



Marketing in a deregulated market

Spanish Residential Market

October 2012





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1. Marketing before deregulation (prior to 2002)



Commercial Policies

- Focused only on communication

| | Natural gas |
|---------------|---|
| Starting year | 1850 |
| Product | Supply |
| Price | Regulated |
| Place | Company store front |
| Promotion | In brochures, in the press, on posters, on TV/radio |

1. Marketing before deregulation (prior to 2002)



Commercial Policies

- Financing was first introduced (for gas installations and appliances)
- Communication focused on natural gas advantages: comfort

| | Gas Installation & appliances |
|---------------|---|
| Starting year | 1985 |
| Product | Finance |
| Prices | Better interest rates than those given by banks. No paperwork and payment through the gas bill |
| Place | Engineers |
| Promotion | Direct marketing |

1. Marketing before deregulation (prior to 2002)



Commercial Policies

- **Gas Maintenance Business to:**
 - **Build an adjacent business and**
 - **improve the security of gas installation**

| | Gas maintenance |
|---------------|--|
| Starting year | 1995 |
| Product | Annual visit and assistance in case of incidence |
| Price | 1 year free |
| Place | Telemarketing from 2002 |

2. Spanish Market 2002

Context

- The start of deregulation of residential gas and electricity
 - Marketing split into two lines:

| | Regulated business | Retail business |
|-------------|--|--|
| Natural gas | As an energy | As a Company |
| Objective | - To grow the market for <u>natural gas as an energy</u> relative to other sources of energy (electricity, butane,...) | - To maintain <u>gas contracts in our company</u> - To gain a relevant market share in the <u>electricity market</u> - To grow also in <u>services</u> |
| Responsible | Gas Natural Distribución | Gas Natural Servicios |

2. Spanish Market 2002

Our challenges



- To split: organization, IT , task force,...



- To understand the electricity market in each company's area (the law, to purchase electricity, to bill electricity,...)

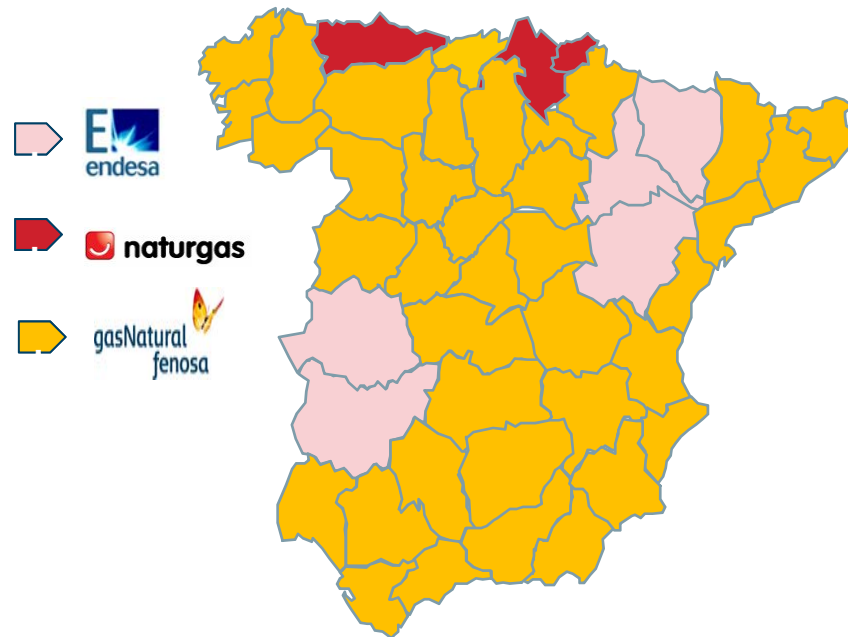


- To develop electricity services to the customers

2. Spanish Market 2002



Natural gas Distribution
 (~7.000.000 homes with natural gas)



Electricity Distribution
 (~26.000.000 homes with electricity)



Gas Natural (company):

- ~80% market share
- Incumbent in this market

Gas Natural (company):

- 0% market share
- Incumbents in this market: Iberdrola, Endesa and Union Fenosa

3. Inexperienced craziness: 2003-2005



Commercial Policies

- Objective: differentiate offers from the competition (*rather than make the offers comparable with the competition*)

