

APPENDIX 4

Customer engagement research synopsis



Customer Engagement Research.

Final Customer
Engagement
Research Synopsis.



Written for: Energex (on behalf of PwC)
CB Contacts: Maree Taylor | Danielle Riseley
Ph: (07) 3026 3000
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Energex commissioned PricewaterhouseCoopers (PwC), in conjunction with Colmar Brunton, to undertake an extensive research program of customer expectations and preferences research to feed into a consolidated strategy for future customer engagement.

This was in part for Energex's next regulatory proposal to the Australian Energy Regulator (AER), and also a broader business need for Energex to review how it engages with customers, now and into the future.

The following groups were included in the research:

- Residential customers
- SME customers
- Large business customers
- Retailers
- Advocacy groups

A combination of qualitative and quantitative research was conducted, with this document summarising the key insights captured through the entire program. A separate detailed research report has also been submitted.



Important contextual information identified in this research:

- Energex is a well known, trusted and respected brand within SEQ (across all customer groups and stakeholders).
- There is a low level of understanding regarding exactly what Energex's responsibilities are (versus generators, retailers, etc.) with regards to electricity distribution, pricing, community initiatives and customer service. Despite this, customers are generally satisfied with the performance of Energex.
- There is a low level of understanding regarding how bills are calculated and why prices have notably increased in recent years.
- There is a low level of understanding regarding what is driving electricity costs, with an assumption that there has been an over investment in the network to over deliver on supply quality.
- Customers are satisfied with the current supply reliability and believe current levels are sufficient (in some cases delivering above expectations), and so customers do not understand why further investments are required.
- Customers are not engaged with tariffs or alternative technologies, but are interested in the benefits that innovations in this space will provide.
- Retailers are generally satisfied, perceiving Energex to be one of the better performing distributors, but believe that more could be done to become a commercially and customer focused organisation.
- Advocacy groups are wanting more engagement opportunities to ensure the voice of vulnerable customers (and other key customer cohorts) are represented in decision making.



Five key insights have been identified.

1.

Customers want a relationship with Energex.

2.

Supply quality is perceived very positively (with the exception of poor feeder areas). Current supply quality should be maintained, however if this will result in significant cost increases, then significant customer engagement (to inform and educate) is required.

3.

Tariff structures are daunting. Customers do not understand them and significant education and engagement is required to empower and encourage customers to become more involved in tariff choices.

4.

Customers are not engaged with new / alternative technologies (other than Solar PV), but expect Energex to be actively planning for and communicating new technologies that will benefit customers.

5.

Energex could credibly play an industry leadership role in regards to demand management, energy conservation and electrical safety, however, customers' communication channel expectations are outside of Energex's current capabilities.

Each of these insights have been explored on the following slides.





