

The image features four incandescent light bulbs hanging from a white track at the top. The bulbs are arranged in a row. The first three bulbs are unlit, while the fourth bulb on the right is brightly lit, casting a glow. A large, bright yellow diagonal beam of light originates from the left and points towards the first three unlit bulbs. The background is dark grey.

Digital Australia: State of the Nation

**Power and Utilities (P&U)
sector report**

EY Sweeney

Digital will turn poor customer experience on its head for P&U companies.

In today's digital world, customers are demanding more from P&U companies than ever before. They expect a wider range of services, transparent and competitive pricing and the power to control their own transactions and engage with their provider in a way that suits them.

Meeting these needs is a significant challenge for an industry that has traditionally struggled with customer satisfaction levels but it is one that P&U companies must meet, or risk losing out to in-sector competitors and new market entrants from non-traditional sectors. As a result, leveraging digital to drive value through customer reach and business model innovation will become critical to the long term success of P&U companies.

This report explores three areas >

The state of play

As customer expectations have risen many sectors have invested heavily in building sophisticated and valuable relationships with their customers.

P&U companies have been slower to respond due to a need to focus on competing priorities.

Digital changes all elements of business activity.

P&U companies need to fundamentally transform the way they operate to remain competitive in the digital world.

They must focus on using digital to improve customer engagement, drive operational efficiency and unlock new business models.

The big issues

Three key trends are aligning to create a burning platform for change in the P&U sector.

Customer interactions are critical

Disappointing customer experiences will become a battleground as digitally aware new entrants challenge incumbents.

Australia is lagging behind the rest of the world

Incumbents will find themselves competing with overseas players organisations who offer Australian customers innovative, user friendly services and solutions.

Customers are worried about security and privacy

Privacy is a growing issue in the sector, where the rollout of smart meters and the emergence of the 'internet of things' will increase the possibility of security risks.

The opportunities

The opportunities for energy retailers:

- ▶ **Redefine customer experiences:** use analytics to provide a deeper, more intuitive experience
- ▶ **Start competing for a share of the smart home:** use existing customer relationships to expand service offerings to new areas
- ▶ **Play in the renewables market:** decide how to own part of the solar market.

The opportunities for energy network businesses:

- ▶ **Gain operational efficiencies:** integrate operational technologies with IT systems to provide seamless processes
- ▶ **Rethink business models:** decide how to update the grid to deliver on changing customer needs
- ▶ **Get on the front foot with security:** develop a clear plan for addressing security threats, which multiply with the interconnectivity of the grid.

State of play

More to do in digital



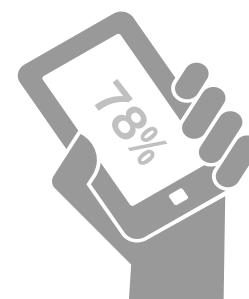
Australian customers believe the utilities sector is lagging other industries in digital maturity - second only to government¹. One in five Australians say their least engaging digital experience was with a P&U company². This is a real problem for the industry, considering Australia is one of the most digitally connected places on earth.

Many sectors are investing heavily to build sophisticated and valuable relationships with their customers. In contrast, many P&U companies have remained digitally disengaged from their customers due to a historic lack of investment in customer experience. There has been a tendency to offer minimal, low-touch service which prevents companies from truly understanding their customers and developing relationships with them. This is contributing to high levels of customer dissatisfaction, and decreasing loyalty across the industry.

Pressure on all industry players continues to intensify, as they try to focus on numerous competing priorities such as:

- ▶ responding to market reform and unbundling
- ▶ dealing with increasing financial pressure as energy demand changes, distributed generation bites and regulators demand more productivity
- ▶ competing in price wars for customers, where retention has been overshadowed by acquisition

Arguably, these competing priorities have contributed to the sector having one of the least advanced digital footprints in Australia.



78%
of Australians
aged 18 and above
use a smartphone



81%
world's 7th
highest internet
penetration

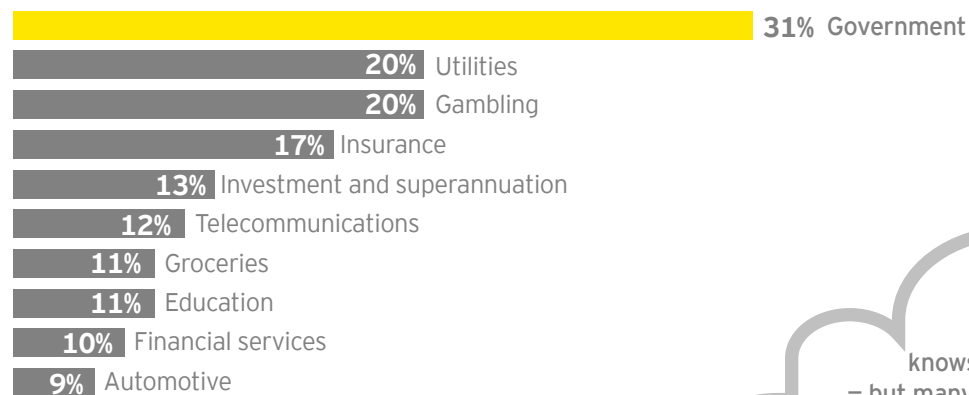
¹ Source: EY Digital Australia: State of the Nation 2014. Customer survey.

² Ibid.

