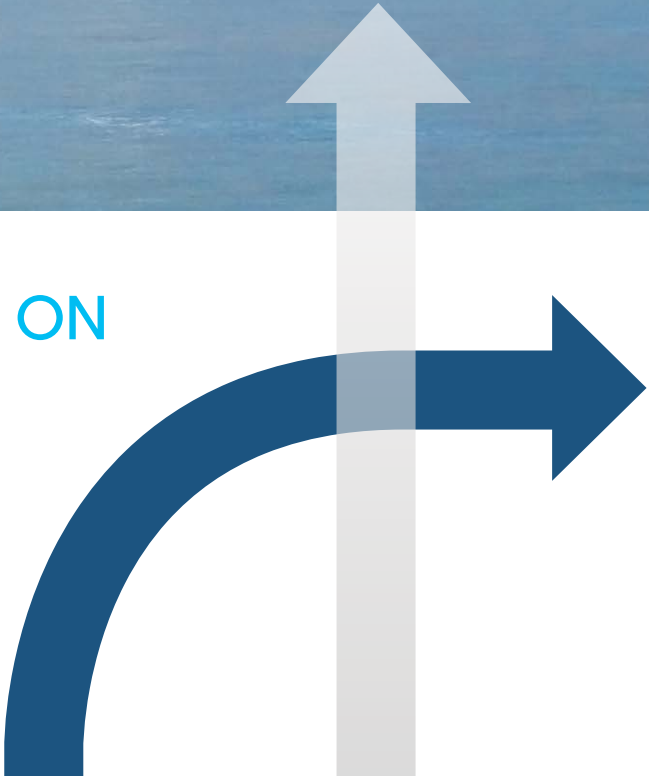




A Turning Tide

A CONSUMER PERSPECTIVE ON THE UK ENERGY MARKET



INTRODUCTION

Winds of change

Like the proverbial oil tanker, the consumer energy market is slow to change tack. Our 2017 research on the UK energy market sees this inertia continue, whether it's the numbers of people switching providers, levels of satisfaction or government policy. However, this year we have seen some movement which suggests the course of 2017 could be different and see trends emerge which slowly start to overhaul the wider market in years to come.

For the first time in our energy brand research an independent has taken the place of one of the Big 6 in the top 5 energy providers by brand strength having gained greater prominence while retaining a strong connection to its customers.

As in previous years, those providers with more renewable offerings have the edge on their brand as they are seen as more distinguished.

Our annual evaluation of switching segments show some slightly positive news for the market overall, and an early sign that providers need to think about the impact of increasing levels of switching. As ever, the biggest priority for people selecting an energy company is cost. Overall, consumers remain passive and need to be shaken out of complacency in order to find better deals.

Our increased focus on renewables shows a public who think the issues are important, but are reluctant to pay more for it. Finally, we take a look at public attitudes to three significant projects in various stages of development; the Tidal Lagoon in Swansea Bay, Hinckley Point C and fracking and find that current energy policy is perhaps not aligned with public attitudes.

We hope you find this report useful. If you would like further details on any of the research or our wider research related to the UK energy market, do get in touch with us.



BRAND EQUITY



Making waves

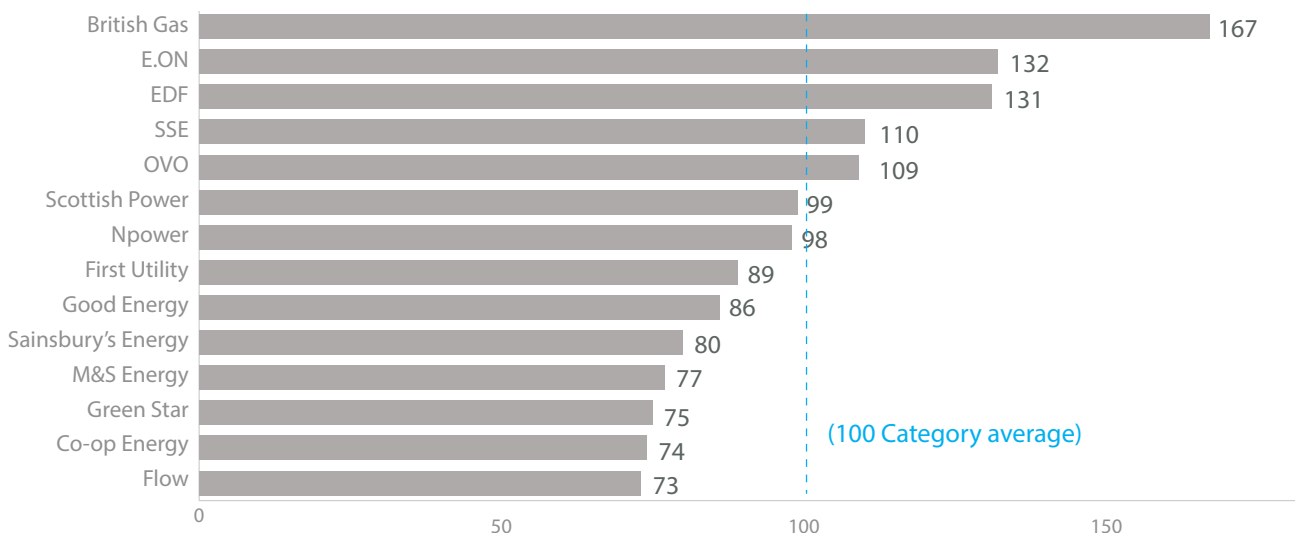
This year marks a turning point in consumers' views of the energy market. For the first time in our energy brand research an independent has taken the place of one of the Big 6 in the top 5 energy providers by brand strength.