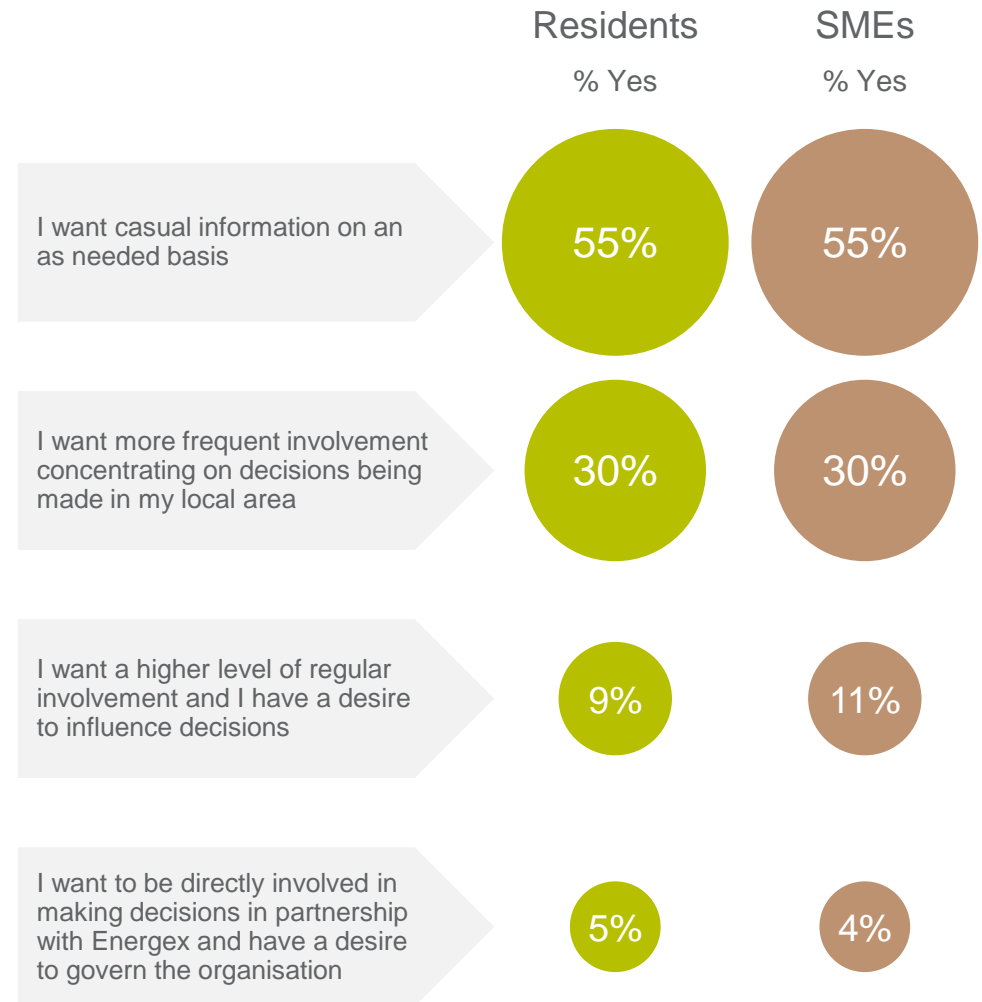
Insight
1

Customers want a relationship with Energex, even if that is Energex just being a trusted provider of information.

Approximately half of customers would like more than just ad hoc / casual information from Energex. There is a particular desire to receive more frequent information about what is happening and decisions being made within the local area.

- ▶ Those that are particularly dissatisfied with the recent electricity price increases and feel unable to manage their usage / costs are requesting more engagement opportunities.

Larger business customers expect higher forms of engagement. In particular, larger businesses are requesting access to an account manager (one point of contact) to ask questions of, provide recommendations and advice, and proactively work with them for future planning.





Insight
1 (cont.)

Customers are looking for engagement through multiple channels to address their communication needs.

Communication Expectations by Customer Type

Residential & Small Business Customers

- Have similar communication preferences and lower expectations.
- Reasonable notice (48 hours) of any disruptions and one-way updates about the cause and when power will be out / restored is expected.

Medium & Large Business Customers

- Have higher service expectations – they expect more notice, more information, more updates, and faster completion or restoration of services.



Multiple channels, both traditional and non-traditional, are preferred for all situations and customer types.

Communication Expectations by Notice Period Available

Planned Works

For situations like planned outages, Energex staff entering the home / business and street work, preferred channels are typically:

1. Letterbox notice (strongly favoured)
2. Email
3. SMS

Larger businesses are more likely to prefer email, SMS or a phone call (more immediate and personalised).

Unplanned Works

During unplanned outages or emergency works, communication needs to be more immediate and is preferred via:

1. SMS
2. On the radio
3. Energex website



Insight
1 (cont.)

Implications & Recommendations for Energex.

1

Customers (particularly larger businesses) expect that personal and direct communication channels such as SMS and email will be adopted by Energex, as letterbox drops are becoming less relevant. It will be important for Energex to consider such channels in the future in order to meet customers' expectations and communications needs, and ensure information is delivered in a timely and more personalised manner.

2

In addition to more modern and instantaneous channels, customers also expect multiple communication channels to be utilised by Energex for notices about both planned and unplanned works, as well as education campaigns. Including a mix of both traditional and non-traditional forms will also be important to meet the needs of customers.

3

Personal and direct communication channels need to be an important consideration in Energex's customer engagement model, as customers are wanting to engage with the brand, but expect to do so via channels Energex is not effectively utilising currently.

- ▶ The current lack of customer information and knowledge hinders Energex's ability to provide the personal approach customers (particularly larger businesses) expect.



