

White paper

# Customer centric omni-channel marketing for utilities

Steps for an integrated, customer-led marketing strategy



**EXL**



---

## Steps for an integrated, customer-led marketing strategy

Utilities consumers today are more empowered because of an increase in options to choose from, the ease of shifting to competitors, and better product knowledge. Digitalization is bringing forth this change, along with a significant increase in touchpoints with the customer. Social media is used as a tool to voice opinions or complaints and helps grow or demote the value of a brand, besides being valuable for marketing.

It is essential for utilities providers in such a landscape to adopt a customer-

centric marketing approach to remain competitive and keep consumers happy. This strategy ensures customers receive consistent experiences across different marketing channels, based on their preferences. This is a shift in thought process from a volume-based marketing approach to a customer-centric strategy for firms. According to a publication, "Personalisation can deliver five to eight times the ROI on marketing spend and lift sales 10 percent or more." <sup>[1]</sup>

## UK utilities: The key components of a changing landscape

The UK utilities industry is affected by factors such as increasing competition, the recent energy price cap and government regulations. These factors, combined with better data storage tools, faster data manipulation techniques, and a growing number of customer touchpoints, are forcing companies to devise personalized marketing journeys for their customers. According to a Digital Trends survey, "Data-driven marketing that focuses on the individual" was the most exciting opportunity for B2C organizations in 2019. <sup>[2]</sup>

### Increasing competition

The UK utilities industry had 58 domestic retail suppliers as of December 2019. The supplier count has more than doubled in 5 years from 2016 to 2020. Energy and gas market share for the largest six suppliers dropped by 5 percentage points in 2019 as compared to 2018 due to the entry of small players in the energy retail sector. <sup>[3]</sup> It is essential to be able to market to consumers more effectively to compete against increasing competition.

### Energy price cap

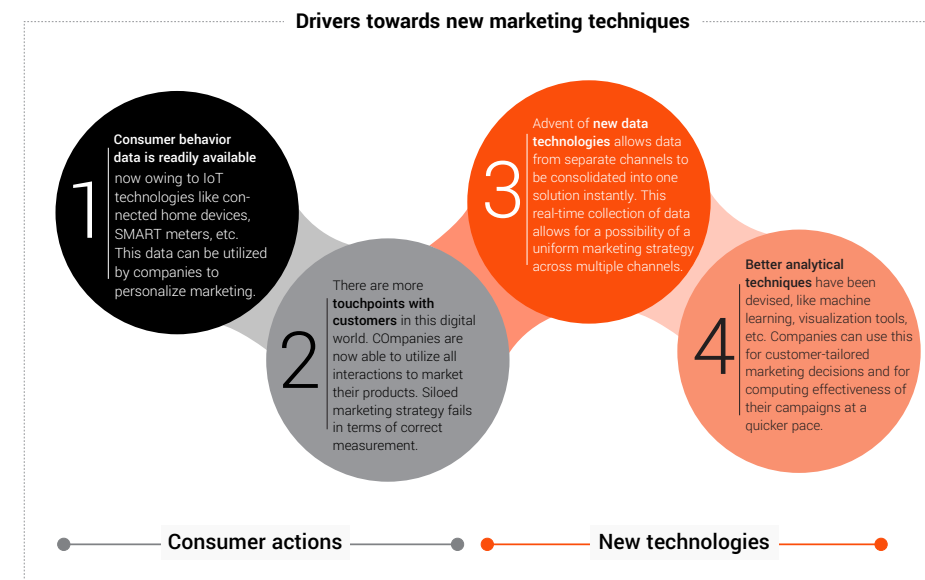
The Office of Gas and Electricity Markets (Ofgem), the utilities regulatory body in UK, has introduced a price cap on energy to protect customers on standard variable tariffs from fluctuations and to ensure consumers get a good deal on their energy bills by shopping around. Until April 2021, over 2.1 million customers had moved to a new supplier, which was ahead of switching levels in 2019, when a record 6.4 million customers switched suppliers. <sup>[4]</sup>

### Government regulation for smart meters

**Smart meters** play a key role in driving touchpoints with suppliers and providing energy consumption insights for consumers. Smart meters are the digital version of analog gas and electricity meters that display the energy consumed and the exact amount consumer needs to pay. It sends the meter read to the supplier automatically every half an hour. This is a challenge for marketers as they need to sell a non-profitable product to their entire customer base.

