RETHINKING CUSTOMER ENGAGEMENT IN DIGITAL AGE

DIGITIZING CUSTOMER SERVICES IN UTILITIES

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Overview

Traditional customer interfaces in the utility industry in the UK, such as contact centers, have undergone an irreversible transformation over the last few years with the onset of digital channels such as email, web chat, SMS, smart phone applications, interactive voice response, and social media. The shift towards digital channels is driven by changing customer preferences, declining customer perception about utilities being trusted advisors on optimized energy consumption, regulatory reforms, websites offering easy online price comparison, and the rising use of smart meters. As a result, energy utility suppliers (providers of gas and electricity) are compelled to reassess the way they interact with their customers and incorporate digital channels into their overall customer engagement strategy.

Although energy UK utilities have taken the first steps in adopting digital channels, consumers are demanding a seamless and personalized experience that the industry has so far been unable to meet. WNS DecisionPoint™ conducted a detailed study to examine the digital channels adopted by UK based 15 leading energy utilities to expand the customer experience across various access media. The report also highlights the significance of digital channels on customer acquisition, cost-to-serve, and the meter-to-cash process. The study findings are presented in the report along with recommendations for utility companies to successfully digitize the customer experience.

NEED FOR DIGITAL CUSTOMER INTERACTION

CHANGING CUSTOMERS' PREFERENCES, ESPECIALLY OF GEN Y CUSTOMERS

The rising population of Generation Y (Gen Y)[1], utilities' future customers and 'strong' early adopters of technology, prefers to connect with utilities anywhere, anytime and also demands a quick response to their inquiries and complaints[i]. As per a Dimension Data survey on contact centers, for ~50% respondents, social media and internet/web chat were the first choices of contact for Generation Y while telephone was considered the last resort of communication[ii]. Their buying decisions are highly influenced by the opinions of their peers, expressed through the feedback and experiences shared on online digital platforms (like social media). With the rising number of such customers, utilities are forced to re-examine the way they look at their customer engagement strategy. Consequently, utilities need to keep themselves abreast of digital technologies to retain and acquire customers, protect brand reputation, and increase operating efficiency.

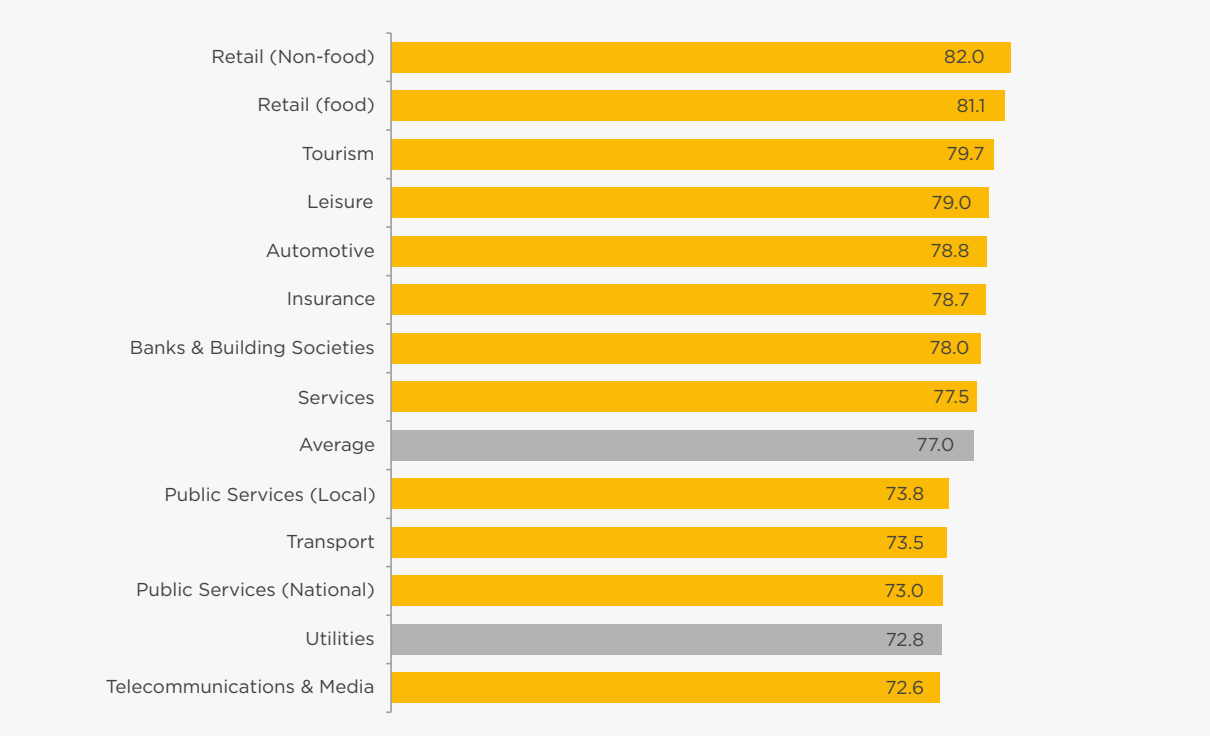
DECLINING CUSTOMER TRUST IN UK ENERGY UTILITIES

UK-based utilities, particularly energy companies, are highly criticized by politicians, media, and subscribers for poor customer service. According to the Office of Gas and Electricity Markets (Ofgem), as of March 2014, 44%[iii] of energy customers did not trust energy suppliers to be open and transparent. Interestingly, this represents an increase of 5 percentage points over March 2012. Also, when compared with customer satisfaction scores (CSAT scores) of other sectors, utility sector came out to be the second-least satisfied one with score 4.2 points below the average[iv] UK Customer Satisfaction Index (UKCSI).

1. Generation Y - population born between the years 1981-1999. Generation X – population born between the years 1961-1980

Exhibit 1

Customer Satisfaction Scores of Various Sectors in the UK, July 2015



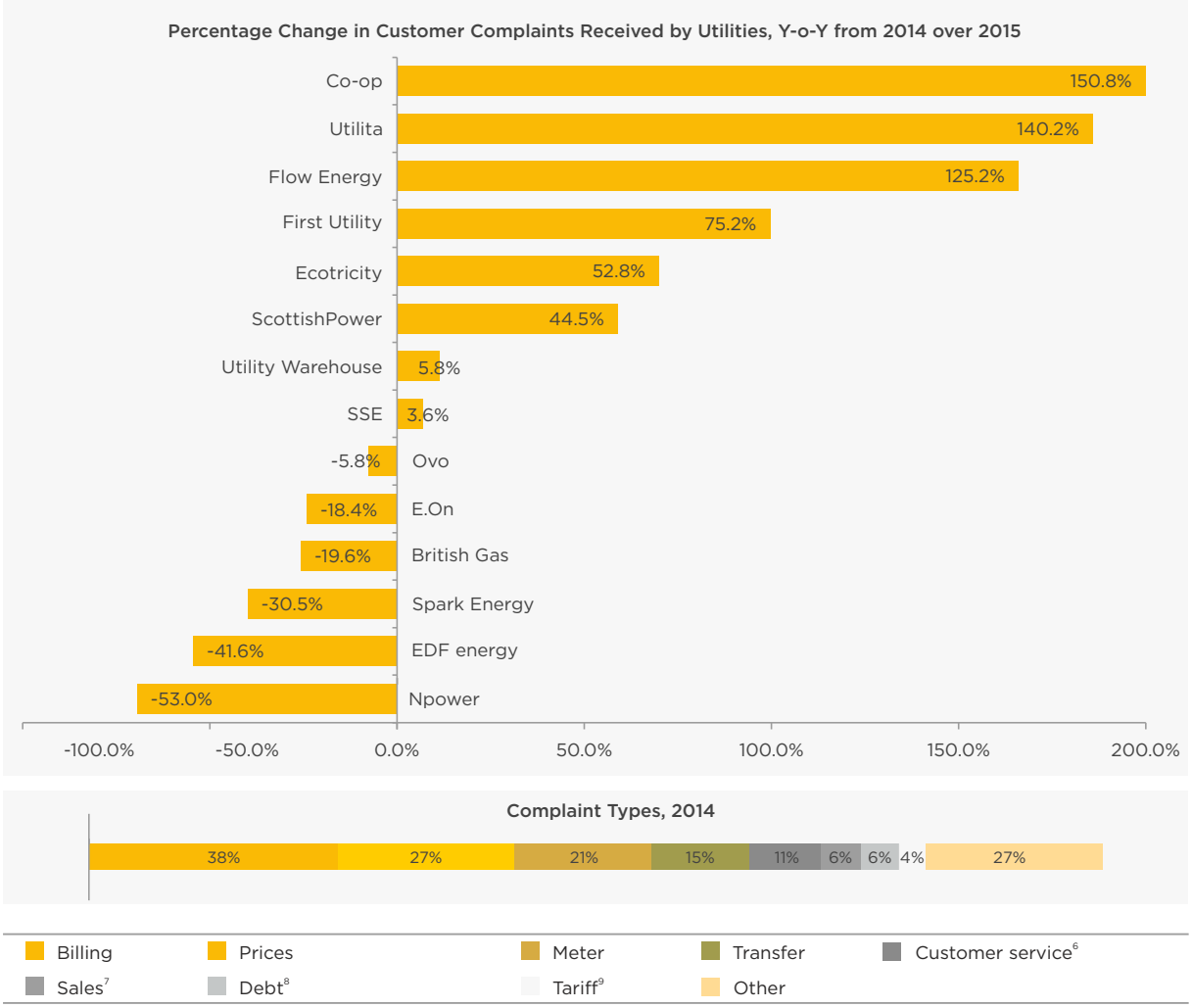
Source: UK Customer Satisfaction Index, by Institute of Customer Service, July 2015

Low customer satisfaction in utilities is also driven by rising complaints related to pricing[2], billing[3],metering[4] and transfer[5], among others. Poor customer service, which accounted for 11%[v] of the total complaints received by Ofgem, also triggered customers to switch. As per the Ofgem's survey, in 2015, 7% respondents switched their gas suppliers (3% increase from 2014) and 6% switched their electricity suppliers (2% increase from 2014),owing to poor customer service[iii].