If these customer expectations are not met, both residents and SMEs will become increasingly dissatisfied with the communication channels being utilised by Energex. It is also likely to lead to greater overall dissatisfaction with Energex, hinder the potential strength of Energex's relationships with customers (especially if communications are not more personalised) and less engagement with the brand.



Insight 2

Customers are satisfied with the current supply quality, but are not supportive of plans that may cause further bill increases.

Satisfaction with overall supply is high. Customers are generally satisfied with the overall quality of supply as well as the frequency and duration of outages.

Customers are *concerned about the rising cost of electricity.* While this is true across all customer segments, larger businesses are most concerned about increased network charges.

The majority of customers would *prefer for Energex's investment in the network to remain the same* (i.e. no further improvement is perceived to be essential, with the exception of poor feeders).

Residents

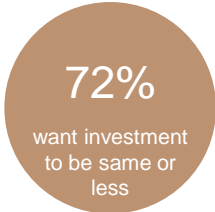
SMEs



Note: Customers on poor feeders are less satisfied



Note: Around one third also believe they have no or limited ability to reduce their electricity usage



Note: Customers on poor feeders are significantly more likely to want investment in the network (34% of residents and 44% of SMEs want it to be increased).



Insight 2 (cont.)

Customers ideally want price stability and current supply levels to be maintained, while not having to pay more for incremental improvements.

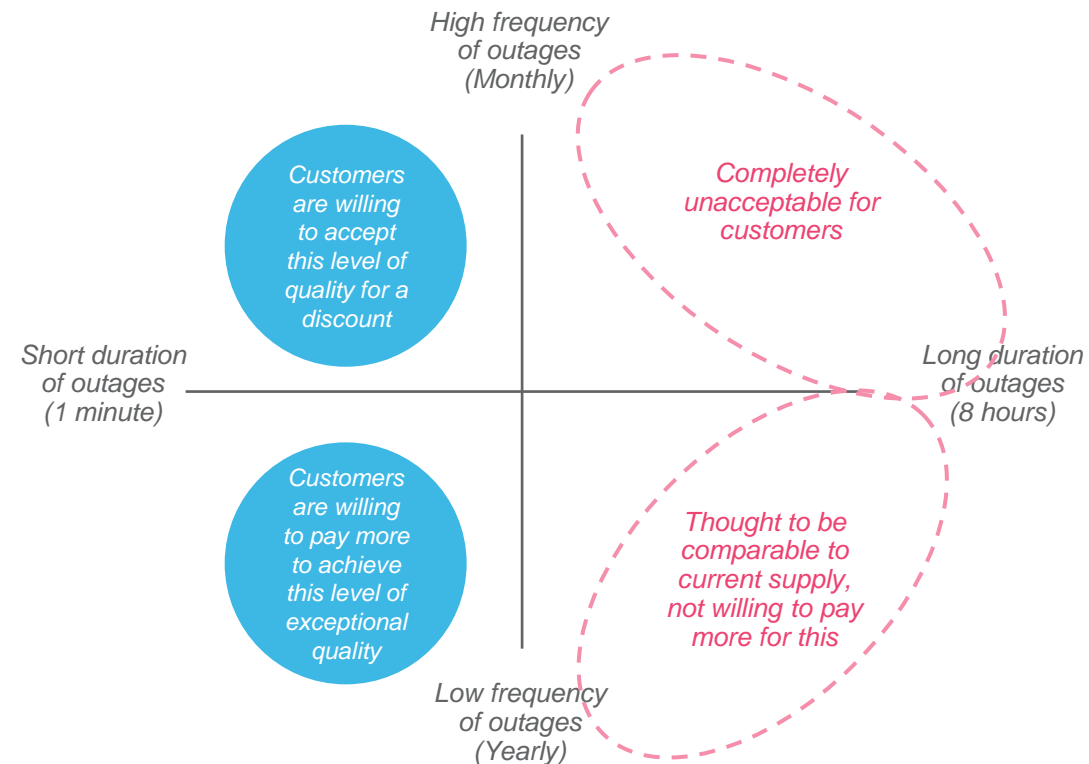
The relationship between supply quality and willingness to pay is complex.

It is not a linear relationship and customers are not willing to keep paying more for gradual improvements in levels of supply. Rather the threshold (regarding price increases for service improvements) appears to have been reached.

