

How utilities are transforming to interact with customers in a value-driven way

Marketing and sales in liberalized energy markets

Table of content

How utilities are transforming to interact with customers in a value-driven way.....	3
Marketing and sales in liberalized energy markets.....	3
Energy transition: Five key transformation fields	4
1. Market liberalization & new energies.....	4
2. Decarbonization & decentralization.....	5
3. Digitalization & customer centricity	5
4. New & hybrid products.....	6
5. Costs & competitive pressure.....	6
What drives CMOs & CSOs or The consequences of transformation: Interacting with customers in a valuable way!	7
Who is going to pay for it?.....	8
How to create value through customer interaction: universal data orchestration	9
u for universal.....	9
d for data.....	9
o for orchestration.....	10
Selected business scenarios	11
Who knows the customer cycle	11
Personalized & value interaction.....	12
Termination prevention through segmentation & personas	12
New customers - private & business	13
The future is today.....	14

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What to expect - Summary for decision makers

The energy turnaround, liberalization, transformation: the energy industry with its suppliers and municipal utilities is in the midst of a transformation. If Germany's players in the energy sector want to survive, they have to reinvent themselves and rethink their business models. This applies to core products and the switch to renewable energies. But the transformation goes much deeper: customers' requirements have grown beyond pure energy supply, digitization offers new opportunities and requires new offerings. At the same time, new players beyond the typical utilities and municipal utilities are entering the market - comparison portals, providers from outside the industry, international disruptors.

Marketing and sales are of decisive importance for the success of the transformation. Liberalized markets open up new opportunities, but also dissolve the established bond between supplier and customer. Interaction with high value for customers is therefore one of the central success factors for the success of the transformation. If a utility or municipal utility wants to make better offers in competitive markets in the long term, it must know its customers and their requirements in detail.



The white paper first looks at the five most important transformation fields of the energy transition and highlights their significance for the industry as a whole and specifically for marketing and sales managers.

The second part summarizes the consequences of the transformation for CMOs and CSOs, and then presents a concrete solution concept for the upcoming tasks in the following part.

The last part is dedicated to concrete use cases in order to convey practice-relevant knowledge and possible applications.

In view of the large number of challenges, we are only showing a selection; we will be happy to provide you with further material and background on request.

The Schober team wishes you much pleasure and even more useful insights. If you have any questions or would like to discuss individual aspects in more detail, we look forward to talking to you!

Your Schober Team

Energy transition: Five key transformation fields



1. Market liberalization & new energies

Until 1998, the world of energy suppliers in Germany was monopolistic and not very dynamic: the four major suppliers were responsible for the entire value chain in clearly defined supply areas - from generation to supply to billing. With the revision of the Energy Industry Act from 1998 and numerous subsequent regulations, the legislator liberalized the electricity and gas markets. The feed-in of renewable energies into the power grid is also regulated by the Renewable Energy Sources Act and opens up new fields of energy generation. Overall, the market design leads to a separation of grid operation on the one hand and energy production generation, energy trading and energy sales on the other.



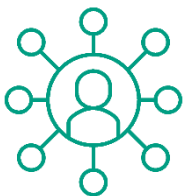
The consequences: Liberalization has significantly increased the number of players in the energy markets (electricity and gas). At the same time, value creation has been distributed among more specialized companies - regional and transregional producers, traders and numerous sales companies as well as comparison portals. This is because opening up to free competition empowers consumers and allows them, as customers, to freely choose and switch suppliers. This makes customer acquisition, customer loyalty, and customer inter-customer interaction are decisive factors for transformation and market success.



2. Decarbonization & decentralization

Climate targets are an important goal in the new regulation of energy markets. In order to counteract climate change, the expansion of renewable energies as a substitute for coal-fired power generation and the increase in energy efficiency are key. In order to decarbonize the energy supply, innovative suppliers and municipal utilities with their expertise are particularly in demand as implementation drivers. They are thus faced with the task of skilfully balancing climate protection, growth and investment costs.

The trend away from complex units and large industrial plants (e.g., power plant with opencast mining) to many smaller units (e.g., photovoltaic, hydroelectric and wind power plant) also brings with it decentralization. While this leads to more control effort, it also creates great opportunities for new products and climate-friendly offerings.