2. Complaints related to direct debit, price increase, no notification of price increase send to customer, among others
3. Complaints related to accuracy of bills, refunds, estimated bills, and bill frequency, among others
4. Complaints related to meter readings; accuracy of meter; meter installation issues; and setting, faults, and use, of prepaid meters; among others
5. Complaints related to problem switching to supplier and problem switching from supplier

Exhibit 2

Complaints against UK Energy Utilities



Source: Ofgem

According to the survey by UKCIS, customers rate employee attitude, behaviors, and complaint resolution ability as key drivers for higher satisfaction. Customers also attribute high importance to the speed of service and **the ability to interact with utilities through their preferred channels – anytime and anywhere**[iv].

Consequently, utilities need to provide quick and consistent customer service through multiple communication channels, prioritizing the digital channels preferred by customers. These channels provide the highest rate of First Contact Resolution (FCR), compared to other channels such as phone.

According to JD Power survey, 95% of customers who reached out to their electric utility service provider via social media with a problem or concern got a resolution of the issue at first contact[vi]. Utilities should also build self-service portals that allow customers to access contextually relevant information and on a 24/7 basis.

6. Complaints related to incorrect contact number, higher holding time, and contact problems among other
7. Complaints related to misleading information and behavior of sales staff
8. Complaints related to debt recovery process, inability to pay bills, and inappropriate debt payment schemes among others
9. Complaints related to unspecified change in tariff, problems changing tariffs, and change in tariff not reflected in the bills, among others

CHANGING REGULATORY REGIME COMPELLING UTILITIES TO PROVIDE BETTER CUSTOMER EXPERIENCE

UK energy utilities are highly regulated and continuously scrutinized by Ofgem with an aim to increase competition leading to fair and reasonable services for customers. The regulatory body has laid down rigorous guidelines for utilities to improve the overall customer experience. Ofgem periodically conducts customer surveys to assess the effectiveness of digital initiatives taken by utilities and incentivize the companies that performed well and penalize those with poor quality of customer interactions.

Ofgem is also promoting switchover through online channels where customers can easily compare all the available electricity/gas tariffs in the market and view the savings they can generate from switching to another provider. Ofgem has also reduced the maximum notice period for terminating a micro business contract from 90 to 30 days[vii]. This has further intensified the competition in the utility sector. Further, online/website price comparison services are also assisting in switching. As per the survey by Ofgem, in 2015, 29% respondents who switched electricity suppliers and 17% respondents who switched gas suppliers used these websites to seek information about deals offered by other suppliers[iii]. Ofgem's increased efforts to stimulate greater competition is impacting utilities' top line and adding pressure on their profitability. Thus, utilities should retain customers by keeping them satisfied and enhancing their user experience to maintain market share, revenues, and profit margins.

RISING USE OF SMART METERS AND SMART GRIDS

Many large utility companies are rolling out smart metering and smart grid initiatives. By the end of June 2015, the larger energy suppliers were operating ~1.2 million smart gas and electricity meters in Great Britain, representing just 2.5% of all the domestic meters operated by the large suppliers[viii]. UK Government aims to install ~53 million smart meters by 2020, implying the availability of an enormous amount of real-time data to utilities, which will enable them to understand customer consumption patterns and introduce tariff plans to deliver more value to customers. Further, integrating smart meters and smart grids with outage management systems and social media platforms will enable utilities to provide information to customer service systems and staff for proactive customer engagement, thereby reducing calls to the customer support team.

Of course, digital channels not only enable utilities to provide better customer service but they also ensure increased operational efficiency and offer a great opportunity to reduce cost-to-serve across the meter-to-cash process, especially through the adoption of self-service. Low cost and high impact self-service portals are very crucial for utilities to efficiently and effectively interact with their customers. For instance, a consumer can provide a meter reading via a mobile application, an online account or can upload an image of meter reading using smartphone application on his own and at his convenience. The low variable costs and 24/7 availability of this channel make it appropriate for high-volume and simple interactions, avoiding the need for agents most of the time.

Savings Likely to be Generated by Shifting Physical Meter Readings to Self-service Channel

Employee costs, a major portion of the meter-reading costs, are expected to escalate as Ofgem requires utilities to provide frequent meter readings for accurate billing and to promote market liquidity and customer switching. In this scenario, shifting customers to the self-service portal can provide a significant opportunity to reduce the cost of meter readings, as depicted in the table below.

Savings Generated by Reducing Meter Readings to one in Every Two Years	Through Physical Meter Read	Through Self-service Portal
Approximate cost per meter reading per customer (in GBP)	1.3	0.3
Number of meter readings required in a year	11	11
Estimated cost of meter readings for one year (in GBP)	14.3	3.3
Estimated cost of meter readings for two years (in GBP)	28.6	6.6
Estimated cost of meter readings for 100,000 customers for two years (in GBP)	2,860,000	660,000
Estimated cost of meter readings for 100,000 customers for two years through self-service channel including one physical meter read in two years per customer (in GBP) [660,000 + 130,000 (Cost of a physical meter reading for 100,000 customers in two years)]	-	790,000
Estimated savings generated by shifting 100,000 customers to self-service portals (in GBP)	-	**2,070,000**
Estimated savings in %	-	**72.4%**

Source: Gartner Research, Ofgem, and WNS DecisionPoint™ analysis
Note: Only variable costs have been taken into account; other impact on operating expenses have not been considered

Potential Savings Likely to Be Gained by Utilities from Reduced Printed Paper Bill and Mailing Costs

Postage and printing costs account for 49% and 21%, respectively, of bill printing and mailing costs[ix]. Shifting 100,000 customers to self-service portals will enable the utility to save 80-90% on postage and printing costs of those 100,000 customers. This is illustrated in the table below.

Reduced Paper Bill Printing and Mailing Costs	By Letter/Post	By Self-service Portal
Approximate average annual customer contact cost, by channel (In GBP)	28.7	2.9
Number of bills sent per customer in a year	11	11
Cost per bill per customer (in GBP)	2.6	0.3
Total cost of bill printing and mailing for 100,000 customers (In GBP)	261,330	26,364
Estimated savings generated by shifting 100,000 customers from post to self-service portals (In GBP)	-	**234,967**
Estimated savings in %	-	**89.9%**

Source: WNS DecisionPoint™ Analysis
Note: Only variable costs have been taken into account; other impact on operating expenses have not been considered

Estimated Savings Generated by Utilities from Reduced Staffing of Customer Service Agents

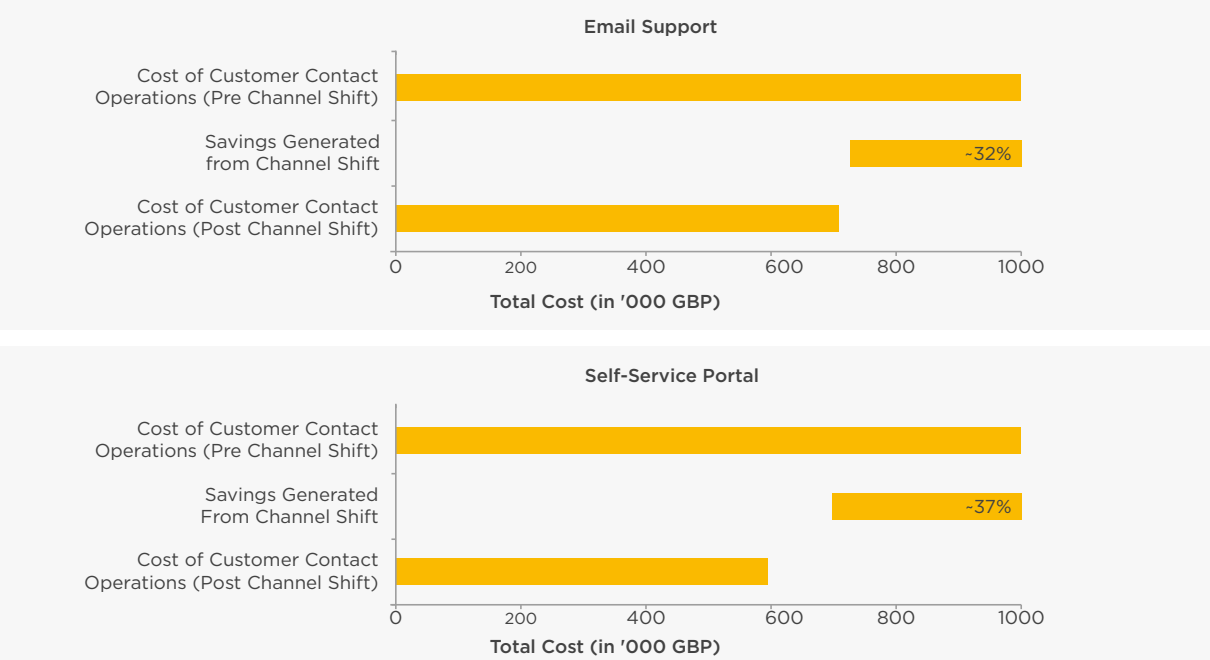
Encouraging customers to use digital channels to submit meter readings and access bills should decrease the number of inbound calls at contact centers. This move is also likely to reduce the number of customer service employees and also enable utilities to curtail customer contact via letters and post, which currently occupies around 31% of the share in the contact channel mix. Shifting channels move customer transactions to the most effective and efficient channels of engagement, creating a satisfying customer experience while delivering savings and increasing revenue. The table below demonstrates the approximate savings generated by deploying digital channels in customer service processes.

