

Calculating Customer Value

There is increasing customer, competitive and political pressure for energy suppliers to reduce prices, offer competitive tariffs, and deliver value. Some growing suppliers are also placing greater importance on being the cheapest supplier on the comparison websites. It is therefore essential that suppliers fully understand all their input costs and how these costs vary by customer segment or even customer by customer.

A Customer Value Methodology drives Sales, Marketing, Operational and Business Strategies. The starting point for any Customer Value methodology is understanding your variable input costs at meter level (including energy costs, distribution costs, transmission costs, metering costs). Underpinned by our revenue and margin assurance tool, operational and administrative transaction costs (or “cost to serve”) can then be included - such as customer contact costs, late payment, billing re-work, etc. CRM and billing system data can be analysed at customer segment level to deliver value from data by creating a picture of different customers’ behaviours and how it affects costs, for example:

- High credit risk customers;
- Online customers;
- Payment methods;
- Customer age and demographics; and
- Customer product holding.

Each customer can be assigned a £value which can be used in several processes:

- Retention strategies;
- Cross sales campaigns;
- Behaviour change techniques, e.g. move to online;
- Next best action prompts; and
- Segmented contact strategies.

Engage Consulting can assist in all elements of your customer value analysis:

- We have a detailed understanding of all direct and indirect input costs relating to the supply of gas and electricity - our Revenue and Margin Assurance tool can determine the true energy supply cost at meter level.
- We have a deep understanding of the energy sector, its regulatory framework and operational processes, allowing us to determine the transaction costs that energy suppliers face in their contact centres and back offices. In particular what processes can drive additional and non-value add costs.
- We have a track record of delivering Process Improvement and Transformation Programmes allowing you to use cost and customer value information to drive process optimisation, improved sales and customer service performance, increase cross sales opportunities and change customer behaviour.
- We have a proven delivery track record in helping energy retailers to operate efficiently and profitably in the GB market, through our consultancy services and software solutions.

Our consultants are industry experts who have worked for many GB energy suppliers in senior strategic, operational and project roles. As such they understand the challenges and opportunities faced by both large and growing energy suppliers and how a Customer Value Methodology can drive additional profit and service differentiation.