Finding the Red Thread in Customer Segmentation
How Utilities Can Learn from the Stitch Fix Model

By Rachel Cooper
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I know I’m a bit behind the times, but I only recently discovered the San Francisco–based company Stitch Fix, a retailer that promotes itself as “your partner in personal style,” offering “clothing and accessories hand-selected by a personal stylist, delivered to your door.” On a schedule you set, Stitch Fix sends five items that you can either keep or return. If you keep at least one, the company will waive the $20 styling fee. And if you keep all five, you can get a substantial discount. Simple, personalized, and convenient. I can back out if it’s not a good fit, or I can feel confident in what I purchase because it jibes with my style. Yeah, I’m in. But how does it work and is it too good to be true? I had to learn more.
According to the Harvard Business Review article What Stitch Fix Figured Out About Mass Customization, “Stitch Fix combines technology, data science, and the human touch of seasoned stylists to make personalization scalable,” and it’s “designed to get better the more that you use it.” Offerings become more accurate as customers make purchases and communicate what they like and don’t like. Sounds smart! Could utilities mimic the Stitch Fix data-science-and-human-touch business model approach when designing and marketing demand-side management and renewable energy programs?

You probably already know about the impressive volumes of data that utilities are amassing about their customers. Effectively analyzed, this intelligence can help utilities link the right mix of programs to the right customers with the right message. This big-data strategy can increase participation as well as energy savings at a reduced cost. But if you’re struggling to get the proper customer information, data systems, organizational processes, and professionals in place to make it happen, you need to attend this week’s E Source Forum session “Understanding, Finding, and Targeting customers with Segmentation and Customer Data” to hear how utilities are optimizing outreach and marketing efforts by better understanding their customers using big data.

At this session, you can learn how utilities are focusing on customers first and foremost to more effectively package and market programs and services in ways that appeal to different customer segments. And like Stitch Fix, these progressive companies are learning more about their program participants and nonparticipants and refining their outreach and offerings over time. The retail, advertising, marketing, and Internet industries have led the charge in understanding the value of consumer-behavior data and creating highly personalized experiences by integrating social data into their customer analytics approaches, but utilities can do it too.
At our Forum session, we’ll hear from Kamila Forrest, a market research manager at Con Edison, who will discuss the segmentation survey the utility conducted earlier this year. She’ll talk about how Con Edison is implementing what it learned from the study into outreach and marketing efforts with residential and small and midsize business customers to offer the right mix of programs with the right message, and how the utility will refine its approach over time.

Mike Marshall, manager of the Residential Marketing Communications team for Duke Energy, will tell us how using customer segmentation and a segmentation tool has benefited Duke’s marketing campaigns and increased customer satisfaction. He’ll also provide some real-life examples from the utility’s Florida service territory.

Michael Authier and Kim DeVoe, both energy services engineers with Fort Collins Utilities, will tell us about a successful, innovative new hybrid home performance program that uses targeted marketing, up-front contractor pricing, and auditor-presented energy-efficiency upgrade packages. Kim will talk about the innovative design and program packaging. Michael will describe the customer database he’s been building and analyzing to learn more about program participants and nonparticipants. He’ll also touch on how Fort Collins has been using what he’s learned to better target customers within specific neighborhoods in the city and how it’s led to some outside-the-box marketing efforts.

Join us Thursday morning at the Sheraton Denver Downtown Hotel from 10:30 to noon to learn how your utility can blend data science and the human touch to increase program uptake and customer happiness. And who knows? Maybe you’ll get to see one of my new Stitch Fix outfits!