



Put the kettle on.

Love?

A consumer
perspective on the
UK energy market



Introduction

Tea and coffee. Most of us love one or both.

It's what gets us up in the morning, it's what keeps us warm, it's what keeps conversation alive. Every time we put the kettle on, we draw upon the water in our taps and the electricity in our cables. We don't think about where it comes from or how much it costs. How many of us think about the company our bills go to? It costs around 2.5p to boil a full kettle according to npower¹, about the same as a tea bag. It's not big money, but add up all those teas, a fridge, a washing machine, your boiler and the numbers quickly start to rise. The ONS calculates that the average electricity bill is £592 and for gas is £752.²

Consumers are canny when it comes to supermarket shopping, buying flights, and choosing clothes. We weigh up quality versus cost, we look for deals, and we are drawn to familiar and trusted brands. Do consumers show the same behaviour towards their energy providers?

In this report, the first in an annual series, Opinium brings together several strands of recent research into the energy market to provide an overview of the consumer energy market. Unlike tea and coffee, no one could call themselves an energy lover, but what is the consumer attitude to the energy market and the providers involved?

Opinium finds that, similarly to the supermarkets, big is not always beautiful.

Steve Looney, Research Director, brings his experience of FMCG and retail to bear on the brand equity of the Big Six and the Independents, showing that the more recent entrants to the market are distinguishing themselves against the large incumbents.

Our research finds that despite the large sums of money involved in energy, inertia remains. Like our favourite blend, most of us are staying put with what we know, rather than exploring new tastes and a cheaper rate, but that there are some people willing to spice up their brew by bringing down their costs.

We also explore who leads the way in customer satisfaction and finds again, that the small players are the ones to watch.

Finally, we look at attitudes to renewable fuels and how this can differentiate providers in a crowded market.

¹ <https://blog.npower.com/2013/02/ever-wondered-how-much-your-appliances-cost-to-run/>

² <https://www.gov.uk/government/statistical-data-sets/annual-domestic-energy-price-statistics>

Brand equity

Little love in a cold climate

Steve Looney // Research Director

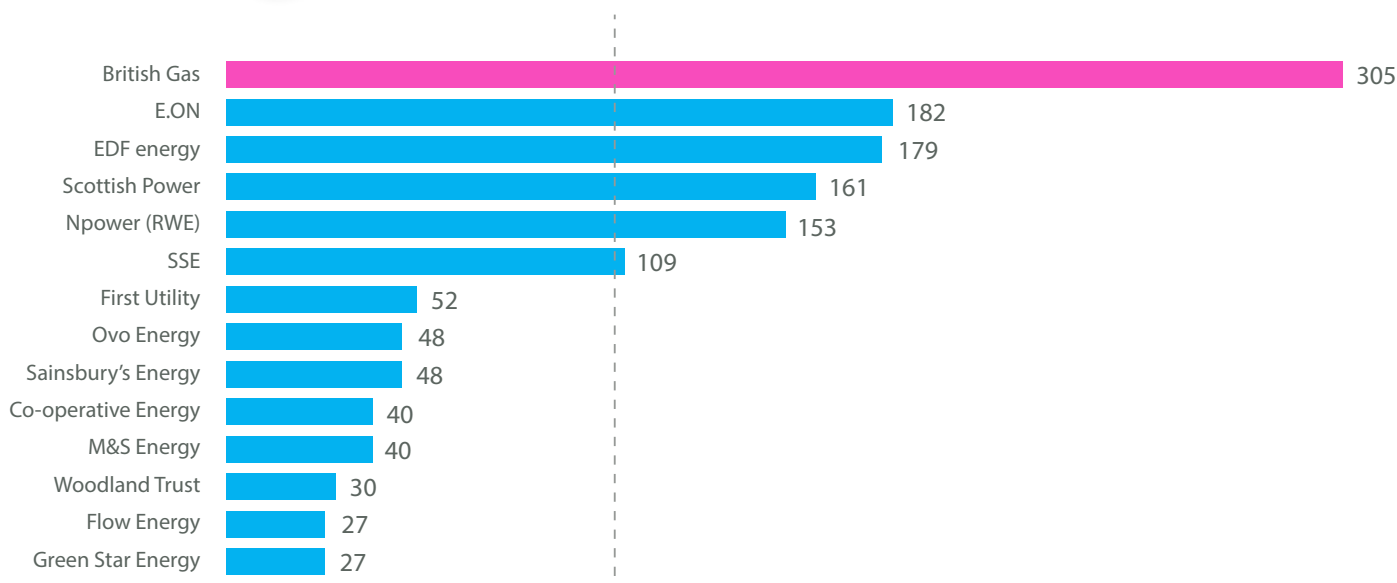
The UK energy market has become increasingly competitive in recent years but overall is still seen poorly by consumers. Over half of consumers rate the energy industry as having a bad reputation, just slightly in front of banking and government.

