

EcoPinion Consumer Survey No. 19 The Conflicted Consumer Landscape in the Utility Sector

May 2014



Overview

Utilities are increasingly seeing customers as core to their business model on a going forward basis in order to mitigate risks, earn revenue, or as a means to optimize assets. In addition, the deployment of smart grid is leading to questions about the customer-facing benefits and choices that can be leveraged from that investment.

Yet, what do customers truly want from their utility, especially in regard to new choices and options for bill pay, channels, tools, and other facets of an improved offering and customer experience?

DEFG commissioned a national survey of utility customers to glean more insights on what utility customers may value from their utility.

The top line findings from EcoPinion No. 19 show a conflicted consumer landscape in terms of customer expectations. On one hand, the majority of customers feel that their utility is providing enough choices and amounts of information, and generally, that the utility's customer service is good. On the other hand, there is a band of consumers who feel strongly that they would choose a different energy provider if they could. So, one could argue that there may be a disconnect between customer service and the overall customer experience or perception of the utility, thus low or weak customer loyalty.

The challenge for utilities is therefore twofold: 1) Address the majority of consumers as part of an overall customer strategy that results in deeper engagement; and 2) Address specifically the needs and concerns of a subset of consumers in order to increase overall customer satisfaction.

Methodology

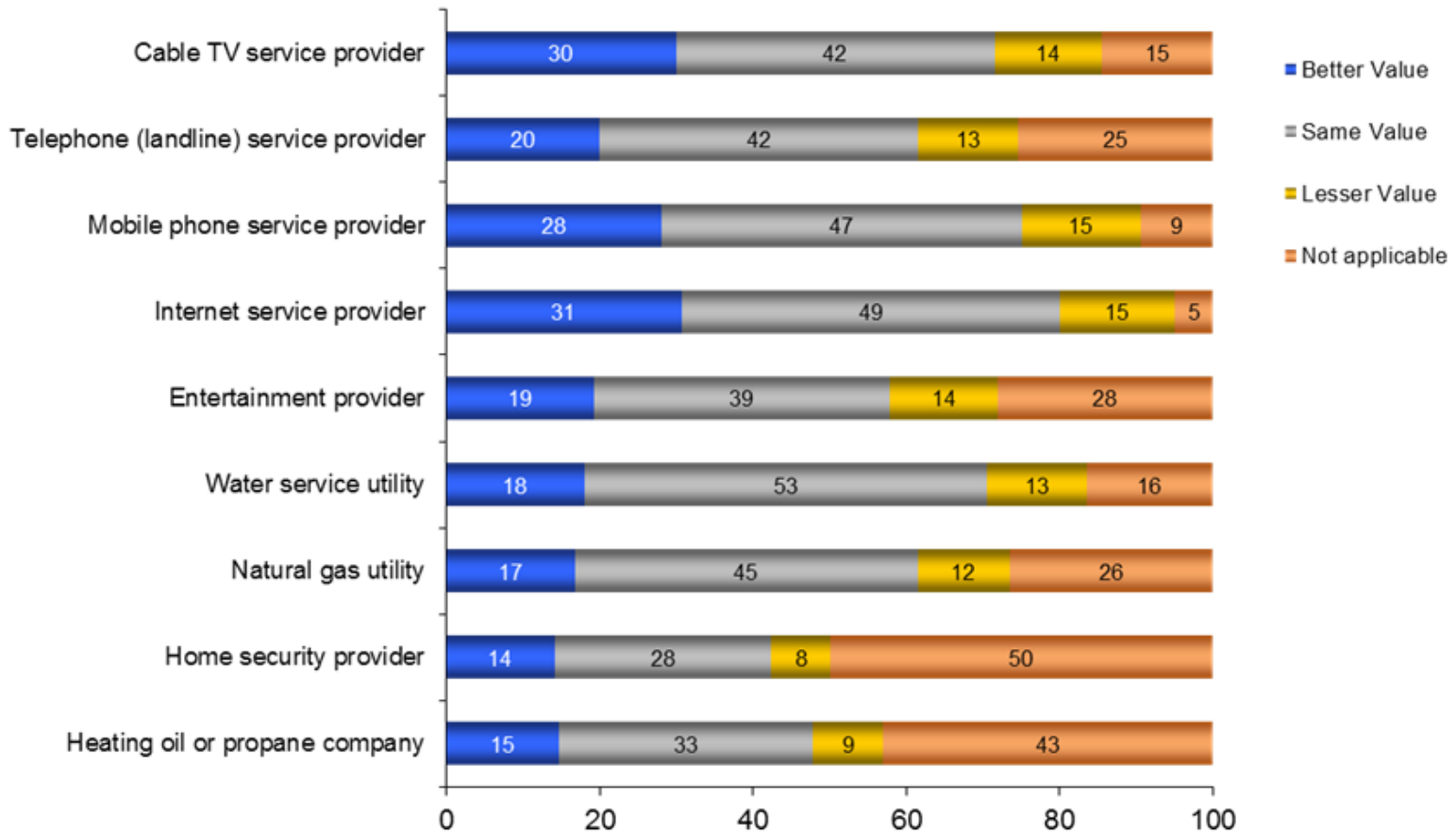
- The Russell Omnibus was conducted via the internet among 1,033 adults 18 years of age or older from May 2-4, 2014. Figures for gender, age, and geography were weighted where necessary to match their actual proportions in the population.
- In theory, with probability samples of this size, one could say with 95 percent certainty that the results have a statistical precision of plus or minus 3.1 percentage points of what they would be if the entire adult population had been polled with complete accuracy. Unfortunately, there are several other possible sources of error in all polls or surveys that are probably more serious than theoretical calculations of sampling error. They include refusals to be interviewed (non-response), question wording and question order, and weighting. It is impossible to quantify the errors that may result from these factors. This online survey is not a probability sample.
- **These statements conform to the principles of disclosure of the National Council on Public Polls.**
- **The statistical significance of a result in this survey is the probability that the observed relationship (e.g., between variables) or a difference (e.g., between means) in a sample occurred by pure chance, and that in the population from which the sample was drawn, no such relationship or differences exist.** Using less technical terms, one could say that the statistical significance of a result tells us something about the degree to which the result is "true". More technically, the value of the p-value represents a decreasing index of the reliability of a result. The higher the p-value, the less we can believe that the observed relation between variables in the sample is a reliable indicator of the relation between the respective variables in the population. Specifically, the p-value represents the probability of error that is involved in accepting our observed result as valid, that is, as "representative of the population." For example, a p-value of .05 (i.e., 1/20) indicates that there is a 5% probability that the relation between the variables found in our sample is a "fluke."
- The following statistical notations are used throughout the report:
 = Indicates figure is significantly higher than the other sub-group at a 95% confidence level (i.e. p-value of .05 or less).

Conflicted Consumer Landscape in the Utility Sector



Approximately three out of ten consumers consider the value they get from their electric utility to be better than what they get from Internet, cable or mobile phone service providers

Comparison on Value of Electric Utility Provider to Providers of Other Services/Industries (Total)



Q.1: Do you think your electric utility currently provides you with a better value, about the same value or a lesser value than the service providers and industries listed?

Two years ago, DEFG found that electric utilities compare well to other providers with regard to the “ease of doing business”

Utilities Compare Well to Other Providers Except Local Banks

	<u>Total)</u> (1,000) %	<u>Male</u> (491) %	<u>Female</u> (509) %	<u>18-54</u> (717) %	<u>55+</u> (283) %	<u>Own</u> (522) %	<u>Rent</u> (397) %
Total Respondents							
Local bank	44	39	48	39	56	47	40
Electric utility	29	29	30	29	31	31	29
Water utility	26	28	23	28	21	26	26
Insurance company	25	22	28	23	29	26	22
Internet provider	21	22	20	24	15	21	22
Phone company	20	21	19	21	18	16	24
Gas utility	19	21	17	19	17	20	18
Cable company	16	18	15	17	14	14	18

Q.3: How would you compare the ease of doing business with your local electric utility to other service providers listed below? (Rank order.)