Savings from reduced inbound customer service costs, low letter/postage costs, and lower staffing at utility outlets	Customer Contact Centre	Utility Outlets	Letter/ Post	Email	Self-service Portal	Total Cost
Average contact cost per customer in a year (In GBP)	7.9	5.7	28.7	4	2.9	-
Customer service channel mix (industry average)	91%	1%	31%	24%	10%	-
Number of customers who contact the utility company through a specific channel (assuming a utility company has total of 100,000 customers)	91,000	1,000	31,000	24,000	10,000	-
Proportion of customer base who contact their utility company for issues related to billing and metering (as per Ofgem)	59%					-
Number of customers who reported a complaint pertaining to billing and metering (per contact channel)	53,690	590	18,290	14,160	5,900	92,630
Estimated cost of contact for billing and metering issues (in GBP)	424,151	3,363	524,923	56,640	17,110	1,026,187
Estimated total cost after shifting 50% customer calls from traditional channels to email (In GBP)	212,076	1,682	262,462	201,780	17,110	695,109
Estimated total cost after shifting 50% customer calls from traditional channels to self-service portal (In GBP)	212,076	1,682	262,462	28,320	142,869	647,407

Source: WNS DecisionPoint™ Analysis
Note: Only variable costs have been taken into account; other impact on operating expenses have not been considered

Exhibit 3

Estimated Savings Generated by Shifting 50% Customers Calls to E-mail or to Self-service Portals



Source: WNS DecisionPoint™ Analysis

Although energy utilities have taken steps to increasingly use digital platforms to communicate with customers, there is a vast difference in digital adoption rate among various companies. Some have moved away from the conventional cost-driven customer engagement models towards a more agile and proactive methodology focused on tailored customer experience while others are still lagging behind. To understand the digital channel adoption rate by energy utilities and its implications on complaints, customer acquisition and cost to serve, WNS DecisionPoint™ conducted a detailed study of UK energy utilities[10]. The study analyzes customer engagement experiences across three digital channels: website, smartphone/ mobile application, and social media.

10. 15 UK energy utilities were studied that provides electricity and gas services to over 90% of the UK

DIGITAL ADOPTION ASSESSMENT

The digital adoption scores of the selected utilities were derived using seven parameters as mentioned below. Each parameter was assigned a relative degree of importance based on a survey conducted by WNS and across 50 utilities located in US, Australia, and the UK. These attributes are further sub-divided into various predetermined parameters.

Parameters	Weights
Provisioning of products and services	12%
Ease of online switching	16%
Promotion of products and services	13%
Self-service features	14%
Seeking assistance or reporting complaints	13%
Outage communications	15%
Customer education	17%

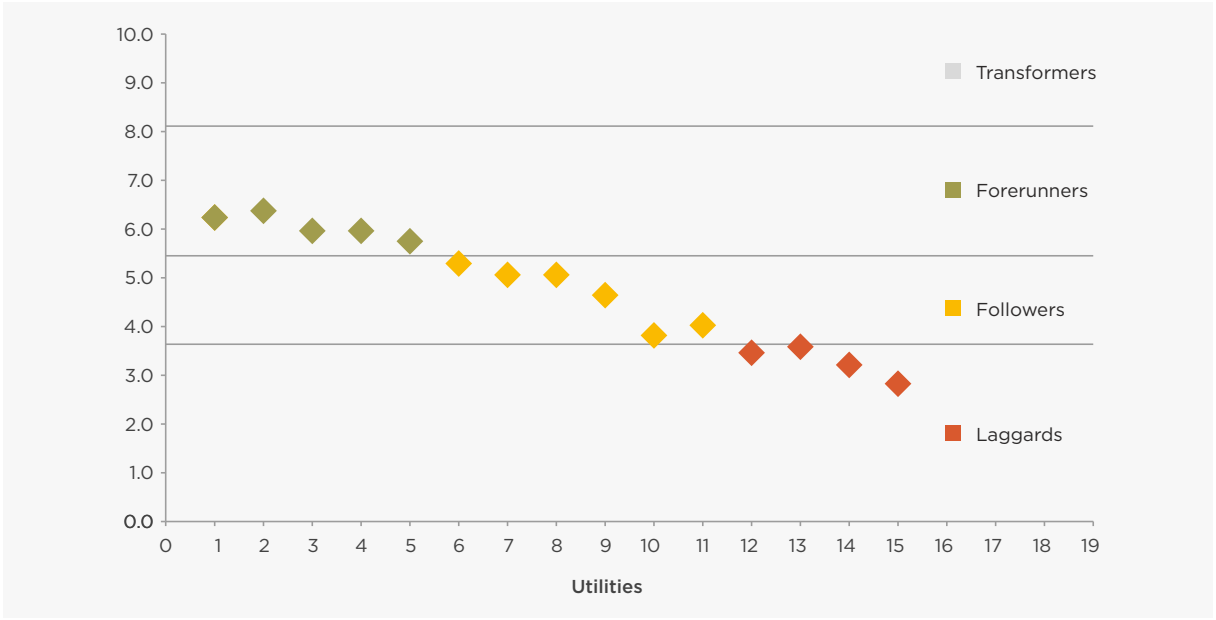
The digital adoption score[11] of each utility was assessed on a scale of 1-10 and based on these scores, utilities were grouped into four categories.

- **Laggards** are utilities that offer inconsistent digitally enabled customer service and are cautious when it comes to investing in digital platforms.
- **Followers** are utilities that benefit from the alignment of digital channel initiatives with short-term strategy but have significant headroom to improve through long-term planning.
- **Forerunners** are utilities that lead their peers and are seeking more strategic value from digital investments. They deliver digitally enabled customer interaction services on fairly consistent basis but still lag in terms of digital innovation.
- **Transformers** are utilities that have mastered alignment of digital customer engagement with long-term business goals and set disruptive trends in the market.

11. Scores are based on data available for each utility as of August 2015

Exhibit 4

Classification of the UK Energy Utilities as per their Digital Adoption Scores



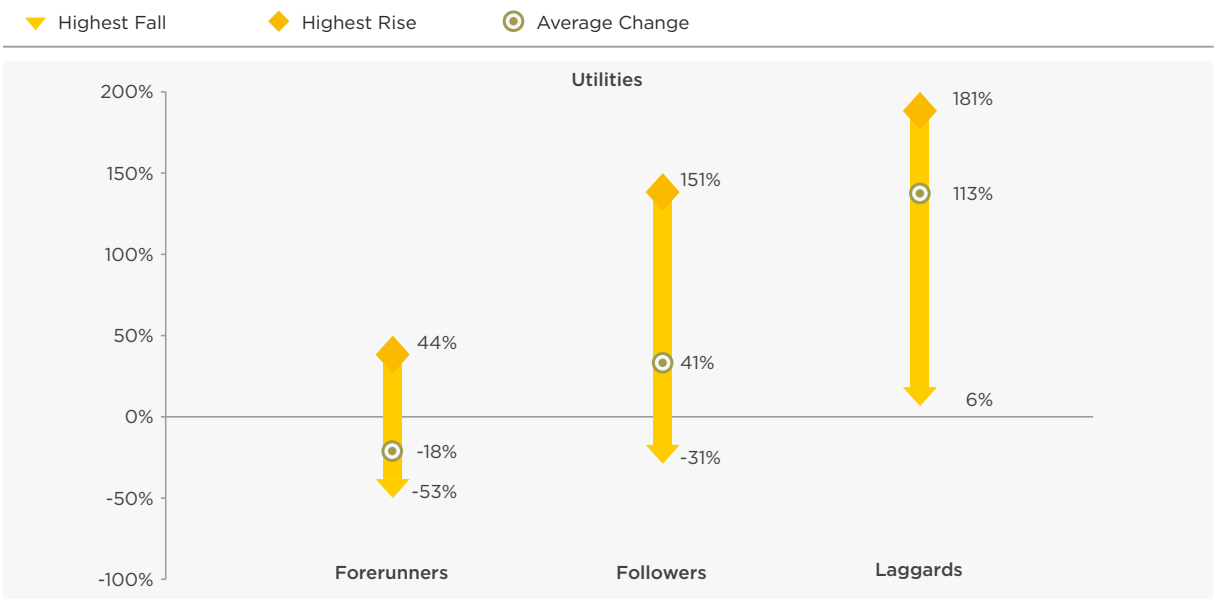
Source: WNS DecisionPoint™ Analysis

Digital Savvy Utilities Witnessed Enhanced Customer Satisfaction, Richer Service Differentiation, and Higher Brand Advocacy

Examining the change in customer complaints received by utilities in 2015 over 2014, it was observed that the Forerunners fared well compared to their peer group and reported a fall in number of complaints during the period. Followers reported 41% rise in complaints whereas complaints received by the Laggards doubled.

