

Energy Market Survey



Consumer perception of price development and the associated behavioural adjustment

Results for Germany, Austria, Spain, Italy, France and UK (October 2022)



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Our key findings in a nutshell

	Finding	Implication
1	Energy suppliers are not yet perceived as solution providers and product portfolio is widely unknown by consumers	Focus on communicating and optimizing the portfolio structure (e.g., bundling) to increase consumer awareness and stickiness
2	Consumers perceive high prices, although majority of price increases have not yet been realised	Prepare for strong customer price reactions and develop consumer benefit management opportunities
3	Majority of consumers are planning to adapt their consumption behaviour and thinking of alternative energy solutions	Expansion of energy solutions and consideration of the changed consumption behaviour in energy procurement
4	Likelihood of switching to other providers has increased in the crisis and is expected to increase further	Working on customer segmentation, churn prediction models, churn prevention initiatives and micro targeting campaigns
5	Service quality as main driver to stay with providers vs. price as most important purchase criterion	Focus on consumer care to fight churn, ensure a flawless customer journey and a good customer experience

Source: Simon-Kucher Energy Market Survey Germany, Austria, UK, Italy, France, Spain (n=5500)

Energy Market Survey

In each of 6 countries, up to 1,000 consumers were asked about their perception of the price development and their behavioural adjustment

In the current situation of the Ukraine crisis and the associated sharp rise in energy prices, the media attention of the topic of energy supply has increased considerably. Since the beginning of the year, gas prices for new contracts have almost doubled and electricity prices have risen by 50%.

We wanted to find out how consumers perceive the price increase, how they adjust their consumption behaviour and how the situation affects their energy supplier selection decisions.

We have summarized the most interesting results for you and supplemented them with our views on useful measures for action.



**Germany, Austria, Spain, Italy,
France, UK**



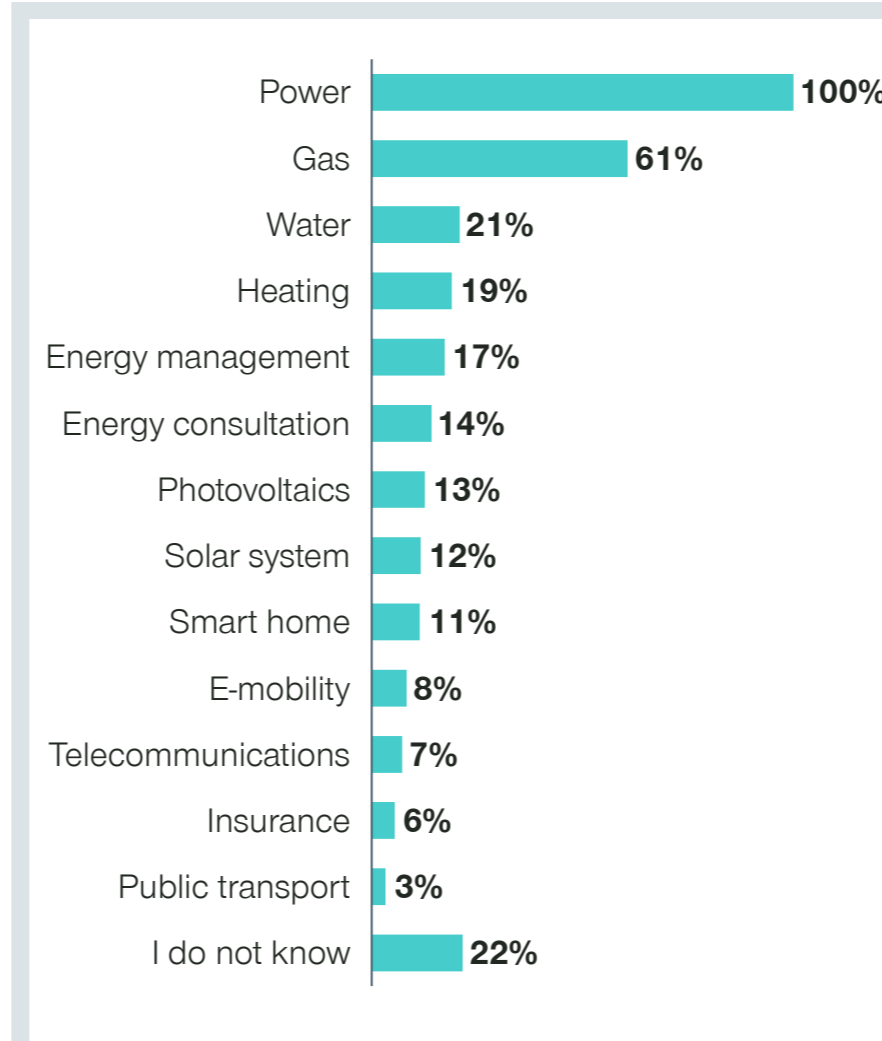
N=5,500

Energy providers are widely perceived as commodity resellers – product portfolio is rather unknown amongst consumers

Awareness of the product portfolio of the electricity supplier



Products/services that are known from current electricity provider



Research Takeaway:

- **1.9 products are taken** by customers on average from their energy supplier
- Customers **know on average 2.9 products** provided by their supplier
- Only **47% of customers know products** of their energy supplier **beyond electricity, gas and water**
- Energy providers have not been able to communicate their product portfolio to the consumers and the **positioning is partly unclear**

CALL FOR ACTION:

