AI, Millennials, and New Competition: Trends to Watch in 2018

Nic Lowry
KUBRA at a glance:

- Single-source provider of meter-to-cash and customer communication solutions
- Currently serving over 190 utility clients, including 8 of the top 10 gas and electric companies in North America
- 7 Billion customer interactions designed and managed since 1992
2018 Trends

- Technology Makes Interactions More Human
- Security Concerns Are Top-of-Mind
- More Clarity Around Customer Communications
- Fierce Competition is on the Horizon
- The Millennials Are All Grown Up
Technology Makes Interactions More Human
“By 2020, the average person will have more conversations with bots than with their spouse.”

- Gartner
Understanding Chatbot Technology

- **Chatbot**: Software designed to simulate a conversation between a computer and a human end-user.

- **Artificial Intelligence (AI)**: A computer system designed to perform tasks that normally require human intelligence, such as visual perception, speech recognition, and decision-making.

- **Natural Language Processing (NLP)**: A sub-field of Artificial Intelligence that analyzes text and speech to achieve “human-like” language for a range of tasks.

- **Machine Learning**: Software that audits misunderstandings between humans and AI and works to continuously improve conversational intents.
Chatbots Improve Customer Satisfaction

48% of consumers would rather connect with a company via live chat than any other means of contact.

64% of consumers count real-time response and immediacy of service at the top of their list for quality expectations.

89% of customers would like to use messaging to connect with businesses.

*Hubspot 2017, Twilio 2016
Chatbots Can Reduce Costs & Time

- 4 minutes average time saved per chatbot inquiry compared to traditional call centers
- $8 billion total savings predicted from using chatbots by 2020
- $.70 estimated average amount saved per chatbot interaction in 2022

* Juniper Research 2017
Consumers Are Using Their Voice

49% of smartphone owners in the U.S. use voice assistance at least once a week.

50% of people are now using voice search when researching products.

50% of ALL searches will be voice searches by 2020.

*MindShare Futures, Social Media Today, ComScore, 2017*
Smart Speakers Showing Fastest Customer Adoption in History

*Activate Forecast
Smart Speakers Showing Fastest Customer Adoption in History

- Nearly 1 in 5 U.S. adults have access to a smart speaker
- In 2018, U.S. smart speaker shipments are expected to reach 38.4 million units
- By 2020, 55% of U.S. households will have smart speakers
- More than 175M smart speakers will be installed in the U.S.

* Activate Forecast, Canalys. Jan 2018
Intelligent conversation on-demand

Make a payment.
How much will I spend in April?
How much is my bill for March?

How much will my bill be next month?
When is my next bill due?
What are my rates?

Am I on peak hours?
Report an outage.
Are there outages in my area?
Security Concerns Are Top-of-Mind
The average cost of a data breach in the U.S. is $7.35 million

- Ponemon Institute 2017
How Do You Protect Customer Payment Data?

**Tokenization**

Tokenization is the process of turning a meaningful piece of data, such as an account number, into a random string of characters called a token that has no meaningful value if breached. Tokens serve as reference to the original data, but cannot be used to guess those values.

**Encryption**

Encryption is the process of using an algorithm to transform plain text information into a non-readable form. An algorithm and an encryption key are required to decrypt the information and return it to its original plain text format.

*McAfee. Tokenization vs Encryption.*
Consumer Confidence in Data Privacy and Security

How confident are you that your energy provider secures and protects your personal data and information on your energy usage?

- Very confident: 14%
- Somewhat confident: 25%
- Not very confident: 51%
- Not at all confident: 10%

Digital users have more trust in their energy providers than non-digital users.

- Digital users: 41%
- Non-digital users: 31%

*Accenture, New Energy Consumer Research Program, 2015 Consumer Survey*
Data Security High on the Agenda

- **22%** of businesses reported that they had experienced theft of payment data in the past 12 months.

- **36%** of enterprises across all verticals believe they are at greater risk of a data breach than a year ago.

- **85%** of billing organizations cited security as a driver of payment investments.