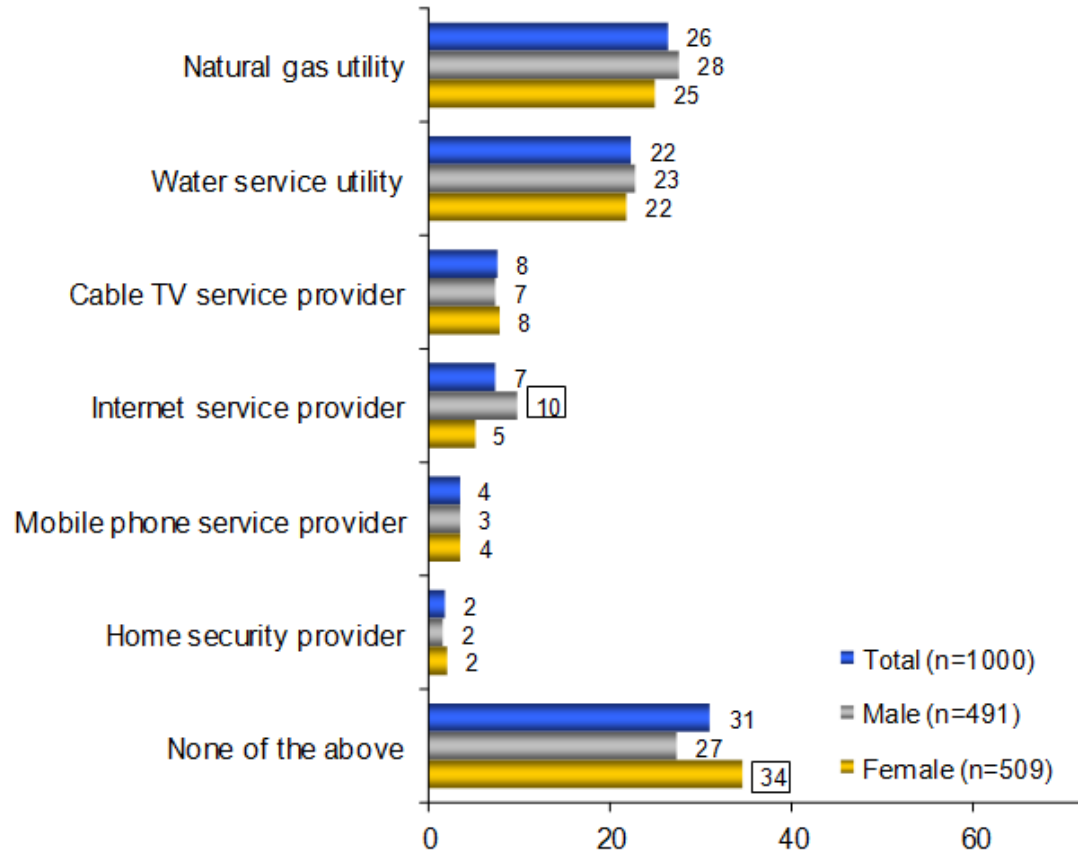
Source: Wimberly, J. (2012, May). *Ease of Doing Business with the Local Electric Utility*. EcoPinion Consumer Survey Report 15, presentation. Washington, DC: Distributed Energy Financial Group LLC. <http://defgllc.com/publication/ease-of-doing-business-with-the-local-electric-utility/>

Conflicted Consumer Landscape in the Utility Sector



Consumers would bundle the electric bill with the natural gas (26%) or water bill (22%), but fewer than 10% showed interest in bundling it with cable TV, internet, mobile phone or home security

What Other Service Provider Would You Like to See the Monthly Electric/Natural Gas Bill Combined With?



Q.2: If you could have your electric or natural gas bill combined with another monthly bill, which of the following would you want your monthly bill bundled with?

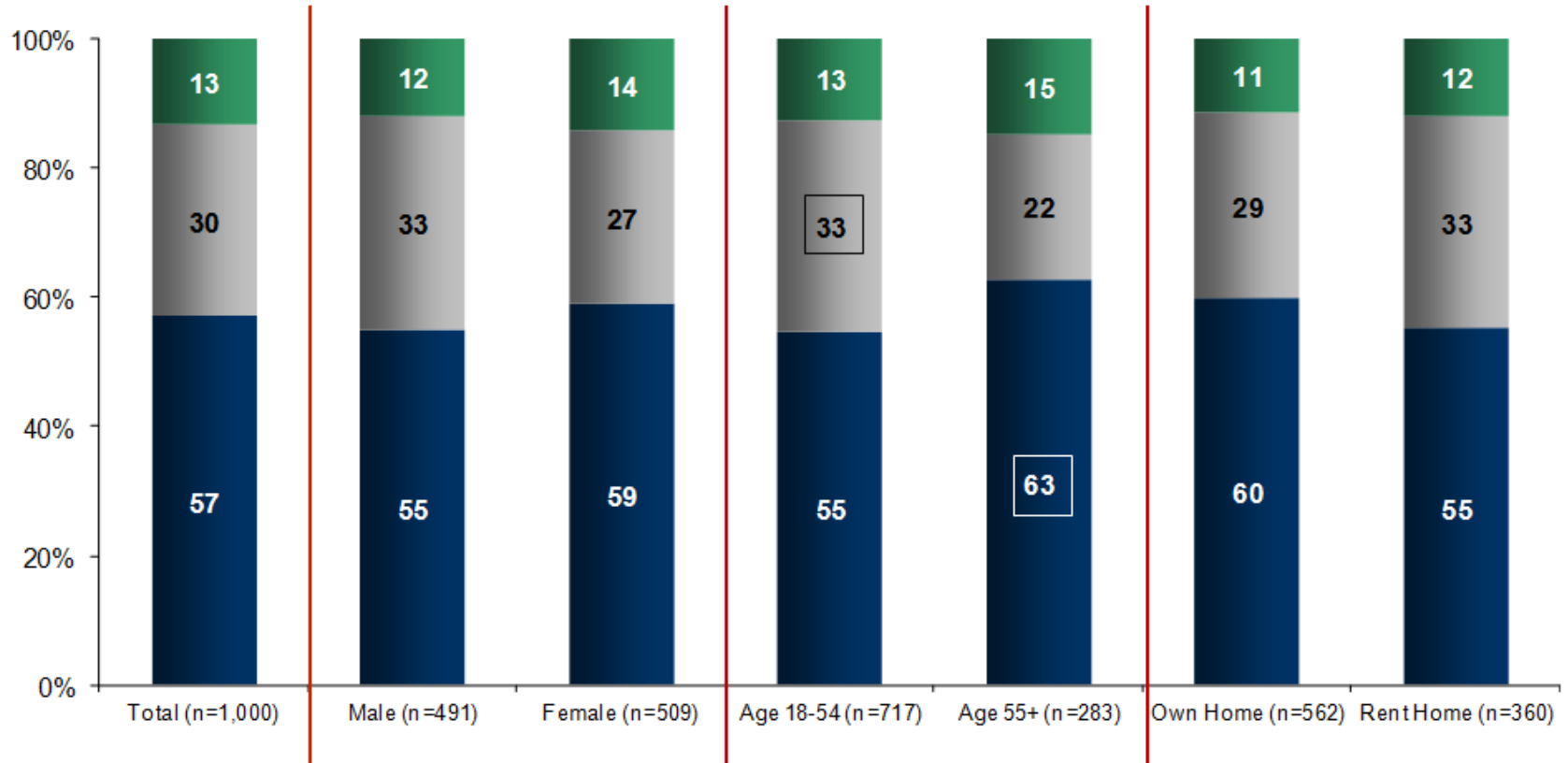
Conflicted Consumer Landscape in the Utility Sector



More than half of consumers feel that their utility provides them with adequate choices; older customers are more likely to say this

Are Adequate Choices on How to Manage Electricity Usage and/or Monthly Bill Being Provided?

■ Electric utility provides adequate choices ■ Electric utility does not provides adequate choices ■ Don't know/rather not answer



Q.3: Do you believe that your electric utility provides an adequate number of choices to you about how to manage your electricity usage or manage your monthly electric bill?