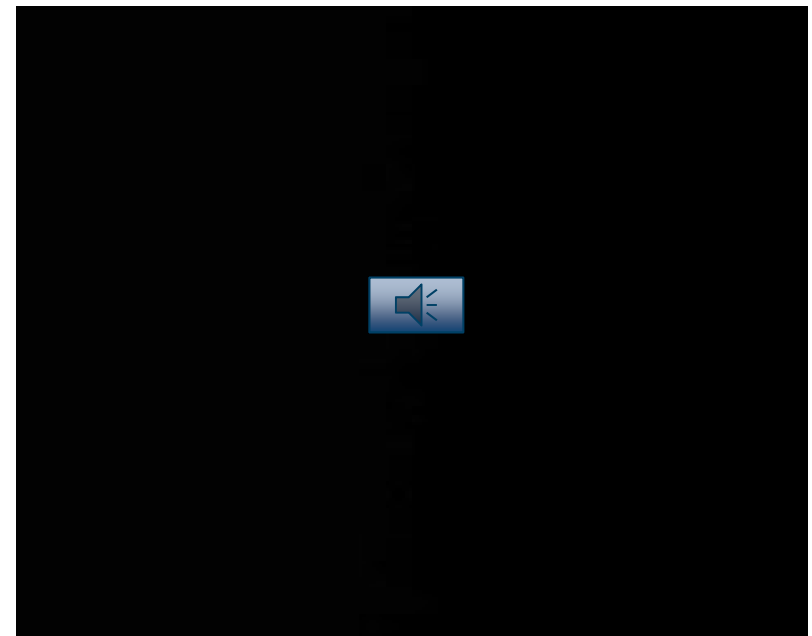
| | INEXPERIENCED CRAZINESS 2003-2005 3 years |
|-----------|--|
| Product | Gas, electricity and services +150.000 clients/year -1,00 percentage point market share in gas +230.000 clients/year services |
| Price | Gas and electricity = Regulated tariff Free KW depending on gas and electricity consumption Services also gave KW |
| Loyalty | Launch of points programme for energy use |
| Place | Task force, engineers |
| Promotion | TV, press, radio, internet, direct marketing |

3. Inexperienced craziness: 2003-2005

Channels

- Distance channel for energy: prohibited (physical signature was required)
- We sold everything by presential channel:
 - Task force
 - Engineers at annual maintenance visit
- Everything by paper: thousands of contracts were moving around
- Process needed further IT development (we couldn't end the contract, we couldn't change the power capacity,...)

Advert



4. Regression: 2006-2008

Context

- Stop selling activity due to rising energy costs
- Objective: to lose electricity customers

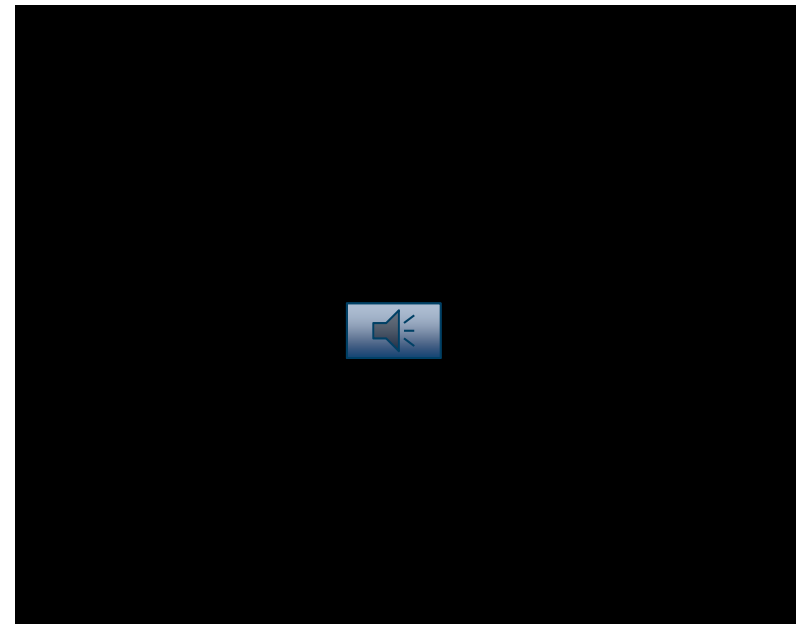
| | INEXPERIENCED CRAZINESS | REGRESSION |
|---|-------------------------|----------------------|
| | 2003-2005 3 years | 2006-2008 3 years |
| Electricity Clients /year | +150.000 | -130.000 |
| Percentage points market share in gas /year | -1,0 pp | -1,2 pp |
| Services Clients /year | +230.000 | +100.000 |