3. Digitalization & customer centricity

Digitization and networking continue to be key drivers in the transformation of the energy industry. This applies to processes and generation as well as to energy networks. New business models have emerged and continue to emerge in this way. A prominent example is Tesla's entry into electricity sales with its own electricity trading platform and decentralized electricity storage. Whether electricity exchanges, smart grids, virtual power plants or control technology for wind farms and battery networks, digitization is also fundamentally changing the energy industry.

Above all, however, digitization is radically changing the way we interact with customers - both private and commercial. Municipal utilities and other suppliers can hardly reach their customers with old marketing and sales approaches. Instead, customers who have become digitally demanding expect a variety of information and interaction channels in the energy sector as well. When customers have a choice in the liberalized energy markets, suppliers are highly dependent on wooing regular and new customers and making successor-oriented offers. This can only be achieved through a new understanding of the customer with a high degree of customer centricity and the use of data-driven marketing.



4. New & hybrid products



The energy transition is radically changing the relationship between suppliers and customers. Electricity and gas are indispensable for consumers, but the product and thus the supplier is practically interchangeable. Providers must therefore differentiate themselves by offering customers additional added value. Technological innovations offer the opportunity to do so: From energy-saving advice with smart metering to smart homes and smart city services to the networking of generators and electric mobility, there are many approaches for new product and service offerings. These hybrid products, which combine goods and services, can also be cross-sectoral: they combine Internet access with electricity contracts, for example, or providers of electric vehicles sell an electricity contract at the same time as the car. The more options there are, the more important it is to know exactly what customers need and to address them specifically. After all, the best differentiation is of little use in the transformation if it does not find its way to the right customer.

5. Costs & competitive pressure



Grid expansion and generation, development of new products and the digital transformation - the energy transition requires high investments on the part of utilities and municipal utilities. At the same time, margins are falling. This leads to cost pressure, which is why suppliers are optimizing their structures and costs by merging or seeking co-operations.

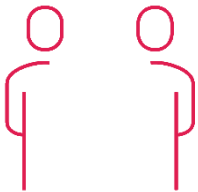
At the same time, liberalization increases competition. Where once there was territorial and portfolio protection, today utilities and municipal utilities supply their services nationwide. Consumers in Dresden, for example, can obtain green electricity from Dortmunder Energie- und Wasserversorgung GmbH, and those in Stuttgart can get their energy from Rheinpower, a subsidiary of Stadtwerke Duisburg. Comparison portals, independent energy distributors and the sales brands of the former monopolists (eprimo, Yello Strom, etc.) are aggressively brokering new customer contracts. And then new players keep entering the market.

Tesla may be attracting particular attention, but utilities and municipal utilities also have to compete with virtual power plants, energy cooperatives and international market players.

What drives CMOs & CSOs or The consequences of transformation: Interacting with customers in a valuable way!

How can marketing and sales help utilities and municipal utilities profit optimally from the transformation? The liberalization of energy markets has put the focus on addressing consumers. For a long time, customer access played a subordinate role. Now, however, marketing and sales must significantly increase customer centricity in order to attract and retain customers. After all, contact and interfaces with customers have lost their exclusivity; they are contested as never before. Only those with the most attractive offer will sign the contract. To do this, communications and sales professionals must interact in a value-driven way and know customers and their demand precisely.

The disloyal



Marketing and sales are also confronted with declining customer loyalty. This is particularly true for private end customers, but commercial customers are also switching providers more and more frequently. Competition is being intensified by digitization, because digital customers are more willing than average to switch providers. This is particularly evident in comparison portals. Turning the question into a positive one, then, is:

How do utilities and municipal utilities win digitized customers and retain them over the long term?

Where do we meet?

First of all, providers must pay attention to which channel they use to interact with which customers. Where does the customer dialog take place? Whether on the smartphone via app, in the comparison portal, browser-based on the company website, in connection with a TV and magazine advertisement, in contact with the service centre, or on the basis of an influencer recommendation, the touchpoints on the customer journey (customer journey) have increased explosively. Each touchpoint contributes to the purchase decision in its own right, with the effectiveness of each individual trigger depending on the individual customer.

Who is going to pay for it?

