

Voice of the customer is getting louder

Customer Experience Series™ –
Utilities (Wave 3)



EY

Building a better
working world

Customer responses to electricity affordability are triggering a change in the industry.

The EY Customer Experience Series™

The EY Customer Experience Series™ has been developed to investigate consumer decision-making in key sectors, focusing on pain-points and opportunities.

Utilities survey:

The survey explored the perceptions and experiences of over 649 electricity retail customers across regional and metro markets in Victoria, New South Wales and Queensland.

The results of the 2014 survey draw upon comparisons with the findings of the same survey 12 months ago, which found that customers were increasingly determined to switch electricity retailers.

As companies juggle mounting infrastructure investment needs, increasing regulatory pressure, and rising energy prices, the relationship with the customer is key to positioning electricity retailers for future success.

Customers today demand far more from electricity retailers. They expect improved experiences, a wider range of services, transparent and competitive pricing and the power to control their own transactions and engage with their retailer.

Electricity retailers must meet these needs, or risk losing out to in-sector competitors or new market entrants from non-traditional sectors.

Our research identified:

- ▶ The reasons why customers are missing electricity payments
- ▶ The key barriers preventing customers from switching electricity retailers
- ▶ A range of customer focused improvement opportunities in payments
- ▶ A strong appetite amongst customers for solar energy



What are customers thinking?



Key findings:

How will price increases affect me?

Nearly one in three Australians have missed an electricity bill payment in the past 12 months

Should I shop around?

20% of potential switchers are not making the change because 'it's too difficult'

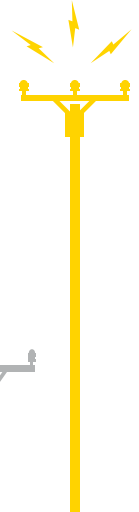
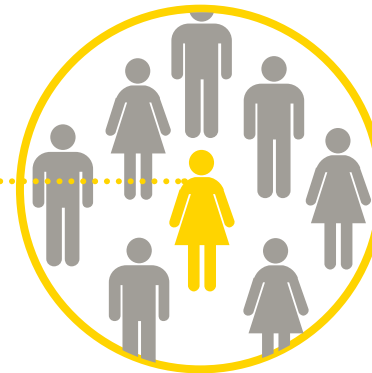
How can I manage my bills?

Customers would be more likely to pay their bills on time with discount incentives (55%), access to real time online usage information (44%), and monthly billing (30%)

Is there an alternative?

90% of Australians have, or would consider including, solar in their home energy mix

1 in **8** Australians missed an electricity payment because they couldn't afford it.



Financial strain remains the top stressor for Australians, with electricity bills a key contributor.

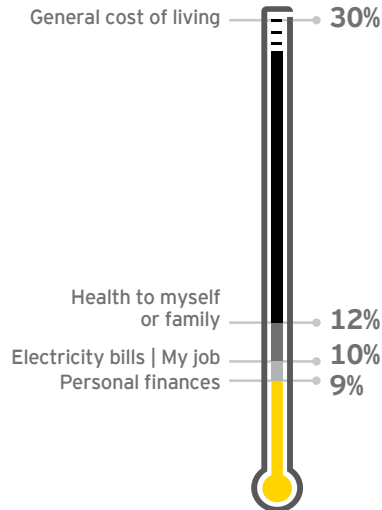
Nearly one in three Australians have missed a payment on an electricity bill in the past 12 months, while more than one in ten have missed more than three payments.

The proportion of customers often or occasionally worried about being able to pay their electricity bill has remained consistently high at 70% since EY last undertook the survey in 2013.

These findings highlight the extent to which rising electricity prices are contributing to hardship for Australians, with 'unable to afford bill payment' the single biggest reason for not paying (60%). Notably, one in ten respondents said energy bills are their top 'stressor'.

Note: full data relating to reasons customers have missed electricity bills is provided on page 9.

What is causing you the most stress at the moment?



Helping customers to manage their electricity usage and payments can build trusted relationships and a competitive advantage.