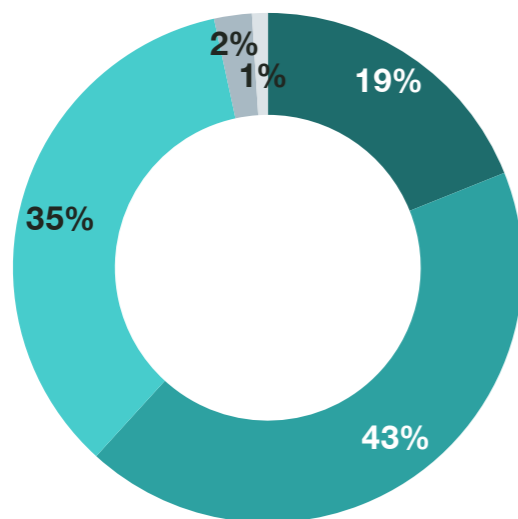
- Take actions to create awareness and **change perception** of offerings (e.g., marketing activities)
- Take the opportunity to **position as solution provider** (e.g., by expanding the offering)
- **Unlock cross-selling potential** within the product offering, **enable easy-to-use multi-sign-ups**

Consumers perceive prices for electricity as expensive, although majority of price increases have not been passed on to the consumers yet

Electricity prices are perceived as expensive ...

... but customers with different tariffs express varying attitudes

Evaluation of the price-performance ratio of electricity supplier



■ Very expensive ■ Reasonable ■ Cheap
■ Expensive ■ Very cheap

Price-performance ratio depending on the tariff



Research Takeaway:

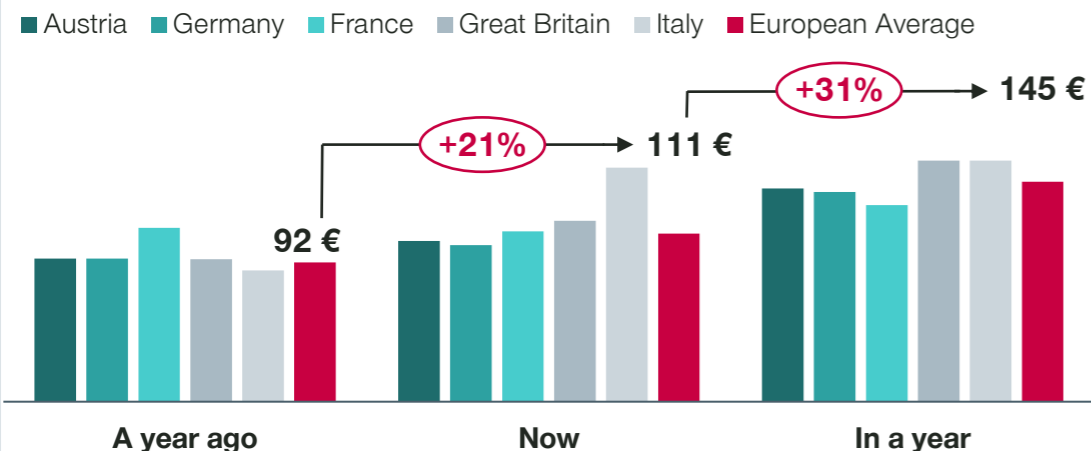
- **Energy is seen** by most respondents as **expensive** in relation to added value
- Frequent **supplier switching** lead **consumers** to **perceive the ratio as better**, even if **they do not pay less**
- Due to longer contract terms and cheaper basic supply, **the price increases have not reached the consumers yet**
- **36%** of Spanish respondents have a **dynamic utility rate** compared to 17% European average¹
- Customers with **dynamic tariffs** **perceive prices as higher** largely due to the recent development of cost

CALL FOR ACTION:

- **Be prepared for strong price reactions** from customers when additional price peaks hit the market
- **Develop benefit management** opportunities and customer **loyalty** programs

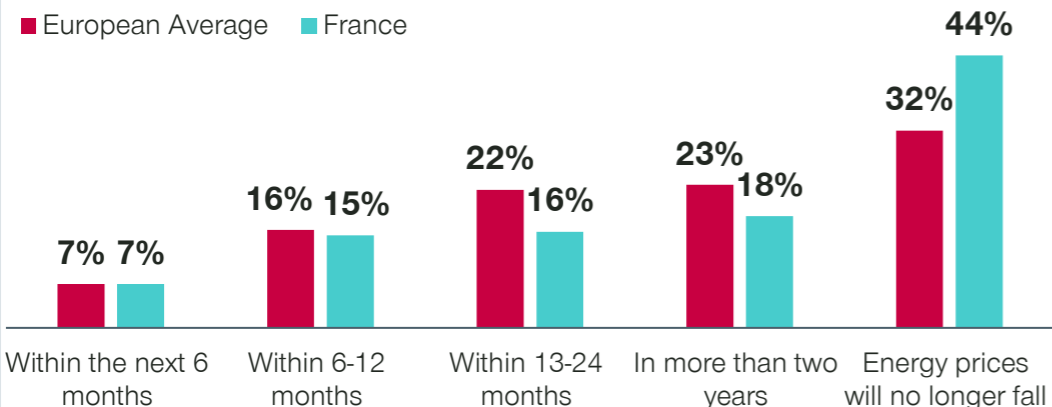
Consumers estimate that average monthly costs will increase by 31% and half of them assumes that prices will not fall in the next two years

Past, current and expected average monthly costs for electricity



- Consumers are aware that they are not yet completely **affected by the price increases**
- Consumers **expect a price increase of 31%** in the next year

Consumers' expectations of falling prices in the future



- Consumers **prepare themselves for high prices in the long term** and act accordingly
- Pessimistic mood **encourages consumers to act in the short term**
- Consumers expect future **price increases to be higher compared to current levels**
- French respondents** expressed significantly more **pessimistic** attitudes

