



CO-OPERATIVES UK

FRESH IDEAS 4

Unbeatable

How real loyalty gives Co-operative Energy the edge in a deal loyalty world

Mark Bradley

“Consumer owned co-operatives have more loyal, emotionally attached customers than other businesses.”

Summary

Unbeatable¹ argues that, because of its inherent status as a trusted, resilient and accountable organisation with strong customer values, Co-operative Energy (and, by implication, the wider co-operative movement) effectively has a competitive advantage in a sector dominated by 'price' marketing.

This 'emotional loyalty' (where customers believe the organisation 'cares about them') creates stronger relationships, strengthens the organisation's financial position and substantially insulates Co-operative Energy against price fluctuation in the energy supply market.

Recent research provides compelling evidence of exactly how and why consumer owned co-operatives have more loyal, emotionally attached customers than other businesses.

Moreover, in relation to the energy market, Co-operative Energy effectively has a competitive advantage. Based on the public's intrinsic and enduring perceptions of trust, fairness, financial strength and accountability in the co-operative sector, Co-operative Energy is better able to attract and retain customers, convert them to members and engage more of them in democratic activity.

This competitive advantage can be described as **emotional loyalty**.

Emotional Loyalty is an extremely powerful level of customer engagement which transcends 'price loyalty' and 'ease of doing business' (the standard definition of good customer service) and is built upon deep lying perceptions of trust and fairness.

Customers drawn to the co-operative movement believe, in essence, that the organisation is designed to 'do the right thing' and when applied to the Energy sector, our research shows that this is emphasised even more with customers perceiving a clear contrast between their perceptions of co-operative values: Fair, Democratic and Trusted² and those of PLC suppliers: Profitable, Greedy and Cut Throat³.

“Customers drawn to the co-operative movement believe, in essence, that the organisation is designed to ‘do the right thing’”

The gap in trust between co-operatives and PLCs is most noticeable in Fairness where (of those who expressed an opinion) 65% said co-operatives were fair compared with just 8% who said the same about PLCs.

Our research shows that the following are key drivers of emotional loyalty within the Co-operative Energy customer / member journey:

- Simplicity (e.g. limited number of simple tariffs, easy to use website, easy to get help)
- Friendly service (e.g. representatives who are genuinely interested in the customer)
- Responsiveness (e.g. demonstrating flexibility and / or ownership in order to meet customer needs)
- True to the co-operative ethos and values (e.g. fairness, openness and honesty)

We are able to trace the impact of this competitive advantage at three key stages of the customer relationship: their instinctive associations (when confronted with the brand name), their motivations for subscribing and the perceptions that their actual customer service experiences create.

The impact of this advantage is considerable. Recent data confirms that for the Midcounties Co-operative (owners of Co-operative Energy) total membership is up 19.8% in 2012 (to 428,000) with a 24.5% increase in members trading across different co-operative businesses and a 21% increase in the number of democratically active members.

Our research reveals a considerable difference between existing levels of advocacy for the Energy Sector as a whole and for Co-operative Energy as an individual supplier. The percentage of consumers who would 'somewhat or strongly recommend' their supplier⁴ is 30% for the sector as a whole but 97% for Co-operative Energy⁵).

With Co-operative Energy quickly growing to 137,000⁶ customers in the two years since it appeared in the marketplace, it is clear that emotional loyalty is putting the sector's traditional deal loyalty into its place. Energy customers are looking for more than a financial 'sweetener'. They want a relationship based on trust and Co-operative Energy is perfectly placed to meet this need.

We are therefore able to trace a direct line from the inherent values of the co-operative movement, through the competitive advantage displayed by Co-operative Energy, through improved levels of customer experience to stronger, more enduring levels of emotional loyalty, which in turn drive advocacy, loyalty and financial resilience.

Introduction

Emotional loyalty: the most sustainable form of differentiation

Successful service organisations base their pre-eminence on creating enduring emotional loyalty among their customer base.

Emotional loyalty arises where the customer continuously experiences a level of service that demonstrates that their needs, expectations and deeper motivations are fully understood and woven into the service design of the provider.

This means that at key 'moments of truth' the promise offered by the brand and / or espoused values of the organisation is transparently fulfilled.

