



Report on Customer Perception of Sustainability in Italy's Energy & Utilities Industry

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In collaboration with



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Special thanks to [toluna](#) for research partnership

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At a glance

Energy customers recognize the high value of sustainability

- ▶ Sustainability has become a key purchasing driver for more than 80% of energy & utilities (E&U) consumers, according to a survey of about 3,200 Italian customers, performed by Bain & Company in collaboration with the WWF Italy.
- ▶ In the E&U space, three top “personas” emerge as strongly sustainability-driven, based on age, spending capabilities, education, and attitudes:
 - Younger consumers (**Planet Saviors**): 3 million people, students, and young workers, often financed by families, strongly sensitive to broad environmental issues.
 - High spenders (**Tech Addicts**): 2.5 million people, professionals and entrepreneurs, well-educated and with high income, loyal to sustainable technology products.
 - Middle-income adults (**Saver Ecologists**): 20 million people, white and blue collars, often part of single-income families, savers, and keen to recycle.
- ▶ The value at stake behind these personas is paramount: Possibly more than 50% of customer value in the power domestic segment¹, for an overall potential of €1 billion, driven by:
 - personas’ willingness to buy more (if products are sustainable) and pay more (up to 10% premium for products with sustainable features); and
 - personas’ higher satisfaction and thus loyalty to sustainable suppliers, who display a Net Promoter ScoreSM 20 to 40 points higher than less sustainable ones.

E&U players have a native advantage related to the green energy transition, but “full potential” is still to be achieved on the sustainability ambition, offering, business models, and communication

- ▶ E&U players seem to perform better than other industry peers in terms of sustainable market positioning, mainly building on a “native advantage” related to green energy transition as a core transformation lever.
- ▶ However, a big step forward is needed to systematically integrate sustainability into E&U core offerings and operations, given that:
 - Ambition is mainly focused on prospective carbon neutrality, not always until Scope 3, and with limited coverage of circular economy metrics, i.e., not fully defining a strategic role for E&U incumbents in the sustainability transition.
 - Sustainable products and services are not fully representing an underlying decarbonization strategy, and often with limited market reach and improvable customization for personas.

⁽¹⁾ Yearly gross energy supply margin, net of cost of credit, cost to serve, and cost of acquisition, with an average churn rate of ~20%.
 Note: Net Promoter ScoreSM is a service mark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.
 Source: WWF-Bain Consumer Survey 2020

**Next-gen
Sustainability @ Core
requires a drastic
shift in mindset**

- Business models are not yet “circular”, with sustainability requirements often transferred to upstream suppliers.
- Stakeholder engagement is achieved mostly through technology partnerships, while community impact still is not deployed as a core value-creation driver.
- Sustainability reporting is not fully integrated into economic and financial dashboards.

- ▶ E&U players thus need to fully combine decarbonization with a 360-degrees sustainable approach, encompassing social and environmental issues, crossing organizational boundaries, and spanning diverse, adjacent sectors. In other words, they need to proactively shift to next-generation Sustainability @ Core, radically reshaping their business by:
 - driving further innovation and investment on sustainability, to reach a unique positioning on cutting-edge technologies that will accelerate decarbonization;
 - addressing the “value at stake” of sustainability for consumers,
 - adapting value proposition to sustainability-driven personas;
 - reengineering business models through circular lenses along the whole value chain, while further leveraging digitalization to make sustainable models scalable and flexible;
 - leveraging best-of-breed partnership ecosystems to overcome industry boundaries and develop new markets, while fully linking community impact to core business; and
 - raising stakeholder awareness on decarbonization and sustainability results (along the full value chain), through rigorous impact assessment and more focused communication.

