

Trends in an Economic Downturn: Cost Containment vs. Increase Customer Satisfaction – Can You Have Both?

Prepared by
UtiliPoint International, Inc.
6000 Uptown Blvd., NE, Suite 314
Albuquerque, NM 87110
505.244.7600
www.utilipoint.com

May 14, 2009

Introduction

Customer communication solutions are considered by utilities in many situations. For some utilities, the current downturn in the economy is encouraging the adoption of cost-containment strategies that are forcing the utilities to consider outsourcing this process.

For others, control of the bill (traditionally, the *primary* communications channel) is deemed an absolute necessity, and deploying technology to improve customer communications and increase efficiencies is the preferred route.

This paper will look at why customer communications (and the business processes surrounding them) is beginning to receive considerable attention at utilities, and examine unique approaches with regards to customer communication solutions. Additionally, it will examine the issues which utilities are confronting around balancing the requirement for cost containment while increasing/maintaining customer satisfaction, how they are addressing these issues, and the results of these efforts.

The Transformation of the Utility Bill

With the global economy remaining in the grip of a severe downturn that shows little signs of slowing, it is evident that a utility's success depends on its ability to strengthen its current customer relationships. Since the billing statement is the only regularly scheduled communication that most utilities have with their customers, the utility bill functions as a critical touch point between utilities and their customers. With new technologies, utility bills can now serve as streamlined vehicles announcing new services and providing customized communications designed to appeal to particular customers.

Billing statements can provide a meaningful way to support a utility's products, culture, and brand. An effective bill should be designed to help customers become more knowledgeable about the services they are buying, and keep customers informed of upcoming changes in service. It should also be easy to read and convey a pleasant tone. Bill production and presentment print technology now provides an increasingly broad range of capabilities that can enhance the overall appearance of a bill and make it easier to understand.

Charts and graphs can be used to reveal how spending and usage compares to prior periods, or to explain more complicated issues, such as changes in service or whether the utility customer is using the best pricing plan based on their historical usage pattern.

Statement effectiveness can be improved with robust content enablement solutions that provide capabilities for digitized icons, formatting, and clean typography that draw attention to products or services being promoted. With such technology a monthly bill can advance a utility's image through the use of dynamic graphics, company logos, and fonts.

Utilities are also adding a valuable promotional element to the existing billing statement. The combining of the traditional bill with promotional offers and community service elements allows utilities to develop proactive marketing messages to be placed on the billing statement, where the attention of the customer is already focused. With the proper solution, it is possible to provide highly personalized billing. By utilizing available white space on documents to incorporate messages relevant to the customer, each bill can be personally tailored to offer a customized roster of information about the bill, seasonal energy saving tips and new products and services specific to individual customers.

In addition to increasing customer satisfaction, improving marketing, reducing complexity, and potentially spurring quicker payments, another often overlooked benefit of transforming the utility bill is the possibility of lower costs to the utility. An effective bill can help reduce expensive customer inquiries to the utility's call center. Research conducted by UtiliPoint International suggests over 15 percent of calls received at utilities resulted from customers who simply didn't understand their bills. By clearly detailing the most important aspects of the utility bill (the amount due, the date due, account number, etc.) and the ability to use highlight color and explanatory messages to

clarify information at the point of need, utilities can circumvent a large number of calls, eradicate customer frustration, and help ensure customers pay the proper amount at the correct time.

The In-House Approach

A natural time to consider a customer communication solution is when initiating a customer information system (CIS) upgrade or bill redesign project. Another is when CIS projects have been delayed or cancelled due to economic concerns or to fund other projects. Implementing this type of solution within a legacy or in-house CIS environment allows a utility to **extend the life of the existing technology** in the midst of cost-containment strategies. Such a solution can dramatically reduce costs, enable the utility to redeploy high-cost IT resources, and improve customer satisfaction. Due to the solution's flexible data integration technology, it can also be portable and agnostic to the CIS project when it is reinitiated. This provides flexibility for utilities to continue to improve their customer-facing communications while waiting for the larger projects to be approved.

One utility which has recently decided to license this type of solution (enterprise content enablement) as part of a new CIS implementation is Denver Water. The water utility is Colorado's oldest and largest water utility, serving approximately 1.2 million residents of Denver and many of its surrounding suburbs.

Denver Water was looking to revamp its bill print operations to streamline document creation processes and provide clearer and more targeted information to its customers. The utility also desired a consistent look and feel to all of the utility bills, and felt that by making the utility bill clearer to its customers, it could reduce costs by lowering the amount of billing related calls to its call center.

