

A woman with curly hair is looking up at a glowing lightbulb. Two hands are holding the lightbulb, one from above and one from the side. The scene is dimly lit, with the light from the bulb illuminating the woman's face and the hands. There are decorative horizontal bars in blue, light blue, and pink on the left side of the image.

OUR FRIENDS ELECTRIC

A consumer
perspective on the
UK energy market



What people think,
feel and do

LUKE WARM AFFECTIONS

The year ahead will be an interesting one for market watchers and analysts. After their introduction and almost immediate rise, we will finally see the impact of price caps on consumers and providers. Continued volatility around the brands that operate in also expected. We're no longer expecting a merger between SSE and npower, but we expect providers to seek areas to consolidate, and we could see further small providers fail following Economy Energy and Our Power's collapse. Plus, it's been a milder winter than last year's 'Beast from the East' and bills could be down. In a market renowned for extremely low levels of engagement we may see even less interest from consumers themselves. Our annual report into the market from a consumer perspective will help to show the lie of the land as we enter 2019.

We find that British gas continues to lead the market in our Brand Strength Index, dominating prominence as in previous years but also standing tall for its connection with its consumers.

The big six have reclaimed their dominance of the top rankings as challenger brands fail to maintain their distinctiveness in a crowded market and the Big Six start to increase their use of green credentials.



Our tracking of switching behaviour shows early indications in a rise in inertia and a levelling off of switching levels. Advocates of switching will find this disappointing, but this could be good news for the Big Six and investors. Inert customers can act as a consumer cash cow, while thinking they are being protected from high tariffs because of price caps, but unaware of the details of how these will actually affect them or if they are even eligible.

Since the last report, we have seen satisfaction levels decline slightly. While independent providers continue to provide higher levels of satisfaction even they have seen some decline this year. Could this be the start of an ongoing trend and do providers need to step up their game?

Finally, we look at attitudes to wider energy-related issues. Climate change and environmental issues remain some of the largest concerns that the UK public has. Only the health and wellbeing of people in the UK concerns people more. We show

that the public want to see government take the lead and that there is demand for energy companies to take significant role in addressing these issues.

We hope you find this report useful. If you would like further details on any of the research or our wider research related to the UK energy market, do get in touch with us.



BRAND STRENGTH: THE POWER OF LOVE

British gas continues to lead the market in our Brand Strength Index, dominating prominence as in previous years but also standing tall for its connection with its consumers. E.ON and EDF come second in ranking respectively, whilst the rest of the big six pack fade into equal rankings amongst several smaller providers, including high-performing OVO and Bulb.

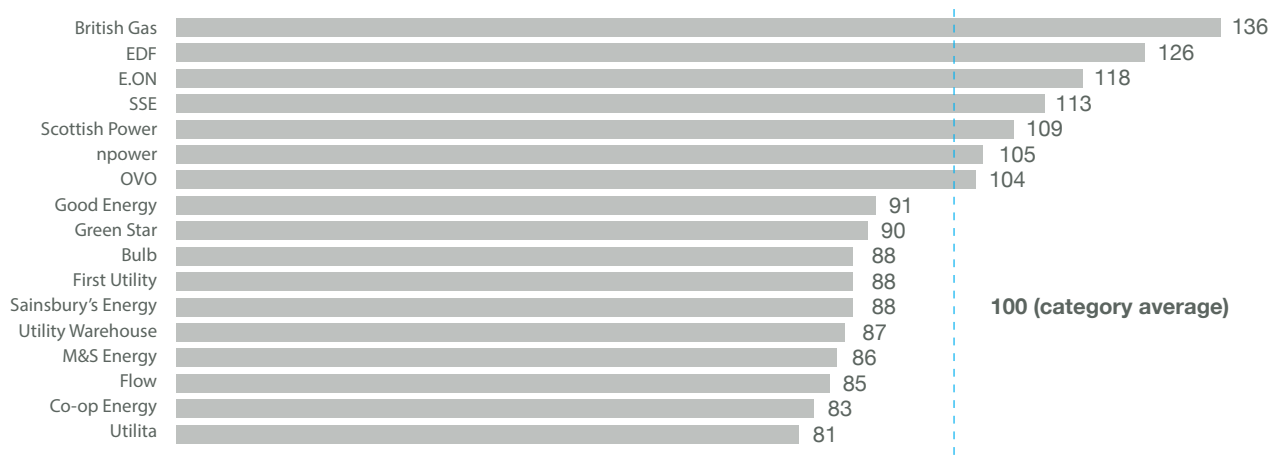
Relative newcomer Bulb has become the highest ranking independent energy provider for being distinctive. Following a huge increase in customers this year and a new TV campaign just launched, it will be interesting to see if it can maintain this position across the year.

