

Unpacking the meaning behind value, cost, and price in a time of climate shocks.

Customers are not satisfied with the cost of their service when basic reliability concerns persist. Utilities face mounting challenges when communicating the value of customer offerings as extreme weather events impact reliability, and thus, customer satisfaction. As climate shocks increase in occurrence, communicating around price, value, and cost will be paramount.

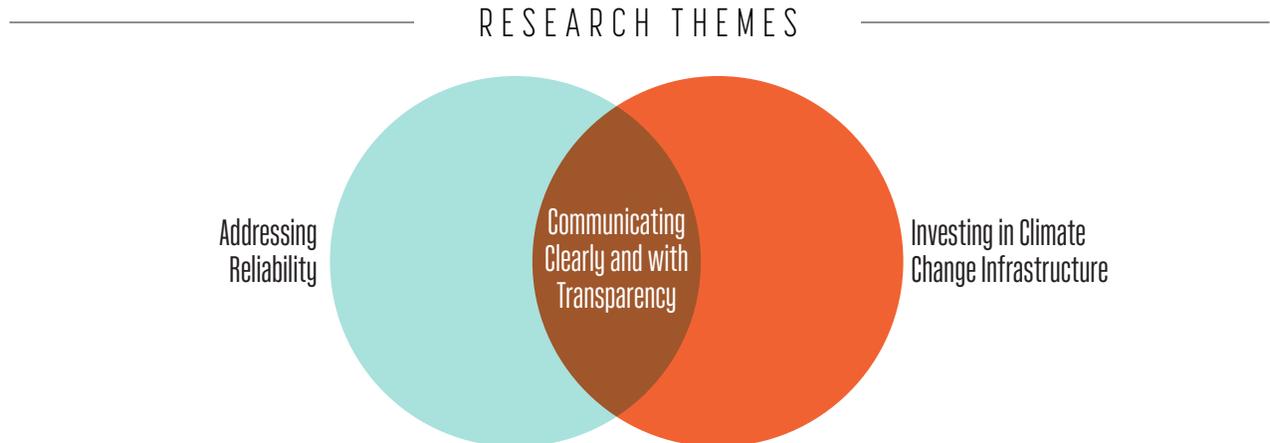


The Challenge

Extreme weather events like sub-freezing temperatures, wildfires, extreme heat, hurricanes, and flooding nearly always result in the same outcome: power failures. When this happens, utilities can activate incident command protocols and procedures to quickly restore power. But what about those mechanisms to restore customer confidence? How do utilities stand up and restore value in a time of persistent climate shocks?

Utility costs and value are inextricably tied to customer confidence. Customers are encoding the stress of extreme weather events into their mental schemas. Absent proactive communication from utilities on how they will address the reliability challenges of a changing climate, customers will judge their electric bill (and by extension, the value of their utility) through the distorted prism of power outages and the social media feeds of similarly disaffected customers.

In this case study we draw from two recent research efforts to explain how utility customer experiences inform their perceptions of value, cost, and price. As climate change leads to more frequent and more destructive events, customers will reward utilities who can **1) address reliability, 2) communicate clearly and with transparency, and 3) invest in climate resilient infrastructure.**



The Results

Several themes emerged across our research efforts that shed light on customer perceptions of value; mainly those addressing reliability, building trust, and centering pricing in communication. For purposes of this case study, we broadened our scope to include the intersection of climate and infrastructure.

1. Addressing Reliability: Price satisfaction is directly related to reliability. Simply put, customers are not satisfied with the cost of their service when basic reliability concerns persist. For example, recent events like Hurricane Ida in New Orleans or the freeze and ensuing heatwave that engulfed Texas this summer drove customers to social media to express dissatisfaction, cynicism, and distrust of the utility.

To earn back trust, utilities must:

- Address the core issues related to reliability, such as making important enhancements to the grid. This includes investments in grid monitoring, line upgrades, tree trimming, and strengthening and upgrading critical infrastructure, i.e., hospitals and backup power.
- Align their communications with their actions. Our research uncovered that customers expressed a sense of betrayal when communications about reliability do not reflect their lived experiences, especially during/after a storm. Utility preparations, i.e., the number of trucks and line workers necessary to restore services will need to reflect the increased incidence and impacts of extreme weather events.

2. Investing in Climate Resilient Infrastructure: Our research found that most of the emotional events utility customers remember are tied to outages related to natural disasters and storms. Customers will encode the stress of a storm, electrical outages, and their emotional need for continuity (i.e., getting the lights back on) into their memories. For many, this means memories of the utility will elicit negative emotions even if the utility is not at fault.