As in previous years, British Gas remains the strongest brand in the category overall. Using the Opinium Brand Strength Index the strength of the British Gas brand comes, understandably, from its far greater prominence in the category. This is unlikely to change for the foreseeable future.

However, this year sees a different picture in the top 5 companies. Ovo has achieved 5th place on our overall index from 7th place last year, driven primarily by greater prominence, while maintaining a strong connection with consumers and a sense of being distinguished. Other winners this year include SSE and First Utility, both increasing their scores across the index measures.

Npower is the biggest loser, dropping from 5th to 7th. Npower is less likely to come to mind when people think of energy providers. It's possible that consistently poor service, or at least this perception, is starting to affect the wider reputation of this provider.

BSI (Brand Strength Index)

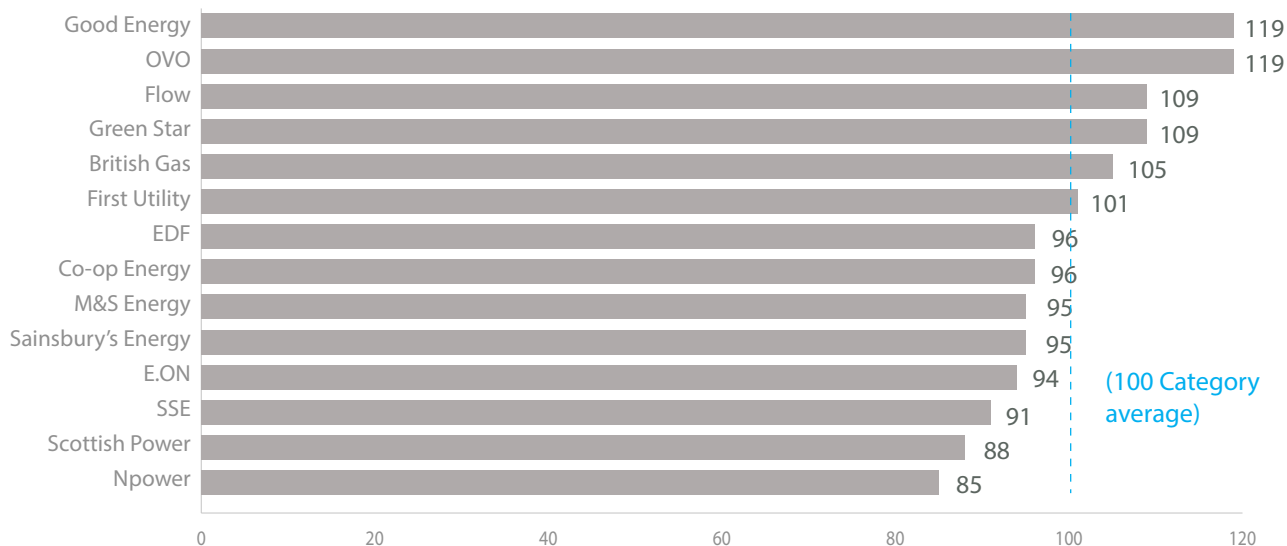




Distinguished

As in previous years, being “distinguished” – offering something different and unique – proves important to increase brand recognition and talkability among consumers. It therefore comes as no surprise that the most distinguished brands in the energy market continue to be those with green credentials. Good Energy and Ovo lead the way in this field. Flow too, score well in terms of being distinguished. Like Ovo before them, dialling up on making themselves more widely known in the market will increase their prominence and overall brand strength.

Distinguished Index



THE STATE OF SWITCHING

Passive? Get aggressive!