Exhibit 5

Change in Complaints Received by Utilities across Varying Digital Maturity Levels (Y-o-Y Change in 2015)



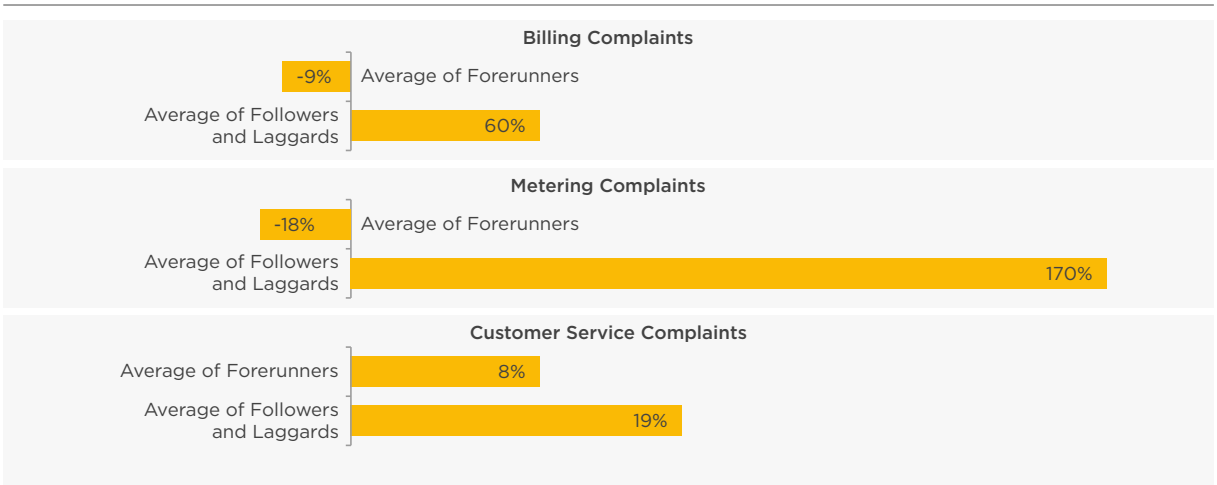
Source: WNS DecisionPoint™ Analysis

For complaints related to billing, 80% of Forerunners reported a fall whereas Followers and Laggards saw an average increase of 60%.

A similar situation is observed for metering and customer service related complaints as well, where at least 60% of the Forerunners have experienced a fall in complaints and have outperformed Followers and Laggards.

Exhibit 6

Change in Number of Billing, Metering and Customer Service Related Complaints across Varying Digital Maturity Levels of UK Energy Utilities – Q2 2014 and Q2 2015

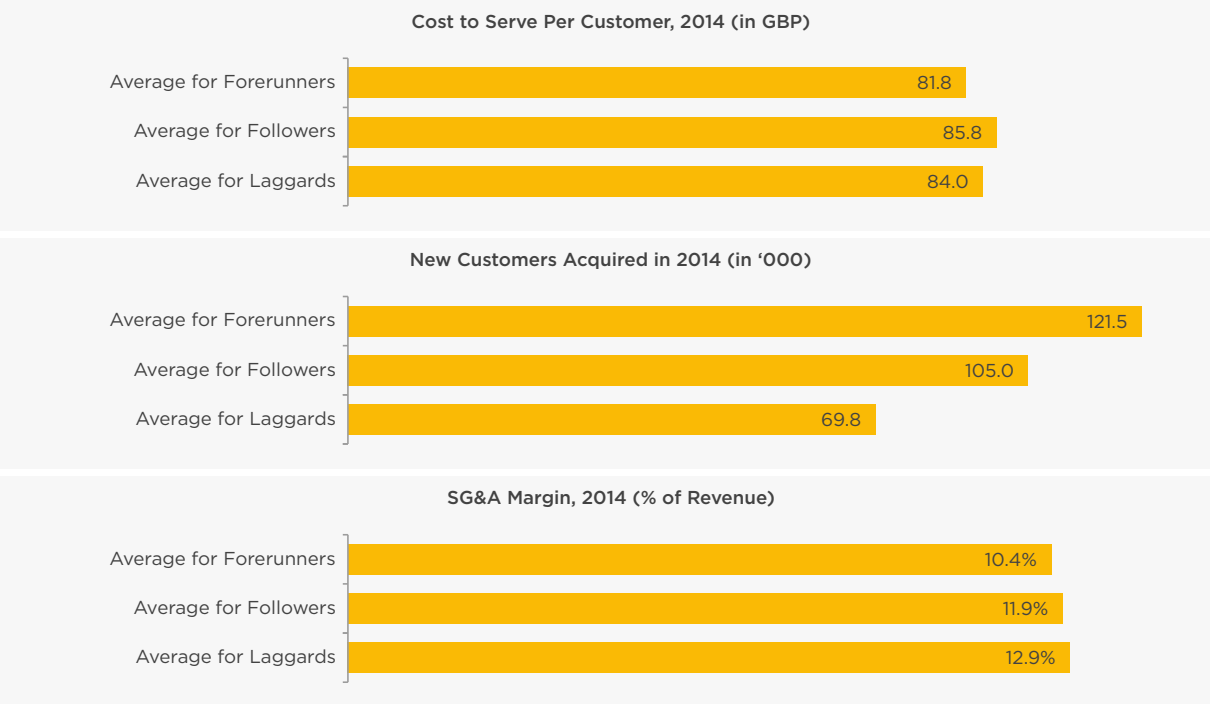


Source: WNS DecisionPoint™ Study

Forerunners also performed well, compared to Followers and Laggards, in terms of customer acquisition, SG&A[12] Margin and Cost-to-Serve per customer as depicted in the following figure.

Exhibit 7

Key Financial and Performance Metrics of Utilities across Varying Digital Maturity Levels



Source: WNS DecisionPoint™ Analysis

The channel shift is a clear signal that utilities wanting to engage with an increasingly tech-savvy customer base must move customer interactions away from traditional and assisted channels and into the digital medium. Once digital interfaces are developed, utilities should maintain continuity of communication by constantly updating digital content in line with changing consumer needs and preferences.

12. Selling and General Administration costs

ROADMAP TO DIGITAL EXCELLENCE

The digital maturity roadmap will enable utilities to assess their overall digital readiness across four dimensions by evaluating their core capability and competencies in providing digitally enabled customer experience. The roadmap also explains how utilities can enhance digital functionalities in each phase of digital adoption to strengthen customer relationships. The transition between different dimensions of digital maturity is a continuous journey and each incremental advancement through the stages results in improved customer satisfaction.

Exhibit 8

Four Dimensions of Digital Maturity Model

	Initiate	Expand	Nurture	Engage
	Provide Basic Services	Increase Customer Involvement	Provide Value Added Services	Offer Proactive Solutions
Parameters	**Digital Features Offered as Per Maturity Stages**			
▪ **Provisioning of products and services**	▪ Provide information on products and services	▪ Suggest different tariff plans and ancillary products (PV solar panels, thermostats) through e-commerce platform	▪ Deliver a consistent product/service purchase experience across various digital channels	▪ Suggest products based on customers' need and energy usage
▪ **Ease of online switching**	▪ Provide information on switching process	▪ Enable customers to switch	▪ Display videos for switching procedures ▪ Provide virtual assistance for switching	▪ Provide a tool which compares tariff of various suppliers as per the location, home area, and household members and suggests the best plan ▪ Highlight the amount saved if switched
▪ **Promotion of products and services**	▪ Offer one or two promotional offers through one channel, mostly website	▪ Extend offers such as vouchers, cashback, contests, discounts, etc., promoted through two or more channels	▪ Introduce loyalty programs and membership cards ▪ Design offers and promotions as per customers' participation in various channels	▪ Propose and communicate suitable promotional offers through customer-preferred channel
▪ **Self-service features**	▪ Offer basic features like update account details, view past bills, change password and send meter readings	▪ Provide features that enable customers to › Change tariff plan › Report complaints › Submit meter reads › Receive payment alters › Pay bills online › Change payment mode	▪ Offer features such as an energy tracking tool that enables customers to, › Track their energy usage › Compare their usage with neighbors	▪ Recommend tailored energy savings tips ▪ Set energy saving goals/targets and track the progress

	Initiate	Expand	Nurture	Engage
	Provide Basic Services	Increase Customer Involvement	Provide Value Added Services	Offer Proactive Solutions
Parameters	**Digital Features Offered as Per Maturity Stages**			
▪ **Seeking assistance or reporting complaints**	▪ User is provided the ability to register a complaint (outage or service issue) through any one touch point or channel ▪ Complaint redressal through traditional channels	▪ Provide feature to report issues via two or more channels ▪ Complaint redressal through the same channel	▪ Virtual assistance ▪ Provide consistent customer redressal process through all channels	▪ Understand customer concerns trough satisfaction surveys and proactively offer solutions ▪ Proactively communicate new/ change in tariff
▪ **Outage communication**	▪ Provide handling tips in case of emergency like outage	▪ Outage reporting through digital channels	▪ Provide functionality enabling customers to report outages and access updates on outage	▪ Proactively notify customers about outages and estimated restoration time ▪ Provide a personalized URL to customers to access neighborhood outage maps
▪ **Customer education**	▪ Communicate with customers via one channel to reduce energy consumption	▪ Communicate energy saving tips through various digital channels	▪ Create forums for customers to seek further assistance on energy savings measures	▪ Suggest energy-saving tips based on historical customer insights in case a subscriber intends to shift his place of residence, or suggest links to external forums where customers can seek expert advice ▪ Place FAQs and high traffic content in easily visible locations

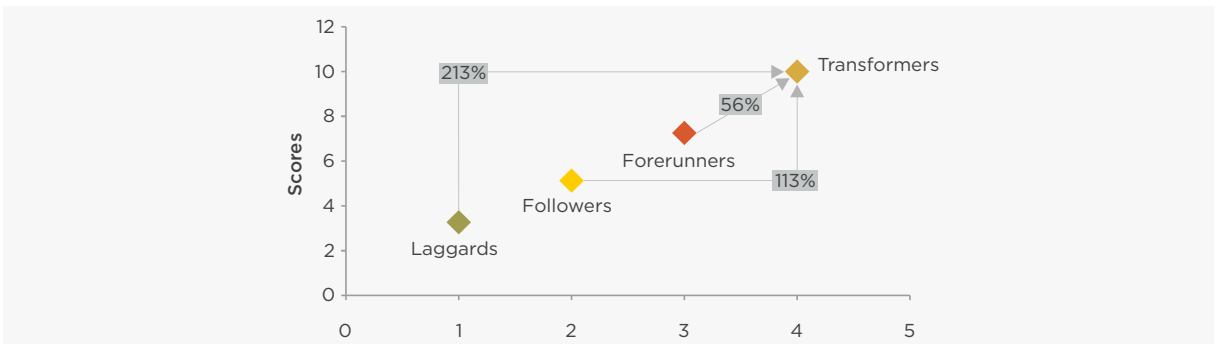
Although many energy utilities in the UK have increased their focus on embracing and deploying digitization initiatives, they still need to significantly enhance the scope and reach of digital service offerings.

