

2017

UTILITY RESIDENTIAL CUSTOMER EDUCATION SURVEY

It's Time to Adopt a More
Progressive Approach to
Customer Engagement

DIVE BRAND
STUDIO



In association with



EXECUTIVE SUMMARY

The utility industry has witnessed **massive changes** over the last few years. Continued drops in solar panel prices, increasing proliferation of distributed energy resources (DER) and advancements in the Internet of Things (IoT) have provided customers with alternatives for electricity generation and management. Although some customers have not immediately adopted these options, they've become increasingly aware of the alternatives to traditional utility providers.

In an effort to better understand the unique challenges and opportunities that utilities currently face, NTC once again partnered with Utility Dive to survey and reassess the views of utility executives when it comes to residential customer education programs (the first NTC Utility Dive survey was conducted in 2015). How have industry perceptions and actions changed over the last two years? This year's survey responses indicate that the utility industry is still failing to effectively educate and engage customers.

Key Insights & Demographics

- While most of the utilities are focused on education and engagement initiatives, too few of the respondents view their programs as great.
- Utilities want to engage their customer, but the financial incentives that are currently being used lead to transactional relationships and not true, personalized engagement.
- The industry is lagging in terms of utilizing mobile phone apps and games to bridge the education and engagement gap.

Q1: WHAT TYPE OF UTILITY DO YOU WORK FOR?

INVESTOR-OWNED UTILITY

50.3%

MUNICIPAL UTILITY

19.3%

PUBLIC POWER AGENCY

13.9%

RETAIL COOPERATIVE

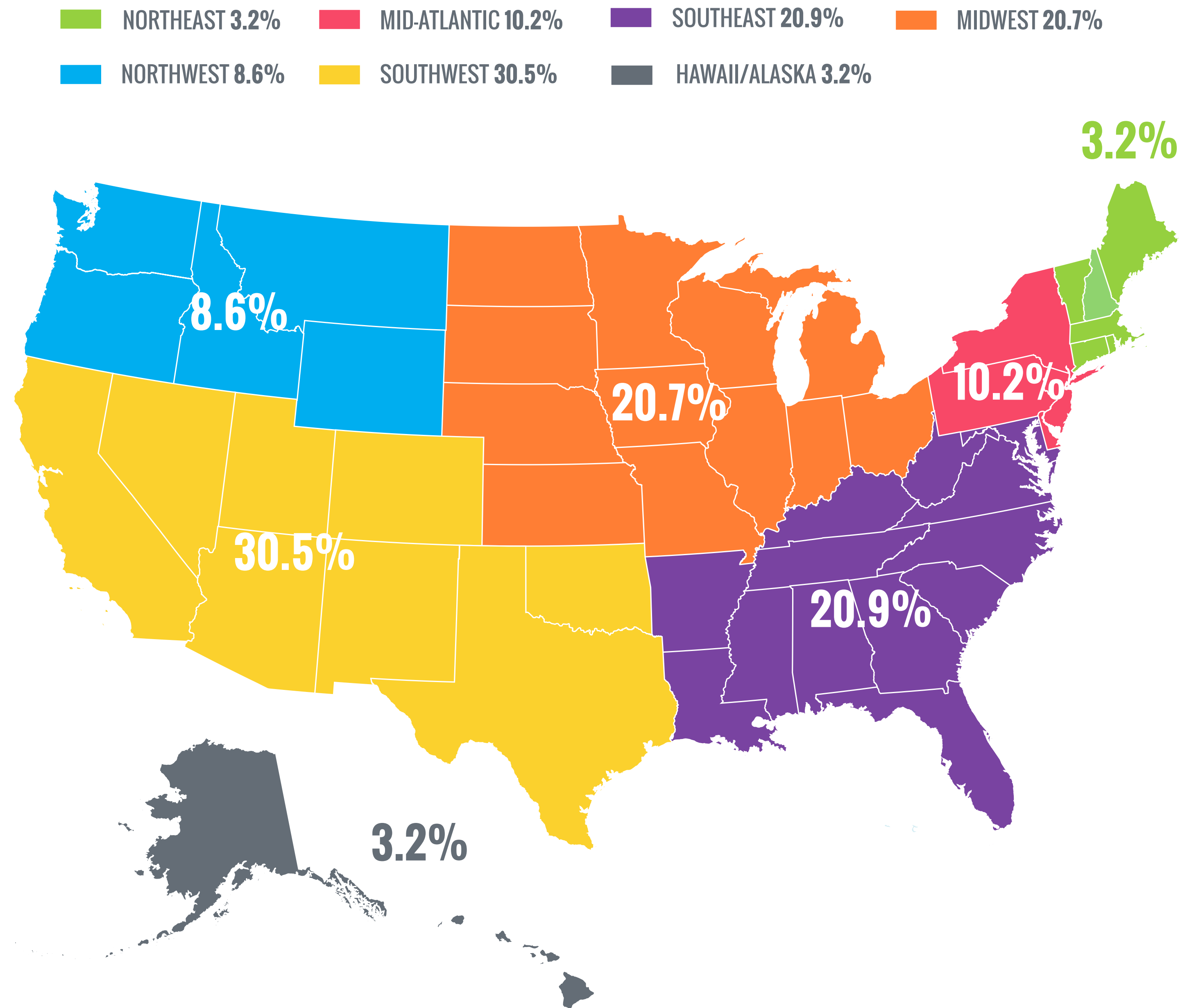
13.9%


WHOLESALE COOPERATIVE

2.9%

Q2: IN WHICH U.S. STATE IS YOUR UTILITY'S SERVICE TERRITORY PRIMARILY LOCATED?

The survey received responses from 187 industry professionals. The largest percentage of respondents identified as working for an investor-owned utility (50.3%), with the remaining responses coming from public power agencies, municipalities, and retail/wholesale cooperatives. Respondents came from all over the U.S., with California, Texas and Florida making up the largest area of respondents.



A grayscale photograph of a hand with white nail polish touching a smart thermostat. The thermostat has a digital display and a circular dial with numbers 1 through 8. The background is a solid green color.

BIG PICTURE: KEEPING UP WITH CONSUMER EXPECTATIONS

The days when the utility industry could sit back and provide little service beyond keeping the lights on and collecting monthly electricity bill payments from their customers are long gone. Now, the average customer is able to get responses to product and customer service questions in record time.¹ Amazon provides same-day delivery

of products ordered with one-click, or voice-based ordering through the Amazon mobile app. This quick-response, tech-savvy service is what customers expect in 2017 from their utility, too. But, as the 2017 survey results show, the utility industry has not taken full advantage of the evolving nature of customer education and engagement.

Companies like SolarCity and Tesla are able to compete directly by offering electricity and electricity-related services to their customers. In many cases, the same companies that provide these competing or complementary services — think Nest

thermostats or Ring home security systems — also add to a customer's expectation for a higher level of service from energy providers. These companies serve their customers through frequent email interactions, just like the utility, but elevate their

engagement with the customer through a range of services. These interactions not only educate the customer, but move the company/customer relationship from being merely transactional to offering a satisfying engagement.

