



TOP FIVE TRENDS IN CUSTOMER ENGAGEMENT - 2021

The global energy sector is in the midst of massive transformation in response to the quest to reduce carbon footprints across all commerce and industry. This coupled with concerns over waste mitigation and sustainability of supply has changed virtually everything in the supply chains. Even the boardrooms of major corporations and stockholders are demanding answers to long term environmental agendas.

Then, the COVID-19 pandemic has forced almost everyone to rethink the way they do business, hastening the adoption of digital solutions to what was an in-person business model. Many more will no longer commute to work or frankly drive to many places of business. The transition to a virtual world is upon us with mobile, connected workforces.

Apogee has analyzed the transitions over the past few years and has determined how the customer engagement game has and will continue to change. Targeted and personalized customer engagement will be

essential to your success whether the goal is to increase transportation electrification, load control behind the meter, or another integrated strategy.

A careful internal review along with the consideration of the many world-renowned research and industry leader forecasts resulted in the following discussions of the Top Five Trends in Customer Engagement For 2021 that will position energy companies well to flourish in this transformation.

The centerpiece to success going forward will be a mindset that the customer is not just an energy consumer but is a key energy partner. Whether the goal is to increase transportation electrification, load control from behind the meter, or another integrated strategy, demonstrating customer empathy and executing targeted, personalized customer engagement will continue to be essential to your success. ♦

“...the biggest threat to (energy companies’) business is ... the far-reaching changes in consumer behavior and dramatic shifts in climate regulations.”

DECARBONIZATION

It is hard to believe how quickly carbon accounting has risen to the top of corporate responsibility reporting. While it is still early, it would not be surprising to see corporate reports on carbon reduction progress integral to their stockholder reports and in the annual financial reporting. In research published in February 2020, 23% of Fortune 500 companies had made public commitments to significant carbon reduction by 2030¹. We are already seeing the impact on share prices; companies deemed carbon risks are trading at discounts compared to those who have gained the public’s confidence on this issue, and the world’s largest asset manager, BlackRock, is making climate impact and risk central to its investment strategy².

carbon footprint. There remain questions of whether and how mainstream America will engage in this challenge or whether this becomes primarily a supply side issue. Said very simply, some are emphasizing the solution is all about more solar, wind, and energy storage.

When you swing to the demand side of the equation, you naturally ask questions about how energy efficiency is going to continue to meet carbon reduction goals and how might customer load management shift hourly customer use to lower carbon time periods to better match the supply side portfolio?

Might energy efficiency and resiliency be key to successfully increasing the deployment of renewable energy resources?

Beneficial electrification will also have a large impact on grid resources as consumer and fleet electric vehicle charging increases exponentially and building owners move away from natural gas and delivered fuels for space and water heating.

The Accenture report, “New Energy Consumer: Delivering new energy experiences for future growth” (2020)³, shows that 60% of consumers have become more aware of climate change and its environmental impacts since the start of the COVID-19 outbreak, with more than half of consumers likely to invest more in energy efficiency today than before the pandemic.

This report indicates “the biggest threat to (energy companies’) business is not just the pandemic-related demand disruption and slowing traditional electricity sales, but



With pressure from corporations, consumers, and regulators, decarbonization is going to be a major theme in the energy business for the next few years. Utilities and even mainstream retail companies are going to manage their entire supply chains looking at energy sustainability as well as