Research Takeaway:

Customer expectations

- Majority of respondents (55%) **do not expect prices to fall in the next two years**
- 32%** expect the prices to **never be lower again**

Expert opinions

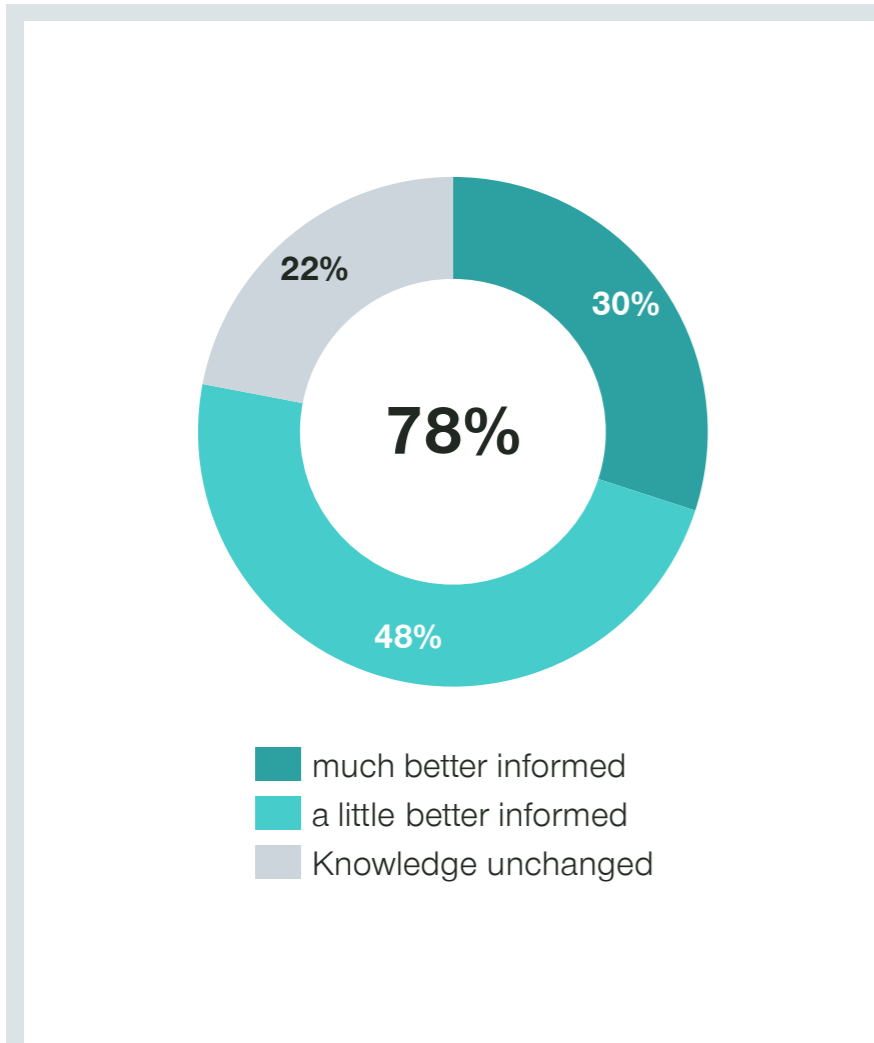
- Prices** will remain at a higher level in the long term, but are **expected to decline from 2024 onwards**
- Price volatility will increase** independently due to rising share of renewable energy

CALL FOR ACTION:

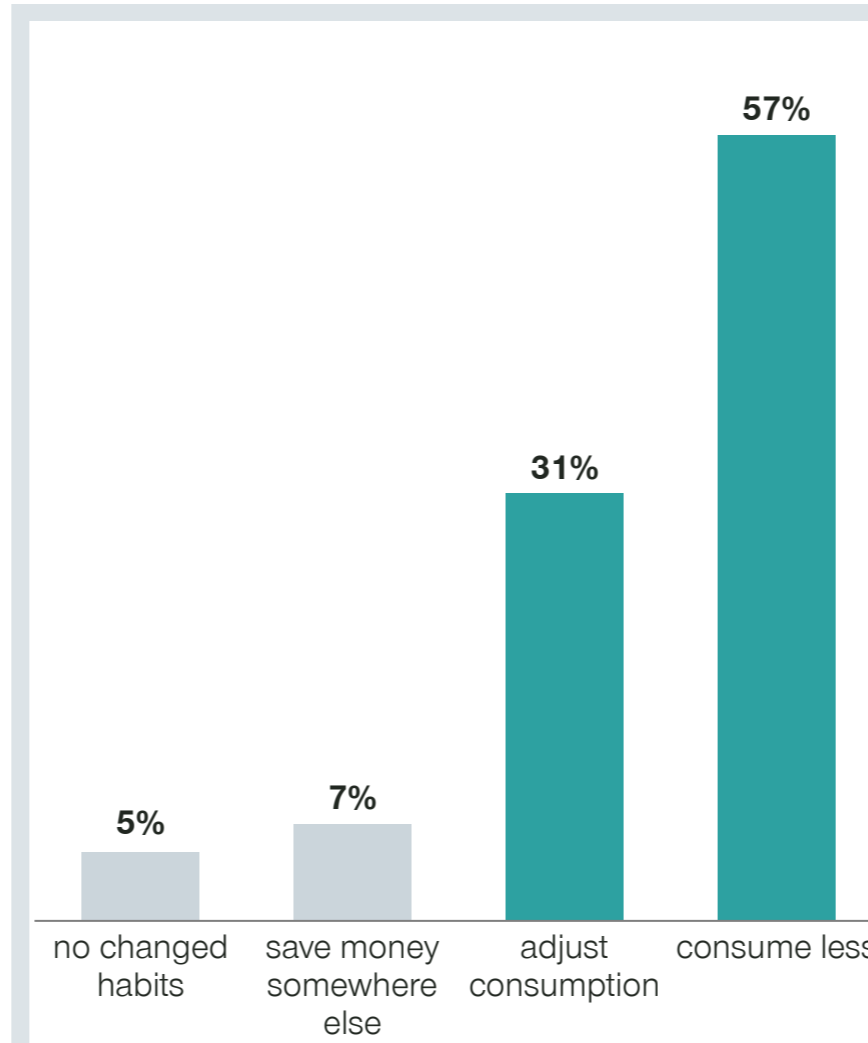
- Offer long-term products** such as combined commodity + solutions packages, PV or heat pumps
- Develop **dynamic tariffs** which can be promoted as “fair according to market”

