

Bulletin

Issue 02: September 2019

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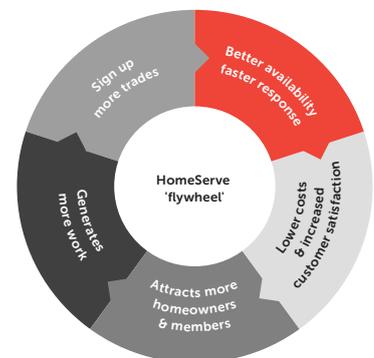
Every home. Every job.

HomeServe presents end of year results and strategy at investor day

HomeServe held an Investor day at its Portsmouth, UK, office in June 2019. Richard Harpin, Founder and CEO, presented the strategy for growth as the most valued provider of home repair and improvements, aiming for the goal of "Every job. Every home".

The plans include continued growth in membership programmes, acquisitions in HVAC and installations, and further investment in the online marketplace model for tradespeople, particularly with Checkatrade in the UK.

Through the online platform model, HomeServe intends to sign up more



tradespeople (150-200,000 in the UK alone). Combined with its existing membership network of subcontractors, franchisees and directly employed engineers this will build a virtuous circle of growth.

Richard explained this as the "flywheel effect", helping us serve customers better, faster and more economically, thus improving propositions and building better customer engagement for our partners.

For more information on the announcements at the Investor day, see page 8.

Industry news



Electric vehicles continue to grow

Analysis indicates that car makers in the European Union will be offering 214 electric car models in 2021 up from the 60 at the end of 2018. By 2025, 22% of vehicles produced in the EU are expected to have a plug, which would enable manufacturers to meet the EU's car CO2 emissions target of 95g/km. Carmakers in Europe are said to be investing €145 billion (£130bn) in electrification.

In their *Global Energy Perspective 2019*, McKinsey and Company predict that:

- Electric vehicle sales are expected to exceed **100 million by 2035**, causing oil demand in road transport to decline
- By 2050, there could be more than **2 billion** electric vehicles on the road across all segments
- The number of electric passenger car sales is expected to grow by more than **60 times** from 2018 to 2050

The implication for fossil fuel demand peaks is 2035 for gas and the early 2030s for oil. The report suggested that coal has already had its peak and is now in a stage of decline.

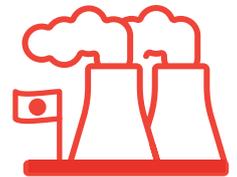
Renewables



11 million workers in renewables

According to a *report* recently released by the International Renewable Energy Agency and presented by Statista, almost 11 million people globally work in the renewable energy industry. Around 3.6 million of those employees work for companies engaged in solar/photovoltaics with the second largest segment being liquid biofuels at just over 2 million workers.

Self-sufficiency drive in Japan



Japan's government this June adopted a *new energy white paper* that suggests the country must rely on a larger share of nuclear and renewables to slash its carbon emissions and meet its target of a 26% reduction from 2013 levels by 2030.

The annual white paper, which describes trends and the status of key initiatives, said renewables accounted for 16% of Japan's power supply but nuclear power remained at just 3% in 2017.

UK goes a fortnight without coal power for the first time since 1882



July saw the first time that the UK had gone for two weeks without using coal power for the first time since the industrial revolution, smashing its previous record of eight days set earlier in the month.

The milestone marked the only coal-free fortnight since the world's first coal-powered plant opened in London in 1882.

Technology



AI potential and ethics

The global Utilities sector is making increasing use of AI however executives are underestimating its full potential according to research from the Capgemini Research Institute.

Further work highlights the need for an ethical use of AI to win people’s trust. Those surveyed said that they would be more loyal to, purchase more from, or be an advocate for companies whose AI interactions are deemed ethical.

“Many organizations find themselves at a crossroads in their use of AI. Consumers, employees and citizens are increasingly open to interacting with the technology but are mindful of potential ethical implications.

This research shows that organizations must create ethical systems and practices for the use of AI if they are to gain people’s trust. This is not just a compliance issue, but one that can create a significant benefit in terms of loyalty, endorsement and engagement,” said **Anne-Laure Thieullent**, AI and Analytics Group Offer Leader at Capgemini.

