

How Customer Intelligence is Energizing the Utilities Industry



This e-book spotlights all the benefits of customer analytics for utility providers. From reducing churn and enhancing your image to finding the most valuable manner to combine operational efficiency with customer experience: you will find out how other providers use customer analytics to evolve from mass marketing campaigns towards delivering the right offer to the right customers at the right time. We want to show you how you can grow revenue through a better customer experience.

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1. Overcoming inward-looking dynamics

The reason for this is – or rather was – lack of data. The **available information used to be limited** to contact- and billing information and (mostly) manually obtained usage metrics. More than 38 % of participants in a survey by the Utility Analytics Institute (UAI) indicated that they missed the data to accomplish robust customer analytics initiatives.³ But in this big data-driven era, the amount of accessible information has multiplied vastly, especially since the development of the Internet of Things (IoT) – smart meter data in particular – and the rapid growth in digital channels. And let's not forget the – often unstructured, but very rich – external data, coming from social media, weather or traffic monitoring systems or even demographics. This huge potential in available data, however, needs analytics to be put to good use, backed by an automation engine that knows how to react to the insights delivered.



What is big data?

Big data is characterised by a **massive volume** of data in many **different formats** (structured, numerical data in traditional databases as well as unstructured data coming from email, social media, call centre logs, etc.) which **grows and evolves at a spectacular rate** and ought to be analysed and acted on accordingly. These are actually the three Vs of big data, as defined by industry analyst Doug Lane: volume, variety and velocity.

At SAS, we also consider two additional dimensions when thinking about big data: **variability** – because data flows can be highly inconsistent with periodic peaks – and **complexity**, because it's a gigantic undertaking to link, match, cleanse and transform data across systems when working with multiple sources.

³ Customer Analytics Report. Utility Analytics Institute. 2014



2. How analytics fuel customer relations

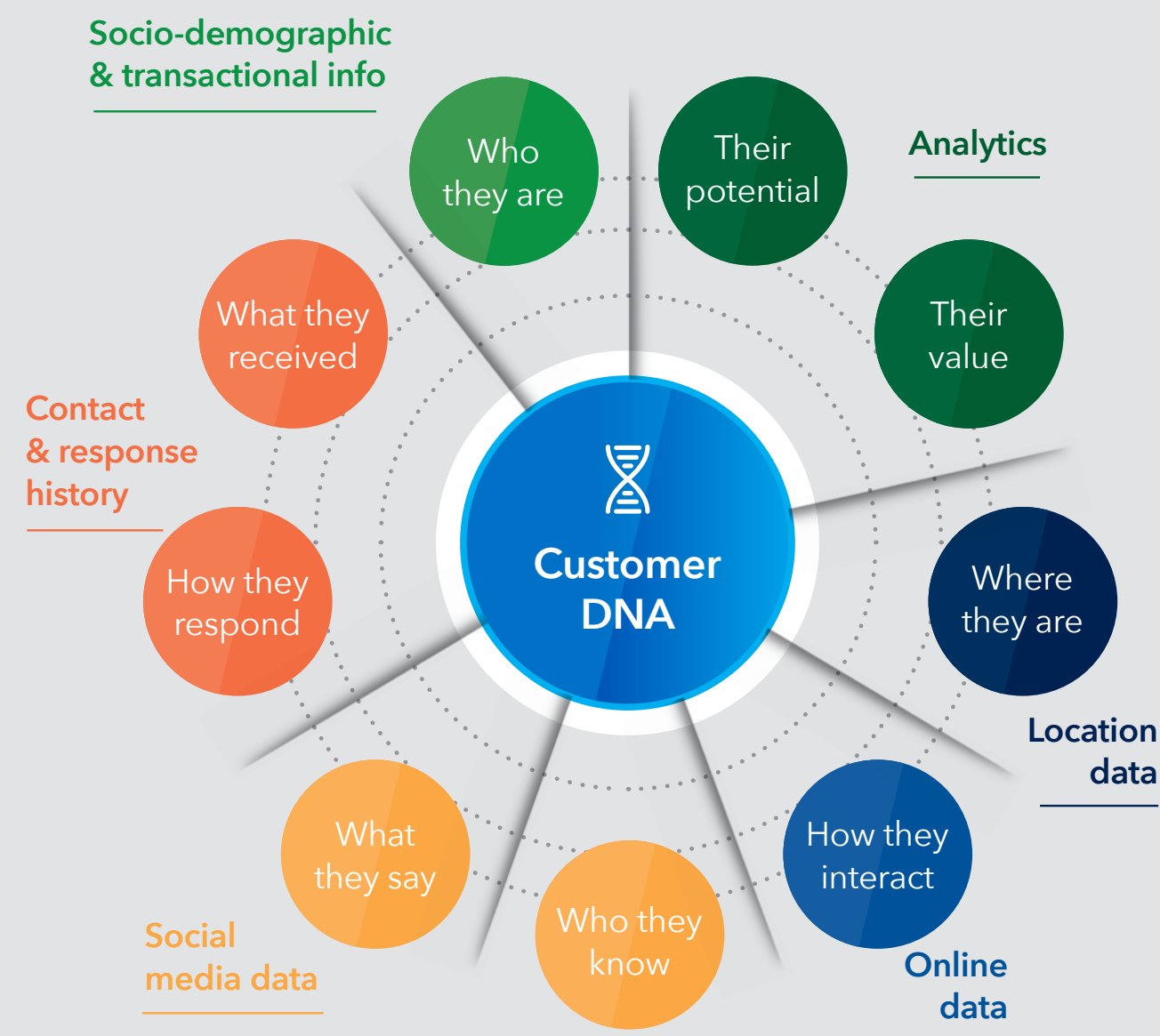
2. How analytics fuel customer relations