88% of consumers have already changed or will change their consumption behaviour to compensate for price increases

Impact of the energy crisis on knowledge about the functioning of the electricity market and energy prices



Adjustment of consumer consumption habits in response to high energy prices



Research Takeaway:

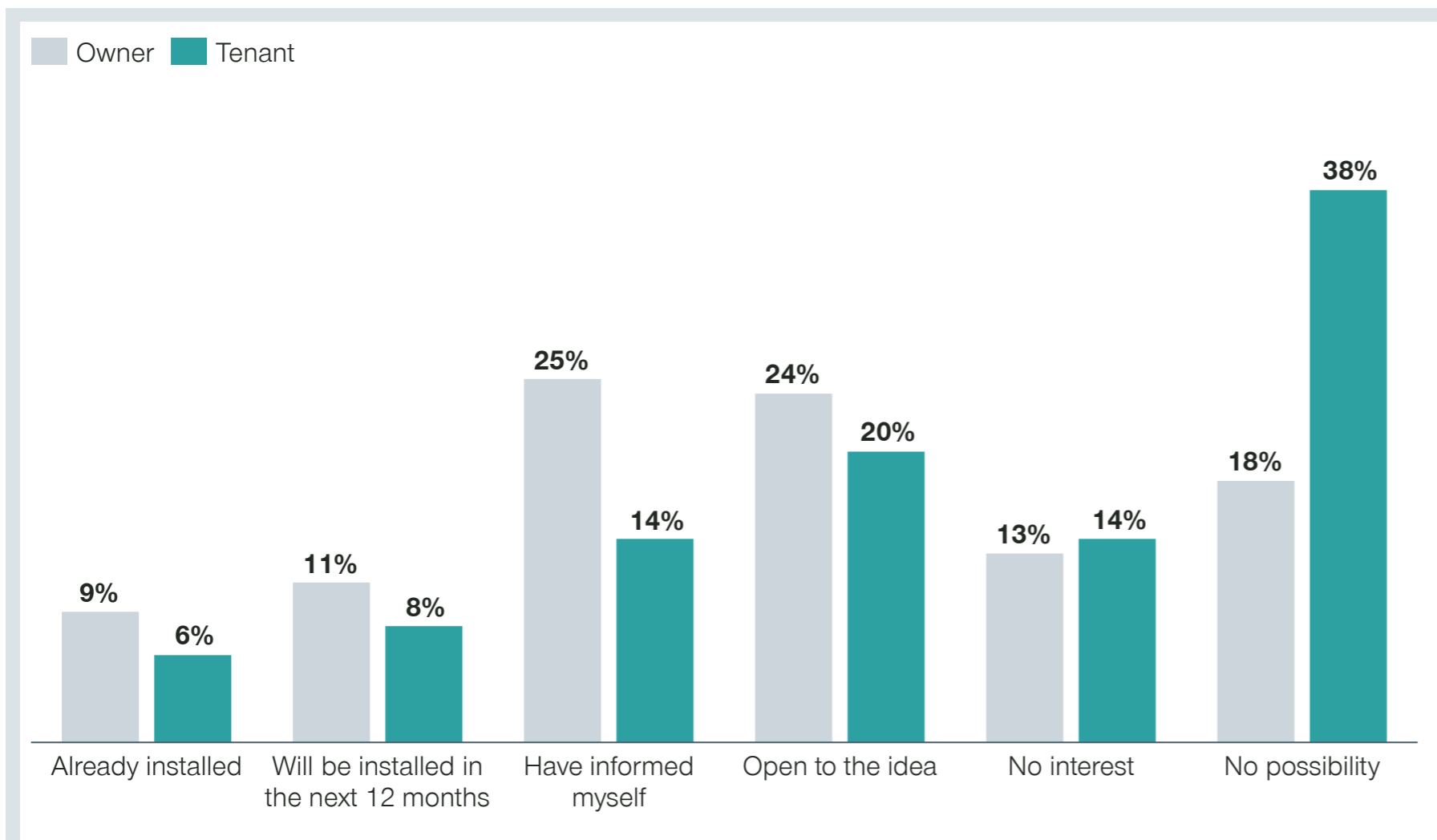
- **78% of respondents feel better informed** about market and prices
- The high energy prices led **88%** of the respondents to **change their consumption behaviour**
- **65%** of respondents who are **better informed** also plan to **consume less energy**
- **Only 12%** of respondents say that they **do not change their energy consumption behaviour**

CALL FOR ACTION:

- **Consideration of lost volumes** due to less consumption **in the sales/procurement portfolio**
- **Incentivise** decreased client volumes and benefit from reduced churn

Energy suppliers have not been able to exploit the customer potential in the field of energy solutions

Do you consider buying an alternative energy source due to recent price spike?