There is a clear preference for price stability. When that is not a possibility, there are two patterns of response amongst customers:

- To pay less for frequent very short outages (customers are not willing to pay less if this resulted in lengthy outages).
- To pay more for exceptional supply quality (almost a flawless network, with virtually no outages).

TYPICAL SUPPLY / COST PREFERENCES OF BOTH RESIDENTIAL AND SME CUSTOMERS





Insight
2 (cont.)

Implications & Recommendations for Energex.

1

Supply quality is viewed positively by customers, with no additional investment considered necessary (other than in poor feeder areas where further investment to improve the current supply is required).

2

Customers have a strong preference for the current supply quality to be maintained within the current cost structures.

3

If significant investment is required to maintain current levels of supply (which will result in further price increases), greater customer engagement is required to avoid negative perceptions of Energex. Passing on costs for unnoticeable improvements will not be accepted.

- ▶ There is a lack of understanding around the investment required to maintain the current network (and the impact this will have on customer bills). This is likely to generate further negative associations with future price increases, as there are perceptions that the network is “good enough” and further costs are a result of “gold plating”.
- ▶ However, there does appear to be some acceptance of reducing quality marginally in exceptional feeders (allowing for infrequent outages of up to 2 hours in duration), if this meant a cost saving could be passed on to customers.



Given customers' preferences for both supply quality and costs to be maintained, if significant additional investment is made then this is likely to lead to greater dissatisfaction with Energex and negativity towards the brand, especially if it is not appropriately managed through an education campaign. It would be important to communicate what investment is required and why, as well as the benefit of this additional spend, to help offset negativity surrounding price increases.



Insight 3

Customers' knowledge of tariffs and proactive review of their tariff is low, despite high concern about electricity costs.

Residents	% Unaware / Know Nothing
Tariff 31 or 33	43%
Tariff 11	44%
Tariff 13 (Residential PeakSmart)	74%
Tariff 12 (Residential Time of Use)	75%

30%
have
previously
reviewed their
tariff

SMEs	% Unaware / Know Nothing
Tariff 20 (Business General Supply)	56%
Tariff 22 (Business Time of Use)	57%

26%
have
previously
reviewed their
tariff

While customers are looking at ways to manage costs, for many, energy efficiency tips seem far easier and simpler to implement than reviewing their tariff (9 in 10 have implemented energy efficient behaviours compared to 3 in 10 reviewing their tariff).

Customers also perceive switching tariffs to be a complex, costly and time consuming process, which holds a risk of ending up on a "worse" tariff.

Currently, the bill is the most common source of tariff awareness for 7 in 10 customers.