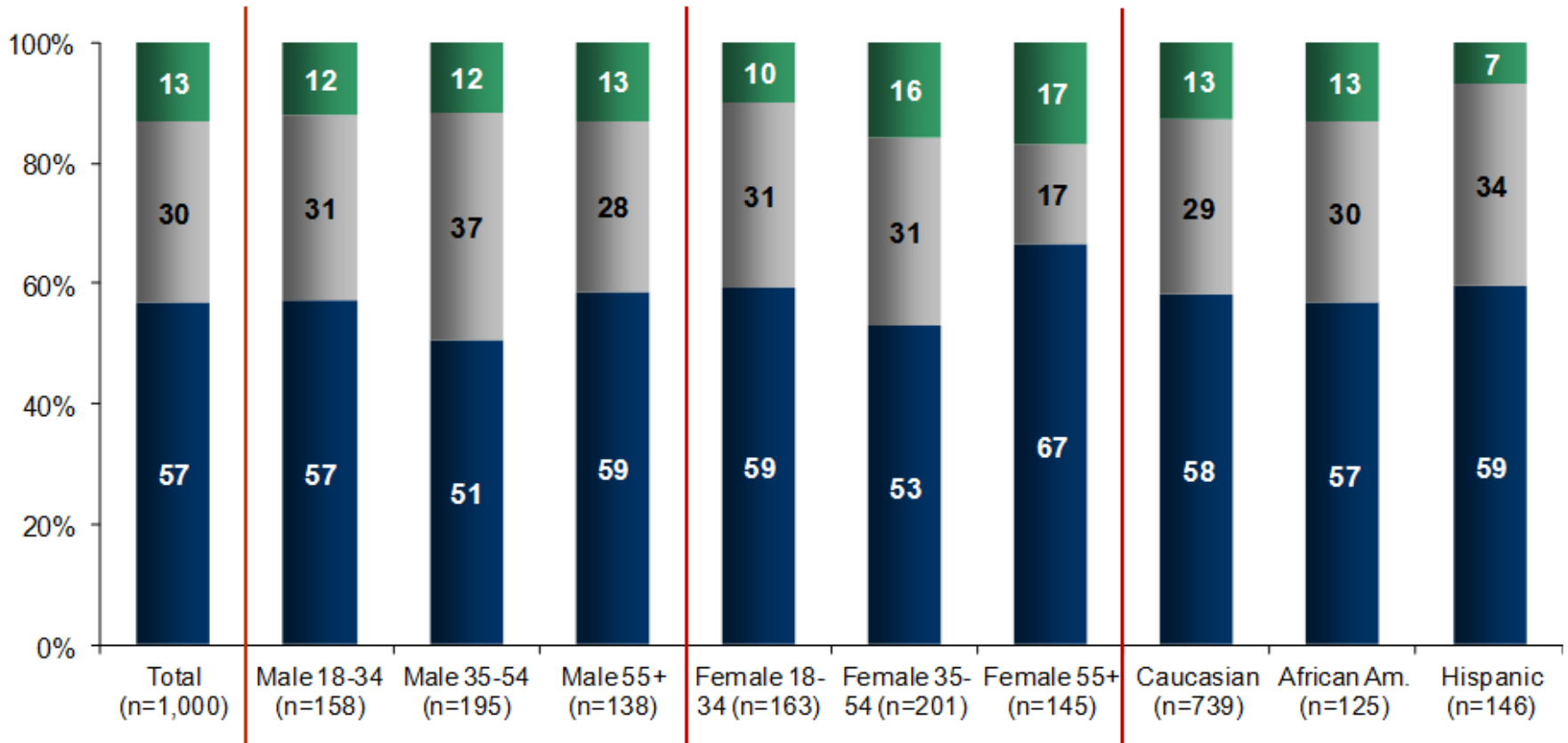
Conflicted Consumer Landscape in the Utility Sector



Older women feel the utility provides them with adequate choices; males 35-54 years and Hispanics are more likely to say that the utility does not provide adequate choices

Are Adequate Choices on How to Manage Electricity Usage and/or Monthly Bill Being Provided? (detail)

■ Electric utility provides adequate choices ■ Electric utility does not provides adequate choices ■ Don't know/rather not answer



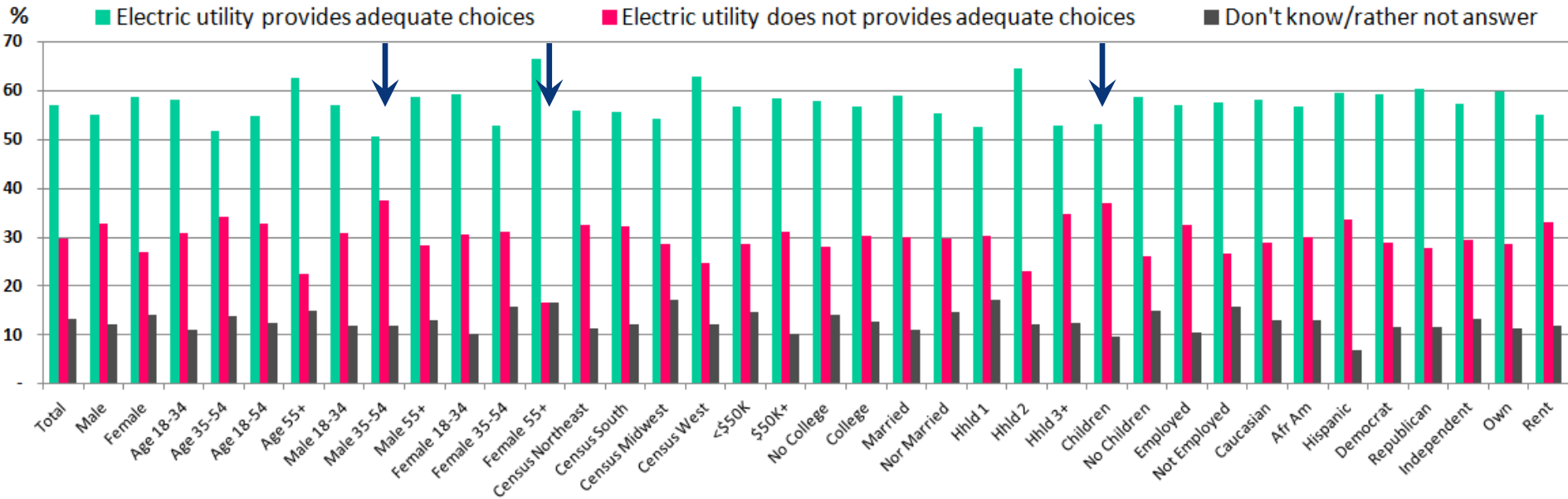
Q.3: Do you believe that your electric utility provides an adequate number of choices to you about how to manage your electricity usage or manage your monthly electric bill?

Conflicted Consumer Landscape in the Utility Sector



When broken down further, it becomes clear that there are major differences between the segments based on such factors as age, gender, household size and presence of children

Are Adequate Choices on How to Manage Electricity Usage and/or Monthly Bill Being Provided? (detail)

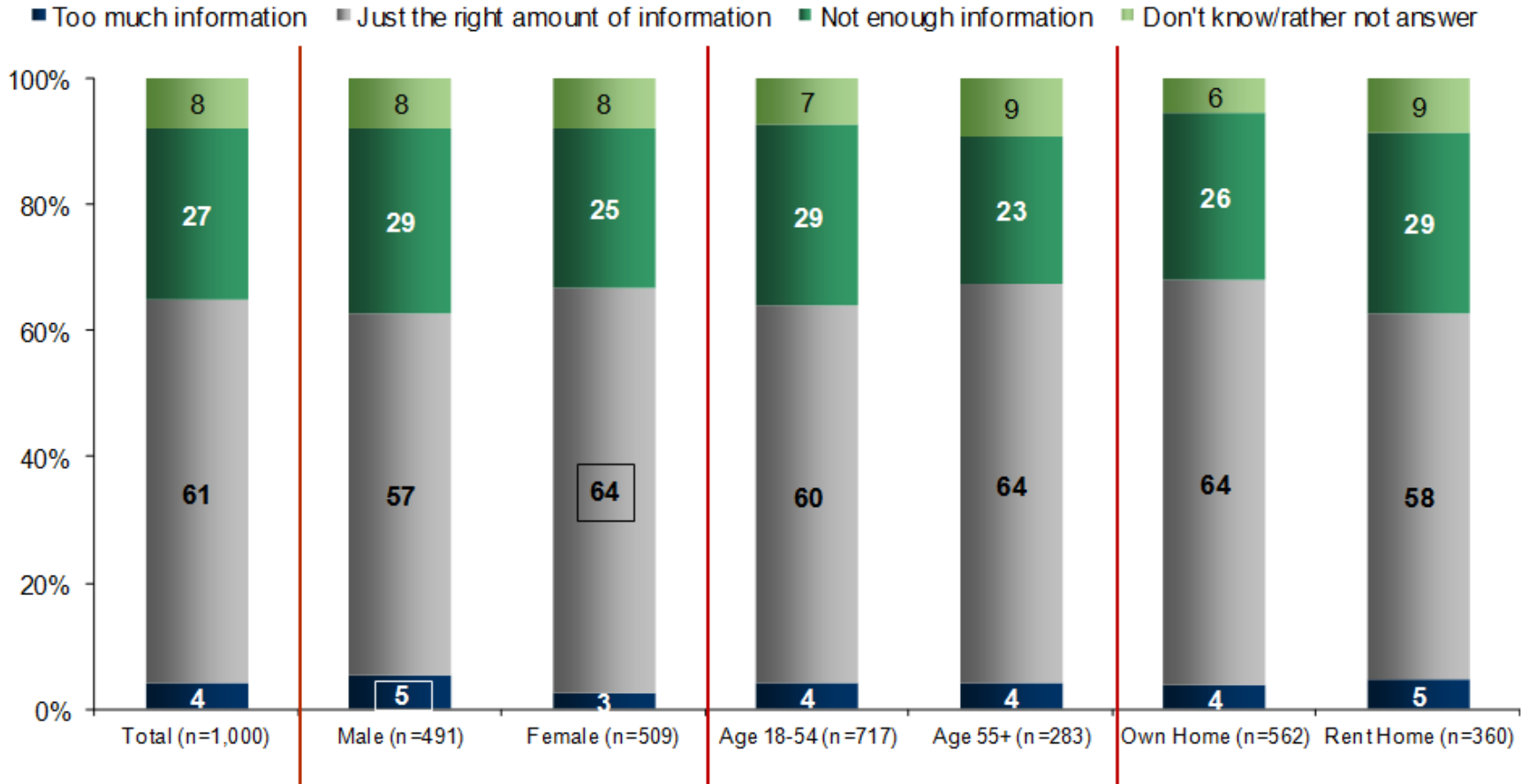


Q.3: Do you believe that your electric utility provides an adequate number of choices to you about how to manage your electricity usage or manage your monthly electric bill?