4. Regression: 2006-2008

Commercial Policies

- Electricity customers were sent back to the regulated company (to our competition!)
- Stopped switching gas customers from regulated market to deregulated market
- Finished loyalty programme because it didn't retain customers
- Finished finance product
- Worked loyalty communication (we adapt to you, so you don't have to look somewhere else)

Advert



5. Integration: 2009 – June 2010



Context

- Gas Natural and Union Fenosa were integrated
- Competitors began to sell again. We didn't

| | INEXPERIENCED CRAZINESS 2003-2005 3 years | REGRESSION 2006-2008 3 years | INTEGRATION 2009-Jun 2010 1,5 years |
|---|--|---|--|
| Electricity Clients /year | +150.000 | -130.000 | +3.500.000 integration |
| Percentage points market share in gas /year | -1,0 pp | -1,2 pp | -2,4 pp |
| Services Clients /year | +230.000 | +100.000 | +20.000 |

6. Experienced craziness: July 2010- June 2012

Context

- We made a decision: stopped shrinking gas customer base
- Approved and launched telemarketing

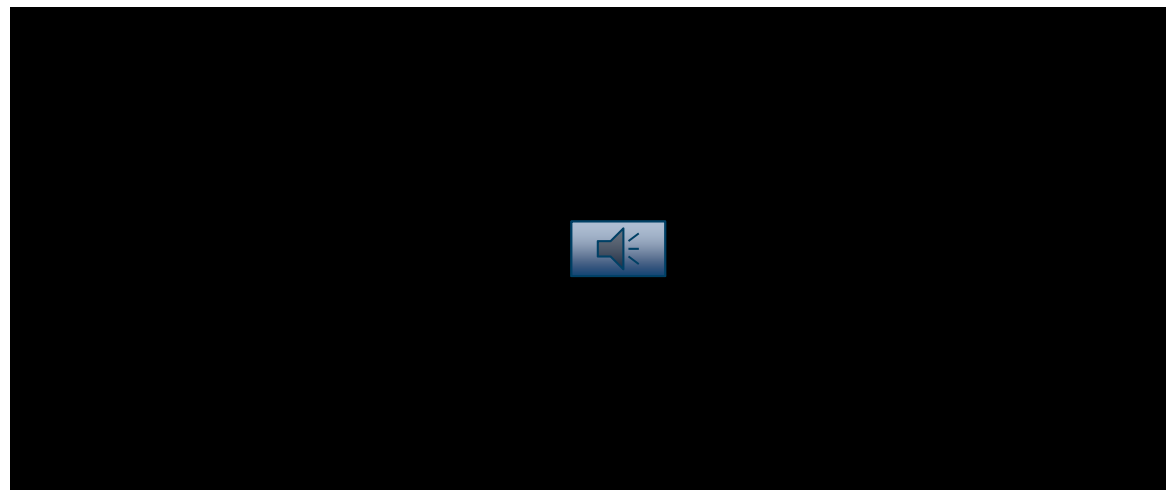
| | INEXPERIENCED CRAZINESS | REGRESSION | INTEGRATION | EXPERIENCED CRAZINESS |
|---|----------------------------|----------------------|----------------------------|--------------------------|
| | 2003-2005 3 years | 2006-2008 3 years | 2009-Jun 2010 1,5 years | Jul 2010-2012 2 years |
| Electricity Clients /year | +150.000 | -130.000 | +3.500.000 integration | +180.000 |
| Percentage points market share in gas /year | -1,0 pp | -1,2 pp | -2,4 pp | -0,8 pp |
| Services Clients /year | +230.000 | +100.000 | +20.000 | +220.000 |

