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# The revival of customer loyalty: How regulated utilities can reshape customer engagement

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Improving the customer experience is imperative for utilities facing rising customer expectations, new competitive threats, and mounting cost pressures. Adopting an agile, digitally informed, and design-based approach to reshaping customer journeys will help them thrive in the coming era of energy choice.

**In the past few years**, utilities have taken a growing interest in customer experience (CX). As leading digital natives increasingly shape customer expectations, utilities are facing growing pressure to create compelling customer experiences in their own industry. With the decline in costs of solar, storage, and other distributed-generation technologies, they

fear losing customers, or part of their usage, to companies like Tesla Energy. And as demand slows, infrastructure ages, and cost pressures mount, utilities are looking for ways to reduce operational and maintenance spending without affecting their service delivery and customer experience.

However, utilities' initial efforts to create better customer experiences have had mixed results. Heavy investment in flashy concepts and tools have made little difference. Many utilities have struggled to move fast enough and take advantage of the many digital tools and techniques at their disposal. As a result, most have been unable to capture the business value that banks, telecom companies, and others have achieved from their CX efforts.

In this article, we draw on McKinsey's extensive work on CX benchmarking and customer-journey redesign with leading companies from a range of industries and share our insights into how customer expectations are developing in the digital age. Below, we frame an approach to CX transformation that will help utilities capitalize on this important opportunity to reduce costs, preserve revenues, maximize customer satisfaction, and boost employee engagement.

### **A proven three-pronged approach**

Through our experience of supporting CX transformations across industries, we have developed and tested a three-part approach that utilities can adopt to elevate their customer experience to best-in-class level.

#### **1. Align around customer journeys and focus on what matters most**

They will need to take the following steps.

##### **Organize around journeys, not touchpoints**

Companies in many industries have transformed their customer experience through an approach based on customer journeys. A journey is the process a customer goes through to complete a particular task, such as opening an account or resolving an error. It typically cuts across multiple functions

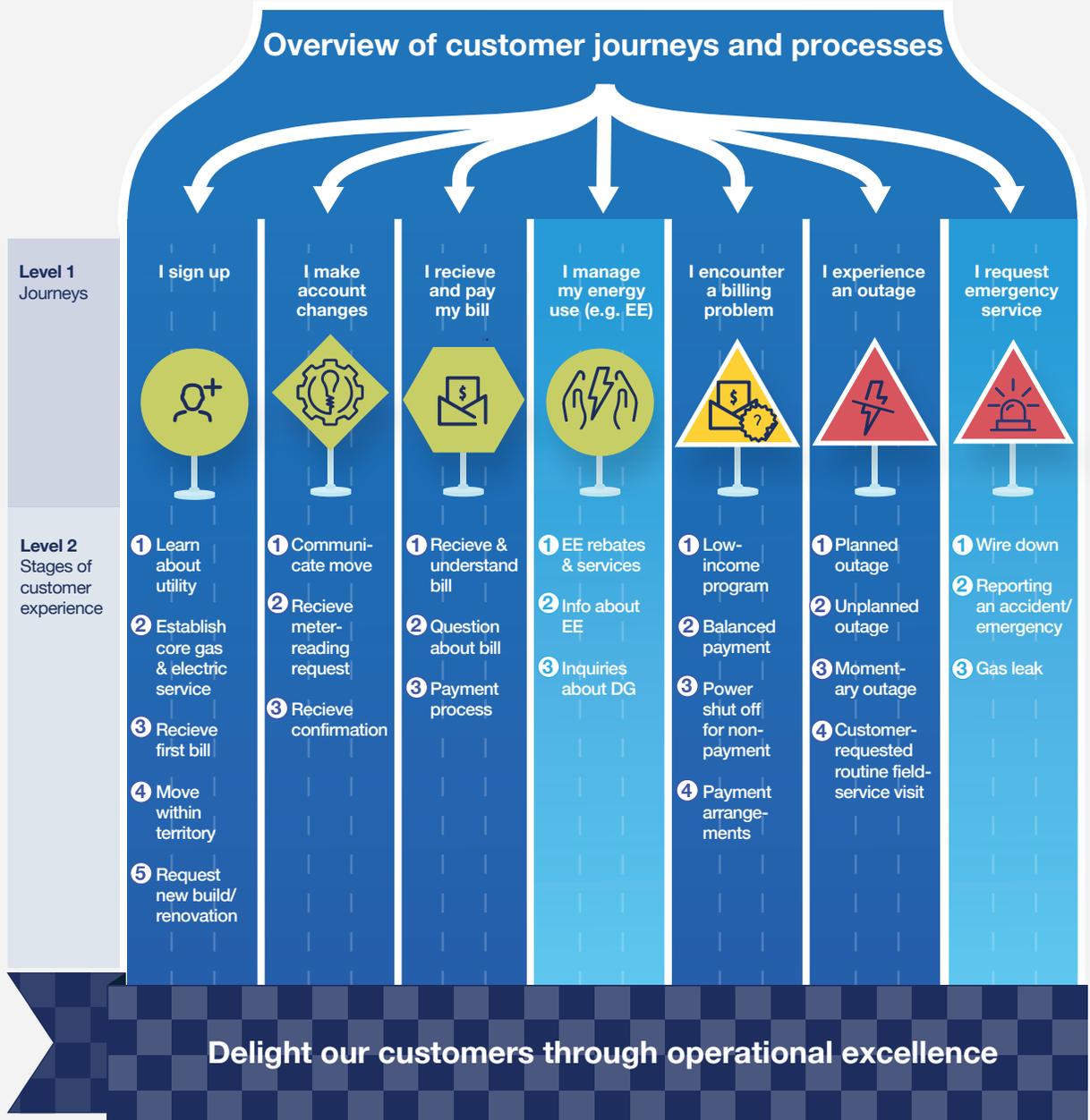
within the organization and can last for minutes, months, or anything in between. For example, a customer journey to request a new service might involve touchpoints in multiple channels—web research, phone calls, a technician visit—and take several weeks to execute from initial enquiry to billing. The exhibit illustrates the seven customer journeys and associated customer processes that are most critical for utilities.