Digital impacts all elements of business value, from the markets P&U companies operate in, to how they deliver services and how they hedge risk. For P&U companies, the main focus will be on using digital to improve customer interactions, better understand customer needs, enhance grid performance, and unlock new business models.

As historic margins decline, P&U companies must seek new opportunities to create value. Reaching out to customers via digital may be the solution they need, due to the significant potential to rebuild trust and create loyalty. A new level of business agility will be needed to compete in a digital world.

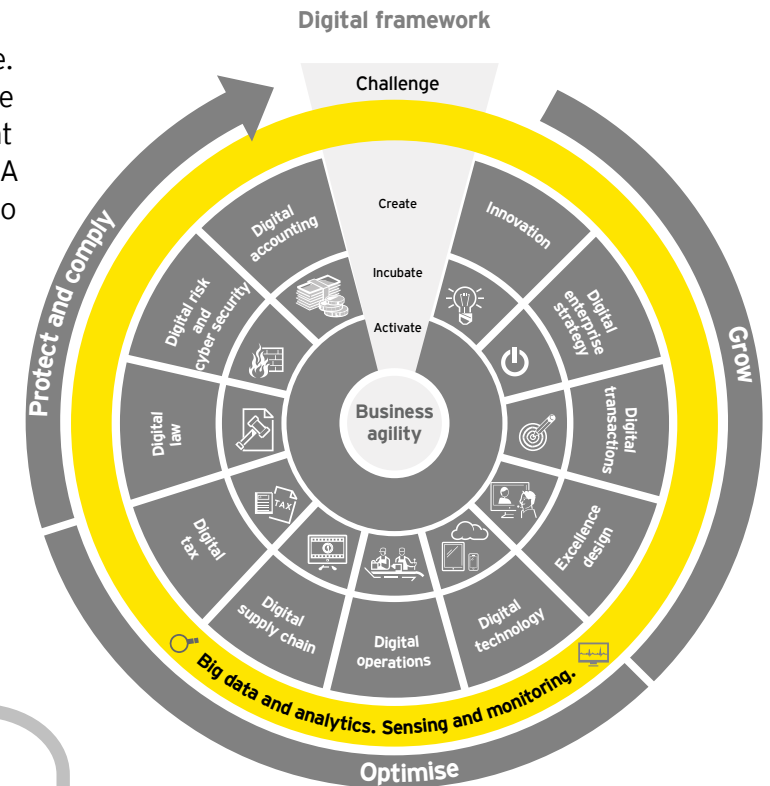
Worst sector digital experiences



Source: EY Digital Australia: State of the Nation 2014. Consumer survey.

"The sector knows digital is important – but many executives don't believe it's a priority area in the current state of play. They're busy investing capital in other areas. They've yet to reorientate the business mindset that digital will be the primary delivery mode for value-added services."

Jenny Young, EY Oceania Advisory Customer Leader



The P&U sector contends with an **endless number of unpredictable external factors**, from changing regulatory frameworks, to environmental demands and political decisions to sell off assets. In such an uncertain environment, companies need to concentrate on pulling the levers that are within their control that can achieve results fast. **Digital is one of these levers.**



Digital is the path to customer engagement

In 2015, we believe digital engagement with customers will be an integral part of rethinking the P&U enterprise - offering companies a lifeline to drive value by helping them understand, communicate with and respond to customer needs. It will enable them to improve customer experience in the short term, which will drive retention and profitability.

Digital will drive operational productivity

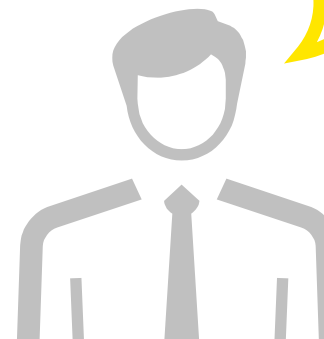
With ongoing discontent about rising prices, network organisations are under extreme pressure to deliver smarter and more efficient distribution and transmission services. They will be required to accelerate the automation and simplification of their business processes to drive increased productivity of their workforce. Also leveraging digital into grid optimisation will be a key capability to optimise management of network assets, lower maintenance costs and extend asset life.

Digital will unlock new business models

As well as the short term opportunities, digital signifies a continuous form of disruption to existing business models, products and services. Successful P&U companies will accept that remaining competitive means critically reassessing their current business models in the context of the digital world, or else risk losing out to in-sector competitors and new market entrants from non-traditional sectors. This means diversifying into value-added products and services in areas such as energy conservation and management, and innovative behind the meter services.

Digital will be a key weapon for P&U companies when simplifying and automating costly internal processes. It will help them drive competitive advantage and better profitability."

Stuart Hartley, EY Oceania P&U Advisory Leader



Issues

Negative customer interactions

When choosing their energy retailer, today's customers are highly influenced by their digital experiences with the organisation. Feedback about disappointing customer experiences will increasingly become a battleground as digitally aware new entrants challenge incumbent P&U companies.

P&U companies will need to be more customer responsive if they are going to survive and prosper in the long term. In 2014, Australian customers rated their digital experience with P&U companies and Government relatively poorly (against other industries), reporting significant differences between their worst experiences with Utilities, and their best in TV, entertainment and travel. Digital opinion leaders agreed, with 28% rating P&U companies as offering the nation's worst digital experience. Historically too many customer interactions that

P&U companies have with their customers – digital or otherwise – have been negative. Payments are one of the main customer interaction points, accounting for half of all energy retailer communications and causing a significant proportion of complaints³. This is one of the reasons why P&U companies have traditionally seen customer engagement as problematic, with the act of 'awakening' the customer often leading to churn. Changing this dynamic will require P&U companies to create value-adding interactions for customers and execute them effectively.