MEASURING DIGITAL MATURITY GAP

Considering the current adoption rate of digital channels, as shown in the chart below, it can be said that UK energy utilities have a long way to go to be Transformers where they consistently provide seamless and best-in-class user experience and fully integrate digital initiatives into their customer engagement strategy.

Exhibit 9

Digital Maturity Gap between Transformers and Other Categories



Source: WNS DecisionPoint™ Analysis

The development cycles of digital technologies are extremely rapid and utilities need to build up their digital capabilities sooner and refine them based on customer feedback. Rather than an all-at-once approach, utilities stand to gain more if they roll out prototypes at the outset to minimize sunk cost, scale up successful initiatives, and sustain change through a structured transformation methodology. The chart below provides a holistic view of digital maturity levels among utilities, which help them understand where they stand and how they can measure gaps between them and their competitors.

Exhibit 10

Digital Adoption by the UK Energy Utilities

Features/Utilities Categories	Laggards			Followers			Forerunners		
Channels	Website	Smartphone Apps	Social Media	Website	Smartphone Apps	Social Media	Website	Smartphone Apps	Social Media
Provisioning of Products and Services	○	○	–	○	◔	–	◔	◔	–
Ease of Online Switching	◔	○	–	◔	◔	–	◔	◔	–
Promotion of Products and Services	◔	○	◔	◔	○	◔	○	◔	◔
Self-service Features	◔	○	–	◔	◔	–	◔	◔	–
Seeking Assistance or Reporting Complaints	◔	○	◔	◔	○	◔	○	○	◔
Outage Communications	◔	○	○	◔	○	◔	○	○	○
Customer Education	◔	○	○	◔	○	◔	◔	◔	○

Low Adoption of Digital Features → High Adoption of Digital Features

Source: WNS DecisionPoint™ Analysis

BRIDGING THE DIGITAL DIVIDE

To enable utilities to effectively bridge the digital maturity gap, WNS DecisionPoint™ suggests two strategic approaches – development of customer facing digital capability and operations focused back end strategies.

DEVELOPING CUSTOMER FACING DIGITAL FEATURES

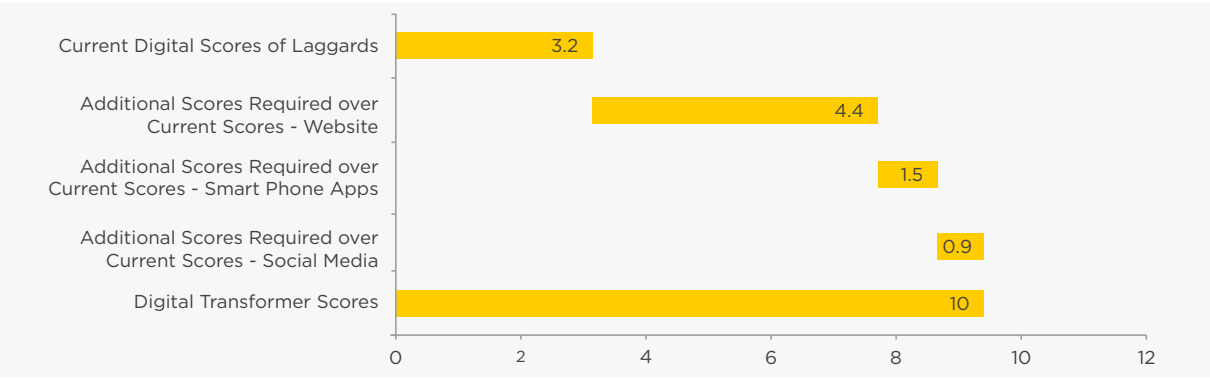
Laggards, Followers as well as Forerunners should consider developing and enhancing features of each digital channel by discovering the attributes to which customers are most likely to respond positively. The below exhibits (12, 14 and 16) pinpoint specific areas where each category needs to build and/or expand the functionality of their customer facing digital features to move up the digital maturity level.

Capability Enhancement Needed for Laggards to Become Transformers

Laggards need to significantly increase their digital penetration rate across selected channels as shown in Exhibit 11. Traditional product-centric approaches have acted as deterrents to Laggards from investing in customer-centric digital channels.

Exhibit 11

Digital Maturity Improvement Vector for Laggards to be Transformers



Source: WNS DecisionPoint™ Analysis

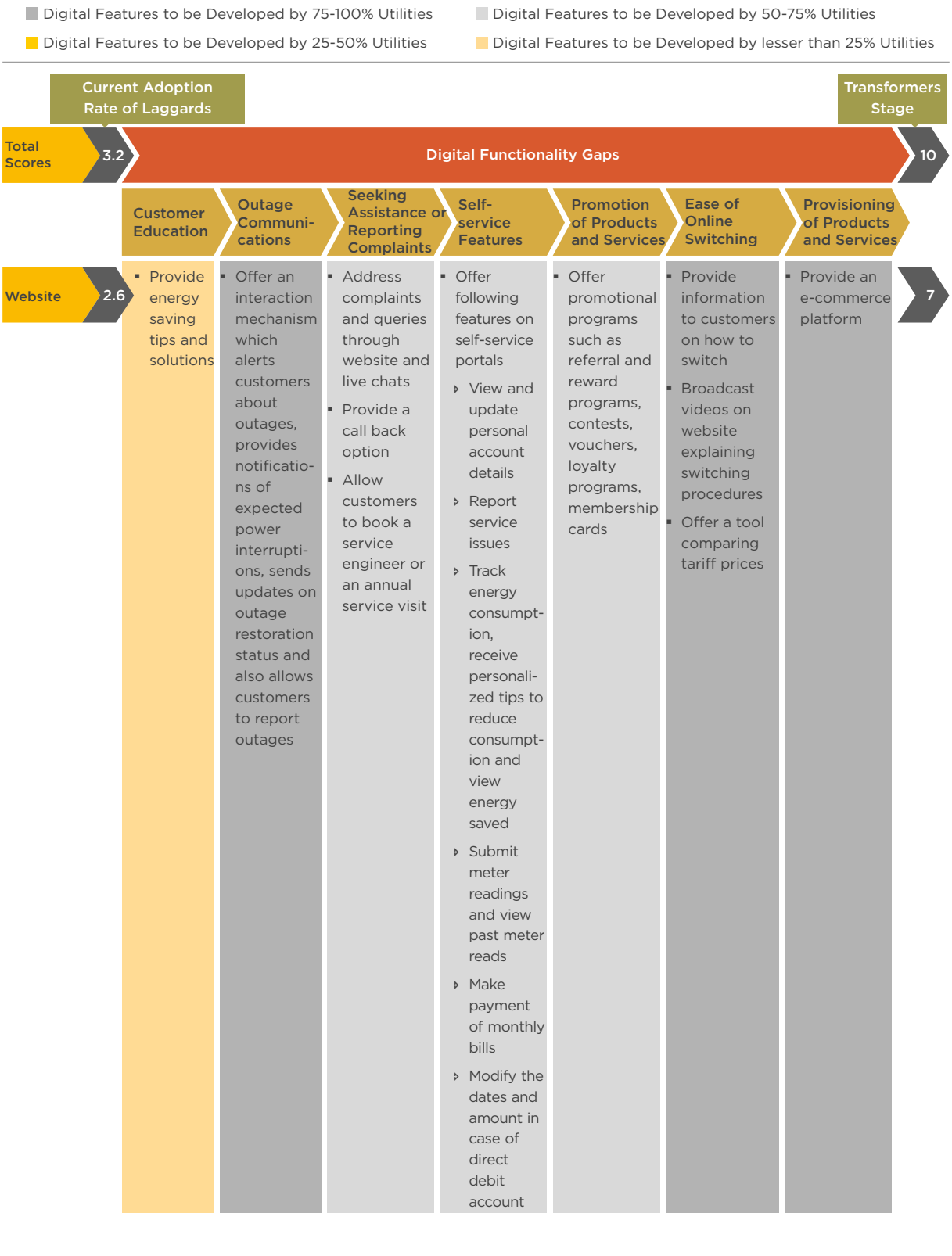
Laggards need to enhance their websites and build many customer-centric interfaces across selected parameters such as self-service features enabling customers to change their account details, track energy usage, and view historical bills, among others. Their website interfaces are simplistic from a design standpoint and provide basic functionalities only such as self-service information like frequently asked questions (FAQs) and emergency handling tips.

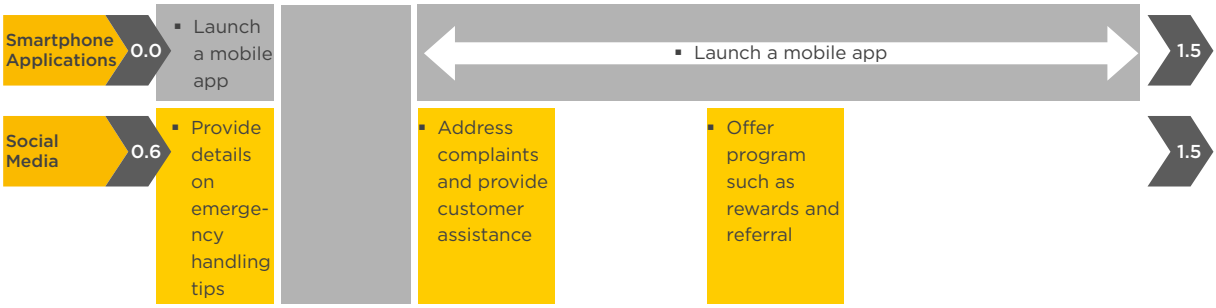
Moreover, since Laggards lack a mobile footprint, they should also start thinking about planning for a mobile application launch while deciding to develop new marketing and customer engagement strategies. In order to define the mobile strategy, it is critical for Laggards to understand where the company wants to be, the dynamics of the industry operating environment, competitor strategies, alignment with customer needs, as well as how mobile as a touch point can become an asset to the company. Different elements of the mobile interface could be important to different stakeholders, but a clear strategy is needed to prioritize the needs and solutions and deliver an actionable plan with a specific sequence of activities to drive the necessary improvements.

