



# Powering customer loyalty.

A guide for utility suppliers on keeping customers loyal.

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## A word from Michael Kalli.

It's no secret that utility providers have long struggled to retain customers. So much so, that back in 2019, OFGEM (Office of Gas and Electricity Markets) introduced an energy price cap to ensure loyal customers weren't billed above the odds for their utilities (which the industry had long been criticised for).

Yet, the issue persists. Data from the energy regulator's annual consumer survey revealed two thirds of consumers admit they engaged in the energy market in 2020 to either switch supplier, change tariff or compare supplier/tariff.

So, why is the sector still struggling to retain valuable customers? What could suppliers be doing differently? And what are the core factors influencing a consumer's decision to stick with their provider long-term (or leave)?

It's a fact that retaining existing customers is more cost-effective than acquiring new ones, but every consumer has a different perspective. It's important to remember individuals have different wants, needs and drivers, and there are various factors businesses need to consider when developing their customer retention strategy.

Instilling loyalty has been a struggle for some time. Consumers are consistently offered better deals to switch. By switching tariffs once their existing deal ends, consumers can save up to £150, essentially rewarding them for lacking loyalty. Pairing this with the fact consumers are becoming increasingly selective when deciding who to buy from results in a challenging landscape for suppliers to improve customer retention.

For loyalty, competitive pricing and good customer service are a given and will always be key determining factors when selecting a supplier. But other factors – such as aligning with brand and environmental values, ensuring business practices are ethical, and offering perks/loyalty schemes – are becoming more important, and providers need to have these in mind when developing customer retention strategies.

Above all, ensuring a customer-centric approach is essential for increasing retention. As consumers become more frugal in their spending habits, they expect outstanding service that's cost-effective and from a trustworthy/ethical organisation.

To form this report, we surveyed 2,016 consumers to uncover how valuable a customer is to a brand throughout their lifetime. We looked at consumer perception of loyalty today, what sways their purchasing decisions, what they're looking for in a utility supplier and most importantly, what are the key factors that will ensure they stay put with their existing provider.

We hope you find this content useful.

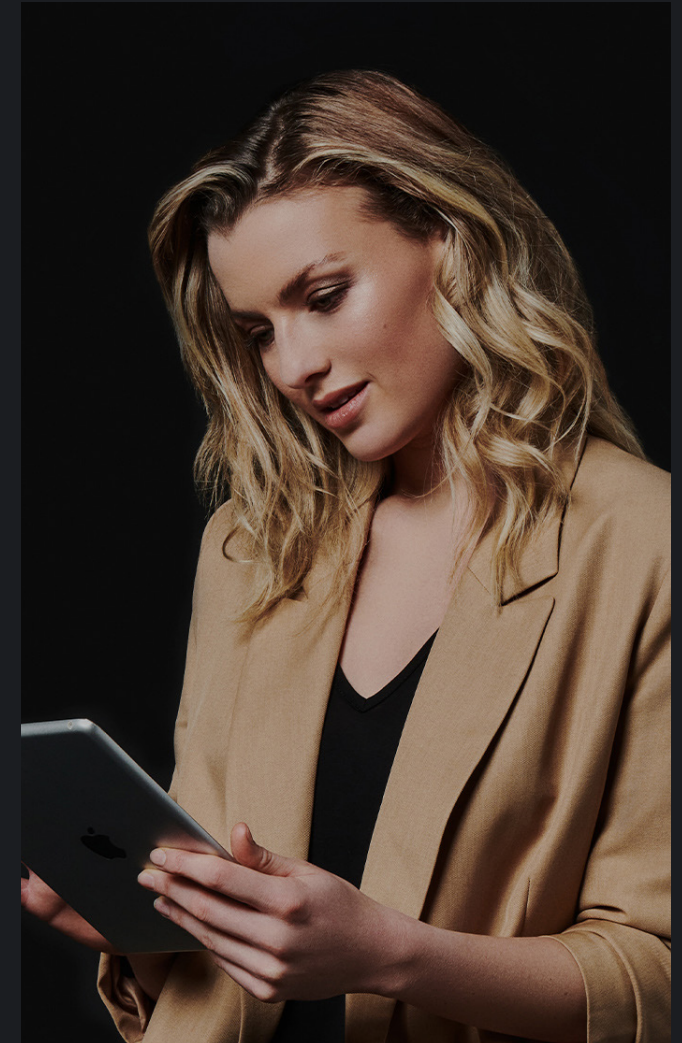


**Michael Kalli, Managing Director, Ello**

## The research.

To form this report, we surveyed 2,016 consumers to uncover the key factors impacting their brand loyalty, what makes them stick with a utility supplier for the long term and what could influence increased spend. We also looked at how valuable a customer is to a provider over the course of their lifetime, by drilling down on exactly what they're spending currently on utilities.

