FROM BAD TO BETTER
- RESTORING THE REPUTATION OF THE NORWEGIAN POWER INDUSTRY

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ABSTRACT

European power utility companies face large challenges in the coming years, with issues such as sustainability, security of supply, competitiveness and new energy technology being discussed. The Norwegian power supply industry has through the last 10 years been occupied with similar challenges now being discussed on the Continent. Also, in the course of the last six years the industry has experienced two reputational crises. Unpredictability and periods of sky-high power prices were the main causes of the breach in trust between the industry and consumers. This article focuses on developments in the Norwegian power industry during the past decade from a consumer perspective. What consequences did the weakening reputation have for the industry, and what has been done in order to win back consumer confidence?

INTRODUCTION

In many ways the Norwegian power industry is exceptional when compared to other countries, for several reasons. Norway was among the first countries to deregulate its electricity industry (1991). But Norway has also throughout the years been a speedy adopter of advanced technical solutions and completed early on a robust country-wide grid. Also significant is that the country historically has relied on only one energy source, namely hydro power, which is vulnerable to changes in temperature and precipitation.

THE LAST DECADE

The last few years the Norwegian power industry has faced two major crises of consumer trust and reputation. The first in 2002/2003 came after one of the driest summers and autumns on record, and led to widespread uncertainty about supply capacity. In the second half of 2002 precipitation was lower than for 70 years, resulting in significantly lower filling levels in dams than normal for the season, and consequently to a steep increase in the electricity price. In the course of a couple of weeks prices rose by more than 200 % and reached unprecedented levels (Figure 1). Questions of possible rationing, large price fluctuations and a high degree of uncertainty for consumers marked the beginning of a deep crisis of reputation that would last for several years.

Immediately after the sharp price increase, the index that measures the industry’s reputation among consumers fell by 16 points, from 47 to 31 points (out of a possible 100). See figure 2. Consumers were generally critical towards the industry, and particularly they were opposed to the pricing policies. Most importantly, however, was that they no longer trusted the information that the industry provided. Only 14 % of consumers said they trusted information that came from the power industry [1].

After many years of monopoly, the Norwegian electricity companies found themselves without the knowledge required to handle the declining reputation. Companies faced a situation where they simultaneously had to manage...
critical journalists, employees unable to identify with their employer, problems of recruitment, and pending attitudes from politicians. The Norwegian power industry faced a seriously breach of trust. When electricity customers in 2004 were asked to describe the Norwegian power industry with one single word, 77% came up with a negative association. The words most frequently mentioned were expensive, greedy, cynical, unpredictable, unstable, confusing, unreliable, mafia, corrupt, and mess. Only 8% of customers described the industry in positive terms.

The situation also wore out employees in the industry. Internal reporting revealed that field workers hung off their working jacket in the car before entering gas stations and grocery stores to avoid being associated with the industry. Employees were reluctant to meet their friends and family, because all eyes were directed towards the high electricity prices and how the industry handled the situation. Adding to the motivation challenges for current employees, it became increasingly clear that the industry faced severe recruitment problems. Other sectors with significantly higher reputation stood out as far more attractive to younger graduates, and it was difficult to tempt young people to enter relevant studies for the power industry. Recruitment remains a big challenge to the Norwegian power industry even today (2008). A recent survey found that 26% of all employees in the sector are 55 years or older, while only 18% are below 35 years of age. If the present trend continues, the industry will probably be lacking 3000–5000 new employees in the coming 3-4 years [2]. This is far more than the current availability of personnel with the particular skills in Norway. A part of the recruitment problem is that only 13% of the population perceives the power industry as innovative and fresh thinking. This makes it difficult to appeal to young work seekers.

In the autumn of 2006 came again a period of low precipitation, low filling levels and high power prices. This time the price reached its climax earlier in the fall and was not as high as during the 2002/2003 winter, but its impact was important enough. The industry’s reputation fell to a record-low level of 30 points, unprecedented in the six years the score has been recorded (figure 2). It took time, but now the industry took on the challenge and got together on different levels to rebuild its reputation.

**DRIVERS OF REPUTATION**

In a period of only few years, the Norwegian power industry found itself experiencing two critical periods of declining trust. Both periods were characterized by limitations in supply and high demand for electricity. Empirically we know that price is very important with respect to the consumers’ impression of the power industry, and also the level of satisfaction with their own power supplier. Figure 3 illustrates the close correspondence there is between power price and the reputation of the industry. The correlation is close to 0.9.

In quarterly surveys throughout the last six years (2002–2008), TNS Gallup has tracked developments on eight different factors thought to influence the total reputation. These factors are presented in figure 4. Price, again, stands out as the most important driver with a regression coefficient of 0.328. The second most important factor, information, has a coefficient of 0.135, while the other variables have coefficients below 0.1. This implies that price, together with what and how the industry communicates, are the primary factors that determine whether or not customers have a positive view of the power industry.

**HOW TO STRENGTHEN REPUTATION**

The two reputation crises in 2002/03 and in 2006 have passed and have provided the industry with important lessons. During the last few years, authorities, industry and single companies have all undertaken different action plans to avoid finding itself in a similar situation again.
Better information
Information activities towards the public have been intensified, because one of the problems during the first reputation crisis was that the power industry was disunited and did not have a common message to consumers. The Norwegian power industry consists of more than 200 different actors in the realms of production, distributors, and traders – each and every one with their own interests. This generated huge problems during the 2002/03 crisis since different explanations were given for the high power prices, depending on who that made the comments.