Adoption of social media channels by Laggards is also very low and at a nascent stage, requiring them to expand their capabilities as shown in the diagram below.

Exhibit 12

Digital Maturity Progression Roadmap: Laggards to Transformers





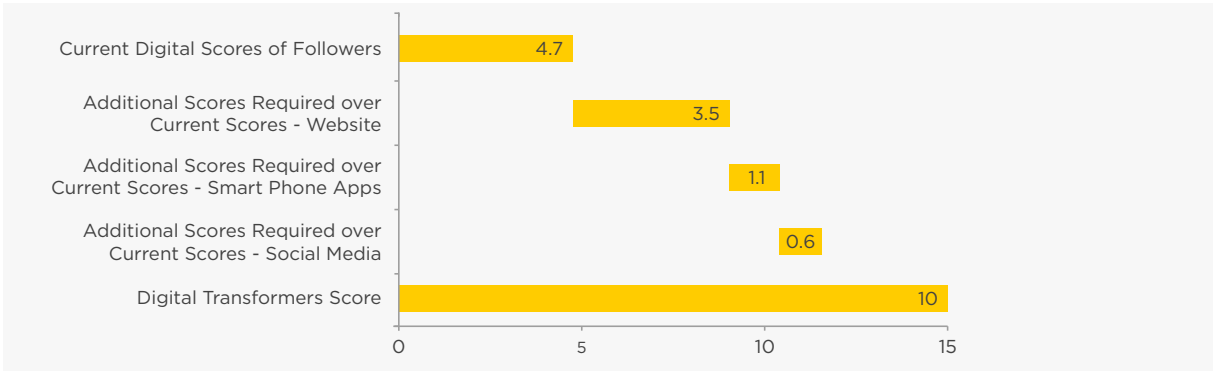
Source: WNS DecisionPoint™ Analysis

Capability Enhancement Needed for Followers to Become Transformers

Followers demonstrate a similar trend to that of Laggards and need multiple and high-quality digital interfaces across selected digital channels. Although customer experience remains the prime focus of Followers, they lag behind Forerunners in terms of the priority they assign to the digital channels.

Exhibit 13

Digital Maturity Improvement Vector for Followers to be Transformers

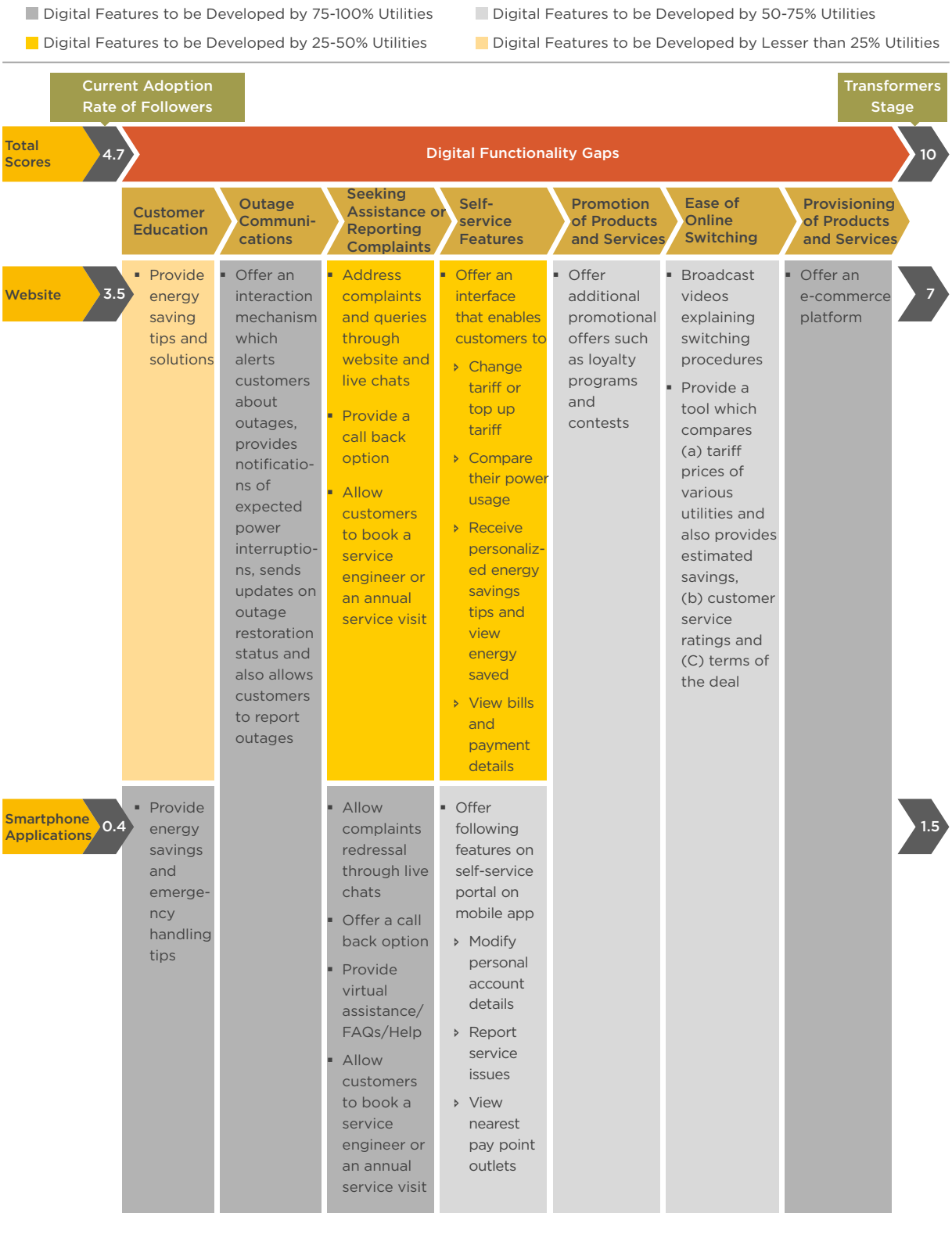


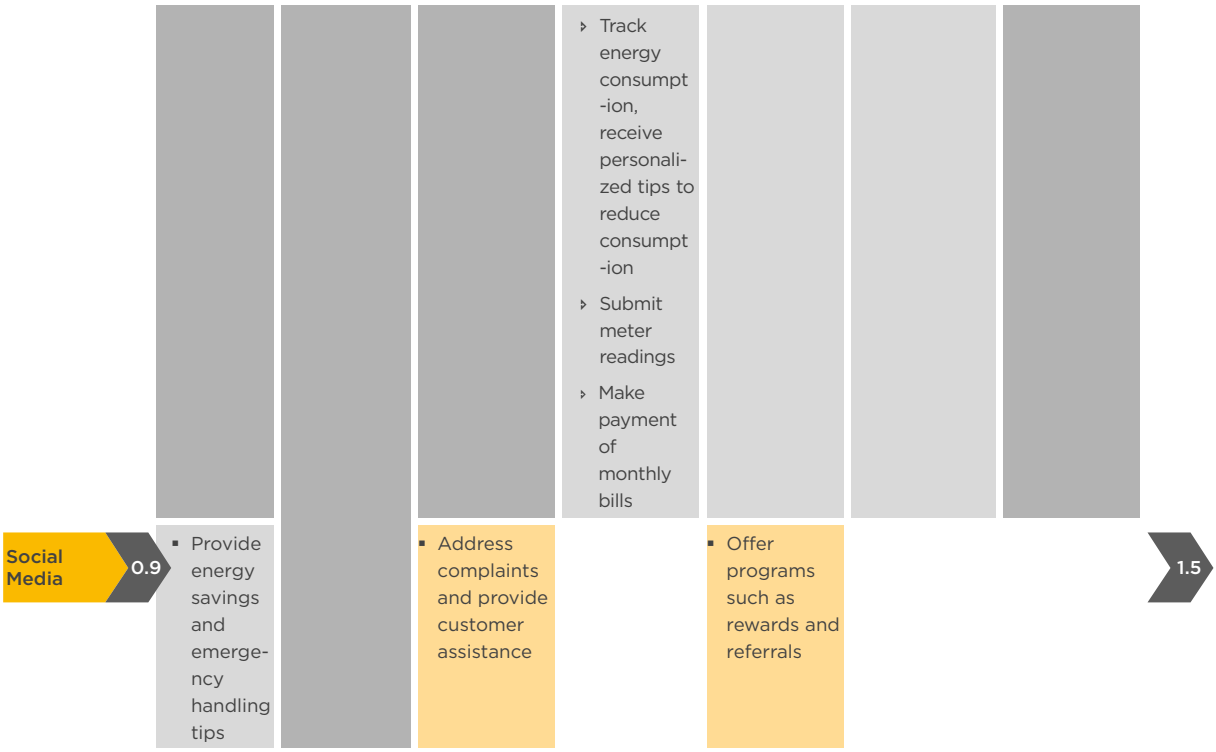
Source: WNS DecisionPoint™ Analysis

Followers fared equal to Forerunners in social media penetration but lag behind in terms of core functionalities or features available to users on their websites and smartphone applications, such as the presence of a web tool that compares tariff prices of various energy suppliers and highlights potential savings to customers if they switch. Their mobile footprint is varied, with many utilities struggling to deliver and maintain reliable apps with basic features. Their websites also lack many customer-centric features as shown in the diagram below.