We explored key differences between various demographics – surveying Gen Z, Millennial, Gen X, Boomer and Silent Generation respondents – exploring what influences their choice of utility provider and what instils loyalty when it comes to remaining with them.



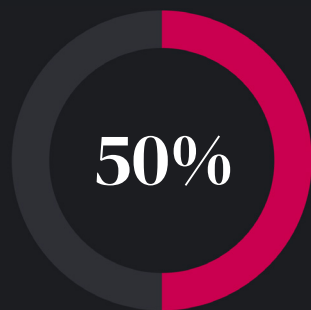
# Standout stats.



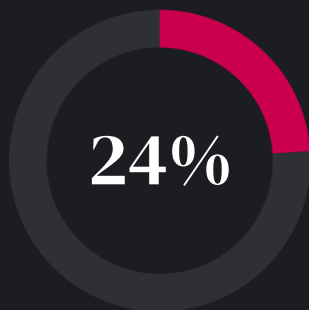
**What's impacting consumer loyalty across the UK's utility industry?**



60% admit bad interactions impact their loyalty to a brand and often result in them cutting ties



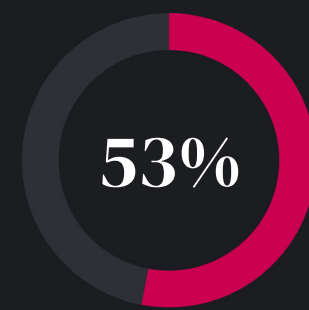
Half would pay a brand more for a product/service over their competitors if they trusted them/knew they were reliable



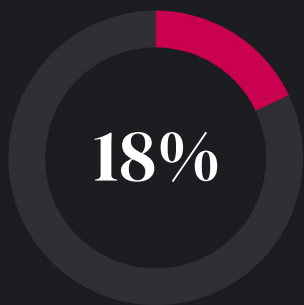
24% would leave a brand if they found out they mistreated employees



One-fifth admit they want brands to take an active stance on environmental issues



53% say they're loyal to their (gas and electricity) utility supplier, compared to 40% who say they're not

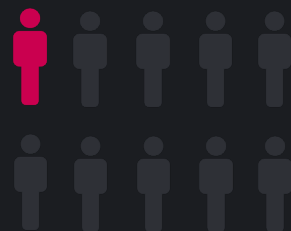


18% say they wish their utility supplier offered them more perks

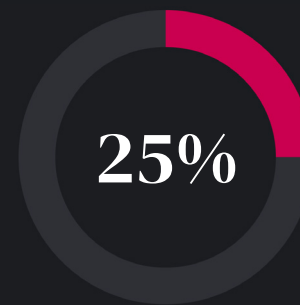


£550

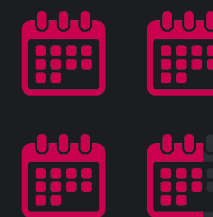
Average consumer spend on utilities over a 12-month period is £550



1 in 10 say they feel like their provider values them as a customer



25% admit they often look for better deals on their utilities



On average, consumers are typically loyal to their utility company for 3.7 years

# Part one.



**What's influencing loyalty across the UK's utility industry?**

### What does loyalty mean?

Traditionally, consumers would stick with their utility supplier for lengthy periods of time. However, in recent years the market has become much more saturated and there's a growing trend where consumers are essentially rewarded with cheaper tariffs when moving suppliers.

On being asked how they define loyalty, the vast majority (65%) of consumers said it's continuing to purchase product from a brand over a long period of time of five or more years. While 58% base loyalty on length of membership/brand usage.

Loyalty can however be very fragile, especially across the utility sector where we know many consumers frequently turn to new providers for a better deal as their contracts end. We know there are various factors influencing brand loyalty. From price, perks and quality, to trust, reliability and values, it is essential suppliers get it right if they want to retain valuable customers long-term.