Source: Simon-Kucher & Partners

Research Takeaway:

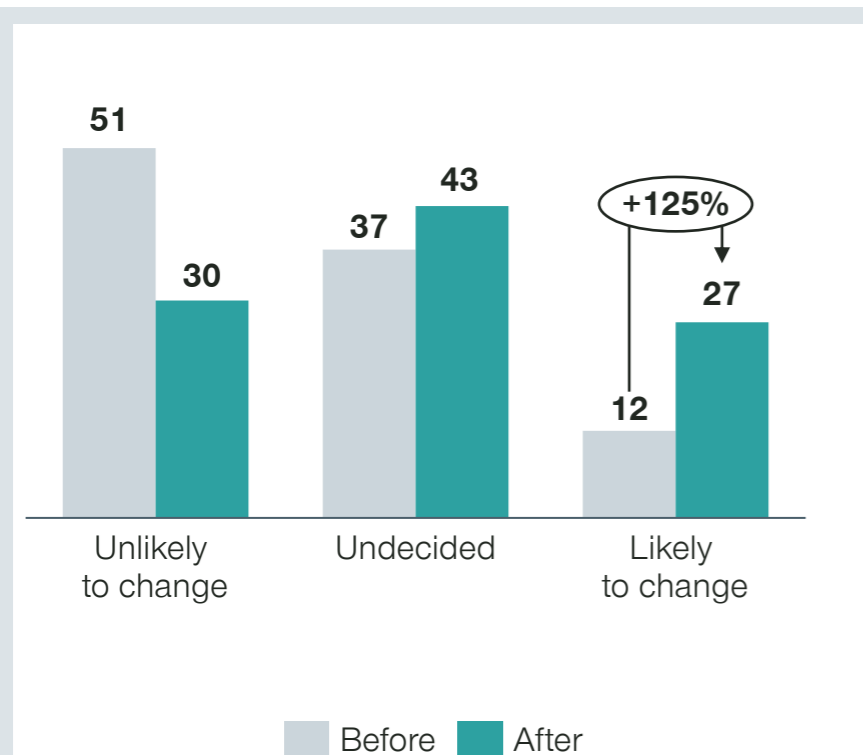
- Consumers with the **possibility to install** have a **strong interest** in adding **alternative energy solutions**
- **Only 8%** of respondents have already **installed alternative solutions**
- There remains a huge untapped **potential** of owners yet to be realised
- Most **tenants do not have the possibility to install energy solutions**
- **Younger generation** are **more likely** to install alternative energy solutions
- Pessimistic mood **encourages consumers to act in the short term**

CALL FOR ACTION:

- Dramatically **simplify customer experience** in solution sales and enable segment-specific micro-targeting
- Deploy **mass-enabled workflows** in installation & operations

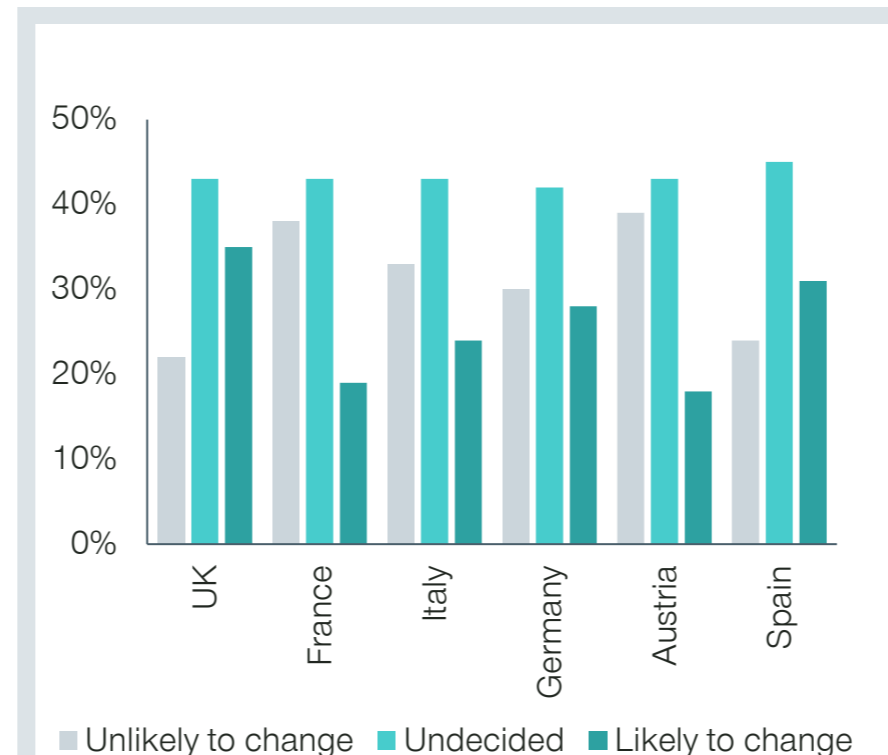
High energy prices significantly influence the switching behaviour of consumers and churn rates are expected to increase further

Likelihood of switching the electricity provider before vs. after the energy crisis



- Switching probability increases with rising prices as **price is a decisive criterion**
- The number of people who are **willing to switch providers has more than doubled**

Likelihood of switching the electricity provider after the energy crisis



- Austrian and French** respondents exhibit the **lowest willingness to change** their electricity provider