Exhibit 14

Digital Maturity Progression Roadmap: Followers to Transformers





Source: WNS DecisionPoint™ Analysis

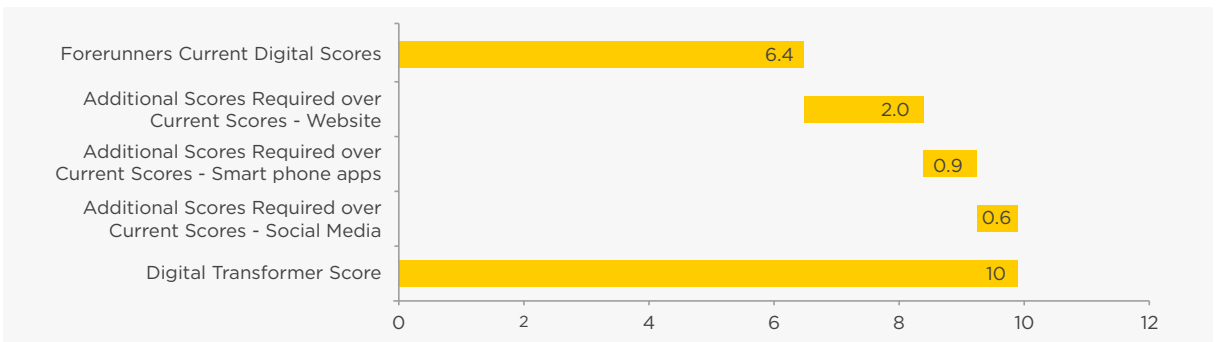
Capability Enhancement Needed for Forerunners to Become Transformers

Although Forerunners score better in terms of customer-focused features like a self-service portal, innovative features such as a tariff comparison feature on website and mobile application that also displays potential savings for switching energy providers, outage alerts with estimated restoration time, personalized advice on reducing consumption, such as making house more energy efficient and using different types of thermostats etc., are missing.

Forerunners also have to increase their digital customer experience mainly around promotions and outage communications, to reach the next stage.

Exhibit 15

Digital Maturity Improvement Vector for Forerunners to be Transformers



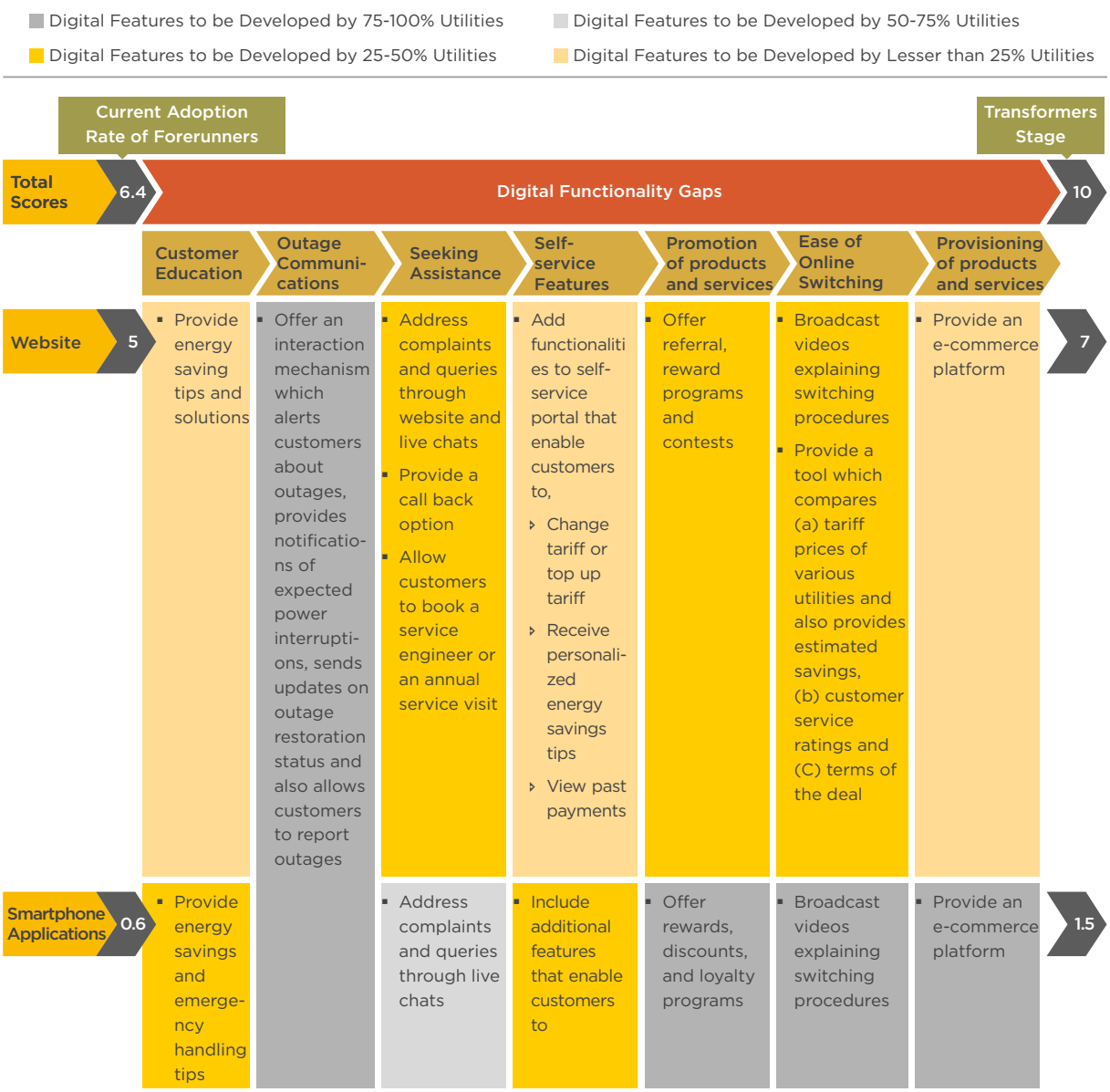
Source: WNS DecisionPoint™ Analysis

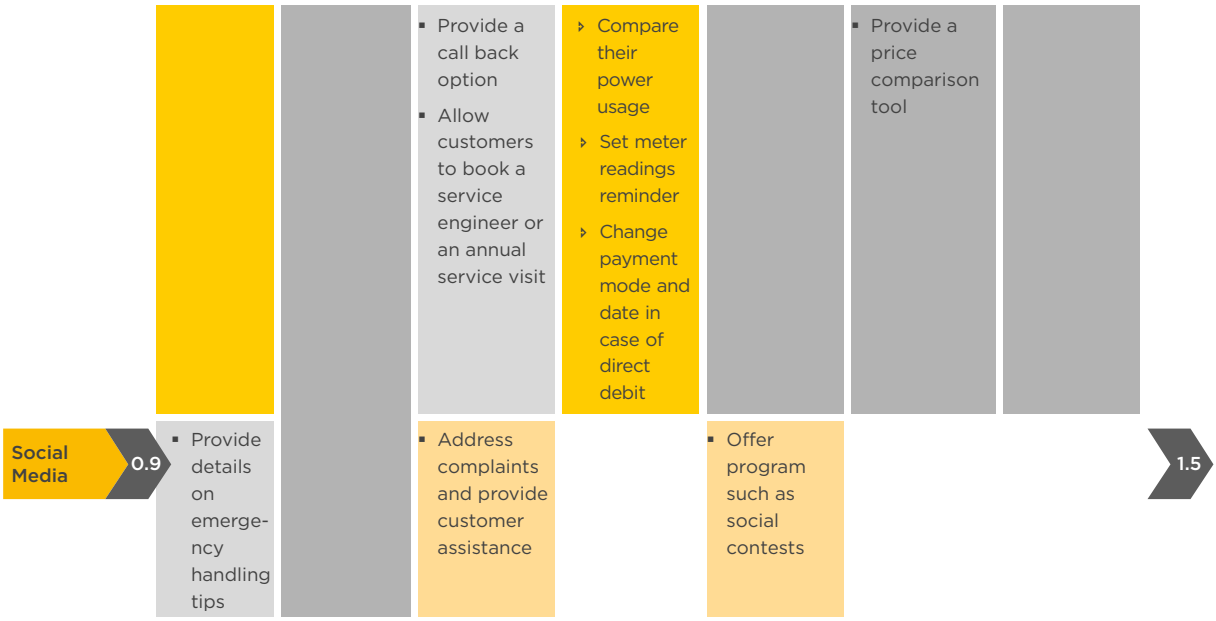
Forerunners are flexing their digital muscle while designing customer support strategies; however, a few traditional utility players continue to consider digital strategy as secondary to competitive differentiation. Also, they tend to focus more on physical channels as the primary medium of communication with customers.

Similar to Followers, most Forerunners (60-80%) offer only basic functionalities on websites, smartphone applications, and social media and only 10-20% provide important customer-centric features, such as outage communications, tariff comparison tools, videos explaining switching procedures, among others. Lack of in-house expertise in user experience design, fast-changing digital technologies, and complex systems integration requirements delays adoption of digital channels. The following chart depicts the interfaces required to be developed by Forerunners to bridge the gap and reach Transformers stage.

Exhibit 16

Digital Maturity Progression Roadmap: Forerunners to Transformers





Source: WNS DecisionPoint™ Analysis

DEVELOPING OPERATIONS FOCUSED BACK END STRATEGIES

Apart from building customer facing digital capabilities, utilities are also required to develop or rethink their back-office strategies to bridge the digital maturity gap. They should embed digital capabilities within their customer service operations to ensure seamless customer experience across channels.