Customer Perception and Value of Sustainability in the Energy & Utilities Space

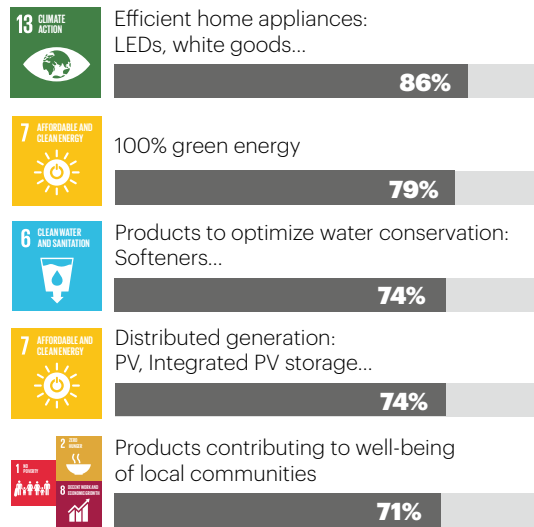
Many have anointed sustainability as the “next digital,” a “must-win” battle in the light of irreversible environmental changes, pressured by all stakeholders alike, and increasingly demanded by modern customers. The Covid-19 pandemic has made this trend even more evident. Building on evolving customer preferences, Bain & Company, in collaboration with WWF Italy, conducted a survey of about 3,200 consumers to value sustainability in the E&U sector.

According to survey results, environmental and social sustainability in E&U has become a crucial purchasing driver, with 4 out of 5 consumers recognizing its importance when choosing an electricity offer — almost in line with fast-moving food and beverage products. Other sectors lag behind: sustainability drives 60% of consumer preferences in the mobility industry, 40% in apparel, less than 20% in banking and insurance. An innovative segmentation of the Italian population based on age and spending capabilities has resulted in the identification of three top sustainability-driven segments or “personas,” displaying specific sustainable energy product preferences, aligned to clear underlying ambitions:

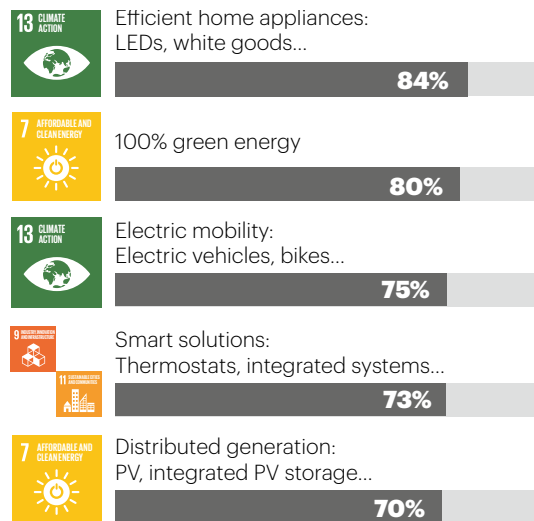
- Younger consumers are Planet Savors, who are focused on 360-degree social and environmental protection through responsible energy use and prefer products that promote community empowerment.
- High spenders are Tech Addicts willing to pay more for products that combine technological features with a beneficial environmental impact (e.g., electric vehicles, home automation).

Top energy-related products and services for purchasing potential², by persona

Younger consumers (Planet Savors)



High spenders (Tech addicts)



⁽²⁾ Purchasing potential reflects the level of interest (top product = 100%) and declaration of propensity to purchase by interested consumers. Source: WWF-Bain Consumer Survey 2020

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- Middle-income adults are Saver Ecologists, linking energy efficiency to economic savings and having a strong awareness of environmental pollution, resulting in an appreciation for “circular” products.

