

# Service Encounters in 2015 – Desires and Needs of Future Customers in the Swedish Energy Sector

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**Abstract:** The deregulation of the energy sector has led to a need to study service encounters between energy companies and customers. Due to that a continuous development of energy companies' services will be even more important in the future this paper reports upon key values of energy customers of today and tomorrow. Based on the characteristics of the MeWe-generation together with attitudes and behaviour of customers of today seven different scenarios about future service encounters has been generated. An important characteristic of these scenarios is that customers of tomorrow actively participate in different physical and virtual communities and value technology as a tool to keep their friends together. Key values expressed by customers related to the services provided by energy companies are environmentally friendliness, cost efficiency, and technology intensive. In this paper the role of technology is especially acknowledged as an adviser, a guard, a connector, and a filter.

**Keywords:** Service encounters, Energy services, MeWe-generation, Scenarios

## 1. Introduction

The deregulation of the energy sector has lead energy companies to increase their focus on customers' demands and how to provide efficient service to customers [c.f. 1, 2]. A literature study of research about customer service in the energy sector reveals that this has not been studied in any greater detail. Researchers like Bergmash and Strid [3] call for research that focuses on energy customers' point of view. They state that energy companies need to, more actively, communicate with their customers and listen to them in order to increase their knowledge about the customers' needs and thereby improve the quality of services. One way to do this is to study interactions between companies and customers. The specific interactions are often called service encounters that can be described as the timeframe during which customers directly interacts with service providers [4]. Service encounters are seen as a critical determinant of customers' satisfaction with the service [5]. Encounters do however not only occur face-to-face but also through technology such as telephone, e-mail or Internet [6]. Many energy companies are also developing and offering services through their Web sites. Examples of that are customized Web sites, such as "My pages", which among other things provide an overview of the customer's agreements with the company, use and consumption of electricity, and previous invoices.

A continuous development of energy companies' services will be ever more important in the future when today's youth move to apartments/houses of their own and start to demand services that take their needs and level of technological use into account. Their

future behaviour is often based on their present values and attitudes. Today's youth are often called generation Y [c.f. 7] or the MeWe-generation [8]. They are born individualists but no "hardcore" egoists since they put value in friends and collective solutions. They are also an opportunity maximizing generation in every aspect besides when it comes to friends. Technology is seen as a tool to keep their huge herd (of friends) together [8]. Energy companies (and other companies of course) need to be aware of the needs and wants of this generation since they are future consumers. They will cause changes in businesses and their offerings, especially their use of information and communication technology (ICT).

## **2. Objectives**

The objectives of this paper is to report upon key values of energy consumers of today and tomorrow especially related to which role technology potentially will have in realising customers' own values. The research is driven from the question of what kind of service encounters with energy companies customers want and what they consider as important when it comes to technology. Most technology referred to in this paper is ICT.

## **3. Methodology**

We are investigating the possible characteristics of service encounters of 2015 between customers and a Swedish energy company in an action research project divided into three phases. These phases are in the spirit of methodological triangulation performed to:

1. Develop knowledge about existing service encounters by (a) listening to and recording conversations between customers and customer service representatives; and (b) interviewing key-personnel in the customer service department [9].
2. Through workshops with selected customers develop knowledge about their attitudes, values, behaviours, and desired actions and needs regarding energy services [10].
3. Based on phase one and two develop and verify scenarios of future service encounters [10].

In these phases theory has had an important role in informing and structuring the data. For the purpose of developing knowledge about existing service the data about transcribed conversations as well as the data derived from the interviews were structured according to a framework [11] dividing the service encounter into three phases; the establishment of expectations, the fulfilment of expectations, and the evaluation of the fulfilled expectations. The knowledge developed around these three phases was used as an input for the second phase. The second phase derived empirical data from three workshops performed in the spring of 2008 with three different groups of customers (house owners, apartment owners, tenants) aging between 26 and 35. Each workshop with 6-7 participants lasted for three hours and was digitally recorded on tape. The results from the workshops were structured in three basic categories; 1) the customers' experience from their contacts with the energy company, 2) the customers' thoughts about environmental care and their energy consumption, and 3) the customers' expressed needs and desires of the future – especially in relation to their contacts with the energy company. This analysis was inspired by action-theoretic categories [12]; condition, action, result, and effect.