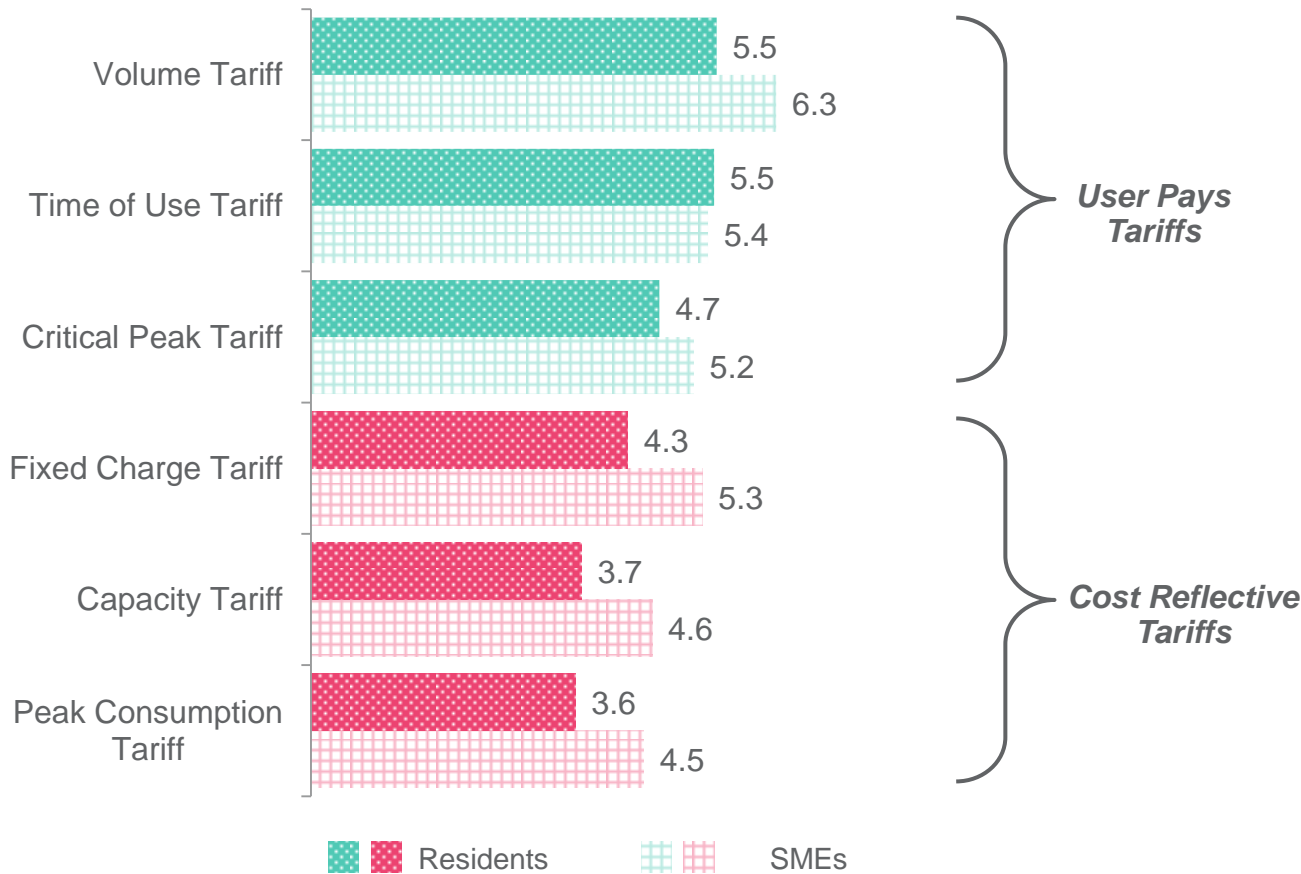
Regarding new tariffs, customers most want to know any costs to be incurred in switching tariffs, their likely new bill and how the tariff works.



Insight
3 (cont.)

While “user pays” tariffs are intuitive and seem fair, “cost reflective” tariffs seem unfair and are viewed negatively.

LIKELIHOOD TO TAKE UP TARIFFS
(Average score out of 10)



User Pays Tariffs

(Customers are charged based on how much electricity they actually use)

- A user pays framework logically makes sense to all segments
- Easier to justify
- Considered fair

Cost Reflective Tariffs

(Customers are charged based on their maximum usage or all customers are charged a fixed amount, which is more cost reflective of network demand)

- Considered fundamentally flawed
- Unfair – seen to only benefit Energex / Retailers
- Customers feel they will be heavily penalised for their entire billing cycle
- Tariffs are complex and would require significant ongoing effort to monitor
- Many businesses haven’t heard of “cost reflective” tariffs or argue the validity: “Cost reflective to who? Cost reflective to what?”



Insight
3 (cont.)

Implications & Recommendations for Energex.

1

If new or opt in tariffs were introduced, significant education and engagement would be required to raise awareness that there is a choice of tariffs and to promote the different options available. Energex would need to:

- ▶ Educate customers about how different tariffs work, in a simple and transparent manner.
- ▶ Empower customers by providing information to help customers make the right decisions for them (however, customers might not have sufficient information if they do not have a Smart Meter).
- ▶ Help customers by offering an advice service.
- ▶ Reduce the risk for customers in switching tariffs, by providing them with the ability to switch back to their former tariff or some sample bills pre switching.

2

If Energex makes a business decision to introduce cost reflective tariffs, it will be an extremely difficult job to build sufficient knowledge so customers understand the different cost structures, are willing to accept them, while at the same time transitioning to a different way of charging for electricity.

- ▶ This could be particularly hard given current knowledge levels (it could take years to properly educate) and the limited direct communication Energex has with its customers.

3

User pays based tariff approaches would not require such extensive engagement as they are considered intuitive and more fair.