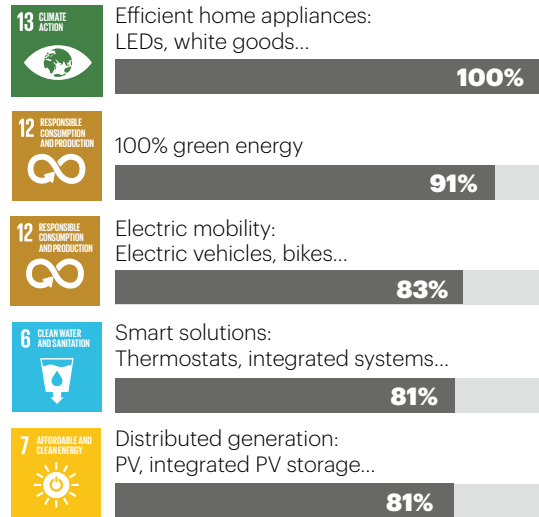
The survey also analyzed sustainability practices usually embraced by E&U players, both through direct effort (e.g., policies for building renovations and smart cities) as well as sponsorship of third parties (e.g., grants to nongovernmental organizations). The three personas have a sensibility toward sustainable practices that reflect their product preferences. Planet Savors appreciate grants for environmental nonprofits; Tech Addicts prefer cooperation on urban mobility and smart cities; Saver Ecologists seek energy-efficiency policies for buildings.

Despite the proven customer appreciation for both sustainable offerings and practices, E&U players today still do not fully engage in proactive customer education. Customer awareness on sustainability is indeed mainly based on “pull channels”: More than 60% of customers get their information through spontaneous research, friends’ advice, communities, and social media, while fewer than 40% being are targeted through institutional and sales campaigns.

E&U players are failing not only to tap all available channels, but also to create strong content on social media, especially relevant for Planet Savors, most E&U players focus only a small posts shared on sustainability, and with no a clear leitmotiv, i.e., a clearly shared ambition on specific environmental / social topics.

Research found that social media communication is more powerful and customer awareness stronger when a brand is associated with a clear, recognizable topic; “unfocused” E&U players are missing an opportunity to increase their visibility on social media and gain positive mentions.

Middle-income adults (Saver Ecologists)



Sentiment of earned mentions of users, by focus (percentage of total)³



⁽³⁾ From July 2019 –June 2020 for eight energy players in Italy. Sources: Synthesio Social Media analysis; WWF-Bain Consumer Survey 2020

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In fact, sustainability is one of the Elements of Value® not yet properly tackled by E&U players, which are still mostly focused on responding to core, traditional purchasing drivers, such as price, convenience, offer quality, and customer care. However, customer perception is evolving, and today consumers prefer a provider that responds well to their sustainable priorities vs. one that offer attractive loyalty plans.

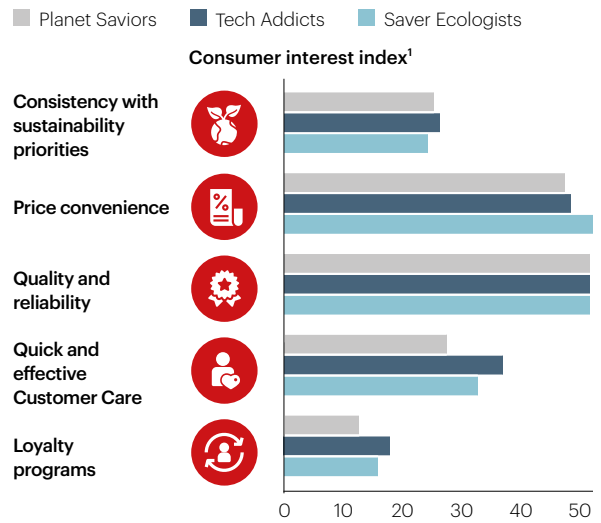
E&U players could leverage this element, targeting specific personas though a more rounded portfolio of offers and policies, while actively creating awareness through targeted communication. This could not only boost corporate reputation and brand perception, but also provide a tangible economic advantage.

Indeed, the survey found that nearly 80% of people in the three sustainability-driven personas would be willing to buy extra products from the same energy provider, if these display sustainable features; and for such products, 40%-60% would be willing to pay a price premium.

