

DIVING ON THE WEB: A NATIONAL ASSESSMENT OF UTILITIES' NEW PRODUCTS AND SERVICES

*Bruce A. Smith, Quantum Consulting Inc., Berkeley, CA
Amy Larson, Quantum Consulting Inc., Berkeley, CA
Robert T. Uhlaner, Quantum Consulting Inc., Berkeley, CA*

Abstract

The growing interest in the Internet's World Wide Web (the Web) among utilities and their customers has resulted in a tidal wave of industry information available over the Web. By March 1997, eighty nine investor-owned utilities across North America are maintaining their own Web sites, which contain valuable information concerning new product and service offerings. In the face of unprecedented changes occurring in the utility industry, electric and gas utilities are offering a much wider array of products and services to their customers in order to increase revenue, shareholder value, customer satisfaction, and customer loyalty. Many of these products and services are featured on the Web.

This paper is a result of using the Web as a source of competitive intelligence to track utilities' product and service introductions. We provide a taxonomy for these new products and services and an assessment of the types of new products and services being offered. Finally, we offer our subjective assessment of several utilities' Web sites that are particularly effective.

Introduction

Two factors now surrounding the utility industry have created an unparalleled opportunity for revealing how utilities are changing and adapting to new market realities; (1) the wide-spread and growing interest in the Web for providing interactive information; and (2) the emergence of competitive forces in markets for electricity and electric power services. Quantum Consulting Inc. (QC) and other organizations are using the Web as a source of competitive intelligence to track and evaluate utilities' product and service (P&S) introductions for three primary reasons:

- Information available on the Web is assuredly very public, easily accessible, and likely to be current.
- The Web is a low-cost communications medium which is accessed by a large (and growing) group of customers on a regular basis. As a result, utilities are likely to tap this resource in serious product and service introduction efforts.
- The Web reaches the utilities' target markets. National surveys indicate that approximately

25% of North American adults have access to the Internet. The use of the Web is growing very rapidly, especially in market segments that are attractive to utilities. Over one-half of these customers are in managerial, administrative, or technical occupations.

We have gone deeper than mere Web "surfing" and have been "diving" on the Web to pinpoint utilities' new products and services from a national perspective. Following this market intelligence strategy, we conduct an ongoing census of each of the eighty nine North American investor-owned utilities that now have Web sites.

Our periodic census includes an overall review of the site, as well as a compilation of the utility's stated products and services. From this compilation, we have created a taxonomy of the utilities' products and services, including Core Business Services (e.g., pricing options & energy account services, economic development services) and New Product & Service Innovation (e.g., consulting, equipment sales and leasing). This paper presents selected results from our utility Web-site analysis.

New Utility Products and Services

The list of products and services offered by utilities continues to grow in length and breath. Based on our survey, we see that utilities are developing two general marketing strategies for new P&Ss to succeed in the competitive marketplace. One strategy focuses on what we call Core Business Enhancement, the second is New Product & Service Innovation. Each strategy offers a taxonomy of P&S, as shown in Figure 1. The Core Business P&Ss include Power, Pricing Options and Energy Account Services, Economic and Development Services. Core pricing options include real-time pricing, bulk power negotiation; energy account services include electronic billing, late billing for low income/elderly customers, and "guaranteed" service. New P&Ss include O&M services, Equipment Sales, Environmental Services and New Business services. Other examples of new services include end-use equipment procurement, financing/leasing and warranties, as well as operating retail stores for product and service sales. Core products and services refer to the sale of electricity and related services which are traditionally bundled, but are