Moments of Truth?

Those touch points within the experience that matter most to the customer and upon which their continuing loyalty depends.

The outcome of this is to reinforce feelings of value and advocacy for the organisation, while at the same time strengthening the service provider's financial resilience.

Emotional loyalty transcends the type of loyalty achieved by short term pricing (i.e. deal loyalty) and therefore aids customer retention. Given the inherent values of the co-operative movement there is a high propensity for customers and members to experience this level of engagement, especially where it is mirrored in the every day experiences they have.

There are effectively three levels of customer service:

1. Expected service
2. Enhanced service
3. Engaging service

Expected Service occurs where the expected service is delivered. In effect, you get what you paid for. This has particular relevance to the energy market, as 'electricity supply', for example, is an invisible service, so customer expectations are only largely formed when something goes wrong. In such circumstances, it is understandable that suppliers would focus on price as the key point of differentiation and it is generally true that in such sectors strategies built around deal loyalty are commonplace.

Enhanced service occurs where the customer experiences a hassle-free service and recognises that his or her needs have been (to a greater or lesser extent) woven into the provider's service design. Often seen in customer-friendly returns processes where the company does all of the work and the customer relaxes, they largely represent the USP of modern online service providers.

Engaging Service occurs where the service is designed to leave customers feeling extremely valued and / or feeling cared for. This is often manifested in an unexpected, surprising and / or memorable experience, displaying a deeper understanding of both the customer's evident and more intrinsic expectations. The 'welcome call', made by Co-operative Energy to new customers who have joined online, is an example of one of these key 'moments of truth', while more widely a well-handled complaint delivers similar levels of engagement (especially as the British expectation is for complaints to be dealt with poorly).

Each of the above levels of customer service delivers different levels of customer engagement.

- **Expected service** generates satisfaction, but not in a way that secures loyalty and / or advocacy (with not even the guarantee that existing levels of engagement will continue)

- **Enhanced service** generates satisfaction and advocacy and it is accepted that it is likely to retain existing customers and generate some advocacy
- **Engaging service**, however, not only generates satisfaction and advocacy but also engenders deep and enduring feelings of value among customers – who perceived that they are genuinely cared for. These are the drivers of emotional loyalty and Co-operative Energy benefits from perceptions that allow it to thrive.

Examples of Engaging service are visible at various moments of truth within the customer experience:

- The organisation makes it really easy for the customer to interact with them (this could range from effective 'self service' systems to having a website which advises customers on the best times to ring, so that they can reasonably expect to get through straight away)
- They keep their promises. As the advisor wasn't in a position to give you a clear answer when you raised your query and / or where they wished to save you the cost of a call, they promised to ring you back at a specific time, having checked that this was convenient for you. At the agreed time, they were in touch with the information you needed
- They're responsive: they recognise how urgent the situation is and are more than happy to 'divert' from the process if it means helping the customer out and / or making the customer feel valued
- They treat you like an individual. You happened to mention something in an earlier interaction that the assistant remembered. This was then reflected in the service provided. For example, you mentioned that you had just injured your leg, so the people who came to deliver your flat pack furniture offered to assemble it for you too
- They surprise you. Last week in the post you received a gift thanking you for your service over the past period
- The products are extremely reliable, but if anything does go wrong, they pro-actively put it right, in a way that reduces the hassle to the customer to zero

- They're polite and courteous, asking questions to establish exactly how you prefer to interact with the service provider and then treating you in that way subsequently
- They're fantastic at resolving complaints and doing the 'right thing' by the customer (moving quickly from 'rescue' to making the customer really feel special and valued)
- They are accessible: whatever time of day or night you need them, they're there for you
- They create genuine warmth by expressing sincere interest in the customer and their well-being

Many organisations (in the co-operative and the private sector) base their pre-eminence on a values-based approach, where the organisation's key brand promise is reflected at every moment of truth for every customer.

Private organisations often 'construct' a set of values and then design their customer service systems and processes to reflect those values. However, Co-operative Energy, as an inherently trustworthy brand, has 'authentic' values at the heart of its customer offer, and this is the basis of its USP.