“To achieve this, organizations need to focus on putting the right governance structures in place, they must not only define a code of conduct based on their own values, but also implement it as an ‘ethics-by-design’ approach, and, above all, focus on informing and empowering people in how they interact with AI solutions.”

Smart home growth

Statista predicts the global smart home market will grow to 53.45 billion U.S. dollars in size by 2022. Video entertainment is expected to have the largest share of smart home device shipments by 2023, and home monitoring /security the second largest.

As of the first quarter of 2019, smart speaker penetration among U.S. broadband households topped 31%, surging from a mere 7% two years before.

\$53.45 billion by 2022

Predicted global smart home market growth

According to ABI Research, smart home technology pushed into 34 million new homes worldwide last year. North America is the most valuable smart home market with close to 40% of households invested in smart home technology.

Reuters reports a CAGC rate of 39.2% for voice assistants globally between 2017 and 2023, reaching a market size of USD 7.8 billion by 2023. Asia Pacific is anticipated to witness relatively faster adoption and is expected to grow at the highest CAGR backed by increasing demand for innovative products and growing demand for voice-first technology in countries such as Japan, China and India.

The growing need for customer relationship management is triggering the voice assistant market in the region.

Consumers surveyed indicated they would be feel more positive towards a company whose AI interactions they perceived as ethical:

- 62% would place higher trust in a company
- 61% would share positive experiences with friends and family
- 59% would have higher loyalty to the company
- 55% would purchase more products and provide high ratings and positive feedback on social media
- 34% would stop interacting with the company if they did not perceive their AI interactions as ethical.



Business evolution

PwC, in their 2019 Utilities of the future report, say that when it comes to assembling the talent needed to navigate the changes facing the industry, many US Utility companies say they still have a long way to go.

Just 25% said they currently have employees with the right digital skill set. However, more than two-thirds (69%) say they're recruiting new digitally capable workers and retraining existing ones, or have a plan to do so.

When it comes to the most coveted skills, data science and analytics surge ahead as the clear

winner, followed by customer experience.

The report also explores Utility customer centricity. Power and Utility companies are developing business models geared toward better serving segments of their customer.

26% have already developed new customer-centric business models and over half are in the early stages of doing so. Some of the business models include advising on solar installations and storage systems, offering rebates on smart thermostats or energy efficient appliances or electric vehicle charging, for example.

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Increase in mergers and acquisitions

Around 71% of power and Utilities executives expect to see an increase in mergers and acquisitions activity and 61% anticipate the sector's economy is set to improve according to an EY report. It suggests 71% of executives now place portfolio transformation at the top of the boardroom agenda, as businesses increasingly look to invest in emerging technologies.

Miles Huq, EY Global Power & Utilities Transactions Leader, says: "Favourable merger and acquisition conditions look set to heat up further for power and Utilities, as investors bid

aggressively for fewer opportunities amid historically low interest rates, high stock valuation currency and robust access to the capital markets.

"However, a more complex deal environment is emerging – driven by the entry of non-traditional competitors, the changing generation mix and increasing customer expectations – and challenges such as the introduction of smart technologies and ageing infrastructure are transforming the power and Utilities landscape."



Smart metering

New research from the BBC reports that more than two million smart meters in the UK are not working. Of the nearly 15 million of the devices which were installed by the end of 2018, only 12.5 million were operational, figures show. An £11 billion UK government plan began in 2016 to rollout 53 million smart meters into homes by 2020, replacing all current gas and electricity meters.



Water heaters

The global solar water heater market is projected to surpass USD 3 Billion by 2025, as reported in the latest study by Global Market Insights, Inc. The drivers of growth include surging demand for cost effective and sustainable water heating technology to reduce electricity bills and shifting population toward urban areas.

Customer engagement

The 'State of the Connected Customer' survey from Salesforce (June 2019) provides an interesting perspective on the changing expectations of customers which is challenging companies to rethink not just the individual experiences they provide customers, but their entire approach to customer engagement.

Key conclusion from the report:

73%

say one extraordinary experience raises their expectations of other companies

Disruptive models are raising the bar on 'extraordinary' experiences.