British gas increases its lead this year among the big six as it reaches above average for connection with its consumers for the first time. Despite a torrid year in terms of customer retention, British Gas streaks ahead the rest of the pack for how quickly it comes to mind for consumers when thinking about energy companies, evidence of its continued dominance in the market.

The big six has reclaimed its prominence in the top rankings, as OVO falls to seventh place this year. With the continued rise of other green energy providers and Big 6 companies including more green credentials, OVO has lost some of its shine in an increasingly crowded market. Meanwhile, while Scottish power and npower have improved their connection with consumers, they continue to lag substantially behind the top three of British Gas, E.ON, and EDF. Independent providers have continued since last year to climb the rankings as distinction between the bottom three big six and independent providers reduces. With the merger between npower and SSE called off, it will be interesting to see how these traditional brands will attempt to regain lead in the current climate.



BSI (Brand Strength Index)



Distinguished

Once again, challenger brands perform well in how unique they are perceived to be and their ability to set trends. The four most distinguished brands all include packages with electricity from energy sources which helps explain their trend setter reputation. Bulb's comes top, proving it's branding as an affordable renewable energy provider has successfully set it up as different to other providers in consumers' eyes. British Gas still manages to outrank other members of the big 6, in particular due to consumers' perception that it sets trends.

Distinguished Index



THE STATE OF SWITCHING: LOSING THE SPARK

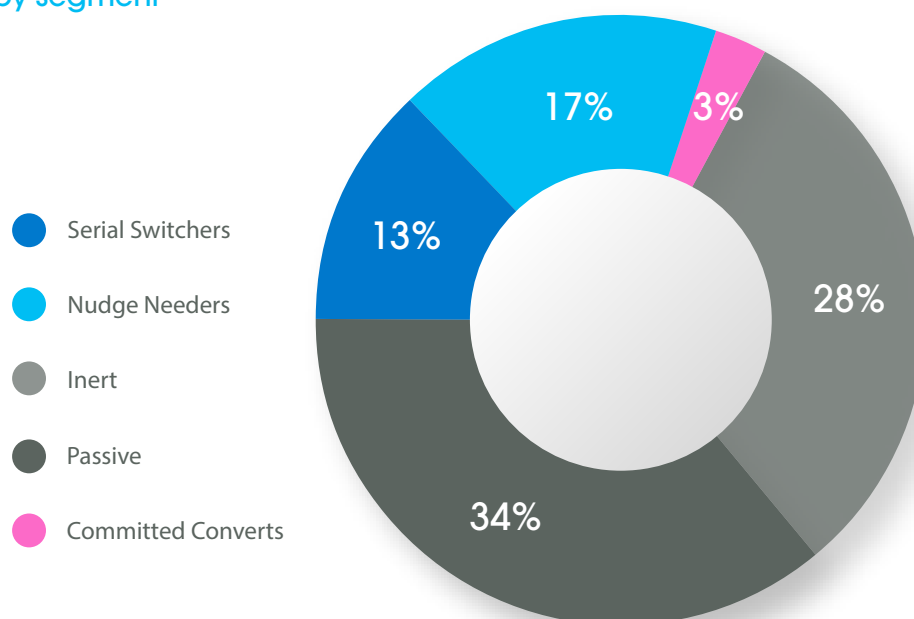
In late 2018, three in ten energy consumers (29%) said they were likely to switch their energy supplier in the next 12 months. This shows a stable attitude towards switching, in contrast to the previous year where likelihood to switch increased from 23% to 30% within the year. Advocates of switching will find this levelling off of rates of switching disappointing.