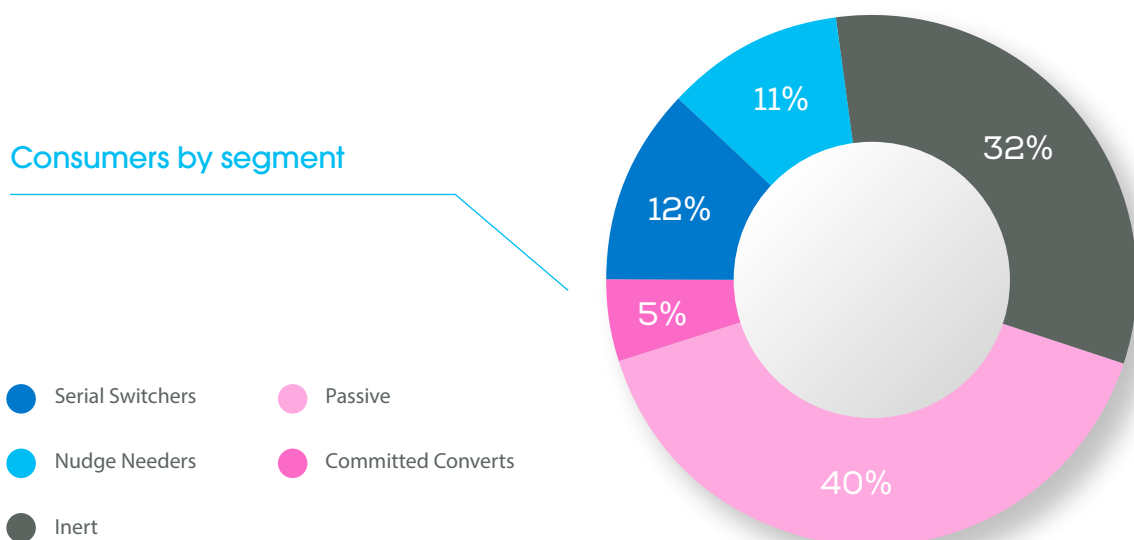
Our annual evaluation of switching shows some slightly positive news for the market overall, and an early sign that providers need to think about the impact of increasing levels of switching.

As ever, the biggest priority for people selecting an energy company is cost. Overall, consumers remain passive and need to be shaken out of complacency in order to find better deals.

Encouragingly, more people say they are likely to switch in 2017 than they did in 2016. Almost a quarter of energy consumers (23%) said they are likely to switch their energy supplier in the next 12 months. This is a small, but statistically significant increase from 2015, when a fifth (20%) said they would be likely to switch and from 2014 when 16% said they would be likely to switch.

Also encouragingly, while a third (32%) of consumers remain inert, this is significantly down from 37% last year. In contrast to last year, our results show a slight increase in Serial Switchers and Nudge Needers.

