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

Nic Lowry

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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

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Utility Mapping
- Power Outage Maps and Reporting
- Stakeholder Communications
- Streetlight Outage Maps and Reporting

Billing and Payments
- On-Demand Payments
- Remittance Processing
- Omni-Channel E-Billing
- Document Printing and Mailing

Alerts and Preference Management
- Text, Voice, Email and Push Alerts
- Preference Management Platform
- Two-Way Text Messaging

Mobile
- Outage Maps
- Account Management
- EnergyUsage
- Billing and Payments

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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

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- **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.
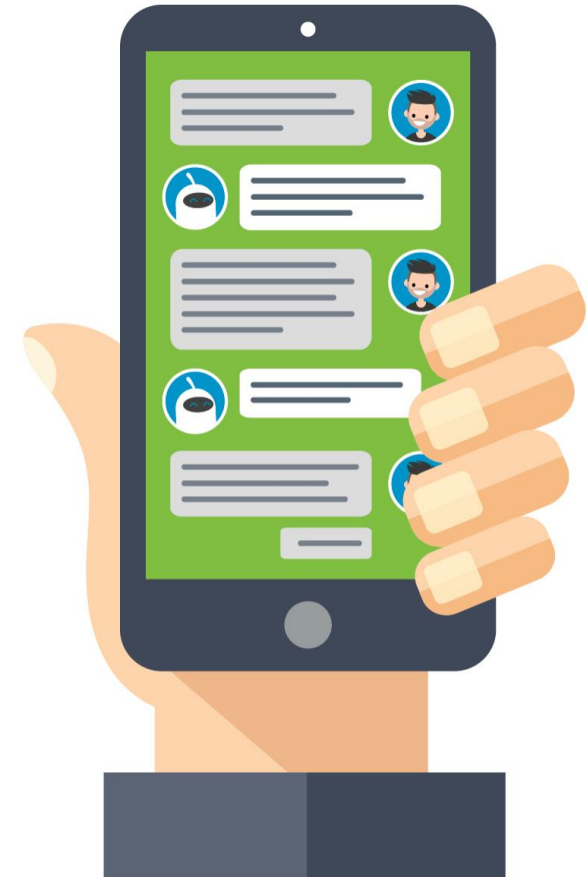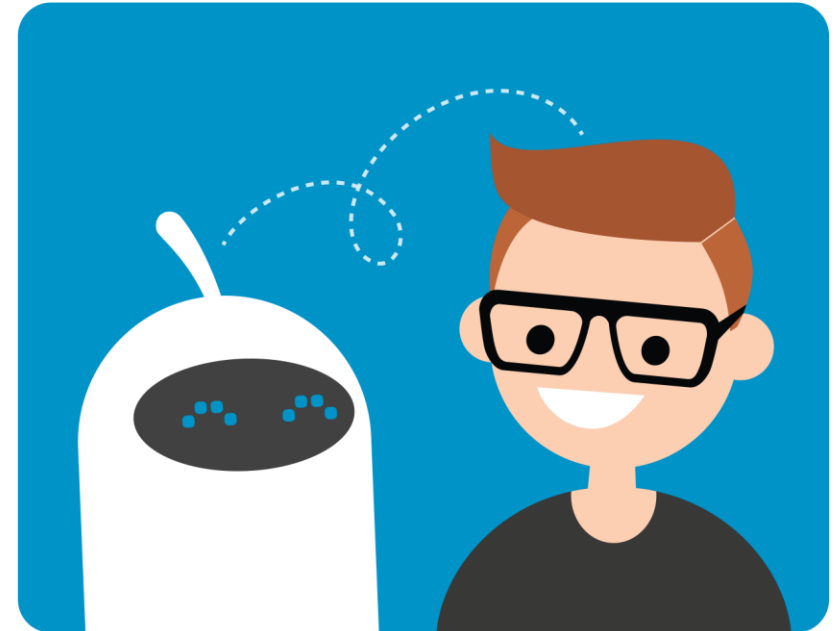
Chatbots Improve Customer Satisfaction