The prolonged impacts of extreme weather events on the customer psyche cannot be understated. Below we share two considerations for utilities looking at helping to re-frame customer schemas:

- Focus on addressing climate change and its effects: In the 1990s, the political maxim, “it’s the economy, stupid” encapsulated the disconnect that American families felt from their government. Today, the same holds true except for climate change. The social and economic costs of climate change are rising in the U.S. and causing more frequent impacts. Between January and September of 2020 climate disasters accounted for approximately \$46.6 billion in damages. Against this backdrop, smart speakers and marketplace apps are less important to customers who incur losses like spoiled food in their refrigerators and freezers, the cost of home and auto insurance claims, and lost wages.
- Focus on resilience investments: Whenever there is a storm and a resulting outage, American utilities will battle the perception that outages are due to a company-wide characteristic versus a single incidence of failure. To combat this perception, utilities must invest in (and communicate their investments) in microgrids, home battery storage systems, and other resilience infrastructure to signal to customers that the utility will protect its customers from the threats of climate change.



Customer confidence is fragile

Utility customers cannot unsubscribe from their utility and often the easiest outlet to express this frustration is via customer dissatisfaction, particularly dissatisfaction with price.

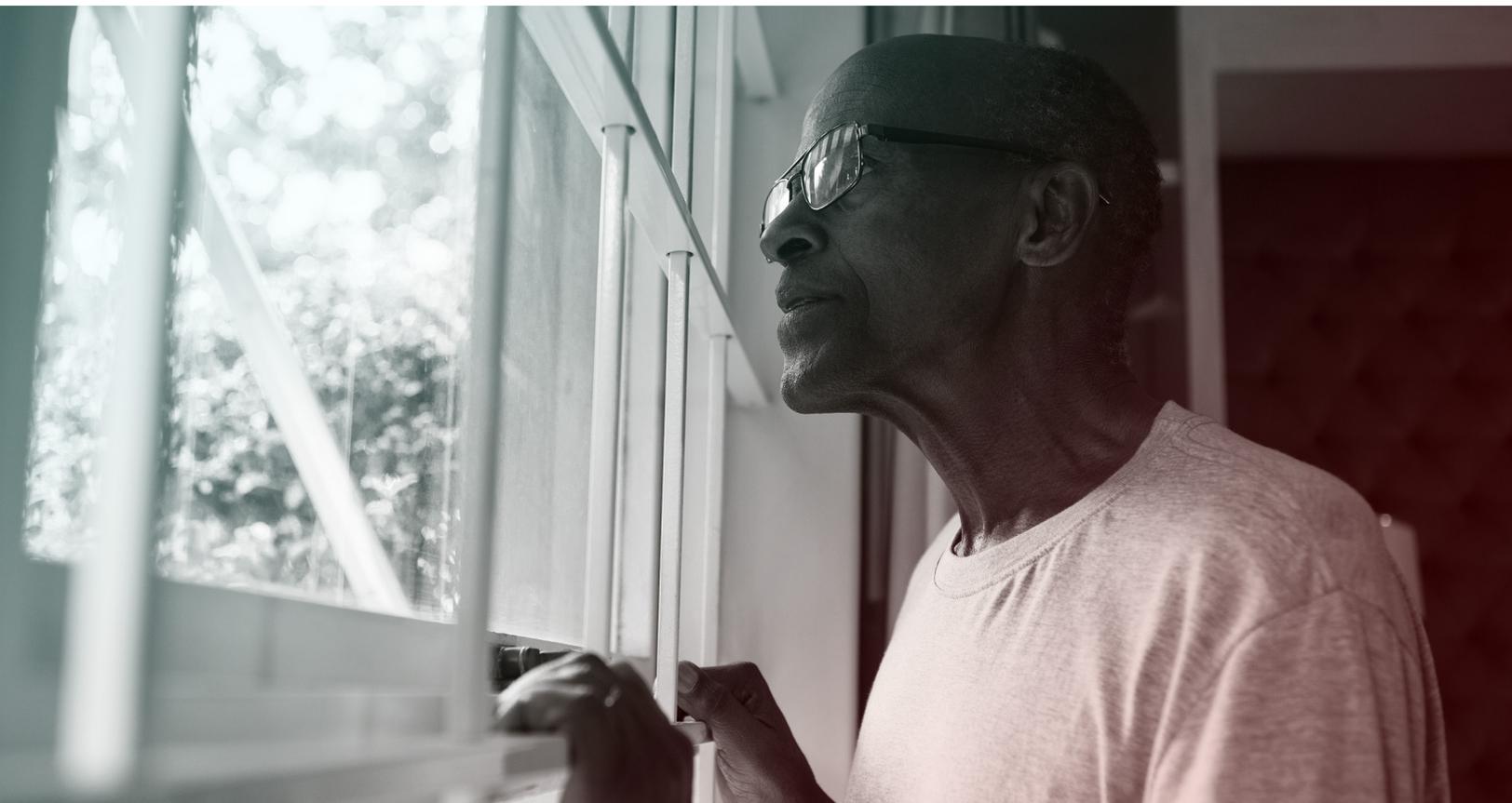
Price satisfaction is further tied to perceptions of value because value is equated with consistent, reliable, quality service. And increasingly, that reliability is harder to come by. Extreme weather events and the economic costs of property and business losses add pressure on utilities already swimming upstream to ease concerns over increasing costs and earning back customer goodwill, resulting in less bandwidth to promote smart home offerings.

