates, product bundles and, importantly, in reducing churn. It should aim to address both the customer's propensity to switch and their profitability over the life value of the relationship.

The focus group participants expressed still little interest in additional products from utilities, except in Sweden. This may be due to a tendency among Swedes to be generally more receptive to innovation. It may also indicate the natural pace of adoptation of customer expectations in a competitive market. Customer attitudes may change very rapidly but the demand must be created.   Customers were ambivalent towards the idea of bundling their utility services. They were comfortable with a utility providing other services, but they were anxious at the prospect of one provider controlling all their utility services. Utilities need to address these anxieties. Some consumers expected that bundling services should result in cheaper prices. They base their belief on experience with other industries - such as telecoms and cable television packaged deals. This again emphasises the way in which other industries may determine how utility consumers make their purchasing decisions.

A substantial number of electric utilities are planning to branch out with new offerings. Gas is the most popular option. But heating, water and telecoms are also being considered. And more than a quarter of the respondents to the questionnaire are planning to offer services outside this list within the next three years.

The utilities in our survey are only just starting to move towards customer segmentation. And apart from the large deregulated category, the need to segment more broadly than by just consumption, load and subscriber profile does not appear to be fully recognised.

Branding

Branding is a key element in any consumer business. But the reality for most utilities is that they have a name rather than a distinct brand identity. Most consumers do not associate their utility with the positive attributes that are the essence of successful brands, attributes like "caring", "convenient", "customer-focused" or "dynamic". To build a brand, the identity and content of that brand needs to be present in all activities and in every communication. Branding thus evolves from logos and advertising campaigns to Total Brand Management encapsulating the whole organisation and all staff. The 'best practice' in staff development discussed under 'Mastering the basics' will provide the first steps to creating a service brand. To 'Raise the bar' the brand needs differentiating so that a provider stands apart from others in the consumer's mind thereby supporting the offer of new products and services. A utility that does not have a strong brand, may find that its business could be at risk from those who do.

The good news from the focus groups is that participants appeared to have a marked preference for those companies that they know to be existing providers of utility services. They would not choose an unknown supplier, even if considerable savings were offered, because "utilities are too important to risk", and they did not believe that any price savings on offer would be sustained.

The bad news for utilities is that the participants said they would have no qualms about taking utility supply from some of the big brand providers of other services. In the UK, for instance, Tesco, Virgin and BT were mentioned without any prompting as being acceptable providers.

Those customers who had alraedy switched suppliers tended to look at only two or three alternative providers before making their decision. And once they had switched they seemed unlikely to switch again unless given some compelling reason to do so. For regulated utilities, this means that it can be well worth spending resources building up a brand before the market opens. This gives the best possible chance yet of acquiring new customers later on.

At its best, branding involves positioning a service in line with the specific needs, styles and behaviours of different customer segments (as described under offer development above). The first step is to identify the existing perception of the brand and analyse whether it is actually targeting the most profitable segment. The second step is then to further develop brand and offering, or possibly change the customer's brand perception if necessary. Any rebranding, however, will require very careful customer management.

Hong Kong Telecom, for instance, developed two entirely separate brands for its mobile phone services. "One2Free" is targeted at lifestyle users while "1010" is designed for heavy business users. The business brand is able to support substantially higher pricing structures because it is built around the quality and reliability of the network. The lifestyle brand is designed to be fun and plays upon a very different set of values. To develop a brand or brands in this way it is essential to have a dedicated brand development team. Its role is to co-ordinate all the key business functions and proccesses behind the brand(s) into Total Brand Management.

Branding is not currently a high priority for utilities, deregulated or not. Less than half said that they have the intention to appoint a brand manager within the next three years. It seems as if more investment needs to go into brand development. This includes the frequent use of market research in order to obtain an up-to-date understanding of customers' perceptions and behaviour in a world where the market landscape can change radically in just a few months. It also seems to be important to invest in a "background presence" in the community. Customers appear to need reassurance that the utility is easily contactable and not likely to disappear overnight.

Sales channels

Effective use of sales channels is a big challenge for businesses from a monopolistic background where there was no need to set out to acquire new customers or to sell new products to existing customers. The aim for a deregulating business should be to use the most efficient channels to create new opportunities for contact and to gain economies of scope. A key issue is the mix of channels to be used and their profitability.

Consumers appear to have fairly strong views on what they like, and specifically dislike, about how a utility makes the sales approach. There seems to be a consensus that a recommendation from family and friends elicits the most positive response. However, customers' perceptions and the reality of their behaviour do not always match. The focus groups universally rejected door-to-door selling, and market research has found that less than 10% of customers say they would like to find out about a new supplier through that channel. Yet in the UK, over 80% of customers who switched suppliers did so as a direct result of a door-to-door sales pitch. Hardly any of them switched because of an advertisement.

One of the key factors in approaching customers is timing. Some consumers cited trade shows or stalls in supermarkets as being an occasion when they were particularly receptive to finding out about new options. They liked being approached with a low pressure sales pitch in an environment where they were thinking about household issues anyway. Perhaps the optimum moment to approach a potential customer is when they are moving home and are forced to reorganise supply.

'BEST PRACTICE' SUGGESTS BUDGET SPLIT BY CHANNEL

Customer spending	Customer mix	Margin split	Marketing budget split	Sales channels
High	23%	65%	63%	• Co-marketing • Direct mail • Inbound telemarketing • 3rd party marketing • Internet
Medium	37%			
Low	40%	33%	19%	• Outbound telemarketing • TV/paper advertising
		2%	18%	

Source: BCG Analysis of a Telecommunication 'Best practice' example
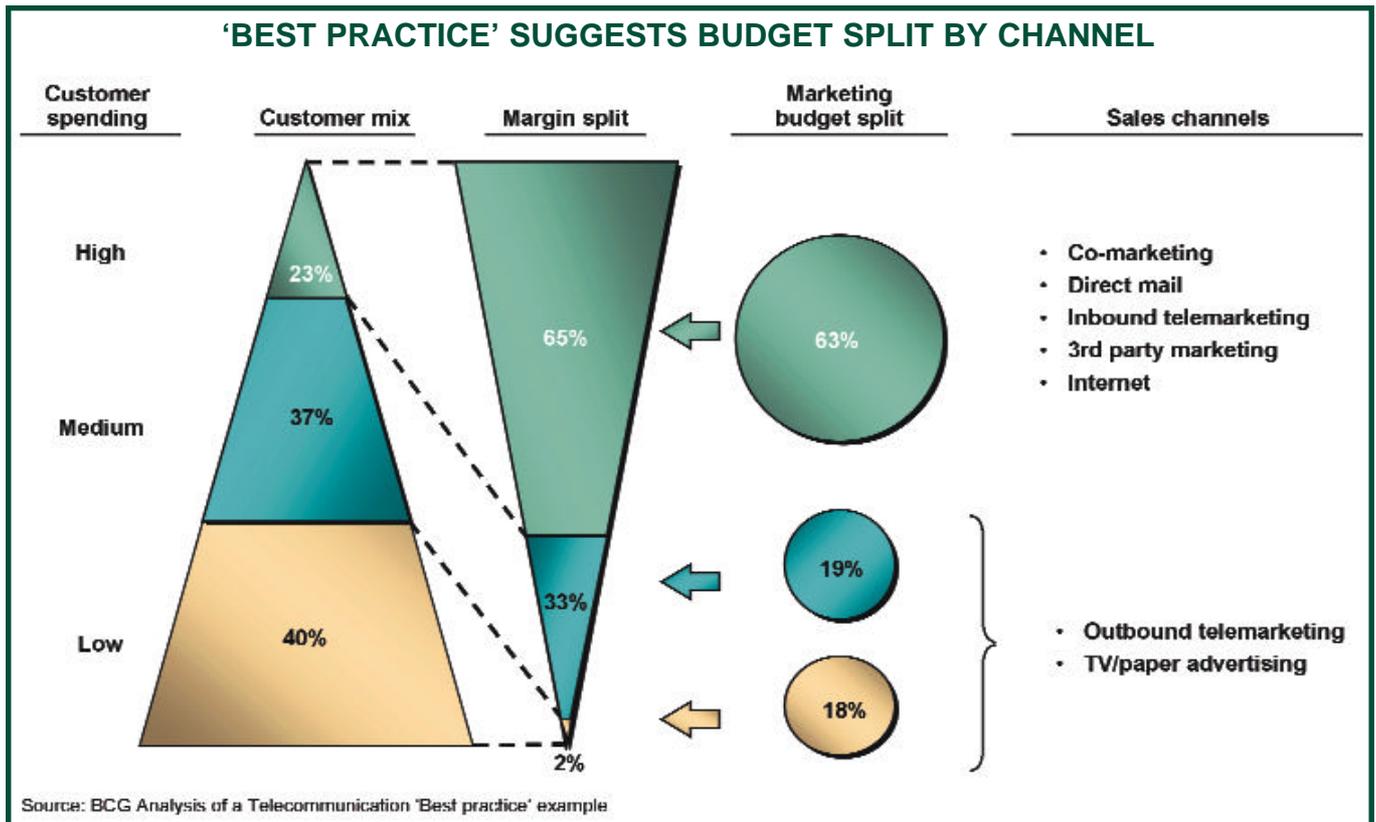
Charles Schwab, the US financial services group, is among the best practitioners in the use of multiplesales channels for varying customer segments. Schwab makes different channels available at the same time, and promotes them with varying discount schemes to encourage use of the most cost-effective one.

