

Manage Energy Customers Profitably: PeopleSoft CRM for Energy

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“Corporate and line-of-business leaders in energy service companies must emphasize flexibility and agility in front-office and customer relationship management processes as they prepare to meet and beat the competition for the energy customer.”

—Component-Based Customer Relationship Management for Energy, META Group, Karen Edge, May 2000

EXECUTIVE OVERVIEW

In this fast-changing environment, successful energy companies need to stay ahead of industry trends and be able to respond to legislative and market changes quickly and efficiently. Whether you’re a new entrant to the energy industry looking to attract customers and make profits or an established one that needs to find ways to retain customers, you need to be able to successfully compete in today’s dynamic, open market.

The traditional model of state-owned energy companies continues to be challenged. A combination of factors is leading governments to conclude that utilities can be satisfactorily, and more efficiently, delivered by wholly or partially private enterprises. This provides access to new sources of capital and technical expertise and facilitates faster market changes. Table 1 depicts the trends that are currently affecting energy companies.

Whether state-owned or shareholder-focused, energy companies are increasingly subject to the developing needs of their customers. Consumers demand quality services at reasonable prices and are increasingly offered more choices as to how they purchase public services. This places even more pressure on energy companies to be aware of and respond to market forces. It also means they must find methods to better manage their revenue streams. The challenge that competition creates is how to accommodate the increased complexity of business processes while improving customer service and reducing costs.

Force	Impact
Deregulation <ul style="list-style-type: none"> • Breaking up of monopolies • Privatization 	<p>Competition—choice of supplier, creation of metering/other services.</p> <p>New market—GENCO, TRANSCO, and DISCO; ESP; PX; ISO.</p> <p>Customer focus—attract and retain customers, customer focus.</p> <p>Energy trading—creation of retail market and increase in wholesale.</p>

New technologies	<p>Improved service—new services, more options and features.</p> <p>Cost reduction—through application of technology.</p>
New economy <ul style="list-style-type: none"> • Globalization • Internet 	<p>Cost reduction—pressure to keep costs low.</p> <p>Mergers and acquisitions—strategic alliances around the globe.</p> <p>Diversification—expand business portfolio into related areas.</p>
Environment	<p>Clean energy focus—new plants, more research initiatives.</p> <p>No nukes—slowdown in developed countries in nuclear plants.</p>

Table 1: Force and impact summary.¹

The Evolving Energy Industry

Beginning in 1978 with the passing of the Public Utilities Regulatory Policy Act (PURPA) through today with the new Federal Energy Regulatory Commission (FERC) proposal for standard market design (SMD), deregulation initiatives have propelled the energy industry to adapt to a more entrepreneurial, customer-centric style of business. The base concept of SMD is free market pricing and open competition. This new competitive environment is putting additional pressures on expense control, internal integration, and business process efficiency.

Before a company can be ready to face deregulation, it has to:²

- Understand the new market entities—mainly energy service providers (ESP) and other service providers.
- Display/print these new entities in screens and reports.
- Build various interfaces with these new entities—bills, reads, and so on.
- Add new business processes to support switching of suppliers and revert to a utility distribution company (UDC).

Apart from these, the utility usually defines its own scheme for the new market. These usually call for:

- Changes to bill engine and rate structure.
- Customer-focused approach to processes and transactions.

¹ A White Paper on the Trends in Electricity and Other Utility Industries, Utilities Domain Competency Group (DCG), March 2000.

² Ibid.

Deregulation and its inherent risk of customer churn are forcing the energy industry to reevaluate the way they do business. “For energy companies to remain competitive in a deregulated industry, they must leverage customer touch points, broaden the CSR’s role via technology, and create a panoramic customer view, enabling superior customer account management and reducing costs.”³ To build stronger customer relationships, leading energy companies are placing new emphasis on understanding their customers and investigating various customer interaction channels. As part of this customer-centric evolution, energy companies are focusing their attention on software platforms that foster closer customer relationships, enhance customer service, and reduce costs.

