

Power Your Way To Higher Profits

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In This White Paper

Regulatory changes, investor pressures, customer gripes and new competitors are serving as a wake-up call to Utilities to revolutionize the way they care for their customers.

Now is the time for Utilities to embrace and address the elevated expectations of their consumers.

Outsourcing offers an opportunity to deliver superior customer care while reducing costs and increasing revenue channels.

What are the baby steps to an outsourced environment, and how your strategy can transform your business.

Introduction

Utilities, it's time to put an end to "business as usual"... the way you've traditionally served and managed your customers. Regulatory changes, investor pressures, customer gripes and new competitors serve as an insistent wake-up call. Today, the utility business has a narrow window of opportunity to revolutionize its customer management amidst dramatic market upheaval. The paradigm shifts of market deregulation and technological advancement beg a fundamental change in caring for customers. Old systems, practices and norms no longer satisfy utility users or shareholders. Service that is lackluster, impersonal and costly will undermine utilities that fail to heed the market's new edict: improve service while reducing costs. What's at stake? Everything:

- **Customers:** In a comprehensive study of utility companies in deregulating markets, companies that provided significantly better customer service increased their customer base by more than 10 percent during the first year of deregulation. By comparison, companies that provided average customer service lost 2 percent of their customer base to competitors, and companies providing inferior service lost a minimum of 4 percent of their customer base in the first year. (Source: *Destination Excellence*)
- **Costs:** After energy supply, the largest controllable cost to the average utility is customer service. Industry research reveals that customer service operations contain 75 percent variable costs. (Source: *Destination Excellence*)
- **Revenues:** Research on restructuring in five industries (other than utility) reveals that product/service prices fell 4 percent to 15 percent in the first two years after deregulation and at least 25 percent within 10 years. (Source: *Brookings Institute*)

- **Profits:** Nearly 80 percent of the difference in utilities' pre-tax profits can be explained by differences in customer service, marketing and sales capabilities. (Source: Accenture Institute for Strategic Change)

Is your company ready to face those numbers? According to industry-analysis firm Aberdeen, "To succeed, utilities must become customer-centric, service-based enterprises. For many utilities, outsourcing customer care and billing is a viable means to better customer service. Outsourcing provides a way to optimize customer relationships while gaining protection from regulatory change, uncertainty and economic volatility."

It is time to transform your business model not just to survive - but thrive - in this changing landscape.

State of the Market

According to a recent study by Power Perceptions, nearly one third of customers are dissatisfied with their electricity service, citing customer service, price and billing options as the top three reasons for dissatisfaction. Under the monopoly model, utilities have very little incentive to enhance the customer experience, as reflected in their historically poor American Customer Satisfaction Index (ACSI) scores. Apart from airlines, whose rankings are affected by factors such as late planes and lost luggage, utilities consistently fall at the bottom of the ACSI industry list.

Research indicates that many utility companies struggle with staffing, training and fragmented, archaic applications that hinder business evolution and expansion. Utilities lag other industries in their access to enterprise-wide information and customer history as data is often trapped in a multitude of mainframe CIS systems. According to utility consulting firm Chartwell, less than 13 percent of utility companies have a CRM solution in place to help their CSRs serve and sell to customers. Furthermore, many companies have several, if not dozens, of billing

systems for various divisions or service offerings. This makes load forecasting a chore and providing seamless service nearly impossible.

Ending Business as Usual

Now is the time for utilities to embrace and address the elevated expectations of their consumers. Customers compare your company's service not only to that of other utilities, but also to the service they receive in other industries. Picture this: years down the road, customers' increased buyer power and access to information may lead to instant, easy utility switching, much as we see with long-distance telecommunications today. Is your company sufficiently differentiated to withstand the heat? Customers are demanding:

- Real-time status of pending work orders/service calls
- Fast, seamless service across divisions (acquisition, service, billing)
- Real-time updates on outage resolution
- Multi-channel options for billing information and account status
- New payment options and flexibility
- Consolidated billing for multiple utility services

Keeping pace with evolving customer expectations and proliferating technologies requires a level of customer expertise that most utilities can't provide in house. That is why utilities are turning to the experts: business process outsourcers. Equipped with existing infrastructure, technology, human capital and best practices, a leading outsourcer delivers multi-channel service as its core competency.

Focus on What you do Best; Let a Partner do the Rest

Whether your company is an investor-owned utility on the brink of deregulation or a municipally owned service provider in a regulated market, outsourcing offers an opportunity to deliver superior customer care while reducing costs. Outsourcers serve as partners in opening up new contact channels, increasing customer intimacy and anticipating customer needs. Utilities that partner with a leading outsourcer for customer management have instant infrastructure for growth, plus a complete range of integrated leading technologies: e-mail, chat, self-help, order management, billing, customer knowledgebase, warehouse management, call-tracking software and more.

