GIVING POWER AND GAS CUSTOMERS WHAT THEY WANT

By Stephan Lehrke, Fabio Cantatore, Massimiliano Merlini, and Alessandro Spotorno

AS MOST NEW APARTMENT dwellers and homeowners know, the experience of buying power and gas (P&G) services is rarely as simple or intuitive as one-click shopping on Amazon or ordering sushi through Deliveroo. For example, customers often start the activation process online but then need to go offline to complete paperwork. (And by online we mean on a desktop computer, not a mobile device.)

Many P&G utilities and retailers want to offer rewarding customer journeys in order to reduce churn, decrease costs, satisfy customers, and provide value-added services. But despite these ambitions, few companies have found the right formula. A lot of organizations take a scattershot approach, in which customers experience a few frustrating digital pit stops. Others have been unwilling to redesign their business and operating models around the needs of customers by becoming more horizontal in their orientation and organization.

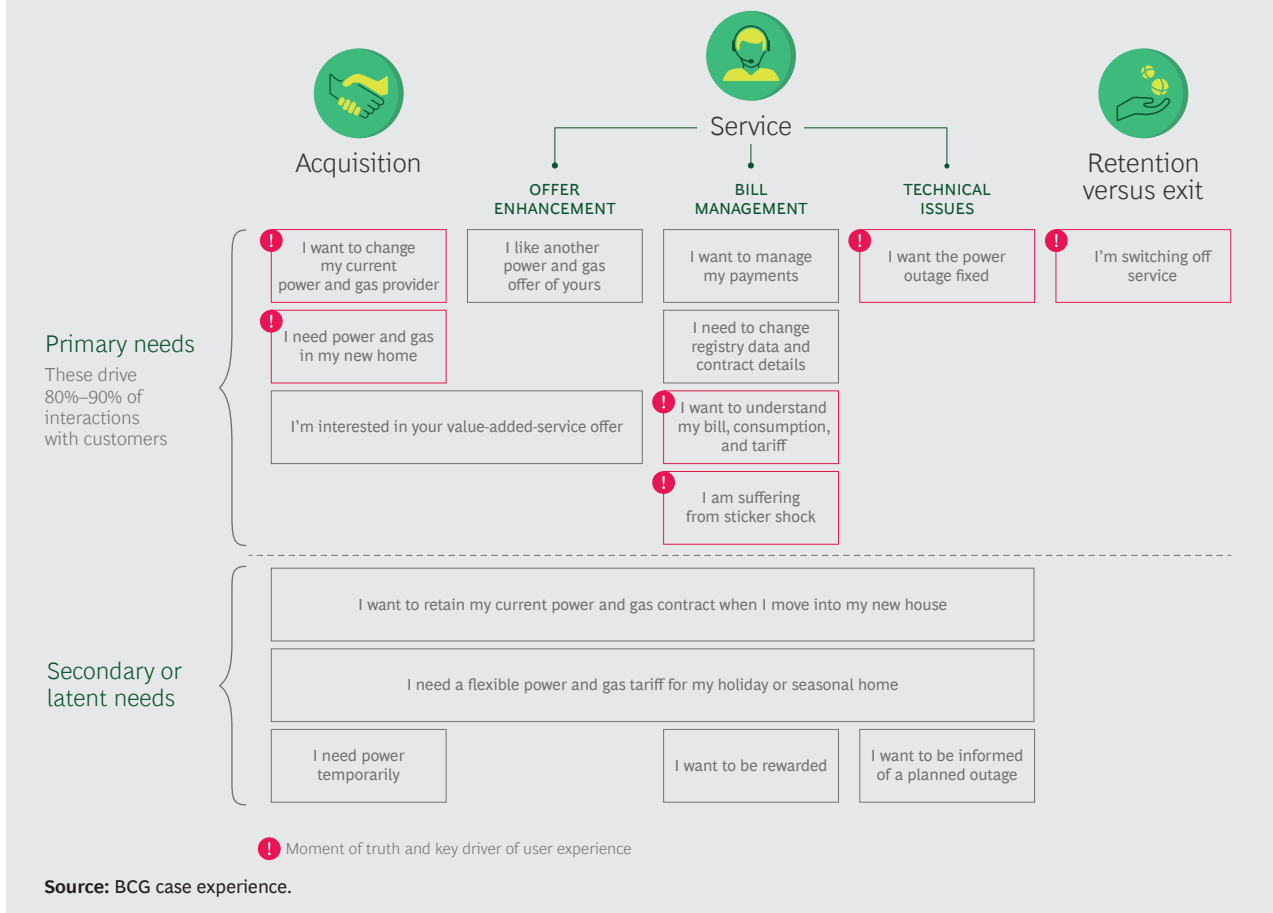Customer journeys start when a customer perceives a need—"I need power and gas in my new apartment"—and continue until the customer's need is satisfied. As such, they are end to end, cutting across many vertical silos and technology platforms. Of the 10 to 15 customer journeys for typical P&G retailers, a handful or so represent key events or moments of truth that fundamentally influence the customer experience one way or the other. (See Exhibit 1.)

