An analysis of "Gewerbekunden": Identifying business opportunities in the energy market.

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This article is a summary of the Master of Thesis done at the company Vattenfall. The article begins with a presentation of the initiator of the assignment followed by the reason and the definition of the assignment. The limitation of the thesis is presented and also the most important parts of the analysis of the assignment. The article ends with the result and conclusion of the Master of Thesis.

The initiator of the assignment

The enterprise unit, Vattenfall Europe Sales GMBH, conducted the Master of thesis. Vattenfall’s main business is to generate energy, to produce heat and to supply energy to northern Europe. The parent company of the Vattenfall group is Vattenfall AB. Within the Vattenfall Europe AG, a subsidiary of the Vattenfall Group, runs the business in Germany and Poland. The Vattenfall Group handles the complete chain of values from mining, generation, transmission, distribution and sales. Every subsidiary is an independent enterprise. Vattenfall Europe Sales GMBH manages sales and marketing of electricity and energy service on the German market.

Vattenfall Europe Sales consist of the three different units:

Privat & Gewerbekunden (PK)
Vertrieb Geschäftskunden (GK)
Handel und Produkte (GH)

The unit for the assignment was “Privat & Gewerbekunden”. “Privat & Gewerbekunden” manages private customers and small-to-medium enterprises (SME).

The background of the thesis

Since the deregulation and liberalization of the energy market conditions have changed. New actors entered the market and the competition increased distinctly. All the energy suppliers were focusing on the private market. The “Gewerbekunden” was a forgotten segment. Investigations show that the “Gewerbekunden” feels neglected and unsatisfied because of a poor communication and relationship.

The increasing competition in the segment and a decreasing satisfaction among customers makes it relevant to a further commitment in the segment “Gewerbekunden”. The request of the assignment became a response of an increasing interest to forecast what opportunities can be discovered.
The “Gewerbekunden”

“Gewerbekunden” (SME) are customers that use up to 100,000 kwh per year and run some kind of a business. “Gewerbekunden” represent a wide range of business, from areas like commerce, restaurants, hotel and other small offices. The group “Gewerbekunden” includes groups of customers that are adjacent to private customers and those that are very close to enterprises. Assumptions have been made that small companies have the same ideology as a private person. The great variety implies different needs and wishes among customers.

The definition of the assignment

The objective of thesis was to do an analysis of the current situation of Vattenfall’s “Gewerbekunden”.

The definition of the assignment was to:

- Describe the “Gewerbekunden”?
- How to define and classify them?
- What needs do the “Gewerbekunden” have?
- What are important issues, concerning energy, to these customers?
- How do the current offers of Vattenfall’s products look like?
- How do the products suit the needs of “Gewerbekunden”?
- How to communicate with the “Gewerbekunden”?
- What needs should be satisfied by new products?

The Limitation’s of the assignment

The approach of thesis was to work through the different steps in a Market Planning. But the work became a situation analysis of the “Gewerbekunden” and segmentation. Because of limits in resources and time the assignment got a qualitative approach. No quantitative surveys were done. Conclusions of the author were based on outcome from the collected qualitative data. It was not possible to do accurate assessments of Vattenfall’s resources to implement the result of the thesis. The geographical markets of the assignment include Berlin and Hamburg. The assignment is based on Vattenfall’s internal data of the “Gewerbekunden”.

Summery of the important part from the analysis

“Gewerbekunden” have some general and common characters. The “Gewerbekunden” have the profit of the business in focus. Therefore fast and correct service is important to them. A high share of them has a low consumption level (< 10000 kWh). The relationship between the supplier and the customers are low. Neither the supplier nor the customers contact each other. The customers have a low energy perception. Energy is abstract and taken for granted. The consumption pattern is difficult to understand and the invoice is hard to interpret. Customers’ low perception makes a poor interest in energy. A poor interest
makes it difficult to develop new products and solutions. It increases the price sensitivity. Customers are not prepared to pay for extra values. A low perception of energy, a high mobility and a competition within some business reduce the willingness to pay. “Gewerbekunden” score low on the Customer Satisfaction Index (CSI). Especially the large consuming customer score low in the CSI. The value of price and the range of products are low ranked variables.