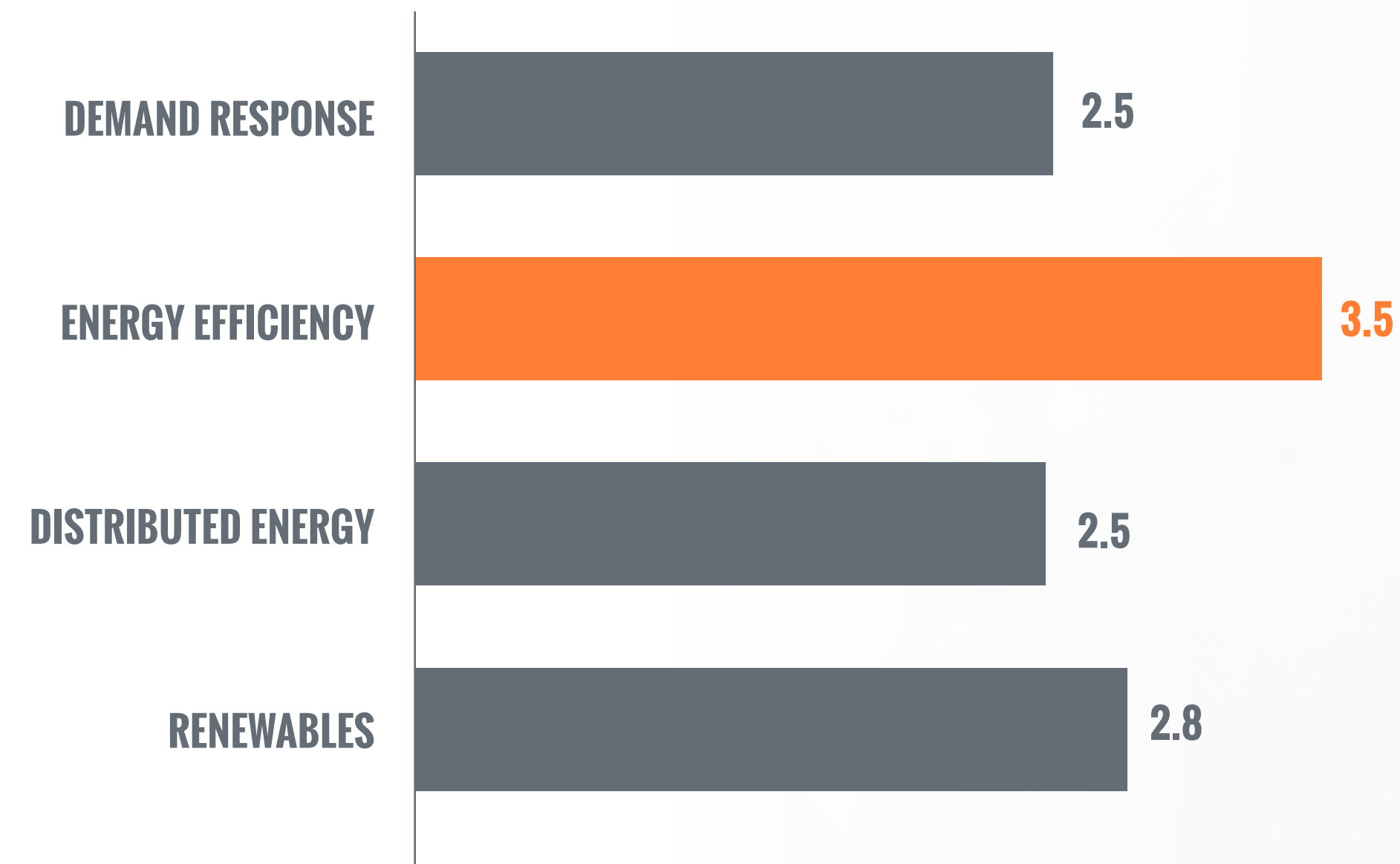
Q3: WHO IS MOST RESPONSIBLE FOR BUILDING EDUCATION AND AWARENESS FOR RESIDENTIAL ELECTRICITY CUSTOMERS?

- 1ST UTILITY COMPANIES 70%**
- 2ND STATE REGULATORS 12%**
- 3RD FEDERAL REGULATORS 6%**
- 4TH THIRD PARTY PROGRAM IMPLEMENTERS 6%**
- 5TH TECHNOLOGY MANUFACTURERS 5%**



Overall, the results of the 2017 UTILITY RESIDENTIAL CUSTOMER EDUCATION SURVEY show that the utilities are still struggling to transition their communities from naïve consumers of home energy to educated and engaged customers. While the majority of the respondents (70%) believe that it is the responsibility of the utility to build education and awareness for their residential customers (Q:3), only 7% believe that their utility is doing a great job of educating customers (Q:6). Utilities will have to accelerate the pace of adapting to these changes, or continue to fall behind in winning the hearts of their customers.

Q4: ON A SCALE OF 1-4, RANK HOW IMPORTANT THE FOLLOWING AREAS ARE FOR YOUR UTILITY'S RESIDENTIAL CUSTOMER EDUCATION AND AWARENESS BUILDING