75%

expect companies to use new technologies to create better experiences

Innovation in technology (such as AI and IoT) is raising expectations further.

54%

say it's harder than ever for companies to earn their trust

Gaining customer trust is increasingly more difficult in a world where customers expect transparency, authenticity and ethics.

73%

say a company's ethics matter more than they did a year ago.

Corporate values increasingly sway business decisions



Seven trends to watch for:

The CISCO report, Customer Experience in 2020, identifies seven trends which define the future of customer experience for technology leaders in every sector to consider:

- 1 Smart stores giving a rich brand experience to complement online channels
- 2 Hyper-personalisation, leveraging data to target segments of one
- 3 Intelligent assistants enabling conversational commerce from discovery through payment to support
- 4 Remote experts, giving a human touch to customer interaction through virtual channels
- 5 Instant fulfilment, taking advantage of supply chain innovations like drones and autonomous vehicles to speed up the last mile, and strip cost out
- 6 Virtual and augmented reality, bringing consumers closer to the product with more immersive experiences
- 7 Integration of high performing apps to the customer experience

Home Insurance



Homeowners may be willing to have their behaviour tracked and share this data with insurers for a more accurate premium when it comes to cover in the home.

In Deloitte's 'Insurance Disrupted' report, 38% of respondents would be willing to use telematics technology in the home to allow a flow of data from connected devices for insurers to use in assessing risk and pricing. The benefits to customer can include

premium discount and assistance in emergencies. Younger customers in particular are interested in a greater level of monitoring. 33% of those aged 25-34 would like a service that detects potential issues or problems and provides assistance.

Homeowner attitudes towards their Utility



Declining satisfaction

Whilst customer satisfaction levels with Utility companies across the globe average 71%, (according to HomeServe's own study in 18 countries), data from the UK Customer Service Institute (July 2019) indicates that this is amongst the lowest of a range of sectors in the UK.

The UK Utilities sector is behind industries such as retail, banking, leisure & tourism insurance, automotive, public services and telecoms. The survey also shows that satisfaction amongst Utilities has declined the most year on year, by 2.6 point to 72.1 in July 19.

HomeServe's global picture shows that satisfaction rates vary from one market to the next. Northern European and Indian

respondents top the satisfaction chart, while South Americans are the least enthusiastic about their providers. Willingness to recommend is slightly lower, a global average of 67%.

Millennials happier to recommend

The under-35s are often more likely to recommend their Utility provider than older generations. This is especially true in Australia, Japan, Mexico, and The Netherlands.

Engagement challenge

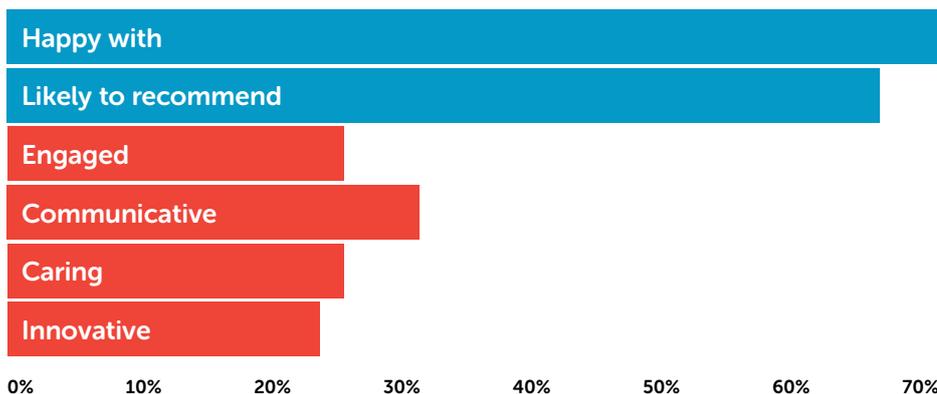
Providers have further to go when it comes to perceptions. Homeowners were asked to evaluate the level of engagement,

communication, care and innovation demonstrated by their Utilities.

Whilst there are regional variances, overall, results across the board are low, especially when compared with satisfaction scores.