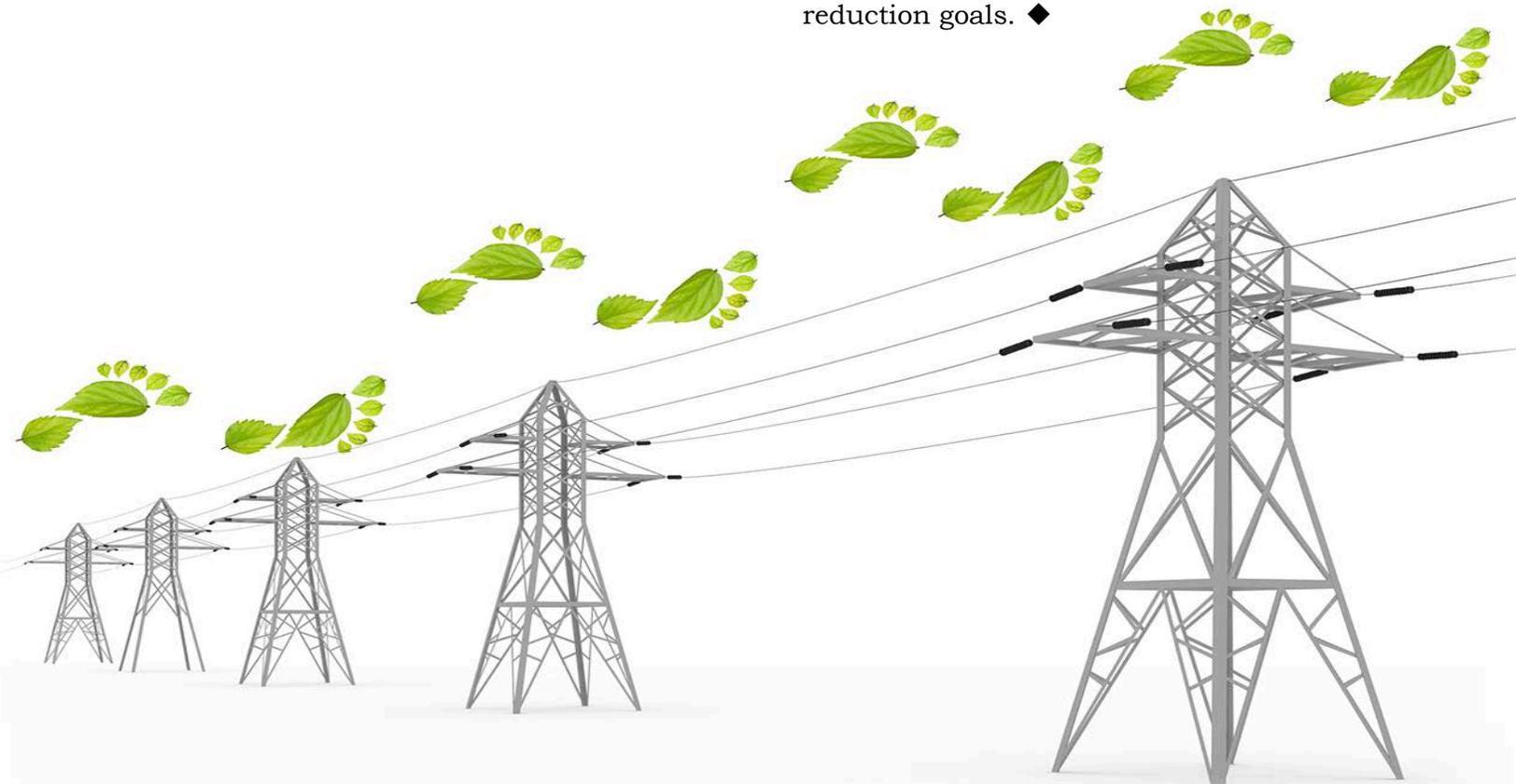
the far-reaching changes in consumer behavior and dramatic shifts in climate regulations. They must move from experimenting with pilot programs to actual rollouts of sustainable energy offerings, quickly and at scale. Sustainable offerings are not only the right things to do for consumers, but the right things for business as well.” Further,

“...energy companies can consider several strategic plays to capture this value: from bolstering existing business with value-added offerings, to growing revenue-generating connected energy products and services, to making bold pivots into markets beyond energy...”

Across these plays, distinct value pathways are taking shape both today and on the horizon as market models evolve.”

The “Energy Transition Outlook 2020” by DNV-GL (2020) also indicates that energy efficiency is a key driver and the most cost-effective resource in transforming our energy system⁴. One measure of this is the energy intensity of the global economy – expressed as units of energy per unit of GDP. DNV-GL predicts that energy intensity per global GDP will be reduced by more than ½ by 2050 due to combined efforts; in other words, we will be more than twice as productive per unit of energy. The ACEEE.org also emphasizes that energy efficiency is vital for mitigating climate change. Their new report shows we can slash US energy use and greenhouse gas emissions by 50% by 2050, getting us halfway to US climate goals.