By promoting on-line access while retaining the other sales channels for customer use, Schwab ensures that all customers can choose the option they are comfortable with. But the pricing structures are designed to encourage web-based transactions wherever possible (see also under Customer Communication above).

Schwab was an early developer of the Internet as a sales channel and advanced to providing different options for on-line customers which reflect their levels of familiarity with the new medium as well as the degree of assistance desired. Again, the different on-line options are priced in a way that matches the economics required to serve all segments profitably.

TARGETED SEGMENTS 'SELF-BUNDLE' VIA A CHOICE OF CHANNELS

Schwab

Segment

- Sophisticated investors
- Price sensitive traders

Channels

- On-line access
- Consolidated account statements
- Walk-in branches
- Automated phone banking
- Independent advisor referrals

Schwab's Platform

OneSource

Suppliers

- Fidelity Mutual Funds
- Merrill Lynch Cash Mgt.
- Vanguard Index Funds
- Schwab brokerage

Source: Company material, BCG Analysis

Charles

Charles Schwab, the US financial services company, specialises in discount brokering services to private investors. With a 52% share of the fast growing on-line market, Schwab reinforces its overall market share of roughly 30%. The Schwab web-site handles around 40m visits and 150,000 transactions daily.

Schwab aims to offer customers the most useful and ethical financial services in America. They believe in continually innovating and redefining the business in order to provide customers with a genuinely different experience.
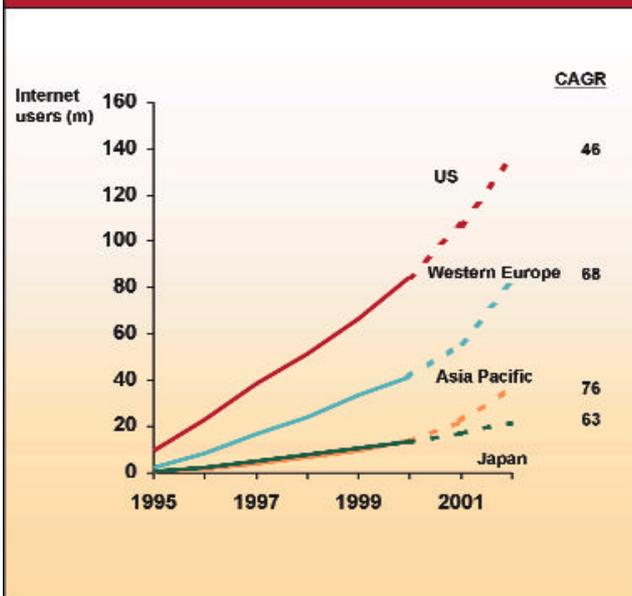
The use of the Internet as a sales channel in general is exploding and few service providers will be able to avoid that phenomenon, not least because the majority of users come from a very attractive demographic group. The Internet may well become the "natural" way for these customers to deal with the provision of services.

Currently most utilities are using the traditional approaches of direct mail and telephone sales, with door-to-door sales figuring prominently in some markets. Among the deregulated utilities in the sample, loyalty schemes were widely quoted as an important sales channel. Use of the Internet is reasonably well represented, particularly among deregulated companies.

All respondents, however, say that the Internet will be an important sales channel for them in three years time, while door-to-door sales are not a popular option for the future. Loyalty schemes and marketing alliances are seen as attractive. This may indicate some recognition of the need to approach customers through a powerful branded offering. However, except in those deals where the loyalty scheme targeted a well defined customer segment, such offerings have not so far been very successful tools of customer acquisition. Their impact on customer retention can not yet be assessed.
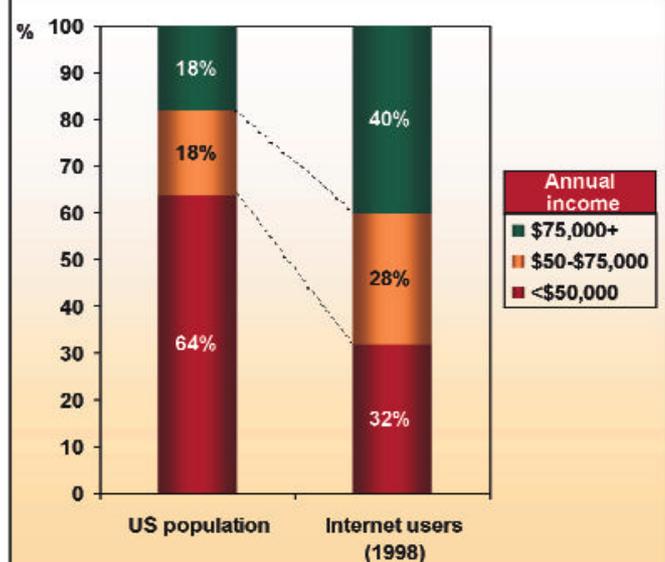
## THE INTERNET IS A SALES CHANNEL TO BE RECKONED WITH

Source: BCG estimate

V. 'Changing the game'

Daring a glance into the future of utility retailing, 'Mastering the basics' and 'Raising the bar' may not be enough. In order to leapfrog competitors and defend against the real consumer champions, utilities will have to develop much deeper customer understanding as well as true loyalty and customer affiliation. The Internet will fundamentally redefine their business and the underlying economics. By its very nature the change can come swiftly and from directions that can not always be identified in advance. Yet it is near impossible to forecast the specific speed and direction of change for any given market - except for those companies who are themselves driving the change.

Customer understanding

The new competitive world that the utilities are entering demands that they shift their focus from the product to the customer. If they want to avoid their offer being treated as a faceless commodity, they themselves have to stop treating their customer as a commodity. They will need a far deeper insight into the activities, lifestyles, needs and aspirations of individual customers. This is not a natural step for utilities, many of whom have traditionally known their customer only as a meter number at the end of the line.

The aim of customer understanding is to gain a deeper knowledge of individual customer's preferences. Achieving this will require ongoing investment in technology and monitoring of new developments to keep ahead of the pack. The technology is the enabler; the key to suc-