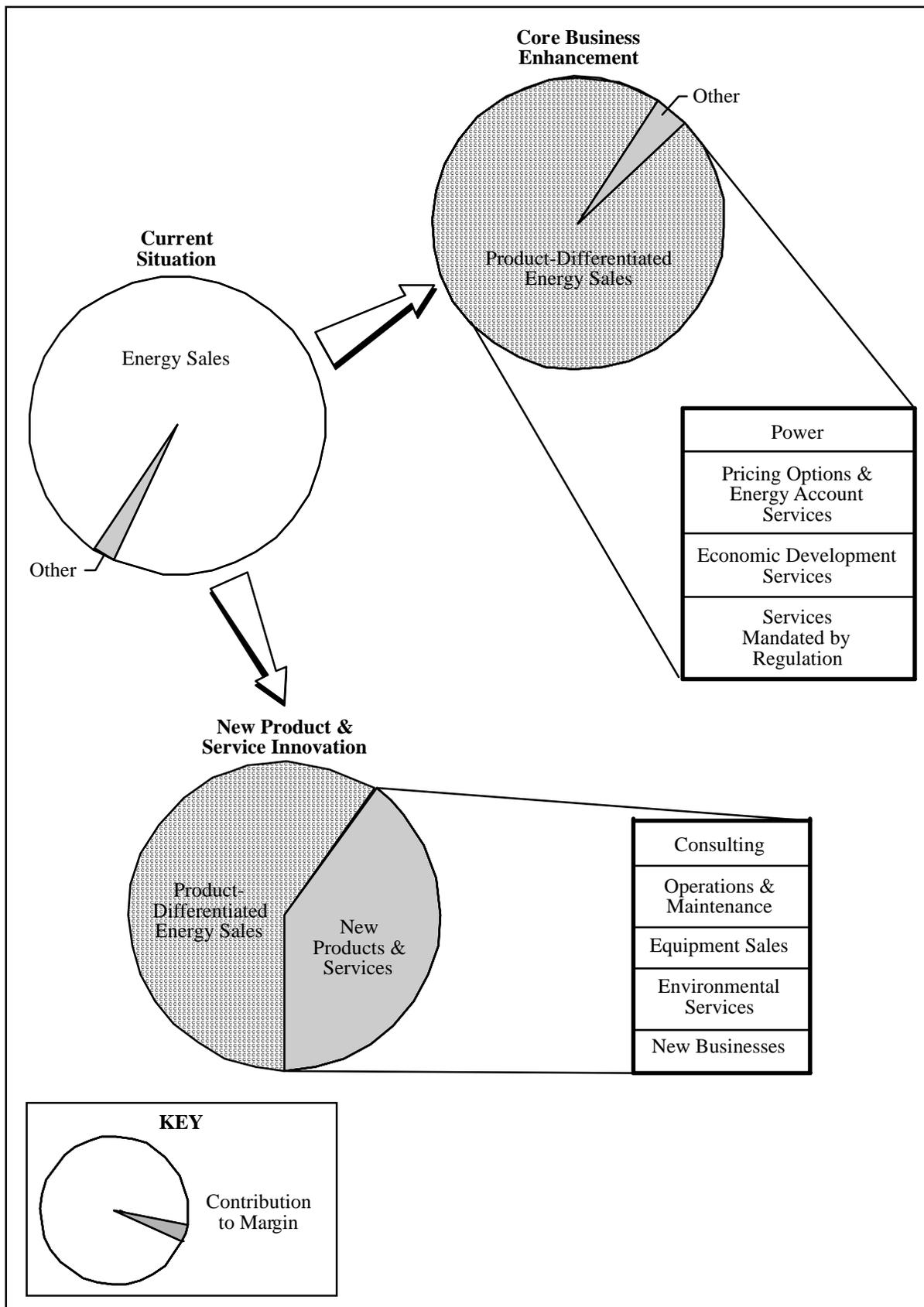


Figure 1
Electric Utility Product & Service Strategies

likely to be unbundled as the industry becomes restructured. Many of the surveyed utilities' new products and services do not involve direct energy sales, but can include sales of telecommunications and security services.