In order to generate characteristics of service encounters of 2015 it has been necessary to use scenario-based techniques. These scenarios were developed based on 1) findings from studies about present service encounters between the energy company and customers [9], 2) key attributes of the MeWe-generation [8], and 3) key values of energy customer of today inspired from the workshops with young customers [10]. Scenarios can be described as vivid descriptions of plausible futures [13]. The scenarios written have been commented upon by the participants in the workshops and customer service representatives at the

energy company. These serve as an inspiration for generating ideas and as a filter through which new ideas and projects can be passed. In the latter part of this paper we will give some characteristics of the scenarios encapsulating future customers' desires and needs.

#### **4. The energy company and its present contacts with customers**

The energy company in our study is the fourth largest in Sweden. It has about 300,000 customers and provides energy services, broadband, district heating, cooling, natural gas and the electricity supply network. The turnover is almost SEK 3,700 million and the number of employees about 1,000 (year 2007). It is a wholly-owned subsidiary to a company owned by the municipality where it is located. The objective is to provide "[...] the owner, i.e. society's citizens, with the products and services for which our company has been appointed, in a safe and cost-effective way". The aim is to create energy solutions that are sustainable in the long term and they "offer services and products that make life easier for both companies and private individuals". In order to achieve the goal the company describes that it has developed into a versatile energy company. The absolute majority of contacts with customers are handled by telephone through the company's customer service department. About 20 people work there during daytime to help solve customers' problems. On a normal workday they receive around 100 emails and between 600 and 1,200 telephone calls. When an emergency occurs, such as a major storm, they can get several thousand calls in a day. A normal month there is between 17,000 to 30,000 calls. Each year they handle about 225,000 customer contacts over the telephone and get about 20,000 emails from customers. The volume of email has increased but it has not affected the number of telephone calls. The goal for the customer service is to reply to telephone queries within a minute and to solve 90 % of customer errands at the first contact. During the autumn of 2007 the result was 98,5 %. The most common customer errands concern agreements and changes of address, followed by questions about bills and power outages. The company also has something called "My Energy Pages" on their Web site where customers can get an overview of their agreements with the energy company, their use of electricity, district heating, gas and cable TV, and their previous invoices. In 2006 the registered customers with "My Energy Pages" was about 3,600.

#### **5. The MeWe-generation and some possible future energy behaviours**

Those born in the middle of the 1980's are often called "The MeWe Generation" [8, 14]. Based on Lindgren et al. [8] a number of attributes are presented below. MeWes are interpersonal individualists in the sense that they have an increased focus in self-reliance, self-realization and self-expression. At the same time they have a collectivistic view on society. They value friends most; have a growing number of acquaintances while the number of friends that really matters are relatively small. MeWes trust the ones they know or believe are authentic. The main goal in life is to increase their opportunities and they believe they can achieve what they strive for. The content in work and to have fun while working is seen as more important than earnings. They have more options and alternatives than previous generations and time is seen as the major limiting factor. They feel free to make their own decisions and trust their own judgements. All freedom and option do however also cause stress and uncertainty. The increased individualisation in combination with the ever increasing access to information will probably lead to that they become more selective and create individual "information spaces". Consumption is an important part of their lifestyle and identity creation. The MeWes prefer companies that can provide authentic experiences that are built around trustworthy humans; based on genuine relationships. They prioritise health (sports), travel, friends and family and their everyday is full of different technological gadgets. The most important aspect of technology is what you

can do with it and not the technology in itself. They use technology to keep the heard of friends together; to be in constant contact with each other and thereby nurture their relationships. They live and act in a world of networks. The relational and social aspects of technology are especially notable among girls in the MeWe-generation. The cellular phone is seen as the most important tool to organise their social lives and manage their relationships. It is an always open “window to the world”; to the friends and activities that occur in the social network. The need to always be online is however also stressful for many [8]. Internet and virtual communities where they can interact with friends are also seen as important. There are thus several attributes that distinguish the MeWe-generation and that can be expected to be prominent in the future when they move to apartments or houses of their own and start paying for and consuming energy services on a larger scale.