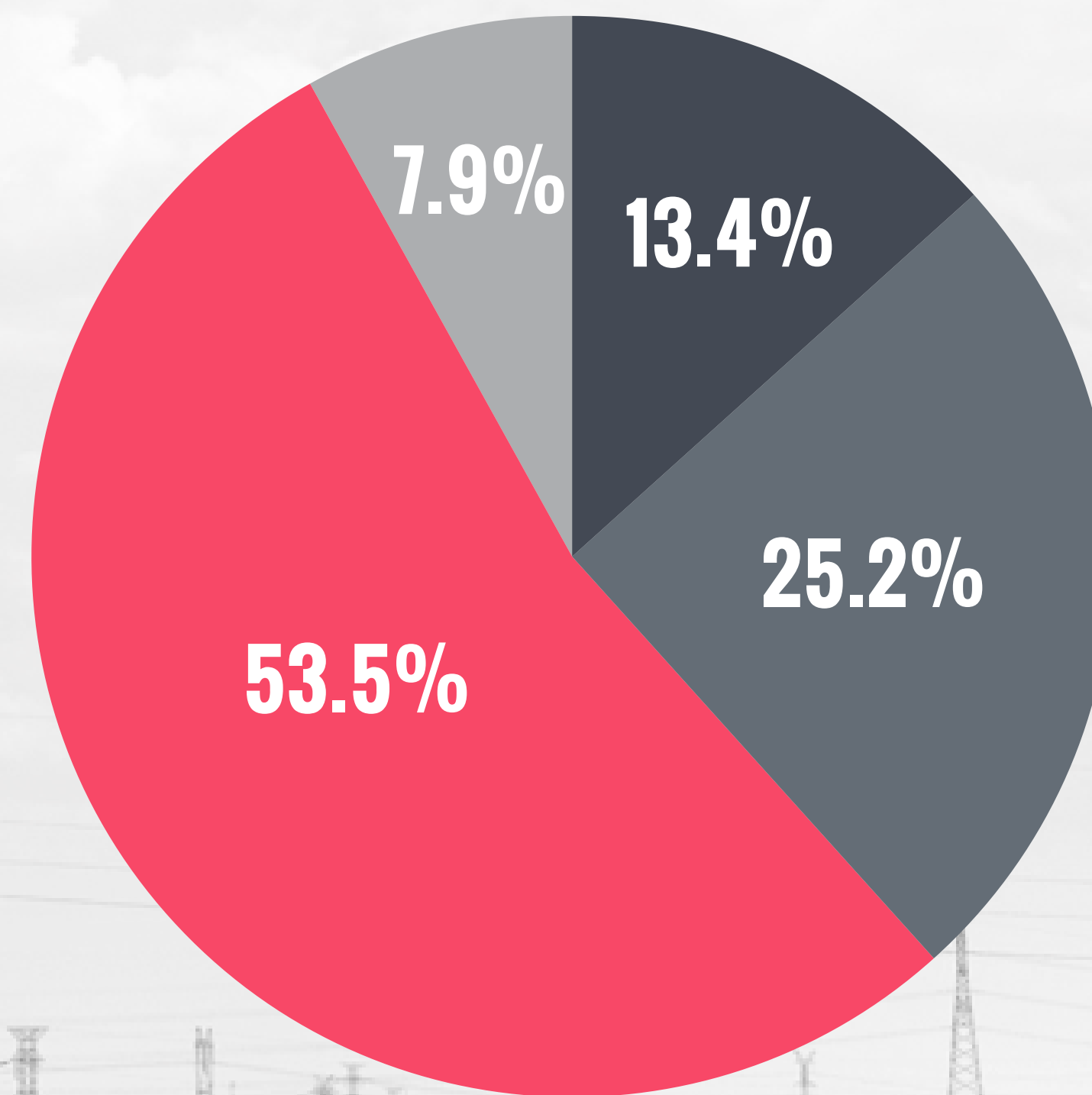


Even as the utility industry aims to move toward a customer-centric model, the main challenge reported is a lack of customer interest, with 53.5% of the respondents selecting this as the main obstacle.

The two areas that respondents consider most important within their residential education/awareness programs are energy efficiency and demand response, however, they are finding it challenging to compete and engage at their competitors' level. Even as the utility industry aims to move toward a customer-centric model, the main challenge reported is a lack of customer interest, with 53.5% of the respondents selecting this as the main obstacle (Q:5).

As utilities continue to make strides toward becoming more customer-focused, they are aware that their programs are still struggling to motivate customers. When asked about how well the education programs are doing at getting customers to take actions, 33% believe their education and awareness

Q5: WHAT IS THE BIGGEST CHALLENGE YOUR UTILITY FACES WHEN IMPLEMENTING RESIDENTIAL CUSTOMER EDUCATION PROGRAMS FOR ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT?

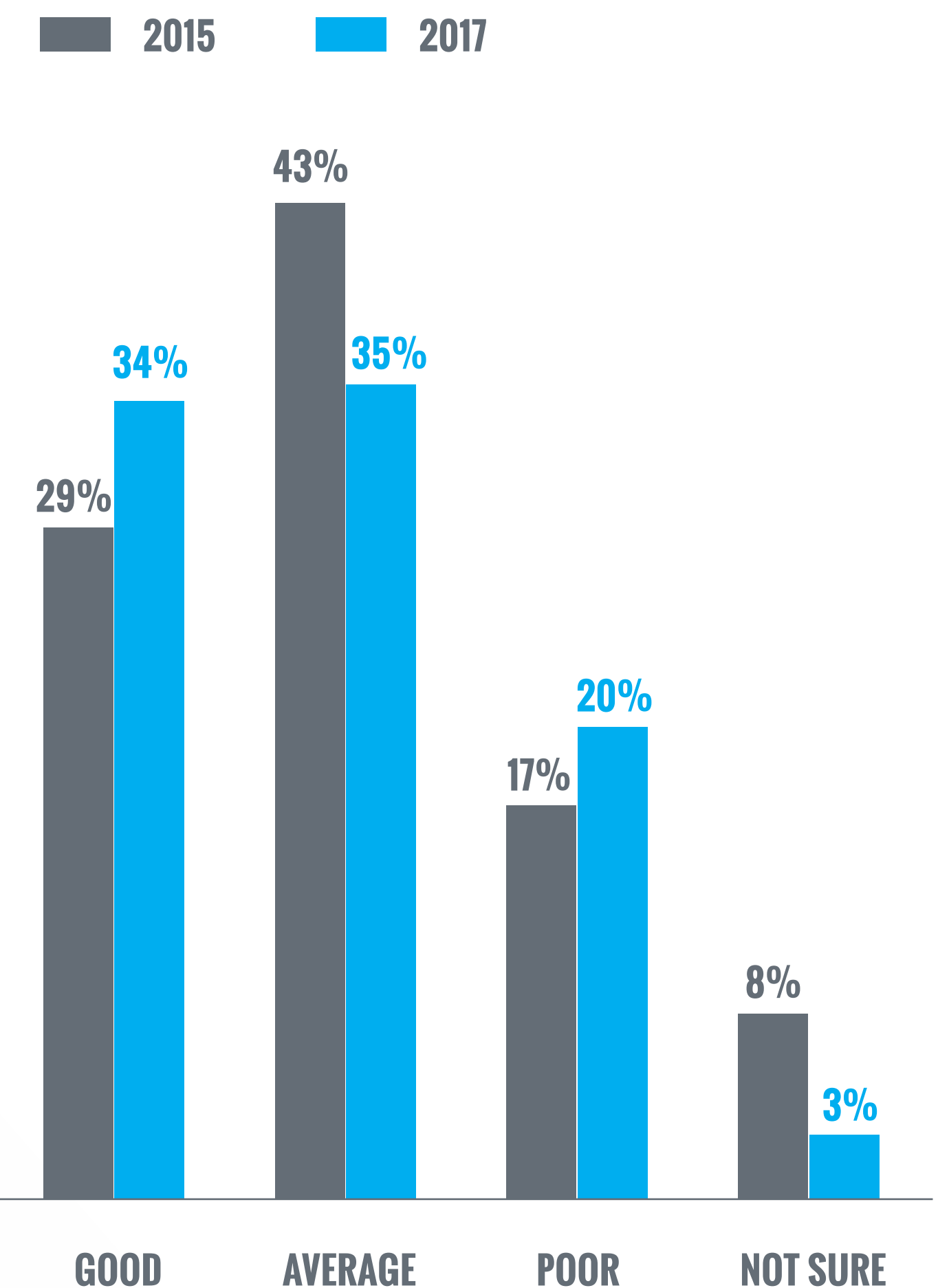


projects are ‘average’ and a further 20% believe their initiatives are ‘poor.’ Only 7% believe their programs are great (Q:6). Clearly, change is needed if the industry wants to grow consumer adoption of the programs by starting with education.