In the face of unprecedented changes occurring in the utility industry resulting from restructuring, virtually every progressive utility in the country has set similar goals adding to revenue and increasing shareholder value while maximizing customer satisfaction and loyalty. These inter-related goals include retaining mass market customers, expanding into new market segments, and enhancing products and services. Customers are being pursued by an increasing number of suppliers. Those suppliers who succeed will be companies able to meet customer needs by rapidly implementing and continually improving, a customer-driven portfolio of products and services. Figure 2

illustrates a process for how such a P&S portfolio can be developed, based on value. The figure shows four aspects of "Value", which encompasses both financial and non-financial facets. The utility may wish to better meet its customers needs by investing in its core competencies, which in turn can lead to enhanced competitive advantages. These advantages can form the basis for building new products and services, which leads to the firm's better meeting its customer needs. As part of coordinated customer research and marketing strategies, a utility's Web site can provide information to meet this challenge, assist in overcoming barriers, and distinguish its P&Ss from competitors. A utility's interactive Web site can attain valuable information regarding what products and services its customers value, as well as presenting new P&Ss for its customers.

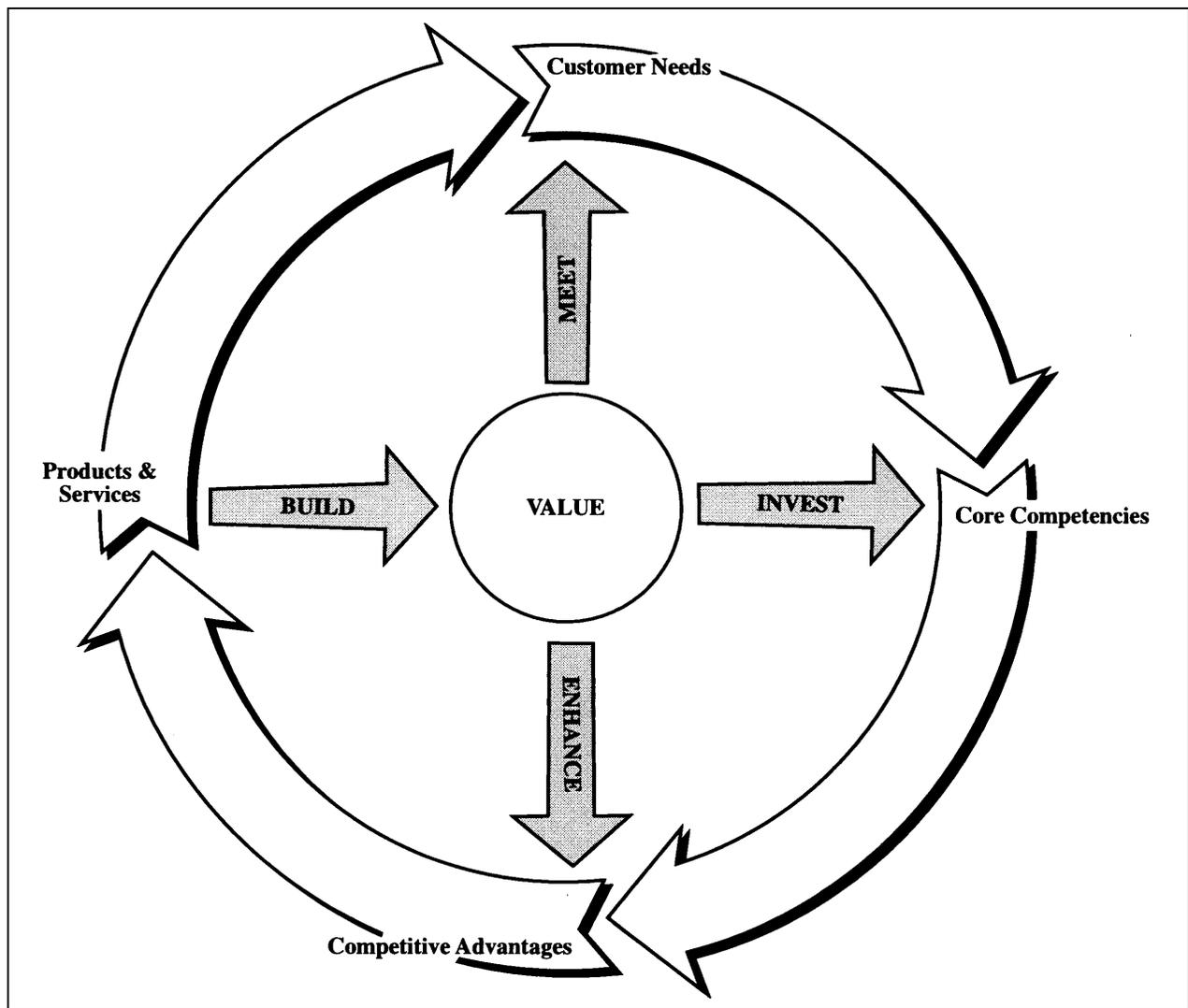


Figure 2
Customer-Driven Product & Service Development

Barriers to Introductions of New Products and Services

Our national census of utility Web sites, has revealed that barriers to product and service introductions are common and consistent across utilities. These barriers were identified in several ways, including careful cross-utility review of similar P&Ss, as well as discussions with utility decision-makers. These barriers include:

- Decisions about which new P&Ss will be offered by the utility's regulated or non-regulated business units are in flux and not finalized. Regulatory decisions may shape the final allocation between regulated vs. nonregulated P&S offerings. Ground rules for sharing information between such business units are not yet agreed to or clearly understood.
- In assessing utilities' new P&Ss, there is little agreement on how to answer the following key marketing questions: What are the targeted segments; How should the market size be computed; How and when should margins be calculated?
- The legacy of DSM and regulatory interactions may offer customers many free options that compete with utilities' new (revenue-producing) P&Ss.