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

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

Consumers Are Using Their Voice

49%
of smartphone owners in the U.S. use voice assistance at least once a week.
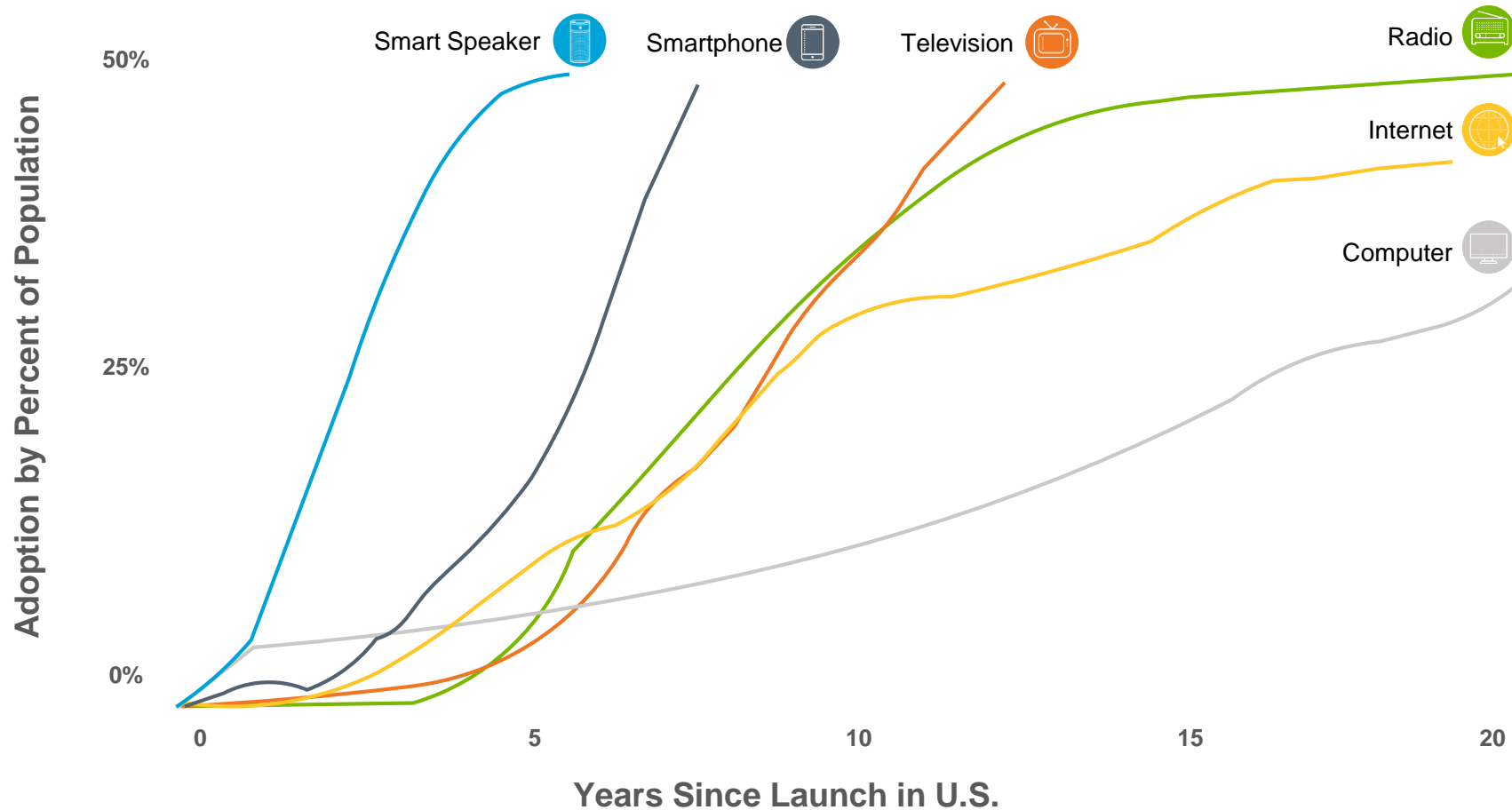
50%
of people are now using voice search when researching products.

