Residential Utility Retail Strategies in an Economic Downturn

Description: In an already tight retail margin environment, retail utilities are particularly exposed to the effects of the economic downturn. This brief explores the nature of the difficulties faced in specific EU markets and how players can seek to mitigate the effects of the downturn.

Scope

- Insight into the factors affecting the B2C market since market opening in the UK and Europe, how the market landscape has changed
- An analysis of the key factors affecting utilities through the downturn with the most important structural, regulatory and corporate issues considered
- The impact and importance of branding in the B2C market with non-price competition playing a significant role
- Key recommendations on how utilities can benefit from addressing the key issues

Highlights of this title

The key macroeconomic indicators highlight the speed and the depth of the economic downturn with reference to demand-side impacts on consumption and the propensity for increased customer switching within the B2C market.

Branding and non-price factors will play a significant role in customer retention strategies. Utilities will also have to review internal costs and minimise the cost to serve in the most competitive markets.

Niche markets and the green agenda also have the potential to play an important role in shaping the post-downturn supply market acting as a competitive advantage.

Key reasons to purchase this title

- Understand the key business to consumer energy market fundamentals to offset any increased exposure to market risks and to highlight the opportunities
- Gain insight in to how the economic contraction will impact on UK and EU consumers given varying degrees of market liberalization
- Understand The key recommendations to maintain competitiveness in a tight market through the recession

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DATAMONITOR VIEW
CATALYST
This brief examines the impact of the economic downturn on the business to consumer market in the EU-27.
SUMMARY
Quarterly GDP data illustrate that UK productivity has fallen significantly
GDP has fallen sharply since 2007, with the UK formally in recession
Labor market contraction is another sign of economic woe
High prices for producers have acted as a double blow to the economy
The effects of high input costs have resulted in a rise in unemployment and a contraction in demand
Equity markets around the world reflect the crisis in investor confidence
Total gas consumption has been on the up for UK residents
Power consumption is less seasonal and flatter than gas demand
Household incomes have been relatively static in comparison
The number of fuel poor has been rising in recent years
Year-on-year changes in the levels of fuel poor are escalating
Fuel poverty has been on the agenda but faces new challenges
Consumer welfare will be a high priority issue
B2C will be driven by three key factors in the downturn
Regulators and suppliers will take joint social responsibility
Residential gas and power markets can be defined by consumption and unique demand profiles
The typical load profile for residential customers is not likely to alter in the absence of smart meters
The demand for gas shows a steep upward trend in Europe
EU power demand, in aggregate, has contracted since 2006
The economic crisis takes center stage as the EU weighs up costs
Reducing power supply costs will be the cornerstone of success
Reducing gas supply costs will be the cornerstone of success
The cost-to-serve metric plays an important role in maintaining competitive advantage in the UK
EU citizens are well aware of the budgetary situation ahead
The credit crunch is expected to add to company liquidations and customer default rates, heightening credit risk for energy suppliers
However, achieving a lower cost-to-serve is not a simple task
C2S are internal costs that are tangible, controllable and can ultimately be driven down
Customer segmentation in a competitive market offers various financial incentives
Economics and environmental obligations do not mix well
Branding in B2C utilities will shape markets in the downturn
Branding also plays a large part in non-price competition
The challenge in new customer acquisition is overcoming the inert customers in both the UK and mainland EU
From Kyoto to Copenhagen-will green play a positive role in the downturn?
Non-UK European utilities have successfully engaged with green tariffs by favoring the clear-cut 100% green source variety
Copenhagen will set the agenda; however, compliance is the issue
The current trade cycle is stuck in a Keynesian bust
Future forecasts predict light at the end of the tunnel
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