Co-operative Energy's USP

The power of trust

Research shows that the power of customer recommendation is becoming stronger and stronger over time.

- **In 2006**, 73% of people told others about a business they trust, while 68% had punished a distrusted company by speaking critically to people about them.
- **By 2009**, 86% of people said that when they have a particularly good experience with a company, they normally tell other people, while only 1 in 20 (6%) usually keep it to themselves.
- **By 2010**, when they have a particularly bad experience with a company 96% of consumers tell other people and when they have a particularly good experience 94% let others know.⁷

(Consumer Focus)

Based on research carried out while preparing this report, some 75% of the public buy their energy from one of the 'Big Six'⁸ suppliers, while (although increasing at a rapid rate) only something like 2% of the public are customers of Co-operative Energy.

However, even though large private companies share the vast

“The public is 4.5 times more likely to ‘completely trust’ a co-operative energy supplier than a ‘general’ energy supplier.”

majority of the available customer base (and the associated profits) they suffer from low perceptions of trust and value.

We have already established that people trust

co-operatives and think they are fair, so our research asked the public to give their perceptions on energy suppliers 'in general' and then on 'co-operative' energy suppliers. The results showed that the public is 4.5 times more likely to 'completely trust' a co-operative energy supplier than a 'general' energy supplier⁹.

This research also shows that, of those who expressed an opinion, 45% scored Co-operative Energy at 7 out of 10 or greater for trust compared with just 15% who scored a PLC energy supplier at 7 out of 10 or greater¹⁰.

The following comments are representative of those customers who have left a 'Big Six' supplier and joined Co-operative Energy¹¹.

"(Supplier) kept increasing prices and were not clear about pricing"

"The communication with (Supplier) contact centre was poor"

"(Supplier) kept increasing their prices"

"Other suppliers are too arrogant"

"I was due a refund from another supplier and they wouldn't give it to me"

"(Supplier) charged me even though I was in credit"

It is noticeable that the co-operative 'promise' is emphasised when compared to perceptions of the existing supplier. It is clear that the pre-existing perception of ethics and fairness in the co-operative movement gives Co-operative Energy a competitive advantage.

"The pricing structure is clearer than other suppliers"

"There are no tie-ins"

"The co-operative is a mutual. There are no shareholders"

"We like the Co-op's existing products and services – they are reliable"

"The communication is transparent and open"

"The co-operative offers membership points"

"The on-line meter facility is good"

"They send you vouchers"

"They rang and told me I was in credit and asked if I wanted the money back in my account – I practically fell off my chair"

“They treat you like a person – the phone is answered straight away”

“They do not use the press 1, press 2, etc (when calling). I would rather be told there is a 40-minute wait and that (they) will call (me) back”

“They are UK based - they do not use offshore people”

“Unlike the big boys they are transparent – with (supplier) I was in credit but they still wanted to increase my tariff”

“They are not the cheapest but you get the membership points”

It is clear from our research that price alone is not the key factor behind Co-operative Energy’s rapid growth. There is compelling evidence that customers are buying into an ethical proposition and that the value of this transcends considerations of cost alone.

Again, comments from the customers we interviewed¹²:

“I wasn’t only concerned about profits being made at my (Big Six) provider but at the price and levels of customer service too. However, I had an expectation that these things would be better handled. For example, the phones are answered straightaway and the Call Centre is in the UK. On the basis of my experience so far, this has been maintained by Co-operative Energy”

“I’ve worked for the co-operative for 24 years, so I ‘get’ it. I understand what it stands for and what that means for customers. That’s why I think it was important to promote its differences and make people know that it isn’t one of the big established suppliers. My expectation is that ‘you get what you give’ – in the widest sense – and while the fact that is cheaper is important to someone on a budget, there are bigger reasons for staying”

Translating values into experiences

Moreover, when the co-operative movement's values are most evident at different moments of truth within the Co-operative Energy customer experience, feelings of value and emotional loyalty rise.

Perceptions of customer-focused values alone do not fully explain the differentiation we have brought to light. It is clear that customers expect the co-operative ethos to be translated into their every day experiences too.