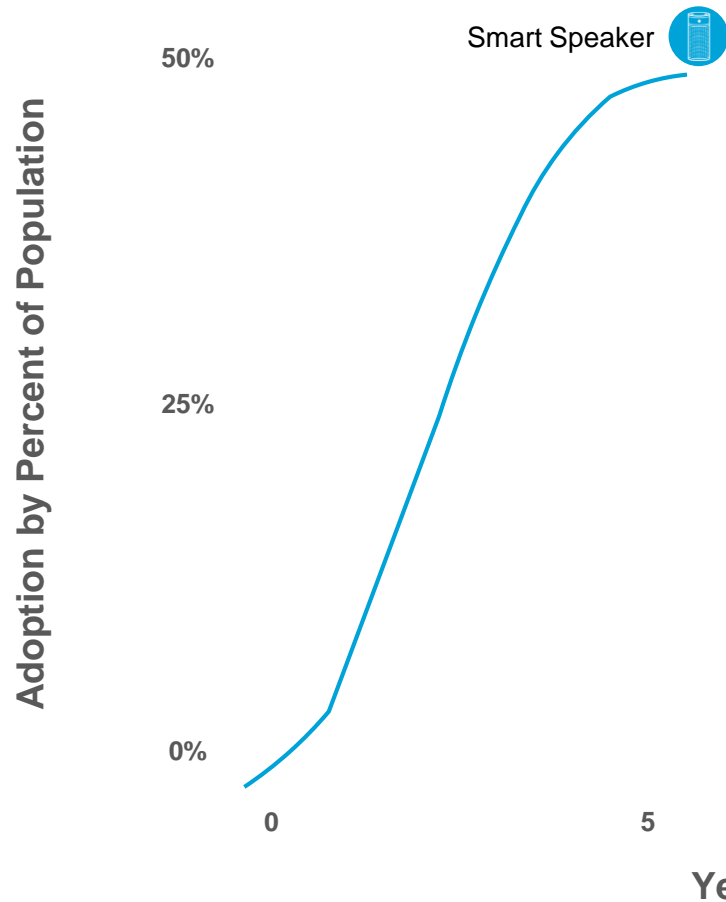**50%**
of ALL searches will be voice searches by 2020.

Smart Speakers Showing Fastest Customer Adoption in History

Smart Speaker

Smartphone

Television

Radio

Internet

Computer

Adoption by Percent of Population

50%

25%

0%

0   5   10   15   20

Years Since Launch in U.S.

*Activate Forecast

Smart Speakers Showing Fastest Customer Adoption in History

Adoption by Percent of Population

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Smart Speaker

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0%

0   5   10   15   20

Years Since Launch in U.S.

- **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.**

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
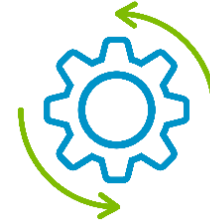
- Ponemon Institute 2017

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.
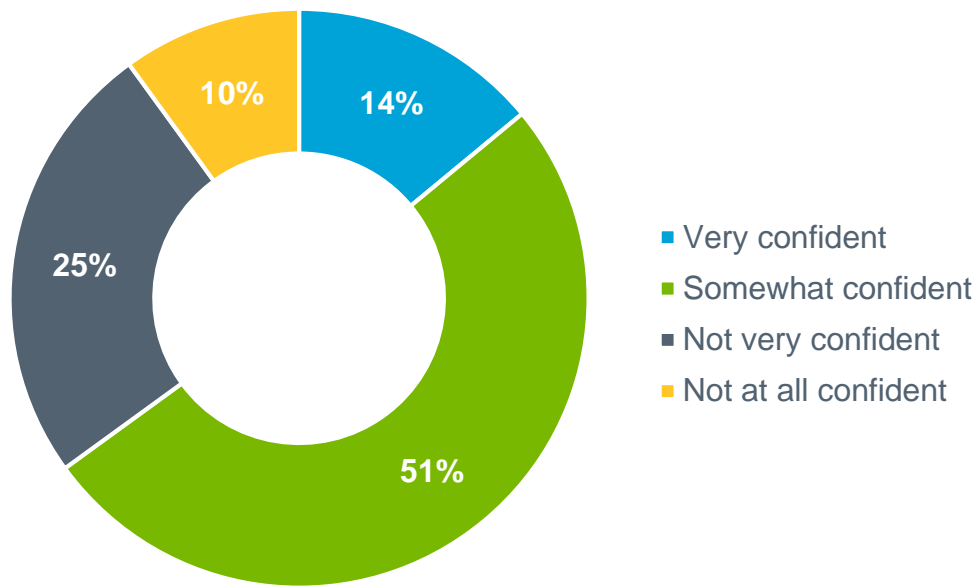
Encryption

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.