Security Recommendations

- Employ well-known best practices and strict security protocols when dealing with digital customer experience solutions
- Be transparent about the level of security, and let customers know the steps they are taking to protect customer data from the threat of attacks
- Hold vendors to strict security standards including:
  - Secure Stateless Tokenization (SST) for payment data eliminates the need for a database to index random tokens and makes the process both more secure and more automated.
More Clarity Around Customer Communications
Regulations for Electronic Communications

- **CAN-SPAM ACT**
  - Passed in the United States in 2003 and applies to any email message that promotes a product or service
  - Establishes requirements for commercial emails including items such as accuracy of sender info and subject line, and inclusion postal address and opt-out info

- **Canada’s Anti-Spam Legislation (CASL)**
  - Enacted in Canada in 2014 and expanded in 2015 to prohibit malware
  - Applies to “any electronic message that encourages participation in a commercial activity, regardless of whether there is an expectation of profit”
  - Sets requirements for accuracy of sender info, obtaining consent, and managing opt-ins/opt-outs

Legal Notice: KUBRA does not provide any legal or regulatory advice — it is the responsibility of the Customer to consult with its own legal team to ensure that it uses the KUBRA services in compliance with all applicable laws.
Telephone Consumer Protection Act (TCPA)

- Sets ground rules for marketing by telephone, fax and SMS text message and restricts use of automatic telephone dialing systems (ATDS)
- Originally designed to limit traditional telemarketing during the “dinner hour”
- Expanded to include other types of marketing including SMS text messages
- Practical question driving the TCPA: “Would the individual receiving the call likely want the call?”

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TCPA Compliance Can Be Tricky

100,000 phone numbers are reassigned every day

35 million phone numbers are reassigned every year

3,460 TCPA lawsuits filed in 2017

- **$3.75 Million** – settlement amount JP Morgan Chase paid for calling 675,000 reassigned numbers
- **$12.5 Million** – settlement amount Carnival Cruises paid for making unauthorized telemarketing calls
- **$32 Million** – combined settlement amount Bank of America paid for four different TCPA violations
2016 Ruling Gives Utilities More Clarity

- Provides permission for utilities to send automated calls and text messages to customers who have not opted-in for notifications
- Applies only to alerts “closely related to the utility service” such as notifying customers that:
  - they are eligible for subsidized or low-cost services
  - there is a potential brown-out due to heavy energy usage
  - failure to make a payment will result in service curtailment (not collection calls after a disconnect)
  - there are planned or unplanned outages
  - there are updates about outages or service restoration
  - they need to confirm restoration
  - there is meter, tree trimming, or field work that directly affects the customer

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Implicit Consent allows Utilities to:

- Offers proactive voice and SMS messages for customers who have not previously enrolled for alerts
- Lets you enroll phone numbers obtained when starting service for alerts about key service activities
- Allows you to provide supplemental and default contacts for customers along with event data
- Monitors changes to phone number ownership to ensure compliance with TCPA rules
- Determines whether a number is a mobile or landline for proper enrollment
- Leverage an Alert and Preference Management system to allow customers to update preferences and use preferred channels when available
Why Use Implicit Consent Alerts?

- Reach consumers with critical information faster to reduce incoming calls and drive customer satisfaction
- Reach low-income households — who are often easier to reach by calling or sending a text message
- Improve days sales outstanding (DSO), program adoption, outage verification and average handle times
Potential Message Use Cases

OUTAGE EVENTS
• Proactive outage alerts—planned & unplanned
• Outage restoration callbacks

BILLING & PAYMENTS
• Payment due
• Past due reminders
• Payment failed

ENERGY USAGE
• Demand response event
• Energy efficiency alerts

• Increase customer satisfaction
• Reduce incoming calls

• Increase customer satisfaction
• Reduce incoming calls
• Decrease DSO

• Increase customer satisfaction
• Enhance program participation
• Drive results
Fierce Competition is on the Horizon
Renewable energy is the fastest growing component of the U.S. energy mix.

- Business Council for Sustainable Energy
Renewables

- Consumers are demanding more renewable energy
- Costs to produce renewable energy has decreased significantly
  - The cost to generate electricity using solar power has decreased by 67% since 2009
  - Recently, a big Nevada utility lost 6% of its customer base virtually overnight, when 15 of the top casinos and hotels switched over to smaller renewable energy providers.
- As renewable energy companies continue to offer lower-cost renewable energy to customers, utilities will begin to feel the pressure.
Home Batteries

- Home batteries such as Tesla’s Powerwall
- 100% self-powered, and combines with solar energy to power a customer’s house.
- The home gathers solar energy during the day and uses the excess energy to power the home at night.
- Designed to decrease customers’ reliance on their utility
How Can Utilities Compete?

- Engage with customers to be seen as their trusted energy advisor
- Provide options for renewables and smart home integrations
- Communicate, communicate, communicate!
The Millennials Are All Grown Up
Millennials already make up more than half of the U.S. workforce and are on track to eclipse 75 percent by 2030.