Many P&U companies lack the ability to parse the massive volumes of data they collect on their customers to produce valuable insights that will enable them to understand their needs and personalise the experience.

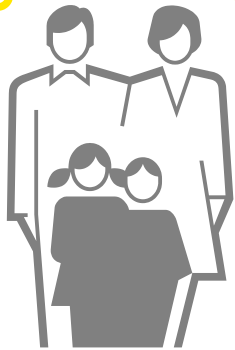
"This situation will continue to be exacerbated as every day customers have new digital experiences with companies in other sectors that are increasingly more engaging, customised and intuitive."

Jenny Roche, EY Advisory Customer Partner

³ The EY Customer Experience Series™ – Utilities (Wave 3). 2014

Customers **search** digitally
Customers **switch** digitally
Customers **seek** digital dialogue

Better service



Building trust

“Organisations that fail to provide a quality digital experience are at risk of losing me as a customer”

79%
of Australian customers⁴

In many ways, **the sector is mirroring the issues that plagued telcos 10 years ago** (but with the added complexity of digital), when phone providers were bureaucracies, offering services that best suited them and their investments – not their customers. Just as telcos have invested in becoming more customer centric, P&U companies will similarly require an ‘about face’ to meet customers’ increasingly sophisticated demands for personalised, convenient, value-added services – and digital will be the enabler. The resulting, **more personalised, interactions will enrich P&U companies’ data and customer knowledge**. Like the telcos before them, P&U companies will be able to move away from price-driven, value-destroying above the line marketing to targeted, value-driven offers.

“The sector needs to be faster in adopting new technology and practices that improve the customer experience. We are starting to see new, smaller, nimble players move into this space – but there is a first mover advantage for the bigger retailers who can get it right.”

Jenny Young, EY Oceania Advisory Customer Leader



⁴ EY Digital Australia: State of the Nation 2014. Customer survey.

Lagging the rest of the world

It's not just that the P&U sector is behind in Australia, Australia is also behind the rest of the world in digital. Despite the high levels of digital penetration across the population, Australia only ranked 18th in the World Economic Forum's 2014 Network Readiness assessment – a broad index of digital advancement – well behind leaders Finland and Singapore. Customers and digital opinion leaders agree that the Australian digital economy is less advanced than other leading developed countries – a clear warning sign that customers will in future expect a better digital experience. They know that local digital offerings could and should be significantly better, opening the door for disruptive players to find competitive advantage in the sector.

Digitalisation of energy usage patterns via smart metering and internal technology is being driven globally.

Australia is lagging behind this global trend, meaning there is an **opportunity for innovative P&U companies** to strategically roll out this technology and differentiate their customer proposition in the next decade.

Already, overseas, the line between a utility 'customer' and 'competitor' is becoming increasingly blurred with major commercial players reorganising as both buyers and self-producers of electricity and providers of new energy services.

In the future, traditional models of energy supply will have to co-exist and co-evolve with increasingly decentralised models. Incumbents will find themselves competing with new asset owners and service providers who will offer Australian customers innovative, user-friendly services and solutions.



- ▶ **Google** has committed more than US\$1b to wind and solar projects globally and has also entered the home energy services market with its recent US\$3.2b acquisition of Nest, a developer of smart thermostats, smart smoke detectors and other in-home systems.
- ▶ **Apple** is producing its own renewable energy to power its facilities, building solar arrays, fuel cells and other generation systems.
- ▶ **Dodo** has expanded from telecommunications into utilities.



"The Australian digital economy is less advanced than other leading countries, say 40% of customers and 59% of digital opinion leaders – customers won't accept this forever."

