PwC UK Energy Retail Survey

An emerging breed of customer that expects to see real change

Contents

Key takeaways

1. The pandemic has created a new wave of engagement in energy
2. Consumers respond to data about their energy usage
3. Net Zero is making a strong emotional connection with customers
4. A new customer segment is emerging that is more willing to ‘**pay their part**’ to help reach Net Zero
5. The outlook for in-home smart energy technology is strong given customer aspirations

The data in brief

78%

Of customers who regularly refer to their smart meter display, 78% report changing how they use energy in the home as a result.

93%

Of the 56% of customers that have heard of Net Zero, 93% care about reaching the target.

37%

37% of all households plan to add at least one of smart lighting, plugs or heating within the next two years, roughly doubling the market size from 32% of households that have at least one technology today.

43%

43% of customers are now paying more attention to their energy usage because of spending more time at home. Of these people, 97% have thought about changing something, be it switching or trying to change their energy consumption.

73%

Where a customer cares a lot about Net Zero, and has knowledge of their own carbon emissions, 73% think that the right low carbon tariff is at least as important as price, while 27% are willing to pay more for it.

Summary

It's a long held belief that customers only care about two things when it comes to energy. The lowest price possible and good customer service. This is now changing. Energy retailers have an opportunity to engage with an emerging breed of customer.

As people spend more time at home due to COVID-19, 43% of customers are now saying they are paying more attention to their energy usage than before, which has increased from 30% since the earlier lockdown period of May 2020. This is unleashing a new wave of engagement with energy suppliers.

The pandemic has also produced strong trust in energy suppliers. During lockdown we found 67% of customers stating that they trusted that their supplier will provide support if needed. This is an increase in levels of supplier trust compared with what we have monitored previously.

Technology is also increasing awareness. For households with smart meters, 76% were at least occasionally using them to check their energy usage with almost 9 in 10 of those reporting to be more knowledgeable about their energy consumption.

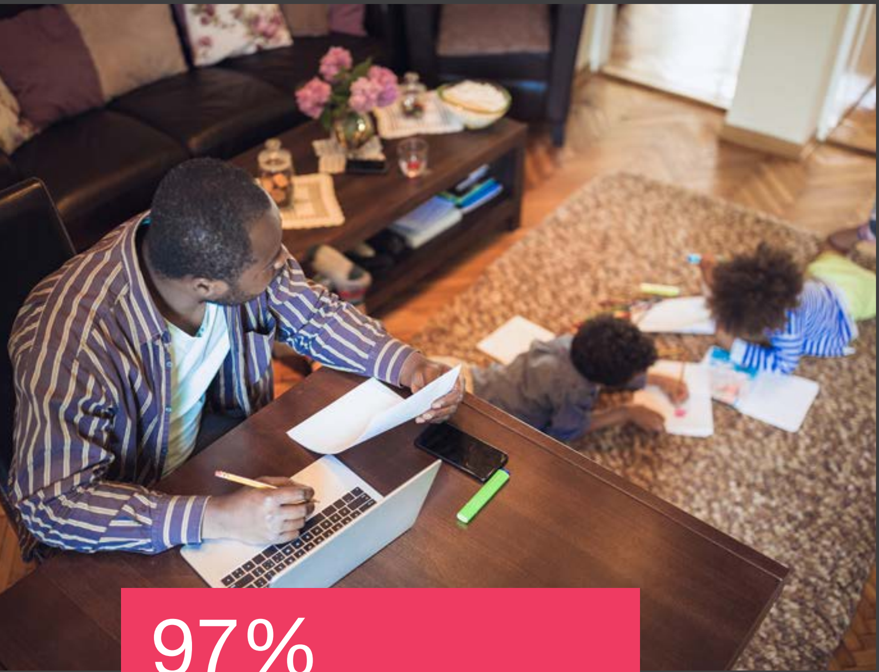
These three factors are combining with more focus on sustainability and Net Zero to create a significant opportunity for energy suppliers with an emerging type of customer. A customer that understands their own energy usage emissions, is emotionally connected to Net Zero and is willing to '**pay their part**' to reach it.

We're calling this customer the 'conscientious buyer'. And they make up nearly a third of the market.