Consumers by segment



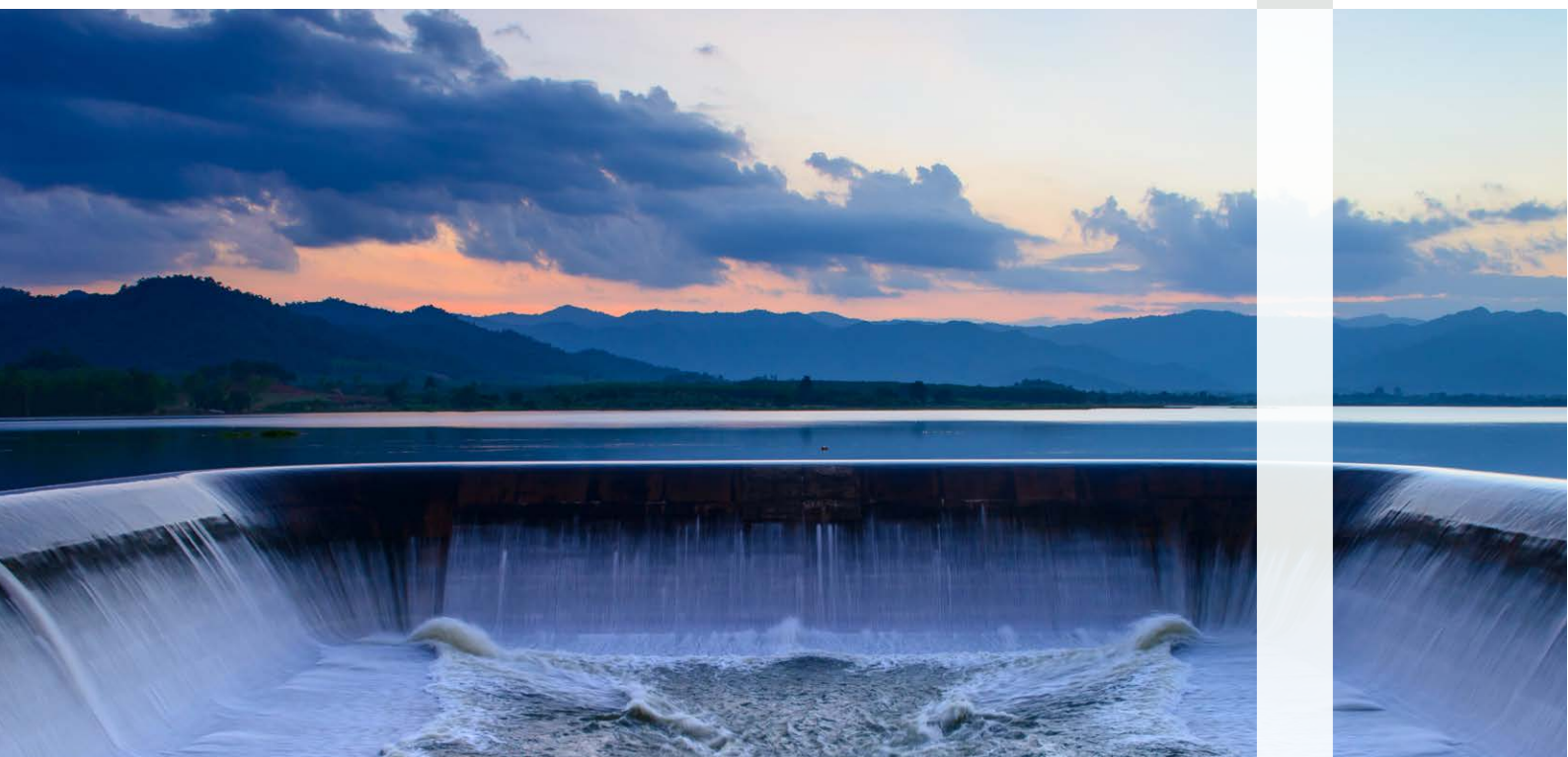


While switching might be slightly on the increase, consumers are still missing out on big savings. Around three quarters of switches take place between the Big 6 energy firms, i.e. customers are switching from one Big 6 provider to another, which traditionally charge higher rates than smaller, independent companies. This is good news for the Big 6 as they seek to maintain market share and an area in which the smaller independents could do better to nibble away at the incumbents.

Give customers the nudge


One in ten customers are Nudge Needers. While they haven't switched in the last year, eight in ten (79%) have thought about it. They are looking for better service as they are the group most dissatisfied with their current provider (19% dissatisfied), a factor that should be exploited. With less experience of recently switching, these customers should be central to providers' engagement strategies – they are looking for good customer service and good prices and are more likely to stay with them than Serial Switchers.

The two biggest reasons for not switching given by those needing nudging were not getting round to it (17%) and there not being a big enough incentive (17%). Providers need to communicate the ease with which potential customers and switch to them, while making sure to give plenty of reasons to stay.



Engage Serial Switchers as ambassadors of change

Just over one in ten energy customers are Serial Switchers, having moved energy provider in the last year and likely to do so again in the next year. Despite two-thirds of Serial Switchers being satisfied with their current provider (67%) they are still likely to look to switch. These people are likely to be after one thing – a cheap deal. They are less concerned about customer service, less concerned with brand reputation and simply after the cheapest offer on the price-comparison websites. They are unlikely to build a strong reputation with any particular brand, but they could act as catalysts to encourage their friends and family to consider changing.



Organisations looking to shake up the energy market should identify and engage with these individuals and provide them with tools and resources to stir others, particularly Nudge Needers. Almost all Serial Switchers think the switching process is easy and the majority said savings they had made were better than expected.

Committed Converts are possible

While only a small group of the market, it is possible to create Committed Converts. This small group of 1 in 20 consumers have switched in the last year but are unlikely to switch again soon. They have the highest level of satisfaction among any segment with 85% being satisfied.

They are the group most likely to be using one of the independent providers. Only 41% of them use one of the Big 6 companies, compared to three quarters of the market overall. In particular they are attracted to green providers, such as Ovo and Good Energy. Over half (52%) of Committed Converts think their provider is environmentally friendly, compared to 41% across all consumers.

However, cost is still key. The majority of these cost-conscious consumers say the level of savings they have made are better than expected (65%), a core driver of their loyalty.