Finally, it is worth noting that customer satisfaction does not take place in a vacuum. Customers are taking to social media to respond to price dissatisfaction, expressing cynicism through memes and calling out utilities that demonstrate poor corporate citizenship. The same social media environment that gives utility customers a means of providing input also amplifies skepticism and exacerbates a climate of distrust of ‘big utility’ as posts are shared and retweeted.

3. Communicating Clearly and with Transparency: In addition to addressing reliability, utilities need to explain to customers how they are proactively addressing the challenges that are intertwined with reliability, i.e., aging infrastructure, communications challenges, and climate change. In a recent review of utility customer satisfaction scores, ILLUME found that utilities who score higher make information (about pricing, for example) easily accessible on their websites, through simple visualizations to explain complicated concepts, and by employing easy-to-understand language.

Our recommendations:

- Use bill inserts to communicate specific information about how your utility is strengthening and upgrading grid infrastructure, i.e., around local hospitals and other critical locations.
- Make publicly available information easy to access and understand. One way to combat distrust of the utility is by summarizing or clarifying information that can often be buried within filings and legalese.
- Lean on the utility's core values; incorporate openness and transparency in customer communications. For example, communicate where the utility has fallen short, particularly when it comes to the communication issues evident from recent events, and how the utility is remedying these issues.
- Address changes to the communication system, and within customer-facing communications, to demonstrate that your utility is working to improve processes. Also be sure to avoid miscommunication cues which can compound dissatisfaction.



How We Did It

In synthesizing this holistic view of utility communications and customer perceptions of price, value, and cost ILLUME employed several methodologies, outlined below. These range from in-person and virtual customer interviews, to fieldwork, to cognitive psychology.

Review of marketing communications. We analyzed over 250 pieces of customer communications, ranging from topics like tree cutting, bills, emergency preparedness, energy efficiency, transmission, and distribution improvements, and more. We categorized these communications by type and by topic and used these communications to examine the utility's external voice, tone, and style across different formats, channels, and departments.

Ethnographic fieldwork. To compare the utility's voice with its customers, we spent one week in our utility client's territory conducting ethnographic fieldwork, including in-home, in-depth interviews with customers, and intercept interviews at three different shopping malls.

Comparative reviews of utility price communications. To understand how other utilities communicate with customers about pricing, we conducted a comparative analysis across ten utilities using information available on their websites and, where available, bill inserts and other mailed collateral. The comparison focused on several topics related to pricing, including rates, utility bills, and bill payments.

Cognitive interviews with utility customers. We conducted six in-depth cognitive interviews with utility customers to understand how customers read, interpret, and respond to customer satisfaction survey questions specifically related to pricing. For example: total monthly cost of electric service, fairness of pricing, etc.

Linguistic reviews. ILLUME conducted a linguistic review of interview and recent focus group transcripts to assess whether utility customers use language in a unique way, and if so, how the utility could use this language style to better tie them to the community.



The Takeaway

Climate change is placing a greater emphasis on reliability and customer communications as utilities prepare for, manage, and address critical services as extreme weather events become more frequent and longer lasting. Expect utilities to continue to harden infrastructure and deploy resources bracing for future events. Successful utilities are pivoting to emulate the communications of companies outside the energy space who are raising the bar of corporate responsibility. Expect our industry to move further away from regulatory, legal, and technical terms as we adopt a spirit of servingness in a time of climate shocks.

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