CUSTOMER UNDERSTANDING DEPENDS ON POWERFUL DATA WAREHOUSING

Source: Reports, Interview
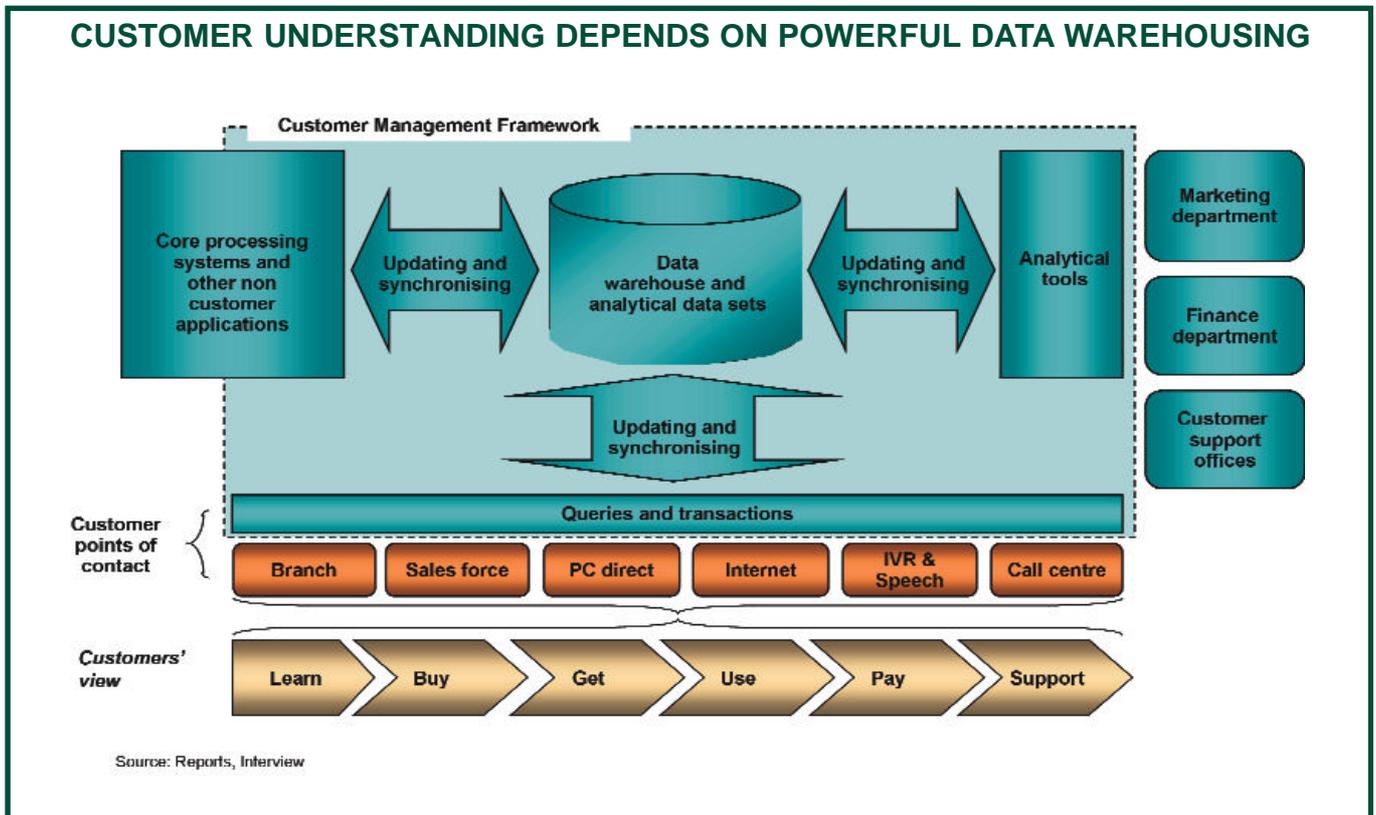
Capital One, an American financial-services firm, has rapidly become one of the largest Visa and Mastercard issuers through intelligent data analysis and sophisticated databases. They identified, for example, market segments such as divorcees and recent immigrants as attractive targets. The superior qualities of their database allowed the company to develop new products and to launch test marketing efforts faster than the competition.

Amazon.com is another example of excellence in managing customer information. The company's original book sales business has been used as a springboard to broaden the range of items on offer. These now include videos, music, games and electronics. Two out of every three dollars of amazon.com's revenues come from repeat purchases, which is possible because the firm knows its customers well and therefore knows what to offer them. The correct use of customer databases helps in predicting customer behaviour and in identifying precise segments to be targeted.

amazon.co

In July 1997, amazon.com entered the US on-line book retailing business. Since then, they have captured a 60% share of that market, severely damaging the traditional bookstore in that process. Their customer proposition is not only that they can offer customers a huge selection to browse at lower prices, and the opportunity to exchange views about them, they also make recommendations based on the profile built up through individual purchasing patterns.

In addition customers have the opportunity to get the same services for CD's and other similar products.

Many utilities have legacy systems that require a massive overhaul in order to capture useful information about the customer base. For most utilities this will mean building up new databases of customer information, ideally organised into a data warehouse, accessible to all relevant personnel and updated continuously by them. Utilities will have to scrutinise this information rigorously in order to gain deeper insights into who are their best and most profitable customers. This knowledge can then be used to help discover effective ways of linking to customers, and expanding the offering to them.

Most utilities start from a situation where they have virtually no meaningful data and no relationship with their customers. The customer sees the utility as a provider of basic needs and, as such, merely the conduit for the minimum provision. But this position can be turned around quite quickly. The focus groups in the UK frequently mentioned BT as a caring, dynamic and innovative company yet only a short while ago it had a dreadful reputation as a bureaucratic dinosaur. Almost more astonishing is the rapid change in sentiment towards British Gas. Of all UK households who have switched electricity supply, nearly two-thirds have taken the dual-fuel deal from British Gas - a company which for years had been the butt of consumer dissatisfaction.

FEW UTILITIES SEEM TO UNDERSTAND THE CUSTOMER DATABASE VALUE FOR DEEPER CUSTOMER UNDERSTANDING

Customer understanding (% of utilities)
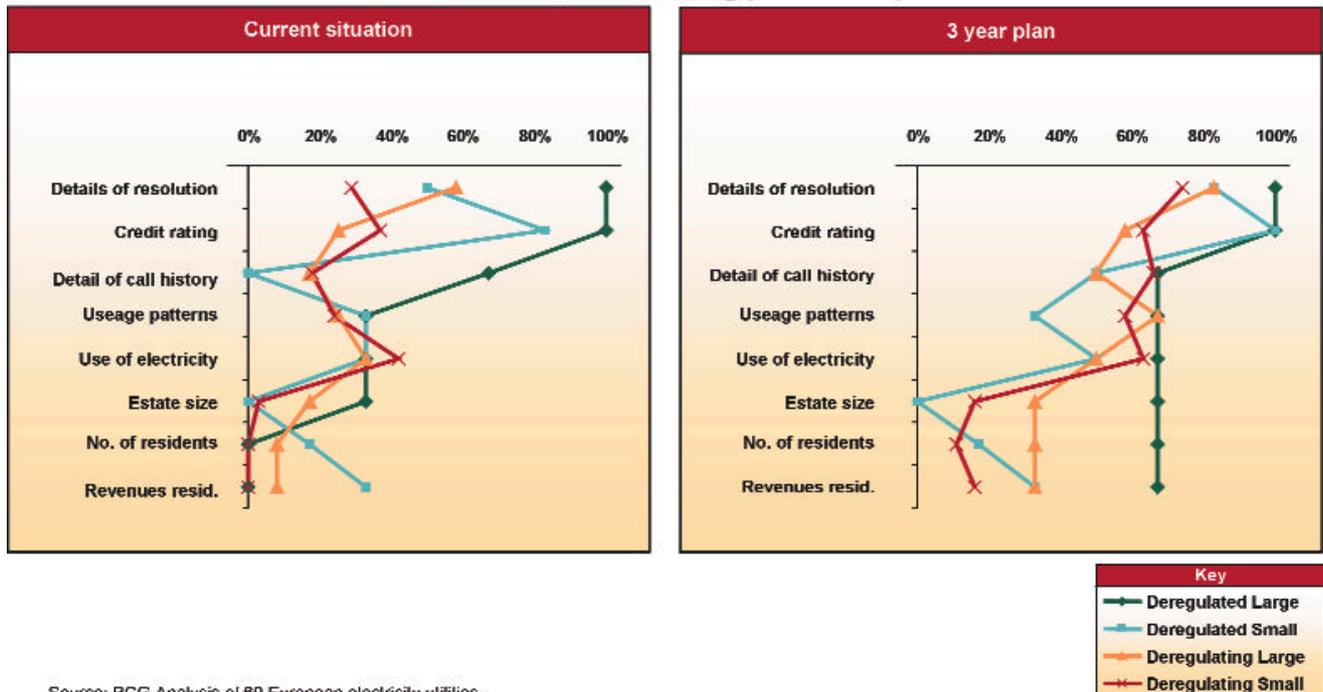
Source: BCG Analysis of 60 European electricity utilities

Loyalty

To gain their customers' lasting loyalty is every service organisation's paradise. Loyalty brings a wide range of benefits: loyal customers provide positive advertising through their recommendations to family and friends; they are more receptive to cross-selling; they provide the company with invaluable feedback; and they tend to be the most profitable as, once loyal, they stay forever. Developing such loyalty is a process that requires mastering all of the quality drivers described so far.