In a world where information is readily available, energy customers are becoming more aware of home energy choices. And because of the central role of the utility,

they will turn to their energy provider to educate them on their energy usage and provide suggested behavior modifications. These responses were in line with the results from the initial 2015 survey, suggesting that even the utilities recognize that there is still a lot of work to be done. With such a small percentage of respondents considering their programs are effective, the results also suggest that utilities might need to rethink customer incentives.

Q6: IN YOUR OPINION, HOW ARE YOUR CURRENT PROGRAMS DOING AT EDUCATING RESIDENTIAL CUSTOMERS AND MOTIVATING THEM TO TAKE THE ACTIONS YOU WANT THEM TO?



INCENTIVIZING VS ENGAGING CUSTOMERS: SHOW ME THE MONEY?

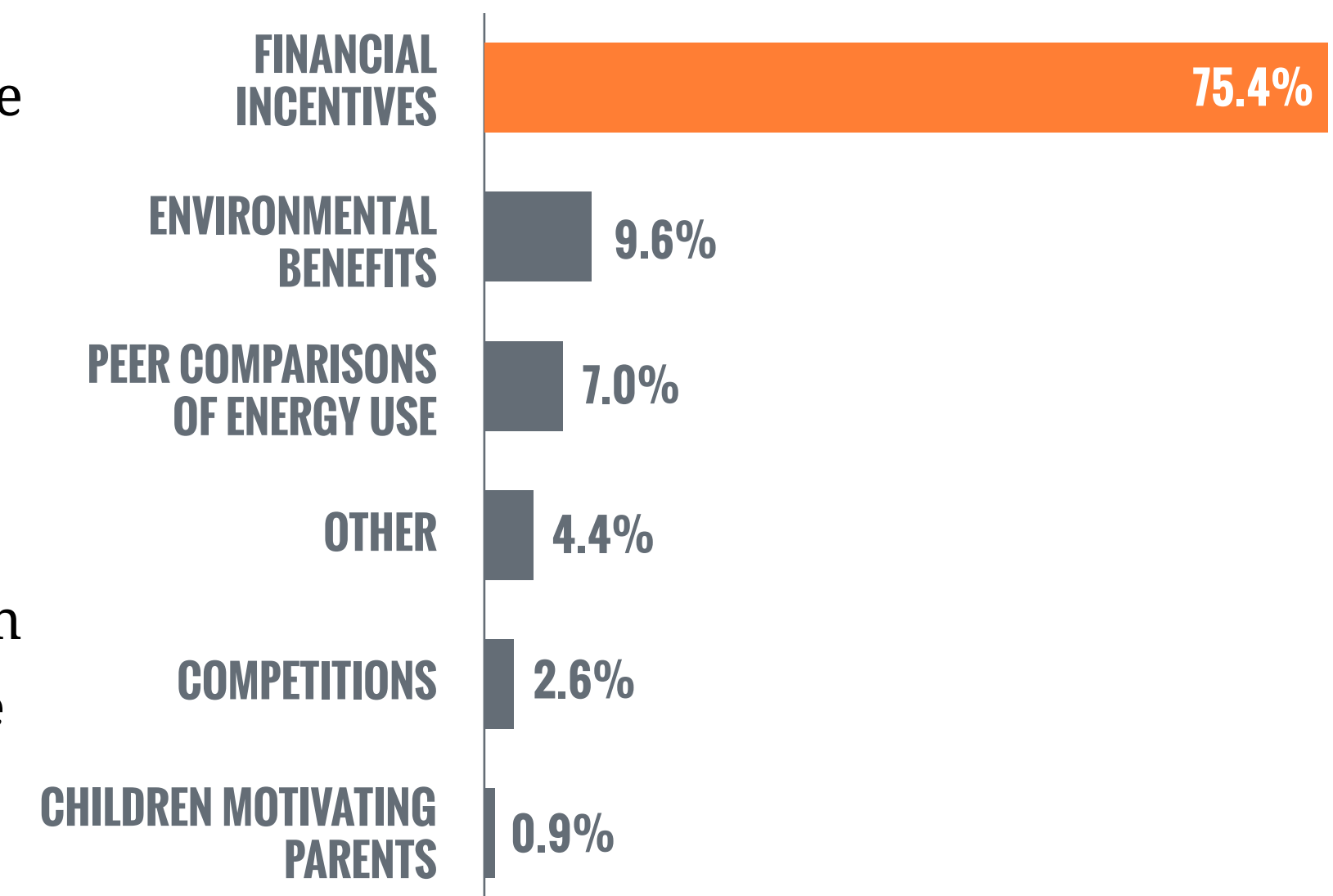
When it comes to the current approach that utilities take when engaging customers, the majority of respondents (75%) indicated that they believe financial incentives are the most effective motivation in piquing a customer's interest in utility programs (Q:7). While this might be true, it is important to recognize that some customers are willing to pay a little more for products that align with their personal motivations.

For example, 500,000 customers paid a deposit, sight unseen, for Tesla's Model 3.²

This was a decision made based more on brand perceptions and less about financial prudence. Incentivizing customers with a compelling brand purpose, rather than solely with financial incentives, is an angle worth exploring.

Utilities are distinctively positioned to build a brand based on environmental commitment, customer support and innovation. By emphasizing these key attributes, utilities can elevate their brand, build trust and reinforce leadership within their community.