To help address these objectives, Denver Water selected HP Exstream, leading enterprise content enablement software used by companies around the world. Using HP Exstream's flexible connector technology, Denver Water integrated the software with its CIS to deliver statements, bills and other customer correspondence that include targeted messages, variable graphics, the use of color, and data-driven charts such as comparison of water usage from year to year. Key drivers in the utility's selection of HP Exstream included its comprehensive platform for creating all types of fully personalized customer communications for multi-channel delivery; sophisticated design environment for creating rules-driven, targeted messages—like regulatory messages on drought issues and new rate studies—that are dynamically included in communications at run time; and the ability to easily integrate with its CIS system in real time and directly access and process multiple data sources of any type. An additional consideration in choosing HP Exstream was its capacity to create and distribute complex communications through multiple



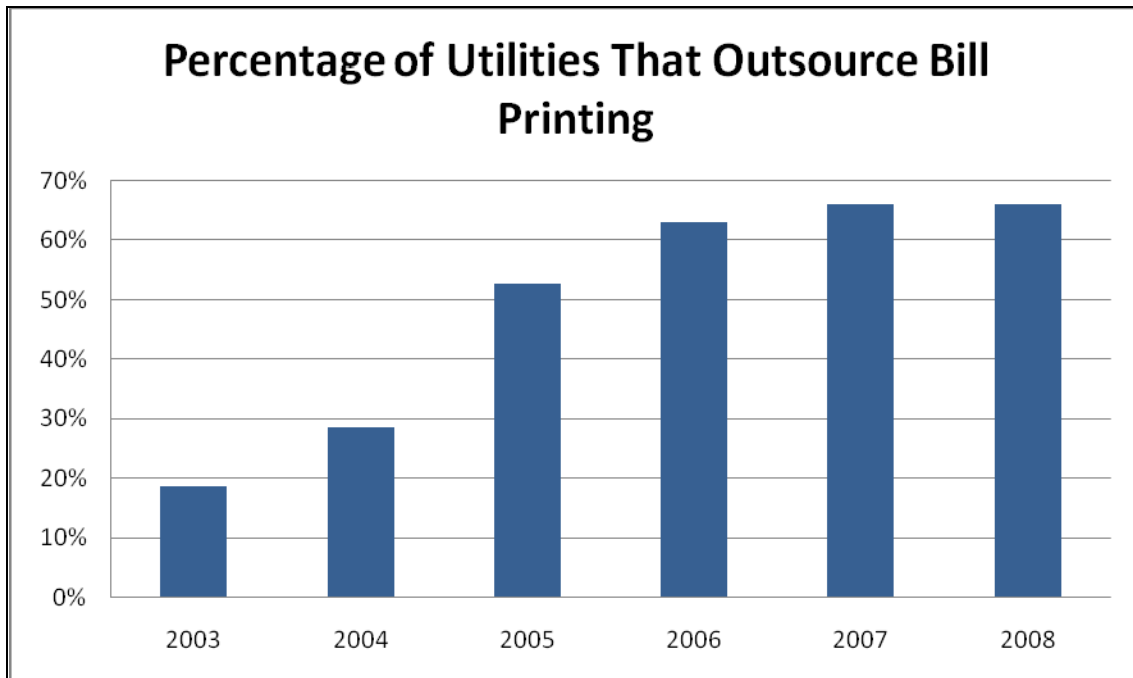
delivery channels, including PDFs for digital archiving and enhanced electronic versions of its bills.

“We chose HP Exstream in large part because it was built from the ground up to integrate with existing corporate systems and data, reducing document development time and expensive program maintenance,” said Matt Larson, solutions architect for Denver Water. “Additionally, the HP Exstream high performance engine allows us to increase our processing speed and is a very capable solution that will meet our needs today as well as those going forward.”

The HP Exstream solution has provided Denver Water with the ability to streamline document creation processes and create more effective customer communications that allow the utility to reduce document production costs, meet changing municipal regulatory requirements on demand, and improve the overall customer experience with more relevant communications delivered through the preferred channels—from a single document design.

The Outsourcing Approach

Facing a challenging and struggling economy, many utilities are adopting cost-containment strategies that are forcing a consideration of outsourcing what is not “core” to their business. One area of increased outsourcing is bill print. According to research conducted by UtiliPoint International, over 60% of utilities are outsourcing some or all of their bill printing operations.



Source: UtiliPoint International, Inc.

While utilities consider outsourcing this business process, they are often reluctant to relinquish “control” of their content and communications processes. However, with today’s solutions utilities can build a strategy which allows them to completely control the content of their communications, while successfully outsourcing the print/presentation portion. Thus, a utility can leverage the strengths of the outsourcer – namely reducing print costs – but maintain control of their important processes and content.