Unfortunately for the utilities, the focus groups show that their customers have as yet virtually no conception of them as organisations that instil loyalty.

Despite - or presumably because of - their weak position with customers, most utilities show considerable interest in the issue of loyalty. In the deregulated markets, many companies have already either joined a loyalty scheme or developed their own. It is too early to say how successful these have been, but the experience in the UK has not been convincing. British Gas, for example, being one of the more successful, claimed to have signed up a mere 30,000 customers as a result of its tie-up with the Sainsbury [1] loyalty scheme in the first three months of the partnership. This would contribute less than 15% to the estimated total customers signed in this period, despite a heavy in-store presence from British Gas sales agents.

Best practice in the area is found at companies like the UK supermarket chain Tesco. Its "Clubcard", introduced in 1995, rewards customers with points in return for goods purchased, and the points can be used towards the purchase of goods. More importantly, the scheme has been developed into far more than a simple discount scheme.

Tesco needed the card as a means to gather valuable customer data. It tracks individual purchase frequency and patterns. Each store holds special events to which it invites its top 100 customers. It targets highly profitable customers with the aim of increasing their basket size. And Tesco also tries to lure lapsed customers back into the store through the use of special offers. Analysing the data to find out how far customers travel to the stores has been helpful in planning the location of future stores and designing the home shopping and delivery offer.

<div style="border:1px solid; background-color:#f5deb3; padding:1em">

Tesco

Tesco is the largest and fastest growing UK food retailer with more than 600 stores throughout the country.

Tesco's innovative approach has enabled it to grow market share from 10% in 1995 to 16% today. The introduction of a store loyalty card in February 1995 has contributed to its successful growth as well as enabling a move into new areas such as the provision of financial services.

</div>

(1) UK Supermarket

A Tesco-style scheme requires a major effort to design and implement. But there are other ways to reap loyalty from customers. Amazon.com succeeded by changing the business proposition. It avoided turning books into a commodity, simply selling them at a lower price than the traditional bookstores, by creating a "community" for its customers. No purchase is necessary to join, but members gain access to reviews from key newspapers and advice from fellow members who have already bought the book. It gives them reassurance and it gives amazon.com an ideal channel for marketing new products.

A 'COMMUNITY' FOR BOOK READERS

Source: Public Press, Company WEB Site
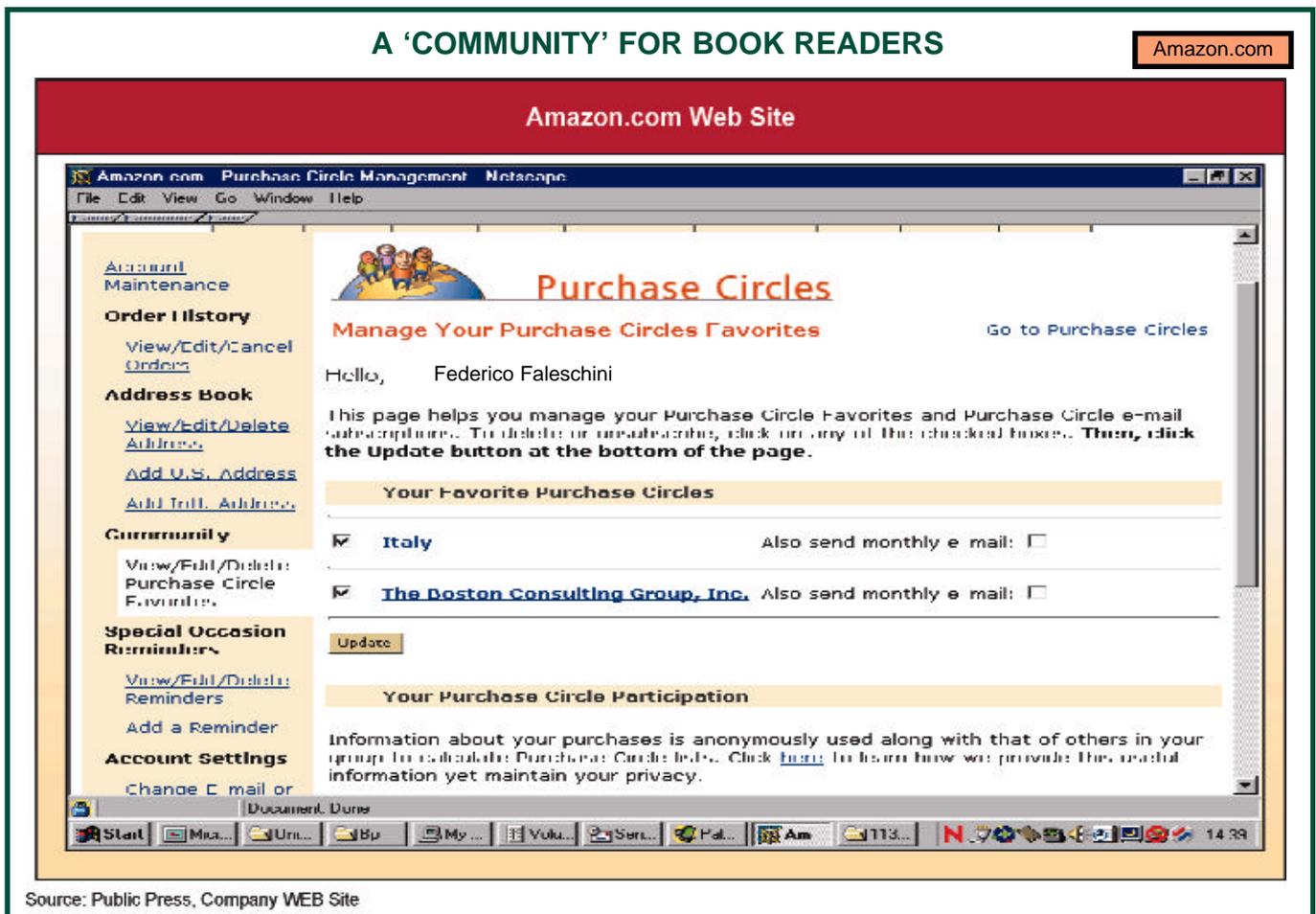
The role of loyalty schemes in utility customer retention is currently somewhat unclear. Utilities that have used them so far rarely appear to have gained access to any real customer information. In any case, utilities are generally seen as an add-on and typically have to pay their way into existing schemes. They need to beware of joining schemes where they have no access and control over the data. They may find themselves simply paying to pass on the information that they have to those who could still turn out to be their ultimate competitors. Joining or creating a loyalty scheme is not identical to attaining customer loyalty. It rather should be treated as a means to learn more about the customer and on that basis to develop a closer relationship.

E-utility

The phenomenon of electronic retailing is threatening to have an immense impact on all industrial sectors. The pace of change in this area has been such that the likelihood of new competitors moving into the incumbents' space grows greater by the day. Utilities may ignore this at their peril.

But the new world of e-commerce does not only offer opportunities for attackers. It also offers opportunities for incumbents to enhance their products and services at lower cost. It may enable them to deepen their customer relationships and to offer a more tailored service. Perhaps most importantly, there is significant scope to improve the economics of customer interaction, especially in low margin businesses. For the customer, one of the most important advantages of Internet transactions is the convenience of receiving the bill on-line and managing the account via that channel.

ON-LINE RETAILING MODELS CAN HAVE SUPERIOR ECONOMICS IN CUSTOMER SERVICE AND BACK OFFICE
Model Calculation

Traditional
Annual cost per customer
$34.00

Collections $8.09
Pyt Process $1.82
Billing $9.71
Meter read $7.29
Call centre $7.29

Dot.com
Annual cost per customer
$10.10

Internet cost savings $23.90
Collections $2.00
Billing/pyt processing $2.00
Meter read $6.00
Call centre $0.10

Key issues for a .com back office

Back office cost savings depend on on-line user base

Actual switch to on-line could be slow and thus increase complexity and general cost, as both back office systems are maintained

Cost savings do not include general overhead costs, which may or may not come down with .com back office

Dot.com back office could require minimum scale (to justify up front investment) which smaller players can't meet

Source: BCG analysis

In the United States, electronic utilities are already beginning to emerge. Utility.com, for example, is one of the first to offer a full range of on-line electricity services to residential and small business users anywhere in the United States. It aims to become an integrated virtual utility and states that its aim is "to capture the utility mind-share" and to become "the first national brand".