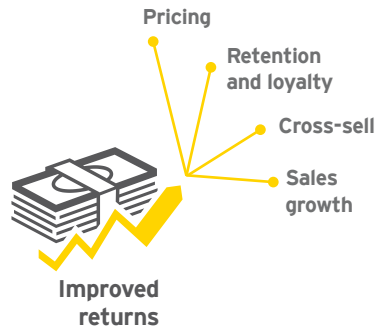
It is increasingly important for electricity retailers to help customers control their costs

Historically, competition between electricity retailers has focused on the usage price of electricity, without focusing on the volume consumed.

Electricity retailers are starting to move away from this approach by offering customer propositions that rethink a pure focus on price, and by helping them to conserve electricity in order to build loyalty and long term profit.

This approach is being enabled by new technologies, such as customer information portals, that allow customers to monitor and control their electricity use and manage bill shock.

Trusted customer relationships are a competitive advantage for electricity retailers



50% of customers are willing to pay more for better service

55% of customers pay a premium for a product or service from a company they trust

68% of customers will sever a relationship due to poor treatment by staff

77% of customers refuse to buy a product or service from a distrusted company

84% vs. 30% (retention)
Companies that create functional and emotional bonds have higher retention

82% vs. 16% (cross-sell)
Companies that create functional and emotional bonds have greater cross-selling ratios

High service-quality companies average **12%** return on spend and grow **6%** per year

One in three Australians have switched electricity retailers, with bill shock and direct marketing the key drivers for change.

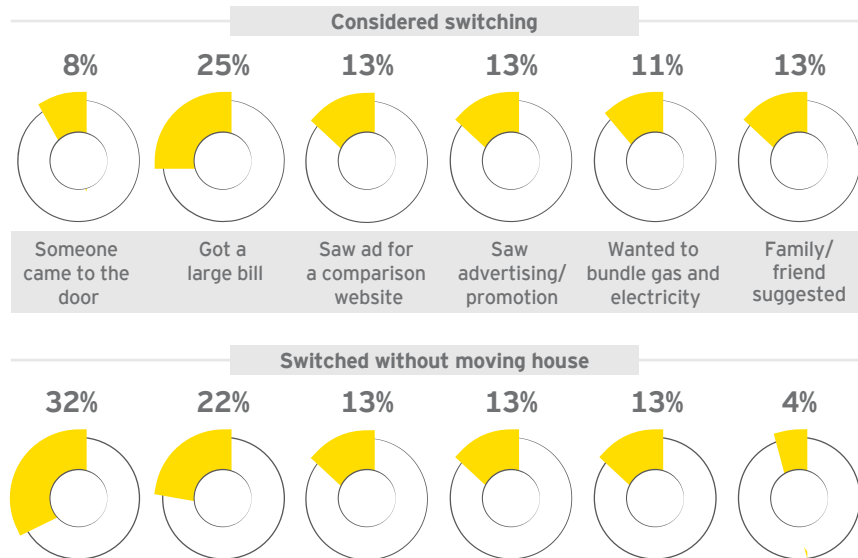
One in three Australians have switched energy retailers. Apart from passive switching associated with moving house, the main reasons were a visit from a door-to-door salesperson – 32%, (which over time has dropped from 41% in 2013).

The shock from receiving a large bill from an existing provider remains the main trigger for considering changing an electricity supplier (25%).

Information on comparison websites, adverts and promotions are equally influential in causing customers to switch retailers (13%).

13% of customers switched because they wanted to bundle their gas and electricity, indicating a competitive advantage for dual fuel retailers.