"The website is clearer than other energy providers, it's easy to navigate"

"The portal is easy to find and the tariffs on it are competitive"

"It is easy to enter the meter reading"

"When I switched, the transfer was easy on the website"

"The costs were transparent"

So, if emotional loyalty is partly an outcome of perceptions of trust and fairness, its full impact on subsequent levels of advocacy can only be realised when individual customer experiences mirror these values.

Customers articulate this as the following service dimensions:

- **Simplicity** (e.g. limited number of simple tariffs, easy to use website, easy to transfer, easy to get help)
- **Friendliness** (e.g. great 'banter', enjoyable interactions, etc)
- **Responsiveness** (e.g. listening to customers and taking full ownership of specific needs, instant refunds, etc)
- **co-operative values** (e.g. honesty, fairness, trust, etc)

Emotional loyalty is therefore the natural output of Co-operative Energy's inherent customer-focused values AND experiences at key customer moments of truth that mirror those expectations of trust and fairness.

The Value of Emotional Loyalty

David Jackson, a leadership and organisational design expert, wrote the following on customer loyalty¹³:

“There is no doubt that in an increasing number of markets, price and value for money are increasingly important in shaping buying decisions. But using price reductions (or points equivalents) as the way to generate loyalty is a flawed strategy. By training customers to equate loyalty with cost, companies leave themselves open to competition.

“Values, properly implemented, shape an organisation both internally and externally. Customers become truly loyal to organisations that live up the values they hold. Some of these values will relate to transactional elements of efficiency and value for money. Many organisations include customer focus and efficiency in their values for this reason. They know that they must remain competitive in order to maintain a relationship with customers.”

Jackson’s research over the years highlights just how much values will relate to what people feel is important to them personally. Take the Body Shop, for example. It appeals to people who share a dislike for animal testing on cosmetics; a stance that takes in a broader view of ethical trading. Prêt à Manger exhibits similar values, which we can trace from its attitude to freshness, food sourcing, food preparation, employee engagement and support for the homeless. Nike builds relationships with its customers through a shared love of sport and the co-operative movement has strengthened its position with customers through its commitment to the loved, trusted and local ethos.

These organisations may not appeal to everyone. However, for those who share the values they project, the bond is enduring.

Deal loyalty (generating repeat purchases by offering an incentive) is very different to real loyalty. Real loyalty, however, is about generating an emotional attachment between the customer and the company: a relationship where there is a real commitment to each other.

“Real loyalty is about generating an emotional attachment between the customer and the company: a relationship where there is a real commitment to each other.”

Ultimately, customers who continually receive excellent levels of customer service (from any provider) will exhibit emotional loyalty and may think twice before abandoning a supplier even when the price is going up.

Co-operative Energy, however, as a result of its inherent values of trust and fairness, is able to engender real loyalty from the start. Once one factors simplicity (a limited number of simple tariffs), friendliness, and responsiveness into the experience, the level of emotional engagement is maximised.

The business impact of this is clear. Customers subscribing to an organisation on the basis of a better deal (in pure cost terms) and where no significant additional customer value is provided are more likely to abandon the supplier when a better deal comes along.

However, if an organisation's values are so traditionally embedded in the public psyche and the level of service subsequently matches this initial promise of fairness and trust, then not only will it be possible to attract new customers more quickly than PLC competitors, but it is likely that higher levels of customer retention will be achieved.

This is what we believe is happening with Co-operative Energy.

Its growth pace (137,000 subscribers in its first two years of operation) may be attributed to its simple and competitive tariffs, but its **customer satisfaction** levels comfortably match the UK's leading suppliers **in any sector**. In fact, Co-operative Energy's current Net Promoter Score (NPS) of **72** exceeds that of Apple (mobile phones and computer hardware) (**69**) and First Direct (banking) (**62**)¹⁴.

The confidence the organisation has in future financial resilience is therefore not solely based on an ability to match or beat competing tariffs but in a deeper emotional loyalty which has its roots in the values associated with the co-operative sector.

The evolution of emotional loyalty

This report argues that Co-operative Energy (and, by definition, the wider co-operative movement) has an inherent advantage over PLC and private competitors as a result of its intrinsic values and ethos.