One utility that has decided to outsource part of their bill print operations is Baltimore Gas & Electric Company (BGE). As the nation’s first gas utility and one of the earliest electric utilities, BGE has provided energy service to Central Maryland for nearly 200 years. Currently, the utility has more than 620,000 gas customers and nearly 1.2 million electric customers. When BGE sold the wing of its building that housed its printing, inserting and mailing equipment, it took a serious look at how to strategically handle these non-core business functions going forward. The utility felt that outsourcing made sense because it would be able to take advantage of another company’s investment in

cutting-edge technology and equipment. Additionally, BGE began looking at ways to boost its customer satisfaction and decrease call center volume. With these initiatives in mind, BGE began exploring options to enhance customer service by redesigning its monthly statement to be easier to understand and more relevant to the customer.

To save on printing and mailing costs, as well as improve customer satisfaction with their bill, the utility decided to reduce the number of pages by deleting information that was no longer required by customers. BGE also increased the font size and arranged information into columns to make it easier to read. All summary level information was placed on the front of the bill, and all of the bill details were moved to the back. The utility also recognized that having the ability to move to duplex printing would even further reduce costs.

Along with these redesign goals, BGE also wanted to maintain control of the statement content in-house—giving them the ability to create targeted messages and campaigns without having to rely on a service provider for costly revisions.

To help address these objectives, BGE turned to the HP Exstream solution. “We learned that 80 percent of the major service providers use HP Exstream,” said Don Cohen, then senior information management analyst at BGE. “That, and HP Exstream’s additional benefits—including the ease of use and flexibility we were looking for—left us confident in the software’s ability to help us create a statement that would boost customer satisfaction, save money, and fully maximize the benefits we would glean from outsourcing,” said Cohen.

With HP Exstream’s collaborative development environment, document design and maintenance is now a smooth and efficient process for BGE. Because the software features an intuitive visual interface and viewer components that allows for quick and easy changes, employees no longer need specialized programming skills to create applications and make document revisions. By keeping these functions in-house, BGE is in complete control over its document creation processes.

The new statements have resulted in significant productivity improvements and cost savings, and now allow BGE to customize statement stubs with timely and personalized messages—a process that previously required IT to modify and test COBOL code, making turnaround time unacceptable.

Because data can be mapped directly into HP Exstream from a vast range of file formats, including BGE’s corporate standard—XML, the company is able to easily manage all types of data input without writing pre-process programs or making code changes on its mainframe. By streamlining its statements and deleting unnecessary items, BGE has successfully reduced all but less than one percent of its statements from two pages to one. “Our cost savings have been dramatic,” says Cohen. “We’ve reduced our paper output by seven million sheets per year and are saving thousands annually in printing and mailing costs alone. Additionally, customers now have less paper to file.”

Conclusion

To remain competitive and forward-thinking utilities must implement a strong customer communication strategy to ensure customer satisfaction. With advancing technologies, utility companies can communicate more effectively and directly with their customers. As this whitepaper has presented, content enablement solutions, such as HP Exstream, can help utilities not only deliver operational efficiencies and improve customer satisfaction, but also lower costs.

Whether as part of a current or future CIS upgrade or bill redesign, or as part of a strategy to outsource what is not “core” to their utility, this type of solution can be an answer to reducing costs in the current economic downturn and at the same time increasing customer satisfaction.

About the Author



J. Christopher Perdue
Senior Director, Market
Research
UtiliPoint International, Inc.

Mr. Perdue directs **UtiliPoint**'s market research efforts, which result in special reports/analyses for corporate clients. In addition, Mr. Perdue's expertise includes forecasting of load, economic development, financial consulting, research, and retail solutions development and support at energy companies. Mr. Perdue has work experience at Excelergy, Duke Solutions, Central and South West, and Gulf States Utilities. Mr. Perdue most recently served at American Electric Power in roles with the software and technology company Excelergy. He holds a B.B.A. in Economics from Belmont College and a M.A. in Economics from Vanderbilt University.

With origins dating to 1933, **UtiliPoint International, Inc.** is a leader in providing research-based consulting to the utility and energy industry. UtiliPoint analysts have provided strategic business plans and studies on information technology, and its impact on utility operations. Direct experiences include work in trading/risk management, outsourcing, CIS, billing, CRM, metering, AMR, demand response, work/outage management, supply chain, ERP, call centers, rates/pricing products, and IT architectural design. The firm is also the publisher of IssueAlert, an analysis of the utility and energy industry's hot topics sent to over 100,000 utility and energy executives.