### Changing customer behavior

Consumers are becoming increasingly environment conscious, and prefer brands



offering **renewable sources of energy**. It is important for consumers to know that they are minimizing their carbon footprint. Suppliers are also increasingly shifting towards renewable sources of energy because of this demand while trying to keep costs to a minimum. If a utilities firm is including more renewable energy options in their offerings, marketers need to ensure consumers are made aware of this shift to improve brand image.

### Digitalization

Customers have easier access to digital platforms and intend to carry out more and more of their transaction on digital channels. It is of paramount importance to have a strong digital presence for consumers to keep in touch or interact with ease in areas such as paying bills, submitting meter reads, viewing offers and services and raising complaints. Marketers should utilise these platforms for personalized marketing. Research suggests that customer satisfaction levels

can increase by more than 50% if their demands are met digitally. <sup>[5]</sup>

### Focus on data privacy

**The general data protection regulation** protects the customer by ensuring data security and privacy. The law sets stricter rules around customer marketing consent. This regulation has reduced the marketing base for energy suppliers, as there are stringent penalties for contacting customers without prior consent.

As the regulatory landscape evolves, it is important to adapt marketing strategies and techniques to match the changes. Understanding the current methodologies of marketing and measurement is important for utilities organisations to figure out how they can become state-of-the-art. Many firms still do not have an omni-channel strategy, and instead follow a siloed marketing approach, focusing on outbound, inbound, and digital marketing as separate from each other.

## Drivers for New Marketing Techniques

The siloed marketing approach is becoming obsolete day by day, with more marketers opting instead for an omni-channel strategy to enhance customer journeys. Consumer actions and modern technologies are causing this shift away from traditional marketing methods.

Customer behavior data is more readily available thanks to Internet of Things (IoT) devices - helping suppliers understand the purchasing behavior of consumers, and create tailored offers. Suppliers can also market more frequently because of digitalization. To do all of this, it is essential to utilize new data technologies and analytical techniques to better store and analyze these customer interactions.

The four key drivers of this change are:

- 1. Readily available consumer behavior data**  
There is now a massive amount of customer behavior data across different channels, which companies can utilize to form marketing models and devise marketing strategies.
- 2. More customer touchpoints**  
Companies are now able to make use of all interactions with the customer for marketing, be it the customer calling in, an engineer going to fix a boiler, or customers browsing the website. This is leading to a journey approach for a customer, utilizing all touchpoints, instead of a segregated approach across different marketing channels. Moreover, it becomes difficult to isolate customers for one offer for a certain time, which is a stumbling point for siloed marketing techniques.
- 3. New data technologies**  
Omni-channel marketing platforms allow the integration of data from

Change in landscape	Effect on customer	Effect on supplier
Entry of small suppliers	More, cheaper options	More competition
Energy price cap	Cheaper energy tariffs	Lower profit margin
Smart meter installation	Energy use knowledge	Increase in marketing spend, knowledge of energy usage
Renewable energy source	Environmental conscious	Pressure of reducing carbon footprint
Digitalization	Easy of activity, switching	More touchpoints with consumer
GDPR	Data privacy ensured	Strict rules around marketing

various sources to be utilized for a consolidated marketing strategy across different communication channels. They are also able to use real-time data to drive or suppress a marketing offer based on a positive or negative customer response. For example, if a customer specifies over the phone that they are not interested in a product, they are instantly removed from all communications of that product on all channels.