29%

of customers are now 'conscientious buyers', combining their emotional connection to Net Zero with insight into their own home's emissions, to dictate their energy choices.

An emerging breed of customer



97%

of conscientious buyers say there are factors that would encourage them to switch to a source of renewable heat showing that despite the incredible complexity of the area, the openness in terms of attitudes make them a good place to start building traction.

The conscientious buyer may not be a new phenomenon (customers have been exercising their conscientiousness for some time in the food and fashion sectors for example), but they are increasingly finding ways to bring those behaviours into their energy choices. The rise of this breed of customer is changing how suppliers need to position their brand and capabilities.

Apart from price, 22% of these customers say that the right low carbon tariff is the most important factor when choosing a supplier, slightly ahead of customer service at 21%.

Overall 82% of conscientious buyers place some importance on getting access to a low carbon tariff, and 47% of those think it is as important as price, while 27% of them would pay more for it. Price is diminishing as the singular defining factor in selecting a supplier.

But this segment also expects suppliers to take direct action and be driving change when they choose a low carbon tariff. Two thirds expect suppliers to be actively generating or directly purchasing the low carbon energy themselves – they are considering the holistic green credentials of their supplier and are wary of greenwashing.

The effect extends beyond the tariff to opportunities around the propensity to spend on in-home smart energy technology and to build up offerings in decarbonising heat.
This segment is more likely to buy smart plugs, lighting or heating as they expect the technologies to reduce both their bills and their carbon footprint.

On heating, 97% of conscientious buyers say there are factors that would encourage them to switch to a source of renewable heat showing that despite the incredible complexity of the area, the openness in terms of attitudes make them a good place to start building traction.

This combination of converging attitudinal, environmental, and social factors, producing the rise of a potentially underserved customer segment is powerful and given the direction of travel across society in respect of sustainability, it is unlikely to slow in retail energy supply.

The time is now for energy companies to seize this opportunity to reinforce or reposition their brand and their capabilities.

What do energy suppliers need to ask themselves?

Our survey clearly highlights an emerging breed of customer that represents not just a significant proportion of the market, but one that is also exploring multiple opportunities to show their preferences through their energy supply and management.

This raises key questions if suppliers are to grasp this opportunity:

1

How can the brand be differentiated to appeal to this customer?

2

What capabilities are needed to capture opportunities beyond the tariff?

3

What is the best model to meet the higher expectations of the conscientious buyer?

This is not a tick box exercise. These questions are inherently introspective for suppliers in how to respond. Each supplier will have to bring their own approach, building on their strengths while identifying areas that are underdeveloped with regards to the evolution of customer preferences.

Methodology

Powered by PwC Research

PwC Research, our global centre of excellence for research and insight, surveyed a nationally representative sample of 2,000 UK consumers to understand how attitudes, knowledge, technology and household characteristics collide to influence choices made in relation to their energy.

What follows is an exploration of that data showing that there is a unique opportunity for energy suppliers to seize.

This survey was conducted online in January 2021.

Research in detail

The pandemic has created a new wave of engagement with energy supply

With uncertainty about when life will go back to something akin to 'normal', there are trends emerging that mean customers are thinking about things differently:

43%
paying more attention

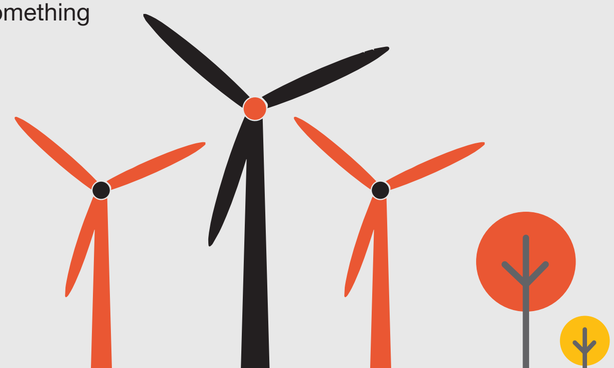
In May 2020, we asked consumers if they were paying more attention to their energy and 30% told us they were, by January this year, this had risen to 43%.