Conflicted Consumer Landscape in the Utility Sector

More than half of consumers feel that their utility provides just the right amount of information to help manage electric usage and bills; women are significantly more likely to feel this way (64% v. 57%)

Amount of Information Provided to Help Customers Manage Electricity Usage and/or Monthly Bill

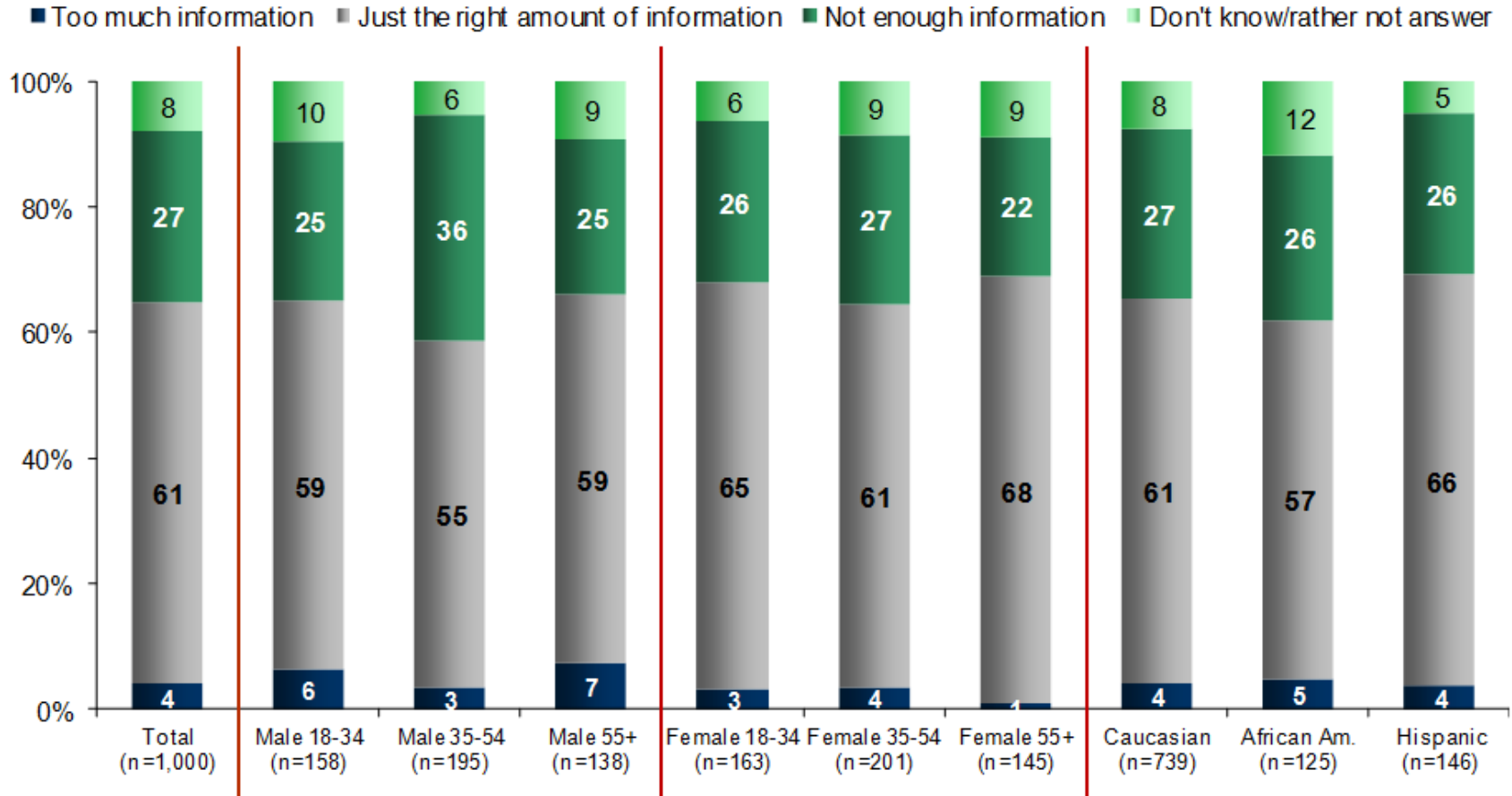


Q.4: Most electric utilities provide information to customers to help them manage electric usage and monthly bills. Which of the following describes your feelings about how much information your electric utility provides you about how to manage electric usage and monthly bills?

Conflicted Consumer Landscape in the Utility Sector

Males 35-54 years are the most likely to say that the utility does not provide the right amount of information to help manage electric usage and monthly bills

Amount of Information Provided to Help Customers Manage Electricity Usage and/or Monthly Bill (detail)



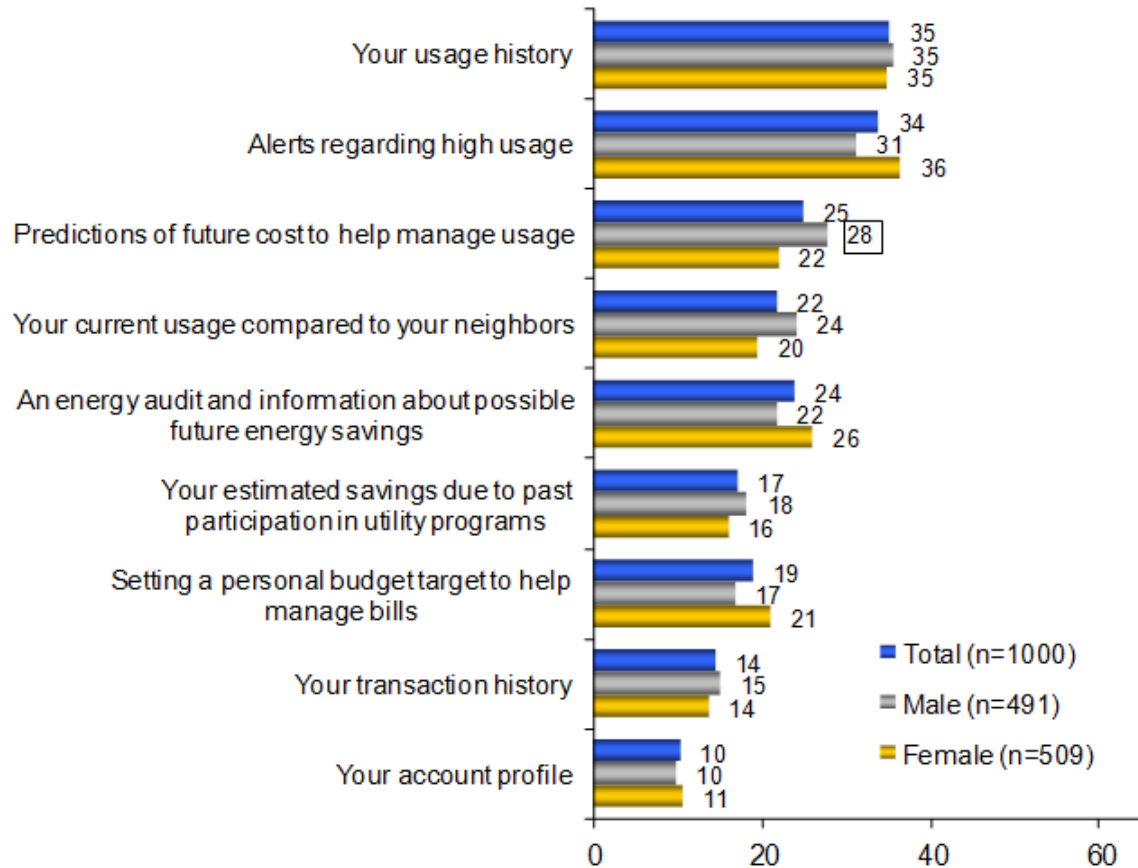
Q.4: Most electric utilities provide information to customers to help them manage electric usage and monthly bills. Which of the following describes your feelings about how much information your electric utility provides you about how to manage electric usage and monthly bills?