Setting up alone on the Internet is not the only option. This is good news for those utilities that do not have the scale to justify the investment required.

Examples of joint approaches are being piloted even in markets that are not yet deregulated - for example, the "Infoville Smart City" in Spain. This initiative, launched by a local authority, has been designed to be an on-line service broadly available from local Intranets and terminals in kiosks. The aim is to provide a local information market and interactive services from public administration as well as private operators, including, among others, transactions in municipal, medical and educational services. Seven cities were involved in the test launch, but it is planned to extend to 520 municipalities by October 2000, representing 4 million citizens.

INFOVILLE - THE SPANISH SMART CITY
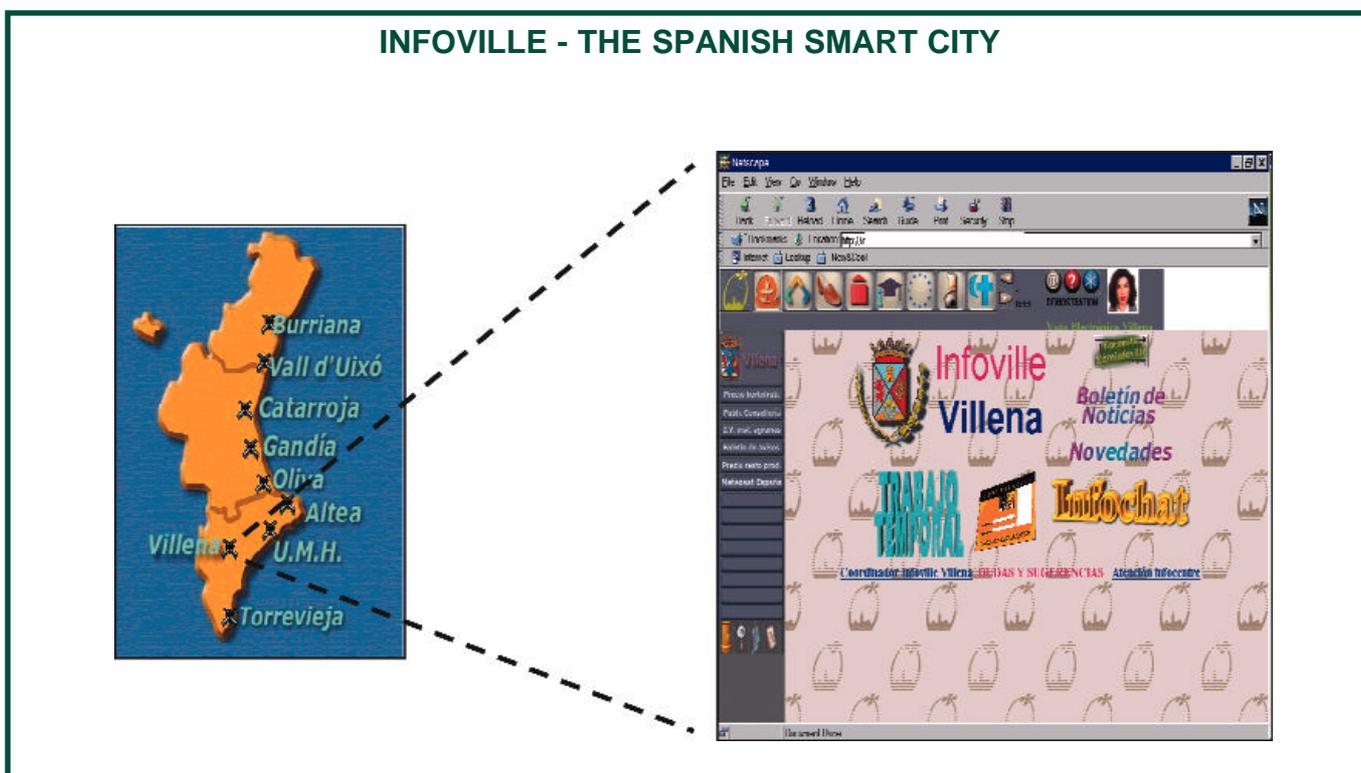
The primary objective of the initiative is enhancing the community spirit. The EU gave funds to the project and four companies took a stake: Telefonica, the telecoms company; Iberdrola, Spain's second largest electric utility; IBM the computer giant; and Drac, a software provider. In addition to the social objectives of the project, the Smart City is also driven by the substantial potential for business and entrepreneurial activities.

Whatever the route, it is important that utilities find their way to the Internet quickly as it offers the softest point for attackers to move in and pick off customers. The Internet is continually evolving, and utilities that want to remain in their business and possibly expand their range of customers and offerings, may well find that it offers the best opportunity to achieve these goals.

VI. Conclusions and recommednations

Paradigms are shifting from utility incumbency to open competition for consumers. The challenges are on the table to master the basics of customer care and retail marketing and then to grow successfully in the competitive market; and possibly leapfrog competition. Electric utilities need to establish where they are in the competitive game and what they can do to confront the challenges. The score cards in the Appendix provide a first, rough cut assessment of the starting position, but much more detailed analysis and scrutiny of the specific competitive landscape is required in order to formulate a real strategy.

Utility consumers are only just waking up to the choices and quality of service that competition may bring. And potential new competitors are still considering their position vis a vis the utility customer. This may afford just enough time to prepare for battle - although competition amongst utilities has been fast and fierce as soon as markets have deregulated!

'Master the basics'

Customers still have very modest expectations of their utilities and feel little loyalty towards them. However, they are largely conservative in their choice of supplier and many prefer to stay with 'the devil they know'. Utilities can act to exploit this inertia but should not expect consumers to remain inert indefinitely. To ensure the retention of the customer base as far as possible, the key quality drivers are:

- Call centres - service quality and scale are vital; install continuous performance monitoring and consider outsourcing to achieve optimum levels
- Complaint management - develop two way communication with customers, actively seek their feedback, and make use of the information (every complaint is a sales opportunity!)
- Customer communications - build up the database capability, use the Internet as a communication channel, and don't forget that every little customer interaction is part of your communication
- Staff development - investment in 'soft skills' training is most important; promote a service, rather than product based, culture and empower all staff to deal with the customer

Our analysis found a wide range of starting positions and gaps to what we have identified as 'best practice' in achieving these quality drivers. Many utilities will still need to concentrate all their energies on 'Mastering the basics'. Others, especially amongst the larger in the deregulated markets, appear to have covered much of that ground and are already preparing to 'Raise the bar' for competition.

'Raise the bar'

In the future, there will not only be competition between utilities. Other consumer champions, whose be all and end all is excellence in customer care will enter the fray. The threat from branded service providers on the prowl for new customers or new offerings to their existing customers is a very real one. For utilities to raise the barriers to entry as well as securing their own growth opportunities, the key quality drivers are:

- Offer development - customer segmentation is critical and will lead to differentiated offers; understand the customers' lifetime value and let them help you develop the better offer
- Branding - don't stop at advertising; engage in total brand management to cover all values, processes and customer interactions; and make certain it matches your target

  segments
- Sales channels - different customers respond to different sales channels; explore new channels such as the Internet and target the customers' in their 'moments of truth'; when they are most receptive

Incumbent need to seize the opportunity to build database capabilites, enhance service levels and learn more about their customers while they are still captive. Too few seem to have taken advantage of this. When it comes to 'Raising the bar' the electric utilities risk being exposed. Not all will decide to try and compete on their own but will look for partners to join forces.

'Change the game'

Those who conquer the quality drivers of 'Raise the bar', will find the path ahead offers alternatives. Some may be able to maintain their position to a large extent. Others may seek to leapfrog competition by aiming to 'Change the game'. Those with the highest ambitions must ensure that they have in place the essential quality drivers:

- Customer understanding - build up your knowledge, discover the profitable customers and get to know them well; they represent the core of the business for the true consumer champion
- Loyalty - increase your share of the customers' minds and wallets; create a community

  of which they are part; position yourself closer; and then 'lock them in'
- E-utility - challenge all traditional wisdom about your business and how to create value;

  engage the customer in new approaches; make doing business with you fun!