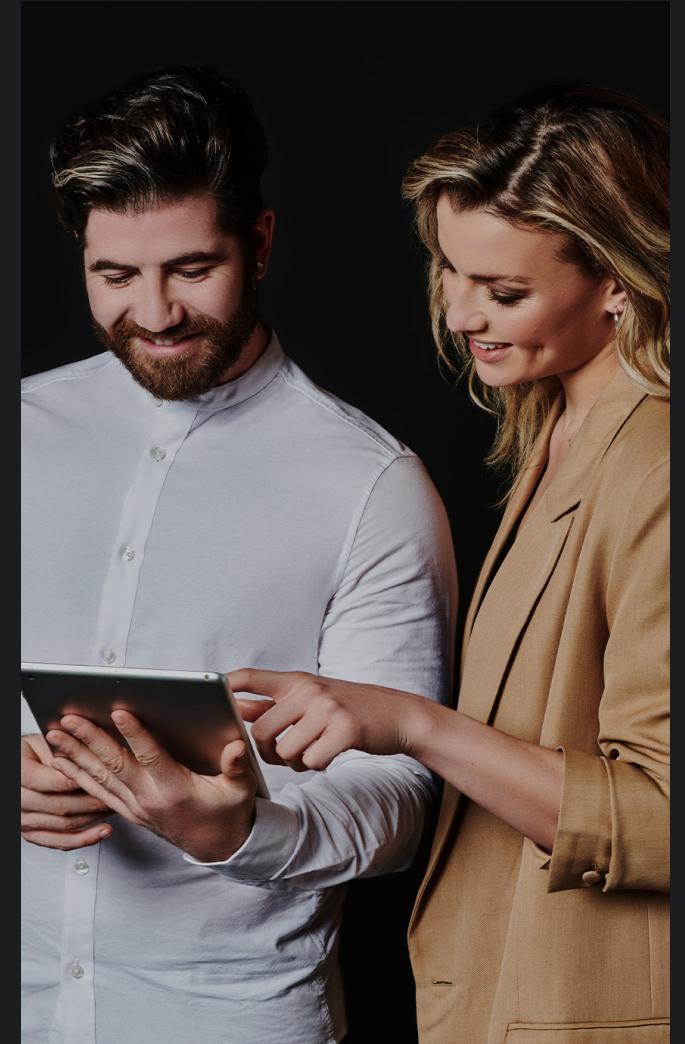
### What's impacting customer retention?

There are multiple reasons why a customer would opt for a new provider. In fact, of those surveyed, 60% admit bad interactions impact their loyalty

to a brand and often result in them cutting ties. Further to this, more than one-fifth (21%) say they would leave a brand if they engaged in unethical practices. While 24% would leave if they found out they mistreated employees (such as not paying them fairly or forcing them to work long hours).

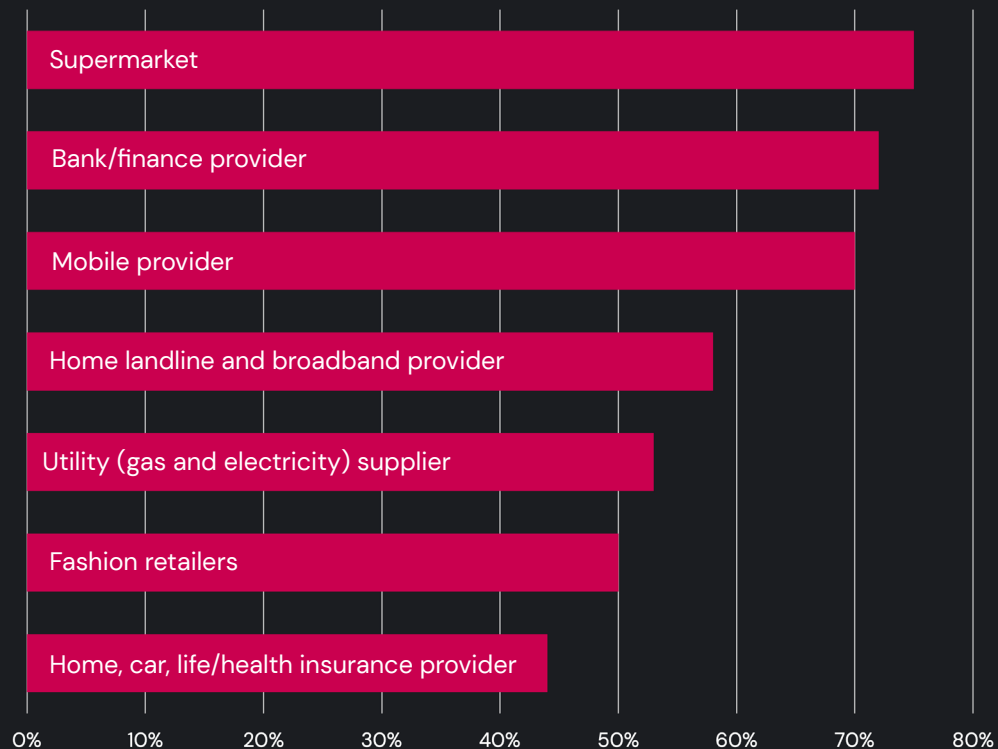
On the contrary, 50% admit they would pay a brand more for a product/service over their competitors if they trusted them and knew they were reliable. While 35% would put up with a period of poor customer service if the product was good quality, however 27% wouldn't.