The majority of those who have switched use price comparison websites such as MoneySupermarket to get the best deals.

Consumers are three time more likely to search for a new deal this way than directly switching on a provider's website. This has potential to change in the future however. This year we have seen the younger generation more inclined to switch directly using the new provider's website more than any other group. This is potentially being driven by recommendation and referral programmes from friends and family.

In terms of our switching segmentation, the market remains fairly stable. Serial Switchers and Nudge Needers remain at the same proportion (13% and 17% respectively). However, even fewer consumers are committed to switch energy deals regularly, with Committed Converts more than halving in size (from 7% to 3%). This suggests that people who are more engaged in the market aren't finding providers who offer value or service that is compelling enough to cause them to stay.

Consumers by segment



Inertia on the rise

This year we have seen an increase in the numbers of Inert customers. People who haven't switched and are unlikely to do so in the future.

While the evidence of a longer-term trend is still minimal, there are the early indications that these unengaged customers are even less likely to consider switching or to investigate getting a cheaper deal. This is good news for the Big Six and investors – they are far more likely to be Big Six customers, older and higher users of energy. Alarming, they also include more at-risk customers.

Inert customers have far higher levels of satisfactions compared to the market overall and are far less sceptical of providers.

Many of these customers may have unrealistic expectations on how price caps will affect them. They are the least likely to say that their bills will rise this year, have some of the highest levels of support for price caps and are the most likely to say that it will reduce levels of switching.

Give customers the nudge

Nudge Needers are looking for better service as they are the group most dissatisfied with their current provider (18% dissatisfied), a factor that should be exploited. With less experience of recently switching, these customers should be central to providers' acquisition strategies, especially among challenger brands – they are looking for good prices and better service and are more likely to stay with them than Serial Switchers. They need to clearly understand the benefits of switching.

Engage Serial Switchers as ambassadors of change

Just over one in ten (13%) energy customers are Serial Switchers, having moved energy provider in the last year and likely to do so again in the next year. Despite being attracted to independent and challenger providers, they are less satisfied with their current provider than consumers in general (61%) and they are still likely to look to switch. Half say they are extremely likely to switch in the next 12 months. These people are likely to be after one thing – a cheap deal. They are the group most likely to say that their bills will increase in the next 12 months.

They are less concerned with brand reputation and simply after the cheapest offer on price-comparison websites. While they are not brand-loyal, they could act as catalysts to encourage their friends and family to consider changing provider and encourage switching more widely.

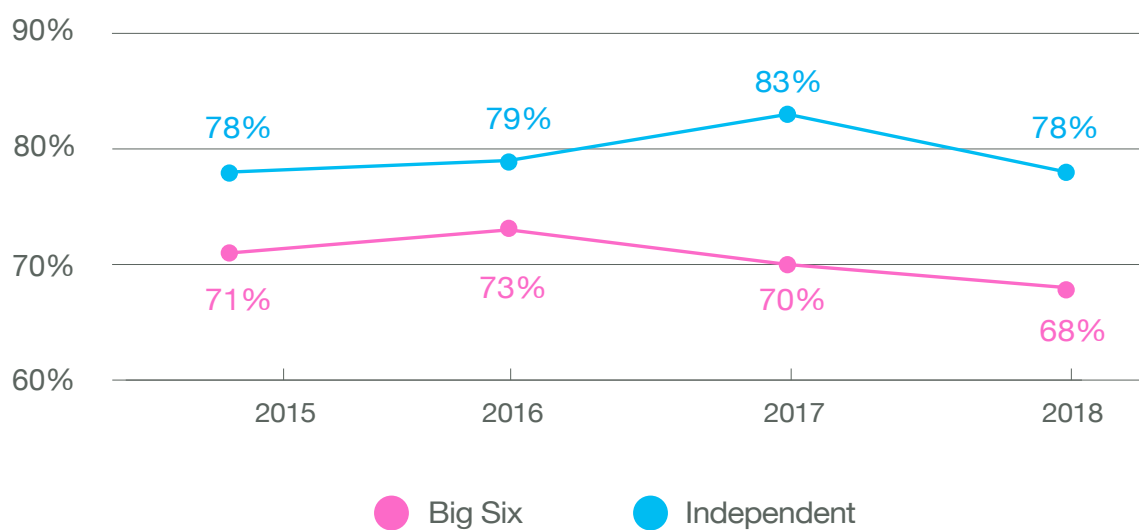
SATISFACTION: A COOLING OFF PERIOD?

