

Best Practices in Utilities Customer Retention

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Abstracts

Introduction

Utilities have been facing major challenges in recent years: environmental policies, an economic downturn, and increasing measures by regulators and governments to promote competition and encourage consumers to switch their energy supplier. Good practices in customer retention, with a focus on fostering loyalty, will enable utilities to maintain or enhance their value despite these challenges.

Scope

- Insights into why customers do or do not switch suppliers. Analysis of the four main types of utility customers according to their retention rates
- Best practice examples in: pricing strategy; billing; customer service; reliability; communication; environmental responsibility; and loyalty schemes
- Strategies to increase customer satisfaction and the perceived costs of switching in order to achieve optimum retention rates for each segment
- Conclusions and recommendations for utilities, highlighting best practices from around the world for retaining customers in liberalized markets

Highlights

Customers switch suppliers because their level of dissatisfaction outweighs the perceived cost of switching, whether financial, emotional, the time and effort involved, or the uncertainty about the quality of other suppliers. Customers who do not switch can be classed as either loyal, apathetic or locked-in

Marketing messages purely based on price will attract deal-seekers who are unlikely to be retained by utilities. Value-for-money messages will reassure the loyal and locked-in segments. Emotional messages might appeal to an otherwise apathetic segment

Customer loyalty is the best retention weapon for utilities and strategies to achieve it are: focus on the positive aspects of the relationship apart from pricing; find what satisfaction factor would appeal to each type of customer; and target customer segments that will benefit the most from your natural competitive advantages

Reasons to Purchase

- Benchmark against best practice strategies for enhancing customer satisfaction, improving retention rates and inspiring loyalty
- Optimize customer retention rates in your target customer segments by adopting effective approaches to pricing, communication and customer service
- Maintain or enhance retention rates, despite measures by regulators and governments to facilitate switching in liberalized energy markets

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SUMMARY

Strategies through which utilities can achieve residential customer loyalty

ANALYSIS

The additional challenge for utilities in a liberalized market: how to retain customers despite policies that facilitate switching?

The residential energy retail sector scores poorly on customer satisfaction indexes

Switching is perceived as proof of market health in liberalized markets

Cheaper electricity tariffs encourage Irish consumers to switch from the incumbent supplier

Customer satisfaction with a supplier's competitiveness is not a guarantee of customer retention

Retention efforts have a very large impact on customer lifetime value and consequently on a company's value

Utilities' best retention weapon is customer loyalty

In order to maximize retention, suppliers should increase both customer satisfaction and the cost of switching

How to retain customers in a liberalized market? Focus on customer satisfaction with the goal of reaching loyalty

Price alone does not retain customers

Price is the main but not the sole driver of customer switching

Suppliers do not necessarily need to be the cheapest, but should not be perceived as the most expensive

Utilities should clearly justify price increases and broadly publicize price cuts

Careful product design can increase customers' perceived or actual cost of switching

Billing is the area that needs to improve the most in terms of customer satisfaction

Billing is the principal cause of customer dissatisfaction

Wrong bills can be very costly to suppliers, including in terms of customer lifetime value

Governments and regulators are stepping in to improve bill clarity

Smart meters: more communication, better communication?

Customer service can make or break the relationship with the customer

Consistency in customer service is key to retention

Aggressive sales ultimately drive customers away
Social media can be a valuable customer service channel
Bundled products contribute to retention but put extra focus on customer service
Smart metering will change customer service, but suppliers need to improve customer trust first
Product quality and reliability are crucial for customer retention
Supplier reliability is the primary indicator of value to a customer
Communication helps to overcome the dissatisfaction caused by outages
Communication is essential in order to achieve customer loyalty
Social media and the iPhone: utilities should make the most of new ways to communicate with the customer
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Focus on the positive aspects of the relationship apart from pricing
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Datamonitor consulting
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