We have described how it is possible to trace the impact of Co-operative Energy's inherent advantage at three key stages of the customer relationship: their instinctive **associations** (when confronted with the brand name), their **motivations** for subscribing and the perceptions that their actual customer service **experiences** create.

Customer associations

This advantage is apparent in the public's instinctive associations, when confronted with the names of both the 'Big Six' energy suppliers and Co-operative Energy. The 'Big Six' are focusing on improving their customer experiences (as the widespread adoption of Net Promoter and associated customer engagement programmes shows) but ultimately they are still fundamentally constrained by a lack of public trust.

When we explore the immediate associations made by customers when confronted with Big Six company names and the Co-operative Energy company name, it is clear that when it comes to creating emotional loyalty, the latter has a 'head start'.

The research confirms, through both qualitative and quantitative investigations, the co-operative movement's continued reputation as **fair, democratic, trusted** and **honest**.

A recent YouGov¹⁵ survey asked respondents to choose from a list of words and identify which best represented PLCs and which best represented co-operatives.

Words associated with PLCs and Co-operative Businesses ¹⁶	
PLCs	Co-operative Businesses
Profitable (55%)	Fair (65%)
Greedy (47%)	Democratic (58%)
Cut Throat (44%)	Trusted (52%)
Global (39%)	Honest (50%)

Consumers make conscious and subconscious associations when confronted with different brands.

Some of these associations are long established (e.g. Marks and Spencer and John Lewis' customer promises) and some can be influenced by particular events (Ratners' chairman's unfortunate remark on the quality of his company's products in 1991 and Hoover's damaging free flight promotion in 1994, for example).

Some service providers generate emotional responses (in our research both Ikea and Ryanair generated positive and negative associations) while names like Tesco provide little by way of emotional reaction, but significant in terms of positivity (reliable service, etc)¹⁷.

- US research¹⁸ suggests that if 100 people have a bad experience, a retailer stands to lose up to 36 current or potential customers.
- This work found that consumer conversations can have a magnifying force. People may be even less likely to shop where a friend has had a bad experience than if it had happened directly to them – because bad stories often get exaggerated in the re-telling.
- One in three US shoppers spread negative word of mouth about their problems; each will tell an average of four other people.

Companies spend millions developing their 'brand' over the years with a view to ensuring that their name provokes positive associations from the public. And yet, it is the accumulation of personal experiences and what we are told by friends and family that is more likely to determine our 'gut reaction' to any given service provider.

From our research Co-operative Energy (and the wider co-operative movement) enjoy hugely positive perceptions, both from non-customers¹⁹ as well as existing customers²⁰.

It is also clear that these positive associations have their roots in the public's conscious and subconscious appreciation of the co-operative brand.

Customer motivations

This report highlights the power of the co-operative brand and explains why Co-operative Energy has an advantage when it comes to attracting and retaining customers.

However, when we asked customers²¹ what led them to choose Co-operative Energy over other gas / electric suppliers, **price** was the most common factor followed by **dissatisfaction with their current supplier** and perception that the co-operative would be **fairer**.

Price

"The prices are good"

"The pricing structure is clearer than other suppliers"

"There are no tie-ins"

"We switch every year to find the cheapest prices"

"(Supplier) kept increasing prices and were not clear about pricing"

"The co-operative offers membership points"

"They (Co-operative Energy) are not the cheapest but you get the membership points"

Dissatisfaction with Current Supplier

"The communication with (Supplier) contact centre was poor"

"Other suppliers are too arrogant"

"I was due a refund from another supplier and they wouldn't give it to me"

"(Supplier) charged me even though I was in credit"

Co-operative Energy: Fairer

“The co-operative is a mutual: there are no shareholders”

“We like the Co-op’s existing products and services: they are reliable”

“They (appear) transparent and open”

“The co-operative is different”

“They are UK based”

“Unlike the big boys they are transparent. With (Supplier) I was in credit but they still wanted to increase my tariff”

“They have a clear website”

Customers’ motivations for leaving their current supplier to join Co-operative Energy also included the following:

- Simplicity / Ease of Use
- Already a member of the co-operative group
- Staff member (Co-op)
- On recommendation of a friend or family member
- Perceptions that Co-operative Energy will ‘care for’ and ‘value me’
- Draw of the co-operative ethos / membership concept
- Perceived lack of fairness elsewhere
- Customer benefits / member points

For customers who are **new** to the co-operative movement, price appears to be the key driver to signing up, but there is evidence that they perceive that Co-operative Energy will be a much more customer-focused organisation than other large players in the sector, albeit as a fringe benefit and not their key driver of subscription.