Furthermore, almost one-fifth (19%) admit they want the brands they choose to take an active stance on environmental issues. This means it's increasingly important for suppliers to not only be committed to sustainability – while actively investing in areas like renewable energy and reducing emissions – but that these measures are also actively being shouted about so customers know what the suppliers stand for. This is further solidified by recent Deloitte research which uncovered 32% of consumers are highly engaged with adopting a more sustainable lifestyle, while 28% have stopped buying certain products due to ethical or environmental concerns, with almost one-in-five admitting they've switched to renewable energy sources/products in the last 12 months.





## On how various industries perform when it comes to customer loyalty, the data confirmed:



## Instilling customer loyalty

Many utility suppliers aren't currently performing well on the customer retention front. We know that consumers are rewarded for leaving a supplier more so than staying, and many don't believe it actually pays to be loyal to their provider. As suppliers plan for the future, there are various factors that should remain front of mind which could result in big improvements, and in turn increase profitability.

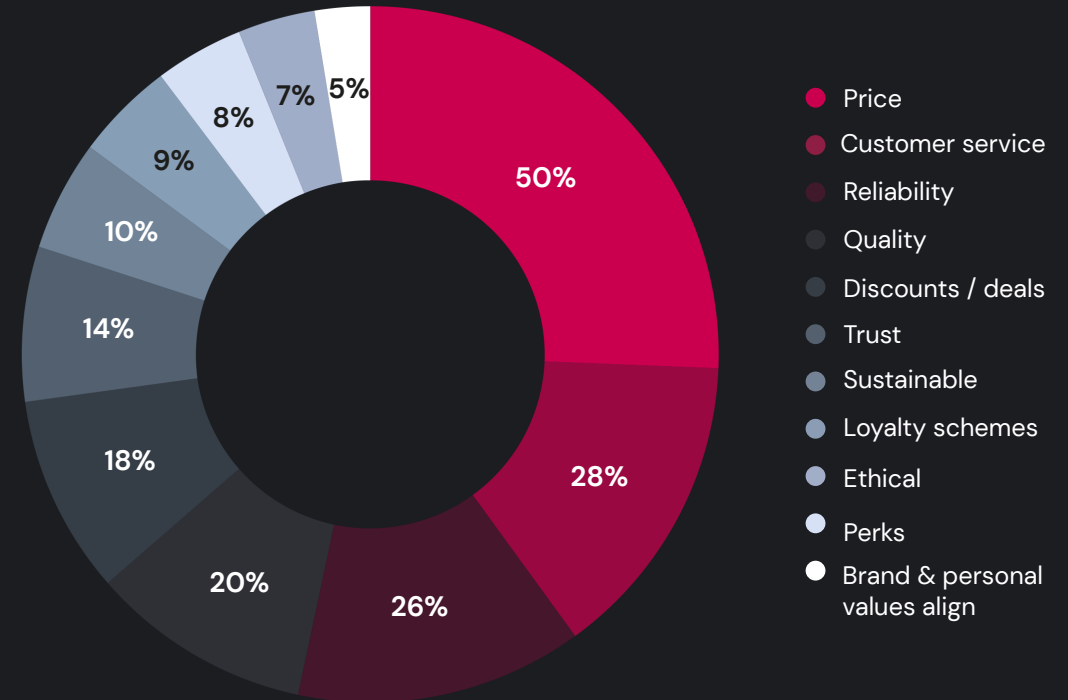
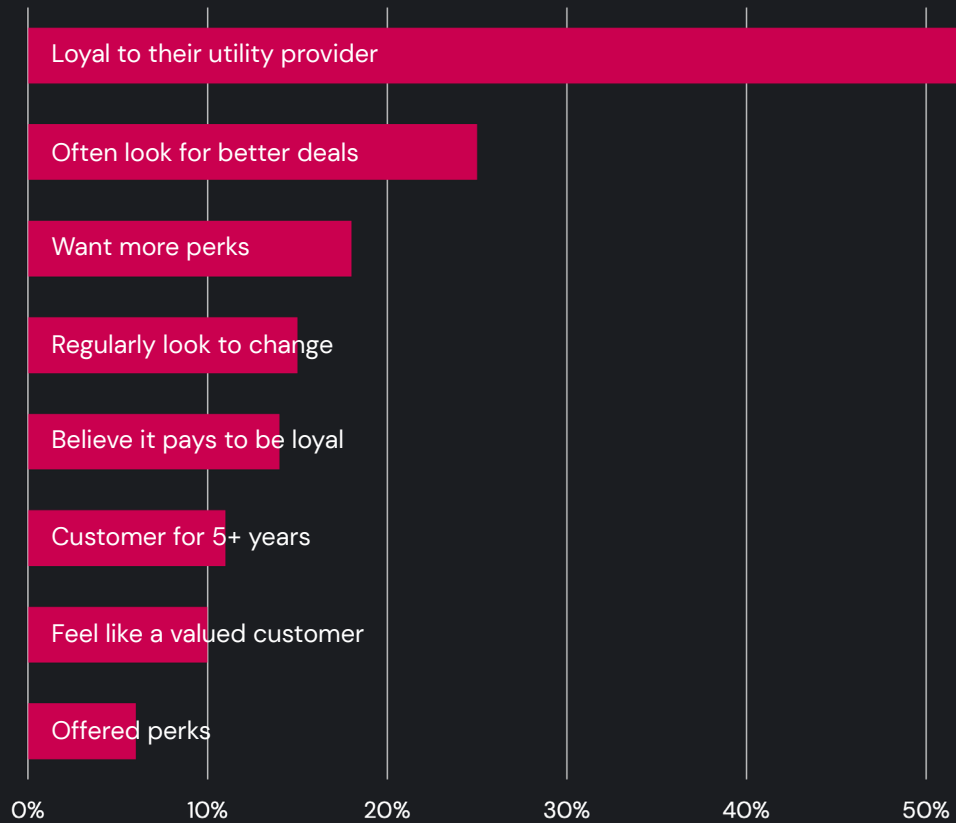
Although it's important to remember that while loyalty across various sub-sectors such as gas, electricity and water will vary, the tactics that can be adopted to improve retention remain the same.