Conflicted Consumer Landscape in the Utility Sector



To manage the electric bill, consumers are most interested in seeing their usage history and receiving alerts regarding high usage

Top 2 Types of Information Would Like to See in Order to Better Manage Electricity Usage and/or Monthly Bill

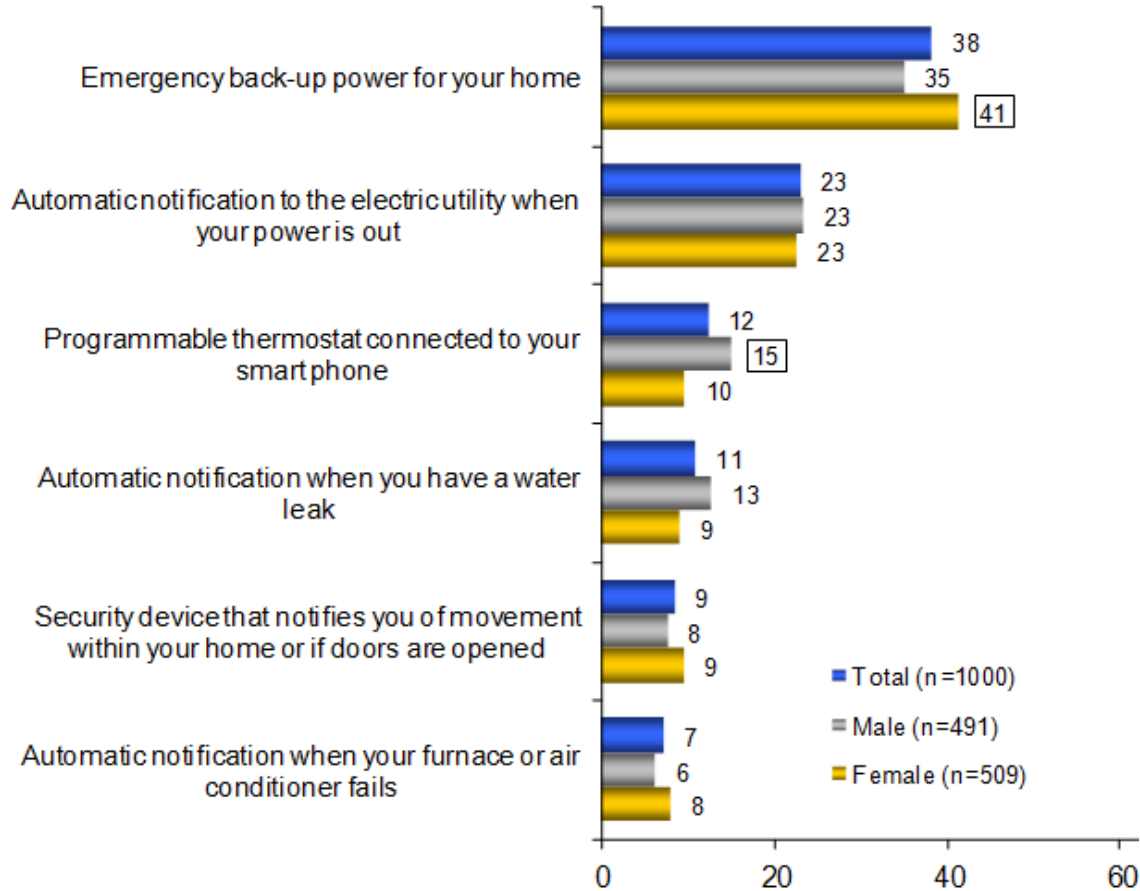


Q.5: If your electric utility were to provide more information to you to better manage your electricity usage or your monthly electric bill, which of these would you prefer?

Conflicted Consumer Landscape in the Utility Sector

Nearly four in ten consumers would like the electric utility to provide emergency back-up power for their home to improve reliability and security

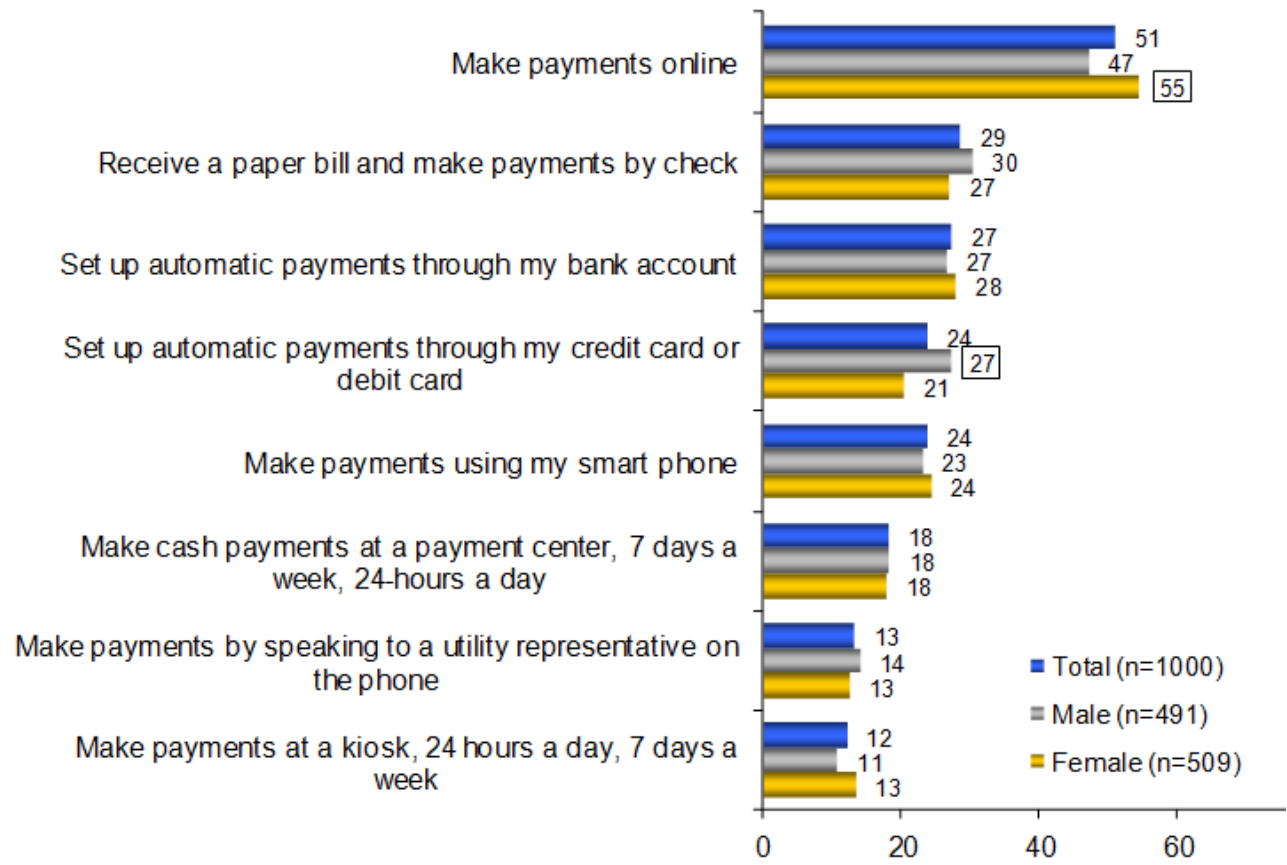
Preferred Option Regarding Reliability and Security of Electric Utility



Q.6: If your electric utility were to provide more choices regarding the reliability and security of your service, which of these would you prefer?