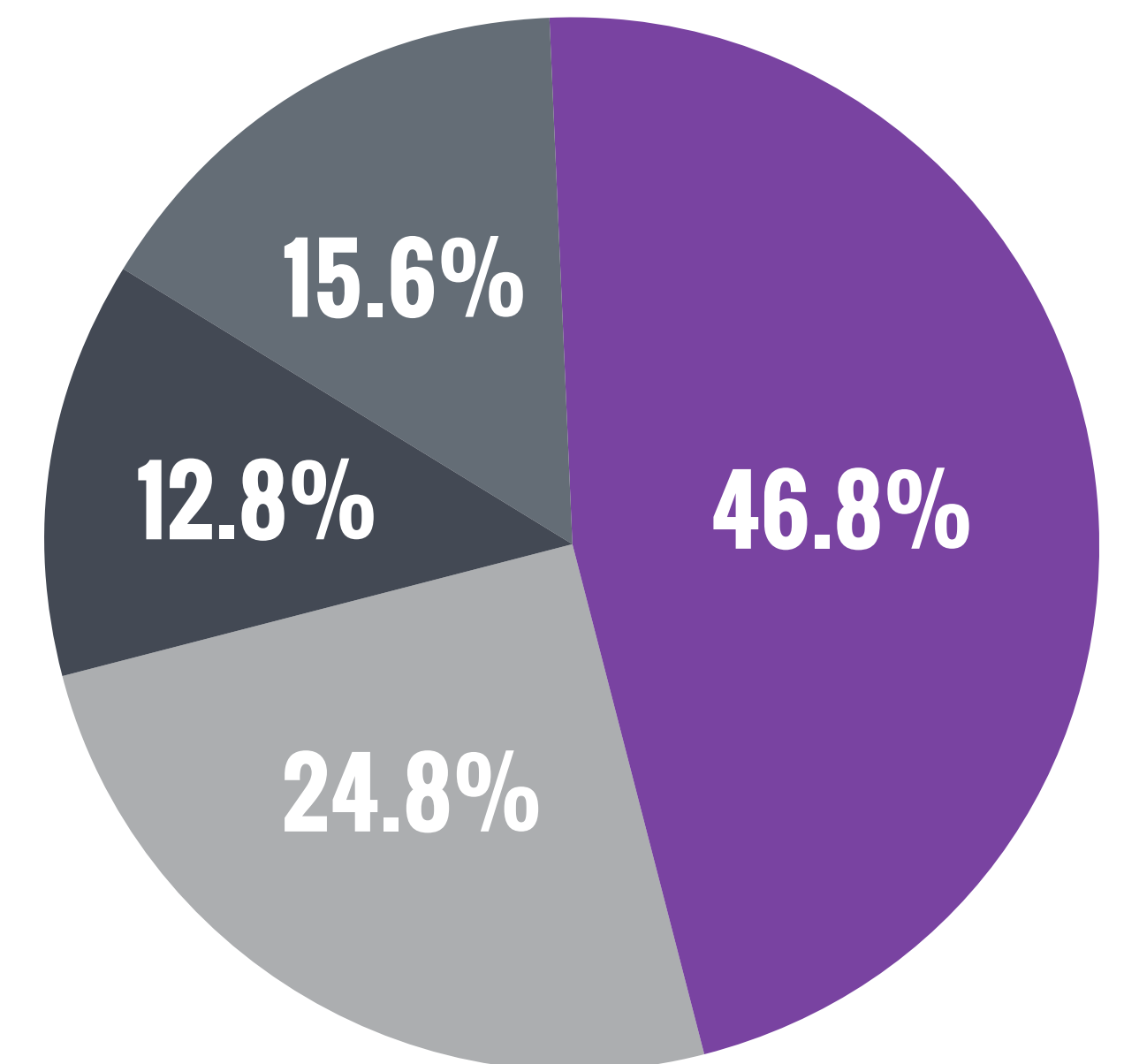
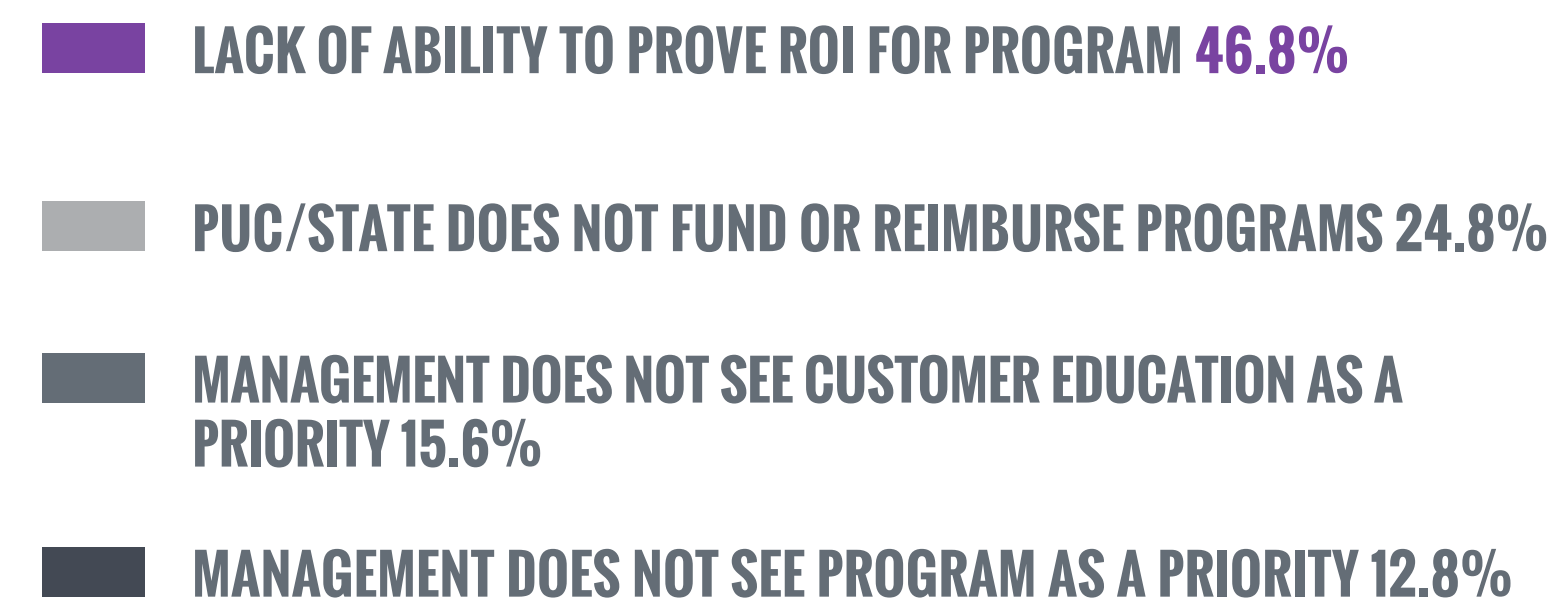
Q7: WHAT IS THE MOST EFFECTIVE MOTIVATION IN GETTING YOUR RESIDENTIAL CUSTOMERS TO ENGAGE WITH YOUR PROGRAMS?



IS THERE A BUDGET PROBLEM?

The inability to engage or educate customers consequently makes it difficult for utilities to justify investing more money in education programs. As the results show, 25% of the respondents believe that inability to show return on investment (ROI) for the programs is another challenge that prevents successful program implementation (Q:5). This becomes a negative reinforcing loop: The less successful the programs are, the fewer resources are invested into subsequent programs and, the less successful these initiatives will be. Just look at the results: 46.8% of the respondents believe that the lack of an ability to show ROI on the programs will be the biggest challenge towards getting funding for residential energy programs (Q:8).