6. Experienced craziness: July 2010- June 2012

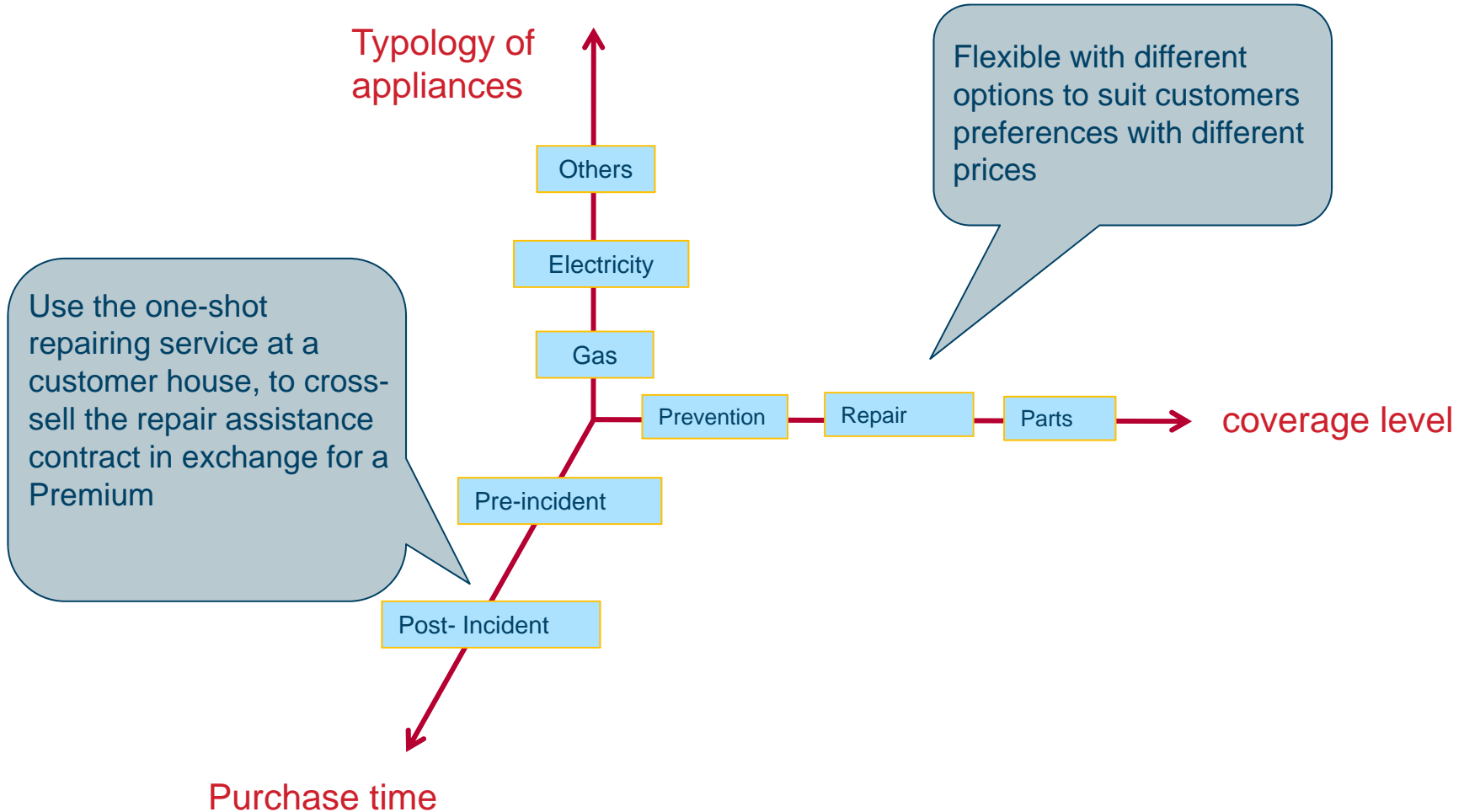
Commercial Policies

- Gave discounts on gas and electricity for the purchasing of services
- Expansion to 12 Portfolio maintenance options
- Centralized communication of value add facilitators for the customer (fixed payment plan, online office,...) to move beyond price discussion
- Loyalty plan based on 20 initiatives. Measured the impact of each one, creating a control group and measuring the different churn rate

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Growth vectors of the value added services portfolio



6. Experienced craziness: July 2010- June 2012

Channels

- **Mix:** telemarketing, direct marketing, task force, engineers, on line, ...depending on the area and the type of customer
- **Systematic:**
 - The definition of commercial actions sequence. For example: call bye bye, bye bye letter, ...
 - Measuring the success of marketing activities: recruitment, development and retention
 - Automizing processes: for example web sales.
 - Rigorous commercial practices (identity card, photocopy, penalties for bad sales practices, quality controls, ...)

7. Challenges



- **Improve customer knowledge: Marketing Analytics Platform to improve sales efficiency**



- **Online channel: more self-management, online sales, social networking,...**



- **Service excellence: give different service's level depending on customer value (not one size fits all)**



- **Innovation in the portfolio: smart homes, appliances, new tariffs ...**



Thank you

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