The utilities industry is one of the most advanced in managing operational efficiency. This enhanced focus on performance unfortunately tends to come to the detriment of the customer experience. **Yet it is just when both are combined that things become really interesting.** A powerful CI strategy has to move beyond pure marketing and sales. It ought to be about a holistic management of the customer relationship, with as much focus on the customer as on your own resources and processes. It is about striking a perfect balance between the two and the source of this transformation will be information.

A lot of utilities players have surprisingly little interaction with their customers, except for the monthly bill, collecting timely payment and perhaps some self-service functionalities on their online channels. If there is any communication, it tends to be one of the most basic forms of mass marketing, using a very broad customer segmentation, little tailoring and a mostly outbound approach. The result is that customers mostly communicate with utilities when things go wrong – faulty billing or supply problems for example – which obviously has a negative impact on how they perceive and trust them.

The good news is that today, utilities have so much customer information available that they can create a very detailed 360° view of them. They can move beyond presenting customers with random offers and offer them deeply personalised advice on how to save energy or water with for instance, the purchase of a smart reader. When a disgruntled customer calls them, they could proactively communicate about what ails him/her, having all the historical contact, billing and usage information about him or her on the screen during the conversation.

It goes without saying, that the more data is analysed, the deeper the insights into the customer DNA become:



A true data-driven customer approach offers companies a lot of advantages, too many to sum up individually. We will discuss those that attack the biggest challenges to the utilities industry, but for a broader view of all the problems that CI can cure, check our e-book [Customer Intelligence in the Era of Data-driven Marketing](#).

Recognizing customers across channels

The current proliferation of channels – online, mobile (which is actually more than one channel), social media or brick & mortar – is both a blessing and a curse. It is a curse for those who are not merging, comparing, filtering and analysing the data from the different contact points. Customers become very annoyed when they are not recognized as one and the same person across the channels. But for those companies that are able to recognize them down to a very granular level, and fast – even in real time – the advantages are legion.

Better campaign management ROI

Customer Intelligence solutions will **optimize the ROI of your campaign management** through better segmentation, for one, while offering a more consistent, personal and timely approach to your customers: it allows you to connect the right offer to the right customers, through the most effective channels. This has great potential for reducing marketing fatigue and increasing customer acceptance. Even better, thanks to the SAS CI

solutions, Endesa managed a 70% reduction in the time required to design new campaigns and generate a target customer list.⁴

Information-as-a-Service

One of the most valuable ways to enhance the customer experience is to leverage smart meter data to offer tailored **‘Information-as-a-Service’**. Utilities could communicate detailed feedback to customers about their usage patterns: how these compare to similar users as them, which could, in turn, drive personalised customer-centric offerings and pricing programs. Or they could advise about how they can reduce their energy footprint by postponing certain actions so they can take place at more profitable times of day. Or utility companies would be able to immediately find and solve water leaks in the infrastructure of customers with the use of sensors and proactively contact them before they uncover the problem themselves, probably only after a lot of damage and water loss. Or better still, they could use predictive maintenance analytics, and warn their customers before the water damage or energy outage is done.