The advantage of organizing around entire journeys is that unlike touchpoints, they capture the totality of a customer's experience. Even if a particular touchpoint scores high for satisfaction—perhaps because a customer-service agent was especially courteous and helpful—that doesn't mean the same is true of the entire journey. The customer may well have encountered delays, contradictory advice from different channels, or a second-rate experience of some other kind. In fact, it's common to see customers report very high satisfaction with specific channels and touchpoints, yet low satisfaction with the journeys and relationships in which they are embedded. By examining the customer's journey from beginning to end, companies can identify the breaks in the process that are damaging satisfaction and creating unnecessary contacts and cost.

Consider the example of a US utility that struggled to manage customer sign-up effectively. The difficulty lay in the gap between customer service, which managed requests for service via the utility's website and call center, and field services, which turned on the power supply. Delays or issues in the field were not effectively communicated to customer service, prompting many customer complaints. Because the utility saw these

# Isolating the key steps in the most important customer journeys

Unique to utilities



processes as separate transactions in separate business units, it struggled to resolve the issue. But once it started to look at sign-up from the perspective of the customer journey, it was able to identify the hand-off and communication problem and quickly address it.

### **Focus on the journeys that matter**

All journeys are not born equal. McKinsey's annual North American customer-experience survey for utilities has shown that four journeys contribute the most to customer satisfaction. The billing-and-payments journey comes first, followed by managing energy usage, outage, and resolving billing and payment issues. Taken together, these journeys are responsible for roughly two-thirds of customer satisfaction.

Though it's clearly important to deliver good service across all journeys, utilities should pay most attention to those that will move the needle on both customer satisfaction and cost so as to focus the organization and deliver results faster. Most companies find it best to pursue no more than one or two journeys at a time to avoid overwhelming the organization and improve the odds of a successful transformation. One utility chose to focus on sign-up, one of the most important journeys for its small and mid-sized business customers. It identified issues with new construction projects and business rules that prevented online sign-up, and tackled them head on. This effort succeeded in providing customers with a meaningfully different experience while also cutting costs through an increase in self-service.

### **Figure out what drives performance on key journeys**

Which elements of a journey have the most influence on customer satisfaction is seldom obvious at first sight. To find out, utilities need to conduct customer surveys and subject the data to advanced statistical analysis and conduct qualitative research with customers. Through such a process, McKinsey's Journey Pulse customer survey in utilities<sup>1</sup> has shown, for instance, that using easy-to-understand language and graphics to demonstrate how a customer's bill relates to their energy usage is a core driver of satisfaction with the billing-and-payments journey. This level of insight helps utilities quickly craft tactical initiatives, redesign journeys, and prioritize where they spend their time.

### **Deliver 'wow' moments**

Recent research from McKinsey's Journey Pulse survey in utilities shows that delivering stand-out moments that go above and beyond customers' expectations can lead to dramatically higher satisfaction. Utilities typically lag other industries in creating these "wow" moments, with just 33 percent of customers experiencing one of these experiences in the past year as compared with 58 percent for airlines, for example. To identify possible "wow" moments, utilities can seek inspiration by scrutinizing complaints and compliments on social media and checking out what other leaders are doing. One utility is rethinking its handling of power outages. As an experiment, it is issuing field crews with equipment such as wilderness blankets, water bottles, flashlights, charging stations, and even a Wi-Fi hotspot

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<sup>1</sup> The survey, conducted in 2015 to 2017, included more than 12,000 respondents who were customers of 100 North American utilities. The research is structured to isolate the key drivers of customer satisfaction in specific customer journeys and customer processes.

to help customers with no power. The idea was inspired by primary research and a look outside the industry to see how exemplary companies go to great lengths to recover from disappointing customer experiences.

## **2. Reimagine journeys using design thinking and a digital-first lens**

Having identified the most important customer journeys and considered possible ways to improve them, a utility can then tackle the next steps.