Jenny Roche, EY Advisory Customer Partner



Customers are worried about security and their personal information

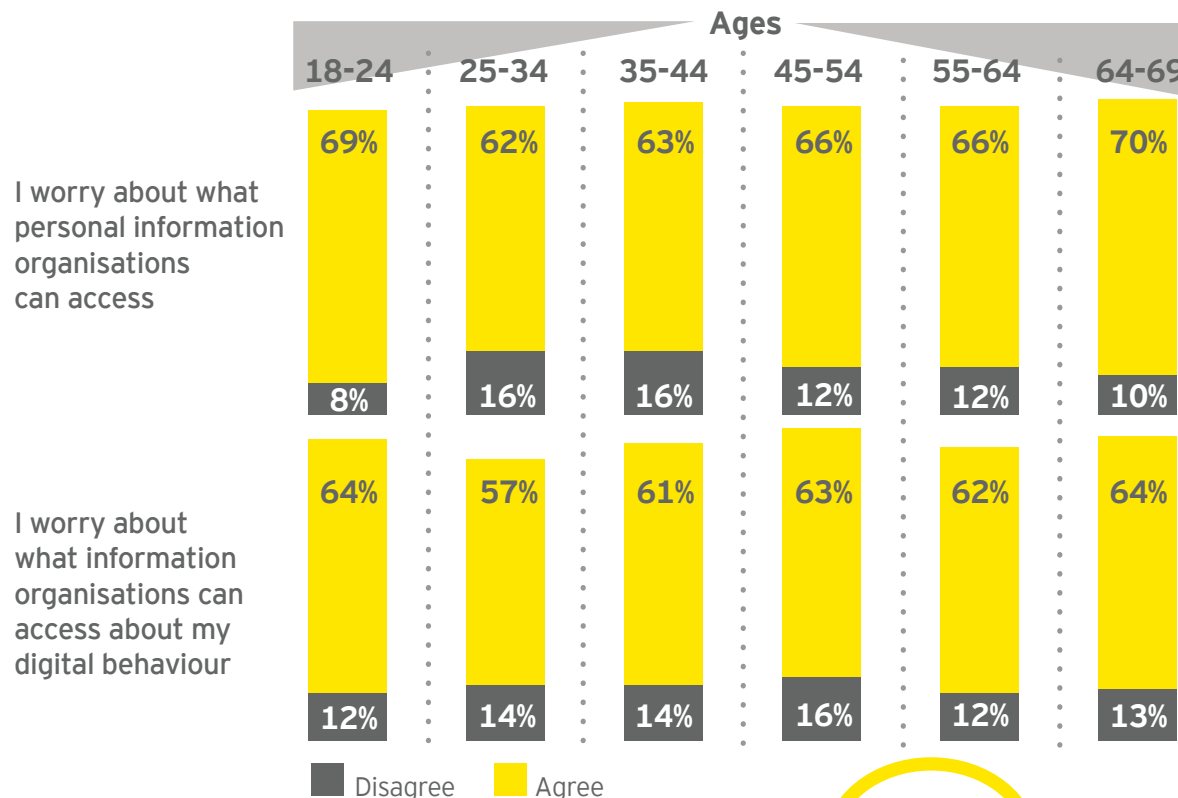
Customers' concerns about the security of transactions and the privacy of personal information remain high. An overwhelming 80% of Australians believe government should force organisations to become more transparent about the way they use customers' personal data.

Recent debate around data analytics and privacy has reignited customer fears, as have high profile global incidents. Customers are well aware that their personal data is a highly valuable and often vulnerable commodity and that identity thieves are becoming more sophisticated. They rank online security as the most important factor in a high quality digital experience. This is being heightened by strict new data privacy laws being introduced by Australian Regulators.

Concern about online information security varies by demographic. **The older (65 to 69 years) and younger (18-24) groups are most worried about online security.**

This contrasts with those in the other age bands – particularly those 25-34 who expressed the least concern. **It seems the increase in trust seen with each successive generation has been reversed.**

Data privacy concerns resurgent among the latest generation of digital natives. % Disagree/Agree.

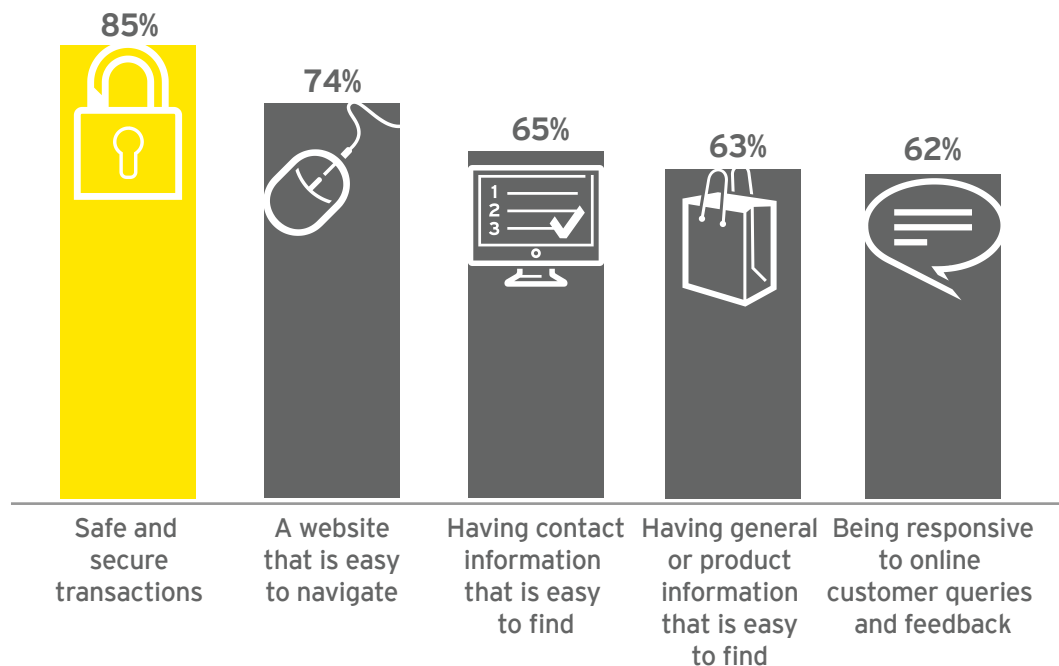


Source: EY Digital Australia: State of the Nation 2014. Consumer survey.

"Personally identifiable data is one of the crown jewels of your business – and your customers know it. Organisations have an opportunity to positively differentiate themselves by being transparent on the controls they have in place to safeguard such data."

Richard Watson, EY CyberSecurity Advisory Partner

Consumers' assessment of what is "very important" to a high quality digital experience – Top 5 factors



Source: EY Digital Australia: State of the Nation 2014. Consumer survey.

This is a growing issue in the sector, where the rollout of smart meters and the emergence of the 'internet of things' will mean multiple new possible points of penetration for systems that customers expect to be secure. Digital monitoring of Operational Technology Systems (SCADA) and IT systems will be vital to protect critical infrastructure for the community.

