

UTILITY BUSINESS LEADERS: GET READY TO ADOPT INNOVATIVE BUSINESS MODELS

As the energy industry undergoes rapid transformation, utility companies must adapt their business models to stay competitive. To achieve long-term success, utility leaders need a clear understanding of customer expectations and market demands.

OVERVIEW

- The essential elements of innovative utility business models;
- Look at customer experience by 2050;
- The impact of distributed energy resources (DERs) on service offerings;
- Strategies for the successful adoption of new business models.

KEY ELEMENTS OF MODERN UTILITY BUSINESS MODELS

These insights are derived from utility C-suite leaders, think tank discussions, MaxBill's two decades of industry expertise, market intelligence, and event networking:

#1 DIGITALISATION + «KEEP COSTS DOWN» PERSPECTIVE

Digitalisation is the way the customers interact with us, but it also helps keep costs down. Affordability is a huge concern for consumers. So, utilities should prioritise everything that can improve the cost base and be as efficient as they can, and technology plays a huge part in that.

#2 MEETING CUSTOMERS WHERE THEY ARE

Traditionally, energy supply was a very asset-focused industry, very supply-led. Now, we're living in a world where everyone can be supplied with solar panels, batteries, EV, etc.

The ways customers participate in the energy market will change completely. So, it's about putting more power in customers' hands but also changing the way businesses need to operate without customers. How to streamline customer engagement? Meeting customers where they are on their journey.

#3 FLEXIBILITY & ENGAGEMENT IN ENERGY USAGE

It's an enormous opportunity if energy providers can manage that flexible load and use their energy at the time when the market really needs it. Thus, they should design offerings that are simple to understand, providing value and ensuring they can engage in ways that suit customers.

For other customers who aren't on that journey, affordable access to energy should be provided. To support the vulnerable, it is critical to look for innovative ways for them to participate in community battery storage solutions.

Some businesses should look at social housing and how they can fund upgrades and retrofit the energy efficiency standards.

#4 CONSUMER DATA PLATFORM TO DELIVER PERSONAL INSIGHTS INTO ELECTRIFICATION

Nowadays, many energy suppliers are 'more educative'. Consumer data platforms with a built-in tool provide customers with personalised insights into how they can electrify, what would make sense for their home, what carbon emissions they would save and what it will cost them in a business case that goes along with that.

#5 BUSINESS MODELS AROUND THE CONCEPT «LOW-COST SUPPORT»

Sustainability, affordability, developing the right technology and propositions for the future — it's all about the transformation. Partnering with a technology provider to get a new platform to ensure your business will be really low-cost to support your customers in that future market.

#6 AN OPERATING MODEL AROUND CUSTOMER AWARENESS

In the meantime, technology is not enough. People need to go on that journey. Utility and energy businesses should redesign their operating model around the customer, making sure they empower people to be a part of the energy transition journey.

#7 INVESTING IN CHANGE MANAGEMENT PROGRAMS

Some energy suppliers initiate change management programs. They invest a lot in change management and instruct people to understand why they are going on this change and why it's important.

«Thus, to ensure you're relevant to the future, you cannot remain the same»
said Pamela Lague, a chief customer officer at AGL Energy.

#8 INDUSTRY-WIDE COLLABORATIONS TO FIND SOLUTIONS FOR CUSTOMERS

You need to change your mindset and your willingness to disrupt yourself when your industry is going through such dynamic transitions. Nowadays, the collaboration is improving and increasing to find solutions for customers.

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OVERVIEW OF CUSTOMER EXPERIENCE BY 2050

Here are the top 9 trends in CX for the two decades to come, according to senior executives from the UK and European utilities (Utility Week Think Tank):

Blockchain

- **Direct Energy Trading:** consumers can trade and purchase energy directly from the grid, bypassing traditional energy retailers. This gives consumers access to more competitive, wholesale energy rates.
- **Peer-to-Peer Energy Markets:** Blockchain facilitates the creation of peer-to-peer energy markets where individuals can buy and sell excess energy with each other.
- **Real-Time Energy Monitoring & Trading:** Consumers can track and manage their energy usage more efficiently, potentially leading to cost savings and more sustainable energy consumption.

Augmented reality

- **Employee Performance:** Augmented reality (AR) will significantly enhance employee performance by providing enriched training and instant access to expert knowledge. This will accelerate maintenance processes and improve the skills of field technicians, enabling them to perform tasks more efficiently and with greater accuracy.
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- **Customer Experience:** AR will empower customers by enabling them to self-serve simple fixes, like boiler repairs, and interact with data-rich dashboards.

This will enhance their understanding of energy usage, leading to a more informed and proactive approach to managing their energy consumption.

Auto-switching

Auto-switching, powered by AI, will evolve from its current yearly cycle to a more dynamic process by 2050. **In the future, customers could automatically switch energy suppliers every 30 minutes or even every second to secure the best price.** This process will be managed by intermediaries, like evolved versions of today's switching services or super apps, which will automate the entire process.