Consumer Confidence in Data Privacy and Security

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

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

- Very confident
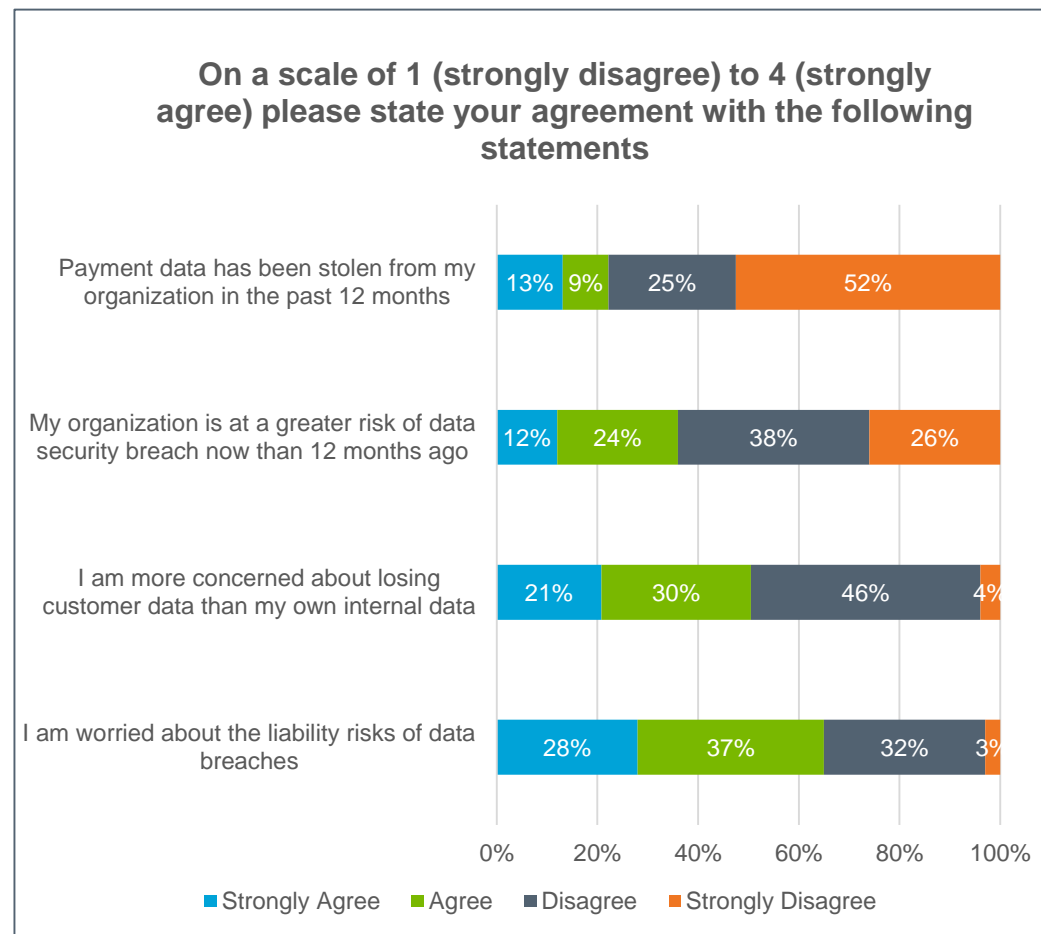- Somewhat confident
- Not very confident
- Not at all confident

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

41% Digital users

31% Non-digital users

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.

On a scale of 1 (strongly disagree) to 4 (strongly agree) please state your agreement with the following statements

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
Payment data has been stolen from my organization in the past 12 months	13%	9%	25%	52%
My organization is at a greater risk of data security breach now than 12 months ago	12%	24%	38%	26%
I am more concerned about losing customer data than my own internal data	21%	30%	46%	4%
I am worried about the liability risks of data breaches	28%	37%	32%	3%

0% 20% 40% 60% 80% 100%

■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree

Ovum Global Payments Insight Survey, 2018.