Discovering new ways of 'Changing the game' will be the ultimate challenge ahead for all who wish to succeed in this market, utility or new competitor. Very few, if any, electric utilities can claim at this stage that they are ready. Only those will succeed who are determined to be the one who is closest to the customer. Sparks delivered or sparking connections - that is the question!

SCORE CARDS

In order to achieve a clearer sense of your position today, you are invited to measure your capabilities using the score cards provided

- Versus 'best practice'[1] and your peer group cluster
- Along key categories identified as customer care 'best practice'

Step one:
Identify the peer group cluster to which you belong

Small deregulating <1 million residential customers in a non-competitive market

Large deregulating >1 million residential customers in a non-competitive market

Small deregulated[2] <1 million residential customers in a competitive market

Large deregulated >1 million residential customers in a competitive market

Step two:
Follow through the score card by allocating yourself the appropriate value for each question. Use this to calculate your total score in each category
(*All questions refer to your capability in residential customer care*)

Step three:
Compare your score in each category against that of your peer group cluster, using the graphs provided

> **Values have been allocated on a subjective basis and should be used to understand your position on an indicative, rather than absolute, basis**
> **BCG does not guarantee the overall company performance in the event of acheiving 'best practice' in all customer care categories**

(1) 'Best practice' refers to the summary of other industry performance
(2) At the time of the survey, Germany was not yet a competitive market

CALL CENTRES

Questions

	Value	Your score
What are your opening hours during the week? (select the option that most closely represents your hours)		
09.00-17.00	5	
08.00-20.00	20	
24 hours	35	
What are your opening hours at week-ends? (select the option that most closely represents your hours)		
09.00-17.00	10	
08.00-20.00	20	
24 hours	35	
What performance measures do you track? (select all applicable)		
Duration of call	10	
Reason for calling	10	
Customer satisfaction	10	
	Best practice	**Your total**
	100	

PERFORMANCE

Number of companies

Key
- 81-100 points
- 61-80 points
- 41-60 points
- 21-40 points
- 0-20 points

Deregulating Small — Deregulating Large — Deregulated Small — Deregulated Large

COMPLAINT MANAGEMENT

Questions

	Value	Your score
Which of the following methods do you use to monitor complaint resolution/customer satisfaction? (Select all applicable from (a) and (b), <u>or</u> select (c) if applicable)		
a) Calls monitored randomly	5 5	
b) Calls monitored for new call centre employees		
Or	25	
c) All calls monitored		
(Select all applicable options)	15	
• Exit interviews with customers	15	
• Interviews with complainants	15	
• Telephone surveys	15	
• Mail surveys	15	
• Use of knowledge gathered through complaints process for marketing/service enhancement		
	Best practice	**Your total**
	100	

PERFORMANCE
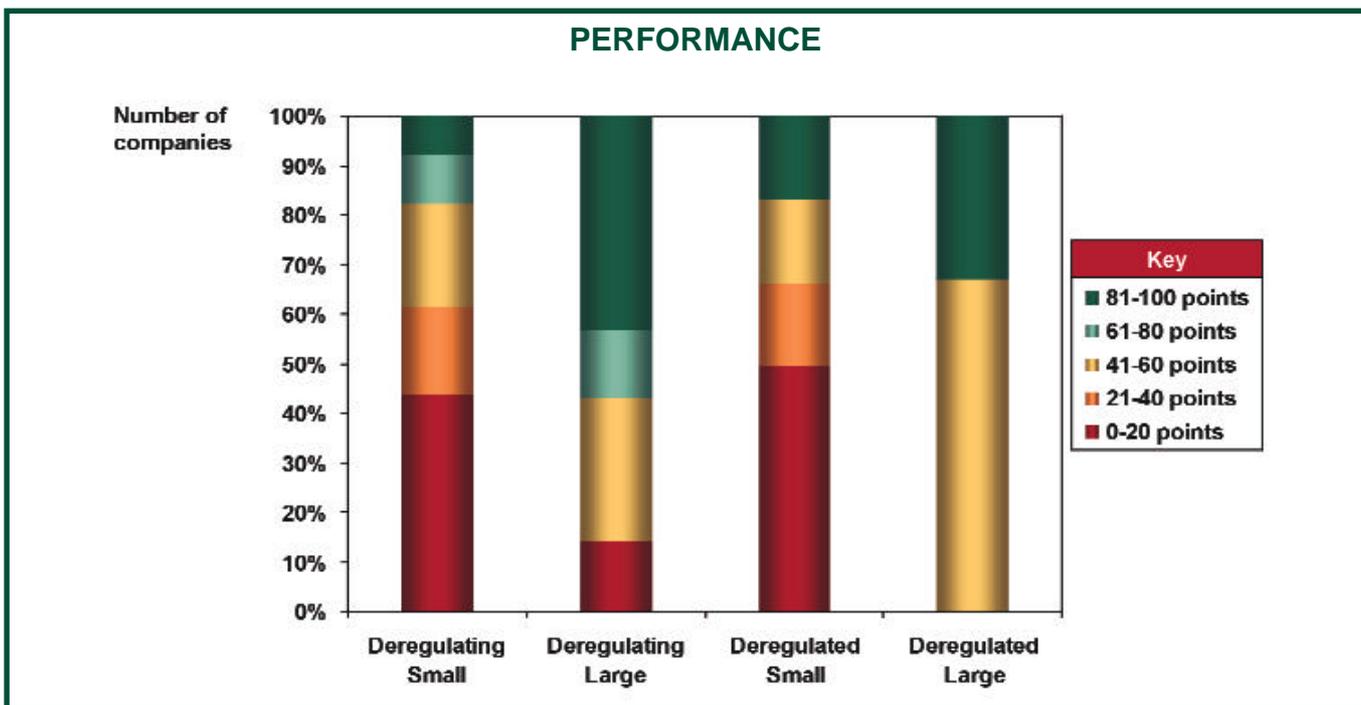
CUSTOMER COMMUNICATIONS

Questions

Which of the following methods do you use to communicate with your customers?
(Choose only one value per category)

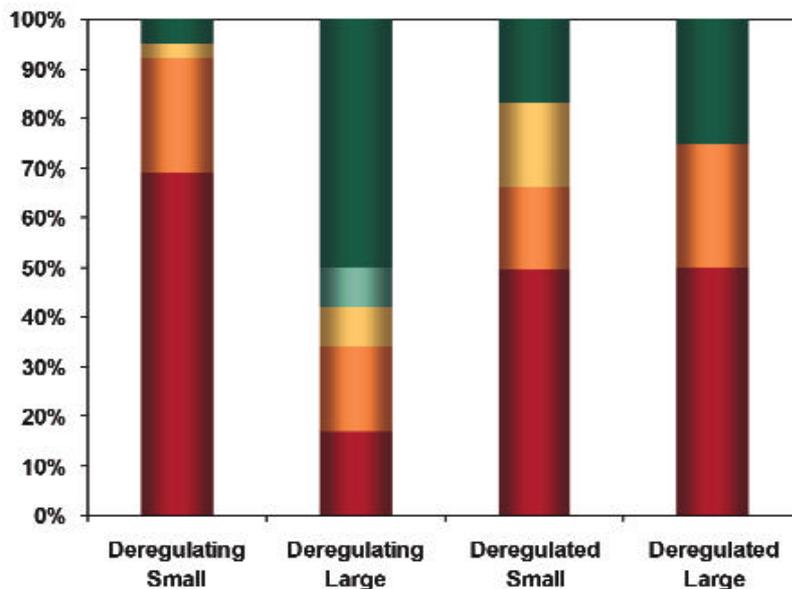|		Value		Your score
		Monthly	Quarterly or less score	
•	Customer bill	10	5	
•	Marketing leaflets	10	5	
•	Television advertising or radio	10	5	
•	Print media advertising	10	5	
•	Billboard advertising	10	5	
•	Internet	10	5	
Do you employ a brand manager?		40	40	
		Best practice		**Your total**
		100		