Using the Web can help overcome such barriers, especially in gathering information from visitors to the utility's Web site to ascertain information about segment characteristics and market potential for new P&S. The Web can effectively serve as an introductory vehicle for new P&S. The web can also be used to directly gather market research information through interactive surveys. Via the Web, utilities can (and have) develop and roll-out pilot products and services that are targeted at specific customer groups (even at the zip-code level). Perhaps most importantly, utilities can (and have) develop interactive Web services that produce prospecting lists of pre-qualified customers for specific new P&Ss that the customers have indicated they value.

Web Survey Results

Based on our national survey of investor-owned utility Web sites, we offer the following findings.

- Most utilities are using the Web to provide standard information on pricing options and account services such as real-time and time-of-use pricing, balanced billing and late billing services. Given current trends,

we expect national customer representatives will soon be a standard service identified at their Web sites for a growing number of utilities.

- Economic development and free information services are common at utility Web sites; including property listings, community profiles and energy discounts. Fee-based services are emerging, generally representing the unbundling of energy services.
- National O&M services are a growth area at utility Web sites. These services, including power quality assessment, equipment warranties, and waste water treatment are often bundled with power brokering.
- Environmental services, including regulatory compliance services, are becoming more common, but appear to be strongly influenced by specific local needs.

Figure 3 presents selected results of our national survey of investor-owned utility Web sites. We have classified the utilities' P&Ss according to the taxonomy shown in Figure 1. Figure 3 illustrates our view of the relative frequency that utilities have discussed each type of P&S, as well as identifies an illustrative "Benchmark" utility whose Web site describes the particular product or service. Our Web site (www.qcworld.com) has links to all the utility Web sites we surveyed.

We have also assessed utility Web sites in a different manner, determining whether the sites are focused on residential customer P&S, on nonresidential (business) customer P&S or on being "well-rounded," covering both residential and nonresidential P&S. By March 1997, the greatest number of sites are well rounded; although this was not true at the time of our previous surveys. We offer below a synopsis of several Web sites that we consider to be illustrative benchmarks.

San Diego Gas & Electric

SDG&E has one of the best residential sections of all investor-owned utility Web sites – we consider it the most "edutaining" site. They've done a fine job with their equipment sales services and, unlike many other sites, they are extremely "accessible" on-line (the site provides many working on-line forms to directly contact the appropriate SDG&E personnel, order things, get free information). SDG&E's is a well rounded site; they focus on equipment sales, information and energy consulting and pricing and account services.