## Loyalty across various sectors.

When it comes to ranking customer loyalty across different industries, utility suppliers aren't currently performing well. The data confirmed that just 53% are loyal to their existing supplier, while 40% aren't currently loyal. In fact, gas and electricity suppliers are currently falling in the bottom three sectors, only slightly ahead of insurers and fashion retailers, when it comes to customer loyalty. Supermarkets currently come out on top, presenting a great opportunity for suppliers to adopt some key learnings from the sector to determine what they could be doing differently.

On consumer loyalty, the research uncovered that:

Factors influencing brand loyalty, in order of importance, are:



The factors likely to result in increased spend are:



Consumer buying habits are constantly evolving and, while we know factors such as price and good customer service will always be essential when it comes to building a loyal customer base, there are other avenues suppliers could be exploring. Building a loyal community isn't easy. Even more so when competitors are rewarding your customers to jump ship. But there are ways to do it, and suppliers should be considering the other factors that are important to consumers.

Utility suppliers have a great opportunity to adopt key learnings from other sectors that are leading the charge when it comes to building loyal customer communities. We know things like trust, loyalty schemes and perks are becoming increasingly important and are areas we've seen many prominent brands across other sectors push to the top of their agendas. Think Compare the Market, Nectar, Waterstones, Subway and Vodafone.

In addition, suppliers should be taking an active stance on environmental issues and have sustainability front of mind. The importance of this was solidified by

our research and is something that has become increasingly important since the onset of the pandemic, with many consumers seeking to become more ethical in their purchasing habits, so should take priority across the sector.

In recent years technology has also completely transformed the way the sector operates and has presented an exciting opportunity for providers to really hone in on consumer behaviours. However, many aren't currently utilising the data available to them to create bespoke experiences for their customers which could be valuable in maintaining loyalty and improving customer service/experience. For instance, could you utilise geographical data to surprise and delight customers with regional-specific rewards or share bespoke offers based on their purchase drivers?

We know extended loyalty can be incredibly valuable from both a retention and profit standpoint. But what exactly is it worth long-term to a utility supplier?

# Part two.



**A lifetime of loyalty – what's it worth?**

While more than half of consumers admit they're loyal to their existing gas and electricity supplier, as many as 40% admitted they are not, signalling there's a clear divide across the industry's customer base.

Our research found that over a 12-month period the average consumer spends £550 on their utilities, while they're typically loyal to their supplier for 3.7 years.

With the average cost to acquire a new customer in the sector estimated to be approximately £500, based on the exchange rate in June 2021, the return on investment (ROI) of focusing more on retention for the long-term vs acquisition of new customers could be substantial.

