Sagacity

Power to the People: Trust & loyalty in the energy sector

Utilities trend report 2021

Introduction

There are an estimated **27.8 million households in the UK**. The vast majority of these households represent potential customers of energy providers. That is a huge market but with the advent of aggregator websites and apps and a proliferation of new providers the sector has become extremely competitive and energy companies are now operating in what has been termed a 'switcher culture'. For established providers, operating in this sector has changed beyond recognition.

Long gone are the days of households staying with the same energy provider and the domination of the 'Big Six' has been steadily eroding.

We last ran this piece of research in 2018 and to say that there have been some dramatic events during the three years that have passed since would be something of an understatement! At the time of writing the world is still in the midst of the Coronavirus pandemic. The word unprecedented has been overused, yes, but it does seem like the most appropriate adjective to describe the last 18 months.

Utility companies, like all other businesses, have been severely challenged by Covid-19. The situation demanded an agile response, and many have risen to the challenge. There has been a shift towards digital channels and a proliferation of new apps to enable communication and for customer service provision during lockdown.

Add to this various mergers and acquisitions, more new providers popping up, changes in legislation and technological innovation, a surge in environmental activism and ambitious commitments for energy efficiencies being made by Governments around the world, and you have an evolving, challenging and highly competitive market place!

Consumers are demanding ever more from their suppliers and benefit from a greater choice of suppliers and technology than ever before - and the means to change providers easily. Only those businesses that can adapt, innovate and give consumers what they want will compete and succeed.

Despite the dramatic events of the last 18 months, there is some consistency across the results between 2018 and 2021 – price and customer service are still the main influences on consumers loyalty and trust for example. The importance of green credentials has increased, as has the preference for digital communication – even amongst the older demographics.

We hope you enjoy reading the results and find the insights useful and thought-provoking.

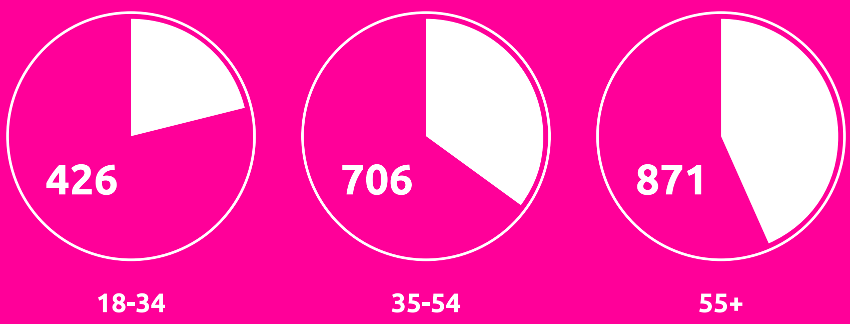
Our sample

x2003

Gender Split

Male	1047
Female	956

Age Base



Geo-Distribution

Scotland	167
Northern Ireland	58
Wales	98
South West	164
South East	262
London	254
East of England	196
West Midlands	176
East Midlands	154
Yorks & Humber	161
North West	225
North East	86

The challengers are coming...

To set the scene, we wanted to find out who the current energy providers are for our sample. There are some interesting changes from the last survey in 2018. Both sets of results are shown in Fig. 1.