72%
spending more time at home

This is because 72% are spending more time at home with the space increasingly resembling an office/home hybrid as 64% of people have been working at least half their hours at home.

97%
considering changing something

Of the 43% that are paying more attention, 97% of them have thought about changing something to relation to their energy supply, either changing who supplies it, how to save money or how to reduce carbon emissions.



Consumers respond to data about their energy usage

Alongside the growth in the market for low carbon tariffs, a key driver of the energy transition within the home is through the growing adoption of technology. This is inclusive of the roll out of smart meters as well as the customer electronics that can help manage heating, lighting and plugs. Our research has found that these technologies continue to grow and crucially have an impact on customer behaviour:

80%
of households

When a customer has a smart meter installed, we have found that almost 80% of those households are then at least occasionally referring to them, either through an app or in-home display, to check their usage. This has the effect of increasing the knowledge about energy for the vast majority, with changes to energy usage flowing from this.

45%
expect financial benefits

Only half of customers who have invested in smart tech did so on the expectation of achieving a financial benefit, 45% and 41% of customers invested on the expectation of achieving the personal changes of greater comfort and lifestyle changes (time or eco-friendly) respectively.

2/3
likely to shift their usage

Customers are also willing to interact differently with their appliances. Of those that tend to use high consumption appliances during the 'peak hours', around two thirds would be likely to shift their usage outside of the window in return for lower running costs.

What this means for energy suppliers

As the energy transition continues, it is highly likely that customers will need to be incentivised to adapt their behaviour, avoiding peak periods where carbon intensive generation may need to be called upon.

Our research has shown that customers will happily respond to this incentivisation and have been investing in technology already to fit lifestyle objectives so energy suppliers can view this as a growth opportunity rather than a challenge.

Research in detail (cont'd)

Net Zero is making an emotional connection with customers

Our research shows that Net Zero is a key tool in fostering engagement and bringing the customer on board:

93%
of people care about Net Zero

56% of customers have heard of 'Net Zero', and of these 93% care that the UK reaches its target by 2050.

80%
of people can be quickly convinced

Even for those that had never heard of Net Zero, after a short background on what it means, 80% of those people then cared that the UK reduced carbon emissions to close to zero and replaced fossil fuels in energy systems.

75%
of customers

75% of all customers cared about the UK hitting its Net Zero target because they wanted to protect the planet for future generations.

With Net Zero clearly cutting through to the customer, if energy suppliers can show that customers have a key part to play in achieving the target, then this is a strong strategy in generating valuable customer engagement.

A customer segment is emerging that are more willing to 'pay their part' to help reach Net Zero

When customers know and care a lot about Net Zero while also having an understanding of how their energy choices influence their own carbon emissions, then opportunities are unlocked around propensity to pay more for a low carbon tariff and engaging on low carbon heat systems.

60%
of conscientious buyers

60% of these customers rank a low carbon tariff in the top 3 most important things when selecting a supplier and 82% place at least some importance on it.

73%
of conscientious buyers

73% of these customers think that the right low carbon tariff is at least as important as price, while 27% are willing to pay more for it.