So is it just about picking the best from a bad bunch?

British Gas remains easily the strongest brand in the category. Using the Opinium Brand Strength Index we can see that the strength of the British Gas brand comes primarily from the huge prominence it has in the category.



Prominence index



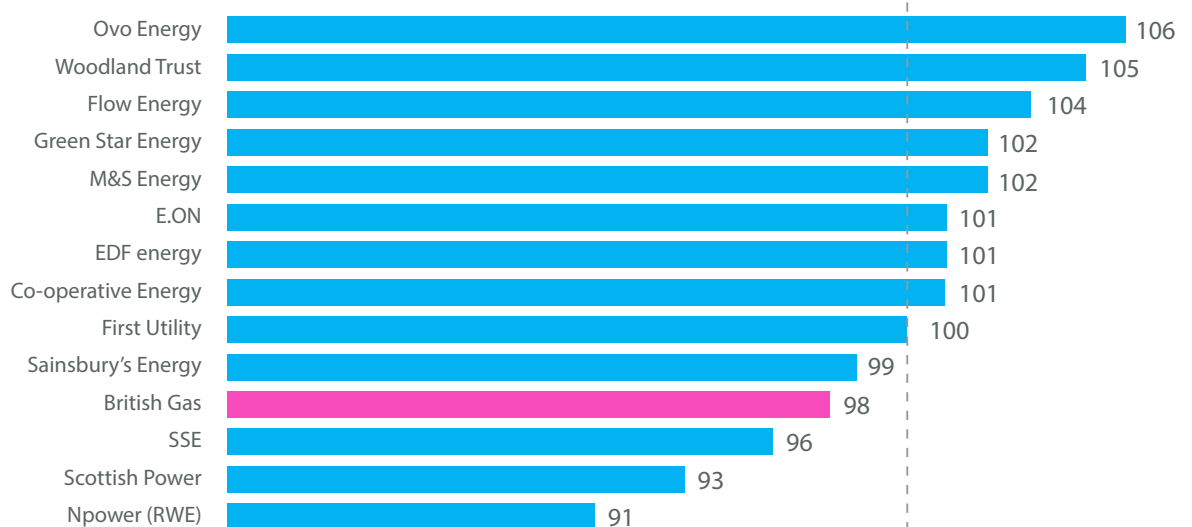


However it's not all doom and gloom for the new challenger brands.

In a category that struggles to make an emotional connection with consumers it is brands like OVO and Flow Energy that are succeeding to do this while many of the established big boys are falling short on this measure.



Connection index



Why is emotional connection important?

It's one of the three areas, along with being distinctive and prominent that make the great brands that we know and love exactly that. Brands that are distinctive do things differently & set the agenda in their category, the likes of Apple are a great example of this. In the energy sector it is again the challenger brands who are known for doing things differently so the big guns maybe safe for now due to their size but indications are that there are some new interesting players in the category and they are tapping into consumer needs.

We've seen the retail landscape change with the emergence of discounters like Aldi & Lidl making inroads into a very established supermarket category. We've also seen the fall of giants like Woolworths and HMV, so is the energy sector facing a shake up in the near future? The key for the emerging energy brands will be to continue to give consumers a compelling reason to change be that for service, cost or environmental reasons, then make that process as simple and as swift as possible, and then finally they have to deliver. If they can do this then consumers might start to take more interest in their providers and you never know our hearts might start to warm up towards the companies that keep us warm all winter long.