Approximately half of consumers want to be able to pay their bills online

Top 2 Options to Pay for Electric Utility Service



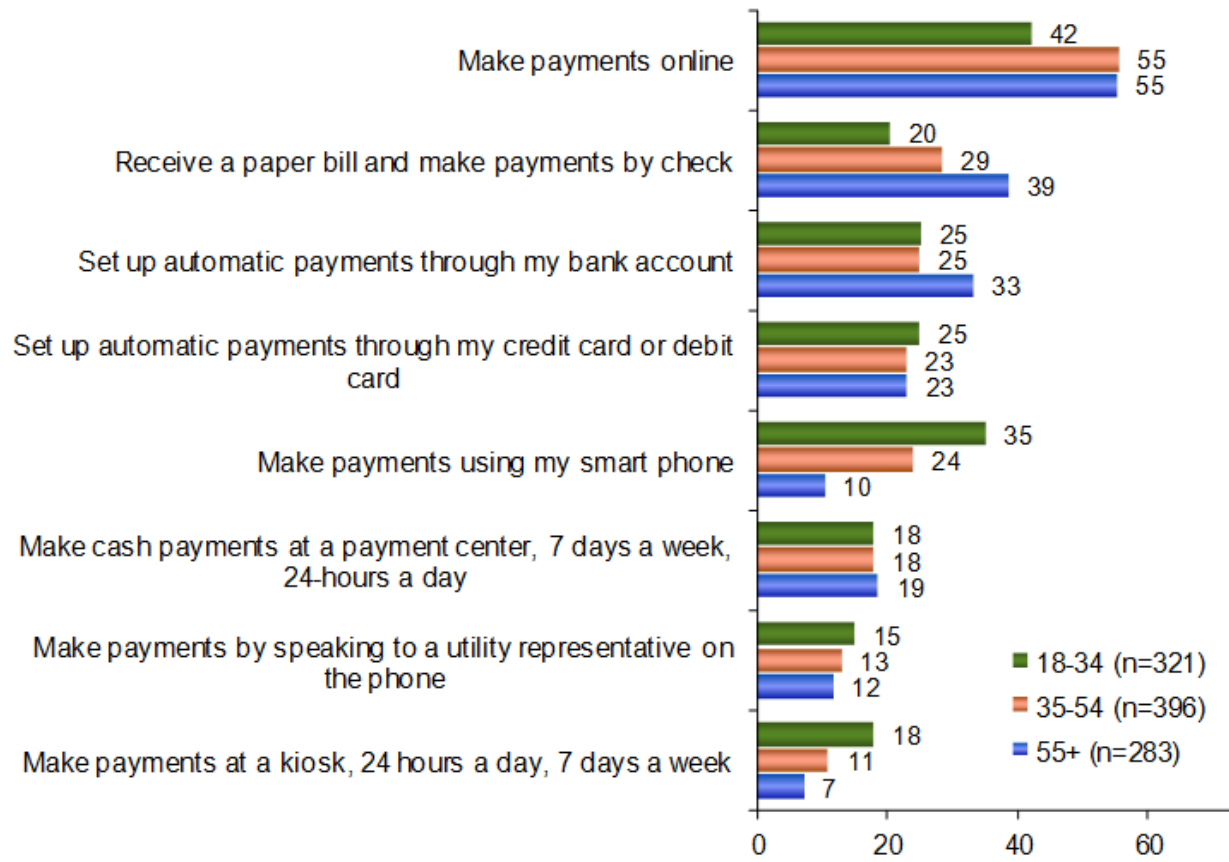
Q.7: When you think about the different payment options for electric utility service, which are the two most important options you would like to use to pay for electricity, regardless of whether the option is available today?

Conflicted Consumer Landscape in the Utility Sector



Age influences consumer preferences for paper bills & smart phone payments; 18-34 year olds prefer paying online (42%) (less than others) and by smart phone (35%) (more than others)

Top 2 Options to Pay for Electric Utility Service (by age)

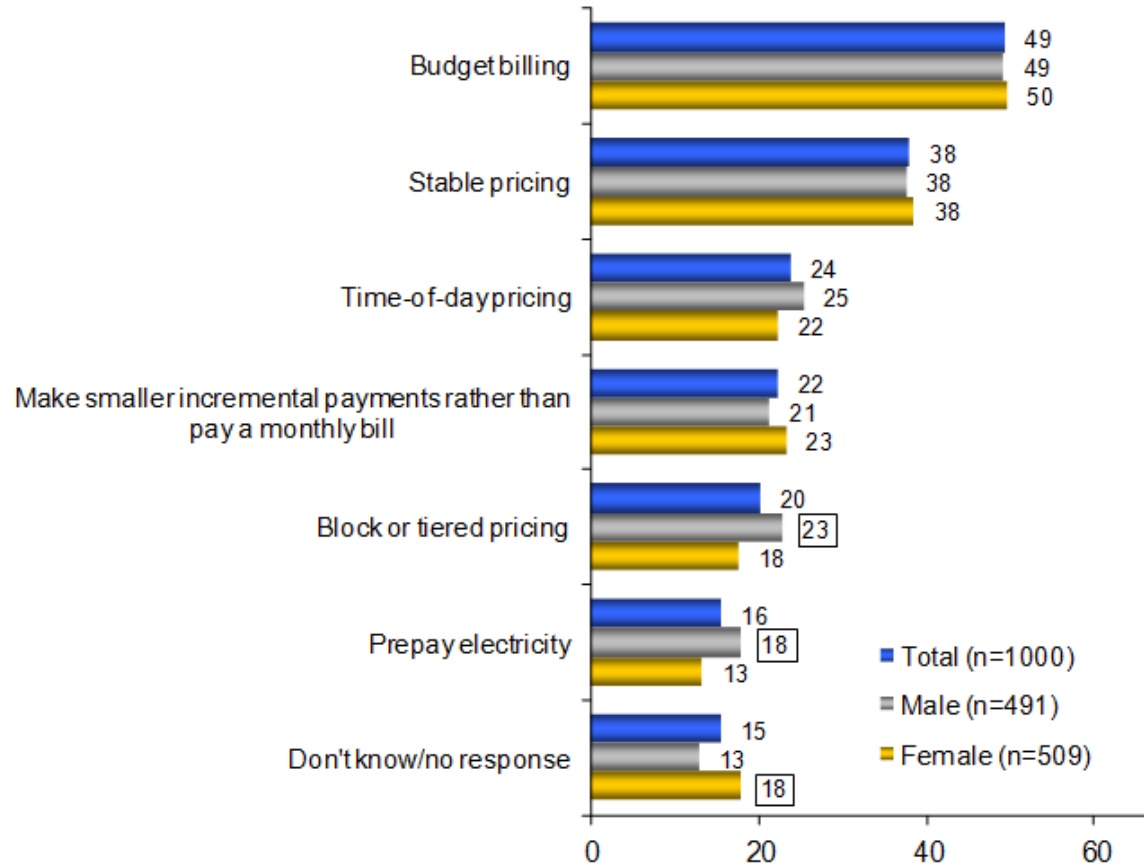


Q.7: When you think about the different payment options for electric utility service, which are the two most important options you would like to use to pay for electricity, regardless of whether the option is available today?

Conflicted Consumer Landscape in the Utility Sector

Half of customers want to try budget billing and nearly four in ten would like stable pricing

