Pricing spurred some customers to leave, while competitors’ technology or product bundles lured others away

The common ways to keep customers were also well known, but they were expensive, including such things as upgrade offers, discounted rate plans, and “save desks” to intercept defectors.

 So the executives looked to another lever—customer experience—to see if improvements there could reduce churn and build competitive advantage.

They must identify the journeys in which they need to excel, understand how they are currently performing in each, build cross-functional processes to redesign and support those journeys, and institute cultural change and continuous improvement to sustain the initiatives at scale.

The executive team at a fixed-line telecom focused on the 50% dissatisfaction rate with the installation process; the team at a leading energy player targeted the 40% churn among customers moving houses; and executive sessions at an integrated telecom zeroed in on the more than one third of new fiber-optic customers who canceled before installation or within 90 days. In each case the executive attention led to a concerted effort to fix the targeted journey, while leadership’s “walking the talk” generated support for improvement programs and broader organizational changes. These results show how initial top-down work can identify early wins (often policy or process changes that can be implemented quickly and centrally) that set the tone for further transformation.

This is a bottom-up effort that starts with additional research into customers’ experiences of their journeys and which ones matter most, both to customers and to business performance. A company should draw on customer and employee surveys along with operational data across functions at each touchpoint, to assess performance and gauge how it is doing relative to the competition. Best-in-class companies use regression models to understand which journeys have the greatest impact on overall customer satisfaction and business outcomes, and then run simulations to get a picture of the potential impact of various initiatives.

Doing this research and analysis well is no small task, because it typically means acquiring new types of information and assembling it in new ways. For many companies, combining operational, marketing, and customer and competitive research data to understand journeys is a first-time undertaking, and it can be a long process—sometimes lasting several months. But the reward is well worth it, because the fact base that’s created allows management to clearly see the customer’s experience of various journeys and decide which ones to prioritize.

This deep dive involves additional research, including customer and employee focus groups and call monitoring.

Back-office employees weren’t measured on or rewarded for the accuracy of order tickets and so sometimes processed them with missing or incorrect information.

analyzing journeys and redesigning service processes

 two high-level changes that merit mention here: (1) modifying the organization and its processes to deliver excellent journeys, and (2) adjusting metrics and incentives to support journeys, not just touchpoints

 For the energy company, it meant new cross-functional measures for each frontline employee who handled address changes (for example, error-free capture by call center agents of information needed downstream).

And one large retail bank started requiring each executive-team and board member to call five dissatisfied customers a month—a simple but effective way of holding the leadership’s feet to the fire on customer experience issues.

Optimizing a single customer journey is tactical; shifting organizational processes, culture, and mind-sets to a journey orientation is strategic and transformational. Journey-based transformations are not easy, and they may take years to perfect. But the reward is higher customer and employee satisfaction, increased revenue, and lower costs. Delivering successful journeys brings about an operational and cultural shift that engages the organization across functions and from top to bottom, generating excitement, innovation, and a focus on continuous improvement. It creates a culture that’s hard to build otherwise, and a true competitive advantage goes to companies that get it right.

Depending on which study you believe, and what industry you’re in, acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one.

If I’m interested in keeping customers, I’m interested in understanding how many leave and the underlying reasons why they are ending their relationship with me,” says Avery. Changes in a company’s churn rate could be a signal that something is working well (if the number goes down) or needs addressing (if the number goes up). The idea is that when you know that more customers or subscribers are cutting ties with your firm, you can work to adjust your marketing strategy or customer service approach. “Looking at churn rates by customer segment illuminates which types of customers are at risk and which may require an intervention. It’s a nice simple metric that tells us a lot about when and how to interact with customers,”

HubSpot delved deep into its churn data to see what it could find out about which customers were more likely to leave and when

Evidence suggests that much of this can be accounted for by already engaged consumers, who tend to be heavily motivated by price and are most likely to take advantage of competitive fixed-term tariffs.

Non-domestic switching rates rose in 2015-16 in electricity and fell slightly in gas compared to 2014-15. Survey data indicates that microbusinesses and small businesses have more new contracts with both existing and new suppliers this year. This suggests that consumers are making more active choices at the end of fixedterm contracts. The picture is b

Prices fell, while consumption increased on average as a result of colder weather.

Significant competition among fixed-term tariffs has continued, with suppliers using different approaches to acquire new customers (including via white labels or collective switches).

Although the proportion of customers on standard variable tariffs has reduced from 69% in March 2015 to 66% in March 2016, this still represents the majority of consumers.

Our analysis focuses on three key groups of consumers where there is ongoing evidence of detriment: consumers with prepayment meters, consumers in debt with their supplier and electric heating customers on certain types of restricted meters. For various reasons, as highlighted in the CMA’s final report, these consumers continue to have a very limited tariff choice and face barriers to switching supplier, tariff, payment method and meter. In particular, the best offers in the market, most often fixed-term tariffs, are generally not available to these consumers, and they tend to be on more expensive standard variable tariffs.