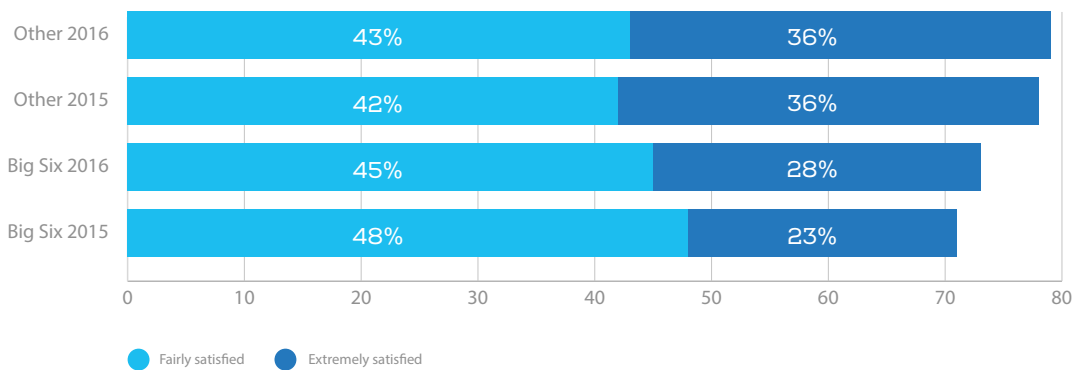


SATISFACTION

Shipshape

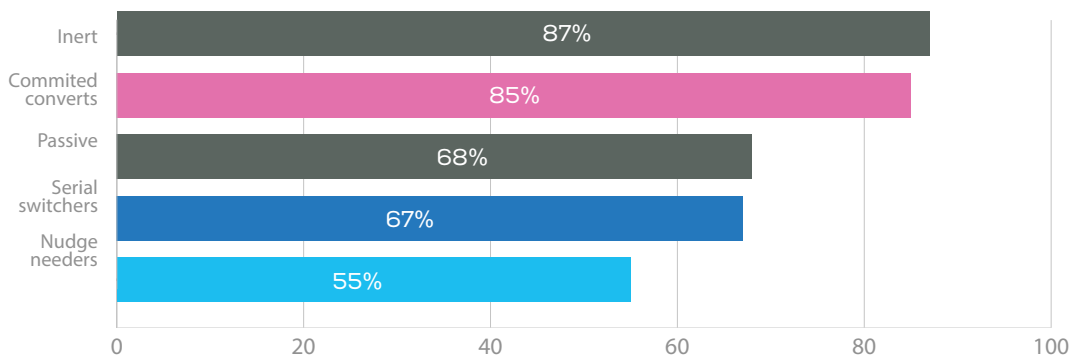
Positively, satisfaction with energy providers overall is up slightly this year. Smaller, independent providers continue to provide higher levels of satisfaction (averaging 79% satisfied). However, satisfaction with the Big Six has risen the most, though still only slightly, with satisfaction of each of the Big Six providers rising by a few percentage points (averaging 71% in 2015 and 73% in 2016). Npower is the only exception. It continues to perform poorly and shows declining satisfaction year-on-year.

Satisfaction by provider



Satisfaction among our switching segments shows those who are inert are actually highly satisfied – probably a reason they haven’t considered switching. Committed Converts are also highly satisfied, having found a provider that they are happy with.

Consumers by segment



RENEWABLE ENERGY SOURCES

Tide us over

Most of us want to leave the world a better place for the next generation, but many of us either aren't prepared to pay for it, or don't realise how we can make a difference ourselves.

We have good intentions. Three quarters of people want to leave the world a better place for the next generation and think individuals can make a difference to the future of the environment, and six in ten are worried about the environment. Three quarters of us make sure we turn off switches and lights to save energy in our home and two thirds of people think they are energy efficient. However, our good actions are mainly driven by cost, rather than putting our good intentions into practice.

Two-thirds (63%) think it is important that electricity is generated from a renewable source and as in previous years, the UK is largely in favour of renewable generation, even in their local area.

