

Lighting the way

Understanding the smart energy consumer

Almost 70 percent of 5000 respondents in our 2008 Global Utility Consumer Survey are willing to experiment with how they interact with energy providers. Many consumers have specific visions of what they want – and how much they will pay for it. Their attitude change coincides with rising environmental and economic urgency that is focusing attention on energy infrastructures across the globe. To satisfy the smart energy consumer and stay competitive, utilities must plan now to encourage beneficial consumer behaviors, leverage customer analytics and segmentation, and understand the enhanced customer interactions – all vital in a participatory utility network where consumers, utilities and service providers share responsibilities and benefits.

Persistent climate change concerns, volatile energy prices and a growing awareness of technological advancement in energy are leading consumers across the globe to reconsider their role in the electric power value chain. Influenced by experiences in other industries, they are willing to assume new roles and be more involved with providers and technology.

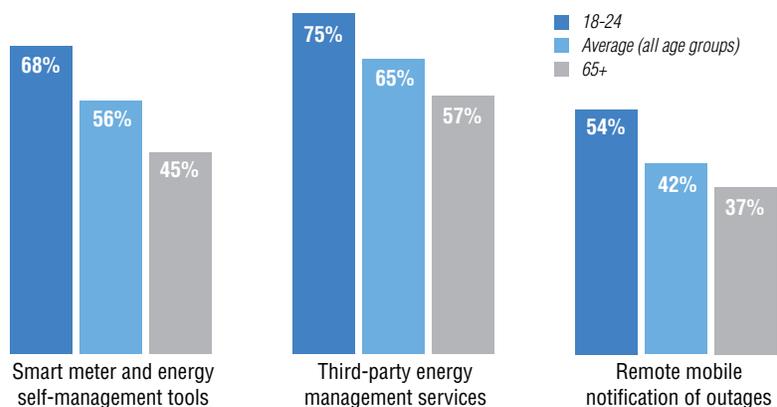
At the same time, due to global demands for climate change mitigation, the need to support aging networks, and some government stimulus plans for weakened economies, substantial increases in investment in utility infrastructure are likely. For energy and utility companies, this presents a historic opportunity to encourage new, mutually beneficial behaviors and create business models to meet new consumer demands.

Our 2007 report, “Plugging in the consumer: Utility business models for the future,” explored the radically changing relationship between consumers and energy providers. To continue our research about consumer expectations of energy

providers, we launched a second survey in the fall of 2008. And even during the global economic downturn, progress has continued along the two dimensions shaping these changes: *technology advancement* and *consumers’ desire for more control*.

Other factors will further shape and drive the speed of technology adoption, ability to leverage control and formation of goals embedded in accepting more responsibility for energy choices. For example, the consumers age 18 to 24 are very likely to embrace new self-directed products and services, and more likely than other age groups to be willing to pay for them (see Figure 1). But utility companies’ traditional methods of consumer communications may well be insufficient to reach this group effectively.

FIGURE 1.
The 18-24 age group leads in its willingness to pay for specific services.





Cost remains the most powerful motivator of consumers' desire for control and willingness to change behavior; four in five consumers would change the times at which they do energy-consuming housework in exchange for significant savings. Consumers' emphasis on climate change is still strong and consistent across countries, although they are less willing to pay a premium for greener products and services in the strained economic climate.

Investing in the consumer

In combination, our survey findings suggest strongly that the historical view of customers as like-minded is not sustainable – it is already outdated in most places. As a result, utilities must plan now to:

- Understand and encourage new consumer behaviors that will be important in the future industry environment
- Invest in customer analytics and segmentation to assess the current consumer base and lay the foundation for continual reevaluation

- Initiate a program to analyze enhanced and new customer interactions that will take place over a more dynamic and data-rich network.

Generation, network and metering technologies available today provide tremendous opportunities to improve capabilities and convenience for residential and small business customers. Realizing this potential, however, requires shifting emphasis from utility-controlled decision factors to consumer-driven ones.

How emerging consumer preferences are met can open new avenues for consumer satisfaction, create new revenue streams, define new business models and accelerate technology deployment, lighting the way to a participatory utility network in which consumers, utilities and service providers successfully share responsibilities and benefits.

To request a copy of the full paper please visit ibm.com/services/gbs/lightingtheway

© Copyright IBM Corporation 2009

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
February 2009
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

How can IBM help?

- **Strategy and Change, Business Model Innovation and Smart Grid Maturity Model:** Help you define a company-specific strategy for moving toward a Participatory Network and manage change as the key industry drivers evolve
- **Selected Energy and Utilities Solutions and Offerings:** Intelligent Utility Networks (Advanced Meter Management and Network Automation Analytics), Customer Operations Transformation and Power Generation Optimization

Key contacts:

IBM Institute for Business Value: John Juliano, juliano@us.ibm.com

Energy and Utilities Industry:

Global	Michael Valocchi, mvalocchi@us.ibm.com
Americas	Bob Vallee, bob.vallee@us.ibm.com
Europe	Graham Butler, graham.butler@uk.ibm.com Ricardo Klatovsky, ricardo.klatovsky@es.ibm.com
Japan	Kenji Shimoda, kshimoda@jp.ibm.com
Asia Pacific	Nick Gurney, nick@au1.ibm.com