Without sufficient information, education and tools to assist decision making, the introduction of any new tariffs is likely to cause significant confusion and concern for customers. A significantly longer lead period and more comprehensive education program would be required for “cost reflective” rather than “user pays” tariffs, and such a transition would need to be managed carefully to minimise the impact on customers and resulting dissatisfaction and disengagement with Energex. This education could be delivered in partnership with electricity retailers or government.



Insight 4

The uptake of new technologies will eventuate when it becomes affordable and comparable to other options.

Aside from Solar PV, significant education is required before further uptake of other technologies occurs amongst customers.

SMEs are significantly more knowledgeable about different technologies than residents, with current ownership and future intended uptake also significantly higher.

Technologies that lead to greater control over usage and bill savings as well as greater self sufficiency are appealing. However, the upfront costs are still prohibitive for some customers.

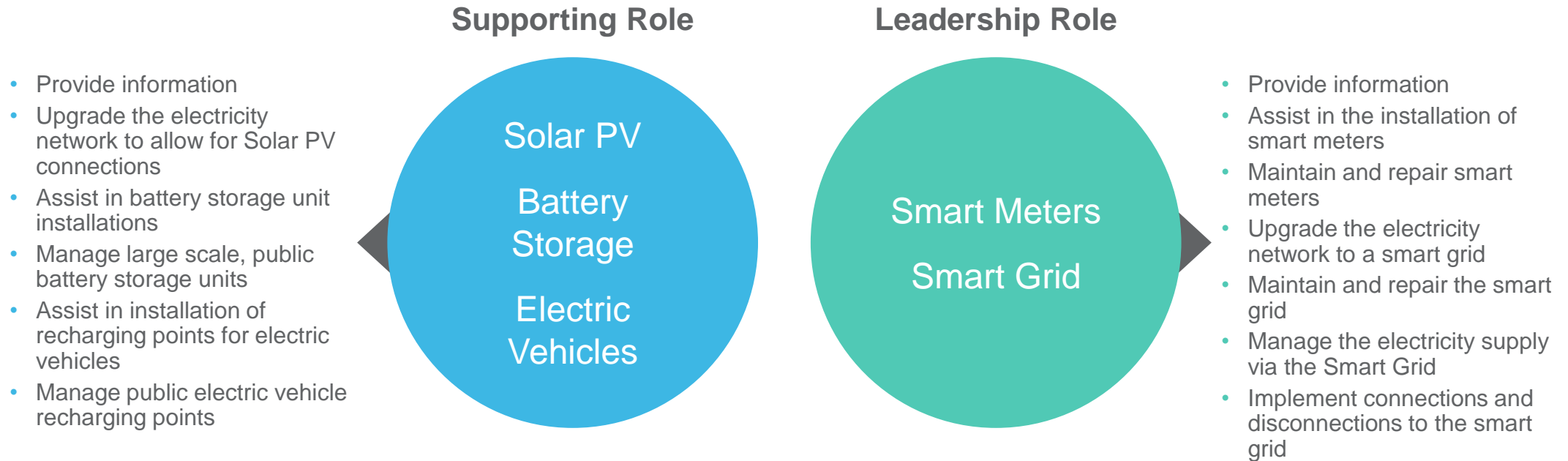
Purchase intent is likely to increase when the technology is more affordable – when battery storage costs are more in line with solar or electric vehicle prices are more comparable to standard cars.

	Residents		SMEs	
	Intend to Own	Currently Own	Intend to Own	Currently Own
Solar PV	26%	27%	36%	23%
Smart Meters	6%	10%	8%	16%
Battery Storage & Self Generation	5%	5%	11%	12%
Electric Vehicles	3%	2%	5%	9%



Insight
4 (cont.)

Energex's role is considered largely to be a facilitator of new technologies regarding network upgrades or changes.



Customers expect Energex to have varying levels of involvement for different technologies. For all new technologies, however, customers expect that Energex has a responsibility to provide information and to manage those aspects affecting the network.

Customers do not see Energex's role extending as far as being a manufacturer or retailer of the above technologies.

Based on current and intended take up, Solar PV and battery storage units appear to offer the most immediate threat and opportunity for Energex. Understanding the level of involvement Energex has with these new technologies should be prioritised, followed by Smart Meters.



Insight
4 (cont.)

Implications & Recommendations for Energex.