By building end-to-end customer journeys, especially in the context of a broader digital transformation agenda, P&G utilities and retailers will not just satisfy customers but also create value for themselves. What's good for customers is also good for the business.

Why Now?

Customers have grown accustomed to the simple and intuitive experiences provided by Amazon, Deliveroo, Zalando, and other online companies. And most of those customers, especially members of younger generations, expect to make purchases or address a service issue with a few clicks. In-

Exhibit 1 | Typical Power and Gas Retail Customer Journeys

Acquisition

Service

OFFER ENHANCEMENT

BILL MANAGEMENT

TECHNICAL ISSUES

Retention versus exit

Primary needs
These drive 80%–90% of interactions with customers

(!) I want to change my current power and gas provider

I like another power and gas offer of yours

I want to manage my payments

(!) I want the power outage fixed

(!) I'm switching off service

(!) I need power and gas in my new home

I need to change registry data and contract details

I'm interested in your value-added-service offer

(!) I want to understand my bill, consumption, and tariff

(!) I am suffering from sticker shock

Secondary or latent needs

I want to retain my current power and gas contract when I move into my new house

I need a flexible power and gas tariff for my holiday or seasonal home

I need power temporarily

I want to be rewarded

I want to be informed of a planned outage

(!) Moment of truth and key driver of user experience

Source: BCG case experience.

teractions that fall short constitute a black mark in their view. In all industries, therefore, digital natives, not industry incumbents, are setting the standard.

The P&G industry is not exempt from meeting this benchmark. Especially in deregulated and unbundled markets in Europe, among other places, P&G utilities and retailers are facing competition from both incumbents and consumer-oriented newcomers—especially resellers offering an experience similar to the kind that Amazon provides. What began in the digital world of 1s and 0s, in other words, has migrated to the staid land of pipes and wires, where "take it or leave it" has been the operating customer service principle.

## Customer Journeys Can Provide the Blueprint to Go Digital

Customer journeys can be the sparks that ignite a company's larger digital transfor-

mation. By viewing interactions through their customers' eyes, companies become more willing to deploy digital capabilities broadly and transform their operating models more profoundly in ways that lower costs and improve the customer experience. (See Exhibit 2.)

On the front end, for example, a customer journey approach will likely lead companies to provide customers with new ways to engage enabled by simple and functional apps and websites, in line with the type of experience delivered by banks and online retailers. On the back end, companies are likely to invest in automation and lean technologies to help speed up and smoothen customer interactions. In the process, they are able to lower costs, capture revenue opportunities, and reduce customer frustration.

A customer journey approach makes sense for P&G utilities and retailers, no matter where they are in their digital development.