Since the last wave, satisfaction levels have tailed off. Independent providers continue to provide higher levels of satisfaction (averaging 76% compared to the average of 69%). Yet ratings have dropped overall, with satisfaction levels for independent providers reducing the most (from 83% to 76% last year). The Big 6 have now fallen in customer satisfaction levels three years in a row, suggesting that large energy providers are struggling to deliver while growing in prominence. Even more worrying, npower received lower than 50% satisfaction this year, scoring the lowest out of all energy providers.

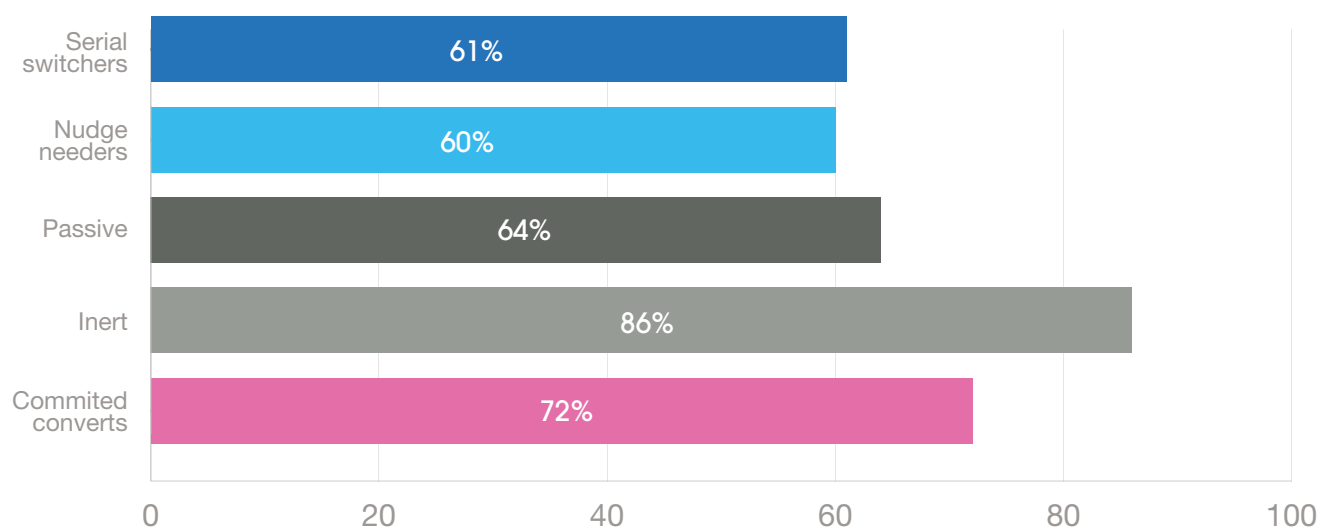


As with last year, inert consumers are the most likely to be satisfied, indicating both a lack of interest in the category and that they haven't been given reason to look elsewhere through poor service