P&U companies must act to allay people's concerns around security and privacy – requiring different dialogue with different generations. As a starting point, they will need to be more transparent about the way they use customer data – and help customers understand the benefits of receiving a more relevant, personalised service. This could be an area where individual P&U companies or the sector in collaboration takes a leadership stance to be more transparent, and attempts to claw back customer trust.

78% think organisations should be more transparent or upfront about how they use the customer information they capture

10110
10010?
?01010

"We estimate more than 700 million smart meters will be rolled out over the next couple of decades, creating a new world of data and network access risks."

Stuart Hartley, EY Oceania P&U Advisory Leader

Opportunities

Improving margins through digital transformation

Big data, analytics and digital connectivity promise to be transformative beyond the grid, offering the power to make sense of data from smart meters and household appliances to inform new strategies, products and service offerings. But this will mean realigning investment priorities and rethinking business models.

Opportunities for energy retailers

Redefine customer experiences

Ironically, for an industry seen as underperforming in digital, the sector already functions on data through sophisticated use of analytics for network management. However as yet, analytics have not been fully leveraged to provide a deeper, more intuitive customer experience. It's time for energy retailers to invest in these capabilities to significantly boost the experience of individual customers.

Imagine if
energy retailers
could...

Anticipate the needs of fuel poor and vulnerable customers and propose appropriate solutions

Enhance customer interaction through deeper knowledge of energy usage

Predict what their customers will do next and tailor a response in advance of customer action

Predict customer indebtedness and manage it proactively

Identify customer appetite for new services and improve cross-selling success

In a recent EY survey of utility customers



55%
of respondents had recently switched or considered switching electricity providers in the past 12 months



55%
of customers pay a premium for a product or service from a company they trust

Energy retailers need to improve the nature of their customer interactions. Currently, the vast majority of interactions customers have with their retailer (digital or otherwise) is negative. Payments are one of the main customer interaction points, accounting for half of all energy retailer communications and causing a significant proportion of complaints⁵. This goes some way to explaining why energy retailers have traditionally seen customer engagement as a negative, with the act of 'awakening' the customer often leading to churn. Changing this dynamic will require P&U companies to create value-adding interactions for customers, consistently provide better service and gradually build trust.

Energy retailers can do this by:

- ▶ Proactively anticipating the needs of the customer
- ▶ Providing a differentiated customer service based on value
- ▶ Using consumption data to inform quality interactions with the customer
- ▶ Using digital channels to collaborate with customers to solve problems and create new offerings
- ▶ Championing self-service by giving customers remote access to consumption data
- ▶ Measuring where digital interactions create differentiated value.

This will require energy retailers to evolve the way they collect and use both internal and external customer data. A key focus area is social media; with 69% per cent of Australians accessing various social media platforms at least once a week, it's time for P&U companies to make more than a token gesture in this increasingly important digital channel.

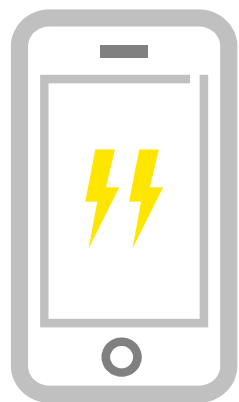
Without deeper customer engagement and the loyalty that engenders, traditional energy retailers will be the big losers in the digital age. Companies that create functional and emotional bonds with their customers have 84% retention rates – versus 30% in those that don't.⁶

"In 2015, effective handling of customer relationships via digital, and providing good customer service will emerge as a key competitive differentiator in the sector."

Jenny Young, EY Oceania Advisory Customer Leader

⁵ The EY Customer Experience Series™ – Utilities (Wave 3), 2014

⁶ Ibid.



71%
want
SMS billing
reminders

65%
want to
choose their
billing date



Focus area: prevent 'bill shock' and make payments a positive experience

Recent EY research⁷ highlights 'bill shock' as a key area for concern amongst customers. Seven out of ten customers said they were often or occasionally worried about being able to pay their electricity bill, with more than one in ten identifying energy bills as the "everyday" concern that was causing them more stress than anything else. Importantly, a quarter of those respondents said receiving an unexpectedly large bill was a significant trigger to switch providers.

Customers already know how to fix this issue. They are looking for simplicity, transparency and the ability to manage their energy use and method of payments: 71% want to receive SMS billing reminders; 65% want to be able to choose their billing date.⁸

Digital is key to developing the flexible, innovative and transparent billing and payment systems that customers are demanding. Mobile phone payments deliver new levels of control. Some electricity retailers are differentiating themselves by paying interest to customers on any balance in credit and offering flexible direct

debit. The next step, which is already being seen in the market, is to offer customers innovative payment solutions such as auto-top-up payments, online management, alerts when running low, SMS when topped up, and mobile apps to monitor usage in real time or provide 'leak alerts'.