Q8: WHAT IS THE BIGGEST CHALLENGE TO GETTING FUNDING FOR RESIDENTIAL EDUCATION PROGRAMS FOR ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT

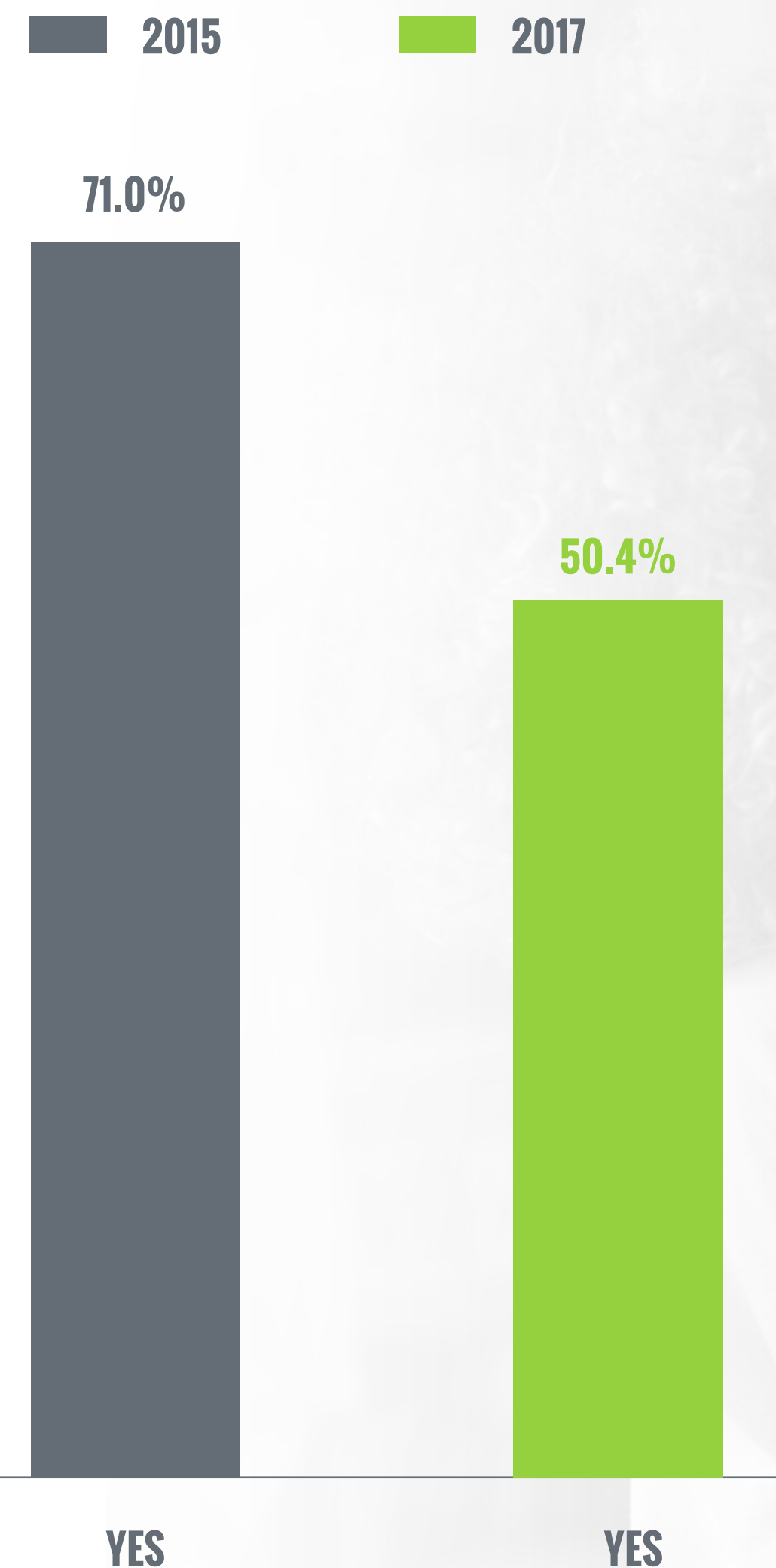


Approximately 50% of the 2017 respondents believe their education and engagement program budgets will increase. While this number is positive and high, it is a drop from the 71% of the 2015 respondents that expected an increase. Looking ahead, investments in these types of programs will have to increase or be properly allocated in order to ensure the industry does not continue to be left behind in a fast-paced customer engagement landscape.

50.4%

of respondents expect their program's budget for residential customer education to increase over the next 5 years.

Q9: DO YOU EXPECT YOUR PROGRAM'S BUDGET FOR RESIDENTIAL CUSTOMER EDUCATION TO INCREASE OVER THE NEXT FIVE YEARS?





METHODS OF EDUCATION AND ENGAGEMENT: CHALLENGES AND SOLUTIONS

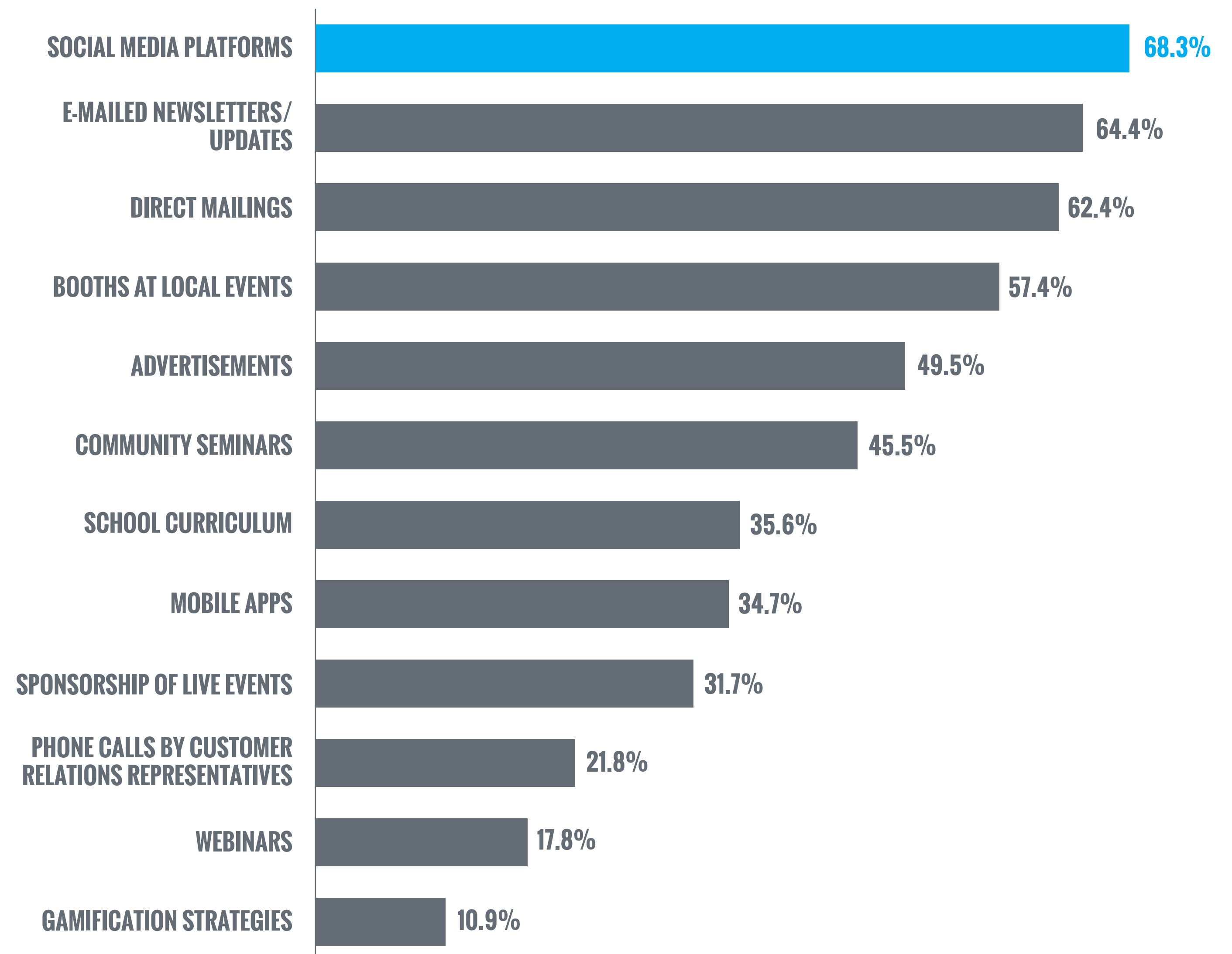
While the 2015 survey showed that the real challenge for industry programs might be awareness creation rather than funding, this might not be the case in 2017. Growing brand recognition of companies like Tesla, as well as the Paris Climate Accord pull-out by the U.S. administration have brought power/utility industry conversations more into the mainstream. But is the industry effectively inserting itself into the conversation? Perhaps not. Part of the reason for this can be gleaned from the responses to questions around the tools the industry is using to educate and engage customers.