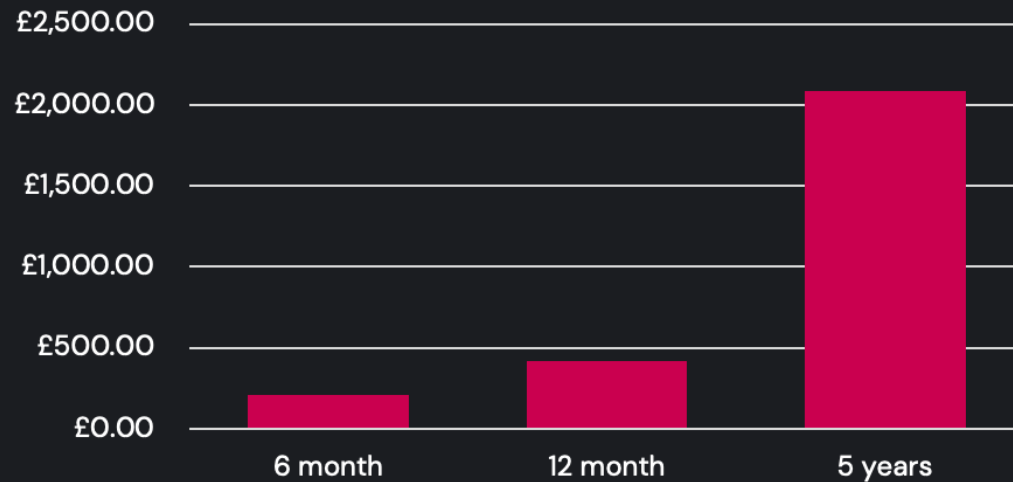
3.7

On average, consumers are typically loyal to their utility supplier for 3.7 years

£500

Average customer acquisition cost is approximately £500

#### The lifetime value of a utility's customer.



The utility industry isn't currently faring well on the customer loyalty front, with just 11% of consumers having been a customer of their main provider(s) for more than five years. Staying with a supplier for a lengthy period of time is currently unheard of however, if they're getting it right and creating a truly exceptional offering for consumers, there's no reason they wouldn't remain loyal long-term.

There's clearly room for improvement so what could suppliers be doing differently to ensure they're not making such significant losses due to lacking customer retention? What do consumers actually want from their provider? And how does this vary across different generations?

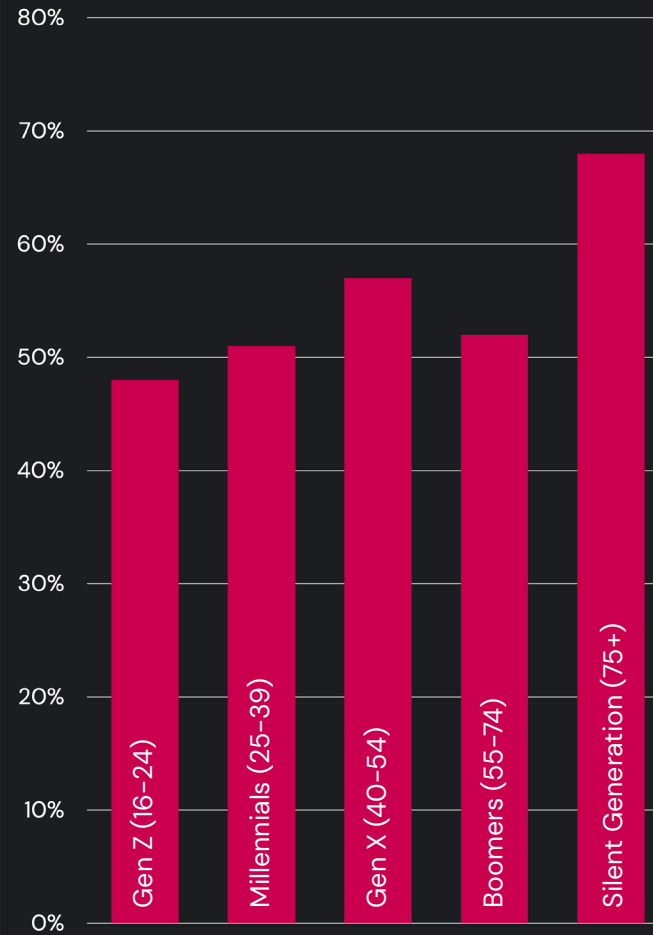
# Part three.



