VERSION 1

Is the Utility Industry at the Centre of a Digital Shift?

How Will the Digital Shift Influence Utilities and Customer Journeys?

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Is the utility industry at the centre of a digital shift?

In this second whitepaper of our series – Is the utility industry at the centre of a digital shift? we delve deeper into digital transformation within the Utility Sector. Here we outline the success of a digital transformation programme and its correlation with a deep understanding of value streams and customer journeys. We will touch on an approach we have developed and used with several of our customers in a variety of industry sectors. This is Version 1's own approach which we call Solution Canvas.

Digital transformation is now a widely used term, and in many ways is losing its core meaning. In our view, technology is the enabler business' need for processes to become more efficient and effective. However, at the heart of the business is the value that is derived from its output to both customers and employees. And it is this area that gets lost in many digital transformation projects.

Trends in customer satisfaction levels for utilities in Ireland

In February 2022, the Commission for Regulation of Utilities (CRU) released a document summarising research they undertook on The attitudes and experiences of domestic and SME electricity and gas customers in Ireland. This fascinating research contains several illuminating results, especially once delving deeper into the findings.

One such finding was a headline KPI revealing the overall level of satisfaction from domestic and SME customers with their retail energy providers. For the past four years the levels of customer satisfaction have steadily declined and now, for most electricity suppliers, are significantly lower than they were in 2013. The following is an extract from this article.
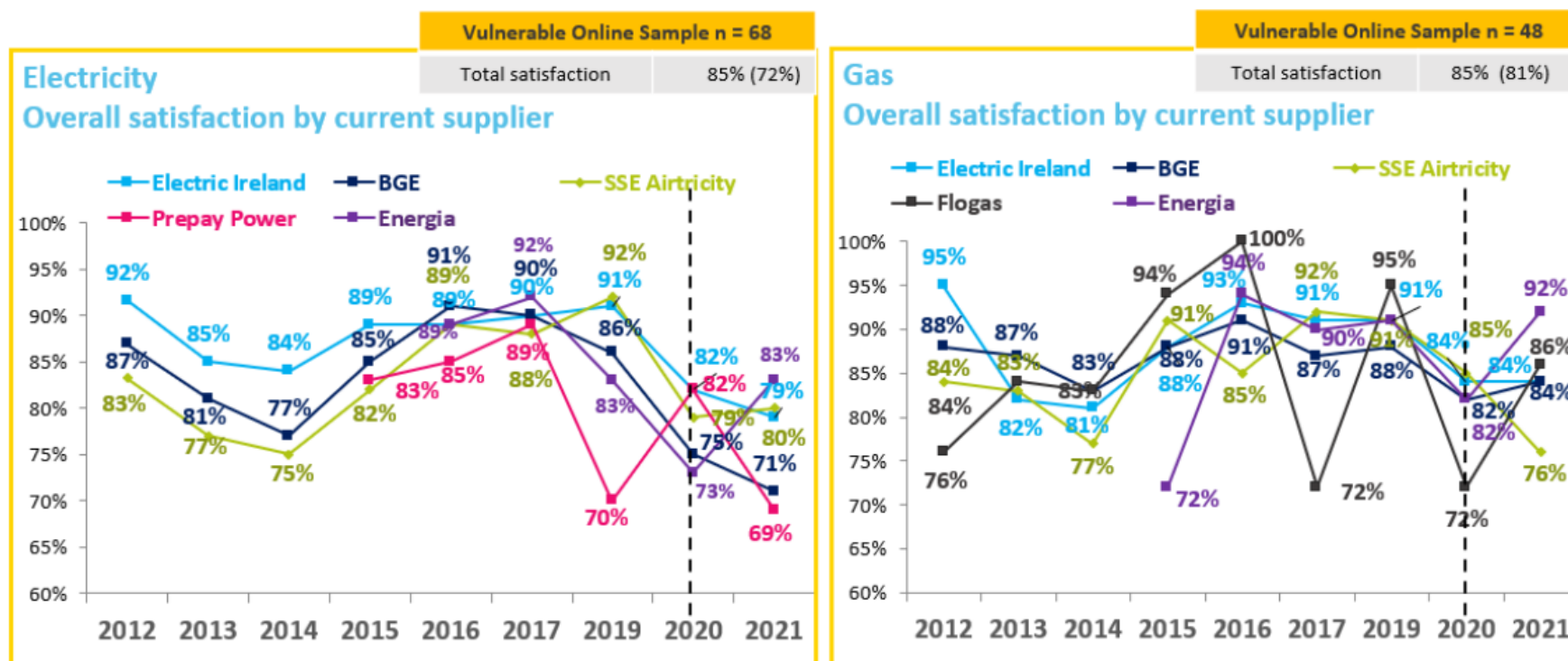