Top 2 Options Payment/Pricing Options Most Interested in Trying

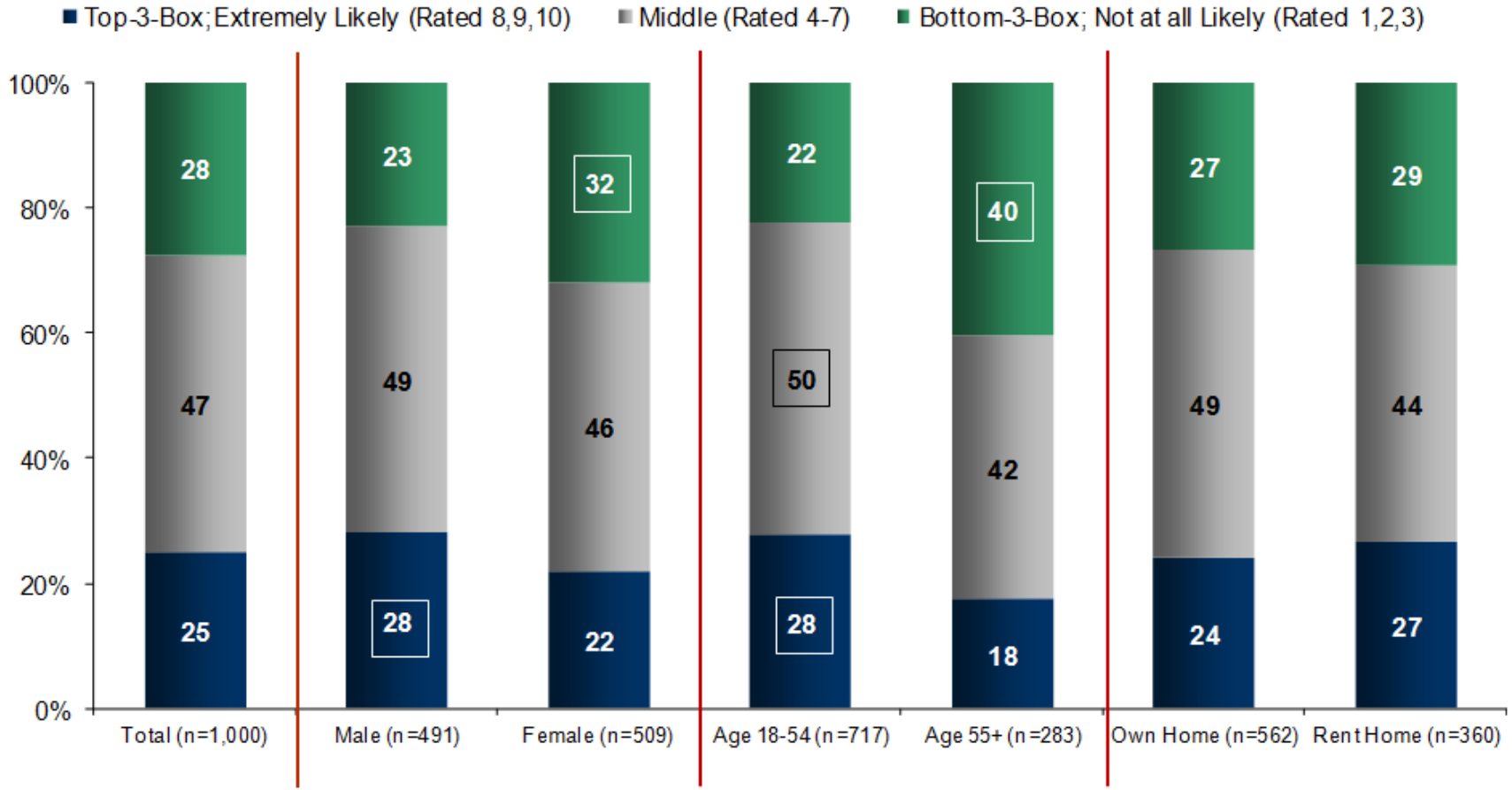


Q.8: If your electric utility were to offer new payment and pricing options (ways to pay for electric service), which of the following would you be most interested in trying?

Conflicted Consumer Landscape in the Utility Sector

Half the respondents indicated that they probably wouldn't choose a different provider if they had the ability to do so; males and younger consumers are more likely to prefer choice

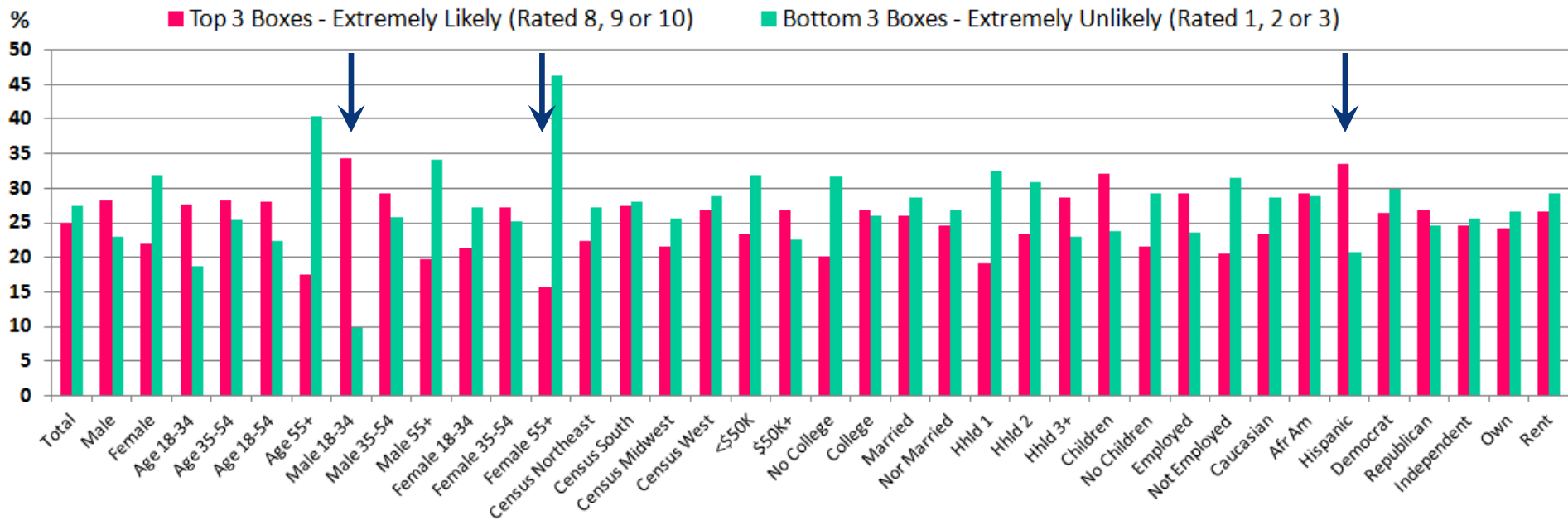
Likelihood to Choose a Different Electric Provider



Conflicted Consumer Landscape in the Utility Sector

When examined in more detail, it becomes clear that there are major differences between the segments

Likelihood to Choose a Different Electric Provider (detail)



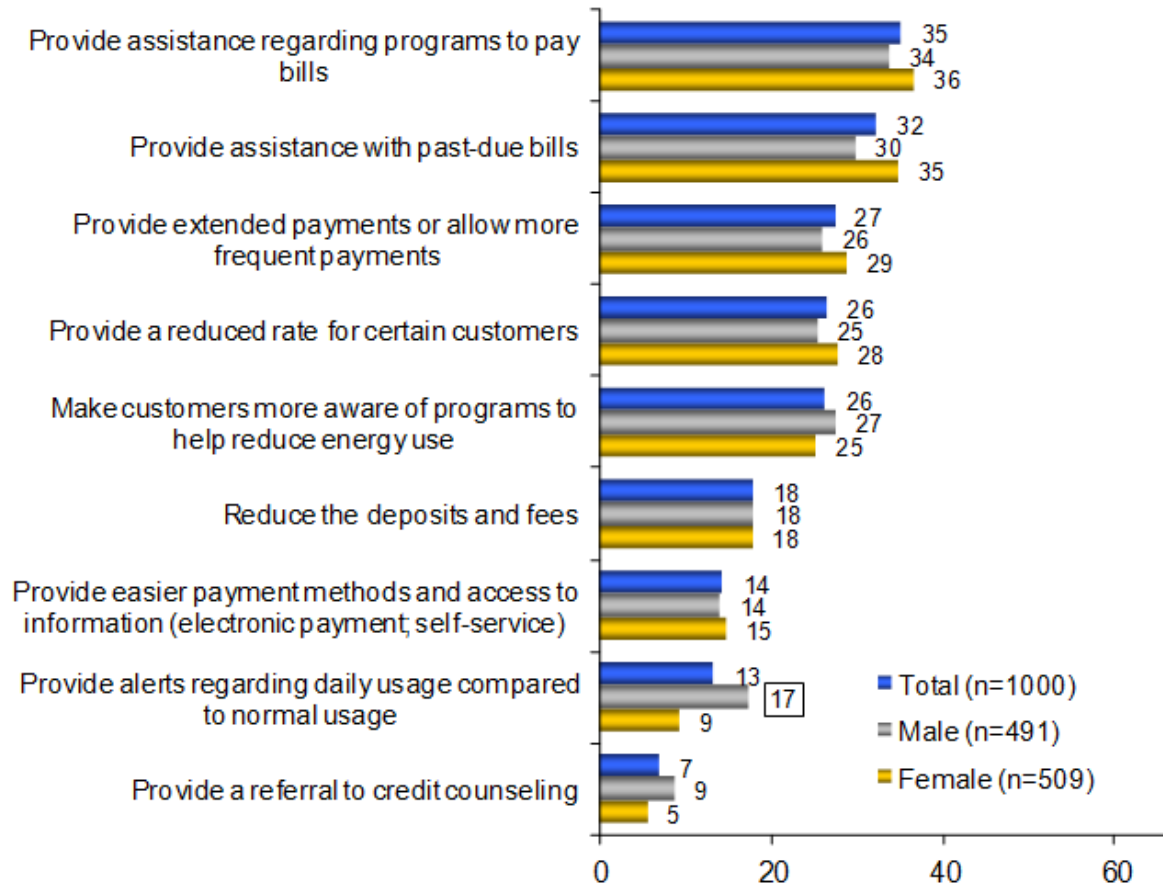
Q.10: If you had the ability to choose a different provider than your electric utility, how likely would you be choose a different provider? (10 = highly likely; 1= highly unlikely)

Conflicted Consumer Landscape in the Utility Sector



Assistance programs were most appealing in terms of helping someone who was having trouble paying their electric bills; “help” is viewed as cash