Innovative offerings

In their strive for relevance and profitability, utility companies may explore new opportunities by forming partnerships with other industries, including smart appliance manufacturers and tech firms.

New kinds of offerings could include products like smart thermostats, lightbulbs, motion sensors, and leak detectors that enhance home safety, efficiency, and convenience.

Leveraging their existing trust and connection with customers, utilities can position themselves as reliable providers of these advanced technologies, making life simpler and more secure for their customers.

Consumer technology breakthrough

Consider how much the customer experience has evolved over the past two decades: seamless one-click shopping, taxi rides with a smartphone swipe, and 24/7 mobile banking.

Utility companies aiming for higher-margin business must offer a customer experience that competes with digital leaders driving taxi rides with these innovations.

A prominent survey of utility executives revealed that 80% believe utilities that fail to provide the same level of personalization and convenience as Amazon, Google, and Netflix will struggle to meet customer expectations in the next decade.

Going forward, the customer experience in utilities won't just be compared to the best in their industry, but to the best across all sectors.

Value-added services

The most successful companies are becoming platform businesses, and the coming digital economy in which traditional value chains are being disrupted by platforms and eco-systems is the future for forward-thinking utilities.

So, value-added services could involve product bundling, combining energy, water, home maintenance, and insurance into a single tariff for added convenience.

The thing is that the shift to a digital economy, where platforms and ecosystems dominate, may be difficult for utilities accustomed to owning the customer relationship, as they might struggle with the idea of partnering with others and potentially ceding control of this relationship.

Innovations in the EV charging business

It's clear as day that the more people use EV, the more electricity will be consumed. And we'll just cite «... that prompts people to become much more engaged in how they think about electricity, carbon and costs.»

It's a great starting point to have different conversations with customers and really build engagement in new products, like solar, energy efficiency and different tariffs.

Speaking of tariffs, there will be innovative tariffs on the way. But Neal Coady from Centrica calls on «not to differentiate themselves on price but on other features, such as international presence or additional services» in order not to confuse customers.

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THE IMPACT OF DISTRIBUTED ENERGY RESOURCES (DERs) ON SERVICE OFFERINGS

By 2030, distributed energy resources (DERs)—such as electric vehicles (EVs), solar panels, heat pumps, and home battery storage are expected to become mainstream, pushing energy retailers to evolve their service models and offerings.

As DER adoption grows, energy bills are becoming more complex, integrating new components like EV and solar credits, heat pump subscriptions, and time-of-use tariffs.

This shift moves beyond traditional electricity and gas billing, requiring energy retailers to provide greater transparency and clarity in their pricing structures.

To successfully navigate this transformation, energy retailers must invest in advanced billing technologies and customer engagement strategies.

THIS INCLUDES:

- **Implementing AI-driven billing systems** to simplify multi-component bills and reduce customer confusion.
- **Training customer service teams** to support and educate consumers on DER-related charges and energy optimization strategies.
- **Enhancing self-service & digital tools** to empower customers with real-time insights into their energy consumption and cost-saving opportunities.

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STRATEGIES FOR THE SUCCESSFUL ADOPTION OF NEW BUSINESS MODELS

Multi-utility companies must adopt strategic approaches to efficiently manage diverse service offerings, enhance customer engagement, and maintain a competitive edge. Key strategies include:

✓ Comprehensive Service Management

Implement unified platforms to streamline operations, efficiently manage multiple service lines, and optimize resource allocation.

✓ Infrastructure Readiness Assessment

Evaluate infrastructure capabilities before launching new services to ensure seamless integration of meters, EV charging stations, and IoT devices.

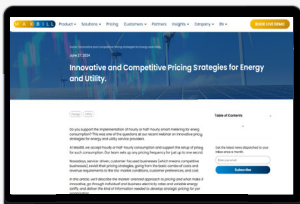
- ✓ **Advanced Metering Infrastructure Integration**
Support various metering solutions (smart, pre-paid, standard) to enhance service delivery, billing accuracy, and customer satisfaction.
- ✓ **Customized Branding and Labeling**
Offer white-labeling and multi-branding options to tailor services for different markets, improving market penetration and brand recognition.
- ✓ **Global Expansion Readiness**
Utilize technology solutions with multi-country support to navigate diverse regulatory, language, and tax environments, enabling seamless market expansion.
- ✓ **Cross-Product Functionality**
Develop bundled services, shared consumption models, and flexible pricing structures to create added value for customers and drive revenue growth.
- ✓ **Efficient Order Fulfillment Processes**
Implement workflow-based order management to ensure accurate, configurable, and efficient fulfillment of multi-service bundles, enhancing operational efficiency and customer satisfaction.



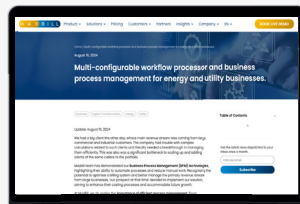
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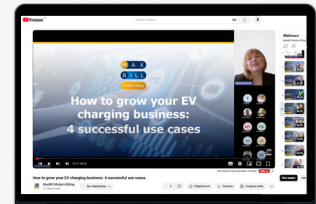
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