Therefore, energy efficiency and load management are going to stay key resources in the portfolio of options the energy industry will use to meet carbon reduction goals. ♦



#2

“Video is credited with producing a better educated customer throughout the user journey...”

THE EXPLOSIVE INTERSECTION OF PERSONALIZATION AND VIDEO

Separately, the use of personalization and the use of video are the two fastest growing trends in marketing and advertising. Combined, they have become a game-changer in accelerating customer engagement across industries. It doesn't matter how you measure success, be it higher Click-through rates, greater program adoption, elevated customer satisfaction or loyalty, the blending of these two techniques eclipses any other customer engagement method. While admittedly slow to adopt new ways, utilities are gradually testing the waters with both methods, separately and together.

Video Going Viral

According to [Wyzowl](#), a video company that has measured video use by marketing professionals over the past 7 years, video has grown 41% since 2016. In the 2020 survey of 800 respondents, the vast majority (86%) report using video as a marketing

Video Use as a Marketing Tool



tool, and almost 100% say they will continue using it in 2021.

Of these marketers using video, 93% say it's an important part of their marketing strategy. The weight marketers place on video content has steadily increased, reaching an all-time high in 2021. All signs point to these numbers continuing to grow.

Video is an Important Part of Marketing Strategy



Asked whether video marketing led to a greater understanding of their product or service, 94% agreed that it did. And of the companies *not* using video, 69% report they expect to begin using it as a marketing tool this year.

The survey also found that 87% of those surveyed credit video with reducing support calls in their operations. Video is credited with producing a better educated customer throughout the user journey, and the 'on-demand' nature video provides for customer support frees up resources to be applied elsewhere. This leads to questions of monetization: 87% of those surveyed believe they had a positive ROI from using video.

Apogee has been engaging and messaging customers for utilities for over two decades. In the early years, this required having customers read to interact. Unfortunately, we were seeing a decline every year in customers' willingness to read to engage with their utility company. In 2015, that simple observation prompted us to pioneer our first personalized video messaging service. Despite the visuals being simple animations, it produced a tenfold increase in customer interest. After some relatively small tweaks, we now see stats such as unique click-through rates **15 times** the industry standard.

Personalization is Power

Customer experience research shows consumers today *expect* a personalized experience when they interact with a brand. It is now considered table stakes in building loyalty across all demographics. A utilities' customers compare their online interactions to those they experience with Amazon, their bank, and other progressive providers like the travel & hospitality industry and even their local grocery store.

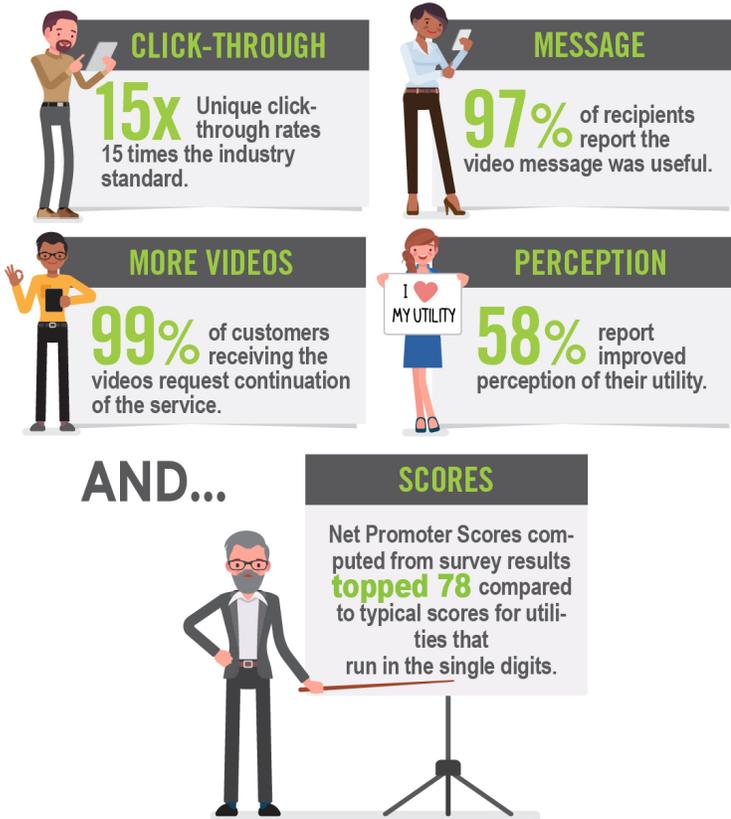
In their study "Addressing the Gap in Customer Experience"¹, Redpoint Global & The Harris Poll found:

- 63% of consumers stress that personalization is now part of the standard service that they expect and 61% assume relevant data about them will be at companies' fingertips.
- Over half (53%) expect a brand to know their buying habits and preferences and to be capable of anticipating their needs.