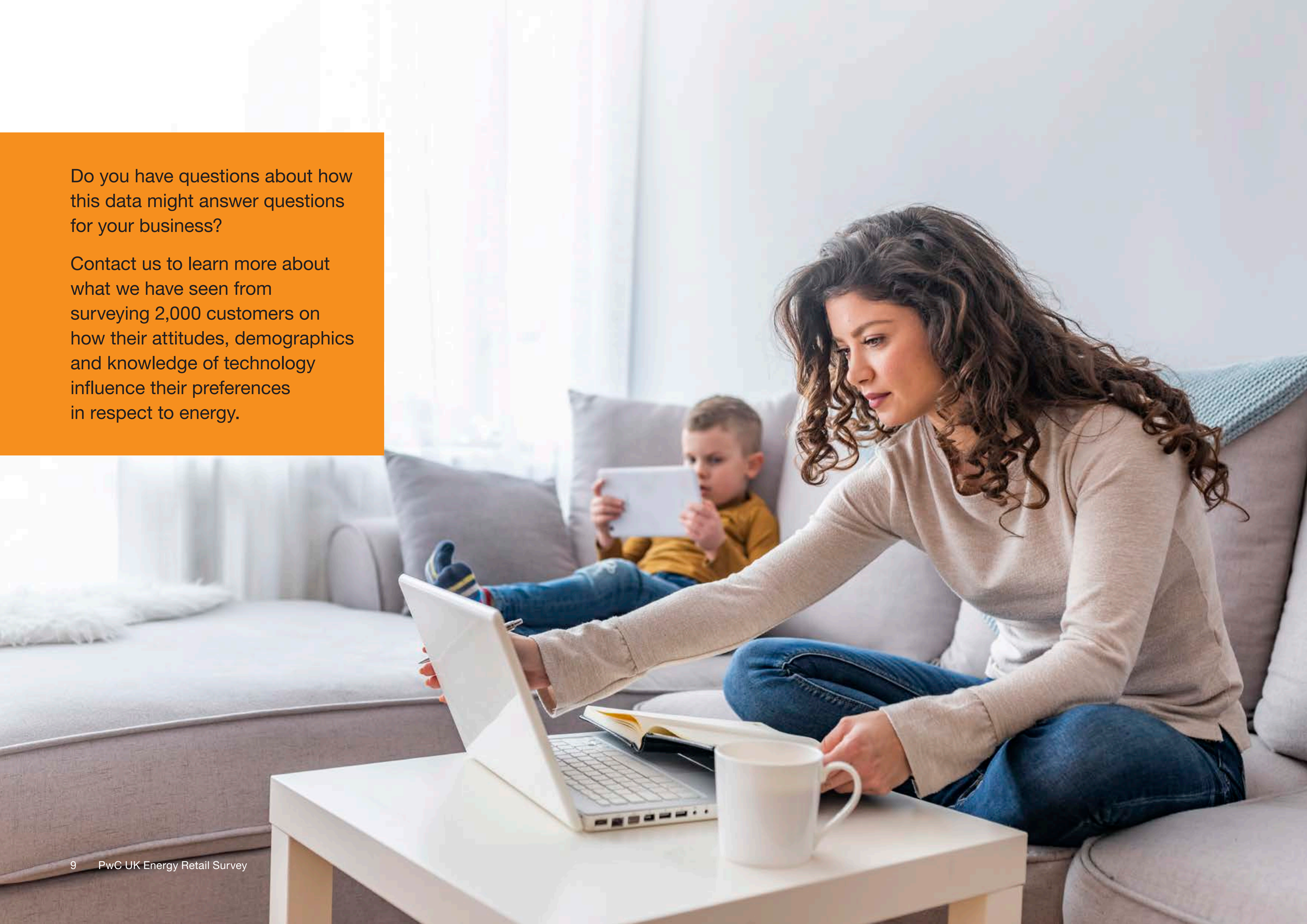
27%
rank 'green' highest

27% would also rank finding the 'greenest' option highest when deciding on a new heating system rather than focusing on the cheapest. Only 8% of this segment would not consider how green a heating option is when selecting a new system.

What this means for energy suppliers

With a segment of the market now placing importance on having a low carbon tariff when looking for a new supplier, and in turn these customers think it is as or more important than price, the idea of power and heat being seen as a commodity is now experiencing significant disruption – customers are now differentiating between the 'type' of energy they receive and this introduces the prospect of premium products that can align to customer's concerns around carbon emissions.

This disruption also places more value on the ability to differentiate the brand as it becomes a stronger tool to acquire new customers that see the supplier as fitting their own attitudes.



Do you have questions about how this data might answer questions for your business?

Contact us to learn more about what we have seen from surveying 2,000 customers on how their attitudes, demographics and knowledge of technology influence their preferences in respect to energy.

Contacts

Michael Timar
Partner & PwC UK Power & Utilities Lead
E: michael.timar@pwc.com

Andrew McCrosson
Partner & PwC UK Energy Retail Market Lead
E: andrew.mccrosson@pwc.com

Alison Blair
Director & PwC UK Research Leader
E: alison.b.blair@pwc.com

Tom Haddon
PwC UK Energy Market Analyst
E: thomas.haddon@pwc.com

2021-04-06_RITM5010099