#### 4. Better analytical techniques

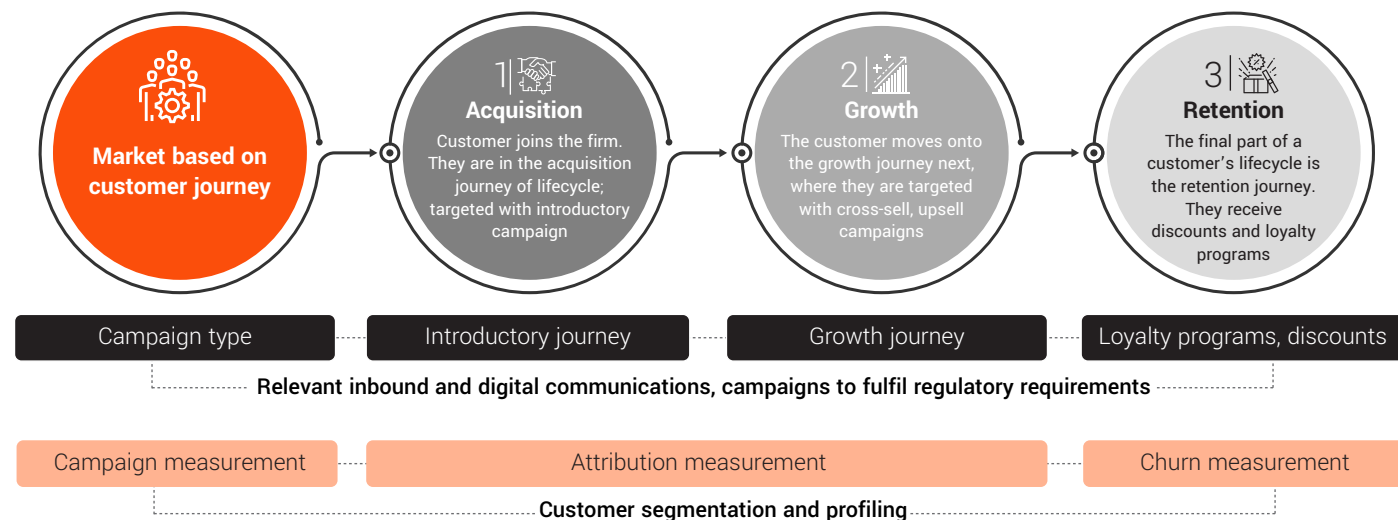
Using newer, more accurate modelling techniques and faster data processing tools allow firms to target customers with tailored propositions at a faster rate. This helps in creating a personalized marketing strategy instead of targeting massive volumes of customers with the same offer, thus saving money. Powerful new visualization techniques also help firms to find trends more easily, allowing for faster campaign strategy optimization. Siloed marketing strategy has its limitations, and new methodologies are being developed to counter the issues and optimize marketing.

"Difficulty in getting a holistic view of customers across all interactions" and "ensuring consistent experience throughout the customer lifecycle" were two of the top three marketing challenges reported in a recent survey on digital trends. [2]

To counter these challenges, campaign deployment and marketing measurement methodologies need to evolve. Modern strategies also involve sending appropriate marketing communications across multiple channels, based on the stage a customer is at in their journey as well as their channel preference. Offers are also personalized based on customer profiles and propensity for buying a product. Similarly, measurement strategy can vary based on the customer journey stage:

- **Acquisition:** Focused on increasing customer engagement and enhanced experience so that customers are happy and feel welcomed on joining the brand
- **Growth:** Cross selling products is primary focus to enhance value generation from consumers
- **Retention:** Customer churn measurement is key as it is important to keep these high tenure customers with the brand

### Modern marketing strategies



### Campaign Deployment Methodologies

This involves utilizing the correct campaign strategy based on the customer lifecycle stage while ensuring uniformity across channels.

#### a. Lifecycle-based campaign strategy

This methodology involves an ongoing set of communications depending on the lifecycle stage of the customer. It is based on the importance of informative communications to improve customer engagement and brand recognition and cross-selling beneficial propositions to grow the customer's product holding. The likelihood of a customer to buy a product, and the optimal number of communications required to increase sales, drive the communication

strategy. The customers selected for these journeys are compared against a control group of customers suppressed from all marketing communications to check the uplift of the program.

This strategy is becoming a frequent choice for marketers as it offers the following advantages:

- From a customer perspective, there is a sensible sequence of communications rather than a barrage of diverse offers across various channels
- The customer has a seamless transition into the brand from the start
- It is cost effective, as customers are sent communication for products that they are more likely to buy rather than the entire range of products and