Adopt a Well-defined Strategy for a Digital Customer Engagement Program

Utilities that fail to establish a link between digital customer engagement and organizational customer service strategies will be unable to produce anticipated results from digital channels. A clear understanding of which interface will be a part of the online presence is very important in framing digital strategy. For instance, before having an interface on a self-service channel that allows customers to change the date of direct debit, utilities should ensure that their back-office processes such as billing, energy consumption, metering, among others are well integrated and the change in the date is reflected across processes. With numerous options available in digital landscape today, the utility company may fail at integrating the digital strategy with the company's strategy and/or underinvest in digital resources.

Create a Dedicated Digital and Analytics Team Focussing on Customer Engagement

Building a dedicated, cross-functional team headed by a Chief Digital Officer tasked with the overall success of digital channels is vital for ensuring the program's focus and accountability. The digital team should be tasked with responsibilities including managing digital requirements, supervising interface development, and ensuring best practices in usability and design. The team should also effectively deal with any customer concerns pertaining to any of the digital channels and should harmonize integration with enterprise applications.

Utilities should also build an analytics team who continuously track and analyze the smart meter data to understand customers' behavior and needs. Moreover, with the increasing investments in advanced metering infrastructure (AMI) and meter data management (MDM) software, utilities are now in the position to deliver crucial insights beyond meter-to-cash functionalities. Meter data analytics enables utilities to gather unique customer insights, promptly manage and even prevent outages, and develop new tariffs and personalized services for the customer.

Acquire In-depth Understanding of the Interfaces and Customers

Creation of a new feature or service requires a deep understanding of target customers and user experience. For instance, the meter reading feature tends to have higher adoption rate owing to its recurring nature in relation to a personal account modification feature which is seldom operated by customers. The utilitycompany should also acquire knowledge of target customers and their probability to engage with the new interface. For instance, a customer who is active on an existing digital channel is more likely to use new services compared to inactive customers.

Roll out Focused Interfaces that Target Specific Usage Scenarios

Bundling multiple features into one common interface may lead to user fatigue in turn leading to an unfavorable user experience. User interface design must focus on anticipating user behavior and identifying the most important features or a collection of closely related features that are essential to garner and hold user's attention.

Ensure Back-end Integration for a Flexible and Scalable Architecture

Back-end integration is one of the main hurdles for a utility service provider undertaking digital interface development. Many utilities have extensive investments in customer information systems that may predate the mobile app and social media era. They are also increasingly investing in outage management systems that are focused on internal operational processes, but not targeted to provide outage communications to customers. These systems typically lack mobile-friendly application programming interfaces (APIs)[13] or web applications that can facilitate reusable and scalable interface development. Utilities should consider deploying mobile backend as a service (MBaaS) model which is focused on streamlining the mobile apps development processes that run on multiple devices, without compromising developer flexibility.

13. API is a set of routines, protocols, and tools for building software and applications

Create a Sustained Awareness Campaign

Higher adoption of digital tools and interfaces is greatly influenced by the ability to continuously remind target audience about the presence of the tool/service and the associated consumer benefits. Utilities can run various promotional campaigns using methods such as bill inserts, social media, direct mail, and customer call to build interest in digital channels.

Set Effective Measurement Criteria

Since digital channels have traditionally been considered the less preferred means for customer interaction, many utilities do not even consider measuring the progress of each digital channel. However, with rising customer preference for digital interactions, utilities will need to start identifying or creating measurement metrics which will enable them to understand the return on investment from each channel. For example, the progress on the digital channel can be expressed in terms of adoption rate, retention rate (% of customers who enroll that stayed connected), and usage rate (% of registered users who actively use the interface).

Offer Incentives for Greater Adoption

Utilities should aim to decrease the inbound flow on traditional channels and, at the same time, shift channel mix in favor of the digital medium. Possible ways to incentivize digital adoption include discounts for paperless bills or transacting through an online account and/or rewarding meter readings received through an online account.

Optimize Balance of the Functionality and Usability Aspects

While the old school of thought places premium on functional aspects, the currently prevalent design approach places equal importance on usability. This gains prominence when it comes to the design of mobile apps, where user experience is vital and can break down quickly with as little as one poorly designed screen or a counter-intuitive step. As an example, programs such as energy tracking and savings which require customers to enter details in a form may not achieve higher adoption if they are not intuitive and nimble enough.

Capture Engagement Metrics to Guide Future Planning and Resolve Issues

Tracking user activity through appropriate metrics beyond just tracking number of downloads of mobile apps will determine the efficacy of the platform. Applying digital analytics helps in estimating the effectiveness of the channel, depth of engagement, as well as ascertains the probability of a revisit. Such analytics is also critical for ensuring any interface related operational problems being detected and addressed in time before they spiral out of control —such as a breakdown in mobile bill payment gateways may lead to void transactions and refund issues.

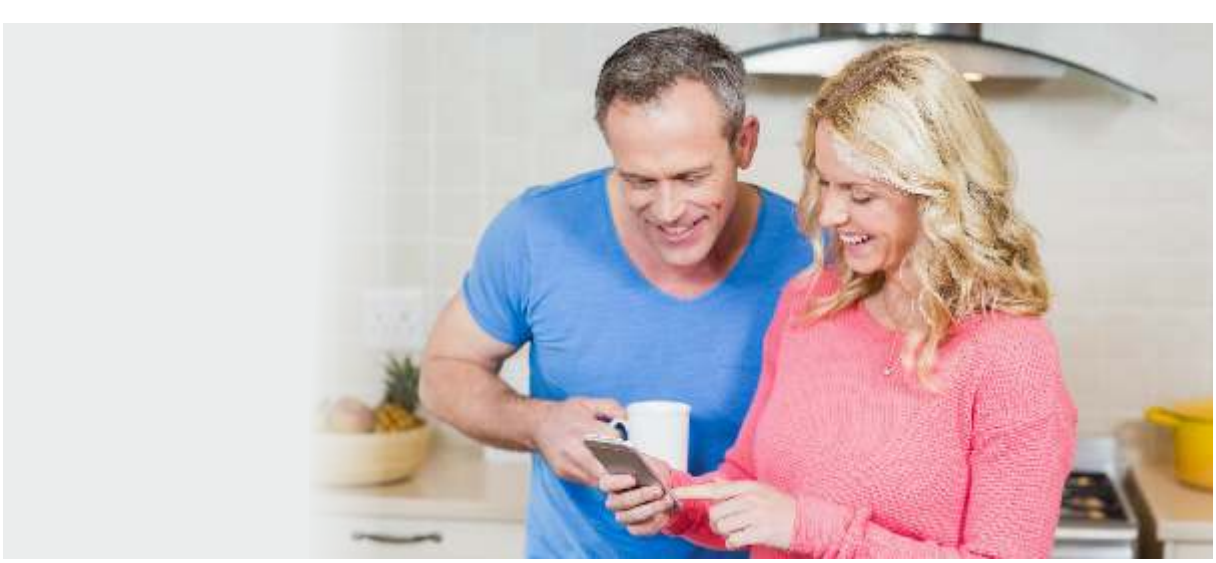
Ensure Regular Rate of Feature Evolution and Upgrade

After launch, digital platforms require regular upgrades of features and design to retain and increase user engagement (refer to Exhibit 8 - Maturity Model for Digital Customer Service and Support). Customer behavioral analytics should be leveraged to generate insights that can be fed back into comprehensive experience-redesign efforts. These insights will help a design team to redefine the digital experience from the perspective of target users. This may also involve technology updates such as regularly upgrading mobile apps to ensure they are compatible with new versions of the mobile operating systems (iOS, Android, Windows Phone OS, and BlackBerry OS) and new devices (tablets, smart home devices, and smart watch).

Deliver a Seamless Multichannel Customer Support

Utilities should ensure smooth integration of all digital and offline channels to provide a robust anytime, anywhere and any channel experience which is increasingly demanded by Generation Y customers. To secure a multichannel user experience, utilities will have to make significant changes to their existing CRM systems and processes to make it adaptable to support these channels.

Digital technologies are being increasingly adopted by today's customers and have drastically impacted many industries, including the energy utility sector. Further, regulators are also pressurizing utilities to deliver better customer experience and uplift their declining trust on utilities. Utilities urgently need to fix these negative and damaging perceptions of customers. Also, the rollout of smart meters provides an opportunity for utilities to boost customer satisfaction by proactively providing them with prescriptive solutions. Early adopters, who have already ventured on this journey, are realizing the benefits of higher customer acquisition, improved customer satisfaction, and reduced cost-to-serve, among others. They have also witnessed increased operational efficiency across the meter-to-cash process. Nonetheless, every utility has to move up the digital maturity model to enhance their business operations and customer interactions. An effective digital strategy requires long-term vision and organizational rigor with a significant focus on front-office technology developments and operations focused back office processes. Utilities who fail to deliver an engaging customer experience that paves the way for customer loyalty will face the risk of being left behind in this digital era.



About DecisionPoint

Making key decisions that improve business performance requires more than simple insights. It takes deep data discovery and a keen problem solving approach to think beyond the obvious. As a business leader, you ought to have access to information most relevant to you that helps you anticipate potential business headwinds and craft strategies which can turn challenges into opportunities finally leading to favorable business outcomes.

WNS DecisionPoint™, a one-of-its kind thought leadership platform tracks industry segments served by WNS and presents thought-provoking original perspectives based on rigorous data analysis and custom research studies. Coupling empirical data analysis with practical ideas around the application of analytics, disruptive technologies, next-gen customer experience, process transformation and business model innovation; we aim to arm you with decision support frameworks based on points of fact. Drawing on our experience of working with 200+ clients around the world in key industry verticals, and knowledge collaboration with carefully selected partners, including Knowledge@Wharton, each research asset draws on “points of fact” to come up with actionable insights which enables ‘bringing the future forward’.

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