The great thing is that the benefits of this feedback loop fly both ways: the customer is satisfied because of the tailored and effective advice vis-à-vis the utilities provider as a trusted advisor, giving him a better image. At the same time, the utilities can manage peak loads better, use more generated than purchased energy and reduce CO2 footprints.

⁴ Big data BlackOut: Are Utilities Powering Up Their Data Analytics? By Capgemini Consulting

Reducing churn

More trust and a more personalised customer experience will change customer retention for the better. But a great CI program goes further than that. It also investigates sequences of actions of customers who indicate they might be thinking of migrating to the competition: like them clicking on contract terminating terms on your website, after making unsuccessful query attempts via customer services. This insight would allow you to counter this event proactively by contacting them by phone to inquire about their dissatisfaction or by informing them about a tailored usage and billing program. [EDF Energy, for instance, is using SAS](#) to analyse its customer base and **evaluate the propensity of individuals to defect**, using the insights gained to implement highly successful marketing strategies targeted at reducing churn. Even for those customers who have left, CI can offer a solution. [With SAS® Marketing Automation EDP España](#) achieved a customer recovery rate of more than 80 per cent, electricity customer loyalty of 95 percent and 80 per cent loyalty among gas customers.

Drive down service costs

By combining the best of both human and digital service, Customer Intelligence goes the extra mile, managing each customer relationship more effectively and in an automated manner. The former **drives down the cost of service** as well, which is essential in a narrow-margin business on a customer-by-customer basis, and allows one to generate more revenue.

Understanding customer lifetime value

Customer analytics is essential for understanding the value of each customer and optimizing marketing spend. The truth is that not all customers are equally profitable. For some low spenders it makes absolutely no sense to put time, effort and money into keeping them. But, for others, with a similar profile, it does because they are, for instance, important influencers. That is why the best solutions not only take the behaviour and needs of customers into account, but the context too: What their impact is on the company revenue AND on the brand image. Let's say, for instance, that a low energy consumer is complaining to his 20K followers on Twitter about the service of his energy provider, contacting him personally to find out how he can be helped would be a must. Only with deep big data driven CI insights and, for instance, social media listening tools, can the most intelligent decisions be made.

A European energy provider, for instance, uses SAS to explore customer lifetime value, analysing cost of acquisition, how much electricity a customer has used previously, and so on. Consequently, **SAS provides it with higher value and more profitable customers**, thus increasing the value of its customer base as a whole, while also helping reduce debt.



3. Three essential characteristics of CI solutions

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There are many Customer Intelligence solutions on the market, but not all of them are created equal. Here are three characteristics that utility providers need to consider regarding customer analytics:

1

They have to be integrated into a powerful ecosystem.

2

They should be part of a self-learning system.

3

And they need to be approachable for business users.

An ecosystem

Customer Intelligence is not about one magical solution that will allow a full 360° view of the customer while automating responses to his or her behaviour in real time. Effective analytics are always part of a centralized and fully connected platform, which includes these key ingredients:

1. A **customer-focused repository that gathers data** from all possible platforms, both internally and externally
2. An **analytics core** with the data quality and analytics tools to transform that data into insight
3. **Automation tools** that incorporate that insight into marketing campaigns and other business decisions, integrated with your key operational channels

⁵ Customer Analytics Report. Utility Analytics Institute. 2014

Self-learning

The best CI analytics ecosystems are those that keep learning and adapting as they keep analysing and re-evaluating customer reactions to their own automated responses. As time goes by, they **become smarter, more correct and more efficient.**

Approachable

24 percent of utilities cite the lack of necessary skills and staff as the top challenge for their customer analytics initiatives.⁵ That is why analytics platforms have to offer self-service capabilities to business users. However intelligent solutions may be, if it can only be handled by a team of data scientists, they will never live up to their potential. That is because the value of information today is as much about treatment speed as it is about content. If each insight needs to be created by statisticians it might be obsolete when it reaches the business owner who needs it. Approachable and actionable analytics allow business users to perform self-service ad hoc queries and **make an informed decision based on (near) real-time information.**