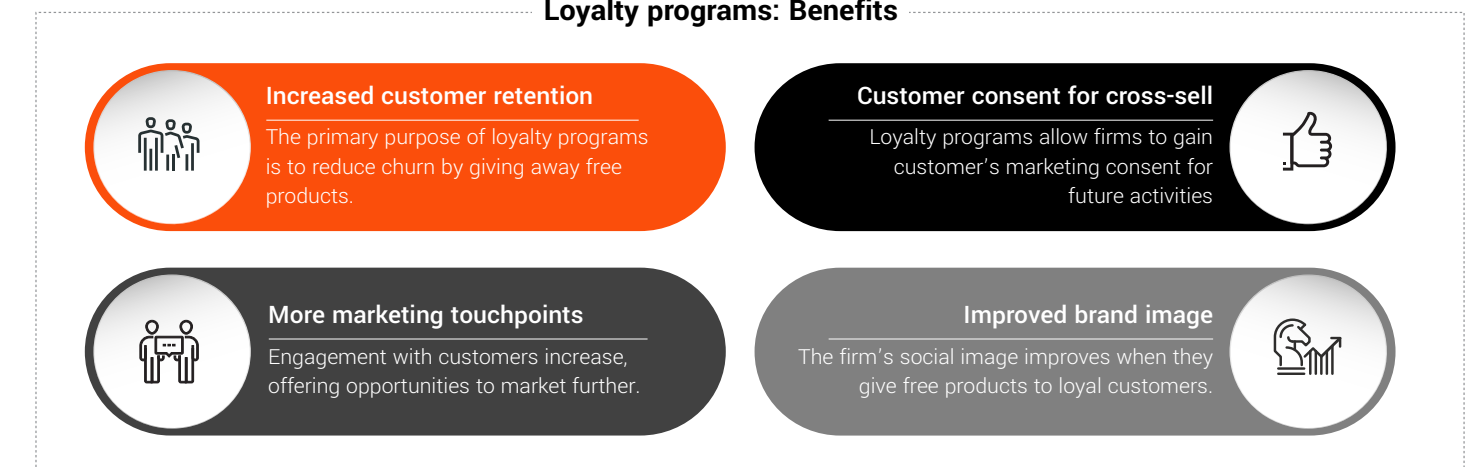
- services the company can offer
- It allows for cleaner uplift measurement of the offer, as the control group is trustable. This eliminates the challenges of target-control marketing stemming from separate channels and control customers being targeted across a different marketing channel.
- It is a real-time marketing technique, as customer actions such as purchasing or dropping a product instantly changes the product prioritization, and the offers received will change.

#### b. Loyalty programs

These campaigns are becoming the go-to option as a customer retention and engagement technique. Consumers get different incentives based on their actions or as appreciation for being loyal to the brand. The gifts can vary from offering discounts on the company's product to music concert tickets.

The advantages of these loyalty campaigns are:

### Loyalty programs: Benefits



**c. Tailored inbound and digital communications**

Firms are deploying technologies that allow marketing based on real-time communication with customers. Based on the conversation's content, relevant offers can be made to customer. This involves using speech analytics to find the context of the call. It is a personalized way of marketing, and an optimized way of upselling products, while taking care of customers' queries.

To measure uplift, a control group is decided on, where the call center advisors just help serve the clients without marketing any products. Incremental analysis is also done against likelihood of customer to buy, the value of the product, and weightage-based prioritization. This helps view the profitability of the speech-mining based marketing.

In digital channels, customers are identified if they are logged in, or a best-guess assumption is made using customer cookies. Offers are then presented based on the same prioritization methodology as inbound channels. This allows for consistent marketing across all interactions with the customer.

**d. Campaigns to meet regulatory requirements**

Besides the campaign deployment strategies focusing on customer engagement and cross selling, there may be a need for running campaigns to fulfill certain government regulations, such as UK smart meters installation requirements. For these products, yearlong campaigns are deployed, across all channels. These products are generally weighted up to ensure high priority. The main aim is to fulfill the regulations while incurring minimum costs.