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:
  - PCI Security Standards - Payment Card Industry Data Security Standard (PCI DSS), PIN Transaction Security (PTS) requirements, and the Payment Application Data Security Standard (PA-DSS)
  - 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

Telephone Consumer Protection Act (TCPA)

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- 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?"

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.

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
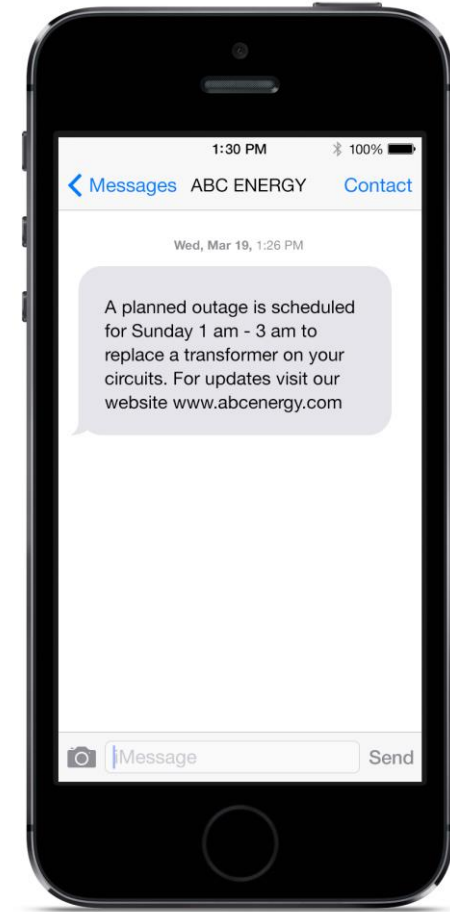
Implicit Consent allows Utilities to:

- 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
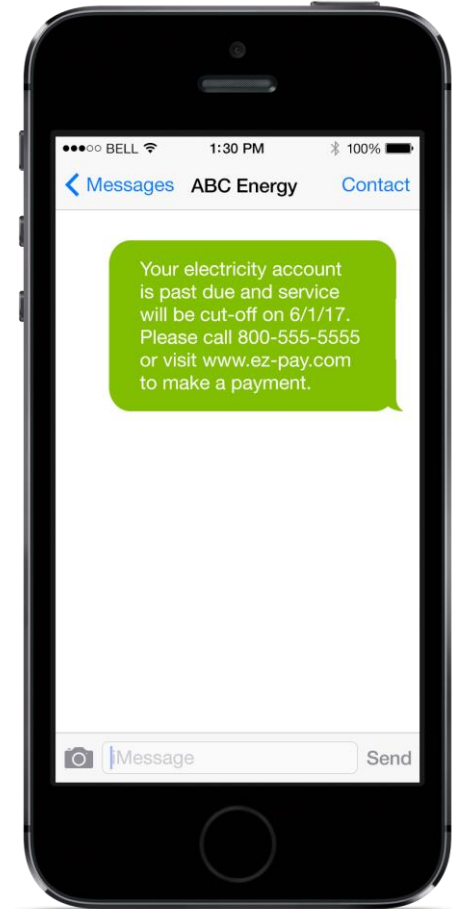
Why Use Implicit Consent Alerts?

- 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

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1:30 PM ☀ 100% ▇

‹ Messages   ABC ENERGY   Contact

Wed, Mar 19, 1:26 PM

A planned outage is scheduled for Sunday 1 am - 3 am to replace a transformer on your circuits. For updates visit our website www.abcenergy.com

Message   Send

Potential Message Use Cases

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OUTAGE EVENTS

- Proactive outage alerts- planned & unplanned

- Outage restoration callbacks

- Increase customer satisfaction
- Reduce incoming calls

BILLING & PAYMENTS

- Payment due

- Past due reminders

- Payment failed

- Increase customer satisfaction
- Reduce incoming calls
- Decrease DSO

ENERGY USAGE

- Demand response event

- Energy efficiency alerts

- Increase customer satisfaction
- Enahnce 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

Hurricane Maria accelerated the adoption timeline of home batteries by up to 18 months.[12]

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.