During the first half of 2008 a big information campaign has been carried out with support from large parts of the industry. The goal of the campaign has been to increase knowledge of the industry, present its values and also communicate challenges with regards to securing supplies and sufficient production. This campaign has been particularly directed towards young people in order to improve recruitment to the industry. On company level a lot of effort has been put into developing good, informative websites, where customers can find information they need. Most companies regularly distribute information to customers about the market situation, explanations for price changes, and information of different subscriptions, and products and services that are available. More and more of this information is sent out through the customers’ preferred channel, be it SMS, e-mail or by ordinary mail.

Media training
Initiatives have been made by the industry to train employees in media handling. Strong emphasis has been put on the value of standing together as an industry with a common message on strategically important issues. This is probably one of the reasons for why customers today are more trustful of information coming from the industry.

More customer focus
Service-mindedness has been strengthened and communication with customers has improved. A customer orientation program has been initiated by the Norwegian Electricity Industry Association (EBL). All member companies have been given clear standards pursued for good customer treatment. Advice is given on how to treat customers, what knowledge and skills that are necessary in order to satisfy customers, acceptable deadlines for responding to inquiries, how to present products and services in a trustworthy manner, and finally there are also clear guidelines as to which information should be included on the invoice.

Development of new energy sources
One key reason for the reputation crisis in 2002/03 and 2006 was that the country historically has had only one energy source, namely hydro power, which is highly vulnerable to variations in temperature and precipitation. The Norwegian government has therefore adopted a comprehensive approach to support renewable energy and energy efficiency programs. With public support several projects have been inititated the last few years to develop new energy sources that would also help stabilizing the Norwegian energy supply. In the fields of wind power, solar power, wave power, salt power and bio power work is in progress with the goal to improve the balance in Norwegian electricity market and to avoid a new crisis of reputation.

Larger emphasis on value added services
At the same time many power companies have seen the value of strengthening the ties with customers through new products and services, such as broadband, phone services, TV, security services and smart metering. Companies succeeding with these efforts have managed to move customer attention away from the power price and over to these value-added services, thus leading to improved customer relations. Surveys [1] show that these companies have fewer saboteurs in their customer base (customers with a negative view of the company), they have more ambassadors (customers with positive view), less mercenaries (always looking for a better offer) and more hostages (left with the company because they find it difficult to switch to other companies). Therefore these companies experience less resistance in the market.

BIG CHALLENGES FOR GRID OPERATORS
The Norwegian power industry has generally speaking improved its reputation from bad to better, but trust towards grid operators remains very low. Only 8 % of electricity customers believe that grid operators do not charge too much from customers [1]. While the reputation index for the power industry in total (including utilities, grid operators and traders) is very low, grid operators obtain an even lower score (figure 5). Norway will in the coming years need to see improvements and extensions to its power grid, but research suggest that operators will have to come up with good arguments to secure acceptance among customers for augmenting fees. When asked in what areas Norwegian society should increase spending, only 6 % say that more resources should be directed towards the electricity grid (retirement care 32 %, roads 31 %, education 22 %, kindergardens 4 %) [1].
The paradox, however, is that consumers are highly satisfied with the security of supply provided by the operators. Across a range of surveys we find that this is the area with the highest level of satisfaction. The example below is taken from a country-representative survey where most of Norway’s grid operators are represented with their clients (figure 6). Customers are most happy with the core business of the operators (electricity distribution, alerts of planned power outages, quickly repairs in case of damage, and general grid maintenance), and are least satisfied with grid fees.

These results confirm what we have seen in other surveys. Electricity customers are unable to see the connection between supply security and the level of fees. The reason most likely lies in the fact that almost 3 out of 10 customers have limited or no knowledge of how grid fees are spent. Every third customer is unaware of who regulates the limits for how much grid operators can charge [1]. Our data show that companies that use resources on explaining customers about fees and for what they are spent, have more satisfied customers and less noise among their clients. In order to limit price concerns (both electricity prices and grid fees), it seems like more knowledge is required about the power industry and external factors and regulations impacting on the industry. This is probably one of the main customer relation challenges for the Norwegian power industry in the coming years.

CONCLUSIONS

Two reputation crises have taught the Norwegian power industry important lessons. Only now is the industry’s reputation back at the same level as before the crisis in 2002. It has thus taken more than six years to regain consumer confidence. Some of the reasons for the positive development the latter years are found in the concerted actions undertaken locally and centrally. Information to customers has been improved, customer focus has been strengthened, and new positive sides of the industry have been emphasized. New products and services such as broadband, phone services, security services and smart metering have also been introduced. These solutions ease daily life and many consumers carry with them positive associations to these services, which in turn affect positively the reputation of companies and the industry.

The work that has been undertaken appears to have had a good effect on consumer’s attitudes towards the industry. Even if the electricity price remains the most important driver of customers’ attitudes towards the power industry, consumers nonetheless report that they find information from companies to be more trustworthy, they are more satisfied with the industry’s service-mindedness, and they are happier with their own electricity supplier.

It is important however to note that the overall reputation of the power industry remains at a very low level. Even if the industry has improved its reputation from bad to better, a lot of work will be required to move from better to best. While price is important, relevant information and customer management are also essential in order to strengthen the reputation of the industry.

REFERENCES

[2] EBL Norwegian Electricity Industry Association
[3] www.tns-gallup.no