### **Understand where you're starting from**

To get a clear perspective on their customer experience and any underlying processes that might be creating pain points, friction, or rework, utilities can use the powerful techniques of ethnographic research and journey mapping. Ethnographic research is a method of observing users as they complete tasks or interact with an organization and can be used to probe unmet needs. One utility observed customers using its new website and noticed they had a need that wasn't being met: an easy way to split bills between multiple tenants at the same address. By providing a solution, it eliminated this pain point and delivered a "wow" moment.

Journey mapping, on the other hand, captures customer's goals, expectations, and emotions as they work through a journey and interact with people, processes, and technology. Using this technique, another utility discovered that customers trying to update their account details often felt frustrated because they had to repeat the same process with their bank, telecom company, and other service providers. In response, the utility built mechanisms into multiple touchpoints in the customer journey to promote empathy and address some of these

challenges. By matching up journey maps with operational data, utilities can not only tackle pain points but also uncover opportunities to delight customers.

### **Reimagine what's possible using a digital-first mind-set**

Using the techniques described above, a utility can radically rethink what its future experience should look like. Creating better journeys invariably means making more use of digital technologies, since customers increasingly want to engage digitally. McKinsey's recent e-care survey indicates that 60 percent of customers were less than fully satisfied with the channels available for contacting the utility, and almost 45 percent would prefer to use digital channels as their primary means of interacting with it, though only 22 percent were actually doing so.

Enabling more customers to use digital channels also brings big benefits for the utility: shifting customers from call centers to digital channels drives down costs, while capital investments in technology can add to the rate base. Indeed, many companies are adopting a digital-first mind-set in which digital channels are the first line of contact in the customer journey, reflecting the fact that self-service can often be more satisfying for customers than speaking to someone in person. Other industries can offer a source of inspiration. One pay-TV provider managed to reduce its volume of customer calls about payment arrangements by nearly 12 million a year by analyzing its customer journey, improving its digital channels and tools, and encouraging customers to use online and mobile channels instead of calling. Within six months, the company not only cut costs significantly but also improved customer satisfaction.

### **Adopt design thinking and cocreate solutions with your customers**

Bringing different functions and organizational units together to work on a journey of the future is a powerful way to gain support and traction. Before venturing into the design exercise, it's important to find a seasoned guide: introducing a designer and facilitator into the design team is one of the secrets of success. Another is to rapidly mock up the ideas for the journey and get them in front of customers as quickly as possible. When promising concepts emerge, build high-fidelity prototypes and test them with customers to see how they interact with them. Even a rough version of a proposed app on an iPad will yield better insights than simply explaining the idea ever could. Failing to engage customers in the development process is likely to produce tools that fall flat and don't deliver what customers want, leading to wasted investment and declining customer satisfaction.

### **3. Execute in an agile manner to generate impact quickly**

The pace of change in customer-facing functions is so fast that a delay between concept and execution could render ideas obsolete before they are rolled out. To move rapidly from design to implementation, utilities need to take the following steps.

#### **Set up a cross-functional team of experts**

As in the design phase, the team working to execute ideas should include members from every business unit that touches the journey, since any improvements are likely to require work in all of them. For sign-up, for instance, the functions involved would probably include customer care, field operations, marketing and communications, and IT. Most if not all teams will have a strong IT component, since the developers and technical experts who

craft new digital experiences will play a big part in capturing impact. Whenever a new product or feature is introduced, it is critical for it to connect with the utility's customer-information system and customer-service system in real time. Imagine how frustrating it is for a customer who is moving to change her address on the utility's website, only to call its call center sometime later and be advised her old address is still on file.

#### **Execute in an agile fashion**

Many companies are adopting agile methods to pursue CX transformations in technology and nontechnology areas alike. That means getting cross-functional teams to work iteratively to implement ideas quickly, rather than spending years developing a new journey in a big-bang once-and-for-all effort. Capturing early wins shows both customers and the rest of the organization that change is possible and can be implemented at speed. And demonstrating the value that flows from better journeys will win over any leaders who are still skeptical of the value of CX and help build support in the organization for future efforts.

#### **Measure progress**

To build a culture of continuous improvement, leading companies set clear aspirations and establish metrics to track performance and impact. These metrics should measure both customers' satisfaction with journeys and the operational indicators that underlie each journey. Some businesses are using measurement platforms for this job, but it's important to ensure customer insights as well as operational performance are used to steer the business.

By measuring results continuously and making data available to the teams who touch the customer experience, utilities have attained a

greater level of agility that allows them to make operational adjustments in close to real time. A tactic that one utility implemented was to place customer-satisfaction metrics on the executive dashboards of top managers throughout the organization and to adjust compensation for the whole company when results dipped below the benchmark. This reinforced the idea that customer experience was everyone's responsibility and everyone's business.



Like others before it, the utility industry is under pressure to deliver a better customer

experience at a lower cost. With customer expectations rising and new enabling technologies continuing to emerge, customer transformations can never be over. Companies must be prepared to adapt and refresh their offerings and processes, time after time. Utilities that take an agile, digitally informed, and design-based approach to this constant renewal will deliver a better customer experience that helps them thrive in the coming era of energy choice. ♦

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