In the 2017 survey, there were no clear preferences for the most effective tools for educating customers about programs available. Email/newsletters (64.4%), social media (68.3%) and direct mailing (62.4%) all came in at a high percentage (Q:10). And while these tools are effective at communicating with customers, they are low-touch,

non-personable tactics that unfortunately will not yield the benefits of true customer engagement that more personable tools can provide. For example, a text/visual chat tool and live events offer a high-touch customer service experience, while email is a one-way communication.

About 46% of the respondents skipped the question about customer engagement tools, alluding to many of the respondents not being sure which methods are most effective. This uncertainty was proven out in one of the open-ended responses given to the question of: *The biggest challenge to getting residential customers to save energy.* The response read ‘Customers miss information and behavior opportunities due to auto pay’ and while newsletters and email interaction works for customer one-way messaging, the industry needs to recognize that you can’t educate customers solely by this communication method.

Q10: WHAT ARE THE MOST EFFECTIVE TOOLS IN HELPING YOUR UTILITY EDUCATE RESIDENTIAL CUSTOMERS?

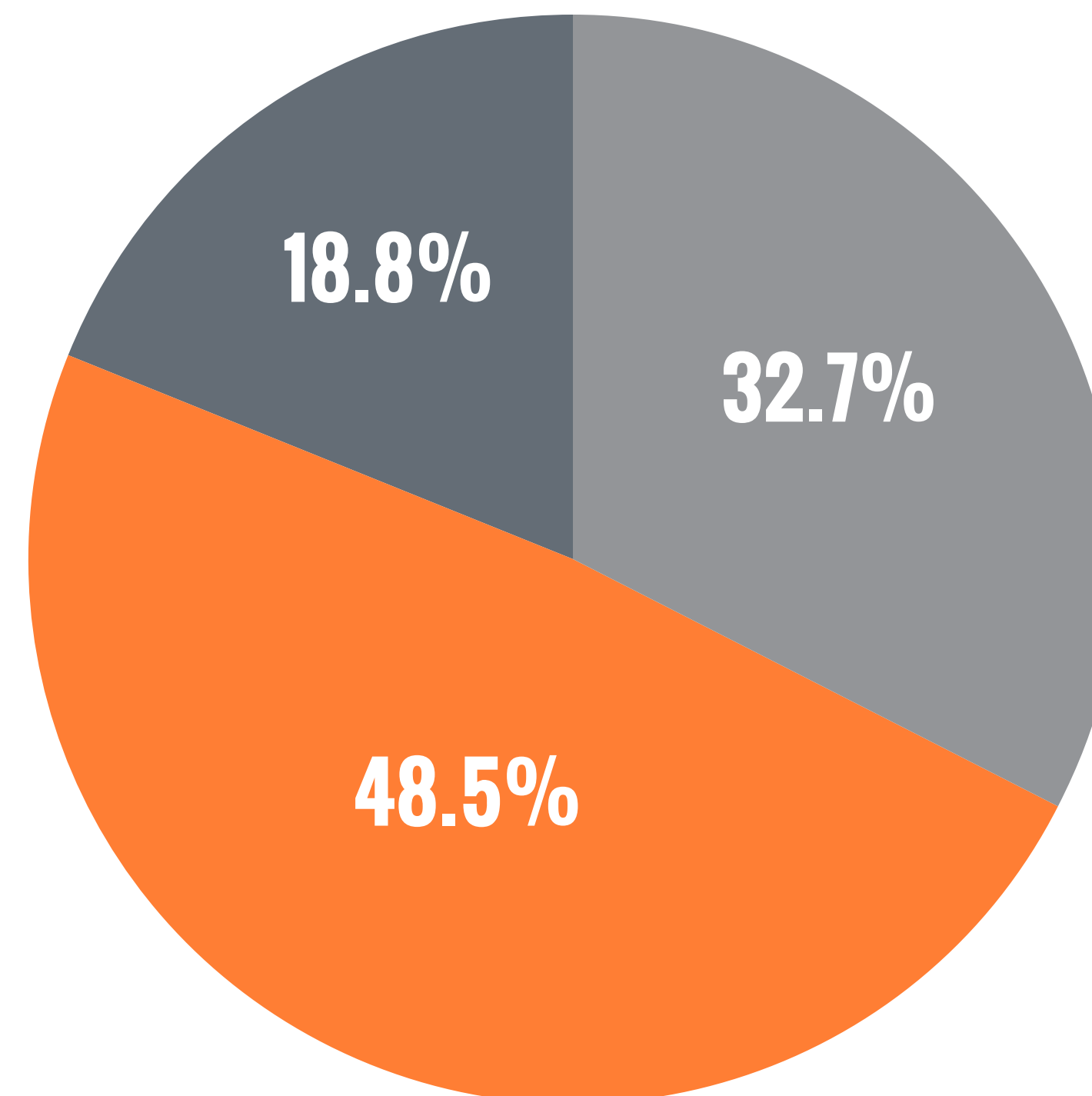


So how does the industry insert itself into the conversation? Along with continuing to utilize emails, newsletters and social media, as well as the important high-touch communication tools, the industry may want to explore mobile phones apps and games.