The state of switching

Energy. Not a turn on.

It's often said that the energy market, like other utilities, is characterised by inertia – people remain customers of their provider for years and rarely consider switching, let alone actually going through the process.

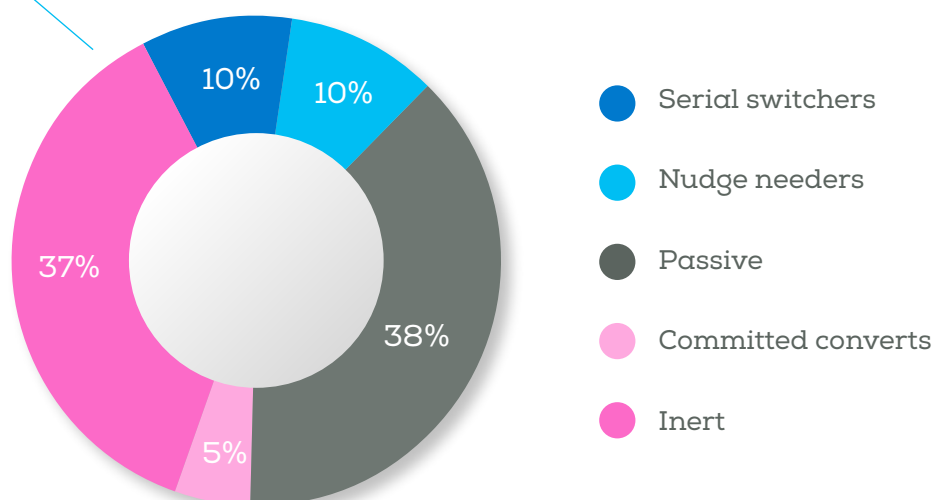
It's why there are campaigns like Big Energy Saving Week, encouraging people to look into other providers.

Recent research by Opinium looked into the inertia that is often talked about and segmented energy consumers into five groups based on their recent switching behaviour; Serial Switchers, Committed Converts, Nudge Needers, Passive and Inert.

Opinium found that almost two in five customers (37%) are inert, neither switching in the last year nor considering switching next year. Of these people, only 14% even thought about switching last year. A further two in five (38%) are 'passive' – they're not sure whether they will switch in the next year, though some have switched in the last year.

However, despite the prevalence of this inertia, there are opportunities for campaign groups and providers themselves to shake up the market.

Consumers by segment





Engage Serial Switchers as ambassadors of change

One in ten energy customers are serial ‘movers’, having switched energy providers in the last year and likely to do so again in the next year. Despite over three-quarters of Serial Switchers being satisfied with their current provider (77%) they are still likely to look to switch. These people are likely to be after one thing – a cheap deal. They are less concerned about customer service, less concerned with brand reputation and simply after the cheapest offer on the price-comparison websites. They are unlikely to build a strong reputation with any particular brand, but they could act as catalysts to encourage their friends and family to consider changing.

Organisations should identify and engage with these individuals and provide them with tools and resources to stir others, particularly Nudge Needers. Almost all Serial Switchers (93%) think the switching process is easy and 62% said savings they had made were better than expected.



Give customers the nudge

A further one in ten customers are Nudge Needers. While they haven't switched in the last year, eight in ten (82%) have thought about switching and are likely to switch in the next year. They are looking for better service as they are the most dissatisfied with their current provider (20% dissatisfied), a factor that should be exploited. With less experience of recently switching, these customers should be central to providers' engagement strategies – they are looking for good customer service and good prices and are more likely to stay with them than Serial Switchers.

The two biggest reasons for not switching given by those needing nudging were not getting round to it (21%) and there not being a big enough incentive (21%).

Seven in ten (70%) of those needing a nudge would use a price comparison website to switch supplier.

Create cut-through among Passive customers

Our research also identified that two-fifths (38%) of customers are generally passive. 80% of these customers didn't switch last year and said they are neither likely nor unlikely to switch again in the future. Just over a third (37%) considered switching this year.