This highlights a key opportunity for Utilities, to seize the opportunity to become a more relevant part of their customers' homes, extending their influence beyond the meter and delighting customers when they need it the most, when breakdowns in the home occur.

With 64% of homeowners agreeing that their current Utility supplier would be a suitable provider of home emergency repair services, we believe there is no time like the present for Utilities to strengthen their home services offering.





Millennials: DIY-averse generation

Accounting for almost a quarter of the world's population, Millennials represent an important audience segment, however businesses must appeal to their unique needs and behaviours, which are shaped by the period of rapid global change they have grown up in.

Millennials are digitally minded, demanding and wary consumers. They like straight talking and fact-based marketing, and are more likely to read reviews before making purchase decisions. They are also community minded and more likely to begin or end a relationship with a business based on whether their values align.

A 'Home Truths' [survey](#) conducted by HomeServe in the UK in May 2019, indicates that Millennials are "ditching DIY" for a new "do it for me" attitude. They're less likely to replace a light bulb, unblock a pipe, rewire a plug or fix a leaky

tap than their parents and grandparents. This reluctance to "get their hands dirty" presents great opportunities for the Utility sector and its partners, opening the door to potential services.

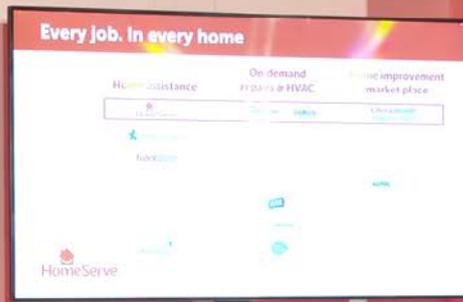
According to a 2017 HomeServe [survey](#) of 18,000 homeowners in 18 markets around the world, the under 35s are on average 15% more likely to buy home assistance cover than those over 35. The difference is more pronounced in Australia, The Netherlands, Japan and Germany.

The Total Home Warranty cover recently launched by HomeServe in the US is designed to appeal to Millennials. Knowing that they're covered in the event of an unexpected breakdown of systems or appliances gives homeowners peace of mind, and allows them to save time and money.



Five things to consider when designing products and services for Millennials:

- 1. Embrace technology** Mobile solutions for easy access to information and interaction
- 2. Cross-channel access** Ensure access to your brand is available across a range of channels, including social media
- 3. Messaging** Focus on matter-of-fact messaging clearly outlining the benefits you bring and what sets you apart
- 4. Eco-conscious** Demonstrate your commitment to the environment and community
- 5. Valued customers** Show customers that they are valued with rewards for loyalty



HomeServe showcases latest news at investor day

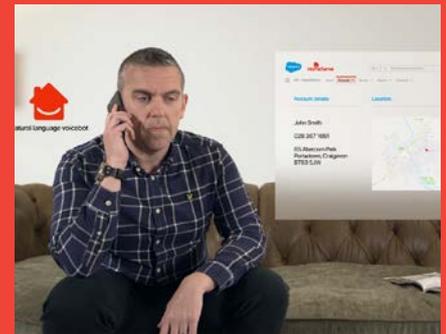
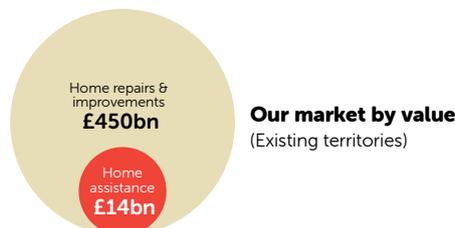
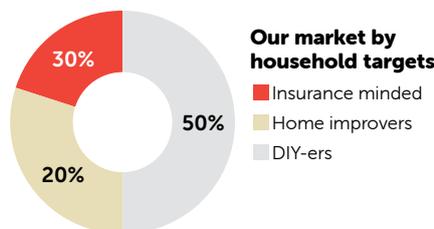
HomeServe presented its growth aspirations and plans at Checkatrade's new head office in Portsmouth, UK in June 2019. HomeServe's founder, Richard Harpin, confirmed HomeServe's purpose of "making home repairs and improvements easy" and told the audience of staff and investors "I am more excited now about HomeServe's growth prospects than at any point in our 26 year history".