When asked about the effectiveness of using mobile, the responses were a bit surprising and provided evidence of sub-optimal utilization of the power of mobile phones, apps and games as mechanisms for customer education and creating awareness. In fact, 67.3% of respondents did not know whether their utility uses mobile apps for residential customer education, or responded that their utility has no mobile app (Q:11).

Q11: DOES YOUR UTILITY USE MOBILE APPS FOR RESIDENTIAL CUSTOMER EDUCATION?

■ YES ■ NO ■ I DON'T KNOW

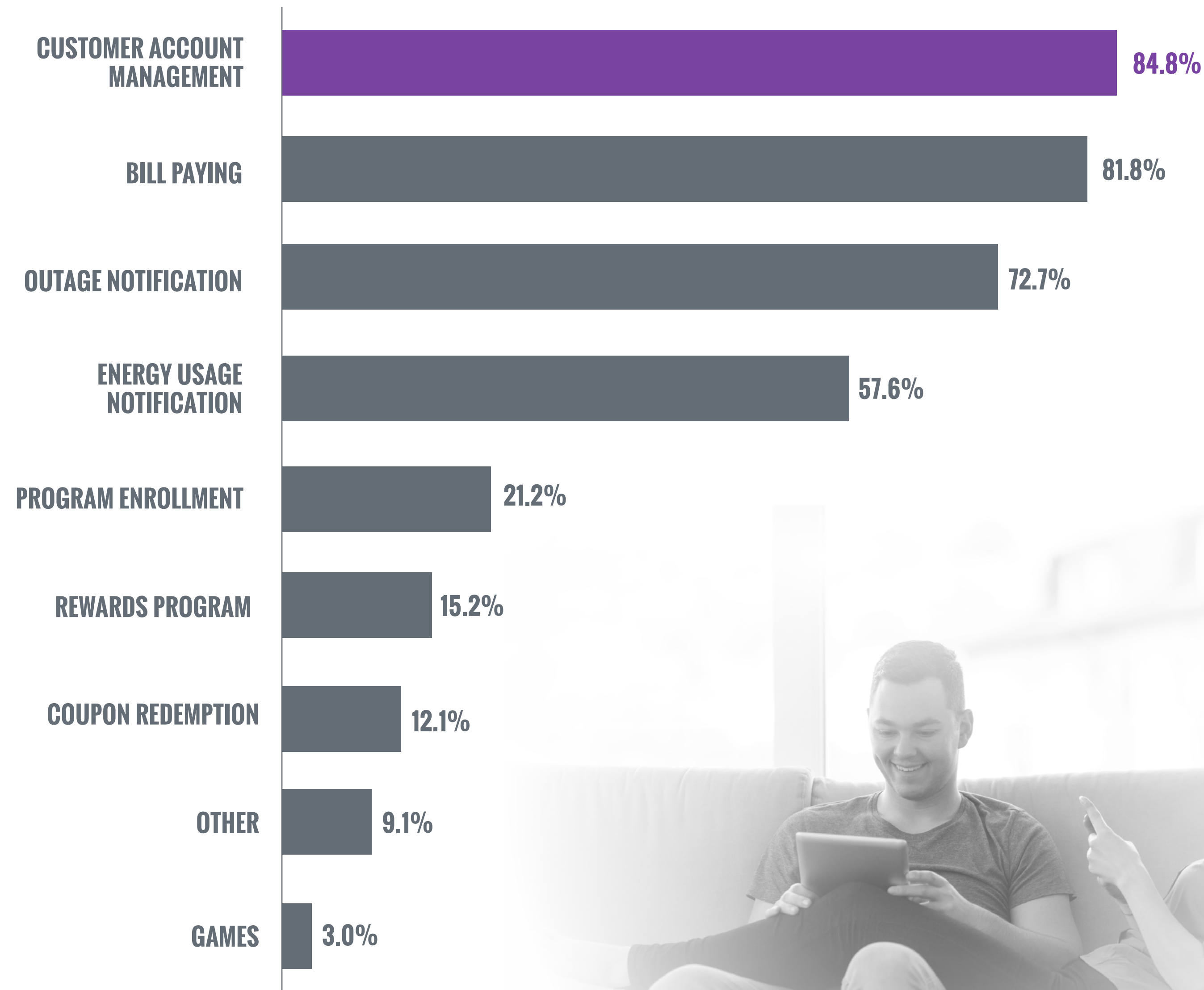


Along with continuing to utilize emails, newsletters and social media, as well as the important high-touch communication tools, the industry may want to explore mobile phones apps and games.

That said, there was a positive indicator of how important the apps are to the small sample of utilities that uses them. Approximately 80% of the respondents indicated that customers use the apps for bill payment and customer account management. While the customers are using bill paying apps, the financial and transactional nature of these apps prevents the development of the customer engagement the utilities seek. Also notable, 72.7% of respondents said that their customers use the outage notification functionality of the mobile app and 57.6% use the utility app for electricity usage notifications (Q:12).

According to the Pew Research Center,³ mobile phone adoption in the U.S. is at 95%, with 77% of the market owning smartphones. For the utility industry to not adapt to this reality is to continue to miss the opportunity to build a relationship with consumers where they are.

Q12: HOW DOES YOUR UTILITY USE MOBILE APPS?



CONCLUSION

In a market where direct competitors have their product offering centered around developing a deep and engaged relationship with their customers, utilities must pay more attention and acquire outside expertise to exceed customers' expectations, or risk losing them altogether. As customer education and service expectations continue to be shifted by other providers, the utilities will have to adjust their thinking to cater to these customers in a world where attention scarcity is becoming even more of a problem.

The suggested approach might be for utilities to borrow best practices from technology and service companies that

have done a great job of providing more personable services to their customers through high-touch customer engagement. With a focus on providing customized high-touch services, the utilities can develop deeper engagement with their customers.

It is imperative that utilities adopt a more customer-centric approach to customer engagement and, unsurprisingly, a good way to do that is through the personalized service that can be provided through mobile engagement. Utilities that fail to increase their pace toward customer-centricity will lose the battle to get customer loyalty, trust and, ultimately, revenue. Unless the

utility industry exponentially ramps up its education and awareness initiatives on mobile, the industry will find itself lagging behind in the race to educate customers about the most central issue in our tech-centric world — electricity and energy usage.

Utilities that fail to increase their pace toward customer-centricity will lose the battle to get customer loyalty, trust and, ultimately, revenue.

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SOURCES

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2 Bloomberg. “Driving Tesla’s Model 3 Changes Everything.” <https://www.bloomberg.com/news/articles/2017-07-31/driving-tesla-s-model-3-changes-everything>

3 Pew Research Center. “Mobile Fact Sheet.” <http://www.pewinternet.org/fact-sheet/mobile/>