HOW WILL UNIFIED DIGITAL METER-TO-CASH HELP UTILITIES?

RAJDEEP BASU, SUBJECT MATTER EXPERT, ENERGY & UTILITIES

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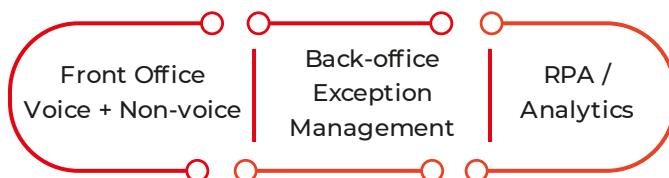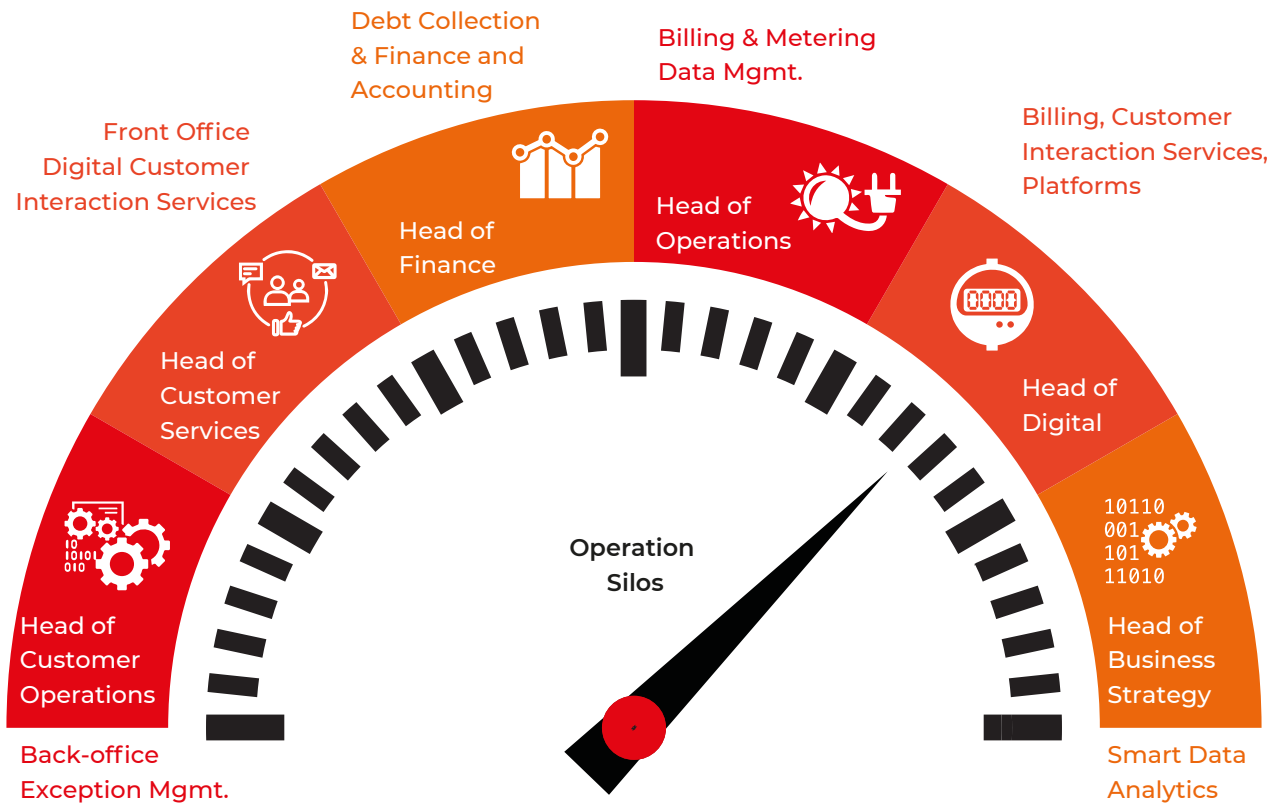0 3 8 2 4 3

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HOW WILL UNIFIED DIGITAL METER-TO-CASH HELP UTILITIES?

Rajdeep Basu, Subject Matter Expert, Energy & Utilities

Meter-to-Cash (M2C) is one of the core operations in utilities. Over a period of time, M2C has inadvertently evolved into a cluster of loosely fitted systems and processes working in silos with limited interaction among each other. As a result, there's no single view of the customer experience.

Figure 1 shows the typical scenario of siloed M2C sub-functions.

FIGURE 1: SILOS IN METER-TO-CASH

Debt Collection & Finance and Accounting

Billing & Metering Data Mgmt.

Front Office Digital Customer Interaction Services

Billing, Customer Interaction Services, Platforms

Head of Finance

Head of Operations

Head of Customer Services

Head of Digital

Operation Silos

Head of Customer Operations

Head of Business Strategy

Back-office Exception Mgmt.