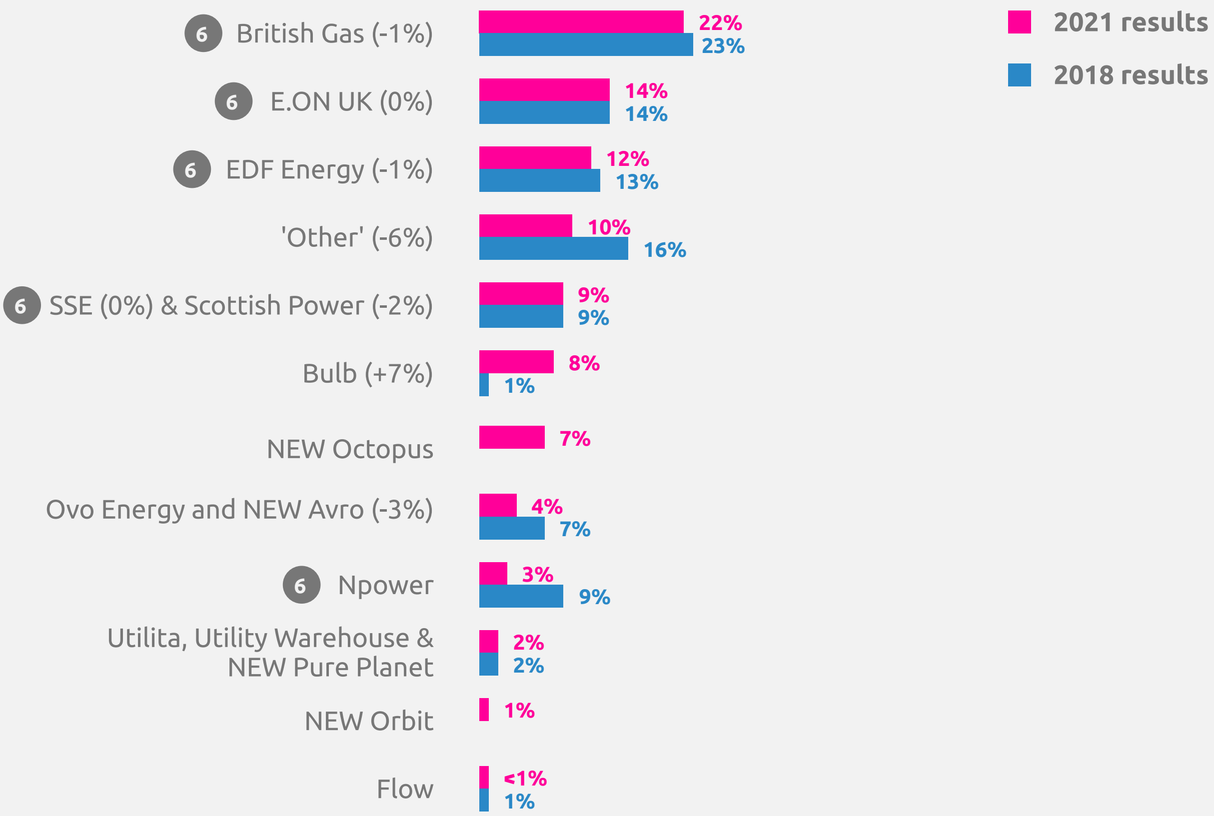
The “Big Six” providers (more accurately now the “Big Five” since the SSE became part of OVO) have dominated the UK energy market for many decades but, based on these results, it is evident that their market share is reducing and there are some new entrants clearly growing their footprint.

Unsurprisingly, British Gas, E.ON and EDF were the top three (as they were in 2018). Notably, but not necessarily surprising is the position of “Other” (used to categorise any provider stated that was not one of the 15 providers in the selection) occupying 4th position. This is indicative of the competitive nature of the utilities marketplace both in 2018 and 2021 - and reinforces the fact that there is no room for complacency!

SSE and Scottish Power are next, followed by Bulb, with 8% of those asked naming them as their current provider (note that only 1% named Bulb back in 2018). More ‘challenger’ brands follow with Octopus and Arvo being named ahead of nPower, Utilita and Utility Warehouse.

Pure Planet were named by 2% of respondents, as popular as Utilita and Utility Warehouse, and as a brand that positions itself as a green provider, is a result that reflects the increasing emphasis on environmental issues as an influence in choice of provider. This aligns with other responses in the research that evidence the growing importance of green credentials when consumers are evaluating suppliers.

Q: Who is your current energy provider?



[Fig 1]

Treat 'em nice to keep 'em keen!

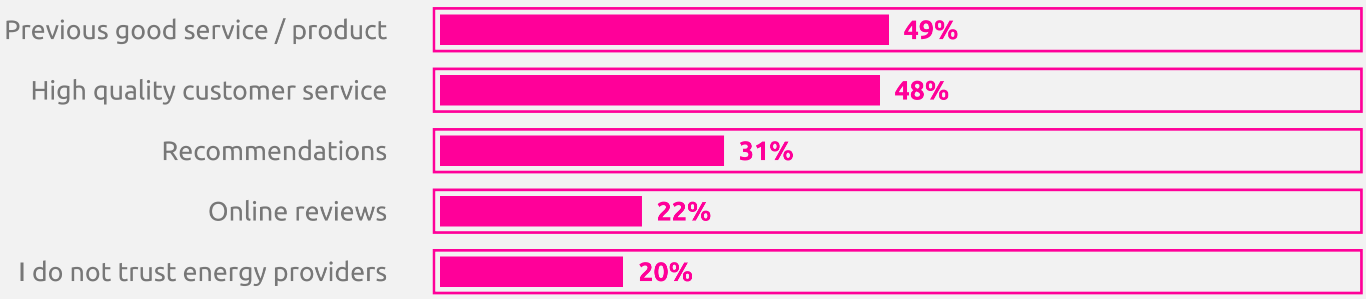
Good service rules when it comes to trust!