Expanding the market

In HomeServe's existing territories, home assistance cover, appealing to insurance minded customers, is a £14bn market whereas the wider 'on demand' home repair and improvement market is around £450bn in value.

HomeServe's growth plans include growing its on demand home repair and improvement businesses in the UK, France and Spain and extending home assistance in existing and new territories.

The need is clear. In a HomeServe USA online poll of 1,429 homeowners (February 2019), more than half said they had a home repair emergency in the last 12 months however 18% said that they had no money set aside for surprise repairs. Additionally HomeServe's UK research (May 2019) of over 2000 adults shows that 70% of homeowners have a job which needs doing in the home right now, a great opportunity for Utilities to add value to their customers by providing easily accessible solutions for this problem.



Serving the digitally minded customer

The home repair and improvement market is set to move online, like many other markets such as travel, motor and finding a house.

Today in the UK only 17% of people use a platform to find a tradesperson compared to property where 90% of searches now begin online. HomeServe is ready to capture the market with its home expert platform models. Fantastic user experience, vetting & monitoring and price visibility are the key drivers of success.

HomeServe is also building new servicing capabilities for members, including technology to dramatically improve the customer journey. 'HomeServe now', our Uber equivalent app uses technology to reach trades quickly and directly without going through a contact centre speeding up how quickly we can get to a customer's home when they have an emergency.

14% penetration of eligible customers within a year

Based in Houston, Texas, CenterPoint Energy has 3.25 million residential gas customers in 6 states and 2.2 million residential electric customers in Texas. A core part of the customer proposition is superior customer service, new technology and complementary services.

In July 2018 CenterPoint Energy and HomeServe launched a home assistance programme. A full range of cover options were available to customers however the key acquisition product was gas line protection, chosen for its highest affinity and brand fit.

The launch programme comprised three core elements:

1. Awareness building

An initial integrated communications programme two weeks prior to launch for the internal staff audience as well as external audience of customers, regulators and media. Internal activity included a staff newsletter, email, launch party and educational sessions. The external awareness programme include press release, meetings with regulators, social media posts (facebook, twitter and LinkedIn) and a customer email and postcard mailer.

2. Direct mail programme

HomeServe issued 5.7 million direct mail pieces in a series of acquisition, follow up and cross



sell mailings. Initial tests included discounted offer and creative in line with HomeServe's approach to test and learn.

3. Leverage of internal channels

CenterPoint's billing, website and contact centre was utilised for acquisition. Staff within the CenterPoint Energy contact centre were trained and incentivised to allow customer conversion seamlessly within the Utility's sales and servicing process.

What our partner says

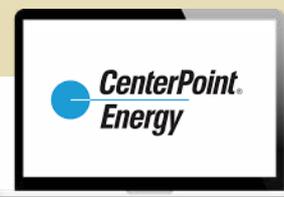
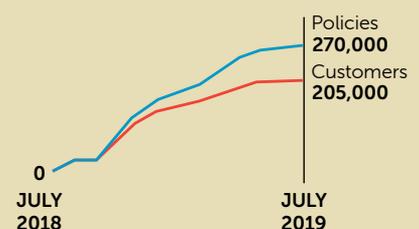
"We believe this partnership with HomeServe will offer value to customers while expanding our business. Consistently receiving high marks from customers who use the service, HomeServe has an excellent service track record. We believe we have found the right partner to offer the right solutions to our customers."

Scott M Prochazka President & CEO, CenterPoint Energy

Results

CenterPoint Energy's launch has been the most successful in the USA. One year on, in July 2019, the results speak for themselves:

205k	customers
\$75k	paid in goodwill to customers by HomeServe
2690	completed repairs saving customers \$2.8m
14%	penetration of eligible customers



Full case study available. [Click here to request.](#)

Customer centricity

As core Utility offerings are practically indistinguishable from one another, adopting a customer-centric approach at every step of the customer relationship can help Utilities differentiate themselves. We discuss how with Tim Trounce.

Customer-centricity at HomeServe

Tim Trounce
International Customer
Focus Director



What does customer centricity mean at HomeServe?