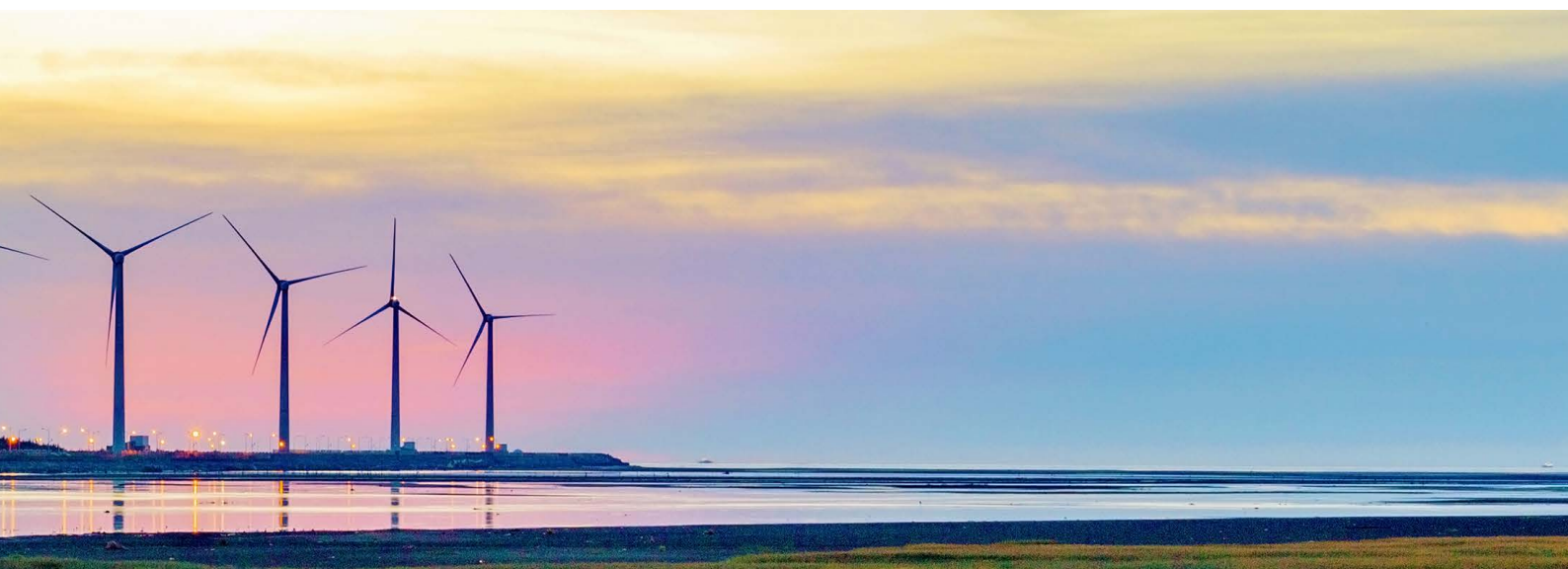
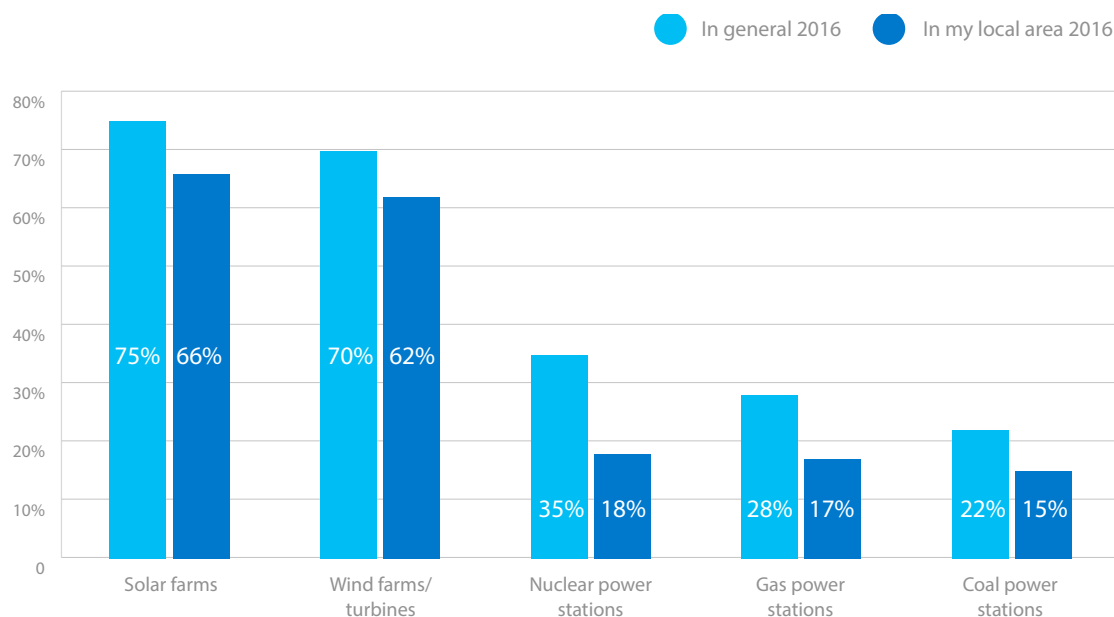
Despite an openness to renewables, there is an assumption among consumers that green energy is prohibitively expensive. Almost half of people (49%) think renewable energy is more expensive and a third (32%) think it is too expensive for them to use. Just under a fifth of people (18%) would pay more for green/renewable energy – though this rises to 25% of 18-34 year olds. However, consumers switching to green suppliers could sign up for 100% green tariffs and still pay less than they are currently to Big 6 providers.



What's the Hinkley Point of renewables?

As the Government winds back its investment in renewable energy production yet seeks to develop big infrastructure projects, we take a look at public attitudes to three significant projects in various stages of development; the Tidal Lagoon in Swansea Bay, Hinkley Point C and fracking, and find that public attitudes are perhaps not aligned with current policy.