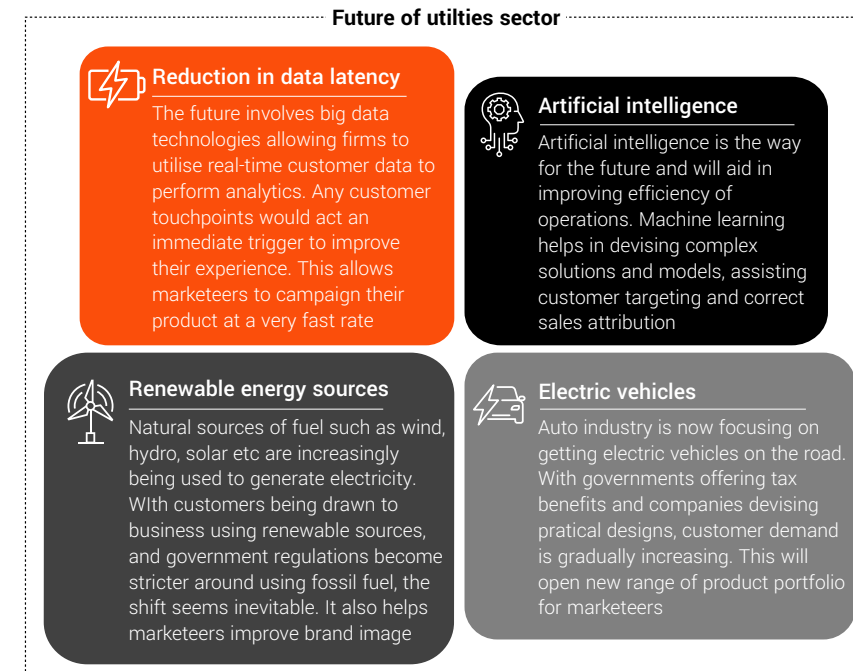
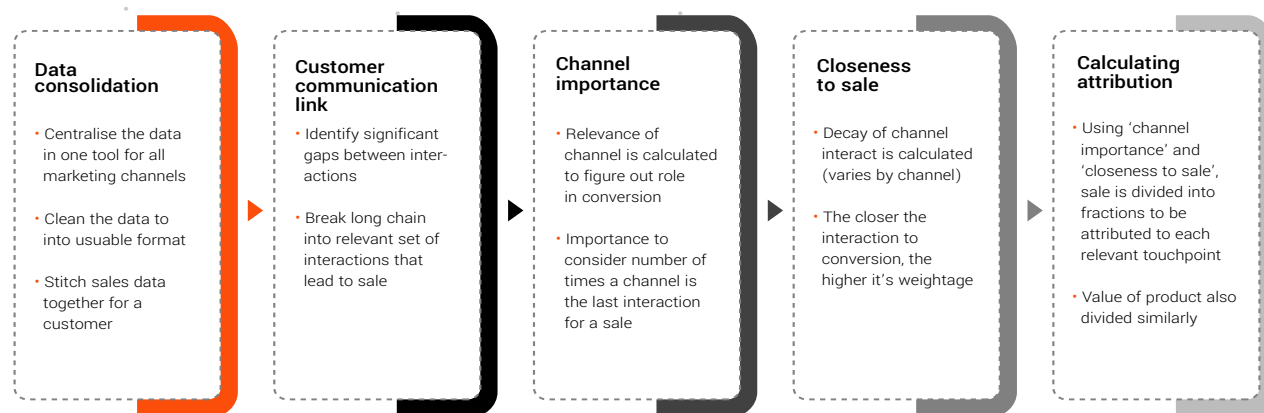
**Marketing measurement techniques**

It is essential to provide a measurement view from the customers' perspective given the overlap across channels and campaigns. However, there is also a need to report offer level measurements to decipher the top performing propositions and content. This can be achieved using the techniques mentioned below:

**a. Attribution-based modelling and measurement**

This methodology looks at all touchpoints within the sales journey of a customer. It finds out the importance of each communication received before

**Steps involved in attribution-based modelling and measurement**



the customer purchased the product. The sale value is divided into different fractions assigned to each touchpoint based on the channel and timeframe between communication and sale.

In a truly omni-channel marketing world, attribution-based measurement is necessary to ensure that the benefits are quantified correctly, and firms don't under- or over-assign value and sales across different channels. Typically, every communication and customer action before the sale can play a part in the eventual product uptake. The interaction chains for all sales are formulated to give insights into usual buying patterns and optimum contact strategy.

The insights driven from such a measurement technique are:

- Monetary value of each channel and offer
- The channel that is best to use for first or last contact with the customer
- Optimum number of touchpoints and consideration time required for a product sale
- The best time to send a follow up communication

**b. Churn Measurement**

An essential element for suppliers in this increasingly challenging landscape is to hold on to their existing customers. Loyalty programs are

the go-to strategy for this goal. It is equally important to measure the benefits of these programs to ensure organizations are not giving away free rewards without any long-term benefit.

Churn uplift measurement is the methodology to accomplish this goal. Customers on loyalty programs are compared against lookalike customers without such benefits, meaning they are identical in most attributes, with the utilization of loyalty benefits being the only significant difference. This identification can be achieved using techniques like matching-pair analysis.