Fig 1 – overall satisfaction with domestic electricity and gas suppliers – CRU Findings from 2021 research on attitudes and experiences in the domestic and SME electricity and gas markets in Ireland

Given that the Irish electricity market only opened to domestic retail competition in 2012, this result is very surprising. You would imagine that introducing a choice of Energy Retailers and their capability to offer new and innovative products and services would be increasingly positive in the eyes of consumers, especially as the competitive market matures. You could also anticipate the recent cost increases in energy will likely lead to a further negative impact going forward. It's important to note that the wider impacts from Covid 19 and the wholesale energy cost increases may have had an impact on the 2021 figures. However, the trajectory is clear, the results were decreasing year on year even before we faced the recent and frightening increase in energy costs.

What has likely caused this outcome?

There are a multitude of reasons why customer satisfaction levels drop. Whether it's a symptom of the constant drive towards lower prices and switching, it's the change to home working or hybrid working models creating more focus on domestic energy, or it's a frustration with the communication channels and methods used by energy companies to inform their customers.

From a technology perspective, as customers embrace digital technologies in other sectors (e.g. finance and online commerce) there is a higher expectation on energy retailers to provide similar service offerings. Compounding this problem for energy companies is the continual focus on lower prices. Ultimately this leads to a reluctance for significant investment in digital transformation and innovation given pressures on profit margins, especially during a fluctuating market of wholesale energy prices.

Utility Weekly published an article in May 2018 following research they had undertaken where utility stakeholders were asked to identify the biggest barriers to digital transformation. In this research just under half of all the utility retailers surveyed identified the lack of funds for investment in digital technologies as a critical barrier to achieving organisational digital transformation goals.

In our first whitepaper of this series, we outlined how Consumers will seek to harness more renewable energy to support climate change goals and become more influential in how they control their use of energy within their daily lives. Some examples provided were the proliferation of household battery storage; a shift of when energy is consumed for household appliances or EV's, s seeking deeper knowledge of energy prices, or seeking out products that provide more granular time of use tariffs. We outlined how the sector faced many challenges and uncertainties ahead, however we also stated that Energy businesses will have significant opportunities as well.

We suggested this environment of uncertainty meant that to grasp these opportunities, it would require utility companies to be dynamic and flexible in their approach. "In other words, technology would be a core enabler for their success in a competitive and changing world."

How can these two seemingly opposing views align?

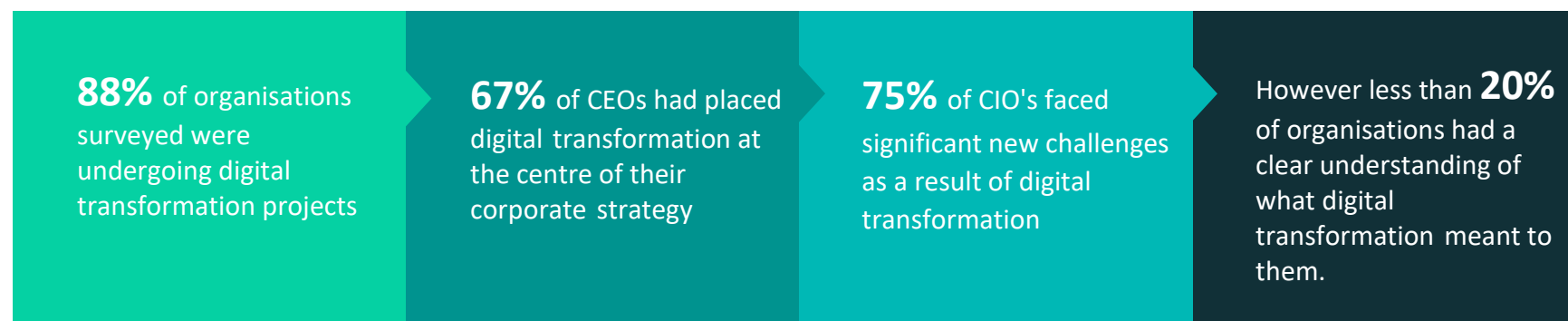|			
88% of organisations surveyed were undergoing digital transformation projects	**67%** of CEOs had placed digital transformation at the centre of their corporate strategy	**75%** of CIO's faced significant new challenges as a result of digital transformation	However less than **20%** of organisations had a clear understanding of what digital transformation meant to them.

Fig 2 – summary outcome for McKinsey Global Survey on success of digital transformation

Correlating this research to the CRU's on customer satisfaction, both are telling a similar story. When correlating this research to the CRU's on customer satisfaction, in order to keep these levels high, it is clear that it is necessary to keep the customer, or employee, as a main focus in regards to planning for any digital transformation.

