Successful digital transformation in utilities
As customers demand digital, responsive and trustworthy service from their utilities providers, companies must reorient every move to put the customer at the core. But how can they overcome the complexities of digital transformation to remain competitive and move into the future?

Utilities organisations have long had the mandate of delivering a service – whether it be electricity, gas or water – and like many traditional organisations born in a ‘pre-digital’ time, they have largely done so with a focus on operational and functional reliability and efficiency.

This focus made sense, as arguably there is little differentiation when it comes to the core products they offer. When customers flick a switch, they want a light to come on, for a fair price. Without too much variation in the product offered, this has driven a focus on price to win customers.

But we are now in the age of the digital customer, and customers are demanding a better and more personalised service from all organisations that they deal with – including their utilities providers. In this environment, a low price is no longer enough to secure and retain market share.

It’s therefore not a surprise that utilities companies are looking towards digital transformation programs. They know they need to put the customer first, and are willing to invest significant cost, time and resources into making this happen.

The trouble is, the majority of digital transformations fail. Why is this?

Here we look at what customers really want from their utilities organisations, the challenges of transformations, and how companies can defy the odds to become truly customer centric, digital and agile ahead of their competitors.

New expectations of service and trust

Customers of today want a utilities organisation that:
- is easy to do business with
- is transparent
- is digitally savvy
- offers visibility and control over their bills and payments
- respects the individual needs of the customer
- has a clear social licence to operate, with the company actively servicing the community as a force for good.

Trust is also more important now than ever, and the retail energy sector has traditionally suffered from a lack of trust. Trust in utilities has been eroded by complexity and a lack of transparency on how price works. There can be a lack of clarity on how a customer’s bill is calculated, and it can contain metrics and terminology that customers find hard to understand.

By shifting focus to the customer, it means organisations can uncover these points of frustration and pain. They can truly understand them in order to improve the level of service and value they deliver, and drive simplicity and transparency, which in turn builds trust.

Transformation challenges

Conducting a transformation to put the customer at the core of every move is not easy for long-established utilities organisations – particularly those with traditional operating models, siloed functions, hierarchical ways of working, and legacy technologies.

In KPMG’s experience, we see that one of the reasons digital transformations fail is that organisations are tempted to leap straight to ‘solution’. For example, they seek to solve the
problem through implementing a new technology solution (like a new CRM, or marketing platform), building an app, building a data lake to obtain a ‘single customer view’, or implementing Agile software development, etc.

Whilst these initiatives may form part of the solution, the challenge is to first identify and diagnose the customer problem in order to then determine what the future could look like; a future experience informed by customer insight. This allows the organisation to work back from that, towards the solutions that could deliver it.

At KPMG we spend time helping utilities organisations to do this – to put the customer need first, as the primary anchor, then to build the strategy, the capability roadmap, and implementation around that anchor. Whilst this sounds like linear Waterfall methodology, much can occur concurrently using Service Design methodology; where desirability, feasibility and viability are assessed as an integrated whole.

**Culture comes first**

Another key reason why transformations fail is culture. Once the ‘future experience’ and subsequent delivery path is clear, culture is a vital ingredient in digital transformation success.

Core to successful change is taking people along on the journey – which requires a strong mandate from leadership. It also requires a rethink of traditional hierarchal structures, in favour of more ‘horizontal’ and ‘agile’ ways of working.

The behaviours required of people in a horizontal structure are different from those that favour functional vertical structures. They include:

- a strong ‘customer’ mindset and orientation
- empowerment of teams close to the customer problem
- collaboration across functional lines using frameworks such as Service Design and Delivery
- trust
- transparency
- a problem-to-solution focus
- new KPIs that balance customer outcomes with operational efficiency.

In this horizontal approach, the focus on traditional functions is replaced with multidiscipline teams or squads – all focused on a core customer touch point or problem. The entire team is creating a customer-centric solution. These multidiscipline teams are complemented by ‘capabilities’ or ‘guilds’ that resemble their previous ‘functions’. People are now are deployed across the teams to drive consistency across the customer experience and end to end functional capability.

These changes in ways of organising, operating, and orientating cannot be underestimated; and applying appropriate focus on cultural change will be critical to sustainable adoption of a “new normal”.

---

**Embracing the future**

Centering the transformation on the customer will help utilities organisations to focus strategy and decisions. And once core customer expectations are met, there are ample opportunities to extend the roadmap further.

Utilities organisations can ask, ‘What is our role in our customers’ futures?’

The potential in the digital age is endless.
The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo and are registered trademarks or trademarks of KPMG International.

Liability limited by a scheme approved under Professional Standards Legislation.

April 2019. 320330849E NR.