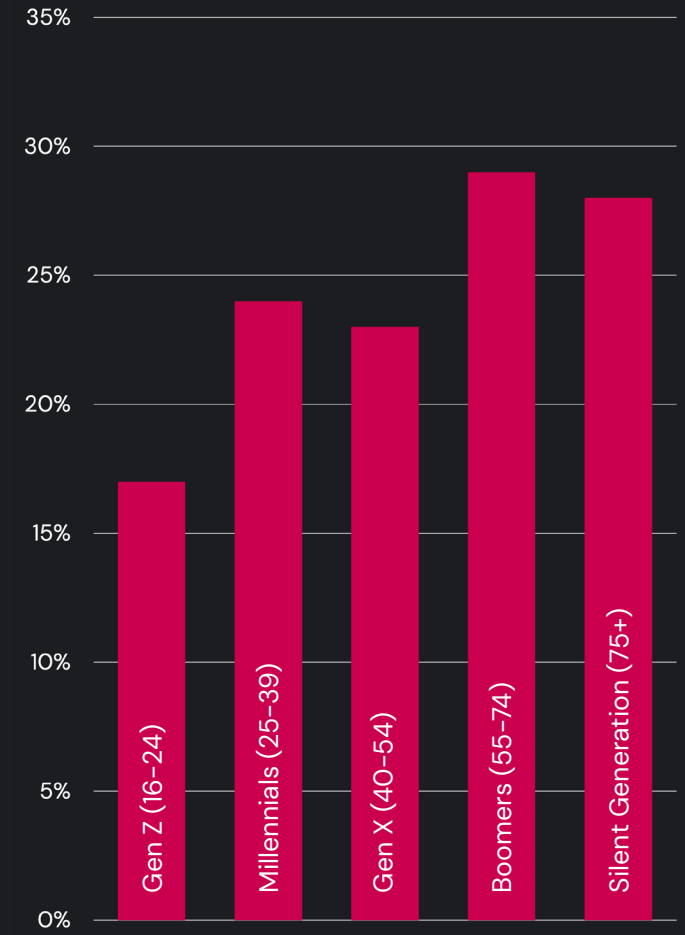
**'Generation loyal' – who are they and what drives their decision making?**

Consumer buying habits have shifted substantially over the past few years. We know many customers are becoming increasingly selective in terms of who they purchase product/services from, with everything from technology and trends to cultural changes impacting how we interact with brands. Habits also differ across various generations, with Millennial behaviours being considerably different to their Boomer parents for instance. However, all are incredibly valuable to suppliers and have the potential to spend a substantial amount of budget on their utilities.

Loyalty to utility suppliers by generation.



Who's most likely to search for a better deal?



On the biggest factors influencing why they stick with their provider, this is what various generations said:

Price will always be the biggest factor swaying a consumer's decision to purchase from a supplier, followed by customer service and reliability. But, when it comes to developing your customer retention strategy, there are other areas to focus on to really build a loyal community of customers.

We know every customer is different and behaviours really do vary across the board. However, for the most part, discounts/deals are a great way to instil loyalty amongst Gen Z and Millennial customers. While these generational trends are a great base, suppliers need to remember they have a wealth of data at their fingertips, presenting a valuable opportunity to create bespoke personalised offers for their customers to help instil loyalty.



## Gen Z

Price (23%)

Reliability (17%)

Perks (15%)



## Millennials

Price (39%)

Good customer service (22%)

Reliability (14%)



## Gen X

Price (55%)

Good customer service (25%)

Quality of product/service (24%)



## Boomers

Price (64%)

Good customer service (36%)

Quality of product/service (33%)