What kinds of solutions should you consider to help you succeed in today’s energy market? Many energy companies are evaluating various options to address their customer management requirements such as enhancements to their legacy systems, upgrades to their existing customer information systems (CIS), or investment in customer relationship management (CRM) solutions. Given those three choices, what are the evaluation criteria you should use? When evaluating these options, you should consider if the proposed solution:

- Streamlines customer service through multichannel interactions.
- Captures customer contact history, provides access to service order status, and integrates with field service operations.
- Predicts customer behavior and facilitates targeted marketing campaigns.
- Integrates tightly with billing and operational systems.
- Provides the flexibility to adapt to regulatory changes and evolving business processes.
- Meets your short-term goals as well as your long-term strategies.

Ultimately, you need a solution that will enable you to manage costs, understand your customers, and adapt to deregulation changes. Before making your decision you should consider the tradeoffs between solutions and the impact it will have on your business (see Table 2).

³ Turning Down the Heat on the Utility Call Center, Meta Group Research, January 17, 2002.

Legacy Systems (Premise-Centric)	Traditional CIS	Customer Relationship Management (Customer-Centric)
Expensive to modify and adapt.	Inflexible to modify.	Built for changing business processes.
Built for specific processes.	Provides core billing, provisioning, and account management functionality.	Easy integration to existing operational systems.
Often exchange data is processed in batch mode.	Offers combination of batch and real-time data exchange.	Delivers real-time data exchange.
Unable to manage web and email communications.	Unable to manage web and email communications.	Improves employee productivity
Difficult for employees to use.	Lacks marketing and customer analytics functionality.	Provides ability to manage multichannel customer interactions.
Lacks marketing and customer analytics functionality.		Offers marketing and customer analytics functionality.

Table 2: Comparison of customer management systems.⁴

Legacy Systems

Although legacy systems have historically handled customer information, these monolithic systems hinder utility companies from improving customer service, responding to new regulations, and entering into new lines of business. Today more than ever before, energy companies need to be able to quickly react to business process changes initiated by deregulation and customer requirements. Making changes to legacy systems to meet these evolving needs is proving cumbersome and expensive. This lack of flexibility and the high costs to maintain legacy systems makes continued investment in them less than appealing.

Customer Information Systems

Although many CIS applications can be considered legacy, customer information systems have provided for a more integrated solution. CIS solutions provide billing and provisioning capabilities as well as customer support and account management functionality. Some CIS vendors have extended their functionality by adding

⁴ Compiled from various sources.

features such as commercial and industrial billing, data warehousing/energy data management, and credit/collection programs. These enhancements have enabled energy companies to allow interactions over the internet and provide for a more comprehensive management of customer interactions. More importantly, it has helped energy companies take the initial steps to change their focus from account-focused to customer-centric.

Utilities have come to realize that it is imperative to place the customer at the center of all their initiatives in order to compete in this evolving marketplace. While CIS usually handles billing, service orders, account management, and to some extent customer care, it does not provide all the customer-focused functionality of a CRM system. CRM takes CIS one step further by helping energy companies develop stronger more profitable customer relationships by understanding customer needs and being able to react to these needs in real time.

Customer Relationship Management Systems

While it is understood that managing customer relationships requires a variety of approaches, the technology to drive personalized interactions through knowing and understanding your customers has only recently matured enough to meet the demands of the energy industry. Today, CRM can make a marked difference in fostering more productive and more satisfying customer relationships.

According to Forrester Research, 25.6 percent of North American utilities have completed a CRM deployment or have a rollout underway.⁵ By choosing CRM to address current and future customer relationship needs, forward-looking utility companies are preparing to operate in deregulated energy markets. CRM solutions focus on front-office business problems using the latest technologies to integrate information from disparate systems throughout the entire energy enterprise. By leveraging enterprise-wide data, energy organizations are profiting from reduced servicing costs, targeted marketing campaigns, and improved sales. “True CRM entails dealing with customers individually or as unique groups, and involves integrating all systems that touch the customer, from billing to the call center to sales and marketing.”⁶ While there is some convergence between CIS and CRM, CRM remains distinct because it:

- Focuses on front-office interactions while integrating with back-office transactions.
- Automates and manages marketing, sales, and service functions.
- Optimizes customer interactions across multiple channels.
- Uses enterprise-wide data for analysis of customer and channel profitability.
- Expands the definition of customer to include prospects.

⁵ CRM Profile: Deployment Across Industries, Forrester Report, July 2002.