Research Takeaway:

- 27% are likely or very likely to switch in the next 12 months;** of these, more than half are considering switching to the base supply¹
- Consumers with **bundled products and older customers are less likely to switch** their electricity supplier
- Monthly price is a key factor** while the price per kWh has little impact on the churn rate

CALL FOR ACTION:

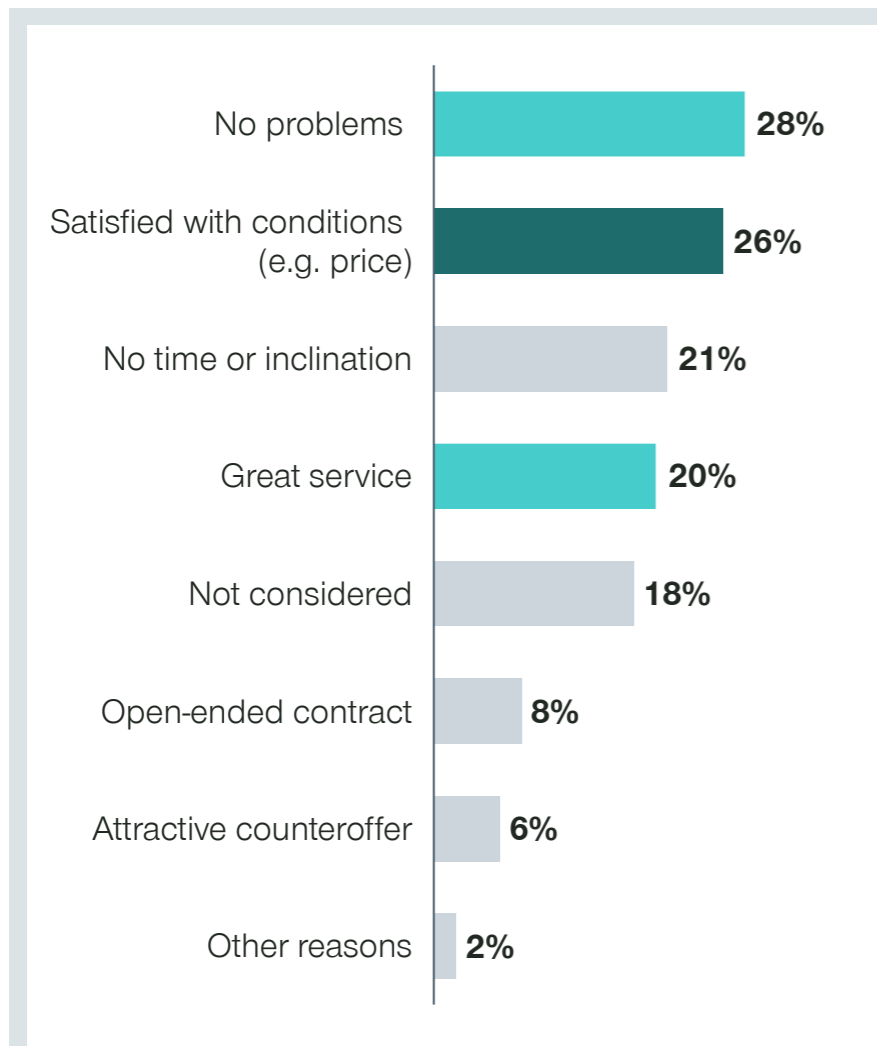
- Segmentation and development of a **churn prediction model** and deployment of concrete measures to address possible churn
- Increase **lock-in effect** by bundling propositions and investing in improving consumer perception of your brand

Source: Survey Simon-Kucher & Partners, <https://www.greenbird.com/news/why-your-customers-churn>, Trend analysis for churn in the international environment