EXHIBIT 2 | A Customer Journey Transformation Can Provide Business Benefits
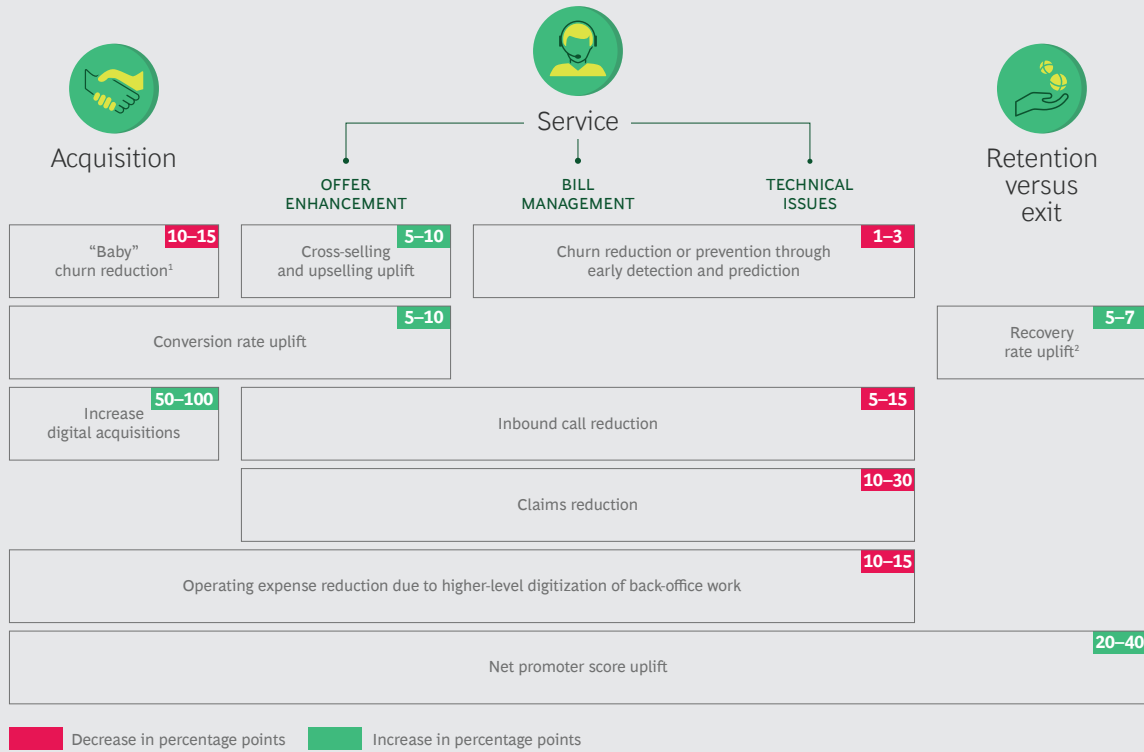
Source: BCG case experience.
[1]Contract drop-off in the first three to six months.
[2]Ability to retain more customers that are in the process of closing their contract.

For companies just starting out, this tactic will provide an overarching framework to build out capabilities. For companies with a scattered approach or uneven levels of digital capabilities, customer journeys can help connect the dots among different initiatives and improve their effectiveness.

P&G utilities and retailers are complex entities. As executives approach a customer journeys transformation, a few key insights can help launch an effort successfully and keep it on track.

Clarify the overarching objective. Senior leaders must be on the same page before starting a customer journey transformation. Is the overarching objective to improve net promoter scores and the customer experience, or to improve earnings, or some combination of both? Will new customer journeys be created from within the core of the company or in a standalone incubator? These are critical questions. If a company appeals wholly to customer expectations

without considering overall corporate objectives, for example, it will likely generate complexity and incremental costs.

Tailor the journey. Customer journeys should be tailored to harness the specific strengths of a particular company in service of its customers. They cannot be copied and pasted from one company to another.

P&G companies should draft a list of basic customer needs: purchasing power or gas services, moving services into a new home, or paying monthly bills, for example. Once those needs are identified, the company should dig deeper into the channel, context, and other elements of each journey. Is the customer buying power online or from a retail outlet, for example, switching suppliers, or assuming a contract from a prior tenant or owner?

At the start of a transformation, customer journeys are likely to take a fairly high-

level, end-to-end view. But once that view is established, companies can dive deeper into specific steps.

Adopt a "mobile first" approach. Incumbent P&G retailers typically serve a broad range of customers, from young adults to the elderly. They must therefore address everyone's needs, including digital natives, customers with flip phones, and those with no mobile phone at all. Incumbents will keep on serving customers through digital and analog channels for many years.

But even while serving everybody, these companies should adopt a mobile-first approach in designing customer journeys across all channels. What works on mobile, with its simple interface, will work on other channels—but the reverse is not necessarily true. Companies should seek inspiration in the simplicity of the mobile channel and find ways to replicate that experience on the web and in call center and store interactions.