Previous good service and high quality customer service are the run-away leaders when it comes to trusting an energy provider, with nearly half of respondents citing these as the key influences on their level of trust.

On a more negative note, one fifth (20%) stated that they do not trust energy providers. Definitely some work to do there! Recommendation and WOM also scores highly – and there's no doubt that consumers are more likely to share their experiences of bad customer service using the many public channels now available.

So customer service and thoughtful communication should be a priority, not an after thought.

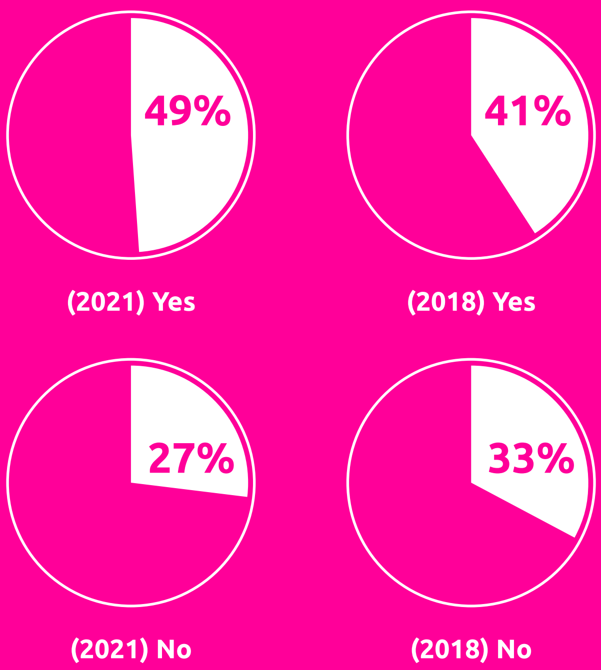
Q: What makes you trust an energy provider?



[Fig 2]

Deal or no deal?

Q: Do you trust your energy provider is giving you the best deal?



[Fig 3]

Building more on the area of trust, we asked consumers if they trust that their current provider is giving them the best deal.

In 2018 two fifths (41%) said yes, increasing to 49% in 2021. Negative responses declined to 27% (from 33%) and those who didn't know has dropped slightly from 26% to 24%. So a quarter of respondents are clearly not concerned enough to interrogate their bills in detail or are motivated to shop around – the so-called "Inert Customers".

The results indicate that there is increasing awareness among consumers of different providers and tariffs. However it is encouraging to know that nearly half of those surveyed feel confident that they are getting a good deal from their current providers.

Communication and providing clear information to your customers to ensure transparency is important to build on this growing trust and confidence and to support customer retention. More on communication later…

[The sluggish, the savvy and the downright promiscuous: The truth about energy customer behaviour, April 2016, Populus]

Time to make a change?

Q: What would make you want to change to a new provider?

	2018	2021
Cheaper offering	58%	53%
Tariffs that better suit me/my needs	34%	34%
Company reputation	19%	17%
Nothing would make me want to change	17%	15%
Green Credentials	17%	19%
A provider I trust more	10%	17%
Better functionality e.g. smart-home devices	9%	9%
Have better ways to pay my bills	8%	8%
Information about competitor providers by mail	5%	7%
Other	2%	2%

[Fig 4]

The results for this question were very similar to 2018 and (surprise, surprise) the factors that most influence a consumer to change provider are…..price related! More than half of respondents (53%) sighting finding a cheaper offering as the top reason to switch – down from 58% in 2018 - followed by choosing tariffs that better suit their needs/usage at 34% (same as 2018).

Finding a provider that is more trusted was selected by 17% of respondents (up from 10% in 2018) so yet another indicator that trust is crucial in this competitive world.

Well done to providers working hard to become more environmentally friendly as Green Credentials was rated the 3rd most important factor (19%), up from 5th place in 2018.

While companies cannot realistically hope to cater to all of these, it's important for them to consider other means to help them stand out from competitors. Considering these results with the factors that most influence trust - customer service and previous good service – and you have a checklist of must do's to retain your customers.

Definitely probably!

Q: Would you like to hear more from your provider on energy usage and tips on how to conserve energy or information about the company?

