

COMMERCIAL QUALITY: CUSTOMER FOCUS AND IMPROVED CUSTOMER COMMUNICATION

Jenny EDFAST
Vattenfall Power Consultant – Sweden
jenny.edfast@vattenfall.com

ABSTRACT

This paper aims at showing the benefits of raising the customer focus and improving the customer information within the electricity distribution business, to reach higher customer satisfaction in surveys performed by authorities and organizations.

During the last decade the electricity market in Sweden has found that the majority of the customers are dissatisfied with the service on the market. The Swedish energy company Vattenfall started a program called “No 1 for the customer” a few years ago. In order to reach this Vattenfall wants to gain the customer’s trust by better service and communication.

In New Zealand the electricity companies worked hard to improve their reliability after the blackout in Auckland, but put also in efforts to improve the customer satisfaction on the electricity market. The improvements in various areas have been confirmed

The experience from New Zealand and from the actions taken by Vattenfall to improve the customer satisfaction can be used as good examples of successful efforts that can change the situation on the market.

INTRODUCTION

Today most energy companies struggle with low customer satisfaction indexes, and the customers’ confidence for the business is low. Customers complain of high prices and low service level, and the companies have trouble making the customers understand the value of the electricity supply service. It is therefore important for the distribution companies to change this development.

In Sweden the development of low confidence in the electricity distribution business is similar to many other countries, and several energy companies are making efforts to change this evolution. Marketing efforts as well as improved service are the most frequent measures taken by Vattenfall as well as other electricity distribution companies on the market to improve the customers’ satisfaction.

In 1998, the city business district of Auckland in New Zealand suffered a severe outage that lasted for 6 weeks. The reasons for the outage was both technical and

organizational, but since the four cables feeding the area was defect, the only solution was to lay a new feeding cable to the area to restore power. This incident was the start of a new approach from the energy companies in New Zealand, who realized that customers’ confidence was heavily decreased. The distribution companies started to work together to regain the customers’ trust, and today most distribution companies have reached a high level of customer satisfaction. To reach this the distribution companies have taken a number of important steps, from which others can learn. When the reliability was secured to a suitable level the distribution companies aimed at focusing more on the customers and changing the attitude of the organization (the employees) towards a more customer-focused attitude [1].

The development on the New Zealand electricity market has after 1998 been positive since the distribution companies have been forced to change, and other distribution companies can learn from the improvements made in New Zealand. .

THE COMMERCIAL QUALITY ON THE SWEDISH ENERGY MARKET

During the last decade the electricity market in Sweden has found that the majority of the customers are dissatisfied with the service on the market, as in several other European countries. The customers complain of bills that are confusing and that it is difficult for customers to contact the companies since it sometimes involves long telephone queues.

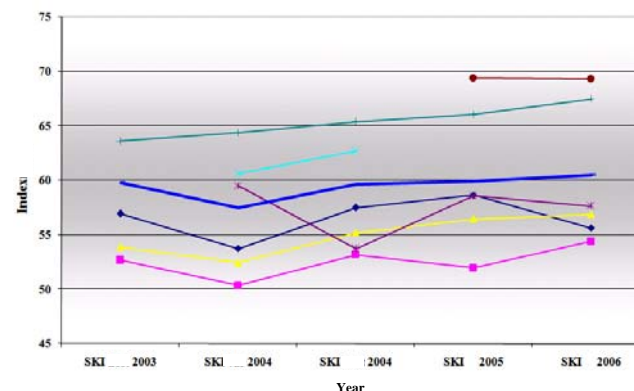


Figure 1. Customer satisfaction for a number of energy companies in Sweden.

Figure 2 illustrates the level of the customer satisfaction

index for a number of electricity distribution companies, measured by a Swedish Quality Measurement Company (Svensk kvalitetsindex, SKI). The customer satisfaction index level is between 50 and 70 and the average for year 2006 is 60. In a similar customer satisfaction measurement the Telecom industry has a customer satisfaction index average of 66, and the banking business has an average of 70. This indicates that the customer satisfaction level for the electricity distribution companies is very low compared to other businesses, and can be improved.

In the last years there have been more and worse storms than usual in Sweden, which has resulted in a decrease of reliability in some network areas, especially rural areas. In January 2005 the south of Sweden was hit by a storm (Gudrun), which resulted in more than 500.000 customers without power for several days. Today most electricity distribution companies invest in their network to improve the reliability. Vattenfall has taken powerful actions when investing great funds in replacing the electricity distribution network with underground cable to improve the reliability and secure the supply to all customers, and is at the same time working to improve the commercial quality to make the customers more satisfied with the company.