In favour of energy sources

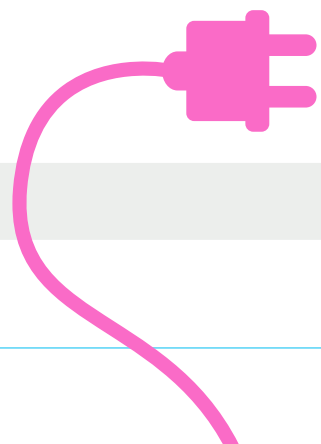
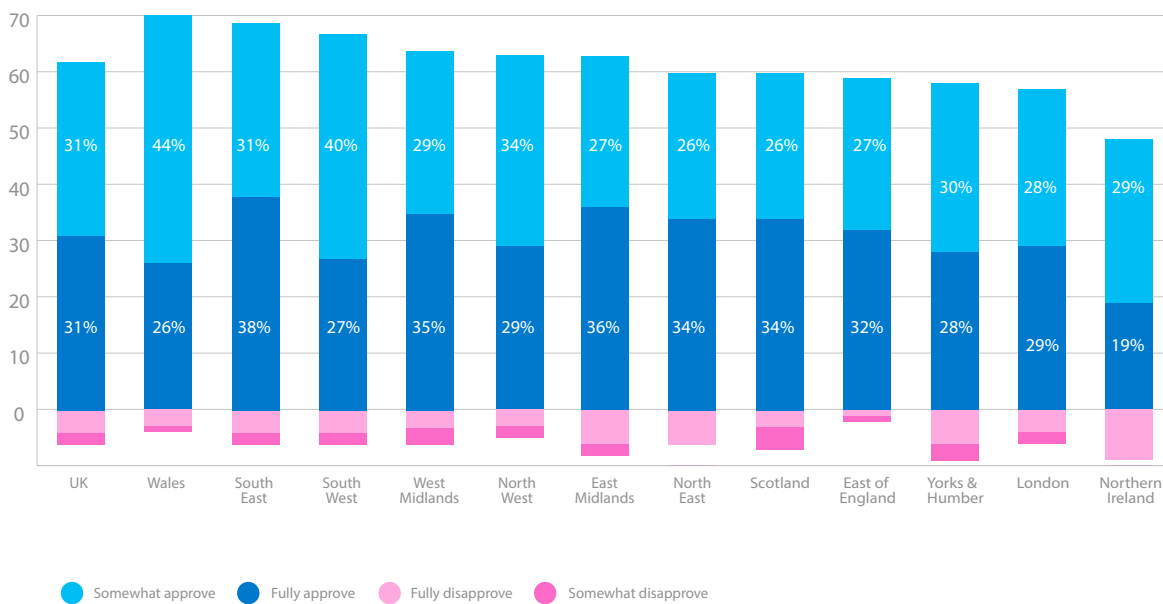


Tidal Lagoon in Swansea Bay

As with other renewable sources, and unlike nuclear solutions, the UK is far more open to projects that have clear green credentials. Approval ratings for the idea of a tidal lagoon in Swansea Bay to generate tidal energy stand at 62%.

As expected, eight in ten (81%) people in Wales are aware of the proposed plans. Along with people in the South East of England (69%), people in Wales also have the highest approval of any region at 70%. While still many years in the making, all stakeholders in this project can take heart from high levels of public support and should seek to capitalise on this.

Approval of Tidal Lagoon, Swansea Bay



Hinkley Point

Large energy infrastructure projects are far from plain sailing. Hinkley Point C has regularly looked like it's been heading for the rocks. After Theresa May took office as Prime Minister, she kept us in suspense with regards to Hinkley Point C. Would it be approved or not? It wasn't the first setback for the project. Back in 2007 Vincent de Rivaz, the boss of EDF in the UK originally said we'd be cooking our Christmas Turkeys using energy from Hinkley Point C in Christmas 2017. Now it's looking more like 2025.

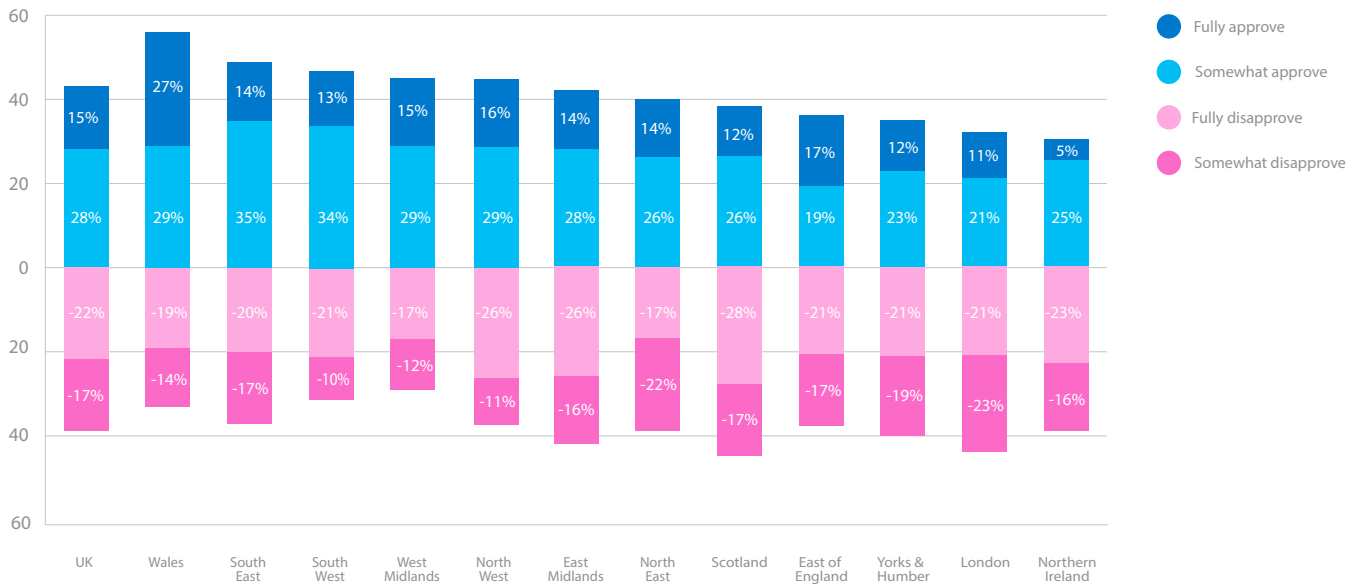
We asked Brits for their awareness and attitudes towards Hinkley Point C and it seems as a nation, we are fairly evenly divided. 42% approve of its building, 38% disapprove and a fifth of us have no opinion (20%).