This group primarily differs from those who are inert, in their levels of satisfaction with their suppliers. Eight in ten inert customers are satisfied with their provider (83%), while only six in ten passive customers are satisfied

The most common reason given for not switching is the lack of a big enough incentive (26%) followed by not believing it would make any difference (19%).

Committed Converts are possible

While only a small group of the market, it is possible to create Committed Converts.

This small group of 1 in 20 consumers have switched in the last year but are unlikely to switch again soon. They have the highest level of satisfaction among any segment with 85% being satisfied.

The majority of these cost-conscious consumers say the level of savings they have made are better than expected (58%), a core driver of their loyalty.

While these consumers are driven mainly by saving money, they are also attracted by brand values. They are the group most likely to be using one of the independent providers in the market – particularly those who offer green tariffs, such as Ovo – and they do show a higher likelihood to be interested in ethical energy. Over half (54%) of Committed Converts think their provider is environmentally friendly, compared to 42% across all consumers.



Satisfaction

Don't have the hots for you

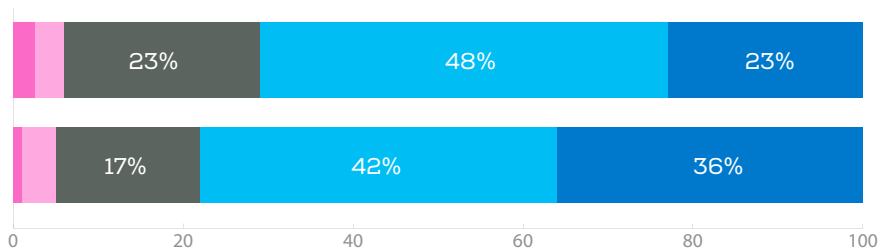
Unlike our favourite brew, we're unlikely to expect energy companies to make us feel good. But while energy companies may not be brands that we love or admire, overall, satisfaction with energy providers is about average, at 71%. Comparing our research with similar research last year there is a slight increase in satisfaction across the market, likely to be driven by people switching away from the Big Six to smaller providers.

As with Brand Strength, there's a different picture between the Big Six and independent providers. Two of the Big Six companies score far lower than average, with one in ten customers being dissatisfied. None of the Big Six companies stand out for high levels of satisfaction.

Among the independents, satisfaction is slightly higher overall, but driven primarily by one supplier – Ovo. Almost all the Ovo customers were satisfied with their experience, making them unique among customers.

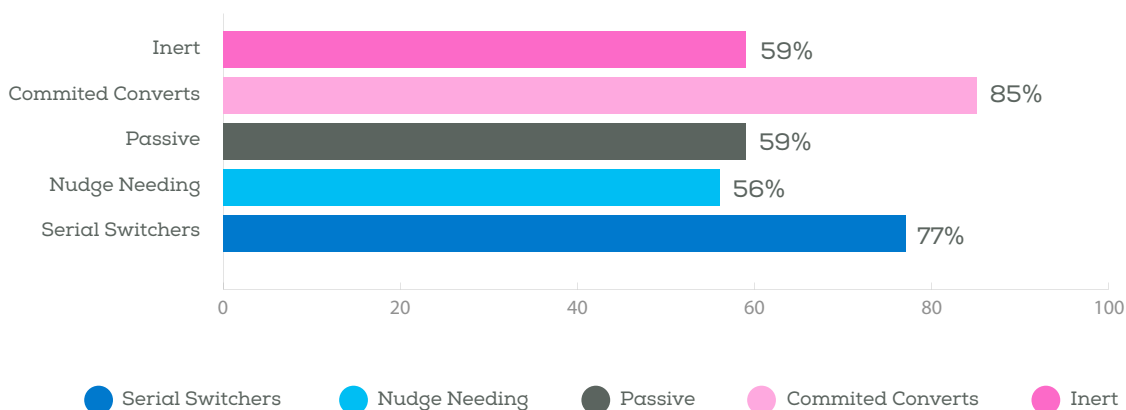
Customer satisfaction

- Extremely satisfied
- Fairly satisfied
- Neither satisfied nor dissatisfied
- Fairly dissatisfied
- Extremely dissatisfied



Returning to our segments, people who switch are more satisfied overall with their provider than those who don't switch.