Satisfaction



Satisfaction by segment

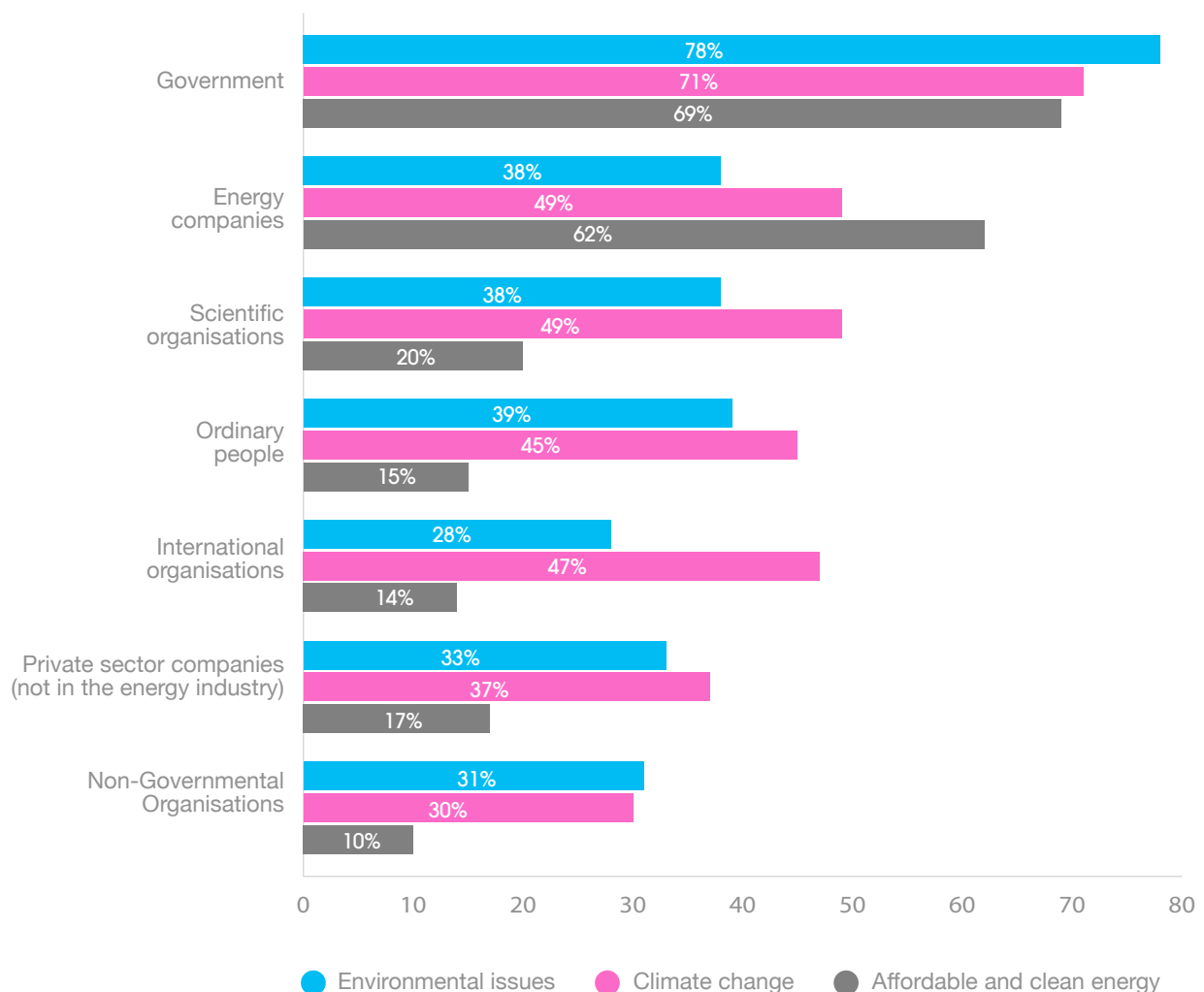


RENEWABLES: POSITIVE ENERGY

Climate change and environmental issues remain some of the largest concerns that the UK public has. Only the health and wellbeing of people in the UK concerns people more, and these are arguably related. Around eight in ten are concerned about environmental issues (82%) and want to see affordable and clean energy (80%), with three-quarters concerned about climate change.