Smart Data Analytics

Front Office Voice + Non-voice

Back-office Exception Management

RPA / Analytics

Segregated Outcomes

Different business units have different goals within the meter-to-cash cycle

- Separate key performance indicators for each business unit

- Each business unit's performance measured separately

- No easy or direct linkage to business metrics

Siloed sub-functions are the root cause of some of the perennial challenges for utility companies such as revenue leakage and customer experience; the latter resulting in customer churn and retention. The urgency of the situation is evident from the fact that in 2018 as many as seven utility companies were forced to file for liquidation because of stagnant growth and increasing revenue leakages.

Let's take a look at how a fragmented M2C process impacts end-customers across various touchpoints and the ripple effect it has on utilities.

- **Enrollment / Onboarding:** Time-consuming enrollment processes and difficult to understand product information result in customers dropping out post-enrollment, and lead to higher cost-to-acquire and lower marketing Return-on-Investment (RoI)

- **Customer Service:** Poor customer service and complicated bills increase the volume of complaints, and result in penalty from regulators for companies

- **Meter Data Management:** Delayed network reconciliations and settlements, and incorrect readings lead to late payments

- **Billing, Invoicing and Collections:** Inflated bills, and difficulty in understanding the tariffs or contacting the supplier lead to higher cost-to-serve and increased debt

WHAT THE NUMBERS SAY...

- Average Net Promoter Score (NPS) for the utility industry in 2018 was 15[1] — one of the lowest compared to other industries

- ~42% of utility companies have customer service cost of $50 or higher[2]

- Average return on equity for utilities in 2017 was 9.74%, lowest in 30 years[3]

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[1] https://temkingroup.com/product/net-promoter-score-benchmark-study-2018/

[2] http://www2.bain.com/utilityOE/default.asp

[3] http://www.eei.org/resourcesandmedia/industrydataanalysis/industryfinancialanalysis/finreview/Documents/FinancialReview_2017.pdf

BENEFITS OF DIGITAL INTEGRATION

To address the gaps created by M2C silos, a holistic digital transformation may look like an effective solution. But this requires a complete overhaul of existing systems and platforms, and can be an expensive process. The financially viable option then is to leverage digital technologies, smart meters and data analytics to integrate the siloed sub-functions in M2C.

Before we drill down to the key benefits of a digitally unified M2C process for customers and utilities, let's look at the overall strategic edge that it provides.

- In a digital utility, back-office functions are automated. Only complex work and complaints are managed by agents. Front office services around customer interactions are managed by chatbots and virtual assistants such as Alexa

- A digital business creates massive amounts of data. Predictive analytical models can be deployed to analyze the right data and provide accurate, actionable insights across finance, acquisition and retention, credit collections and demand response

- Companies can choose to implement a Business-Process-as-a-Service (BPaaS) solution or leverage cloud to reduce expenditure, and improve flexibility and scalability

1. ENHANCED CUSTOMER EXPERIENCE

To create long-term customer loyalty, utilities should transition from being suppliers to service providers. By leveraging the data gathered from smart meters, digital touchpoints and connected homes, utilities can drive exceptional customer service.

Here are some key benefits of a unified digital M2C from a customer perspective:

- Proactive communication and automated updates eliminate the need for customers to call or check the company website frequently

- Customers are in control of their energy usage and payments through the mobile app

- Customers can compare tariffs and select the product that best suits them

- Faster resolution to queries and complaints

- Outage alerts through push notifications

- Cost savings as a result of automation and digitization help companies to pass on some of the benefits to customers

- Services and products are better aligned with customer expectations and lifestyle

2. IMPROVED BUSINESS OUTCOMES

A unified digital M2C opens the door to various possibilities for utilities such as:

- Reduction in cost-to-serve and operational costs as a result of intelligent automation, digital shift, process re-design and data analytics

- Ability to tap into new business opportunities in the areas of renewable energy and connected homes

- Enable a business model in which all operations are managed by machines and artificial intelligence in the future

- Higher rate of return and earnings per share as a result of improved bottom line driven by digital process re-engineering and embedded big data analytics

DIGITAL TRANSFORMATION AS A C-SUITE AGENDA

While a digitally unified M2C is not a Capex-heavy transformation, it is transformation nevertheless, and one that needs to be on the CXO agenda. The key shift is in bringing the customer to the center of everything — re-designing processes and defining outcomes with the end-customer experience in mind.

CXOs should also look at establishing a digital Center of Excellence (CoE) to build a pool of highly-skilled industry experts who can drive innovation and ensure continuous improvement across all areas. CXOs will have to play a crucial role in chalking out the digital roadmap along with creating strategic partnerships to realize the RoI from such a transformation.

The utility industry, like most industries, has been hit hard by disruptive technologies, stringent regulations and customer expectations. In order to rise to the challenges of the new business landscape, solving the problem of a fragmented M2C process is both urgent and important. A digitally unified M2C, in this context, is a practical solution, and can be implemented well with the right support and strategic partnerships.

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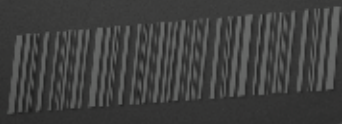
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