⁶ Smith, L. Dennis. Where the Upgrades Are, Energy Customer Management, May/June 2002.

Of course, organizations can extend and adapt customer information systems to provide more customer-centric functionality, but custom software development is expensive and time-consuming. Rather than replacing existing CIS, CRM is an attractive complement that can enhance your current and future technology investments. To ensure fast implementation, leading CRM vendors provide extensible frameworks that integrate business processes and data from across the front-and back-office with little or no customization. This combination of CRM and CIS ensures that energy companies can leverage all customer information for a comprehensive and consistent approach to marketing, sales, and service.

THE BENEFITS OF CRM BEYOND CIS

“By 2004/05, operational CRM will become a commodity, while collaborative and analytical CRM will differentiate market leaders.”⁷ Competitive dynamics within the energy industry are changing the focus of energy companies, making customer insight and satisfaction paramount to the long-term success of energy companies. By combining the best aspects of CIS with CRM, you can attain the full benefits of integrated customer management across your entire enterprise. Whether your strategic goals are to deliver more cost-effective customer service, gain a more in-depth understanding of customer behavior, or improve your business processes, CRM extends and enhances your current investments.

While CIS has been oriented toward processing billing and provisioning transactions, CRM systems are oriented toward analyzing and improving individual customer interactions—enhancing the long-term value of the customer relationship. This strategic view of the customer relationship is based on timely access to accurate and comprehensive information and on using this knowledge in everyday interactions.

To deliver a truly superior customer experience, CRM must work in conjunction with the foundation that CIS provides by focusing on:

- Deep customer insight.
- Cost-effective customer service.
- Improved employee productivity.
- Precision marketing.

Deep Customer Insight

Relatively few utility companies have leveraged one of their biggest assets: the vast amounts of customer data they have collected. Most energy companies have massive amounts of customer data but lack the ability to quickly analyze it to identify useful trends. CRM analytics can examine information from order management, provisioning, billing, marketing, and other customer-facing functions to deliver strategic information to key decision-makers throughout your

⁷ Ray, Terry. *Turning Down the Heat on the Utility Call Center*, META Group Research, January 2002.

organization. For example, CRM can provide sales managers, customer service managers, and marketing managers with detailed customer information including customer trends, behaviors, and purchasing propensities. With this information you are better able to profile individual customers and segments, and assess their profitability or risk.

In a deregulated market, the ability to foster profitable, long-term customer relationships is imperative. CRM is a critical component to maintaining a detailed understanding of the demographic, geographic, contractual, and customer interaction information readily available. With this information, you can assess the profitability of your customers and determine their lifetime value. CRM also enables you to analyze and forecast future customer demands so you can make more informed capital investment and infrastructure upgrade decisions.

Cost-Effective Customer Service

As competition in the energy market increases, leading utilities are looking to improve customer service as a proactive means to avoid more stringent regulations. Contact center technologies like email response management systems (ERMS), interactive web chat, internet self-service, computer telephony integration (CTI), interactive voice response (IVR), automatic call distribution (ACD), and so on help improve your customer interactions while reducing support costs. Since deregulation has caused increased competition and territory encroachment by new players, utilities need to consider technology as a business strategy for success. While legacy systems limit the ability for service agents to react quickly or to access real-time customer information, CRM lets you deliver a higher level of service by infusing customer interactions with a comprehensive view of each consumer or commercial customer.

In addition to providing high-quality service, representatives can react more intelligently when interacting with customers. “For utility companies to remain competitive in a deregulated energy industry, they must evolve their call centers from complaint departments to customer interaction centers.”⁸ For example, during a customer interaction, customer service representatives can exploit opportunities surfaced by the CRM systems to suggest a better rate plan based on monthly usage patterns, win over likely churn candidates, or arrange the best payment options.

Improved Employee Productivity

By automating mundane tasks, employees are more productive while business processes such as dispatching field technicians, handling overdue payments, or promoting new services are handled more efficiently. CRM enables you to optimize your customer-facing personnel through knowledge management databases, predefined workflow, and automatic notification. Knowledge management

⁸ *Ibid.*

databases let you share information across the enterprise and with your self-service customers, promoting faster problem resolution and lower service-related costs. When further assistance is required, workflow routes the customer issue through escalation procedures to the person or group best able to resolve the problem. Through deregulation has come the opportunity to improve employee productivity as a means to increase customer loyalty, enhance business processes, and ultimately gain competitive advantage.