For customers who are **already** customers / members of a co-operative society, price is the key driver, but it is matched by an expectation of fairness, transparency, ethics and, put simply, a willingness to do the right thing for the customer.

It's also the case that as many customers are motivated by **negative** experiences / expectations of existing suppliers (Big Six, etc) as are motivated by **positive** perceptions of Co-operative Energy, effectively doubling the strength of the co-operative proposition.

Where Co-operative Energy customer 'moments of truth' directly contrast with the expected / experienced equivalents at other suppliers, then the customer value of the co-operative proposition is emphasised even further.

This is explored in the following section.

Customer experiences

The mental association might intrigue you to the possibilities of joining an organisation. The price may be good. Their initial offer may look irresistible. However, the ‘proof of the pudding’ will be in the way that you are treated as a customer.

Co-operative Energy customers (as the benchmark NPS score suggests) receive a level of service that, on the whole, transcends the financial factors that may have led them to consider switching in the first place.

It is clear that Co-operative Energy is providing customers with experiences that are leading them to exhibit unambiguous signs of emotional loyalty.

Here is a representative selection of existing Co-operative Energy customer comments:

“I am extremely happy with Co-operative Energy as the prices are good and I get loyalty bonuses. The prices are stable and the bills are very clear and easy to understand. I like that I can read my meter and I am able to work out my bill, as the tariffs are simple. I would recommend the co-operative as it is an honest company, offers a good range of services and helps the community.”

"Everything is straightforward with Co-operative Energy. I like the fact that I can ring through and give a monthly update on the usage. They also combine my gas and electric and I only have one direct debit as opposed to two with the previous supplier. I was in fact also paying too much on my direct debit with the previous supplier. If I go into debit on one and credit on the other then we have one price for the gas and the electric and it evens itself out. I have now recommended this service to our daughter and she is over the moon."

"I can easily get through to customer services when I provide my meter reading each month. I would recommend Co-operative Energy as the prices are reasonable and the profits are shared with customers. I prefer Co-operative Energy to the other big energy companies."

"I am happy with the service that I receive. The billing process is straightforward and the emails received are fine. I do not believe that the company is the cheapest provider but I like to use the Co-op."

"I would recommend Co-operative Energy as the service is great and I like the ethos of the company"

"I know they're not the cheapest but price was not why I changed to them. I like the service they offer and the fact that I can get in touch with someone if I have a query. I like the fact that bills are simple and easy to understand."

"I like the ethos of the company and when they presented me with a bill that was easy to understand I decided we would stay."

Earlier in the report we described two 'differentiating' levels of service: **enhanced** service and **engaging** service. In order to create **emotional loyalty**, the service provide must not only meet the customer's expressed needs at key touch points (the moments in the customer experience that present the supplier with the opportunity to engage or alienate the customer) but should also reflect the wider USP of the organisation and transmit examples of (in the case of Co-operative Energy) simplicity, friendliness, responsiveness and fairness.

Research shows that, albeit still a young organisation, Co-operative Energy is actively delivering these 'moments of truth' and enjoying the stronger levels of emotional loyalty that result.

According to the feedback we have received from customers and the research we have undertaken, examples of **enhanced** and **engaging** service combining at key 'moments of truth' at Co-operative Energy include:

- Answering the phone quickly
- Minimum use of IVR (interactive voice recognition)
- Not just evidence that the Call Centre is in the UK, but examples throughout the conversation that reinforce this (the quality of personal engagement over the phone)
- Understand how customers want to do business: letters, emails and / or phone calls may be required depending on the customer type and his / her circumstances
- The 'welcome call' whereby all new 'online' customers receive a telephone call welcoming them to Co-operative Energy and reminding them of the added value they'll get as customers, resolving any initial queries, etc)
- Making the process of transferring from an existing supplier to Co-operative Energy as hassle free as possible
- Seeing queries, problems and / or complaints as a principle way of expressing the co-operative difference and responding with honesty, speed, fairness and flexibility
- Having a website that is intuitive, easy to use and clearly set out

- Using social media to provide an effective, responsive additional channel to customers (including responding to queries, problems and complaints this way)
- The quality of personal engagement over the phone

Finally, in our research, we uncovered a very good example of how one elderly customer experienced the 'Co-operative Energy' difference.