Since resources are not available in unlimited quantities, cost efficiency is the second central aspect in the overall consideration for marketing and sales decision-makers. How can cost efficiency be achieved with the multitude of possible touchpoints and the most diverse demanding customers? The answer is data-driven marketing and digitized sales. Based on its universal data orchestration concept, the Schober Information Group has developed the SaaS solution udo, with which marketing and sales professionals can answer all questions cost-effectively.



The consequences of transformation summarized: CMOs and CSOs with ambitious business goals must intensify customer dialog via marketing and sales. After all, utilities and municipal utilities will only win customers in the transformation if they interact with them in a way that creates value.

And this can only be achieved by providers who can answer three central questions:

- Who are my customers?
- What products do my customers expect?
- How do I reach my customers?

How to create value through customer interaction: universal data orchestration



In digitalized and competitive energy markets, speed, relevance, and personalization are central. So how does the concept of universal data orchestration work, how does udo work?

u for universal

The first step is to create a universal basis for data-driven marketing. Therefore, udo provides all data related to the intended customer interaction centrally in the first step. Often, important data in different transaction systems (master data in CRM, purchase history in the e-shop system and service data in the ticketing of the CCC) lie unconnected next to each other. This mapping of data silos creates the basis for further analyses.

d for data

As soon as all existing data repositories are accessible, decision-makers use udo to check the data basis against the background of the business and communication goals. If necessary, they increase the depth of information in order to create real added value for customers in the interaction. This may be necessary because the data quality of the company's own data (first party data) is too low - for example, only outdated or incomplete data is available. Often, however, the content of the available data is not sufficient to answer key questions for marketing and sales objectives. With third-party data, the database can therefore be expanded in a targeted manner in udo through enrichment. Depending on the customer target group, typical data here includes geodata, data on leisure and usage behaviour, data on the degree of digitization, on IT systems used, on the corporate structure, smart meter data, and much more. Depending on the communication goal, very specific data may also be needed to answer the three core questions. If you are a sales professional responsible for winning new commercial customers throughout Germany, you will of course need different data than the marketing for the cross-selling campaign for the hybrid product "environmentally friendly bus ticket plus bio-electricity".

o for orchestration

In order for data to become information and subsequently actions, the collected and prepared data in udo goes through two important processing stages called orchestration.

Stage 1 obtains information about prospects, customers and their requirements from data by means of analysis. The analysis strategies and methods are diverse and depend on the task. Typically, cluster analyses or segmentations, artificial intelligence and self-learning algorithms are used in addition to simple data mining with pattern recognition. Now it becomes clear who my customers are and what they expect from the offering. With the information gained about customers and their requirements for products and services, providers can explicitly identify individualized value-added interaction and product offerings.

Stage 2 moves to action and uses the information gained to address prospects in campaigns and communicate the value of the products offered.

The optimal media and channels identified in the analysis are used as the channel of interaction. This makes it clear how and where providers can best reach customers. udo provides campaign management for automated control in the SaaS variant. This allows CMOs or CSOs to control measures automatically. This is the key to proactive and valuable interaction with customers.

Selected business scenarios

In the following, we present some selected business scenarios (use cases) for decision-makers at utilities and municipal utilities.

Who knows the customer cycle

Acquiring new customers is more time-consuming and therefore more costly than maintaining existing customers. This is particularly true in markets with a long product life cycle and little emotional differentiation from the competition - electricity, gas, and water do not electrify in the same way as fashionable consumer goods or trendy lifestyle products. Therefore, the customer life cycle is a key lever for revenue and customer loyalty. The willingness to switch is generally high and is additionally fueled by aggressive sales and comparison portals. Sales professionals in the energy market must therefore be more active than others in addressing customer needs and require more customer knowledge. The key to long-term customer loyalty is the ongoing data-driven evaluation of customer needs at every stage of the customer lifecycle. Those who know the customer lifecycle and their customers can secure them with value-added offerings.

Customer value analysis & potential analysis



udo offers detailed analyses of customer data, for example as a customer value analysis. Existing business partners are systematized according to their previous contribution to sales. The respective customer value then provides an indication of which existing customers the sales department should focus on. In addition to analyzing the existing customer base, it is also possible to forecast the future potential for further sales. Example: Anyone who signs a new electricity contract every year via comparison portals and takes advantage of new customer discounts will in all likelihood not become a profitable existing customer in the long term.