These customers are then compared to decipher:

- Tenure with supplier
- Product uptake
- Customer engagement
- Value benefit realized throughout the lifecycle

**c. Customer segmentation and profiling**

Campaign effectiveness optimization involves comparing results for different segments and profiles of customers. This helps in identifying the profit-making group and their attributes for future campaign activity. A recent survey of organizations found that marketers' highest priority was making "better use of data for effective audience segmentation and targeting." [2]

**Future of the utilities sector**

Fierce competition and ever-changing customer needs have created a demand for technological advancements. To gain an advantage over competitors, utilities companies need well-executed predictive analytics and a strong growth strategy. The areas to focus on in the near future include:

**Conclusion**

Data and analytics are creating new possibilities in the utilities sector. This evolution, as well as changing customer expectations, are steering companies towards actively utilizing analytical techniques to better serve their customers.

Customer satisfaction is driven by impeccable service and tailored propositions. Becoming an industry leader entails staying on top of customer needs while remaining compliant to regulatory changes.

Generating demand by developing new technologies and products that enhance customer experience will not in itself solidify a utility provider's position. It requires personalizing these offerings to customers, listening to their needs and communicating with them in a simple coherent manner across channels.

Marketers are working towards implementing newer methodologies and effectively utilizing customer touchpoints to improve sales. To do that, adopting an omni-channel strategy instead of a siloed strategy is a growing priority.

**References**

- [1]: McKinsey & Company - Marketing & Sales: Big Data, Analytics, and the Future of Marketing & Sales, March 2015
- [2]: Adobe & Econsultancy – Experience Index: 2019 Digital Trends
- [3]: Ofgem: State of the market report, 2019
- [4]: <https://www.energy-uk.org.uk/publication.html> (Energy UK Switching Report, April 2021)
- [5]: The Boston Consulting Group: The Digital Energy Retailer, 2018



**UNITED STATES (GLOBAL HEADQUARTERS)**

320 Park Avenue, 29th Floor

New York, New York 10022

T +1 212.277.7100 F +1 212.771.7111

---

To find out more, contact us



[exlservice.com](https://exlservice.com)

EXL (NASDAQ: EXLS) is a global analytics and digital solutions company that partners with clients to improve business outcomes and unlock growth. Bringing together deep domain expertise with robust data, powerful analytics, cloud, and AI, we create agile, scalable solutions and execute complex operations for the world's leading corporations in industries including insurance, healthcare, banking and financial services, media, and retail, among others. Focused on driving faster decision-making and transforming operating models, EXL was founded on the core values of innovation, collaboration, excellence, integrity and respect. Headquartered in New York, our team is over 33,000 strong, with more than 50 offices spanning six continents.

For more information, visit [exlservice.com](https://exlservice.com)

© 2021 ExlService Holdings, Inc. All rights reserved.



#### UNITED STATES (GLOBAL HEADQUARTERS)

320 Park Avenue, 29th Floor  
New York, New York 10022  
T +1 212.277.7100 F +1 212.771.7111

#### UNITED KINGDOM AND EUROPE

St Clare House, 30-33 Minories  
London, EC3N 1DD  
T +44 7904.256.431

#### AUSTRALIA AND NEW ZEALAND

1198 Toorak Road, Camberwell Victoria 3124,  
Melbourne, Australia  
T +61 448.305.819

United States • United Kingdom • Australia •  
Bulgaria • Colombia • Czech Republic • India •  
Philippines • Romania • South Africa

---

To find out more, contact us



[exlservice.com](https://www.exlservice.com)

EXL (NASDAQ: EXLS) is a global analytics and digital solutions company that partners with clients to improve business outcomes and unlock growth. Bringing together deep domain expertise with robust data, powerful analytics, cloud, and AI, we create agile, scalable solutions and execute complex operations for the world's leading corporations in industries including insurance, healthcare, banking and financial services, media, and retail, among others. Focused on driving faster decision-making and transforming operating models, EXL was founded on the core values of innovation, collaboration, excellence, integrity and respect. Headquartered in New York, our team is over 33,000 strong, with more than 50 offices spanning six continents.

For more information, visit [exlservice.com](https://www.exlservice.com)

© 2021 ExlService Holdings, Inc. All rights reserved.