1

Customers believe that Energex has an important role to play regarding new technologies, specifically:

- ▶ Being an information source about all technologies, particularly smart meters and a smart grid.
- ▶ Preparing and managing the network to accommodate and enable technological advancements.

Given that customers see Energex as a natural provider of information about all technologies, it will be important that Energex is proactive in keeping up with developments and providing information / advice to customers.

For any technology, Energex is seen to be almost solely responsible for the implementation / installation and maintenance components (but not go as far as manufacturing and selling).

2

A lack of awareness and understanding about technologies generally means that there are currently no large expectations on Energex regarding actually adopting or implementing different technologies. However, customers do believe that Energex should be proactively planning for and building strategies for the implementation of new technologies (and avoiding a delayed reactive response like with Solar PV).

3

Based on continued ownership and interest levels of Solar PV, it is likely to cause continued network issues in the future. Energex should investigate battery storage options further to understand the possible benefits for both customers and the network.



If Energex does not provide information and advice to customers about new technologies as they develop or take responsibility for the implementation, installation and maintenance components (as per customers' expectations), it is likely to lower customers' perceptions of Energex and their satisfaction with Energex's services if Energex is seen to not be delivering on their responsibilities. Without investigating battery storage or other options to assist increased Solar PV uptake, this could impact on future supply quality and costs for customers.



Insight 5

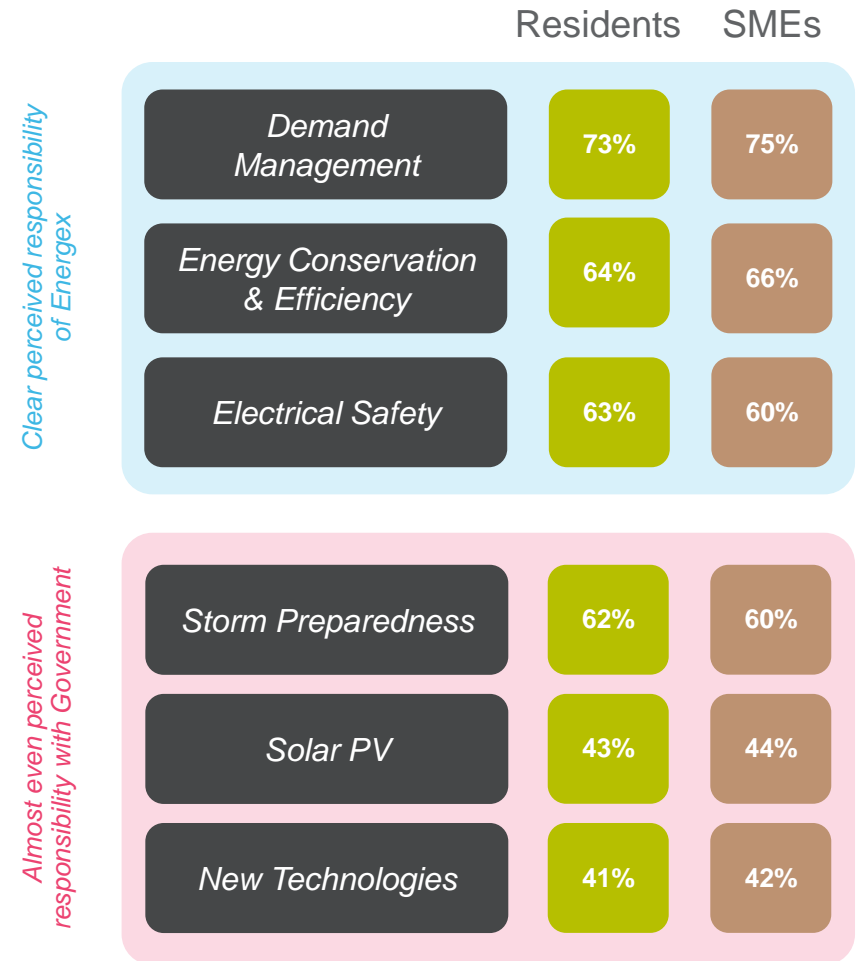
Energex could credibly play an industry leadership role regarding demand management, energy conservation and electrical safety.

Energex is the preferred communication provider for a number of electricity related topics.

- ▶ In particular, larger business customers expect far higher levels of information from Energex in all these areas.