A number of possible behaviours among future energy customers have been described in a Swedish study [15]. Electricity is today something taken for granted and a high delivery precision lead to that customers don't want to pay more for even higher delivery precision. Environmental care is perceived as important but not more important than the price. Future customers are believed to 1) be more susceptible to more knowledge but reluctant to change their present lifestyle for a reduced energy consumption, 2) have a strong faith in the technological development, 3) have a higher education and are more comfortable with new technology, 4) request information and communication through different channels. An increased individualisation and appreciation of more freedom will lead to an increased demand for freedom of choice. However the freedom of choice also takes time and it is therefore likely that they will demand services that allow them to be passive as long it does not affect their household economy in any greater extent.

## **6. Results**

In our study of present contacts between customers and the energy company we have found that the customers perform a number of actions that are related to the energy company. Some examples are that they 1) pay bills, 2) move to a new house/apartment (change address), 3) initiate/end agreements (such as broadband), 3) need/searches for more information (such as energy savings), 4) announces that something is wrong (such as invoice or a power outages), or 5) builds a new house or renovates an old one. Key values identified from the workshops could be summarized as that these customers want to achieve much, care for the environment, want to reduce energy costs, and have good experiences from relatively few contacts with the energy company. Some key attributes are that the customers are active, want to have different choices, want to be in control, express a strong attitude towards high degree of availableness (both in terms of customer service and of the delivery of the energy product), focus on the environment, and have a desire to reduce energy costs. These customers are also concerned with achieving a higher degree of knowledge – they want to learn more. It was also found that the customers' use of email or services through the energy company's Web site was rather low. One interesting result was that they in general have had few contacts with the company. Most of them had also not visited the company's Web site and was not aware of the information or services provided there. At the same time they wanted to learn more about how to save money and be more environmentally friendly. They expressed a need for some personalized service that could help them make the right decisions in their everyday life. The scenarios developed reflect our findings regarding attitudes, values, behaviour and desires among both present customers and the MeWe-generation. The scenarios evolve around the use of technology in service encounters; how to be more environmentally friendly; how to reduce energy costs; and how a personalized service around these matters could be designed. These scenarios formed are a grounding base and inspirational force for the development of future service encounters in the energy firm. In the scenarios technology plays an essential role.

Importantly, the use of technology in every-day life needs to be regarded from a contextual point of departure. After each scenario we therefore summarize how technology can be used in relation to each scenario. The scenarios were the following:

1. Lost in renovation, which is about Peter and Lisa who are in their way to renovate their house. The couple has problems in knowing which heating alternative they should choose. They therefore seek different arguments in diverse physical and virtual communities in order to come up with different alternatives to evaluate. The value basis used for the couple is that the alternative chosen should be both environmentally friendly and cost efficient. Technology is opening up the possibility to make a better decision about their energy consumption. The energy company's Web site has a service that helps them to compare their consumption with the average consumption in the area where they live. The service also recommends the best energy solution based on their living and family situation. Through different virtual communities they discuss their energy consumptions with other people in an active and focused way.
2. The environmental conscious student, which is about Sandra, a student that has just moved to a rental apartment in the big city. The apartment has the new concept called "Comfort Living" where the landlord handles all contacts with the energy company. The landlord also coordinates the costs for electricity, garbage, water and so on. Thereby Sandra only has to contact only one person. Sandra can also access a number of other "Comfort Living" services through a Web site, for example get personalized energy advises from a virtual assistant and access information about her consumption. When a power cut occurs she gets information by SMS about when it can be repaired. In this scenario technology is used to enable more control of the energy situation and coordinated contacts with companies.
3. Hooked on energy, which is about Robin that just has got his first job as a trainee. He has also moved to a rental apartment. In order to get control of his costs, where electricity is a major part he accepts an offer from the energy company to get a "personal energy coach". The coach advises Robin to write a diary about his daily energy activities. He writes it on the energy company's open forum (on the Web site) and chats with other customers about how to save money. The coach also helps him to create an energy budget on "My Energy Page" (on the Web site) where he can calculate his consumption each month. Robin manages to reduce his energy costs. Technology thus helps the consumer to reduce costs.
4. Consumption conscious surveillance, which is about Stefan, a travelling salesman, who has the service of electronic surveillance of his bills related to "normal" consumption. When out travelling he gets a SMS telling him that the upcoming invoice is about 20 % higher than normal. This is a result from using two related services supplied by the energy company; historical energy consumption and comparison with others in the same life situation. He then discovers that his consumption has peaked the last three months due to changed family conditions. In this scenario technology keeps the customer updated in real-time about energy consumption costs in relation to previous consumption. It also enables customers to access detailed information about the energy cost of different home appliances.
5. The predictable and less predictable, which is about two customers, Marie and Anna, coming from two different families. There is a power outage and the two customers act in different ways due to the fact that they have different service contracts with the energy company. Marie has a full service contract which means that the energy company handles all insurance issues related to damages occurred due to the power outage. Anna has not any additional services, which means that she needs to go home due to the fact that her alarm in the house might not work due to the power outage.