Evergage and Researchscape International's survey of marketing concluded marketers continue to see extraordinary results from personalization². The majority (90%) report a measurable lift from their personalization efforts. More than half (58%) experience a lift of more than 10%, while 15% report a lift of over 30%. This success is translating to increasing investments in personalization.

In other findings, most businesses (97%) plan to maintain or increase their personalization budgets in the coming year.

In addition, three quarters of respondents (74%) believe personalization should be a more significant priority in their organization's marketing outreach than it is currently.



These data continue fueling our interest in pioneering ways of using video to captivate customers, particularly when seeing what can be done combining it with personalization.

Looking for further confirmation of an ROI on personalization? According to a study by Monetate³, a leader in personalization software, 3 in 4 businesses in North America and Europe report improved ROIs from these initiatives. In their study, companies with the highest ROI (3x) are 50% more likely to focus on customer loyalty as a primary business metric for personalization. And 86% of the companies getting high ROI (2x or greater) reported that personalization made up 21% or more of their marketing budget.

In conclusion, the intersection of these two powerful methods are marketing movements to watch in the years ahead. Using video alone to influence customers is extraordinarily powerful. But combined with personalization, it is the ultimate customer-connection method most attractive to customers and most advantageous to utilities. These will continue being two dominant marketing trends to track and try in 2021. ♦



#3

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ALIGNING RATES WITH COSTS AND CARBON

Energy company employees and industry professionals are juggling multiple imperatives, and the generally conservative nature of the industry continues to result in slow evolution. Bright ideas impacting only a fraction of their customers are not transformational. We call them “tinkering around the edges” of the business. This is a huge business, measuring results in billions of dollars annually. Marketplaces, EVs, and beneficial electrification are not bad ideas. They are just too small to truly impact the bottom line, especially as we move into a world where utilities are being held accountable for implementing big ideas.

Utility executives in board rooms across the country all agree with the need to move from volumetric pricing models to some

The second key-related point is that this has been a cost recovery business. If we accept it as foundational, managing costs is central to the solution. When costs and retail prices are out of line, we are missing the mark. Anyone looking today at the time-based review of this attribute clearly shows prices and costs are not aligned. Yes, we understand the history of utility rate making has deliberately tried to avoid time-based pricing to keep things simple, but today’s consumers are used to time-based pricing in many other dimensions of their lives. Frankly, those utilities who have tried to move to this time-based pricing have ample proof that it works. Net revenues rise.

This is much easier to say than to do. The key element is to first educate and communicate to regulators, customers, and intervenors about your reasoning. Then offer at least two easy to understand plans and support those with customer advisory support to minimize fears over choice. But, in every case, pay special attention to explaining seasonal differences that, while small, are directionally inconsistent with annual results. Very simply, watch out for how these choices impact customers in the spring and fall! They may save overall, but they are likely to drop out or complain bitterly if they are forced to stay on a rate plan that they perceive is disadvantageous to them.

form of time-based or demand model. These executives know that the growth of distributed energy resources, particularly rooftop solar, is causing a misalignment of electricity price with the cost to produce and deliver it.

Changing rates is never easy. It requires both an intellectual, computational approach and an empathetic, listening approach. Changing the rules around net metering almost always blows up in a firestorm of protest from customers who invested in solar and now see their utility



bills increase. So, while moving to a TOU and/or demand rate design makes more sense, these changes bring about a host of risks including:

WHO will be the winners getting lower bills,

WHO will be the losers with higher ones, and

HOW are low-income and disadvantaged customers' bills impacted?

While the boardroom can agree with the *need* to change, few will step up to this challenge. It is just not easy.