Customer switching behaviour

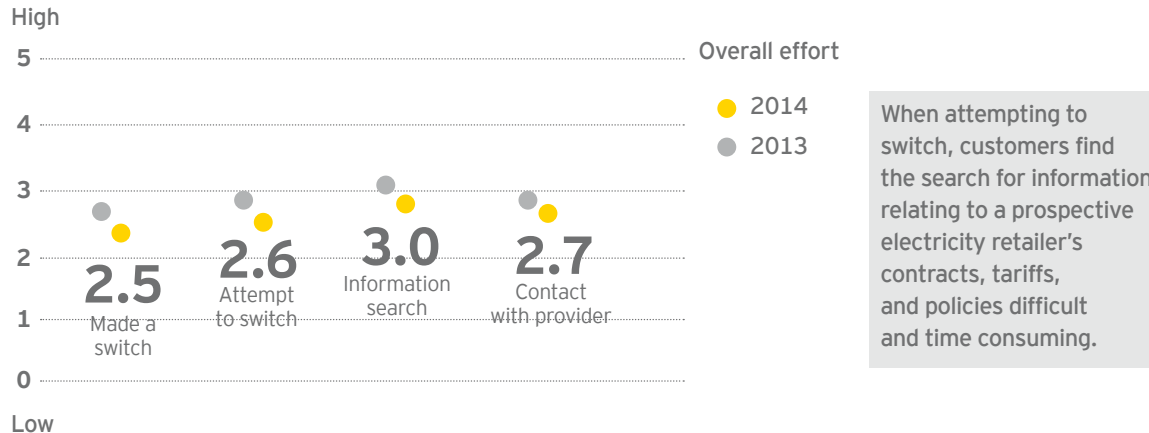


Note: these figures do not account for customers who switched due to moving house, which accounts for 10% of total switching volumes

Customers continue to find switching difficult – as a result, many fail to complete the switching process.

Electricity retailers have made some improvements to each step of the switching journey across channels compared to the results we saw last year. However, customers continue to find the process of switching to a new electricity retailer difficult.

Customer effort across the switching journey*



*Based upon a scale of 0 to 5 indicating high customer effort.

Retailers need to offer, and clearly communicate compelling propositions through the switching journey.

Our research indicates that electricity retailers may be missing opportunities to acquire new customers due to the levels of complexity and customer effort associated with the switching process.

Retailers need to offer and clearly communicate compelling customer propositions through the switching journey.

This involves an easy to understand introduction to the “service” which provides the details of the contract, an overview of the switching process, the benefits and a choice of options.

A strong switching proposition meets customer needs through:

- ▶ Flexibility to meet the customer’s individual contact preferences
- ▶ Putting the customer at ease due to the transparency of the process they are about to undertake and all incentives and discounts available to them
- ▶ Taking a personal and understanding approach





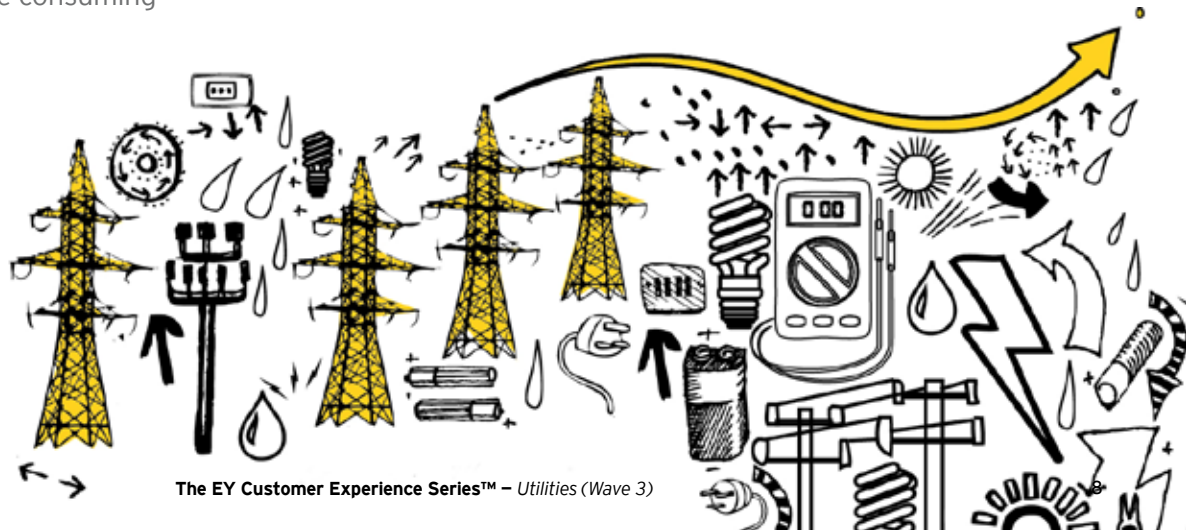
When attempting to switch, customers find the search for information relating to a prospective electricity retailer's contracts, tariffs, and policies difficult and time consuming

48%

Searched for information on the switching process

42%

Stopped there – that was the end of the process

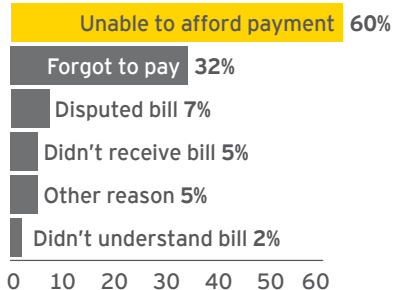


One in eight Australians missed an electricity payment because they couldn't afford it.