- Anna thus figures out that she might need one or several of the services offered by the energy company. Technology plays an important role in several of these services.
6. Playing the lead role, which is about Kevin who has understood what all is about. He recognises that one would get popular by being environmentally friendly. Therefore he invests a lot of money in energy efficient equipment. The energy company recognises his efforts and has started a virtual community in which Kevin's efforts are exposed. He even becomes the customer of the month selected by the energy company. Technology helps the energy company to expose "success stories" and thereby help other customers.
  7. Single mom searches, which is about Pernilla that is newly divorced. She lives in a house with her two children. Before their divorce her husband installed district heating and now there is something wrong with it. She contacts the energy company which instructs her to hold up her video phone in front of it but there is nothing to be found. The energy company instead sends a service technician that fixes the problem but leaves the room in a mess. Pernilla takes a picture of the mess with her phone and sends it to the company. The next day she gets a phone call from the company with an excuse and promises of compensation. Later she also gets a SMS from the company that they thanks to her now have updated their routines. Technology enables more detailed contacts between customers and the company that eventually helps both parties to find solutions to the problems that have occurred.

The scenarios indicate how technology is used for the purpose of enabling customers to get advice about their energy consumption (adviser); to have a surveillance of energy consumption (guard); and to communicate with other persons that have similar concerns regarding energy consumption (connector). As can be seen different personas, in different life situations, has been chosen to constitute the scenarios. The most important driver for the development of the scenarios is characteristics of the MeWe-generation. This driver is the customer as an individual identifying himself/herself existing in physical and virtual communities without taking full responsibility for the collective setting. From the workshops, covering more contextual aspects related to the energy company, a focus on environmental care, consciousness about energy costs, and the use of innovative technology is appreciated by young customers of today. The starting point is that the energy company today uses "one way in", that is that all customer errands are handled by phone or email through the customer service department (c.f. figure 1).