HomeServe strives to be the most trusted provider of home repairs and improvements. To achieve this we believe we must align everything we do in our organisation around delivering what we call 'positive customer outcomes'. Good outcomes are, for example, customers understanding what they are buying with cover that suits their needs, receiving the service they expect, good value for money and a positive experience.

This isn't just about delivering good service over the telephone or in the

home. Customer centricity runs deep within our veins and drives everything we do. From the way we recruit and train our teams, to the construction of our product set, our service levels, processes, systems, communications and even the environment we work in. It is a philosophy driving our business as well as a methodology.

We can impose a structure, processes and checks, however our culture is nurtured from within, and that is something which has evolved over the past quarter century and forms our 'DNA'.

What are the tangible elements which underpin customer centricity?

We have an integrated approach to customers and regulation ensuring customers remain at the forefront of our activities, irrespective of regulations in different territories and for different products.



Customer-centricity for Utilities

Customer satisfaction in the Utility sector is about a lot more than providing electricity, gas and water nowadays.

Consumers also expect to enjoy their lives and its modern conveniences without having to worry about complex set-ups, breakdowns and inefficiencies due to malfunctioning equipment.

At the same time, they want minimal touch points, simple convenience, and the cheapest price.

We have a group wide framework to support this, the core elements of which include a set of global customer promises which align the organisation around a common understanding and feeling of responsibility. Also a toolkit which covers guidelines and processes for everything from recruitment and training to product design, the online customer experience and sales/marketing/claims/complaint procedures.

We have customer centric KPIs which are effectively monitored, with action plans for identified weaknesses or failings. Also a dedicated customer care team led by a director and supported by a

committee who guide and oversee the process, supporting operational teams as required. Our businesses perform an annual review and 'self certify' for compliance against our framework.

In addition to this our local teams have developed their own unique set of tips and tricks. In the US for example we have a red chair in our meetings designed to represent the customer in all of our planning and decision making. In Spain we have developed a 'Clientology' service



training course for every member of staff. In France we have a 'customer week' where our members are invited into the office to share their thoughts and ideas. In the UK we have a daily forum for all staff member who would like to raise a concern over a vulnerable customer. Since inception almost 3000 colleagues have sent over 24000 submissions, this has led to over £700,000 being spent to help around 4800 customers in need with a free repair.

How is the customer management framework at HomeServe different?

I think what sets us apart is the complex weave of elements which creates an ecosystem of customer care which is overlaid by a genuine

desire amongst our people to "do the right thing even when no one is looking". An example is our constant desire to look for opportunities to improve. If we believe a customer could have been served in a better way, had a better outcome, even if they are completely happy with the service they have received, we log it as an improvement opportunity and find a way to improve that experience for future customers, as well as contacting the customer to rectify. In that way we don't wait for things to go wrong.

How do you track how well you are performing in terms of customer outcomes?

Where to start? We fastidiously monitor and measure. This is through a mix of customer feedback and research and KPIs defined by each country team which as a minimum include customer satisfaction, complaints, specific customer centric KPIs (e.g. early cancellation rates, first time fix rates) and screening of sales, claims and complaints calls.

We use a common approach to call screening across the group. Outcomes are classified, issues notified to supervisors within 2 hours and root cause analysis work

undertaken. Where a serious issue is identified through this process, we re-contact the customer. In addition there are reviews, audits and customer & compliance committees to provide oversight and challenge.

Who is responsible for customer care compliance?

The CEO of each of our businesses has the ultimate responsibility for the culture and control environment. In this way we take local rules and regulations as well as differences in customer expectations, environment and culture into account. We feel our country teams know their customers best and can tailor their approach best.

We can only support our customers well when everyone in the business is aligned and empowered, and understands how they can contribute. In that way every single person in our organisation is responsible for customer care.

How do our partner and their customers benefit from this approach?

For partners, peace of mind that HomeServe is tracking itself in the most rigorous way possible with a view to picking up any failure up before there is a complaint. For customers, that the company is looking out for you, is on your side and completely dedicated to making sure you have the best possible experience with us.





For more information, visit homeserveglobal.com
or get in touch at global@homeserveplc.com