## Silent Generation

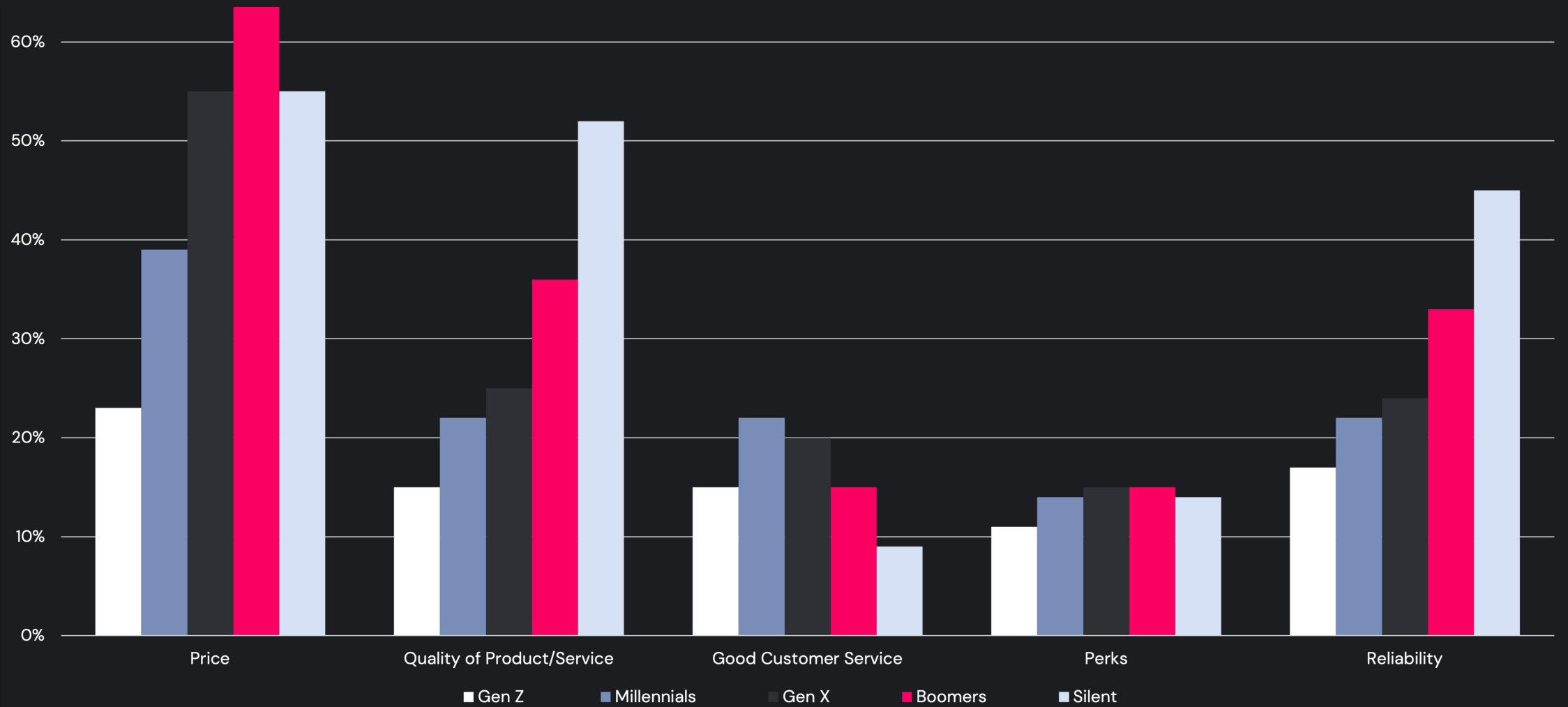
Price (55%)

Good customer service (52%)

Reliability (45%)



The biggest factors influencing consumer loyalty to utility providers.



# Key takeaways for suppliers.



We've summarised the key takeaways from the report to consider in order to help improve your retention rates.

### 3 recommendations to instil customer loyalty:

1

Aside from competitive pricing and great customer service, offer tailored deals to appeal to your target demographics.

2

Ensure your values align with your customers' – and shout about these, so your customers know what you stand for. For instance, we know environmental values are increasingly important as consumers become more purpose-driven in their spending habits, so ensure messaging on your stance is clear in all communications.

3

Reward your customers for sticking with you long-term. The market is saturated, but you can ensure your offering is exceptional by offering loyalty perks to set you apart from your competitors.

### In conclusion...

It's clear there are lots of factors that play a pivotal role in swaying a customer's decision to stick with their supplier for a lengthy period of time. In comparison to other sectors, the utility industry really isn't performing well and there's certainly room for improvement. There's opportunity to learn from the sectors that are currently leading the way when it comes to retaining valuable customers, namely supermarkets and banks.

As a starting point, suppliers should be rewarding their customers for sticking with them and utilising the data they have available to offer an exceptional service and tailored deals/discounts. Providers should also be shouting about their values – namely around sustainability – by ensuring their marketing activity/messaging represents what they stand for.

While the issue is complex and there are lots of opportunities for suppliers to improve on the loyalty front, there is too much to cover off in one report. However, hopefully this offers some food for thought on simple ways to inform your customer engagement strategy.

## About Ello.

Ello creates everlasting connections between brands and consumers by providing brands with the tools to give consumers genuinely rewarding acquisition, engagement and loyalty schemes. And in return, brands watch those consumers stick around.

It believes the most impactful programmes are the ones that feel like an extension of a brand, not a partner offer. With its home-grown products, expert services, nimble tech and experienced people, it does just that to achieve real commercial results, increasing acquisition and engagement for brands.

Already providing some of the UK's most recognisable brands with sophisticated propositions, Ello's capabilities are ever-growing to help more brands deliver incremental commercial revenue and delight consumers.



# We'd love to hear your thoughts.



To discuss the information contained within this report further or to comment on the findings, please reach out to [info@ellomedia.com](mailto:info@ellomedia.com)

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