Changing rates has always been difficult, so management has rightful fears. As a result, they tend to wait for a general rate case rather than stirring the regulatory pot before it is a necessity. Many just kick the can down the road hoping they can finish out their time in command leaving this challenge to their successors.

If you will remember, the Dr. Seuss classic, "Green Eggs and Ham" a popular children's book published by Penguin Random House LLC, August 12, 1960, is a perfect example of this rates issue. Maybe you remember the phrase "I do not like green eggs and ham!" The book of course ends with the request to "Try them, try them, and you may!" Which, after many verses of reluctance, results in "Say ... I DO like green eggs and ham!"

Maybe a little silly, but the poem aptly points out a key challenge of communication and adoption of any new ideas: you have to get people to try it. Asking them whether they want a new rate with unknown consequences will almost always result in a negative reaction and may require many, many attempts and numerous different emotional appeals as it did with Sam.

Plus, in today's world of distrust for big business, customers, left to themselves, will suspect the worst.

We humans have a strong behavioral response known as loss aversion. We hesitate to make a change that might result in the loss of money, stature, or anything else of value. Forcing customers to make a choice therefore evokes big emotional risks.

We all know people generally do not like change. Even if they are looking for choices, they are afraid of making the wrong one, so they do nothing.

And, yes, there is a big risk in changing pricing methodology. It inevitably creates winners and losers. While this sounds like a derogatory term to the uninitiated, it accurately depicts the situation. Any pricing change will disbenefit some customers. That is not the point. You can manage that issue with proper customer education and customer engagement. And, just as in Dr. Seuss' story, you may have to nudge, prod, and cajole customers to try them. Once they do, they can come to understand and succeed with these new pricing plans. You just have to show them you truly care about their unique situations, offer them intuitive sounding choices, relate to their interests, educate them in ways they can succeed, and then continue to track and coach them about how they are doing. Clearly this is a high added value proposition for the smart grid and AMI systems in place and a key justification for going in this direction for all.

Most importantly, this requires personalized digital customer engagement through their preferred channels (text, email, web and voice) and, if you can,

offering them video messages because most people consume video better than any other digital presentation method.

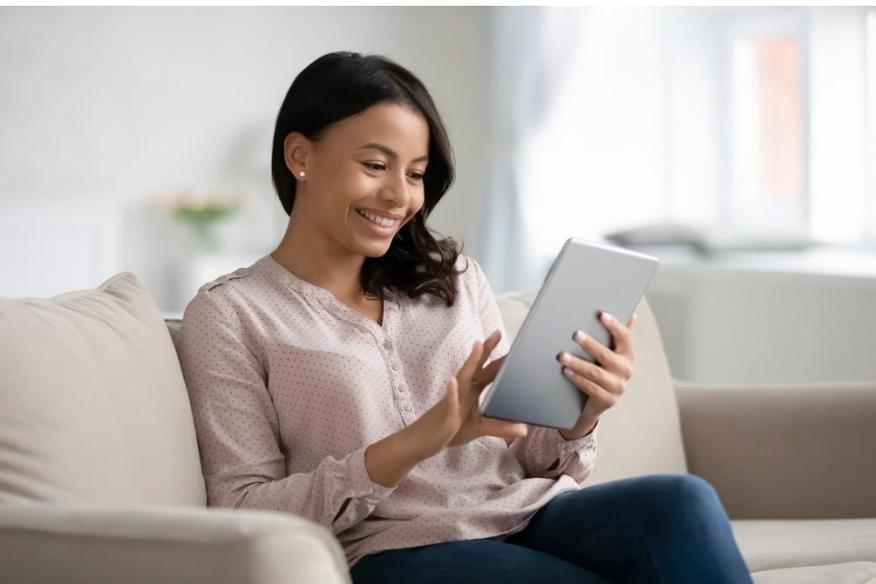
Let's keep the end goal in mind. The reason to change from purely volumetric rates to some form of time and demand dependence is to align the prices customers see most closely with the costs the energy company faces in the market.

If the supply-side energy source agreements are demand charge dominated, the retail rate probably should be demand dominated to reflect that. If the source agreements are all real time price signals from an open competitive market, the customer facing rates should probably be as well. There is evidence that customers will change behavior, given clear and strong pricing signals. This benefits both the

customer and energy provider. This is where the realities of customer energy understanding and operational choices meet business management realities.