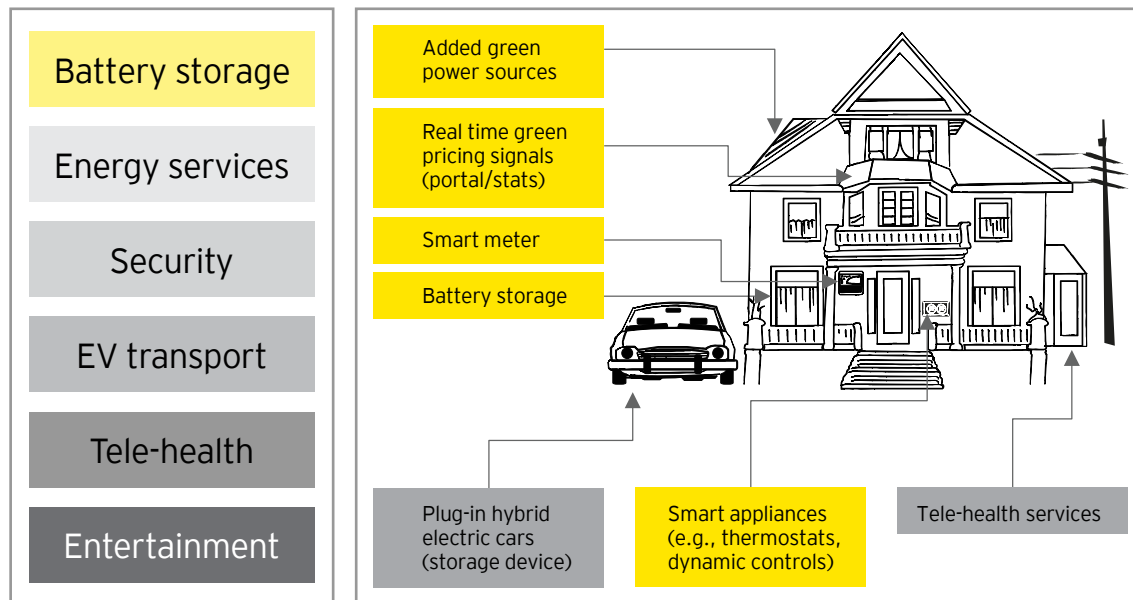
All of these services have the potential to become positive interactions. They help the customer, whilst managing debt for the retailers, building stronger customer connections and offering opportunities to gather valuable data about customer preferences and priorities.

Start competing for a share of the smart home

The advent of smart metering technology extends the reach of the P&U company into customer premises through the potential for interaction between appliances and utilities. Technological change means that appliances are increasingly becoming 'smart' and able to interact. These changes are underpinned by evolving customer expectations, reflecting a desire for technologies that are interactive and add value to the customer's daily routine.

⁷ Source: The EY Customer Experience Series™ – Utilities (Wave 3), 2014

⁸ Ibid.



Smarter homes

"In the future, homes will interface with technology in a different and exciting way where domestic processes will be joined together in an interactive, data-rich smart grid. Customers will look to the providers they know and trust to look after their whole smart house."

Smarter Home Focus Group, Ernst & Young 2012

The combination of these factors means that the 'smart home' is becoming a focal point for many industries. Energy retailers already have a competitive advantage in this space due to the importance of the utility in the smart home and their direct relationship with the customer. They should look to expand their product and service offerings fast, moving into areas such as home security, smart appliances and EVs.

"In the future energy retailers will make ongoing access to the home a battleground. Deploying smart meter infrastructure to capture the customer service relationship holistically may be crucial."

Stuart Hartley, EY Oceania P&U Advisory Leader



77%
of customers refuse
to buy a product or
service **from a
distrusted company**

Focus area: helping customers manage energy use

Our research found that nearly one in three Australians has missed a payment on an electricity bill in the past 12 months, with more than one in ten missing three or more payments. **"Unable to afford payment,"** was the single biggest reason given for not paying on time (60%)⁹.



1 in 3

Australians has missed a payment on an electricity bill in the past 12 months

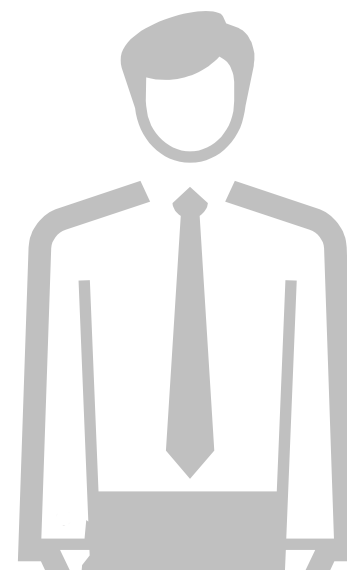
Helping customers control energy is more established in the SME and corporate categories. **Energy retailers need to be seen as energy consultants and advisors** with real time customer engagement.

An effective route into the smart home for energy retailers will be using digital technology to initiate effective two-way communications to help customers better manage their energy consumption, as well as delivering the suite of products and services to support this, such as digitally enabled monitoring devices. We continue to be at the cusp of a digital revolution in power consumption, which means once customers can effectively monitor usage by appliance, and control these appliances remotely from their smart phones, they will become more proactive about conserving energy.

The demand trend also reinforces the critical need for utilities to develop new capabilities and markets, leveraging digital as a key enabler.

"Digital information management will be a vital capability in the management of assets, field work and the customer – allowing utilities to make real time decisions to optimise their business."

Stuart Hartley, EY Oceania P&U Advisory Leader



⁹ The EY Customer Experience Series™ – Utilities (Wave 3). 2014

If retailers intend to play in this market, they'll need to **get serious about social media**, which is a major channel in the renewables conversation and in the court of public opinion. Currently, few retailers are investing at the level required to dominate the conversations. We see important opportunities for energy retailers to reimage themselves on social media as they introduce **innovative energy solutions for their customers**.