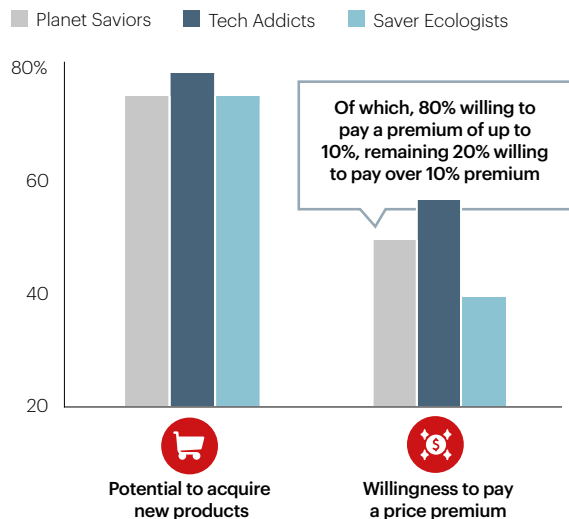
Economic benefits would not only improve the short-term P&L of sustainable players, but also their long-term positioning.

Customer satisfaction, as measured by the Net Promoter Score, ranges from 20 (among Planet Savors) to 40 (among Tech Addicts) percentage points higher for energy providers that meet consumers' sustainable needs. In a highly competitive market such as energy retail, this is a paramount factor: E&U players at the forefront of **sustainability not only can sell more and better, but also retain customers longer.**

Key characteristics of energy-related products and services vs. consumer needs



Effects perceived by E&U consumers with increasing Sustainability focus by players (%)⁴

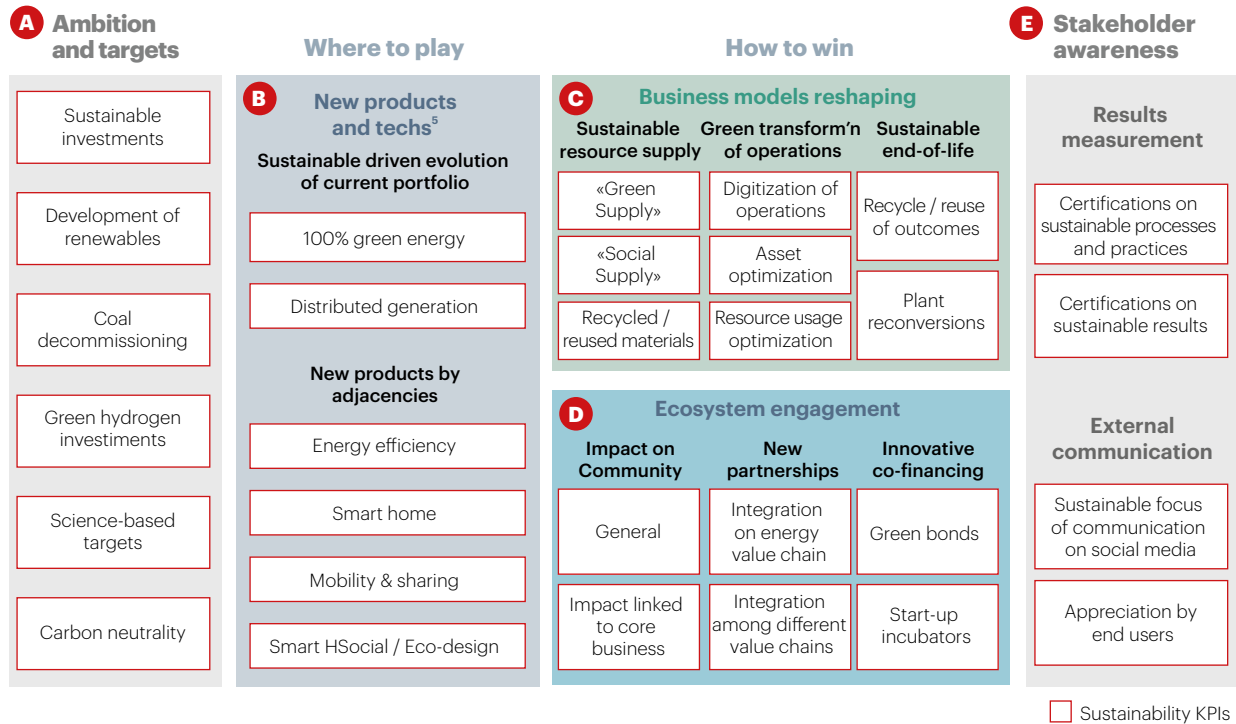


Notes: Elements of Value® is a registered trademark of Bain & Company; 1 = element with higher interest; 2 = percentage of total panel. Sources: Bain Elements of Value methodology, WWF-Bain Consumer Survey 2020