Professionals like Dr. Ahmad Faruqui and others have masterfully crafted and written up price choice models along with the defense for each¹. For us energy nerds, it is so much fun to look at those elegant graphs of price-risk sharing models that move all the way from what we have now to real time pricing with much larger base fees to cover fixed charges. After all, the wires companies just want to receive a fair return on their assets - the transformers and the wires. The energy supply side of the business is increasingly deregulated and now must face the music that carbon accountability will reshuffle the supply side deck over time.

Finally, we believe we must move past costs and start talking about the value of electricity and reliability and start pricing that explicitly or offering services that enable that automatically. Our industry is overdue here, especially with a rapidly growing “prosumer” segment and enabling smart technologies. While some consumers may hold on to a “flip-the-switch” mentality that is expensive to serve, proactive, personalized engagement together with targeted utility programs can assist in moving customers along the technology adoption curve where they will be more likely to succeed with dynamic energy prices. ♦



#4

“The economic, health and racial justice crises of 2020 have shown a spotlight on energy equity.”

SPOTLIGHT ON ENERGY EQUITY

Providing fair access to life’s essential resources such as food, housing, health-care, and energy is a fundamental and basic tenet of the U.S. culture. Energy enables necessities of life such as heating, cooking, refrigeration, and other functions. Providing fair access to energy is referred to as energy equity. Energy equity includes not only access, but reliability, affordability, and safety.

According to 2019 Census data, over 93 million Americans have income levels of less than 200 percent of the Federal Poverty Level. Individuals in this income category, typically referred to as “low-income” or “income qualified,” are likely not provided the same access to services as consumers with higher incomes. The U.S. Energy Information Administration reports that almost one-third of American households have difficulty paying energy bills or adequately heating and cooling their homes, and over 20 percent of households—roughly 25 million households—report reducing or forgoing necessities such as food and medicine to pay an energy bill¹.

The economic, health and racial justice crises of 2020 have shown a spotlight on energy equity. As a result of the COVID-19 pandemic, unemployment rates have increased and many families find they need financial assistance for the first time. Furthermore, with the focus on Environ-

mental, Social, and Corporate Governance (ESG) and other societal agendas, utilities are anticipated to be under additional pressure to assist low-income customers. Examples of utility programs designed to address energy equity include weatherization, payment assistance, access to alternative energy technologies, and advantageous payment options.

The new presidential administration plans to invest \$640 billion over ten years so every American has access to housing that is affordable, stable, safe and healthy, accessible, energy efficient and resilient, and located near good schools and with a reasonable commute to their jobs². Increasing the supply, lowering the cost, and improving the quality of housing through investments in resilience, energy efficiency, and accessibility of homes are also included in the new administration’s agenda. Additionally, President Biden plans to rejoin several international climate and environment accords.



Energy utilities have found addressing energy equity issues to be a challenge. Smart Energy Consumer Collaborative recently determined that the main barriers to engaging lower-income consumers are concerns about upfront costs for energy-efficient upgrades and that these customers tend to be more distrustful of their electricity providers³. The financial impediments can be addressed via practical and effective program design. Apogee Interactive has found that low-income customers are more likely to undertake behavioral actions rather than actions requiring financial investments. To gain a customer's trust, utilities must build lasting relationships, especially focusing on providing customer assistance. Too often, low-income customers' interactions with service providers are centered on payment notices, late fees, increasing deposits and service disconnections. Caring and compassionate communication is an excellent first step in building a relationship with this customer segment. Furthermore, many utilities have identified that low-income customers are not aware of the assistance available to them and proactive engagement is needed.

A successful strategy for overcoming resistance to energy equity initiatives is to provide timely and relevant information to this consumer group. Effective communication must be relevant to the consumer, provide actionable insights, and be timely.

The communication method should be in the manner the customer chooses; Apogee has found that Short Message Services (SMS) or text messaging is a impact and well received method of communication.

The book *A Framework for Understanding Poverty* by Ruby K. Payne, Ph.D. examines the importance of community and family for low-income customers. The author identified a sense of camaraderie within low-income communities stemming from a feeling of all being in this financial situation together and an inclination toward helping and supporting each other. Therefore, utilities have found that partnering with trusted and established community action agencies is an effective method for creating program awareness and engaging low-income customers.