UTILITY PRODUCTS AND SERVICES		FREQUENCY 4 Prevalent 3 Frequent 2 Infrequent 1 Rare	Illustrative "Benchmark" Utility	Summary Description
CORE PRODUCTS AND SERVICES				
Pricing	Bulk Power Negotiations	4	Boston Ed.	Use of Financial Options
	Real-time Pricing	3	HL&P	Use of Internet to Display Rates
	Load Management Rates			
	• Time-of-Use	4		
	• Seasonal	2		
	• Interruptible	2		
Energy Account Services	Billing/Account Services			
	• Electronic	4		
	• Balanced/Averaged	4		
	• Summary Billing	1		
	• 3rd Party Notification	3		
	• Late Billing for Low Income/elderly	4		
	• Automatic Meter Reading	2		
	• Explicit Guarantees	1	SCE	Pays \$50 if interruption exceeds 24 hrs
	• National Account Representatives	1	AEP	Total Solutions for Nat'l Chains
	• Representative	2		
	• Special "800" number	2		
CORE PRODUCT SUPPORT				
Economic Development	Community Profiles	3	GA Power	Custom City Comparisons/GA Rsrc Cntr
	Market Information & Analysis	3	Utilicorp	LocationOne™ Service
	Property Listings	4	AEP	Interactive Database
	Coordinate with Officials	2		
	Energy Discounts	2	Con Ed	Project "Appleseed"
NEW PRODUCTS AND SERVICES				
Equipment Sales	Installation	3		
	Retail Stores	1	BGE	10 Retail Stores/Service
	Equipment Procurement	2		
	Discount	1		
	Warranties	1	Brooklyn Union	Parts Protection Plan \$59.95
	Financing	2		
	Power Quality Products	3	UtiliCorp	Extensive Listing of Products
New Businesses	Remote EMS	3	Southern Co.	EnerLink Product
Communications, & Delivery Methods	Interactive Cable Services	2		
	Internet On-Line Services	1	ComEd	Interactive Home Energy Audit
	Security Systems	2		
	Telephone Services	2	Citizens	Citizens Telecom

Table 1
Selected Results of a National Survey of Investor-Owned Utility Web Sites

Southern Company

Southern's well-rounded site provides lots of information for business and residential customers. The site has the most impressive serious marketing pages of virtually any site. There is a strong focus on equipment sales for all types of customers, as well as economic development and information and energy consulting and products. The site does not have the on-line accessibility of SDG&E's.

Edison International

The principal focus is on residential and business energy-efficiency products and services, such as Home-Link. The site includes descriptions of Edison's interactive

communications system and its energy-efficiency programs, like virtually all utility sites.

UtiliCorp United

UtiliCorp's site is geared towards business customers and provides information in the following areas: economic development, O&M, large-scale energy project management and pricing. LocationOne™ is a large site within the site dedicated to economic development, including a number of on-line interactive calculations.

Findings

Utility Web sites are offering customers access to unprecedented current and valuable information about new products and services. By systematically reviewing and analyzing this information, customers can make more informed decisions regarding such P&Ss, as well as find out what P&Ss are being offered by service providers. Our diving on the Web and reviewing all of the Web sites of investor-owned utilities, have produced the following findings.

- Progressive utilities are using the Web as an important tool for getting their customers in the habit of *exchanging* information with them. Such exchanges can benefit all parties.
- Utilities now active on the Web have used several strategies for providing information.

- The Web can assist utilities both in enhancing Core Business activities and providing innovative new Products and Services, including producing prospecting lists of pre-qualified customers.
- When assessed systematically, utility Web sites can provide very valuable competitive intelligence for customers (and utilities) on products and services now offered.

In sum, the Web is being used as a tool for utilities to transform themselves into effective new product and service innovators, something that can enhance their success in the growing, competitive marketplace for electricity.