The Swedish energy authority has also started to use incentives to make the electricity companies to improve the reliability and the commercial service, but the most important incentive for the electricity companies to take action has been the pressure from their own customers.

MEASURES TAKEN BY VATTENFALL TO IMPROVE THE COMMERCIAL QUALITY

The electricity distribution companies in Sweden have problems with low customer satisfaction figures, and it is now obvious that something has to be done to change the situation. Vattenfall started a program called "No 1 for the customer" a few years ago. Within the program a number of projects was started to improve the customer service and the customer communication. The projects that was started concerned:

- Automatic meter reading
- Billing
- Customer reactions
- Culture and values

Automatic Meter Reading

In customer surveys performed it was clear that customers found it difficult to understand why they were invoiced electricity consumption that weren't yet measured. This is the main reason that Vattenfall decided to install automatic meters for customers, so that the customers could be invoiced their actual electricity consumption for the month, see Figure 2 for an example of an automatic read electricity meter. This measure taken by Vattenfall is meant to increase

the customer satisfaction and the trust for the company. The Swedish authorities has made it a legal demand that all electricity distribution customers shall have automatic read meters by year 2009. Today around 40% of Vattenfall's network customers have automatic read meter.



Figure 2. Picture of an automatic read meter.

Billing

A large part of the customer complains concerns the design of the electricity bill, which also had to be improved to increase the customer satisfaction. Vattenfall invested in a new billing system making adaptation to customer needs and corrections more easily performed and better presented on the invoice sent to customers. The costs on the invoice are now better presented, clearly stating the electricity consumption measured for the period. This is also an important step towards more satisfied customers.

Customer reactions

Vattenfall has identified a lack of a system where it is possible for the customer service to register the customers' reactions to the company. For Vattenfall it is important to listen to the customers' reactions on the company's service to be able to improve. Actions were taken, and an already existing system was improved so that it was possible to follow up the customers' complaints in the system. All personnel in the company can register complaints or reactions from customers into the system. In respect of the integrity of the customers only selected personnel have security access to read the customer reactions, and they collect statistics and analyze the customer reactions. The system will be an important tool in Vattenfall's work towards finding ways to satisfy the customers and towards decreasing the number of customer complaints. It is also important for Vattenfall to show the customers that the company listens to the customers' opinion and that the company is willing to change and improve after their customers' demands. In Figure 3 the registration and management of customer reactions is described.

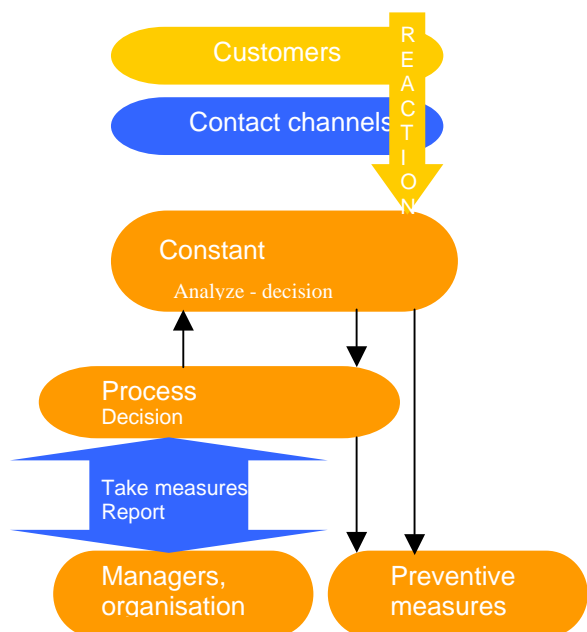


Figure 3. The process for registration and management of customer reactions.

Culture and values

In New Zealand it has been successful for the electricity companies to introduce internal programs in the organization to change the attitude towards a more customer focused approach. Electricity companies are in general focused on the technical aspects of the business. In the electricity market today it is also very important to offer customers the service they demand, and therefore the companies’ focus must change.

Vattenfall has started up a program to change the attitude of the organization to be more customer focused. One important step was to identify Vattenfall’s core values. Vattenfall has three core values:

- Responsibility
- Effectiveness
- Openness

The core values should be a reflection of the company’s ambition to present for the customer and the society. The values should be the basis for the way the company makes business and for the attitude of the organization.