Can digital help seize share in the renewables market?

The debate around renewables has been simmering, alternating between fever pitch and benign interest, for more than a decade in Australia. When asked about solar energy, 90% of Australians say they would consider switching to solar energy. It appears to be continuing to gain momentum as installation costs reduce and customer trust in solutions grows. A critical question for retailers is to think about how to own part of the solar market. For example, will they become providers of solar PV batteries via leasing arrangements, or offer solar installation in return for long-term contracts – thereby locking themselves into highly sticky customer relationships?

Using predictive analytics to better manage demand

While they have been using analytics for years, as margins get tighter, energy companies will gain competitive advantage by using analytics to monitor, control and forecast energy market trends, generation, grid performance, consumption and demand patterns in real time. Using data from smart meters, SMS alerts and mobile apps that control appliances, utilities will also be able to employ time-of-use tariffs to provide options and incentives to customers to lower energy use at peak times, therefore smoothing the load on the grid.

Opportunities for energy distributors

Gaining operational efficiencies


With ongoing discontent about rising prices, distributors are under extreme pressure to deliver deeper and more efficient distribution and transmission services. They will be required to accelerate the automation and simplification of their business processes to drive increased productivity of their workforce.

Energy distributors will need to embrace digital opportunities to integrate their operational technologies (energy distribution management, real-time grid operations at the transmission and substation level) with IT systems supporting metering, customer business processes, analytics, billing and field dispatches.

This will enable seamless processes based on real-time data, and will result in a positive impact on both organisation's bottom line and customer satisfaction.

The opportunities here are endless, with quick wins in the following areas:

- ▶ **Field force productivity:** digital connectivity holds significant opportunity for field workers delivering home connections and emerging response services. It will provide vital insight into which services are needed for which customers at any given time.
- ▶ **Emergency outage communications:** digital channels have become an integral element of outage communications between customers and field force staff, with mobile and social media being used to provide realtime updates on outage status both to and from customers.
- ▶ **Customer consultation:** increased focus by the Australian Energy Regulator on customer service is putting pressure on energy distributors to demonstrate that they are consulting with their customers on service and price levels. This will be heavily monitored and there are significant penalties for failing obligations. Digital presents a cost effective channel to develop consultation and community forums to provide better service and engagement with customers.



"For an industry struggling with flattening demand, proactively helping customers to consume less may seem counter-intuitive. But this is a short-sighted view. Energy retailers will soon see plenty of non-traditional competitors, who can and will offer what customers want – at which point it will be game over."

Jenny Roche, EY Advisory Customer Partner

Rethinking business models

Digital and technology advances mean energy distributors need to rethink their current business models. Customers will start to defect from the network as retailers and new entrants offer energy in non-traditional methods such as solar and renewables. This network attrition or distribution churn will impact revenue and cost bases. Energy distributors have a decision: either work with retailers collaboratively to incorporate new services onto the network, or start offering new services direct to the customer. Digital opens up the customer relationships that will make this possible into the future.

"Traditional P&U network businesses are at risk of being caught on the middle of lower electricity demand and more costly and complex distribution networks."

Stuart Hartley, EY Oceania P&U Advisory Leader

Getting on the front foot with security and privacy

For energy distributors, cyber threats are continuing to multiply. The interconnectivity of the grid with meters, people and devices and organisations, opens up a whole new playing field of vulnerabilities. In particular, critical infrastructure is becoming increasingly vulnerable to cyber-attack from both terrorists and disgruntled employees due to its connectivity to broader communication networks.

In April 2000, a former contractor took control of the sewage and water treatment system at a Queensland Shire. Using a wireless connection and a stolen computer, millions of gallons of raw sewage were released into creeks and parks.

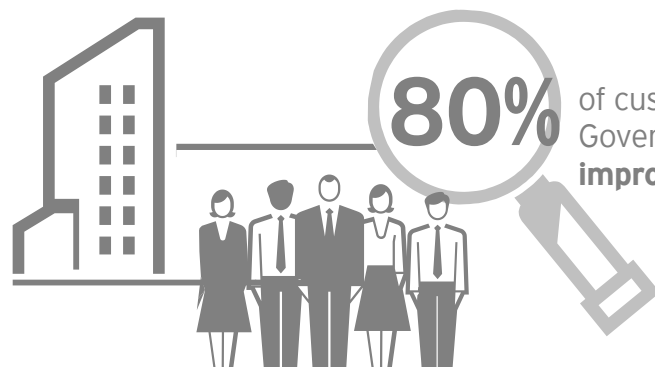
As the resilience of energy distributors' operational technology (OT) systems becomes more important, it also becomes increasingly challenging to deliver due to the complexities of the OT environments, legacy systems, different vendor architectures, and fragmented management practices.

Due to their relative ease of access via IP-addresses, **OT systems are often targets for cyber criminals**. Last year, a blast furnace at a German steel mill suffered massive damage following a cyber attack on the plant's network. Attackers used booby-trapped emails to steal logins that gave them access to the mill's control systems. Malware has also been used to destroy the control systems of a nuclear power plant.



