

RESTRUCTURING

Customer Choice: What It Will Mean, How Hydro Is Responding

Competition will present wholesale and retail electricity consumers with choice. How consumers respond to this choice will depend on how well their needs are met. This is the challenge of Ontario Hydro's successor companies.

If you'd asked most Ontarians ten years ago how soon they thought they'd have a choice for local and long-distance telephone service, most would not have been able to understand the question. After all, Bell Telephone owns the wires, right?

With telecommunications now almost a fully competitive market across North America, a perhaps even more complex series of options is set to appear before a somewhat bewildered public: Who do I buy my electricity from? Should I go for the spot market or an "averaged" price? Am I better off staying with whom I have?

Those utilities that can distill the complexity into attractive, easy-to-understand packages of services and products will be the ones that will maintain their customer base. The outcome for Ontario Hydro will be largely determined by how successful its successor companies are in establishing their brand identities and how responsive Hydro as a whole is seen in meeting both existing and new customer needs.

Step one is gaining a sound understanding of what customers really want.

Retail Customers Are Cautious

Experience in other jurisdictions such as California, further down the road of competition, suggests that residential consumers are cautious about switching suppliers, says Brian Potts, manager of Hydro's Brand Management and Market Intelligence group. "What is needed is increased accountability in how their electricity is provided"

At the retail level, customers aren't quick to leave the former monopoly for what are often marginally lower rates. "Whether they exercise it or not, customers see choice primarily as a lever with which they can hold a company accountable—for its service, products, behaviours and price. They also see choice as a means of creating a better company overall," says Potts.

Potts says, "Consumers are not willing to put electricity into the same basket of goods as telephone and food. It is considered a unique and vital commodity—knowing the company that is going to supply your electricity is important in making the decision to stay or switch."

GENCO'S Direct Customers Have Different Criteria

For large industrial users, customer choice will reflect a different set of criteria. Accountability is important, but these customers are more price-sensitive, though not exclusively price-driven. GENCO'S industrial customers

run the gamut, from those to whom electricity represents 70 to 80 per cent of their product cost, to ones whose electricity component is less than five per cent.

Bill Hale, Manager for Industrial Sales for GENECO, says, "Electricity sensitive companies see electricity strictly as a commodity, and price is key to them. On the other end of the scale, to the less electricity sensitive customers, reliability is key and price a second or third priority."

To these customers Hale says, "One outage can cost them many times the savings from a cheaper source, as well as jeopardize their business from reduced quality and missed deliveries to their customers." For these customers, Hale points out, "value-added" services in engineering, power quality, and other types of consulting will be very important and a key differentiator between suppliers. In the U.S. these services are frequently offered through what are known generically as Premium Power Groups established within utilities.

Making The Transition

Hydro President and CEO Ron Osborne has said, "Ontario Hydro has to act just like any other competitive business. We will have to live by the wits of the people we employ, utilizing the assets we've been granted, to make sure that in the future customers who in the past *had* to do business with us will *want* to do business with us. The single biggest thing we have to do is make sure out people understand that in the future we earn our keep — we haven't inherited it under the Power Corporation Act.

Building Customer Relationships

An ongoing effort to build and maintain customer relationships is essential for Hydro to thrive in a competitive environment. Some customers consider Hydro a remote and faceless monopoly. And yet, as was proven during the Ice Storm '98, Hydro's Call Centre—previously criticized as epitomizing remoteness compared to smaller regional offices—was able to provide most callers with specific information about progress in their particular neighbourhood. As the Call Centre becomes more established, staff will look for opportunities to cross-sell different products and services and to be as customer-responsive as possible.

Chris Bieber, Vice President for Customer Care, says "Our Call Centers are in their infancy. As we learn more about operating them effectively we will be able to respond to customers'



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questions and concerns better, and also use the opportunity presented by the call, be it inbound or outbound, to promote customer loyalty.

Hydro's new Customer Loyalty Centre is another initiative that will help strengthen customer relationships. One of its most important functions is "customer recovery."

"A customer service issue is an opportunity," explains Barb Godso, Acting Manager, Customer Loyalty Centre. "Through our response we have the chance to restore a customer relationship; in some cases, through our combined efforts, a customer's concern is resolved with him or her thinking more highly of Ontario Hydro than before the service issue arose."

A recent incident gave such an opportunity. A customer had sent a letter addressed to the Chairman of Ontario Hydro and a similar letter outlining the same concern to Ontario Hydro's general correspondence. Through some internal research, a single letter of response was written, referring to both customer letters, leading to a more-than-satisfactory resolution of the issue.

In the future, the Loyalty Centre plans to include customer surveys to help develop new products and services that will help put Hydro on the leading edge going into a competitive market.

Brand Image Evolving

A key asset in maintaining customer loyalty is brand management. Between now and the advent of true customer choice, a marketing initiative unique to Hydro's history is unfolding. Ontario Hydro's "heritage" brand, known for its role in helping fashion the strongest economy in the country, must transform itself into a "customer-focused" brand.

With the help of experienced branding and advertising consultants, Ontario Hydro is developing its new identity, including a corporate brand strategy, to help it achieve a leadership position in the newly created North

American market. The process will result in both successor companies — SERVCO, the transmission and distribution company, and GENCO, the generating company — receiving new names, visual identities and brand-application strategies. The most powerful brands are those that best convey specific "attributes" that encourage target customers to buy the product or service.

It is important that the company should have a thorough understanding of its employees' concept of what Hydro is and what it should be. This month, discussion groups will be held across the province to glean the views of representative groups of employees. Staff can get more information on this project and provide comments by accessing the *InTransition* web site at <http://intransition.hydro.on.ca>, or through the X-email system at *InTransition*.

One of Hydro's key challenges in moving toward this higher level of brand differentiation is removing the confusion between Ontario Hydro and a customer's Municipal Electric Utility (MEU). Studies show more than 60 per cent of residential customers believe their supplier is Ontario Hydro, when in fact it is a MEU. One of the possible explanations for this statistic is a perceived lack of image consistency in the marketplace.

How is Hydro planning to correct this? As Ontario Hydro evolves into its successor companies, a top priority is resolving the question of which entities will stay associated with the current brand, and which will develop entirely new brands for themselves. Marketing strategies will then be developed to redefine and reinforce Hydro's existing brand, and to create awareness of those new brands that emerge. In the meantime, continued innovation in customer service will help shift Hydro toward the positive brand attitudes it will need to maintain customer loyalty and enter new markets.