Going forward it is clear that the utility industry is in a period of significant transition. Therefore how can you ensure the investments you make in technology (given there are likely to be limited funds) fundamentally improve the success of your organisation? As well as the perceptions of your customers? How can you define the changes needed in a very uncertain and competitive market where margins are continually being squeezed?

Version 1 believe our Solution Canvas approach is the answer

Version 1 has developed a methodology from our experience, specifically over the past 10 years, though the delivery of over 200+ technology solutions to over 100 customers. We call this approach our Solution Canvas.

The Solution Canvas has been developed with a clear focus that investments made to enhance a technology estate must in turn translate into tangible business gains. It is an approach for the scoping, ideation and planning of solutions or strategies to fundamentally improve business performance. For Utility companies, we place value streams at the heart of our approach. This is how an enterprise organises its activities to create value e.g. a customer registration journey.

Therefore, we have a laser focus to enhance the level of customer satisfaction, yet also reduce the overall cost to serve their customer base.

So how does the Solution Canvas work?

The Solution Canvas is;

- A 12-step process that enables architects to map out the best solution to meet your customer needs.

- The 4 stages of the approach cover the critical areas in defining any IT strategy or solution.

- It is centred around a "Solution Canvas" implemented on virtual whiteboard technology.

- Each canvas has a predefined set of focus areas to capture the right information in the most efficient way

- The canvas workshops are attended by our customers' subject matter experts and Version 1 architects from different domains over a 60-minute session.

- The solution value streams are visually built out at the top of the canvas;

- Each workshop typically produces 60+ domain details and 30+ additional related comments that help define the best client solution as can be seen from Figure 3.
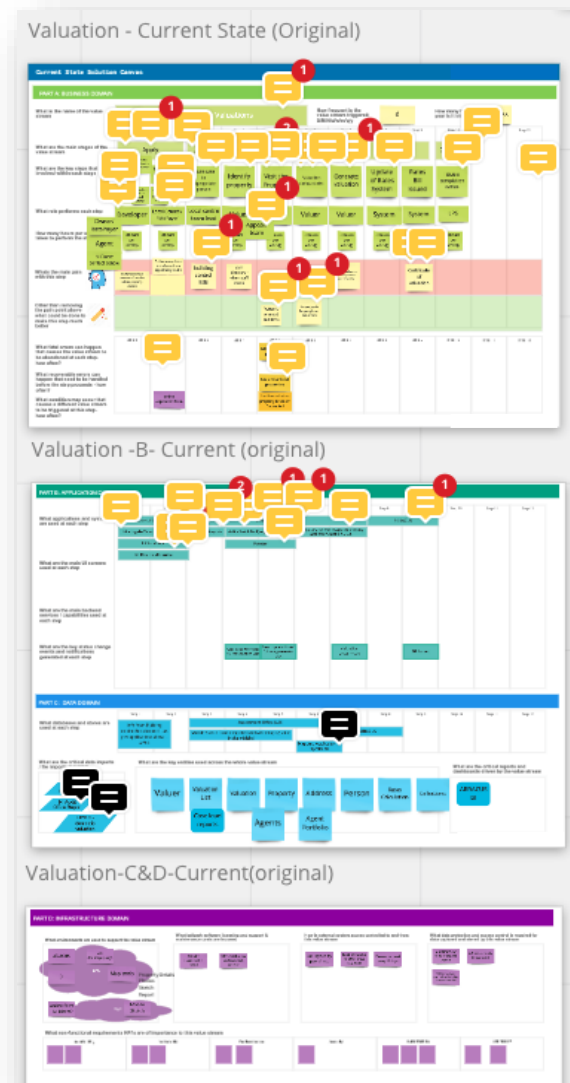

Fig 3 – Solution Canvas virtual whiteboard of a 60-minute workshop and detail captured.