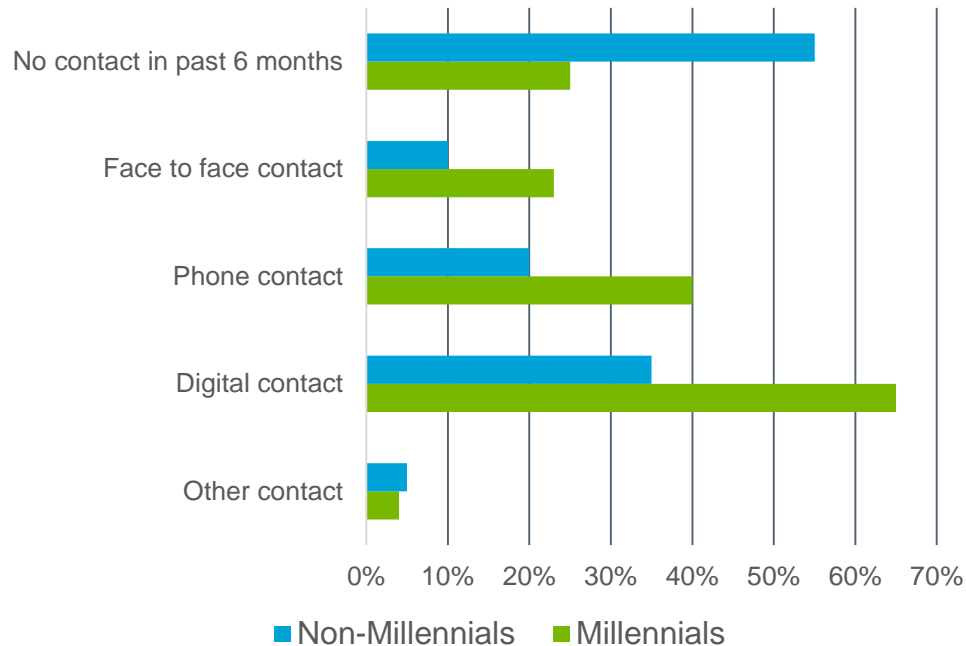Energy providers need to take advantage of this.

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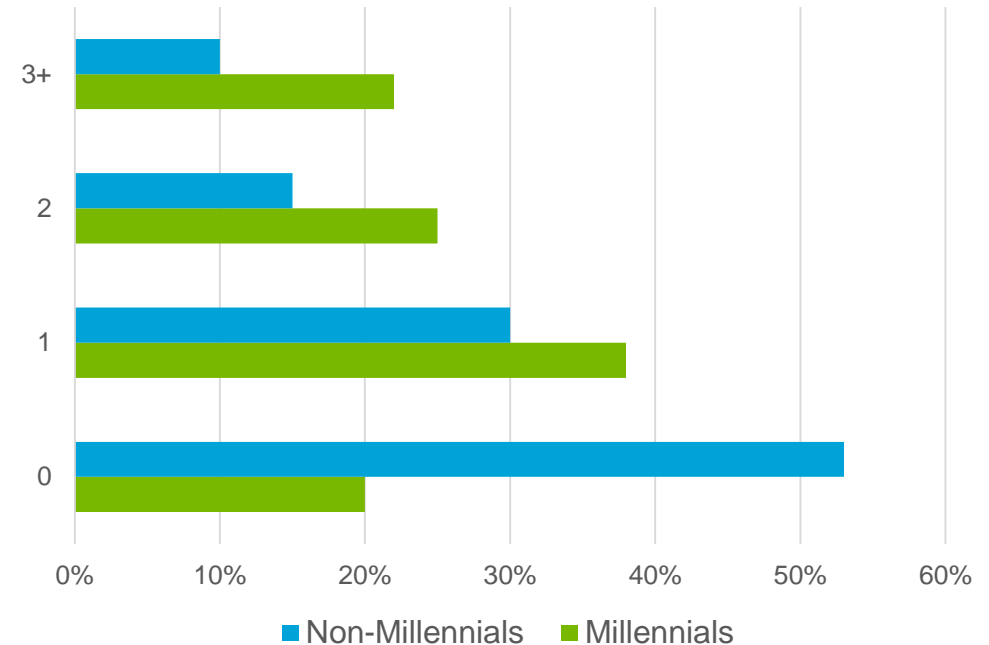
Energy providers need to engage them now.