Top 2 Options for Utility to Offer Someone Having Trouble Paying an Electric Bill

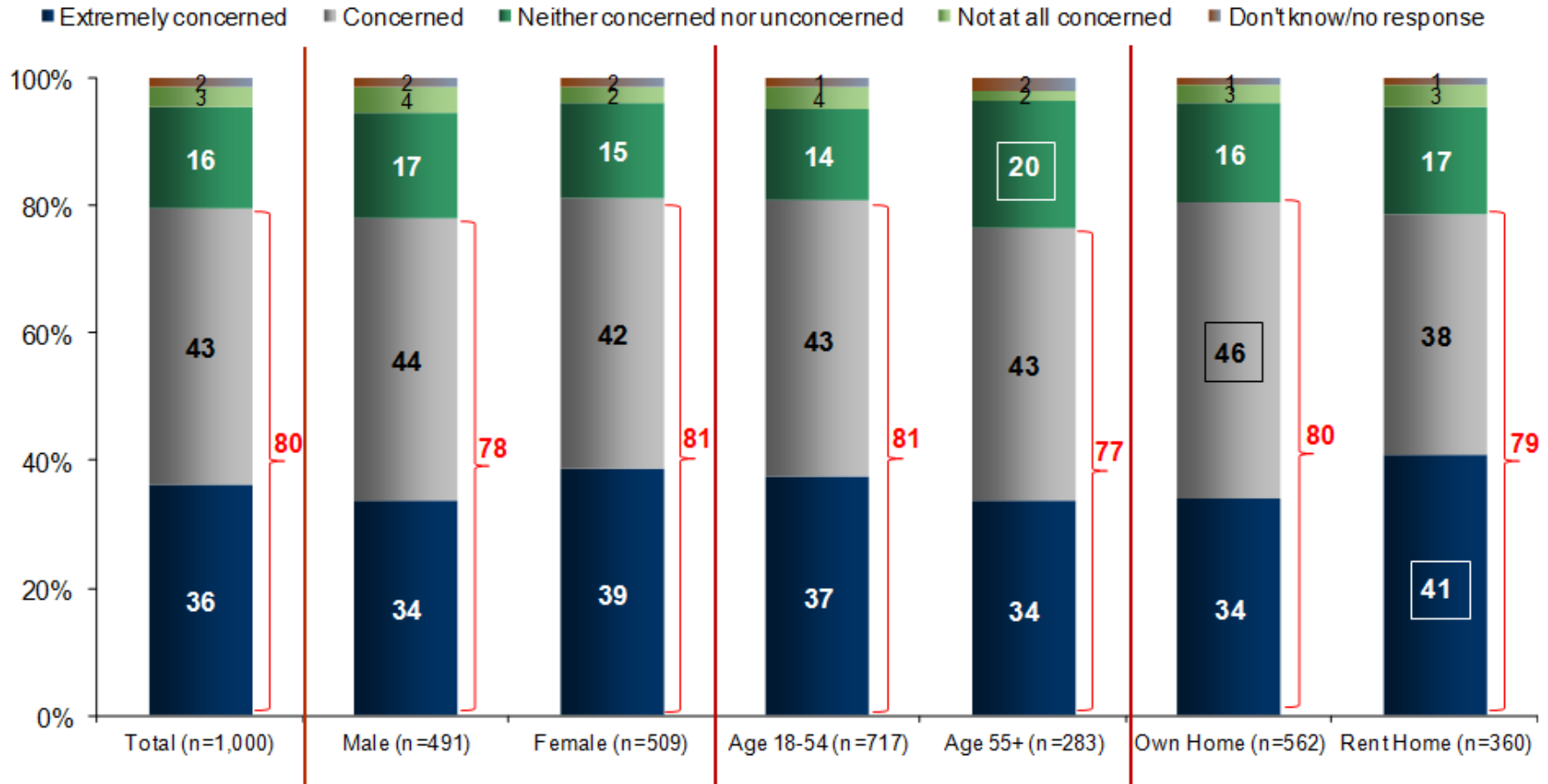


Q.11: If you, or someone you knew, was having trouble paying the electric bill, what options would you want the electric utility to offer?

Conflicted Consumer Landscape in the Utility Sector

The majority of adults are concerned about rising electricity prices, with more than one third being extremely concerned

Concern Over Potential for Rising Electricity Prices



Q.12: How concerned are you about the potential for rising electricity prices?

With respect to their “greatest concern about the electric industry,” more than half of Americans (58 percent) selected “electric rates increase too often” from among six options

Greatest Concern about Electric Industry

	Total	Male	Female	18-54	55+	Own	Rent
Total Respondents	(1000)	(491)	(509)	(717)	(283)	(508)	(373)
	%	%	%	%	%	%	%
Have a Concern (Net)	74	70	76	75	68	71	77
Electricity rates increase too often	58	54	61	59	55	57	62
Electric power goes out too often	6	5	6	6	6	6	5
I do not know who to trust	5	6	5	5	6	6	4
Customer service is terrible	3	4	2	4	1	2	5
Sales calls during dinner and too many electric competition ads on TV	2	2	2	2	1	1	2
None (have little or no concern)	21	23	20	19	27	24	18
Don't know	5	7	4	6	5	5	5

Q9. What is your greatest concern about the electric industry? Please choose one. (Options: Electric power goes out too often; Electricity rates increase too often; Sales calls during dinner and too many electric; competition ads on TV; Customer service is terrible; I do not know who to trust; None, little or no concern.)

Source: Wimberly, J. (2011, April). *Resurgence for Retail Electricity Choice and Competition?* EcoPinion Consumer Survey Report No. 11. Washington, DC: Distributed Energy Financial Group LLC. <http://defgllc.com/publication/resurgence-retail-electricity-choice-and-competition/>

Summary of Findings

- When comparing customer perceptions of value of the electric utility to other service providers, the respondents thought their electric utility provided a better or equal value to other service providers, with the “better value” response being larger than the “lesser value” response for all the comparisons. While a significant number of consumers feel that the utility provides a similar value proposition to other providers, this also may represent indifference on the part of the respondents. Finally, the respondents clearly felt that the utility could easily be compared to some service providers (e.g., telecom provider), but not others (home security provider).
- Customers have definite feelings about what other services make sense to possibly bundle with their electric service. Other utilities (e.g., water), make sense to bundle with electric service. Mobile phone service does not make sense. Overall, though, there seems to be growing consumer concern about bundling services together.
- When asked whether their utility is providing an adequate amount of options or information to help customers manage their energy consumption and monthly utility bills, there are three distinct camps: 1) a majority of customers are satisfied with the amount of options and information, and 2) a subset of customers is not satisfied that represents 30 percent or so of the customer base, and 3) a small but significant number of customers did not feel that they could answer the questions.
- What is interesting though is that these three camps seem to cut across all demographic categories —age, gender, etc.—suggesting that the respondents are basing their responses on something else, for example, values, in relation to the utility. A more granular look at the data shows differences (different customer needs and drivers) between sub-segments: young men vs. older women.
- Customers view energy usage information as being relatively more useful to them, especially for the purposes of managing bills and/or future costs.

Summary of Findings

- When asked about other services that the utility could provide related to reliability and security, almost 40 percent indicated that they would be interested in emergency back up power. This response points to increasing customer awareness and acceptance of distributed energy. It also points to the primary value proposition from a customer perspective—keeping the lights on no matter what.
- Approximately half of consumers indicated that they would prefer to pay online; however, most utilities are not even close to that percentage of consumers on electronic billing. There is a disconnect. The second choice is receiving the traditional paper bill. The top two responses indicate a need for a segmented approach to bill pay options.
- When reflecting on which payment and pricing options that consumers may like to try from the utility, the top two responses were “budget billing” and “stable pricing.” While utilities have offered some form of budget billing for many years, there is an opportunity to rethink and reposition a budget billing option that is much more predictive, granular and dynamic, connected to a robust communications approach. If done right, it is possible to take the surprises, e.g., true ups or other changes to the bill, out of the current version of budget billing.
- On one hand, as evidenced by the one word responses to describe their utility’s customer service, customers are generally happy with their utility’s customer service. On the other hand, a quarter or more of consumers indicated a strong likelihood of switching to another provider if given the choice. One explanation could be that customers are differentiating customer service from customer experience or perceptions of the utility overall. For example, over a third of consumers are very concerned about the potential for rising electricity prices. Unless customer care is able to address that concern, then the overall value perception of the utility will suffer.

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DEFG believes retail customers are the future of energy. We partner with clients to improve all aspects of the customer relationship. We identify opportunities to create value in a commodity marketplace.



Prepay Energy Working Group



Low Income Energy Issues Forum



ABACCUS