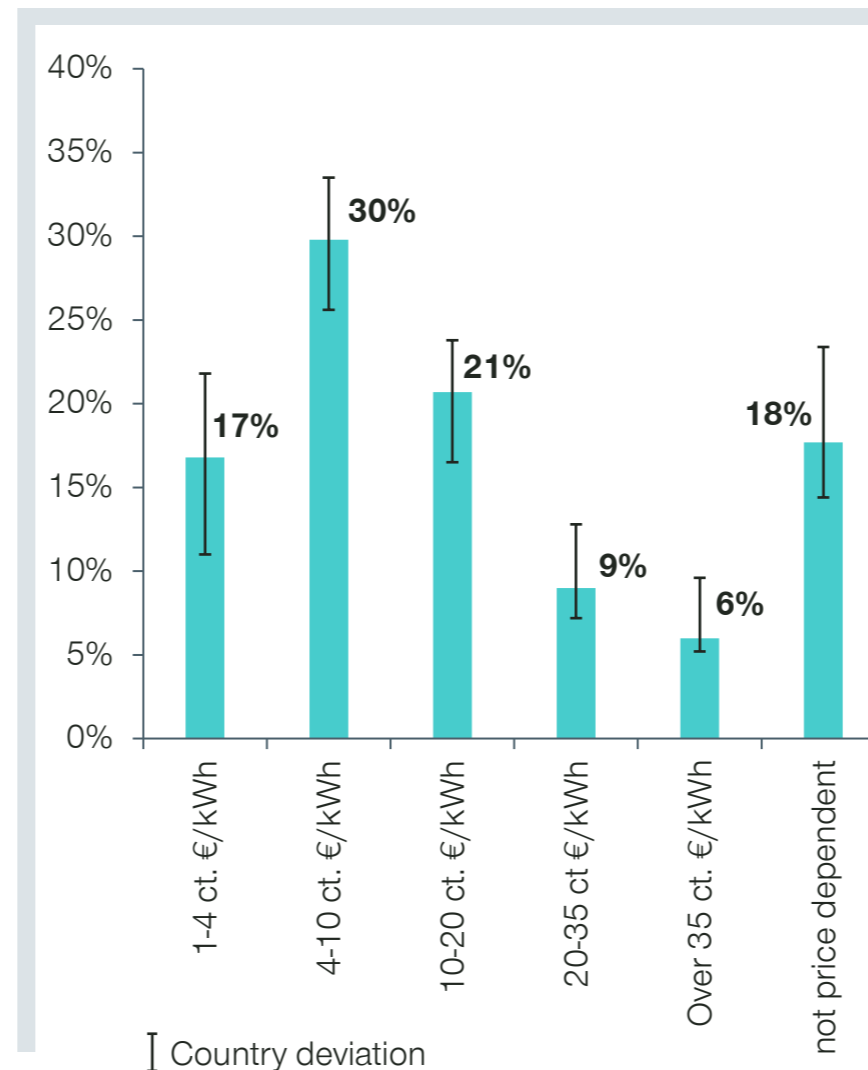
1) Not applicable to the UK market

Consistent and satisfying customer experience across the life cycle is the key driver to reduce churn

Reasons for staying with current energy provider



Tolerated price gap of the customers to other suppliers



Research Takeaway:

- Majority of consumers stay with provider since they have **not had any problems and are satisfied with the customer service**
- Price increase remains a key criterion, but there is a margin that is tolerated before churn**
- The **price gap that causes the customers to switch varies greatly** from individual to individual
- French citizens are the **least price dependent** customer group

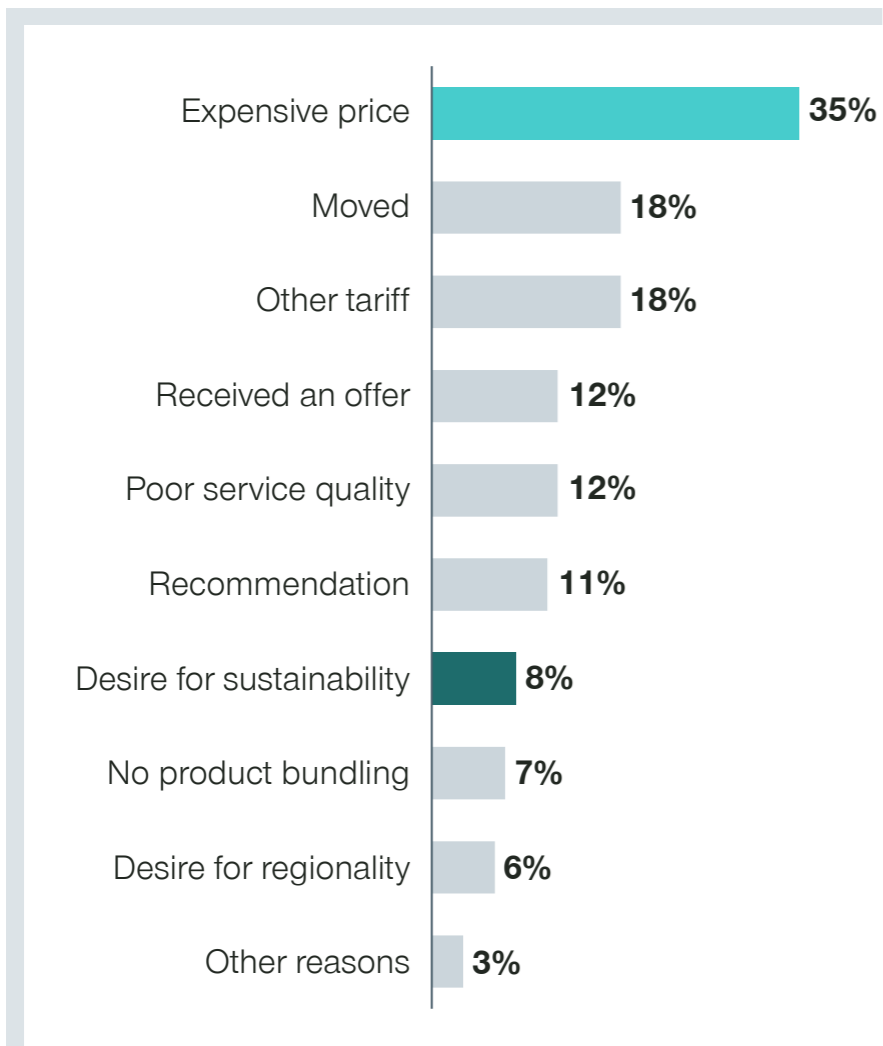
CALL FOR ACTION:

- Optimise every single touchpoint** with your customers; improve overall **customer experience** and **service quality** to prevent customers from switching
- Ensure a **flawless customer journey**