Over half of energy bill payers asked (55%) said they would Definitely (17%) or Probably (38%) like to hear more from their energy provider specifically about energy usage and tips on how to conserve energy - with this rising to 70% for those aged 18 – 34 which aligns with the rising importance given to Green Credentials by this same demographic.

17% Definitely

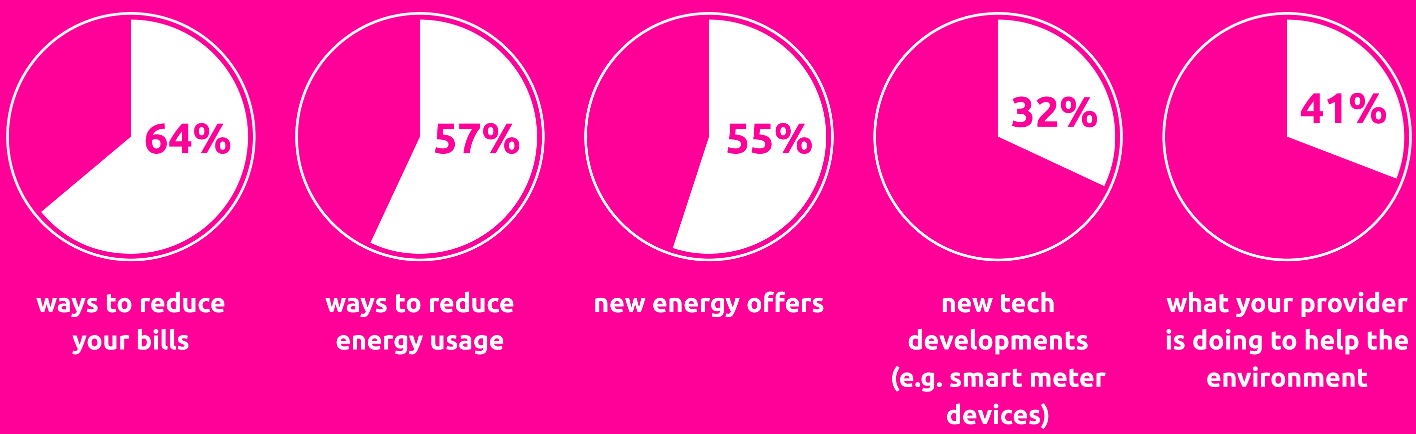
38% Probably

Communication!

Communication!

Communication!

Q: What information would you be interested in hearing about from your energy provider?



[Fig 5]

Want to know more?

Q: Would you be interested in hearing about other services from your utilities provider (such as broadband, mobile phone plans, insurance etc)?

Broadband

Mobile phone plans

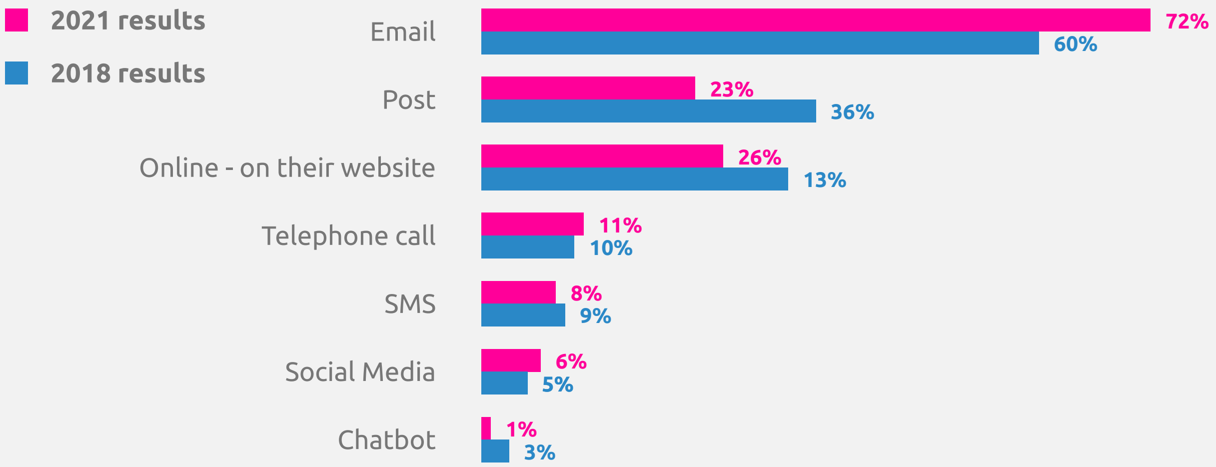
Insurance

Our results do not make great reading for those providers with aspirations of upselling and cross-selling the other services they have available to their energy customers, with 61% of respondents confirming that they either definitely (23%) or probably (38%) didn't want to hear about other services. On a more positive note, this was an improvement compared to 2018 when it was 67%.