As one might expect, people in the South West of England, nearest to the existing site are the most aware of the plans to build a new plant at Hinkley Point (68% in the South West vs 51% across the UK as a whole). They are also significantly more likely to approve of the proposals. Almost six in ten people in the South West approve of the plans (57%), far higher than any other region and the UK in general at 42%, possibly because they see the potential economic and commercial gains to their region.

Surprisingly, people are more in favour of the Hinkley Point expansion than nuclear power stations in general. A third of the population (35%) say they are in favour of nuclear power stations to generate electricity. Again, those in the South West are most favourable, at 44%.



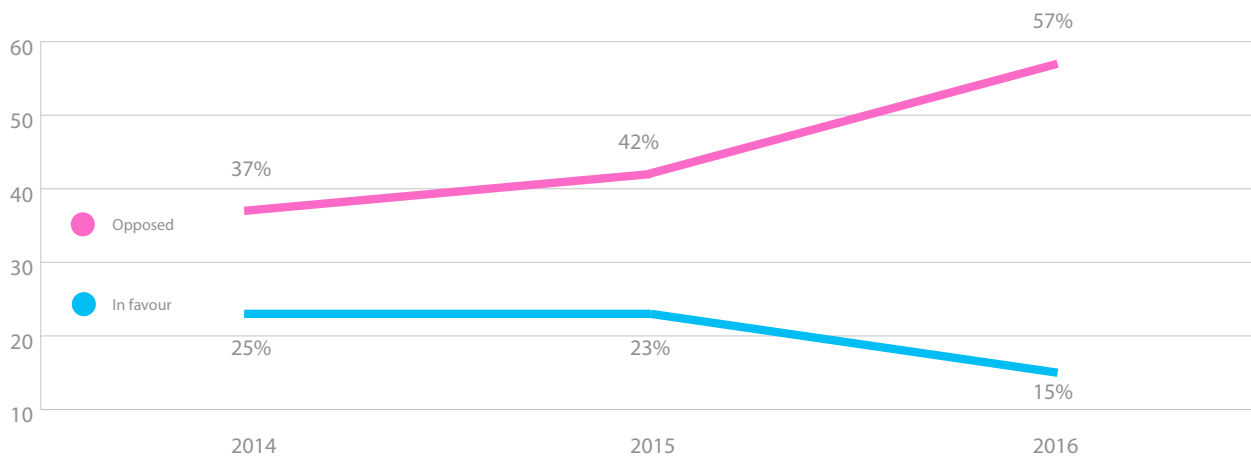
Approval of Hinkley Point C



Fracking

Opposition to Fracking has again continued to increase, with more than half (57%) the UK population being opposed. Opposition to fracking appears to be increasing as a result of people becoming more aware of what is involved. Over a third of the population (34%) say they ‘know a reasonable amount or a lot about fracking’, continuing to rise from 30% in 2015 and 2014.

Attitudes to Fracking (UK Population)







ABOUT US



Adam Wilson // Senior Research Manager

Adam heads up Opinium's Energy and Utilities team, helping energy providers, consumer bodies and other organisations to understand the UK energy market. Opinium brings together desk and primary research in order to provide our clients with a holistic view of the market. Working across Opinium's practice areas, Adam makes sure Opinium's expertise in consumer, financial and B2B research is brought to bear on energy and utilities.

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Steve has over 15 years of experience working in market and consumer research delivering insight across many areas of the business world from small start-ups through to iconic global brands.

Steve's experience comes from across the FMCG, retail, B2B & service categories dealing with many facets of marketing information such as: communication evaluation, concept testing, brand planning & strategy development, and customer satisfaction.

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What people
think, feel and do.

About Opinium

OPINIUM is an award winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people think, feel and do. Creative and inquisitive, we are passionate about empowering our clients to make the decisions that matter. We work with organisations to define and overcome strategic challenges – helping them to get to grips with the world in which their brands operate. We use the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes.

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