PERFORMANCE

Number of companies

Key
- 81-100 points
- 61-80 points
- 41-60 points
- 21-40 points
- 0-20 points

Deregulating Small   Deregulating Large   Deregulated Small   Deregulated Large
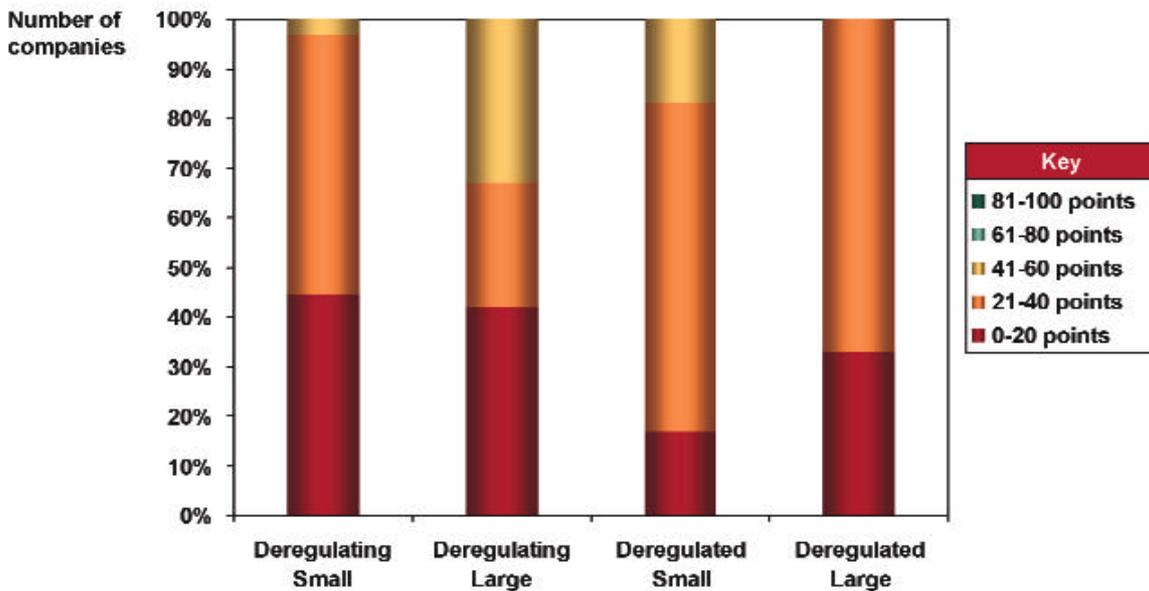
BILLING

Questions

	Value	Your score
What payment and billing options do you offer? (select all applicable)		
• Payment by cheque	10	
• Prepaid billing (eg key meter)	5	
• Payment by direct debit	30	
• Payment via bank/post office	10	
• Payment by credit/debit card	15	
• Billing and payment on demand	15	
• Electronic billing	15	
Best practice		**Your total**
100		

PERFORMANCE

Appendix
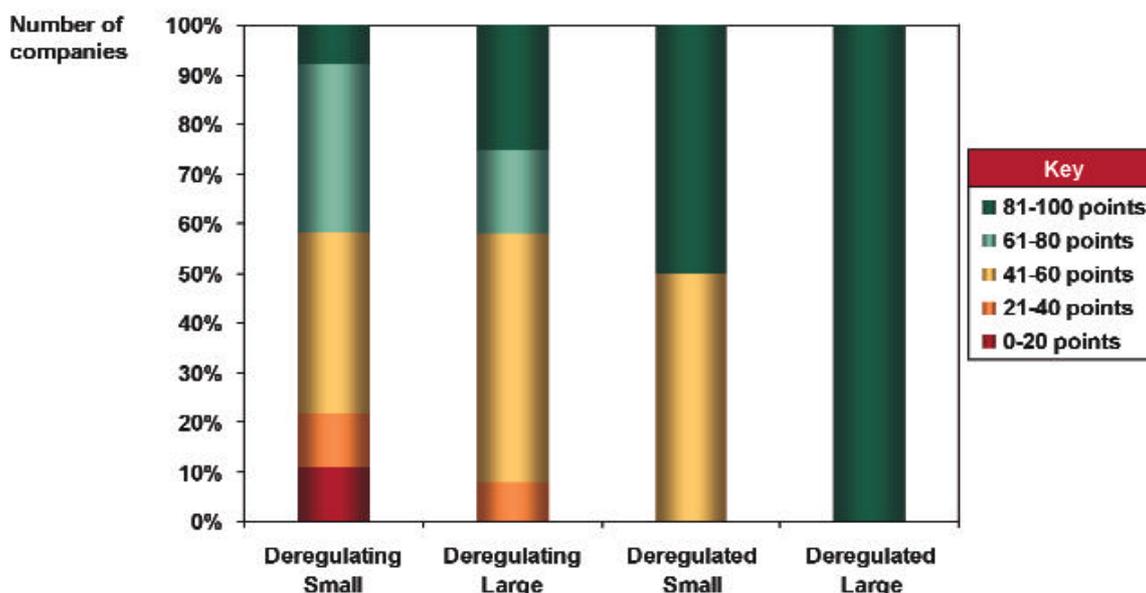
<table>
<tr><td colspan="3">**STAFF DEVELOPMENT**</td></tr>
<tr><td>**Questions**</td><td>Value</td><td>Your score</td></tr>
<tr><td>**Which of the following topics do your training programmes cover?**</td><td></td><td></td></tr>
<tr><td>(select all applicable)</td><td>5</td><td></td></tr>
<tr><td>   • Company history/background</td><td>10</td><td></td></tr>
<tr><td>   • Policies and procedures</td><td>5</td><td></td></tr>
<tr><td>   • System operations</td><td>10</td><td></td></tr>
<tr><td>   • Communication skills</td><td>10</td><td></td></tr>
<tr><td>   • Stress management</td><td>10</td><td></td></tr>
<tr><td>   • Emergency situation handling</td><td>10</td><td></td></tr>
<tr><td>   • Sales techniques</td><td>10</td><td></td></tr>
<tr><td>   • Customer understanding</td><td></td><td></td></tr>
<tr><td>**What's your budget per employee for training?**</td><td></td><td></td></tr>
<tr><td>(select the option that most closely represents your budget) (Euro)</td><td>10</td><td></td></tr>
<tr><td>   • Below 450</td><td>20</td><td></td></tr>
<tr><td>   • Between 451 – 1200</td><td></td><td></td></tr>
<tr><td>   • Above 1200</td><td>Best practice</td><td>Your total</td></tr>
<tr><td></td><td>100</td><td></td></tr>
</table>

PERFORMANCE

Key
- 81-100 points
- 61-80 points
- 41-60 points
- 21-40 points
- 0-20 points
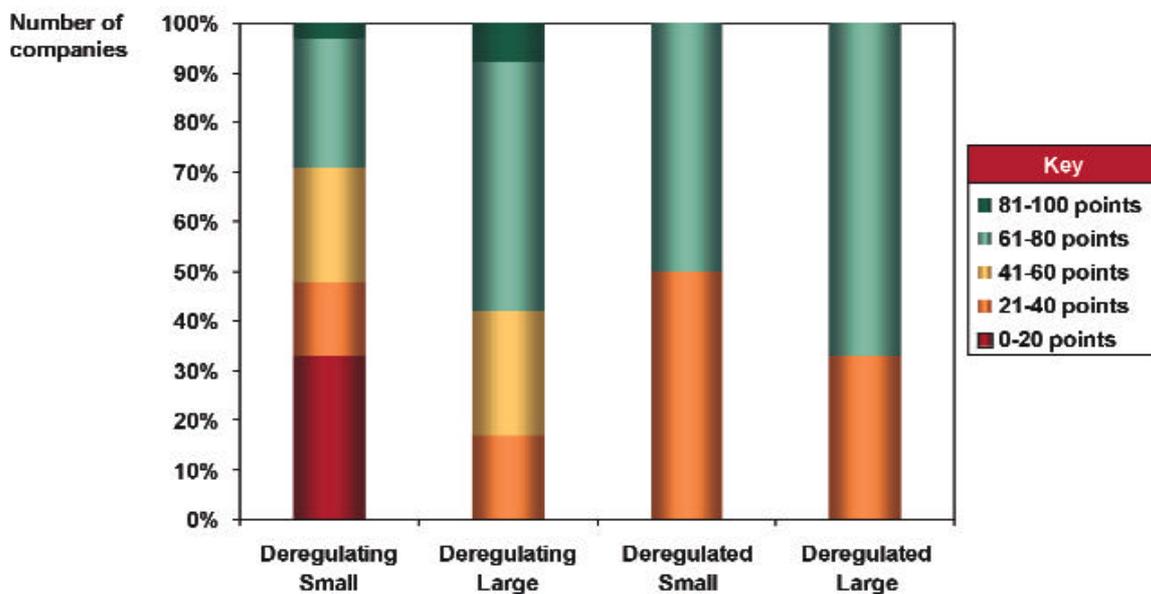
	Value	Your score
DATABASE		
Questions		