Kumar and two colleagues studied data on more than 53,000 customers who left a telecom company over a seven-year period. To help focus the firm’s ongoing efforts to win such people back, they examined how each lost customer behaved before canceling, why each canceled (many companies ask departing customers this question), how each responded to various win-back offers, and how profitable each one who signed on again subsequently became. As they parsed the data, they sought to answer four questions.

Over the last decade, consumption and energy intensity have followed a downward trend. Weather-adjusted domestic consumption fell in 2015 relative to 2014, by 0.9% in gas and 1.3% in electricity.

Turning to prices, the steep falls in wholesale prices we have observed over the past two years are likely to continue to feed through to costs during 2016 for those

suppliers that have purchased energy in advance of delivery. But in the first half of 2016 we have seen wholesale prices stabilise and then increase more recently –

leading to some increases in the prices of fixed-term tariffs. There is also likely to be some upward pressure on prices as a result of new charges to suppliers for the costs of government’s electricity market reforms. There will be a redistributive effect as a result of exemptions from certain environmental levies for large industrial customers, which will reduce prices for these consumers, but increase them for domestic and smaller business consumers.

Beyond 2016-17, we expect to see consumer outcomes improve, as the CMA’s remedies take effect, smart meters are rolled out, and our wider package of reforms (eg to enable faster, more reliable switching and to reform settlement arrangements) are implemented.

**Energy is almost “10% of overall expenditure for the poorest households**

**average annual domestic gas prices rose by around 125% in real terms over the period, and domestic electricity prices by around 75%**

**New entrants now “ make up 13% of the domestic energy market in both gas and electricity**

the demand side of retail energy markets – in particular, a lack of engagement in the markets on the part of many customers, which suppliers are able to exploit by charging high prices;

the supply side of both wholesale and retail energy markets – a combination of regulations and technical constraints that restrict competition, to the detriment of customers;

the broader regulatory framework – the system for regulating the energy sector, which hinders the timely development of policies and regulations that would be in the interests of customers.

around 70% of the customers of the Six Large Energy Firms currently pay the Standard Variable Tariff (SVT), which is the default tariff

could have made average annual savings of around £330 in mid2015 if they had switched to another supplier.

In 2013, 45% “ of microbusinesses were on default tariffs

as of April 2016, there were very large differences between the cheapest prepayment and direct debit tariffs, between £260 and £320,

**such that they have no incentives to encourage their customers to shift consumption to times of the day when electricity is cheaper.**

domestic customers as a whole paid an average of £1.4bn a year more than they would have done under well-functioning retail markets over the period 2012 to 2015, reaching £2bn in 2015

An important development that is highly relevant to our consideration of remedies is the planned roll out of smart meters to all domestic customers by 2020. Smart meters have the potential both to address some of the technical constraints affecting competition for prepayment customers and to improve customer engagement more generally. We therefore think it is vitally important that the agreed timescales for the roll-out are adhered to and would expect Ofgem to use its enforcement powers effectively to ensure this happens.

For microbusinesses, our remedies include an order on suppliers to disclose their prices publicly and prohibiting restrictive clauses that lock in customers.

smart meter roll-out increases SMETS2

Government's plan to bring our energy system up to date to help tackle climate change

The investigation has found that 70% of domestic customers of the 6 largest energy firms are still on an expensive ‘default’ standard variable tariff.

As these customers could potentially save over £300

Suppliers will be ordered to give Ofgem details of all customers who have been on their default tariff for more than 3 years, which will be put on a secure database to allow rival suppliers to contact customers by letter and offer cheaper and easy-to-access deals based on their actual energy usage. Ofgem will control access to the database and carry out testing on the frequency and form of communications, to ensure it is effective in helping customers move on to better deals. Customers can opt out at any time if they wish.

The measures will also tackle specific issues faced by microbusinesses (those that employ fewer than 10 people) – 45% of which are on default tariffs. Suppliers will now be required to publish their prices for such customers and will no longer be able to lock them into expensive ‘rollover’ contracts.

Over the longer term, smart and advanced meters have the potential to improve a number of consumer outcomes. The information they provide should help consumers to better manage their energy consumption. Moreover, coupled with half-hourly settlement reforms, smart meters should also give suppliers more incentives to offer time-of-use tariffs and other innovative products which can in turn stimulate load shifting by consumers from peak to off-peak periods.

The CMA found evidence of weak demand response for domestic and microbusiness customers, and concluded that suppliers were able to exploit it by charging high prices. Our concerns on engagement barriers, such as a lack of clear information about tariffs, products and contract terms and a lack of trust in suppliers and the market, were also a key factor in our decision to refer the energy market for investigation in June 2014

As part of our regular market monitoring we analyse rates of switching between suppliers, rates of switching with the same supplier and the number of customers on different tariff types.

In 2015, approximately 3.3 million domestic consumers switched their electricity supplier and 2.6 million their gas supplier. This represents an annual switching rate of 12% for electricity and 13% for gas, respectively one and two percentage points higher than in 2014.