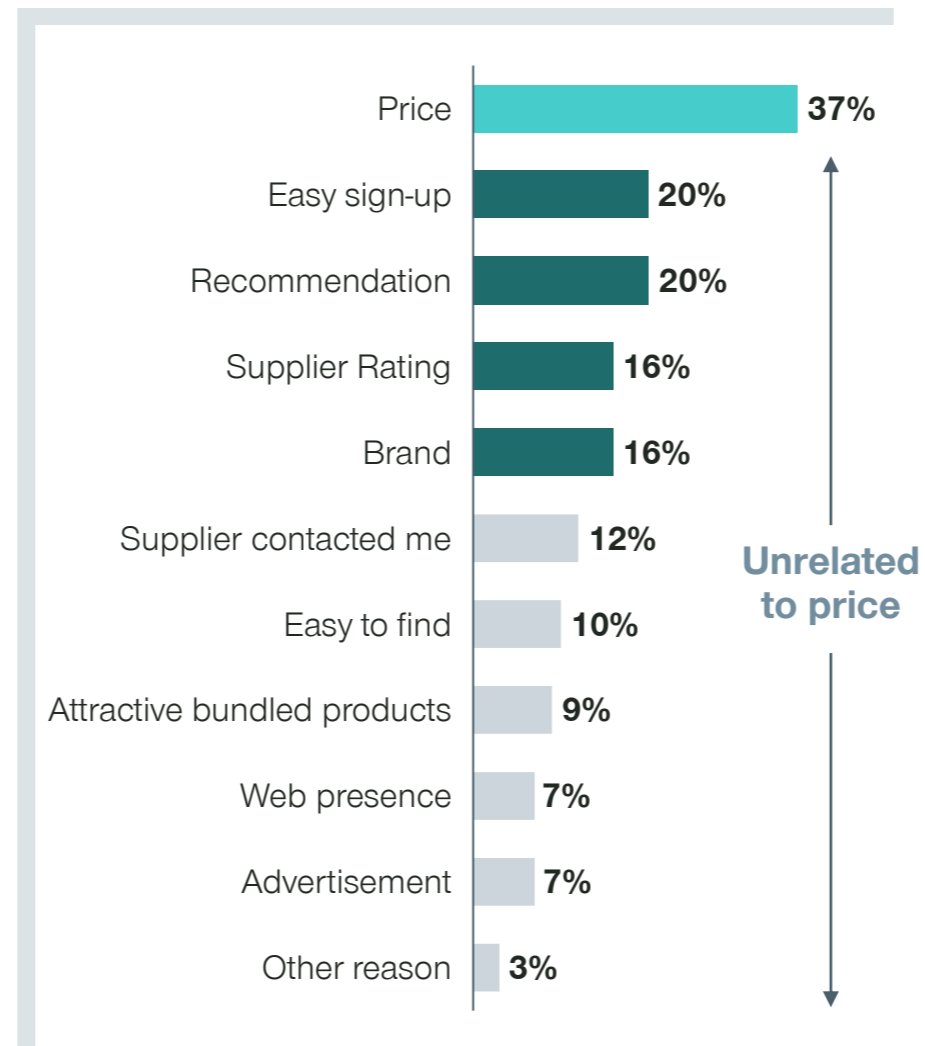
Source: Simon-Kucher & Partners, ¹ Standard deviation of

Price is the key criterion driving churn; personal recommendation and ease of sign-up are also considered for new supplier selection

Reasons for switching the electricity supplier



Reasons for selecting the new electricity supplier



Research Takeaway:

- **Price with 35%** is by far the most important reason for switching electricity supplier
- **Sustainability is a secondary reason** for switching supplier
- **63%** of the drivers are **unrelated to price** – **easy sign-up, a good customer rating and brand recognition** are key drivers influencing selection of new supplier
- **Personal recommendation is a key selection criterion** when choosing an energy provider

CALL FOR ACTION:

- Offer **referral** and **promotional incentives**
- Enable **sign-up experiences** that match **cross-industrial best practices**
- Optimize **brand awareness**

Feel free to get in touch with us!



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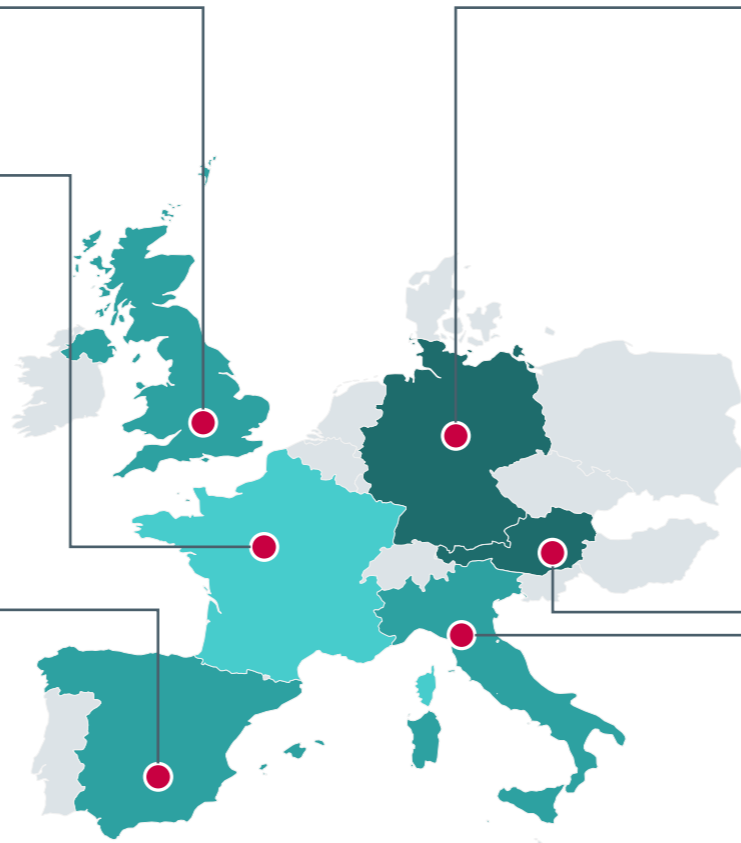
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We look forward to discussing how to take advantage of consumer behavioural changes and future opportunities!



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