In terms of tackling these issues, the public want to see government take the lead, with the majority of people feeling government needs to be responsible for addressing these issues. However, the public is looking for energy companies to take responsibility, particularly in terms of offering affordable and clean energy (62%).

Who should be responsible for addressing these issues?



While the public realises that individual energy companies are limited in what they can do to address environmental issues and climate change, there is an opportunity here for providers to show their green credentials and lead by example and influence the debate alongside government.

There is a financial incentive too. As shown by both Ovo and Bulb's continued success, renewable energy providers are gaining popularity among consumers as they increasingly offer competitive rates. Bulb and Good Energy come securely middle of the energy provider pack, representing a viable competitor to the big six. Following from this, it is not surprising that three quarters (74%) support the development and use of solar farms in the UK, whilst seven in ten (71%) support wind farms / turbines.

Interestingly, the younger generation shows more indifference for the support for solar farms than any other age group, as support drops amongst 18-34 year olds to 64%, while over a quarter (26%) say they are neither in favour nor opposed. Yet the group is overall highly indifferent to the majority of ways to extract energy in the UK, suggesting a lack of engagement with the issue at all. This is a worrying development for independent renewable energy providers and one to watch as companies continue to balance price with renewability.

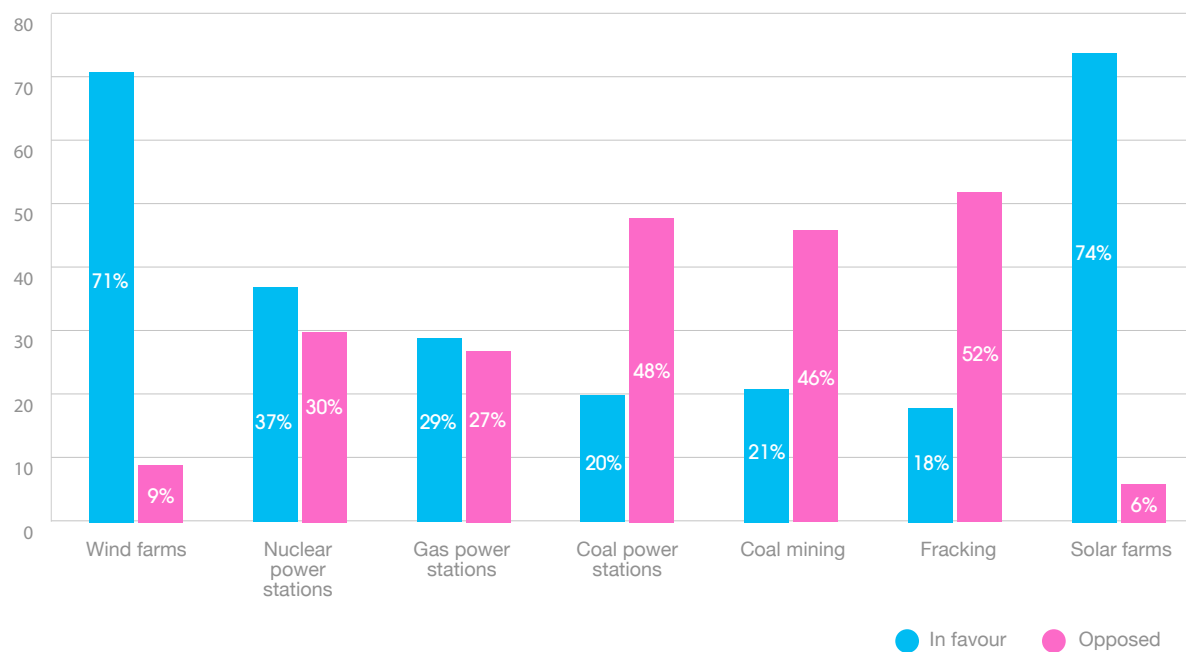
In general though, consumers are reacting against traditional forms of energy supply that have performed poorly in the media last year.