Deloitte Consulting found that 55 percent of energy companies will buy or partner for a new customer management system to support deregulation. Industry data reveals that a medium-sized utility will spend a whopping \$110 per meter for new customer management systems. Since these systems - much less the implementation and integration - cost millions of dollars, outsourcing is an attractive, low-investment, high-ROI alternative.

Baby Steps to Outsourcing

While the strategic benefits of outsourcing are clear, "taking the plunge" in an effort to remain focused, flexible and technologically competent may be frightening for an outsourcing first-timer. However, this anxiety can be mitigated by a cautious approach. Consider starting small with low-risk functions such as:

- Overflow calls (outage)
- Credit and collection calls
- Back-office systems and support
- Outbound telemarketing
- After-hours calls

- Customer satisfaction surveys
- Bill printing/mailing/processing
- Remittance processing
- Sign-ups/inbound sales
- CIS hosting, support and maintenance

As your company's comfort with outsourcing grows, begin to explore options for transformational, strategic outsourcing relationships. Leading outsourcers offer innovative ways for your company to transition to lower, fixed costs through techniques like risk and gain-share pricing, including a flat support fee per meter or per customer. Determine your outsourcing comfort level and then grow from there.

Transformational Outsourcing

Wise utilities are beginning to closely examine and manage all aspects of the customer experience to create enduring, rewarding relationships. As your company's outsourcing strategy matures, consider the following aspects of customer management as opportunities for true business transformation:

Customer care

Caring for customers and nurturing relationships are vital to long-term profitability. Leading outsourcers offer sophisticated technologies such as universal agent desktops, computer telephony integration (CTI), customer data repositories and product knowledgebases, which deliver customer service with a greater level of efficiency, intelligence and personalization than ever before.

Inbound sales

The inbound sales call (or chat or e-mail) is a pivotal opportunity to make a positive impression. The customer is ready to buy; thus, the experience should be smooth, easy, friendly and convenient. The integration of

inbound calling systems with customer history and proactive profiling delivers superior opportunities for up-selling and cross-selling via dynamic scripting.

Web Self-Help

Tight integration of self-help systems with back-end customer care and billing engines enables real-time service and updates. Thus, if a customer inquires online about his or her account status, the self-help application or customer service representative can instantly retrieve that information and provide informed, personalized service.

Robust response management

Campaign management - vital in newly deregulated markets running sophisticated acquisition campaigns - requires tools and services to handle e-mail, direct mail, e-commerce, phone and advertising campaigns. With integration, utilities can manage all the multi-channel inquiries and orders that a campaign may generate, as well as perform in-depth ROI and customer profile analyses to enhance future campaigns.

Logistics and distribution

Often dismissed as a back-end or operational function, order and letter shop fulfillment is vital to customer management as a tangible touch of the relationship and commerce process. An integrated solution connects order and payment processing, inventory management, shipping and returns processing activities to customer care and sales.

Marketing services

Customer acquisition and retention require knowledge about customer purchasing patterns, demographic and psychographic profiles, and more. Integrated customer management delivers greater effectiveness across a multitude of marketing efforts, including customer acquisition programs, database development and analyses, market segmentation and targeting, permission marketing, list management and customer value analysis.

Charting Your Course

Outsourcing a single customer management function may reduce costs, but outsourcing multiple functions will transform your enterprise, deliver improved business performance and enhance shareholder value. Exceeding customer expectations requires an integrated, end-to-end customer management solution to infuse customer intelligence into - and gather customer intelligence out of - each and every interaction. Transformational outsourcing is a cost-effective, low-investment method for achieving a profound level of customer care sophistication.

Outsourcing is increasingly relevant to utilities; as the speed and regulation of business increase and competitors proliferate, companies are forced to concentrate on their core competencies and outsource non-core functions. The most efficient business model is one in which companies and partners focus on and provide services solely in their areas of core competency. Customer-focused transformation of the utility industry won't happen overnight, but baby steps and strategic leaps will begin the process. Utilities of the world, outsource! Your customers will thank you!

About Sitel

Sitel is a global Business Process Outsourcing (BPO) leader that meets clients' customer care and transaction processing needs by providing world-class solutions from over 60,000 associates in 155+ facilities located in 27 countries.

Sitel provides clients with the strategic insight, scale and diversity of offerings to ensure the best return on their customer investment. For more information, please access www.sitel.com



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