

## E Source Residential Energy Service

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### The Home Front

At more than \$90 billion annually, residential-sector power sales constitute 40 percent of total U.S. electricity sales. And revenue from other home-sector products and services dwarfs this number. Regulatory change, market forces, and technology advances have created new possibilities for energy service providers to tap the lucrative residential sector.

Existing utilities can develop new services and products that complement their core businesses and build on their best assets--name recognition and reputation within their service territories. New energy service providers can enhance their offerings with a wide variety of value-added services.

To survive in an intensely competitive environment, energy suppliers have to make difficult trade-offs among many possible residential services and products. Differentiation, strategic positioning, and experimentation will be necessary for success--and will require ongoing competitive intelligence and market analysis.

As the premier provider of independent information on the retail energy marketplace, E Source is uniquely positioned to assess residential-sector opportunities. Through the Residential Energy Services Series, subscribers receive an unbiased perspective on customer needs and desires, competitive strategies, new products and services, market opportunities and potential pitfalls, and enabling technologies.

### Know Your Market

Even in areas where retail choice is not yet available, energy service providers operate in a competitive environment. Customer expectations for value and service are established by daily economic transactions and developments that set the stage for the evolving energy marketplace.

Moreover, as the monopoly status of energy providers changes, commerce itself is being transformed. Energy service providers are competing in a world in which products and services are increasingly bundled, networked, and connected--enabling access, shopping, and service anytime.

Most research shows that the price of energy will be a critical factor when customers have a choice of suppliers. But low cost alone won't guarantee a provider's success. Aggressive competitors are likely to offer power at rock bottom prices. What types of services can energy suppliers efficiently deliver that will differentiate them from low-cost entrants? Or from well-established companies that are hoping to capture a larger share of the huge, but fragmented, home services market?

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## Tapping New Revenue Streams

Energy service providers can capitalize on the power of their experience, competencies, and brand recognition to tap into new service revenue--while developing strategies that help to attract and retain customers. The Residential Energy Services Series evaluates services and products that create the greatest value for utilities and their customers, providing coverage of topics including:

### Profitable Value-Added Services

Energy suppliers are launching a steady stream of new service and product lines for residential customers. Offers for energy efficiency services, appliance warranties, equipment leasing arrangements, safety and security services, tele-communication, and more are proliferating. Which ones are likely to be profitable? Which will help retain or gain customers? What's working and what's not--and why?

### Pricing and Packaging Strategies

Energy suppliers' successes will hinge on value pricing and brand differentiation. A variety of market strategies have been introduced, including green power, bundled services, electronic payment options, and service guarantees. Tangible "premiums" such as travel miles or products are included in some promotions, as are intangible attributes such as local community involvement and environmental protection. How do such pricing and packaging options fit into an overall residential service strategy?

### Competitive Intelligence

Launching a successful new service or product line is a multi-step process that entails product definition, staff development, creation of new internal and distribution systems, and strategic pricing and promotion programs. E Source 's in-depth investigation of emerging product and service offerings provides a solid foundation of information so that the product development process can be streamlined and potential problems avoided.

### Customer Research

Understanding the needs, loyalties, preferences, lifestyle issues, and buying behavior of customers is essential in framing a successful residential strategy, but it is a daunting, ongoing task. The market research component of the Residential Energy Services Series will give subscribers a valuable benchmark for evaluating their own internal studies.

### Key Market Trends

Understanding issues and trends that are likely to affect an energy service provider's position in the residential market is critical. How can providers gain the support of local contractors who may view utility services as unfair competition? Which services should be offered on the regulated or unregulated side of the business?

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## Market Highlights

- New technology is transforming mass markets. According to Business Week, household spending has shifted from traditional items such as cars and clothes to "new economy" items such as computers and financial services. In 1997, sales of home telephone services, entertainment and recreation services, cable TV, home computers, and brokerage and other financial services increased an average of 12 percent, while spending for "old economy" items increased by less than 1 percent.
- What services can energy suppliers effectively and profitably deliver that build on customers' willingness to pay for convenience, time savings, and "connection?"
- Many energy service providers have already entered the fray with expanded services--energy management, home automation, HVAC sales and leasing, Internet access, surge protection, entertainment, lawn service, and more. The profitability and customer retention value of such services is yet to be demonstrated, and it may take years before a retail business base can serve as a strong component of a successful energy supply enterprise.

What criteria should energy service providers use in deciding how best to diversify their "product lines?"

- Market research often yields contradictory and paradoxical results, rather than definitive answers. For instance, although they want to choose their power suppliers, consumers also want a simple, no-effort selection process. And, although consumers say they will switch suppliers for certain reasons, they often don't when given a choice.

How can energy service providers sort through market research to get useful information about the residential customer?

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## **Deliverables**

### **Service and Product Assessments**

An annual series of four reports provides subscribers with detailed results of new research on specific product and service opportunities in the residential sector. These comprehensive studies cover market trends, pricing issues, customer retention and profit potential, enabling technologies, alliance and outsourcing opportunities, and more, including focused case studies.

### **E Source Customer Direct Products**

These are two- to four-page summaries of electricity and gas end-use technologies. They are aimed at helping end users select energy-efficient, cost-effective options for applications such as lighting or water heating. Provided in PDF format, these publications can be mailed to your small business customers or left behind with them when you make on-site visits. Subscribers may also choose to post these PDF files on their web sites for customers to download.

### **National Survey**

In conjunction with best-of-class market research specialists, E Source will probe the consumer psyche to develop data and qualitative "voice of the customer" information through an annual market survey. Subscribers to the Residential Energy Services Series help frame the agenda to ensure this information serves as a vital adjunct to their in-house research. (Proprietary studies customized to a subscriber's specific needs and region may be requested as an additional service.)

### **Inquiry Privileges**

Subscribers have direct access to the Series Director and the associated team of researchers for quick answers to questions on any topic related to residential energy services, or for timely referrals to other resources.

### **E-mail and Web Resources**

Multiple people within a subscribing organization can receive timely industry news and E Source analysis by e-mail. The full text of news articles is accessible from the companion Web site, which also features links to related resources, electronic copies of reports, upcoming research topics, and other information available exclusively to subscribers.

### **Telephone Conferences**

In conjunction with the release of each research report, a telephone conference is convened by the Series Director. Subscribers have the opportunity to participate in live discussions with the principal investigator, peers from other subscribing organizations, and industry specialists.

### **Summit**

An exclusive one-day gathering, the annual Residential Energy Services Summit brings together industry analysts and subscribers for presentations and discussions in a highly participatory format.

### **On-Site Briefing**

An optional, customized, on-site briefing may be arranged to address how to relate research findings to your particular needs. (Additional fee plus travel expenses apply.)

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