Coal power stations and coal mining both score less than a quarter support (20% and 21%), while fracking is opposed by over half of energy consumers (52%), no doubt partially influenced by continued negative media coverage. This is particularly high across areas where fracking has become a political issue. Scotland and North West saw the highest opposition rate, both areas that have introduced or partially implemented fracking bans against the drilling process.

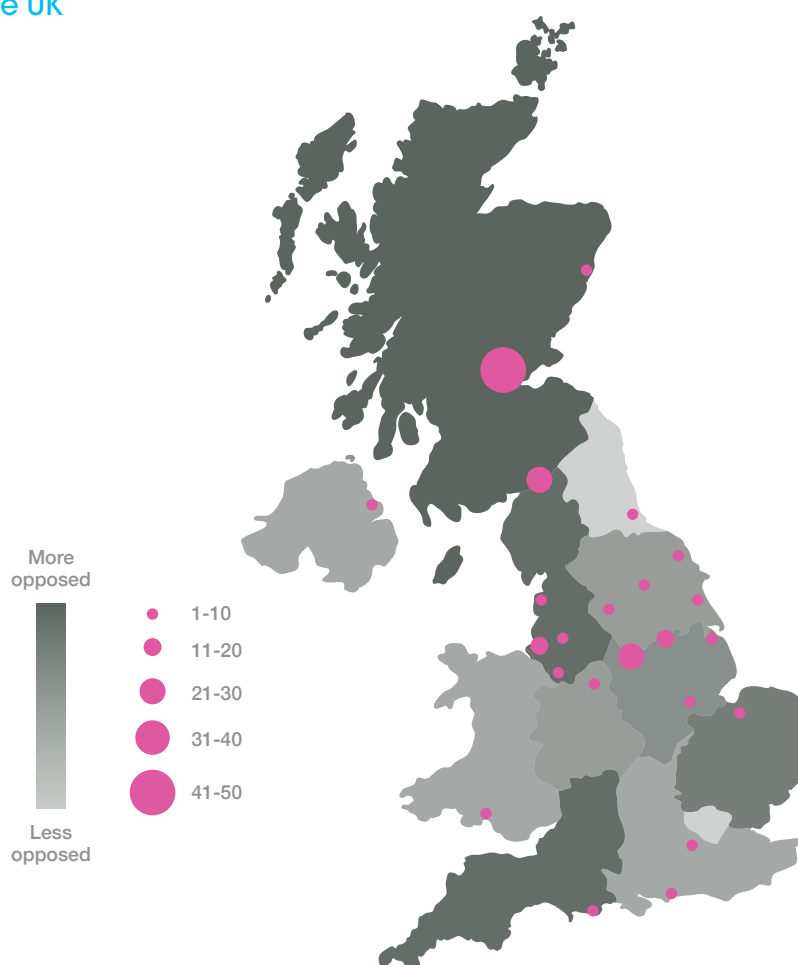
The energy market has made considerable strides in becoming a competitor to the more traditional Big Six. However, there is more to be done, as consumers demand more green forms of energy. Asked if they could change one thing about their energy supplier or the energy industry in general, consumers are heavily in favour of the energy market becoming more environmentally friendly.



In favour or opposed to each one taking place in the UK



Fracking sites in the UK



ABOUT THE AUTHORS



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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.

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Laura Holden // Research Executive

Laura recently joined the Opinium team, and is part of a variety of different projects, ranging from international quantitative studies and in-depth market segmentation, to qualitative pop-up communities and thought leadership. She also contributes to projects on our consumer omnibus, providing insightful results to clients.

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 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 overcome strategic challenges – helping them to get to grips with the world in which their brands operate. We use the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes.

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