Personalized & value interaction

In order to personalize and add value to interactions with existing and new customers, utilities and municipal utilities must first bring together all available data and segment customers. Purchase history, age, and products already purchased provide initial clues for action. However, such internal data is usually not sufficient for personalized interaction. For example, in order to offer an electricity customer an attractive annual ticket for public transportation and thus increase customer loyalty, information on marital status, mobility habits, and environmental affinity is essential. If you have the necessary insights in hand, you can send marketing and sales to the right communication channels with value-added interaction.

Termination prevention through segmentation & personas

The choice of the optimal product and communication strategy, loyalty programs, themes, offers, tonality, media, and suitable advertising channels can only be made by segmenting the customers. These segments can also be condensed into personas. Similar to a short biography, personas describe relevant customer characteristics in detail - for example, dream customer Ralf, a profitable existing customer with a fascination for electric vehicles, or Ramona, energy-saving fan with high consumption and also a member of the CCC. Based on these personas, providers can reliably retain existing customers. Evaluating the profiles of cancelled customers also makes it possible to counteract this in advance with attractive retention measures. Why not give Ralf a discount on the e-charging station and provide the decisive impetus for a new product? That's customer loyalty and increased sales through cross-selling at the same time. Or perhaps invite Ramona to the energy-saving workshop and get her to recommend a new tariff?



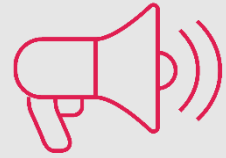
New customers - private & business

Marketing and sales can actively and purposefully influence end customers' desire to switch by using existing customer information. But a certain amount of fluctuation is inevitable - fortunately, even among competitors. This is where acquiring new customers with the help of personas comes into play. The more accurate the description of potential new customers, the more accurate the subsequent scoring. This uses mathematical-statistical methods to determine statistical twins to the fictitious personas in external databases - for example in the Schober data universe - who are also very likely to be interested in green electricity, an e-charging station or outstanding energy consulting.



In addition to B2C business, B2B sales are particularly profitable. Anyone who analyzes and segments their customer structure will recognize the enormous revenue potential of commercial customers at the latest. This is also true in this segment: Utilities and municipal utilities that interact with their customers in a way that creates value will benefit from the energy transition by increasing their sales.

Conclusion, data protection & outlook



The interaction with customers must be valuable. Measures must reach the addressee, appeal to him, and convince him to buy. If a utility or municipal utility wants to make better offers in digitalized and competitive markets in the long term, it must know its customers and their requirements precisely. But they also have to recognize changes in the customer pool early on, retain customers, and cross-sell and upsell skilfully. Indispensable for this: udo.

With udo, the platform for **data-driven B2B and B2C marketing**, marketers and sales professionals optimize marketing communication and gain behaviour-based insights. The platform combines all available data sources in the company to present the customer journey in a data-based and complete way. Visualization, analytics and AI provide real-time analysis and insights. In order to predict customer behaviour and improve dialog, udo also assigns all IDs to the respective target groups and plays out messages along the customer journey - personalized and cross-channel. In addition, udo consistently complies with current data protection legislation. Servers in Germany, GDPR-compliant data processing and continuous legal audits ensure that all services comply with data protection regulations.

The future is today

AI, udo, algo-selling - whatever the future holds, one thing is certain: energy markets are about speed, relevance and personalization. The more effective and valuable the customer approach, the higher the closing rates. So there is no time to lose, the future is today. It's a good thing that udo, as a SaaS solution, is ready for you today without delay.

WE ARE HAPPY TO ADVISE YOU

About Schober Information Group Deutschland GmbH:

Schober Information Group Deutschland GmbH supports its customers in the digitalization of sales and marketing.

The basis of all services is our unbeatable data universe with millions of data and billions of characteristics. Accompanying measures such as data merging and cleansing, the enrichment of customer data with Schober characteristics, AI-driven sales and marketing analyses, and precisely tailored advertising targeting across all channels are bundled automatically in the universal data orchestration platform – udo for short. A SaaS platform for all marketing requirements in digitalized sales.

More information: www.schober.de/en

More information about udo: schober.de/en/udo



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