- Bureau of Labor Statistics
Understanding Millennials

Millennials are engaged and “ambidextrous”.
Energy providers need to be too.

Millennials are inquisitive and information hungry.
Energy providers need to take advantage of this.

Millennials are enthusiastic about energy and sustainability.
Energy providers need to engage them now.

Millennials are adept at change, and are willing to support it financially.

* Accenture, New Energy Consumer Research Program, 2015 Consumer Survey
How Millennials are Contacting Utilities

Communication channels used to contact electricity providers:
- No contact in past 6 months:
  - Non-Millennials: 40%
  - Millennials: 60%
- Face to face contact:
  - Non-Millennials: 20%
  - Millennials: 10%
- Phone contact:
  - Non-Millennials: 30%
  - Millennials: 20%
- Digital contact:
  - Non-Millennials: 20%
  - Millennials: 40%
- Other contact:
  - Non-Millennials: 10%
  - Millennials: 30%

Number of channels used to contact electricity providers:
- 0 channels:
  - Non-Millennials: 30%
  - Millennials: 50%
- 1 channel:
  - Non-Millennials: 40%
  - Millennials: 20%
- 2 channels:
  - Non-Millennials: 15%
  - Millennials: 35%
- 3+ channels:
  - Non-Millennials: 5%
  - Millennials: 5%

*Accenture, New Energy Consumer Research Program, 2015 Consumer Survey*
Device Ownership Among Millennials

68% choose their mobile as their most important device.

3.37 Average number of devices owned.

53% of smart speaker owners are millennials or younger.

<table>
<thead>
<tr>
<th>Device Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartwatch</td>
<td>9%</td>
</tr>
<tr>
<td>TV Streaming Device</td>
<td>14%</td>
</tr>
<tr>
<td>Games Console</td>
<td>25%</td>
</tr>
<tr>
<td>Smart TV</td>
<td>36%</td>
</tr>
<tr>
<td>Tablet</td>
<td>38%</td>
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<tr>
<td>PC/Laptop</td>
<td>75%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>97%</td>
</tr>
<tr>
<td>VR Headset/Device</td>
<td>5%</td>
</tr>
</tbody>
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* GlobalWebIndex Q3. Examining the attitudes and digital behaviors of internet users aged 21-34. 2017
## Millennial Social Behaviors

<table>
<thead>
<tr>
<th>Social Media</th>
<th>Membership %</th>
<th>Visitation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>88%</td>
<td>83%</td>
</tr>
<tr>
<td>YouTube</td>
<td>83%</td>
<td>86%</td>
</tr>
<tr>
<td>FB Messenger</td>
<td>77%</td>
<td>58%</td>
</tr>
<tr>
<td>WhatsApp</td>
<td>69%</td>
<td>61%</td>
</tr>
<tr>
<td>Instagram</td>
<td>67%</td>
<td>60%</td>
</tr>
<tr>
<td>Twitter</td>
<td>62%</td>
<td>46%</td>
</tr>
<tr>
<td>LinkedIn</td>
<td>43%</td>
<td>30%</td>
</tr>
<tr>
<td>Skype</td>
<td>42%</td>
<td>34%</td>
</tr>
<tr>
<td>Snapchat</td>
<td>41%</td>
<td>28%</td>
</tr>
<tr>
<td>Pinterest</td>
<td>35%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Average number of social networks: **9.39**

*GlobalWebIndex Q3. Examining the attitudes and digital behaviors of internet users aged 21-34. 2017*
Millennials’ Expectations

1. Treat me like the individual I am.
2. I will contract you often and though I prefer digital, I’ll use any means you make available.
3. I expect good service made easy – and I’m willing to pay for it.
4. I like you and trust you, but don’t think I won’t jump for a better offer.
5. I’m generally satisfied with my energy provider, but banks and online retailers provide me with better customer service.
6. I will shop around for the best value, so help me understand what you have to offer and how it benefits me.
7. I want renewable resources and am willing to invest in them.
8. I’m a savvy consumer and well-educated.
9. I do my research, so make useful information easy to find anywhere, anytime.
10. I depend on my digital devices, home appliances, and tech “toys”, so give me technology I’ll want to use.

*Accenture, New Energy Consumer Research Program, 2015 Consumer Survey*
Let’s Keep in Touch!

Nic Lowry
Manager, Regional Sales
KUBRA
nic.lowry@kubra.com

Contact us to learn more!
sales@kubra.com

Download the White Paper at www.kubra.com/resources