To address the issue of energy equity, energy utilities must create awareness, communicate effectively, and design programs in which the target customers can easily participate. ♦



#5

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BIG DATA PRODUCES BIG RESULTS

We are witnessing the convergence of Internet of Everything (IoE), big data analytics, and “Zoomification” for both our work and home lives. This, coupled with technical advancements in HVAC and our quest for safe and comfortable living spaces, is bringing with it actionable intelligence and control from remotely collected and distributed data. This decade is poised to see an explosion in putting those data to work in solving critical challenges in space conditioning and energy load management to optimize both carbon reduction and energy price objectives.

utilities to consider alternate, remote methods for engaging residents on a home upgrade customer journey.

In 2021, remote energy audits, fault detection and diagnostics, quality assurance and other data-driven methods will move into the mainstream. These techniques combine utility meter or bill data together with data from home HVAC systems, smart thermostats, weather stations, imaging technologies, and even air quality metrics to paint a picture of current and potential improved home performance. Sophisticated

analytic methods provide feature extraction tools and methods of data fusion to make sense of this mountain of information. For instance, analytic methods can differentiate between the need for improved home air sealing and increased attic insulation using temperatures measured

precisely inside and outside the home without ever visiting the home, saving countless hours and dollars on initial home assessments. Combined with utility bill data, professional auditors can walk residents through the critical home energy features over a smart phone or tablet without ever leaving the office and provide a prioritized list of improvement recommendations in short order.



In the U.S., homes accounted for 38% of total end-use electricity consumption in 2019¹. Reducing this total consumption and better managing the load holds incredible potential for reducing costs and improving comfort for households, load distribution for utilities, and lowering carbon emissions. However, utilities have struggled to deploy technological solutions to improve program impact and maintain customer satisfaction beyond deploying smart thermostats. For many, the COVID-19 pandemic forced

Utility programs must be designed and implemented with the end in mind, which is typically to empower building occupants to make energy efficiency upgrades or behavioral changes.

Employing a systems-based approach including customer engagement, contractor training, and manufacturer and vendor support is essential to realizing the full potential provided by these technological solutions.

As economic, political and climate forces increase the urgency to improve the energy efficiency and demand flexibility of buildings, technological advancements enabled by big data analytics are allowing our industry to better target and engage customers and implement impactful measures. Those who embrace this new, performance-based toolbox will be rewarded with greater program cost-effectiveness and better outcomes. In addition they will have customers and employees who are engaged by these leading-edge insights. ♦



ENDNOTES

#1 Decarbonization

- ¹ <https://www.fastcompany.com/90459443/what-will-it-take-for-the-75-of-companies-that-dont-have-climate-commitments-to-step-up>
- ² <https://www.npr.org/2020/01/14/796252481/worlds-largest-asset-manager-puts-climate-at-the-center-of-its-investment-strate>
- ³ https://www.accenture.com/_acnmedia/PDF-137/Accenture-New-Energy-Consumer-Deliver-New-Energy-Experiences.pdf
- ⁴ <https://eto.dnvgl.com/2020/index.html>

#2 The Explosive Intersection of Personalization and Video

- ¹ https://www.redpointglobal.com/wp-content/uploads/2019/03/RedPoint-Gaps-in-CX-White-Paper_3.20.19.pdf?_ga=2.60626541.1914644966.1579181242-50309445.1579181242
- ² <https://www.evergage.com/wp-content/uploads/2020/04/Evergage-2020-Trends-in-Personalization-Report.pdf>
- ³ <https://get.monetate.com/2019-personalization-dev-study/>

3 Aligning Rates and with Costs and Carbon

- ¹ <https://www.utilitydive.com/news/6-reasons-why-california-needs-to-deploy-dynamic-pricing-by-2030/578156/>

4 Spotlight on Energy Equality

- ¹ <https://www.eia.gov/todayinenergy/detail.php?id=37072>
- ² <https://joebiden.com/housing/>
- ³ <https://smartenergycc.org/approaches-for-better-serving-lower-income-consumers-white-paper/>

5 Big Data Produces Big Results

- ¹ https://www.eia.gov/totalenergy/data/monthly/pdf/flow/css_2019_energy.pdf



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