To make the core values useful Vattenfall has initiated concretization of the core values. Departments within Vattenfall discuss how the values affect their work and then apply them to their processes. Especially in the parts of Vattenfall where contacts with customers are common, it is important that the core values are reflected in the attitude towards customers.

In an electricity distribution company it is not only the customer service department that is communicating with the

customers, but both technical and commercial personnel have contacts with the customers to offer services and solve problems for the customer. In order to improve the communication to the customer and make it more united, Vattenfall has started several projects to change the attitude towards a more customer-focused attitude. In order to gain customers trust improvement are being made in the customer complaints area, the priority order of network improvements, information to customers during and after interruptions in the supply etc.

In order to improve the customer satisfaction it is also important to the customer to get reliable information, besides an improved customer communication. A problem discovered within the organization is the fact that the customers sometimes get different instructions depending on which department the customer is communicating with. To avoid this new processes and guidelines are developed that will be used by all personnel to reach a unanimous workflow.

A conclusion that has been drawn from the investigations and customer surveys performed is that the information the company is giving to customers and society is very valuable for the trademark of the company. The information should be honest and accurate to be successful.

As presented here Vattenfall has taken much action to improve their service and is aiming to have more satisfied customers in the future.

AN INTERNATIONAL EXAMPEL OF IMPROVEMENT ON THE ENERGY MARKET

An international example of interest is the New Zealand energy market where improvements in customer service by the electricity distribution companies have increased the customer satisfaction level [1]. After the blackout in Auckland, New Zealand (see Figure 4) in 1998 the electricity distribution companies worked hard to improve the customer satisfaction on the electricity market.



Figure 4. Map of New Zealand.

The improvements in various areas have been confirmed in surveys performed by authorities and organizations. Some

companies have seen extraordinary improvements, as for example Vector Electricity Networks [2], and Mercury Energy [3], which was recently named best customer service provider in New Zealand.

The customer satisfaction level has improved after actions taken in the following areas:

- Billing accuracy (by reading the meters monthly)
- Communication and customer services
- Pricing options
- Payment options
- Reliability

One of the major changes performed to improve the customer satisfaction was to make sure that the invoices were accurate. To succeed Vector began to read the meters monthly to secure a more accurate billing.

Pricing options were introduced giving the customers the choice of a lower network fee by allowing Vector to turn off the power supply to an appliance of the customer's choice (commonly the hot water cylinder) for up to five hours a day. The network charges are also different depending on the network area being in an urban or rural area.

Reliability levels for each network areas have been set and all customers are informed of the reliability to expect in their area. In urban areas the reliability is higher than in rural areas, and the customers have been very positive to getting information about what reliability to expect.

In general electricity companies in New Zealand have improved their customer communication by giving the customer more information about the service to expect. This has been very successful and has contributed to increase the customers' trust for the company.

The two companies analyzed in this study [1], have both set up customer focus programs internally to change the attitude of the personnel. This, as well as, the actions mentioned above has been part of the improved customer satisfaction in the recent years.

CONCLUSION

The electricity distribution business must improve the customer satisfaction level, in order to raise the confidence in the business. To reach this it is the distribution companies' obligation to improve their own organization and business to make it more customer-oriented. The consequences of ignoring the customer dissatisfaction can lead to a close surveillance by the regulatory and a more severe legislation.

During the last decade the electricity market in Sweden has found that the majority of the customers are dissatisfied

with the service on the market. Vattenfall started a program to improve the customer satisfaction.

Within the program a number of projects was started to improve the customer service and the customer communication. The projects that was started concerned:

- Automatic meter reading
- Billing
- Customer reactions
- Culture and values

Projects are now being realized and Vattenfall is starting to see a change in their customers' attitude towards the company and the trademark. This is an indication that the projects will result in higher customer satisfaction for Vattenfall.

Electricity companies in New Zealand have improved their customer satisfaction by introducing improvement programs in the following areas:

- Billing accuracy (by reading the meters monthly)
- Communication and customer services
- Pricing options
- Payment options
- Reliability

They have also set up customer focus programs internally to change the attitude of the personnel. This, as well as, the actions mentioned above has been part of the success of improving their customers' satisfaction in the recent years.

The experience from New Zealand and from the actions taken by Vattenfall to improve the customer satisfaction can be used as good examples of how to turn around the negative development on the electricity distribution market.

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