Sustainability in the Energy & Utilities Industry: Status and Emerging Models

The Energy & Utilities sector may rely on a “native advantage,” especially on environmental sustainability; energy transition is at the core of its operations, and not an adjacent ambition. Given their earlier moves, such as RES commitments and energy-efficiency investments, E&U incumbents are well-positioned on global sustainability indexes, but other industries, such as mobility and apparel, are gaining ground.

To reinforce their positioning on sustainability practices, leading E&U players are now striving to take the next step, shifting from a “native sustainability advantage” to a “sustainability-integrated” approach, incorporating environmental and social sustainability elements in their core operations and offering. The challenge is to combine the traditional focus on emissions reduction through renewables with a 360-degree decarbonization effort (e.g., aiming for real zeroing of fossil fuels) and with a newly expanded social role (e.g., ensuring responsible operations along the full value chain). E&U industry current progress on the sustainability spectrum — from the native sustainability advantage to the sustainability-integrated model — has been assessed through a comprehensive framework, mapping the positioning of 11 Italian E&U players (national incumbents, private and foreign players, digital newcomers) on five core pillars:



⁵ New product analysis focuses on end consumers, and therefore on domestic / residential clients. Source: WWF-Bain Consumer Survey 2020

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The evidence indicates that the systematic integration of sustainability into E&U ambition, offerings, operations, and communications has not achieved yet its full potential.

- a) Ambition and targets are mostly focused on prospective carbon neutrality, not entirely capturing both the potential of full-fledged decarbonization and a “all-green” investment portfolio that also includes clear capital allocation on new fuels.
- b) Sustainable products and technologies are often conceived as “image repositioning” tools, rather than core value-creation levers reflecting an underlying decarbonization strategy. As such, they do not always benefit from a targeted go-to-market strategy and achieve limited market reach, with poor customization for personas.
- c) Business models’ sustainable positioning mostly refers to state-of-the-art policies on responsible supplies, as well as minimized impact of own operations through digitally enabled models. Circularity of materials, assets and equipment must still achieve its full potential.
- d) Ecosystem engagement is often conceived as technology development through “sustainable open innovation,” while cross-sector partnerships for improved products go-to-market (e.g., O&M for electric mobility) and asset fleet decarbonization (e.g., Green H2 development consortia for sectors where it is useful and truly necessary) are still poorly leveraged. Most important, community impact is not yet at the core of energy operations, but E&U players can revise their role as local development / innovation promoters.
- e) Stakeholder awareness is constrained by sustainable results-measurement practices that are not always compelling, with limited integration of financial and sustainability criteria.