71% of households pay their bills manually (only 29% on direct debit), with the majority (80%) paying quarterly.

Over the last 12 months, 22% of Australians paid their electricity bill late.

Reasons for not paying on time



The most common reason for not paying on time was due to an inability to afford the payment (60%). This was significantly more likely to be those located in regional areas (78% vs. 49% in metropolitan areas).

The second highest reason was due to a forgotten bill (which conversely was more likely to be those located in metropolitan areas (39% vs. 21% regional).

Payments are one of the key interaction points between retailers and customers, with half of all communications for energy retailers relating to payments. Payments can also be a major pain-point for customers, causing a significant proportion of complaints.

Providing a lower effort and innovative payment experience represents an opportunity to rebuild this relationship and differentiate from competitors through:

- ▶ **Retention and acquisition** – retailers can gain a first mover advantage by offering the most innovative or convenient payment methods
- ▶ **Cost to serve** – retailers can redesign payment processes to minimise customer effort and eliminate inbound calls
- ▶ **Debt** – retailers can optimise the smart-meter prepay experience to reduce customer debt

Which of the following services would positively impact the timely payment of your bills?

65%

Ability to select billing date

71%

Receiving SMS billing reminders

Simple reminders can be an effective way to prompt payment, especially if the payment is being made via mobile, which is increasingly the case

61%

Customers on a monthly billing cycle

78%

Discount for paying on time

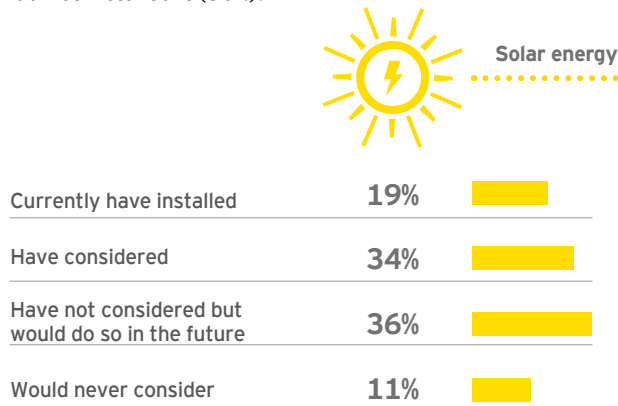
The telecommunications industry is revolutionising the level of control and transparency in mobile phone payments. New initiatives make it easier to pay, monitor and manage usage, with auto-top-up, online management, alerts when running low, SMS when topped up, a mobile app which provides usage, and preferences that are easy to tailor.

Some electricity retailers are differentiating themselves by paying interest to customers on any balance in credit, and responding to frustrations with fixed monthly payments by offering flexible direct debit

Nine in ten Australians have, or would consider switching to solar energy.

Nine in ten Australians say they have, or would consider, switching to solar energy. Actual uptake of solar photovoltaic (PV) has soared from about 1,000 installations/year a decade ago to nearly 200,000 last year, with 1.2 million installed across Australia since 2001.

For survey respondents, saving money was the key driver (70%) for those who had already installed solar, while the cost of installation was the main reason people who considered solar had not installed it (50%).



50%

Considered solar but didn't install due to the cost of installation

70%

Installed solar to save money

90%

Of Australians have, or would consider switching, to solar

“I can see myself switching to solar, but right now it just costs too much to set up.”

Voice of the customer is getting louder.

Actions electricity retailers can take to drive value from better customer relationships:

- ▶ Continue to address all elements of the switching experience to make it easier for customers.
- ▶ Evaluate and (re)define your value offering to customers. How is it aligned to your customers' needs?
- ▶ Consider how you are enabling your customers to better manage and control their energy use – develop the systems and tools to meet their needs.
- ▶ Develop flexible, innovative and transparent billing and payment systems that work for your customers and you.
- ▶ Communicate a clear and compelling value proposition to customers.

Customers will increasingly determine the success of electricity retailers – do you have the right customer relationships to drive value for your business?



Contacts

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