Precision Marketing

As a direct result of deregulation, many energy companies are establishing or reinforcing their marketing departments to educate consumer and commercial customers about their services and offerings. CRM can increase the effectiveness of these new marketing initiatives through personalized marketing capabilities. By looking across the wealth of customer information you possess, CRM systems can segment customers by type, usage patterns, service history, purchase history, and more. Rather than blanketing a customer base with generic messages and offers, careful segmentation can improve communications effectiveness by ensuring that relevant messages are reaching appropriate audiences.

Marketing automation tools can help you initiate and manage multichannel, multiwave campaigns such as a direct mail piece that highlights new regulations, bill inserts offering new electrical products, affiliate advertising enclosed with the invoice promoting packages or events, and emails showcasing online billing options.

Through CRM analytics, marketing managers can monitor the campaign's overall effectiveness and make real-time adjustments such as leveraging lower-cost channels for underperforming campaigns or extending activities for campaigns that are exceeding expectations. By closing the gap between campaign execution and campaign analysis, marketers can adjust their offers, messages, and communications in real time. The end result: expanded market share, increased customer retention, and improved profit margins.

WHY CRM?

According to a recent study by Accenture, an average utility with US\$2 billion in revenue could increase its pretax profits by \$250 million by improving its CRM capabilities, and the profit increase could be even greater for larger utilities. Table 3 shows the top service applications under consideration by customer service organizations at the world's leading utilities for which phased ROI/value-based analysis has been successful.

Application	Hard Benefits	Soft Benefits
Web-based customer self-service.	40 percent lower service costs.	24x7 convenience.
Field service dispatch and workforce management.	20 percent lower personnel costs, optimized scheduling, opportunity capture.	Improved customer satisfaction, more-timely service.
Automatic meter reading.	Lower costs, improved timeliness of bills, value-added billing service.	Improved accuracy.
Voice-enabled service interfaces.	60 percent lower cost to serve.	24x7 convenience.
Analytics.	Targeted campaigns: 4 percent improvement in sales.	Ability to tier service delivery.
Integration with billing systems and customer service systems.	Opportunity tracking, value-added billing, 25 percent drop in processing cost (greater accuracy of information).	Single view of the customer.

Table 3: Mapping key applications to hard and soft benefits.⁹

To succeed in a deregulated or regulated market, leading energy companies will rely on CRM to:

- Identify new revenue streams.
- Provide high-quality customer service at reduced costs.
- Leverage customer data to predict customer behavior to improve marketing and sales activities.
- Reduce operating expenses through contact center service-related automation.
- Identify opportunities for new products and services.

CONCLUSION

Oracle's PeopleSoft Enterprise CRM for Energy provides energy companies with an integrated customer relationship solution that has been specifically designed to help utilities face their unique business challenges. It was designed with energy distributors, retailers, and regulated utilities in mind. With increased functionality, smart business processes, and an intuitive user interface you can efficiently enhance

⁹ Gartner Research.

your users' capabilities. Our solution includes energy-specific processes, such as order management, premise management, accounting and billing management, start/stop and transfer service, and industry-specific workflow templates giving you the basis for improving customer relationships across your entire energy enterprise. PeopleSoft Enterprise CRM for Energy provides multichannel interaction functionality to let customers use the interaction channel of their choice to initiate service, view accounts and bills, and log and resolve service problems. With PeopleSoft Enterprise solutions, your employees are more productive, your customers are more loyal, and you reap the rewards of a more profitable business.

PeopleSoft CRM Enterprise for Energy enables you to implement quickly using prebuilt enterprise integration points for integrating business processes across the front-office and into the back-office. Our configurable, extensible, industry-specific functionality provides the capabilities you need—out-of-the-box. And our extensible framework automatically triggers external business logic without the need for costly and time-consuming customization. With Oracle's PeopleSoft Enterprise CRM for Energy you can leverage your existing customer information system to retrieve data at run time, unify and display that data, manipulate it, and send it back to the source for a more comprehensive, enterprise-wide approach to doing business.



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