Satisfaction by segment



Environmentally friendly

Enlightened thinking

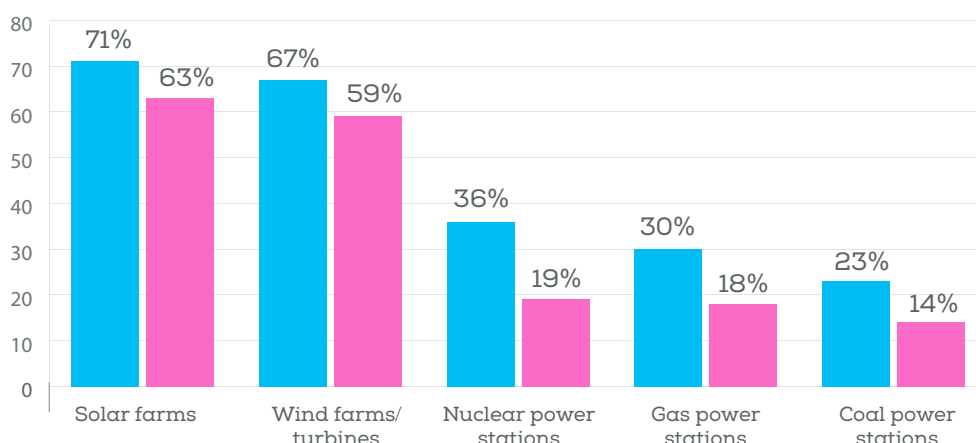
There's nothing like waking up to smell the coffee. But where did the power come from to give you your kick start to the day? A coal burning power station? A solar panel? A wind farm?

In a recent speech, Amber Rudd indicated a move towards greater dependency upon nuclear energy and natural gas³. Subsidies for renewables are being cut. The Government wants to let the markets lead on innovation and supply. But green issues should not be ignored, either by government or providers.

Adding renewable energy as part of a provider's portfolio could help increase market share and customer satisfaction. Consumers show high levels of favourability towards renewable energy sources, far outweighing those towards coal, gas or nuclear, and particularly so for younger people, those in London, the South and Scotland. Renewables are also the sources of energy that people are most favourable to having located near them.

In favour of energy sources

- In general
- In my local area



The rise of independent providers who highlight their green credentials shows that some switchers are even willing to pay a premium for renewable tariffs. Consumers' level of satisfaction with their provider also correlates with their view of how environmentally friendly they think they are. Again, Ovo has the highest level of customers who believe it is environmentally friendly. Three quarters of Ovo customers (72%) we spoke to thought it was environmentally friendly, compared to 41% across all energy suppliers.

³ <https://www.gov.uk/government/speeches/amber-rudds-speech-on-a-new-direction-for-uk-energy-policy>

About us



Adam Wilson // Research Manager

Adam heads up Opinium's Energy and Utilities team, helping energy providers, consumer bodies and other organisations to understand the UK energy market. Opinium brings together desk and primary research in order to provide our clients with a holistic view of the market. Working across Opinium's practice areas, Adam makes sure Opinium's expertise in consumer, financial and b2b research is brought to bear on energy and utilities.

adamwilson@opinium.co.uk :: 0207 566 7431



Steve Looney // Research Director

Steve has over 15 years of experience working in market and consumer research delivering insight across many areas of the business world from small start-ups through to iconic global brands.

Steve's experience comes from across the FMCG, retail, B2B & service categories dealing with many facets of marketing information such as: communication evaluation, concept testing, brand planning & strategy development, and customer satisfaction.

stevelooney@opinium.co.uk :: 0207 566 7437



What people
think, feel and do.

About Opinium

Opinium is an award winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on the pulse of what people think, feel and do. Creative and inquisitive, we are passionate about empowering our clients to make the decisions that matter. We work with organisations to define and resolve commercial issues, helping them to get to grips with the world in which their brands operate, by ensuring we develop the right approach and methodology to deliver robust insight, targeted recommendations, and address specific business challenges.

www.opinium.co.uk :: research@opinium.co.uk :: 0207 566 3190