The most common reasons to switch are price and environment. In general the customer’s interest in environment issues is increasing.

Competitor’s position on the market is in general similar but some exceptions exist. Some competitors try to find a special niche such as energy produced in a more friendly environments or a real time controlled metering. All competitors try to differentiate themselves by having services, prices or ecological issues as marketing parameters.

Comparing Vattenfall with to the competitors Vattenfall has a good position regarding a fair price (especially to the high consuming customers). The competitors are mainly focusing on the low to medium consuming and reliable customers. Most of the Vattenfall’s competitors are excellent in Marketing and Communication.

Almost all suppliers (including Vattenfall) have an ecological friendly alternative.

The current products of Vattefall are mainly focused on different consumption levels. The idea is that the need of a customer is a best price depending on if a customer consumes little or more energy.

Vattenfall’s current products also offer:

- Safety insurance when energy blacks out
- Better price to customers with higher consumption during night
- Special offers to environmental friendly customers
- Special offers to the “important” customers belonging to a guild

The gap between the customer’s needs and the current offers is represented by the level of services and relationship. The relationship and services are poor between Vattenfall and the “Gewerbekunden”. The customers often feel neglected.

The result and conclusion

The assignment resulted in a recommendation to divide customers into different segments. Five segments correspond to different needs and behaviors of the “Gewerbekunden”. The segmentation will make it easier to interpret and respond to the different needs of customers. A better and correct focus can create an opportunity of a niche market within a special segment.

The segmentation is based on three different aspects to increase customers´ value for money: fair prices, services and ecological solutions. The result of the thesis shows that these aspects are the main interest of the customers. These three aspects were continuously returning in the material as important to the customers.
“The interested” have a relative high consumption. Customers in this segment consider themselves as more important and want a more intense contact with Vattenfall. A better relationship to and treat customers as business partners will increase the satisfaction. It also gives possibilities to develop new solutions. The competition in this segment is relative poor.

“The environmental-minded” has a large ecological and environmental interest. They have a low to medium consumption level. The segment is forecasted to grow. Because of the current low environmental image, Vattenfall must work hard to change the company’s image and brand in this segment.

“The entrepreneurs” have low to medium consumption level. A more intense relationship that supports the segment to run business more profitable will reinforce Vattenfall's opportunities. Several suppliers are focusing on this segment. The large number of customers and the forecast of growth make the segment interesting.

“The traditional-minded” include customers with large consumption of energy but are price sensitive. They have a poor interest in an increased relationship to the supplier. With a marketing approach of a stable and safe supplier best benefits can be extracted from the segment.

“The sensitive” have a low consumption and are very price sensitive. The segment includes many relatively unreliable businesses (eg. imbiss). A fair price should be offered, but not more services than necessary. This customer group causes suppliers already large costs so no extra efforts should be put in this segment.

The thesis suggests Vattenfall to focus on the profitable segments and only allocate limited resources to segments that imply too much cost to Vattenfall. Segments that
Vattenfall especially must focus on are “The interested” and “The environmental-minded”. “The interested” are the high consuming customers that for a long time have been neglected and are the most unsatisfied. “The environmental-minded” is an interesting segment because of the increasing ecological interest among customers. The conclusion is that the intensity in relations to the customers must increase. This is done by segmentation and an offensive communication. To improve the “Image” a closer integration to the customers and a more active promotion of the offers are necessary. A closer relation and effective communication can also create a better perception of energy.

The customers poor interest in energy creates a communication gap between the supplier and customer. As the circumstances slowly are changing to increased costs of energy and interest in ecological friendly solutions the interest of energy increases. Nevertheless perception is difficult to increase, as long the customers can’t follow their consumption pattern. To understand a process (consumption) it has to be concrete and controllable. Consumption must be able to be measured and observed. A practical tool to build a platform of relations and communication is the new technology to measure and transfer information of consumption. Software and consulting will together create many opportunities to make business and improve the features of segments.