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

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Communication channels used to contact electricity providers

Channel	
No contact in past 6 months	
Face to face contact	
Phone contact	
Digital contact	
Other contact	

■ Non-Millennials ■ Millennials

Number of channels used to contact electricity providers

3+	
2	
1	
0	

■ Non-Millennials ■ Millennials

Device Ownership Among Millennials

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Device ownership (horizontal bar chart):

- VR Headset/Device — 5%
- Smartwatch — 9%
- TV Streaming Device — 14%
- Games Console — 25%
- Smart TV — 36%
- Tablet — 38%
- PC/Laptop — 75%
- Smartphone — 97%
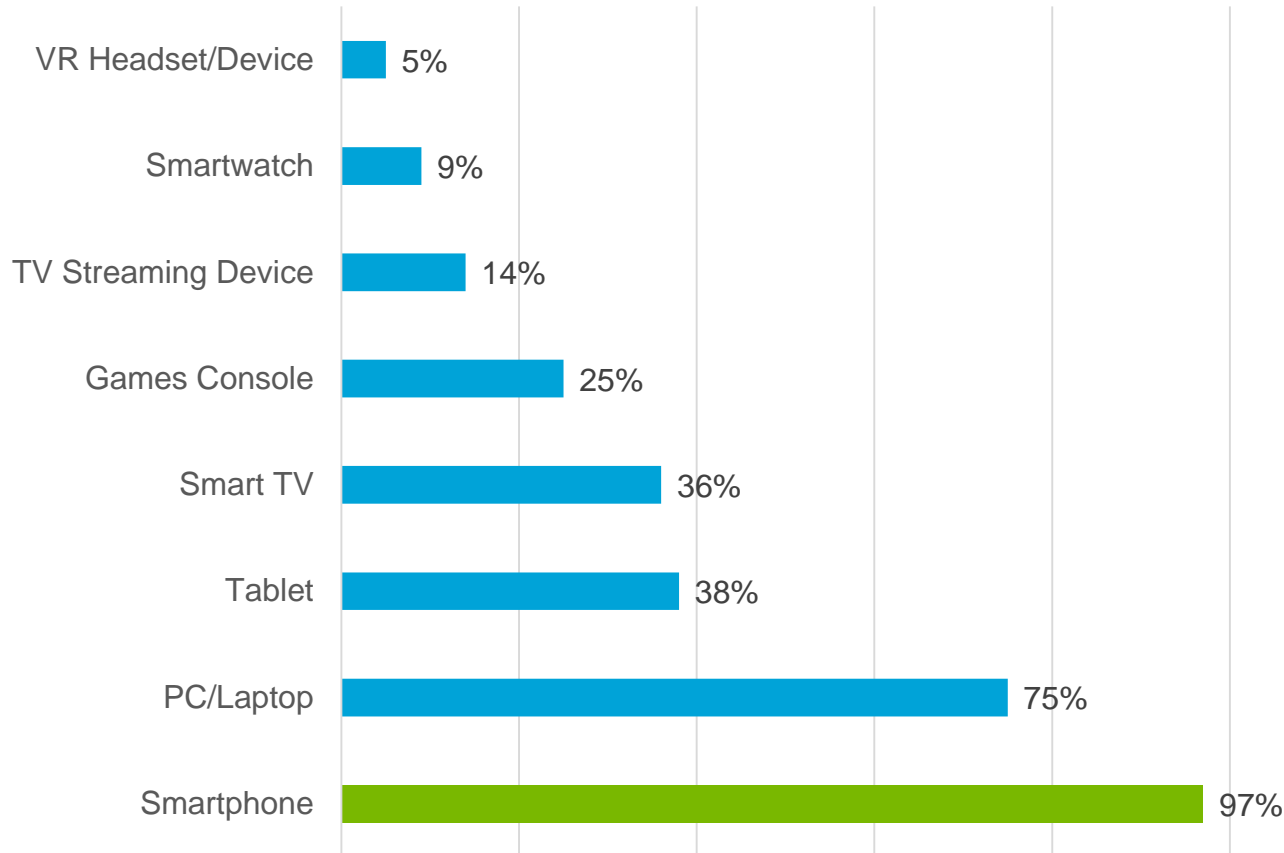
3.37 Average number of devices owned.