Of the remaining 39% only 9% said they would definitely want to hear about other services – perhaps with the view they may receive a special offer or incentive.

So many channels - but who prefers what?

Q: How do you like to be communicated with by your energy provider?



[Fig 6]

Our research confirms that consumers do want to hear from their energy providers – specifically about how they can use less energy and/or reduce their bills as well as billing and service updates - but which channel(s) do they prefer?

As in 2018, the results for this question show a strong preference for email compared to other channels.

Email is again the clear winner in 2021 – in fact increasing to 72% from 60% in 2018 as the most preferred communication channel. Accessing information via a website/web portal has overtaken post as the 2nd most popular at 26%, now with only 23% of respondents selecting post as their preferred channel.

Second choice in 2021 is accessing information online – so your website is an important part of your communication strategy. Next are telephone and SMS – with very little change in popularity from 2018 to 2021 at 11% (prev 10%) and 8% (prev 9%) respectively.

Overall there was consensus across the age bands in terms of channel preferences – including post which was equally popular with 35-54 (24%) and 55+ (25%) respondents, until we looked at the results for Social Media and Chatbots. Respondents in the 55+ age bracket, whilst embracing email (78%) are clearly not fans of communicating via Social channels (2%) and Chatbots (1%) – compared to the 18–34 age band at 13% for both.

When it comes to communicating with customers it is important to understand the channels through which they prefer to receive communications. The accuracy of your contact data is crucial to make sure that you are reaching the right person with the right message and it has never been more important.

Taking control...

Q: Would you be interested in getting any smart home technology, controlling your energy (e.g. smart meter)?

The UK government launched an initiative back in 2013 legally requiring all energy suppliers to have offered the option of a smart meter to their customers by the end of 2020.

Of those surveyed, 41% said that they currently have smart home technology, compared to only 30% in 2018.

Of the 56% that confirmed they do not have smart technology installed, 40% are interested in adopting it - with 13% of this group already having a plan in place for installation of a smart meter.

In previous questions it was noted that a growing number of consumers are interested in Green Credentials and also having more control over their energy usage.

41% of respondents have adopted Smart Tech

What have we learned?

In the 3 years since we last ran this research – and despite the dramatic impact of the Covid-19 pandemic – there are some factors that influence consumer loyalty and trust that have remained consistent. It is no great shock that the price was again cited as the most important factor for many when choosing or switching to/from an energy company.

In an increasingly competitive market, attracting and retaining customers is a mix of price, customer service, transparency and trust...

However, there are now a range of other considerations which can help companies to tip the balance and create their own niche in the market. In an increasingly competitive sector - with comparison sites continuing to dominate - customer service, transparency and green credentials are also now important influences on consumer choice.

Our results indicate that customer service is the most important factor for consumers when it comes to loyalty in 2021 – as it was in 2018. Loyalty is a rare commodity in the Utilities sector, so this is a key point for customer retention. With word of mouth being a powerful influence on consumer choice, you can be sure that bad experiences will be talked about and the details shared using the many channels available to consumers.

Despite the fact that energy providers generally do not score highly for customer satisfaction, according to the Institute of Customer Service UK Customer Satisfaction Index (UKCSI) results from July 2020, customer satisfaction amongst utilities suppliers has been increasing.

Given that our results have consistently indicated the importance of good customer service, this is good news. And although the increase is modest - energy providers are clearly doing better.

Source: Institute of Customer Service UK Customer Satisfaction Index (UKCSI) results *[Fig 7]*