What are your customer database capabilities?
(select all applicable)

	Value	Your score
• Payment method (eg direct debit, quarterly cheque, etc)	10	
• Detail of location (residential)	10	
• Name, contact details	10	
• Details of complaint resolution	10	
• Credit rating	10	
• Detail of call history	10	
• Usage patterns	10	
• Estate size	10	
• Services offered (taken up)	10	
• Services offered (not taken up)	10	
Best practice	**Your total**	
100		

PERFORMANCE

Number of companies

Key
- 81-100 points
- 61-80 points
- 41-60 points
- 21-40 points
- 0-20 points

Deregulating Small | Deregulating Large | Deregulated Small | Deregulated Large

Appendix
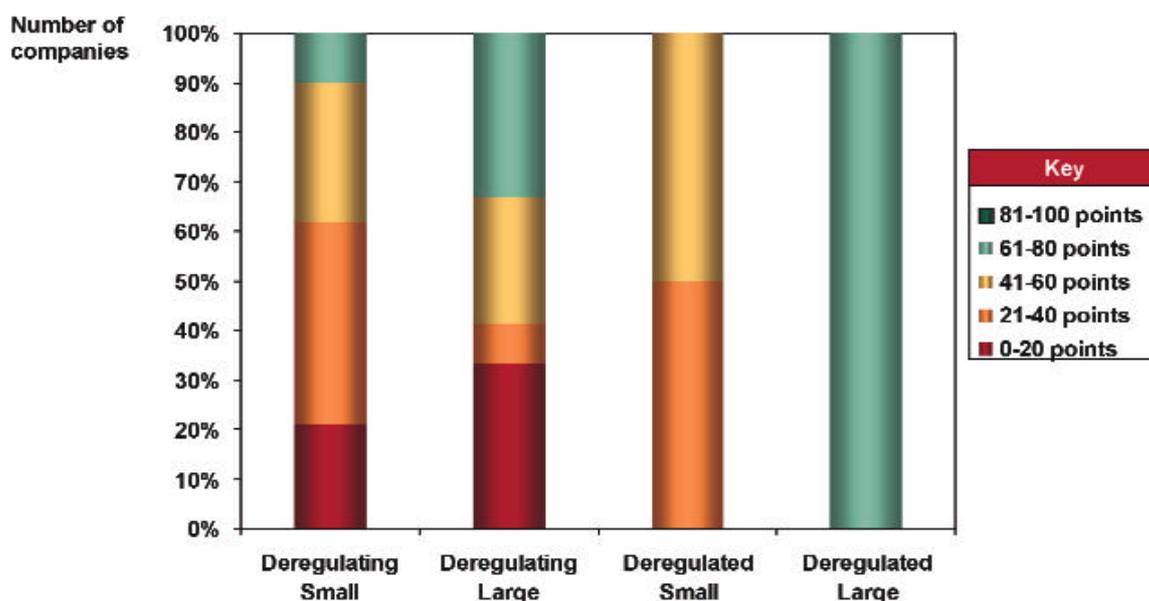
| OFFER DEVELOPMENT		

Questions

	Value	Your score
Which of the following products or services do you offer? (select all applicable)		
• Tailored offer by consumption	10	
• Tailored offer by subscriber profile	10	
• Tailored offer by load profile	10	
• Tailored offer by other segmentation	10	
• Additional product bundle		
- gas or heating oil	10	
- water	10	
- telecoms	10	
- other	10	
• Advice on better energy usage	10	
• A green energy package	10	
	Best practice	**Your total**
	100	

Note: While there may be a logic to broaden the offer, the feasibility should be investigated on an individual basis.

PERFORMANCE

	Value	Your score
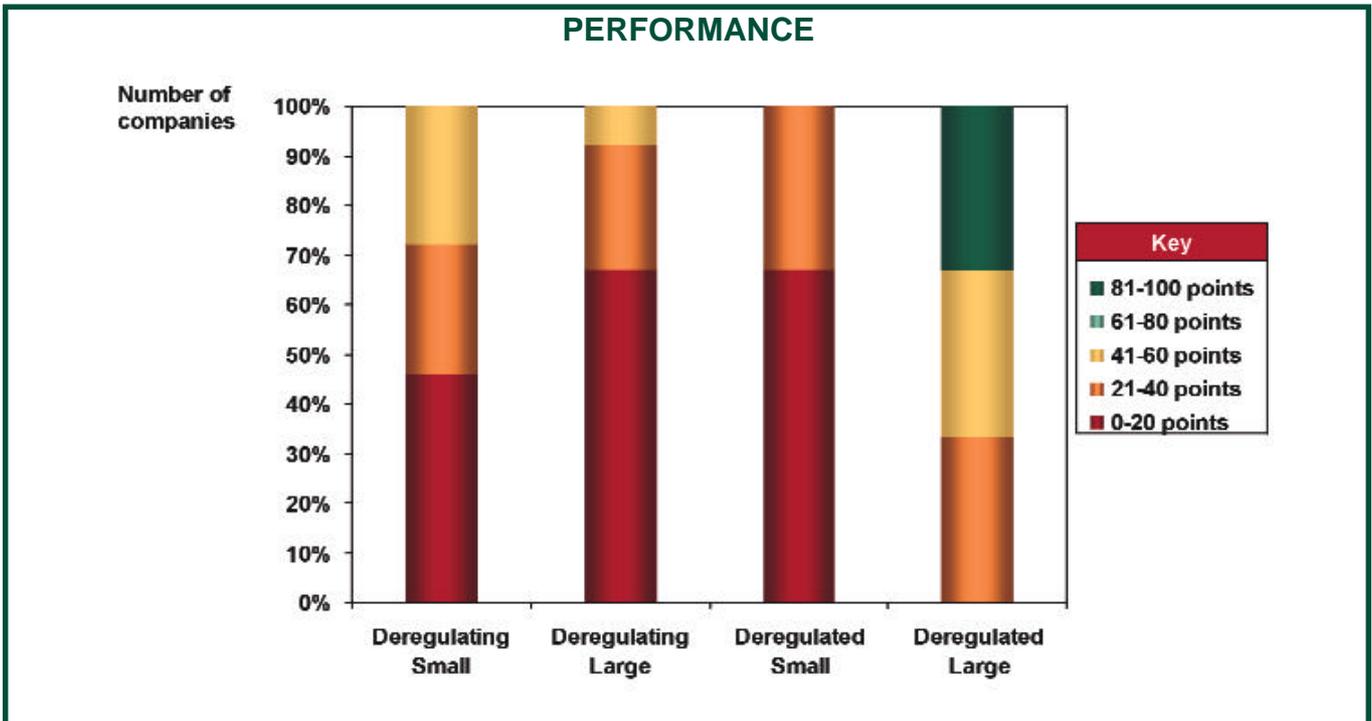
SALES CHANNELS

Questions

Which of the following sales channels do you use?
(select all applicable)

	Value	Your score
• Door-to-door sales force	10	
• Telesales	10	
• Marketing alliance (eg advertising in connection with another company)	10	
• Loyalty scheme (eg offer rewards/gifts to customers)	10	
• Print media	10	
• Internet	10	
• Club schemes (eg customers recruit friends/family)	10	
• Television (eg shopping channel)	10	
• Broker services (intermediary introduction)	10	
• Other channels	10	
	Best practice	**Your total**
	100	

Note: 'Best practice' suggests a range of complimentary sales channels, however, the right combination should be selected on an individual basis

PERFORMANCE

Number of companies

Key
- ■ 81-100 points
- ■ 61-80 points
- ■ 41-60 points
- ■ 21-40 points
- ■ 0-20 points

Deregulating Small | Deregulating Large | Deregulated Small | Deregulated Large