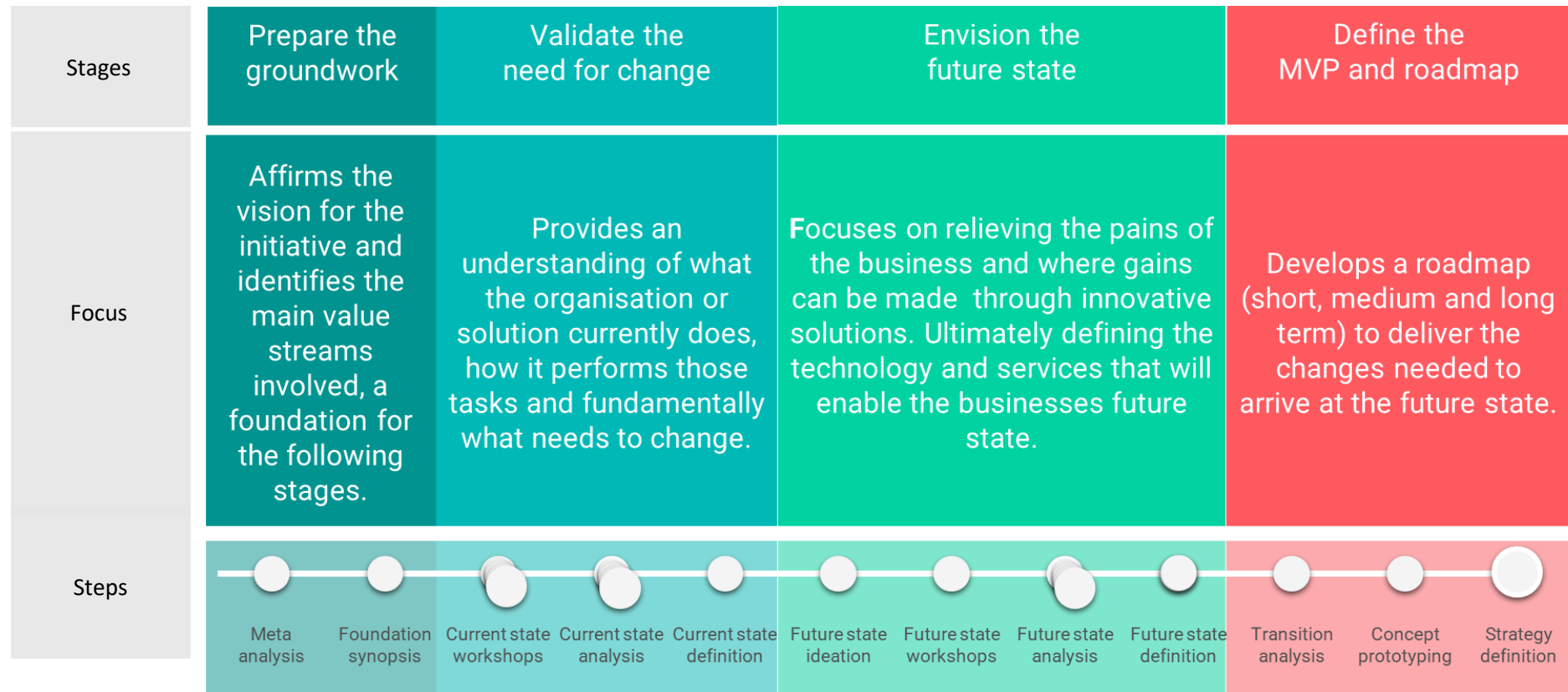The 12 stages and 4 key phases of our Solution Canvas are shown below.

Stages	Prepare the groundwork	Validate the need for change	Envision the future state	Define the MVP and roadmap
Focus	Affirms the vision for the initiative and identifies the main value streams involved, a foundation for the following stages.	Provides an understanding of what the organisation or solution currently does, how it performs those tasks and fundamentally what needs to change.	Focuses on relieving the pains of the business and where gains can be made through innovative solutions. Ultimately defining the technology and services that will enable the businesses future state.	Develops a roadmap (short, medium and long term) to deliver the changes needed to arrive at the future state.
Steps	Meta analysis · Foundation synopsis	Current state workshops · Current state analysis · Current state definition	Future state ideation · Future state workshops · Future state analysis · Future state definition	Transition analysis · Concept prototyping · Strategy definition

Figure 4 – outline of the Version 1 Solution Canvas approach.

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How do we know our Solution Canvas works?

Fundamentally; it's self-evident from the results our clients have achieved from this approach.

The following are just a few of the comments we have received from recent customer projects.

> " In the case of the Discovery approach, the sheer volume of work which you guys have been through, the number of stakeholders you have spoken to has been really impressive. "
>
> Paddy Rooney, working Age Group Director, Dep for Communities

> " I honestly think it's brilliant. It makes the vision of seamless integration real on so many levels. "
>
> Steven McCaughey, Enterprise Architect, LPS

> " Just a note from me to say thanks to everyone for your efforts. This is a very important and strategic project for us and we are in good shape for going out to procurement. "
>
> Comments from the IT Solution Manager for an Irish Energy Network Operator – Version 1 had helped shape the requirements needed from a GIS solution using the solution canvas approach.

> " In delivering Energia's One Digital Platform, we found Version 1 to be very insightful. It was a very engaged experience that kept to the time and to the budget which are also very important. They are definitely trusted partners "
>
> Catherine Gardiner, Group CIO at Energia

Linking back to the results from the CRU customer satisfaction research, it was brilliant to see Energia noted as a supplier who had bucked the trend of others with their customer satisfaction scores.

How to find out more about our Solution Canvas

Should you wish to find out more about how Version 1 has been supporting our Energy ecosystem with the Solution Canvas or indeed would like to find out more about some of the topics raised in this article then please do not hesitate to contact us.

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Get in Touch

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