Kognitio WX$_2$ delivers for ScottishPower

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Tony Harper, Database and Research Manager, Scottish Power

Power of effective marketing

The liberalization of Britain's utility markets is radically changing what have, until now, been stable supplier-customer relationships. Suppliers have the opportunity to move beyond their traditional business base, but they also face the threat of fierce competition.

ScottishPower has the potential to become one of the top multi-utility suppliers in Europe. The Kognitio WX$_2$ technology solution plays a key role in helping the company fulfil its goal of developing CRM to its fullest through complex analysis of its massive database.

ScottishPower is already a substantial player in the utilities market. In order to grow, the company realizes there are many strategic decisions, powered by vital information, that must be made in order to develop the specific packages that bring real value to the customers on a personalized basis.

Complicating the process, deregulation in the utility markets is creating a battleground in which only the most efficient suppliers, with the most effective marketing, can expect to survive and succeed. Complex price and service messages need to be communicated to audiences which are neither tuned to receive them, nor experienced in evaluating them. Utility supply in the UK has been a monopoly or a quasi-monopoly for decades.

ScottishPower already has business in all four utility sectors-electricity, gas, telecommunications and water.

How to achieve ideal CRM

In 1990 electricity supply in the UK was deregulated. The regional electricity companies were privatized, with shares traded on the London Stock Exchange. Like all public companies they have a responsibility to their shareholders to trade as profitably as possible.

ScottishPower had a chain of 70 electrical shops facing fierce competition from national discount specialists. In order to meet its new fiscal responsibilities, the company decided to dispose of the chain stores. The challenge was that over one-third of the chain's customers either paid their electricity bills or bought pre-paid tokens at the stores. Before shops could be closed it would be necessary to create a network of payment and purchase locations to replace them. Analysis was needed to find out the precise customer touch points.

It was obvious from the outset that special programs would have to be written and inordinate machine time would be needed to realize full CRM objectives. ScottishPower realized the most efficient solution would be a separate system to handle the application.

ScottishPower turns to Kognitio

ScottishPower turned to Kognitio. After a thorough and effective demonstration, the company purchased a Kognitio WX$_2$ database. According to Tony Harper, Database and Research Manager, the Kognitio WX$_2$ database was perfect for the critical information needs of the company.

"We were able to quickly load masses of unprocessed data from our mainframe systems, then make joins and scan millions of rows of information in a few seconds. We could look in great depth at the data - down to individual customer level if need be - to identify which of our customers preferred to deal with us over a counter, and the locations they liked to use. In just a short time we provided the business with the knowledge it needed to put in place an alternative network of outlets."

Today, instead of 70 stores, customers have a choice of almost 200 bill payment locations and 600 purchase locations for electricity tokens. In the busiest locations, the company opened 16 of its own customer service centers. A trading agreement with

The Challenge

How does a company aiming toward dominance as a multi-utility supplier achieve effective customer relationship marketing (CRM) from its massive customer base in order to drive products and services that bring the maximum value to its customers and are highly profitable for the company?

The Solution

Using Kognitio WX$_2$, ScottishPower is able to scan millions of rows of information in seconds and utilize the valuable information to create a wide variety of effective single and multi-utility packages.

The ROI

Product managers can now put together a wide variety of single and multi-utility packages which represent both good value for prospective customers and profitable business for ScottishPower.

Midland bank made 140 of their branches available as payment locations. In more remote areas, local retailers now take payments, and throughout the region tokens are on sale in 600 retail locations. In-depth analysis empowered by Kognitio WX$_2$ made it possible to close stores yet improve customer service.

20 million households

ScottishPower is still faced with intense competition in a complex consumer market. It remains vital to classify prospective customers, to identify the needs of discrete groups and devise competitive price and service options to satisfy them.

Developing effective customer relationship marketing for more than 20 million households in the UK, each - potentially - with different patterns of telecommunication, water, gas and electricity consumption, requires timely and complex analysis in order to construct effective pricing packages.

According to Harper, "An open market for utilities in the UK calls for ScottishPower to understand its existing and its prospective customers well - better, in fact, than our competitors know them. Then we can offer them single or multiple utility packages which best meet their needs. However, there's really no such thing as the average customer. Ideally we should look at each customer as an individual. With 3 million customers on our database already, and a medium-term target of 5 million, that's too steep a hill to climb. What we can do is split them into a number of life-style groups.

"We are starting by establishing base-line information by looking at data on our existing customers. Firstly, there's the geo-demographic information that's inherent in their address codes. Then we can look at

billing data to find out how many units of electricity, gas, water or telecoms they use at the moment.

"With that as a starting point the power of Kognitio WX$_2$ lets us look at other factors, some more obvious than others. One thing, for example, we are considering is whether first names can help us. If the head of a household is called Harold it's very likely that he is over 40 years old. If Harold has a family it's probable that his children are of school age, at least. We could imply that his home would be unoccupied or 'lightly occupied' from nine until five on weekdays, except during school vacation periods.

Competing effectively using WX$_2$

"Any Alberts, however, are almost certainly retired by now, with children away from home. Albert is likely to use utility services throughout the day, but never to hit high peaks. Kate is more likely to be a young mother or perhaps a student, with different utility demands. Kognitio WX$_2$ lets us rapidly test implications like these by correlating consumption against name data. If there appears to be some justification to our reasoning then we can verify our assumptions by picking typical Harolds, Alberts and Kates to research in detail. One benefit of Kognitio WX$_2$ is that we can ask oblique, train-of-thought questions like these without any pre-programming or the necessity to pre-select data. And we get the answers while we still remember why we asked the question!

"By doing the groundwork of segmenting our customers into groups now, we empower our product managers to put together a wide variety of single and multi-utility packages which represent both good value for prospective customers, and profitable business for us. A new breed of utility 'broker' will spring-up, post deregulation, out to cherry-pick the highest profit consumers. Our stance, of understanding exactly who wants what services and when, will let us compete very effectively, defending our existing customer base, and winning new ones. It's a strategy where Kognitio is playing a vital role."

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