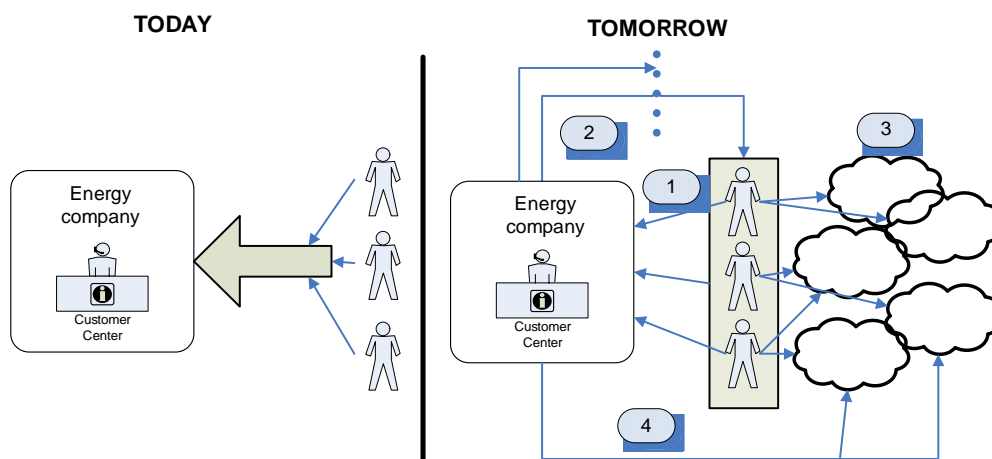


Figure 1: Communication today and in the future

In the scenarios developed (and as numbered in figure 1) the customers have 1) several ways of communicating with the company. The communication in the future also relies on 2) that the customer decides on what information to be communicated, when it should be communicated, and by which media, c.f. permission marketing [c.f. 16]. Technology thus

acts as a filter that enables customers to choose the contacts and information they want. Due to the fact that the future customer will 3) be engaged in several communities seeking arguments and making comparisons these communities need to be recognised. In this sense it is also relevant to 4) ask whether the energy company should have a role in such communities and in that case which their role should be.

## **7. Implications: What does this mean for the energy company?**

The energy company needs to consider which role it should have in the future. The scenarios above, partly summarized in figure 1, revealed that the energy company might need to set up new patterns of communication with the customers, based on the desires of the customers. For this task technology plays an important role. In order to develop new services the company especially needs to recognise attitudes, values and behaviours of the present youths. MeWes want to maximise their opportunities, have a freedom of choice and have authentic experiences which are built around trustworthy humans. They will also be more selective in their choices than present customers and regard technology as something self evident. Communities and networks of different kinds are part of their reality. All this and a growing care for the environment will cause both opportunities and threats to present companies. As depicted in the scenarios a number of issues arise that the energy company needs to reflect upon: (1) its role in continuous growing and newly established virtual communities; (2) whether to develop services that to a greater extent both enables freedom of choice and advice to busy customers that wants help to make the right choices – that considers both the environment and their valets; (3) if they should have “personal energy coaches” – humans and / or virtual servants - that helps customers in their daily “energy lives”; that helps customers to get control of their energy consumption; (4) if they should enable and allow customers to share their experiences of energy matters with others on their Web site; (5) whether its role to the end-customer is to be a service provider with complementary services or whether its role is to act as a service provider to another organisation that interacts with the end-customer covering several service offerings.

## **8. Conclusions and summary recommendations**

One important conclusion from our workshops is the concern among the energy company’s young customers to keep the energy cost low and to care about the environment. An earlier study [15] indicates that future energy customers are believed to prioritise cost efficiency before the environment and are reluctant to change their present lifestyle for reduced energy consumption. Our study does however not indicate that. On the contrary, customers of today do already demonstrate environmental concern and willingness to change their life style. The MeWes participate actively in different physical and virtual communities and value friends as well as authenticity. All this together with an innovative use of technology has been the driver in the design of the scenarios. An important difference between the MeWe-generation and the present customers is that the attitude to and experience from use of technology-enabled service encounters differs. The MeWe-generation can be regarded as more experienced users of technology than previous generations. They use Internet and their cellular phone as tools to get information and to constantly keep in touch and interact with friends. When combining the results of present customers’ values and attitudes with the value-basis of the MeWe-generation we can conclude that the company’s technological-based services would benefit if they became even more environmentally concerned and help customers to get control of their energy consumption and costs. This is especially important since the trend is that citizens of Europe are becoming more and more e-empowered. One example of such a scenario discussed in this paper is a “personal energy coach”, virtual and / or human, dependent of the need of the customers. Customers could

through this coach get information and tips about how to reduce their energy costs and at the same time care for the environment. An online service or a gadget that could provide real-time information about energy consumption could make customers more aware of their actual consumption and guide them in turning of lamps and appliances that are of no use at the moment. To summarize technology in this case works as an adviser, a guard, a connector, and a filter. Technology thus becomes an important asset due to the fact that the technology uptake of people in Sweden is very high. One issue of further research would be to expand the focus to more energy companies and preferably also to other European countries. Another issue of further research would be to explore whether used techniques for deriving key characteristics of future service encounters would be of interest to transfer to other settings. Thereby it would be possible to make comparisons regarding key values of clients.

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