A 90-year-old man, living alone in Cambridge, and some way from his family, was worried about how to go about reading his meter. He contacted Co-operative Energy in Warwick for assistance, but by the end of the call, the representative felt that her customer was still not 100% sure of what he needed to do.

Given that the staff member was planning a trip to the South East to visit family in the days following the conversation, she confirmed to the elderly gentleman that she would drop by, explain the process and take the correct meter reading for him.

This example of 'going the extra mile' perfectly shows the 'Co-operative Energy' difference influencing key customer touch points, with high levels of emotional loyalty resulting.

Most of the service industry is built on a premise of being 'easy to do business with' (enhanced service) which has, for some time, been the accepted definition of customer service excellence.

Being hassle-free is something that can largely be delivered through streamlined operations, good use of online service and self-service (in effect removal of the human element from the customer experience).

However, in order to create emotional loyalty (which, our research shows, has the potential to significantly decrease customer attrition in a price-dominated marketplace) there is a need to augment the 'human' element, introduce flexibility into the systems and allow 'cameos' that reflect the wider values driving the organisation.

Emotional loyalty is therefore an outcome of a service experience not just designed to meet the customer's expressed but also to meet their more unspoken needs.

Our research shows is that the public has an expectation that they will receive this from Co-operative Energy: added value experiences that underline their intrinsic expectations and bond them to the organisation beyond the next price fluctuation point.

Conclusion

This report argues that, because of its inherent status as a trusted, resilient and accountable organisation with strong customer values, Co-operative Energy (and, by implication, the wider co-operative movement) effectively has a competitive advantage in a sector dominated by 'price' marketing.

This **emotional loyalty** (where customers believe the organisation shares their personal values and 'cares about them') creates stronger relationships, strengthens the organisation's financial position and substantially insulates Co-operative Energy against price fluctuation in the energy supply market.

Co-operative Energy's emotional loyalty dividend

In the course of this research many Co-operative Energy customers have also used the phrase 'I feel valued' to describe the status of their relationship with their service provider.

This suggests to me that where a customer is drawn to an organisation because of shared values and principles and where the organisation is able to reflect this identity not only in its wider 'offer' but also in its customers' day to day experiences, the strength of the relationship that results is visible in the extent to which customers **feel valued**. This, in effect, is Co-operative Energy's emotional loyalty dividend.

In this research, no more than 3% of the general public claim to be 'fully valued' by their energy supplier²² whereas in the qualitative research undertaken for this report, the Co-operative Energy customers I have spoken to frequently describe themselves as feeling 'valued'.

While UK leading NPS scores may also indicate this deeper level of engagement, I believe that a continuing focus on the 'how valued' question would not only help emphasise Co-operative Energy's emotional dividend, but also improve the focus on attracting and retaining customers, converting them to members and engaging more of them in democratic activity.

Not just espoused values, but visible values

What has shone through the research most strongly is the impact on customer loyalty of experiences that reflect the values espoused by the co-operative movement:

"The other day the phone rang. It was Co-operative Energy. They were ringing to tell me that I was in credit and they asked if I wanted the money back in my account ... I practically fell off my chair!"

"I was unhappy about an aspect of service, so I posted my dissatisfaction on Co-operative Energy's Facebook page, not expecting anything would happen. Within half an hour someone called me, listened to my gripe and put the whole thing right for me."

“Emotional loyalty is guaranteed when the espoused values can be traced in each and every customer interaction.”

Emotional loyalty is guaranteed when the espoused values can be traced in each and every customer interaction.

Add to that lower perceptions of service from the wider energy sector and Co-operative Energy's opportunity is magnified.