4. A step-by-step roadmap

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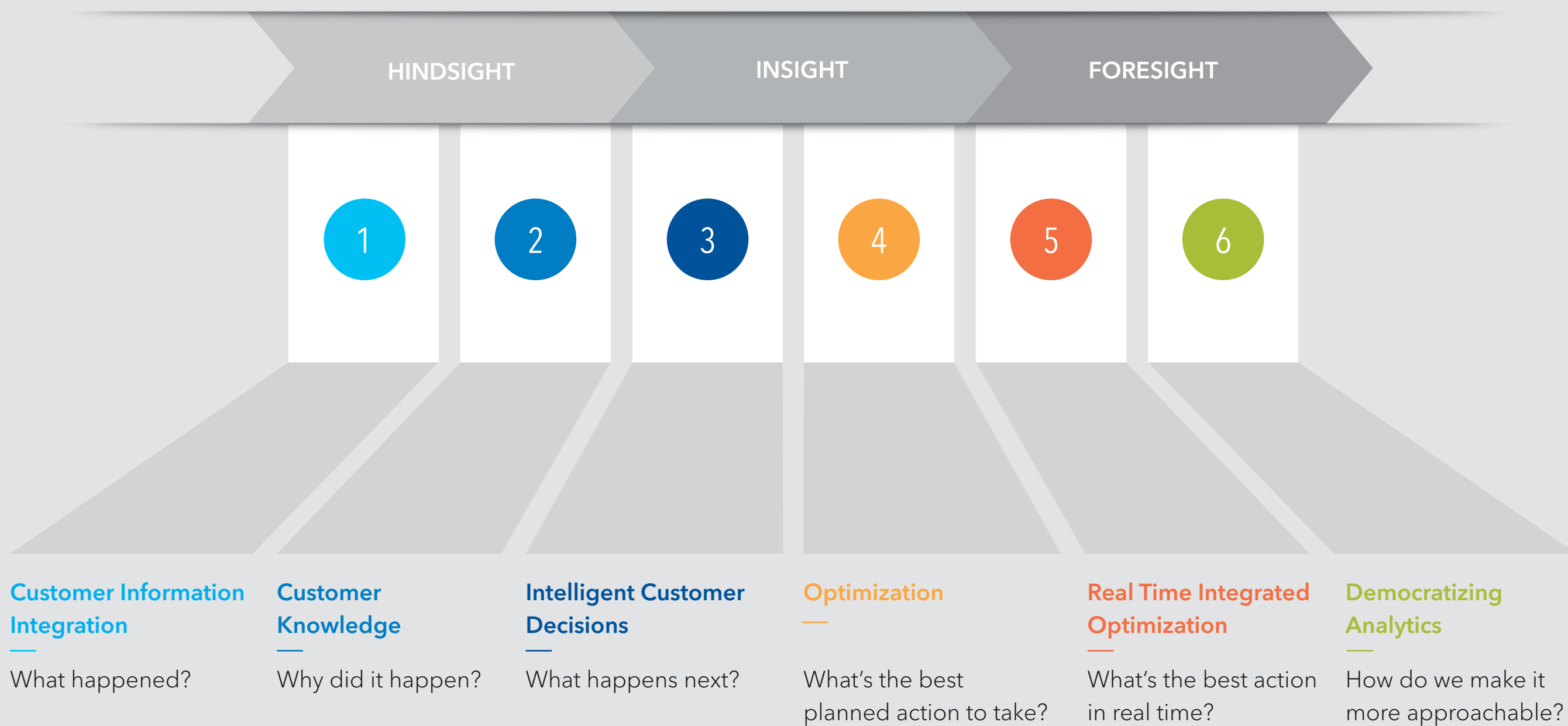
Ideally, a CI strategy should be a step-by-step and carefully planned journey. It is important to treat the gap – between a mass marketing approach and a full 360° customer view with real-time interactions – in a realistic manner. Start with small steps first. It is not always necessary to launch yourself with large big data projects focused on smart metering.

A good CI kick-off project might be to manage and analyse basic profile, property and usage information from customers in order to test which offer works best with which segment. After a while, you could go beyond automating the delivery of the right offer to the right person and manage their responses automatically. A logical next step might then be to start broadening the data sources to include more interaction data, or even smart metering data.

The more customer information and the better it is analysed, the **more mature customer analytics** become and thus the more value that they will yield. Customer analytics maturity evolves from hindsight to insight until it grows into actual foresight, which is the most advanced and efficient form of customer interaction.



How customer analytics maturity evolves:



Find out more about SAS Customer Intelligence at
www.sas.com/customerintelligence
and on [our dedicated blog platform](#).

