

Case Study: Utilities

Powering Customer Experience

A U.S. utility undertook a sweeping application consolidation program and new web portal, saving more than \$20 million per year.

Some might say a focus on customers came late to the utilities sector. Most residents don't think of their power provider as an engaging partner, but that is changing.

Customer experience is now key, and the utility industry is implementing new technologies that leverage data to improve the provider's strategy and decision-making.

Coping with competitive pressures in a deregulated environment, a U.S.-based utility needed to streamline its application and system portfolio while overhauling its pricing system for better accuracy. The utility supplies electricity and natural gas to commercial and industrial customers in 15 states. Additionally, it provides home services to consumers across the country. We worked on a variety of strategic initiatives to streamline the utility's pricing system.

At a glance

We undertook a sweeping application consolidation effort for a major U.S. power utility that improved its pricing systems in two different areas.

Outcomes

- Reduced 50% of applications across the retail utility value chain
- Saved \$23M of annual potential operational costs due to using a consolidated power platform
- Saved \$1.5M of overall project costs by speeding up the release timeline
- Improved lead conversion

Enhanced Pricing Capabilities

As a competitive supplier of energy, the utility has to trade on the wholesale markets to obtain natural gas and electricity to supply its customers' needs. Its staff of trading analysts is devoted to buying and selling electricity.

Previously, a pricing specialist would enter and add together all the individual energy components that make up the desired service to arrive at a total value for the commodity. That value would determine the price quote for the customer.

The pricing process might sound simple, but it isn't. Each component is made up of sub-components that go into the energy, which would affect the profitability of the deal. Prior to this project, pricing specialists were not able to capture or enter the sub-components into the system at a granular level. As a result, pricing was not always accurate. Suboptimal pricing processes meant the utility often left money on the table (or even eroded all of a deal's profits). Too many bad deals could jeopardize the utility's existence over time.

In order to enhance the pricing process, the utility needed to take on an application consolidation effort that was years in the making. In 2013, the utility broadened its reach by acquiring a competitor. However, the need to maintain accurate pricing and billing systems added cost, complexity and cut into profit margins. In January 2014, we partnered with the utility on an application consolidation program called Amplify. The program was sweeping in scope, covering 15 states and six independent system operators (ISOs).

The Amplify program work included:

- Enhancing the pricing systems that enabled calculation of the cost components
- Creating the ability to capture cost components in a new database
- Developing an integration service to simplify retail cost components

One of the most useful capabilities of the new system included real-time energy pricing and alerts with lead generation. Therefore, if a member of the sales team is pricing a contract for a customer, he enters the price per kilowatt-hour for the contract period. Now, brokers have the ability to forecast the energy price for the next five years. This additional data often makes it easier to secure longer-term contracts as customers seek to make the best deals.

Other project benefits included:

Process efficiency

- Improved pricing accuracy
- Reduced margin leakage

Operational efficiency

- 50% reduction of applications across the retail utility value chain
- \$23M of annual potential operational savings due to consolidated power platform
- Approximately \$1.5M of overall project cost savings due to pushing up the release date by seven weeks
- Reduction in margin leakage due to proper hedging
- Improved lead conversion

User experience

- Consolidated billing statements
- Enhanced pricing functionality

Stemming the Tide of Customer Defections

The utility also asked us to help renovate the digital tool set used by its sales team. Its existing product framework did not allow for segmented pricing and had limited flexibility to launch new products or make attractive offers to customers and prospects. The sales advisors struggled to set up and close contracts on existing products. This resulted in invalid pricing being pushed to multiple stakeholders, which led to dissatisfied customers.

After mapping out and better understanding the SMB customer journey, we proposed building a new content management system on Sitecore. This would fix the invalid pricing issue and provide the ability to push relevant offers to customers at the time of renewal. The utility can now alert customers of special deals such as gift card offers or savings on smart thermostats.

We customized the Sitecore platform to offer promotions, incentives and segmentation capability. The new platform allows the utility to improve its product mix by introducing bundled products and upselling functionality.

We delivered the project via an agile methodology by deploying incremental functionality at the end of each sprint, every four weeks. We had demo sessions at the end of each sprint to get client feedback and to instill confidence in the business users and owners.

Expected Project Outcomes

- Reduction in customer churn valued at \$1.4 million per year
- Being able to manage pricing more proactively rather than going through a lengthy process
- Enabling sales by offering bundled products, promotions and incentives

About Cognizant

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