If Energex is to have a leadership role in areas such as tariffs, emerging technologies and demand management initiatives, more personal and direct forms of communication would need to be introduced.

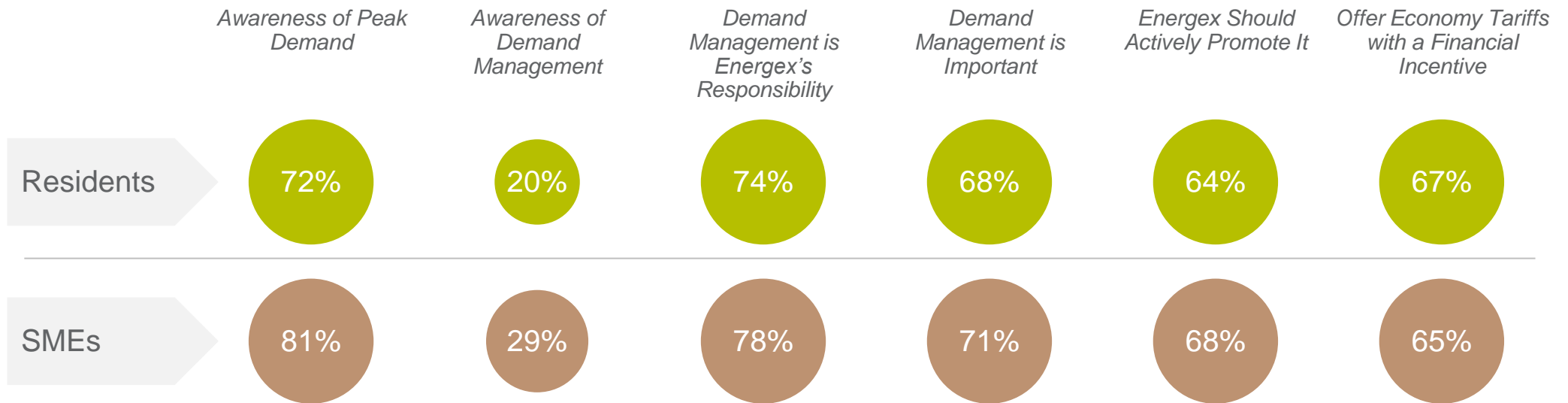
- ▶ The larger the customer’s consumption of energy, the greater the expectation for tailored and personal communication.





Insight 5 (cont.)

Despite low awareness, support for Energex providing demand management programs amongst customers is very high.



Awareness of demand management and different programs is low, despite high awareness of peak demand. However, with the majority of customers concerned about their bills and looking for options to bring their costs down, demand management has strong appeal.

Customers would like Energex to be actively promoting these programs, particularly offering economy tariffs that have a financial incentive for off peak use.

Through electricity bills, on television, the Energex website and letterbox flyers are the preferred communication channels to be utilised to inform and communicate with customers.



Insight
5 (cont.)

Implications & Recommendations for Energex.

1

Energex is a reputable brand and a company that can credibly own an expert position within the electricity industry.

If Energex decides to pursue an industry leadership role (particularly with regards to tariffs, demand management and technology), customers would embrace Energex in this role. However, significant investment would need to be made in Energex's internal capacity to engage with customers via the channels and in the manner they would expect (as customers' communication channel expectations are outside of Energex's current capability).

2

Customers are not willing to pay more for Energex to assume this role. If this is not possible without adding significant cost (to customers bills), there are opportunities to partner with Government and retailers to jointly engage with customers on key topics.

3

There is a significant opportunity to educate customers about the demand management programs currently available and actively promote these to encourage uptake:

- ▶ Customers are most interested in programs relating to off peak tariffs that offer a financial incentive for off peak usage.
- ▶ Despite current programs being more targeted at residential customers, there is significant interest from SMEs in such programs and there could be an opportunity for Energex to develop demand management programs that are more tailored to the needs of businesses and their operating hours.



If Energex does not adapt its communication channels to be in line with customers' preferences and expectations, it is likely to impact on Energex's ability to credibly play an industry leadership role and to build greater engagement with customers regarding topics like tariffs, demand management and technology. Not undertaking more education about demand management programs, promoting those with a financial incentive and developing offers more tailored to SMEs could also cause Energex to miss a significant opportunity to capitalise on interest and increase uptake.