Add the magic ingredients of the co-operative ethos and values to the customer experience (reinforcing it at every key customer touch point) and you have a recipe for enduring emotional loyalty: capable of propelling dissatisfied UK customers from curious subscribers to economically active members to democratically active members.

If Co-operative Energy can progressively reflect its values in each and every customer touch point, it will continue to flourish. But even if it only ever matches the 'Big Six' suppliers when it comes to customer service, its inherent values still give it the edge.

Real loyalty trumps deal loyalty anytime.

Appendix A: methodology

The research undertaken to produce this report was carried out during April / May 2013 and included the following:

- Secondary research comparing the financial benefits of engaged members (comparing the feelings of value and emotional loyalty generated to the standard customer loyalty index / net promoter model)
- Online focus groups and customer panels, facilitated by Mark Bradley (Co-operative Energy customers)
- Co-operative employee focus groups (Midcounties Co-operative and Co-operative Energy)
- YouGov public survey commissioned by Co-operatives UK (May 2013)
- Co-operative Energy Customer Advocacy measurement (2012 / 2013)

Endnotes

1. A customer we interviewed was approached by an energy company in a supermarket who asked if they could give her a quote. When she told them she was with Co-operative Energy, the sales person said 'forget it. We can't beat them.'
2. The top three values for co-operatives cited in a YouGov public survey (May 2013)
3. The top three values for PLC businesses cited in a YouGov public survey (May 2013)
4. Based on a statistically significant base where 78% are 'Big Six' customers and scoring 7 or more on a 10 point scale
5. Based on Co-operative Energy's NPS scores (April 2013) and combining those scoring 7 or more on 'recommendation'
6. As at 3 June 2013.
7. <http://www.consumerfocus.org.uk/files/2010/10/Unleashing-the-new-consumer-power-WEB-version.pdf>
8. The Big Six: British Gas (also known as Centrica and Scottish Gas), EDF Energy, E.ON, N-power (RWE), Scottish Power and Scottish and Southern Energy (SSE, also known as Scottish Hydro, SWALEC, Southern Electric and Atlantic)
9. Those scoring 9 or 10 on a 10-point scale in response to the question 'how much do you trust each of the following organisations?'
10. YouGov public survey (May 2013)
11. Co-operative Energy Customer Panels (April 2013)
12. Externally / independently facilitated online panels (May 2013)
13. Unisys / Management Today Service Excellence Awards summary paper (2005)
14. Source: 'Star Performers' <http://www.satmetrix.com/net-promoter/net-promoter-benchmarking-2/> (2012 data) and as reported by www.mycustomer.com (<http://www.mycustomer.com/topic/customer-experience/apple-retains-top-spot-annual-net-promoter-score-rankings/157059>)
15. YouGov public survey (May 2013)

16. All sources quoted represent those who expressed an opinion
17. Customer / Employee Panels (April / May 2013)
18. Shoppers at Risk: Retail Dissatisfaction survey 2007, Verde/Wharton Business School
19. YouGov public survey 2013
20. Co-operative Energy Customer Perceptions Measurement (2012-2013)
21. Co-operative Energy Customer Panel (April 2013)
22. YouGov Public Survey (May 2013)

ABOUT THE AUTHOR

Mark Bradley is a writer and consultant with an interest in customer experience and values-based leadership. Author of 'Inconvenience Stores' (Ardr Press 2004) and 'Retail of the Unexpected' (Ardr Press 2008), former lead assessor for the Unisys / Management Today Service Excellence Awards he is the founder of the Fan Experience Company, which promotes fan / supporter engagement in sports.

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Co-operatives UK works to promote, develop and unite co-operative enterprises. It has a unique role as a trade association for co-operatives and its campaigns for co-operation, such as Co-operatives Fortnight, bring together all those with a passion and interest in co-operative action.

Any organisation supportive of co-operation and mutuality can join and there are many opportunities online for individuals to connect to the latest co-operative news, innovations and campaigns. All members benefit from specialist services and the chance to network with other co-operatives.

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In *Unbeatable* Mark Bradley argues that, because of its inherent status as a trusted, resilient and accountable organisation with strong customer values, Co-operative Energy (and, by implication, the wider co-operative movement) effectively has a competitive advantage in a sector dominated by 'price' marketing.



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