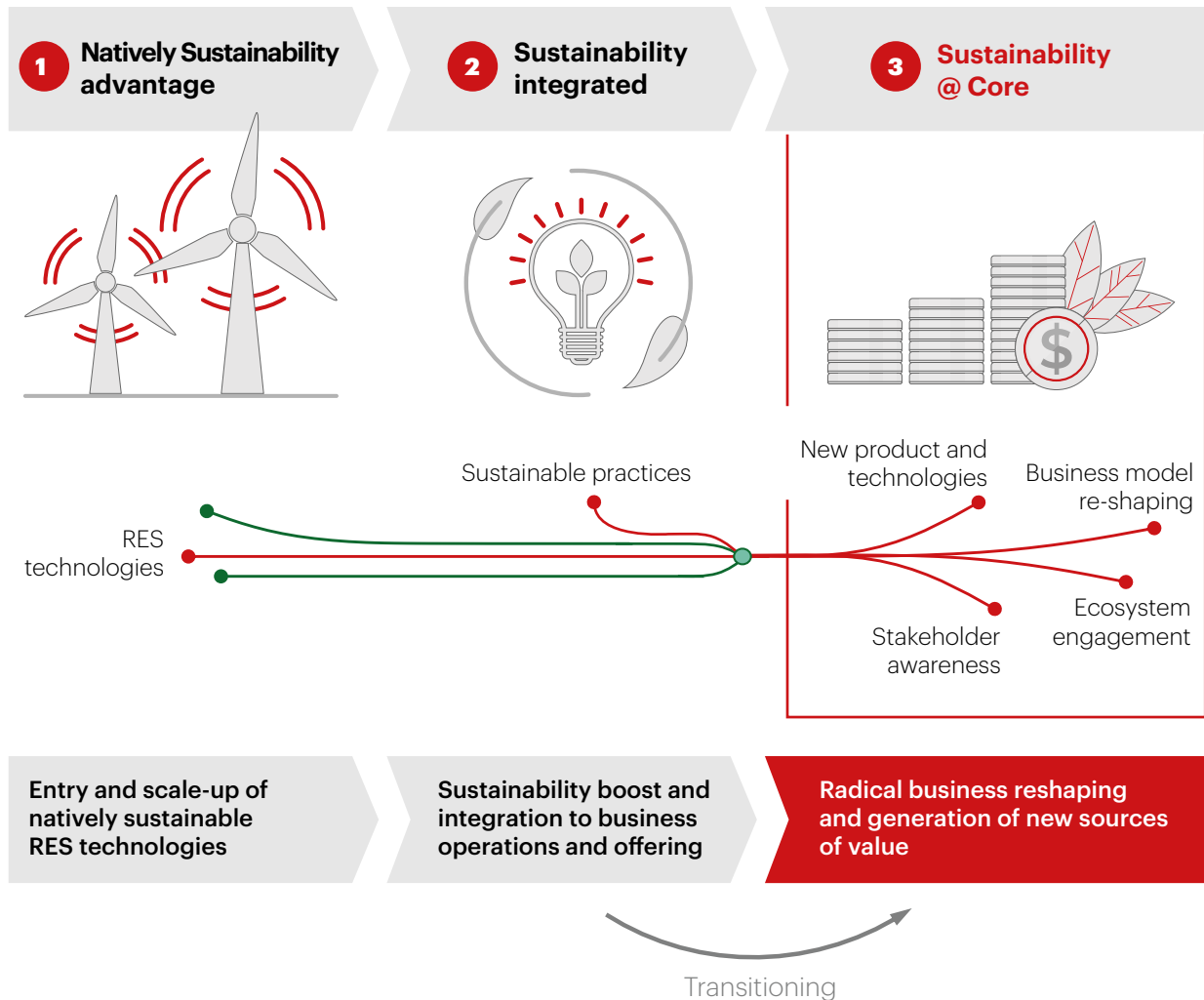
What is Next: How to Move to Next-Gen Sustainability @ Core

To fully transition to a sustainability-integrated approach, Energy & Utilities players shall embrace next-gen Sustainability @ Core, radically reshaping their core businesses to embrace sustainability as a new source of value.

Based on the findings of our customer survey and the current E&U positioning on the sustainability framework, few actionable levers have been identified as steps that E&U players need to quickly undertake to embrace next-gen Sustainability @ Core.

- Increasingly drive innovation and investment spending on sustainability to reshape business portfolios and develop sustainable products and technologies aligned to an underlying decarbonization strategy.
- Address the “value at stake” of sustainability-driven personas, adapting value propositions and offerings to purchasing needs.

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- Reengineer business models to become really end-to-end sustainable, revise asset operations and the value chain through circular lenses, also leverage digital enablers (e.g., circular economy platforms)
- Leverage best-of-breed partnership ecosystems to boost the market reach of new sustainable products, while developing compelling territorial strategies aimed at creating a loyal local customer base, but also wider economic impact through employment and district innovation.
- Raise stakeholder awareness on sustainability results, through rigorous impact-assessment certification and more focused communication, leveraging the potential of social media with messaging that looks and feels customized to personas' attitudes.



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