A collateral benefit of a mobile-first mindset is that it will force improvements on the back end. When companies focus on simple and intuitive interactions, they uncover inefficiencies, such as manual operations, cumbersome processes, and inept handoffs that interfere with the customer experience. As a famous physicist once said, "If you can't explain it to a six-year-old, you don't understand it yourself." The modern corollary might well be, "If you can't do it on a smartphone, the interaction is not simple enough."

Designing a mobile-first experience would also make it easier to ensure an omnichannel capability by easily replicating the same process across channels and by integrating interactions through customer data.

A BCG client directly experienced the benefits of this approach when it created a journey centered on the desire "I need more (or less) power." Several pain points emerged around complexity, speed, and transparency. Rather than take steps to fix processes in each channel, the company instead imagined that customers could in-

crease or decrease their power allotments with one click on the company app. This exercise brought to the surface all the necessary fixes within the digital and mobile channels. It also pointed the way toward the steps needed for that experience to be replicated in other channels. For example, the customer care staff began adopting a simpler and more transparent workflow inspired by the app.

Break the silos. Customer journeys are cross-functional by design. They have an impact on every aspect of the current organization. Successful customer activation, for example, requires cooperation among the marketing, sales, customer care, and billing functions. To become truly cross-functional, companies should design their operating models from the perspective of customer journeys rather than remain constrained by current practices and silos. However, creating end-to-end customer journeys in organizations with strong functions and departments is typically hard work because of organizational and cultural resistance.

As a start, companies can create cross-functional teams to create customer journeys. These teams should be trained in agile, design thinking, and other emerging cross-functional methodologies as well as have the authority to make decisions. If their work is well received, the teams can provide the blueprints for larger operating-model transformations.

Make it modular. A modular mindset can help address the inherent challenges. Executives design each solution as a "reusable capability" that is digital at its core and decoupled from any legacy system. Each of these capabilities can then be reapplied to other customer journeys. (See Exhibit 3.)

A large utility, for example, wanted to create "smart signup" functionality to simplify customer activation. Rather than require the customer to fill in forms, the utility pulled information from public databases to accelerate the signup process. This functionality was then ported over to other cus-
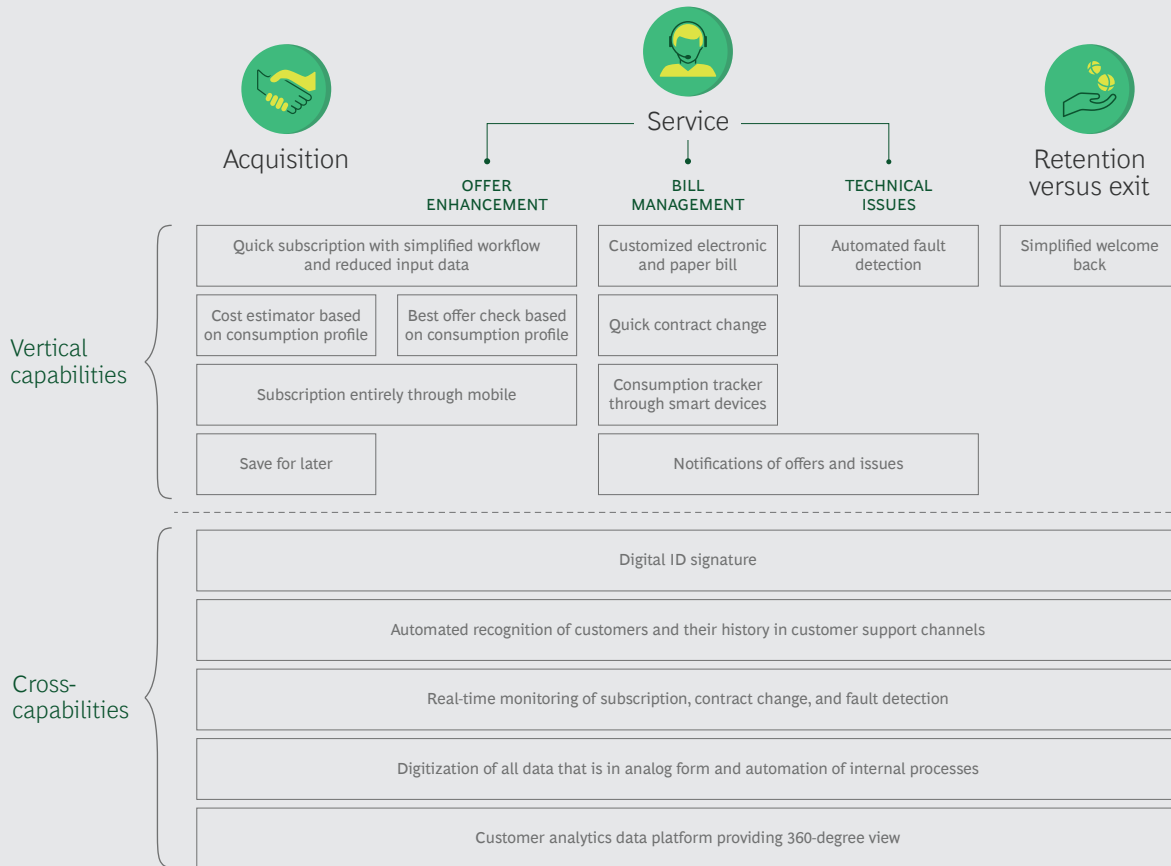
Source: BCG case experience.