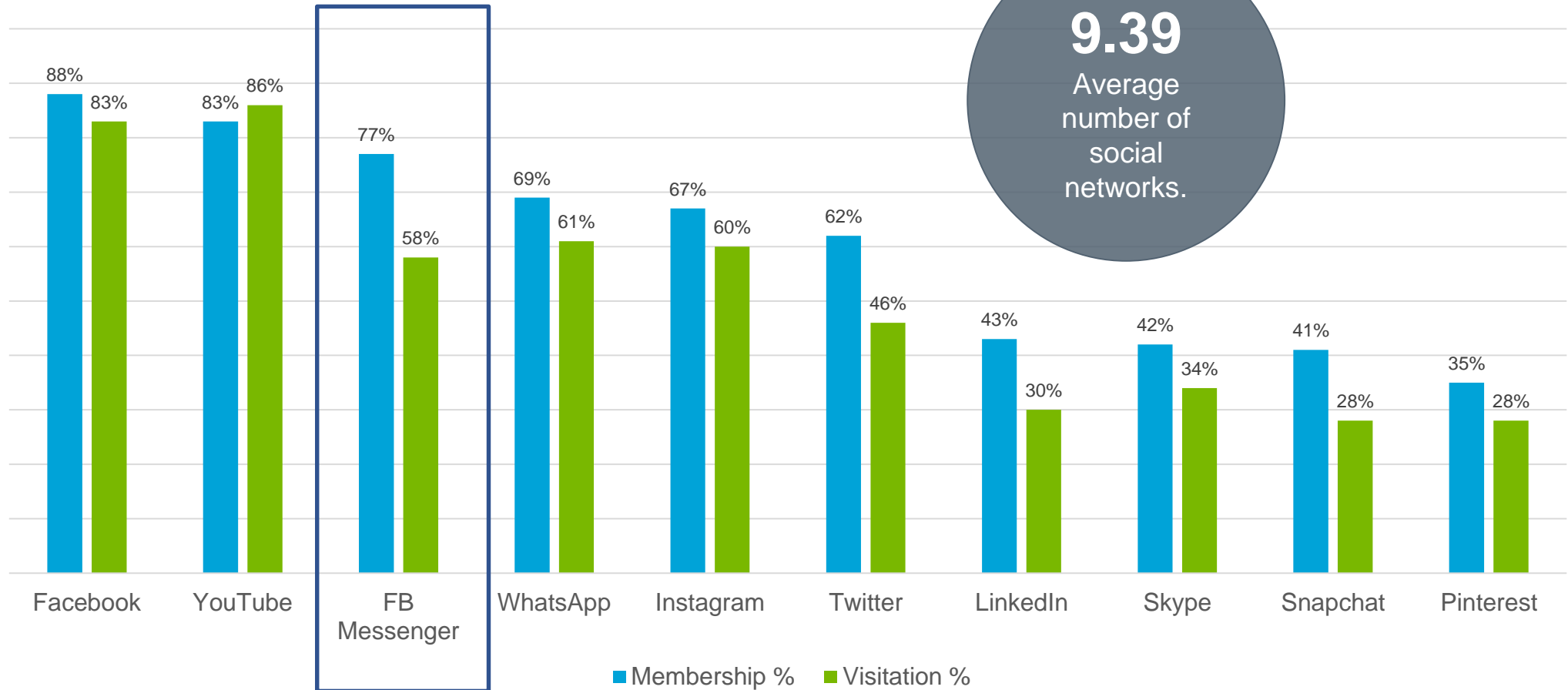**68%** choose their mobile as their most important device.

53% of smart speaker owners are millennials or younger.

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

Millennial Social Behaviors

9.39 Average number of social networks.

Facebook: Membership 88%, Visitation 83%
YouTube: Membership 83%, Visitation 86%
FB Messenger: Membership 77%, Visitation 58%
WhatsApp: Membership 69%, Visitation 61%
Instagram: Membership 67%, Visitation 60%
Twitter: Membership 62%, Visitation 46%
LinkedIn: Membership 43%, Visitation 30%
Skype: Membership 42%, Visitation 34%
Snapchat: Membership 41%, Visitation 28%
Pinterest: Membership 35%, Visitation 28%

■ Membership %   ■ Visitation %

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.

Personalization is key for the Millennial consumer.

Let's Keep in Touch!

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