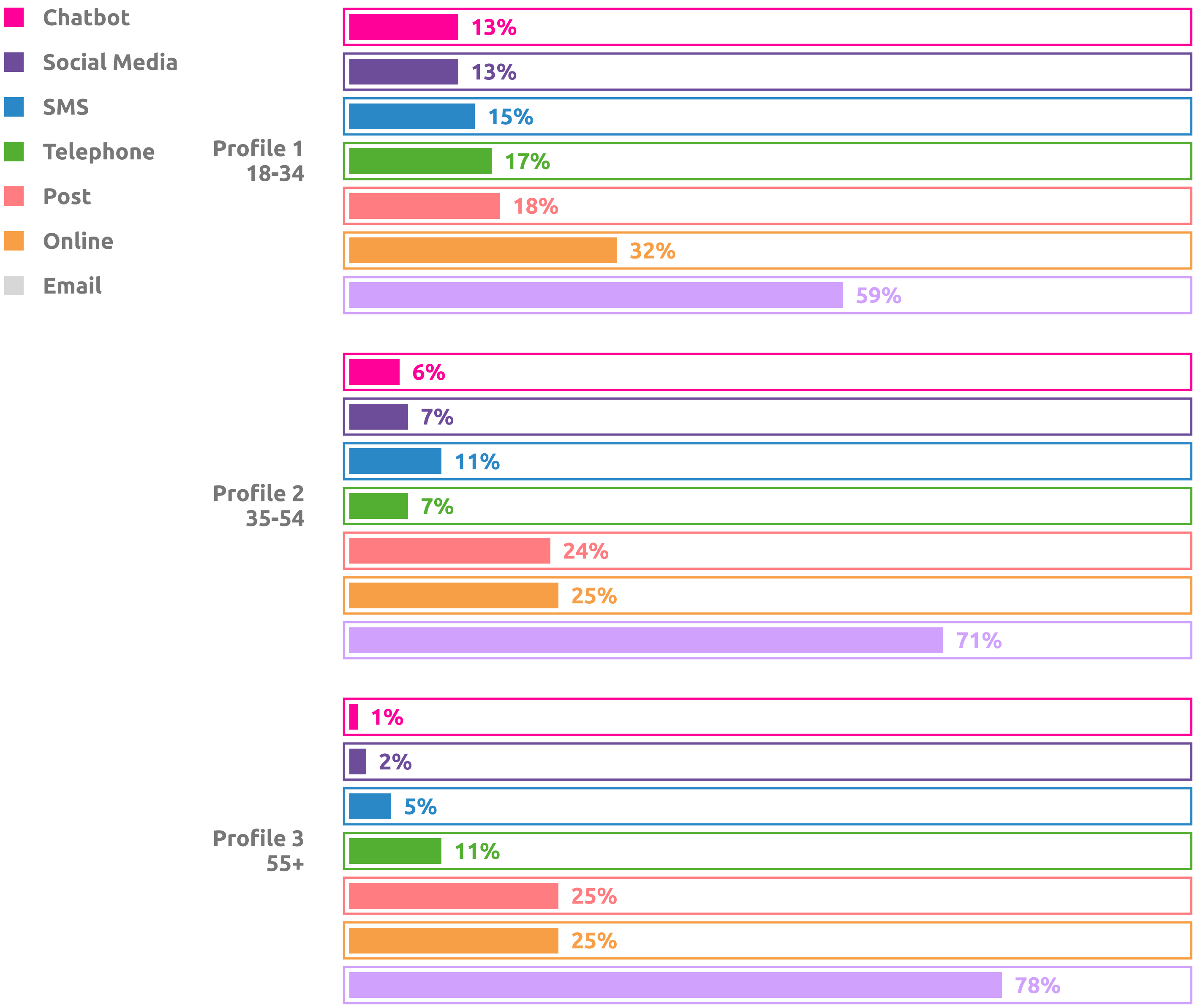
Challenger brands are beginning to make a real impact on the market and competing with the traditional 'Big Six', with our results showing several relatively new market entrants growing their market share [Fig 1]. e.g. Bulb at 8% in 2021, compared to less than 1% in 2018, almost on a par with Scottish Power and SSE. Octopus, Arvo and Orbit are all making an appearance in the top 10 of current providers used by consumers in our sample.

Providers with strong green propositions, such as Pure Planet, are also developing a bigger footprint in the market (featuring with 2% of our sample) which also aligns with responses to the factors that influence choice of provider. With the rise in concerns for the environment and interest in green issues, the importance of green credentials will only grow.

When faced with so much choice and switching providers now easier than ever, energy businesses need to differentiate and develop trusted relationships with consumers to attract and retain them as customers. Thinking about communication, it is crucial that energy providers ensure that communication is relevant – go easy on the upsell but provide advice and energy saving tips and reinforce your green credentials.

And building trust and loyalty is driven by knowing your customers, being transparent about pricing, using timely and relevant communication and delivering great customer service using their preferred channels.

So, once again – outside of price - service and trust are proven to be the keys to loyalty in the energy sector – get these right and reap the rewards of loyalty and retention.



[Fig 8]

Research conducted by Opinium

The research was conducted amongst 2003 nationally representative UK adults (aged 18+) in April 2021 by Opinium. The results have been weighted to nationally representative criteria.

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