tomer journeys about value-added services and services to a second home.

Set a "digital hub" as the transformation lighthouse. Because customer journeys are so challenging to traditional ways of working, a dedicated budget and organization—even if only in the form of a temporary project team—are critical. This approach both provides necessary resources and minimizes disruption to the core business.

A more ambitious approach is the creation of a so-called digital hub—a new organizational entity that can be virtual or physical. The hub ensures that budget, managerial focus, people, and capabilities are concentrated in a single place. With a dedicated team, the company can more easily and effectively experiment with such new capabilities such as design thinking, agile, and customer analytics.

Build momentum and support. As cross-process and cross-functional initiatives, customer journeys require an orchestrated effort by people with different objectives and agendas. It often helps to pick the low-hanging fruit early on as a way to demonstrate value and build alignment. Organizations sometimes start with their most ambitious projects, but these generally have the highest degree of difficulty.

More generally, customer journeys require a change management plan centered on communication and training that builds acceptance, awareness, and culture. Videos, webinars, and social media are especially effective ways to celebrate success stories. In addition to such soft approaches, customer journeys also require hard levers to ensure alignment, progress, and incentives.

A high-level business case is also a powerful tool to generate commitment and avoid

the common pitfall of pursuing "pure" customer experience at the expense of earnings and performance. In our work on customer journeys with a large utility, the company reduced inbound calls by 10%, halved the time to market for new initiatives, and improved earnings by €20 million annually. In other industries, customer journeys have improved net promoter scores by 30 to 40 points, cut delivery times in half, and streamlined processes and lowered costs by 25%.

Finally, in order to maintain momentum, companies should be evaluating customer journeys regularly. A BCG telecommunications client, for example, periodically analyzes customer journeys by channel—such as the number of activations initiated on a mobile app.

Practical Steps to Ensure Success

In our experience, customer journeys are most likely to succeed when—in addition to the insights above—companies follow a set of proven practices:

- Involve members of top management early, clarify and address their expectations, and ensure that they are on board and will provide support in tough times.

- Select the best people and give them the authority to create durable change.

- Embed data in day-to-day activities, in goal setting efforts, and in building the case for change.

- Focus initially on value by allocating resources to the journeys with the most potential, not necessarily to the ones that seem most obvious.

At the same time, a few recurring slip-ups appear consistently as companies strive to create compelling customer journeys:

- Underestimating resistance to change and the desire of people to keep working the way they always have

- Selecting too many customer journeys in the interest of coverage rather than effectiveness

- Setting blind targets that do not reflect economic value

- Focusing excessively on external elements, such as customer experience, at the expense of improving core processes

YOU ARE NOT embarking on a customer journey approach just because the phrase has entered your corporate jargon. If you continue to focus on maximizing the effectiveness and efficiency of your vertical silos in marketing, operations, sales, and so on, you are losing sight of your customers.

Rather, equip your company to create customer journeys by going horizontal and fully embracing the perspective of your customers. With a customer journey approach, P&G retailers can help their customers, soften their rigid hierarchies, and improve their earnings potential. It's a win-win-win situation. If that sounds too good to be true, it's because it's hard to achieve—but definitely worth the effort.

About the Authors

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