The starting point for energy distributors to address this increasing risk is a comprehensive set of defensive information security measures. This foundation must be able to adapt to keep pace with new technologies and changing business strategies. The next step is to develop tactics to detect and detract potential cyber attacks. They must define exactly what they need to protect and rehearse appropriate responses to likely attack/incident scenarios, including accidents. This requires the following things to be in place:

- ▶ A mature cyber threat intelligence capability
- ▶ A robust risk assessment methodology
- ▶ An experienced incident response mechanism
- ▶ An informed organisation



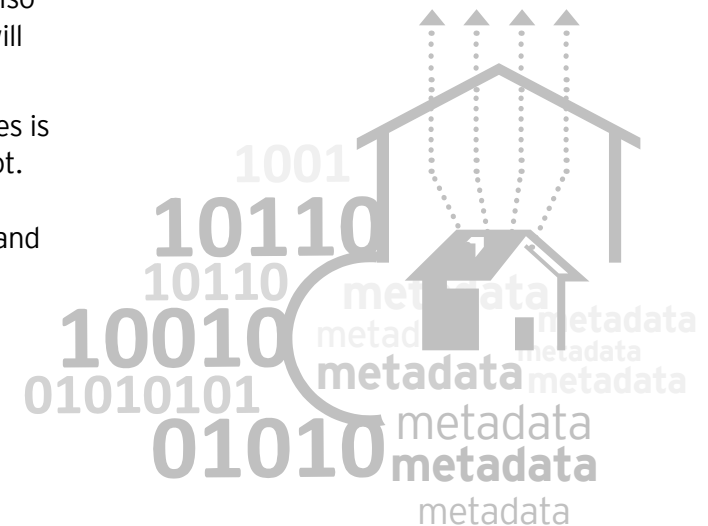
of customers want the Government to step in to **improve transparency**

Customer privacy

Closely linked to cyber security concerns is customer privacy. With 80% of customers wanting the Government to step in to improve transparency, the sector needs to consider the very personal nature of the information being collected through smart meters and appliances. Lobbyists believe smart meters are a security risk because they are vulnerable to hackers, who can tell from energy use patterns when houses are empty and vulnerable to burglary. They also worry more generally about how their data will be used and where it will be shared.

The starting point for dealing with these issues is for energy distributors to get on the front foot. This means actively listening to customers, reacting to feedback, providing reassurance and being open about their data policies.

Energy distributors also need to prepare for the possibility that the **definition of metadata will be stretched to include a household's energy consumption** details, creating new data storage requirements and the potential to throw fuel on the 'anti smart meters' fire.

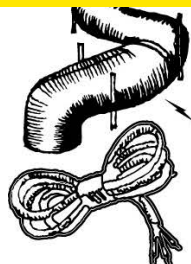


Within a decade, the sector will completely transform as companies adjust to pressures including charging, increased competition, changing demand, decentralised supply models and digitally savvy customers. This will quickly redefine the notion of what it means to be a P&U company.

Customers expect improved experiences, a wider range of services, transparent and competitive pricing and the power to control their own transactions and engage with their retailer. Leading retailers must meet these needs, or risk losing out to in-sector competitors or new market entrants from non-traditional sectors. Australia's supermarket giants and telcos already have much of the digital infrastructure in place to add energy to their portfolios yet small alternative energy providers are fast gaining a foothold.

To remain profitable and relevant, distribution and transmission players must embrace digital to secure their networks and to drive productivity efficiencies.

If P&U companies don't gear up to compete in the digital age by leveraging all digital has to offer, they will be in danger of being left with the sector's very low margin business and nowhere to turn.



About the research



Research approach

Digital Australia: The State of the Nation is a wide-ranging report that is based on three types of research.

- ▶ **Extensive Quantitative Research**
 - A representative survey of 1500 Australians (16-69 years) and 167 'digital opinion leaders' drawn from the commercial and government sectors
- ▶ **Deep Dive Qualitative Research**
 - A series of in-depth interviews with some of Australia's top digital decision-makers and industry thinkers
- ▶ **Comprehensive Desk Research**
 - Analysis and aggregation of existing data on digital behaviour and trends

EY commissioned Sweeney Research¹ to conduct this research program. EY would also like to acknowledge AIMIA (The Digital Industry Association of Australia) for their support on this research.

¹ EY acquired Sweeney Research in October 2014.

Research coverage

7 key areas

24 specific topics

Comprehensive desk research

Digital devices usage

- ▶ Device ownership and usage
- ▶ Operating platforms
- ▶ Internet activities
- ▶ App usage

Digital productivity

- ▶ Digital device work use
- ▶ Impact of mobile digital devices on productivity
- ▶ Employer restrictions
- ▶ Online study

Social network and media

- ▶ Social media usage
- ▶ Social media movers and shakers
- ▶ Reasons for using social media

The digital future

- ▶ Emerging consumer technology
- ▶ Appeal of wearable digital devices
- ▶ In-store commerce

Attitudes to digital

- ▶ Role of digital devices
- ▶ Digital attitudes
- ▶ Impact of mobile digital devices on life aspects
- ▶ Digital channel importance

Digital experience

- ▶ Australian digital economy strengths and weaknesses
- ▶ Digital experiences of different industry sectors and organisations
- ▶ Digital experience needs
- ▶ Digital experience problems

Government and the digital economy

- ▶ Attitudes to government and the digital economy
- ▶ Attitudes to and experience of the NBN
- ▶ Aggregate research report
- ▶ Publicly available data from a diverse range of sources



Digital@EY

EY's team of digital consultants deliver world-class business transformation globally and locally. Our digital capability is embedded across all of our services enabling a whole-of-business solution. Our data-driven insights along with our global experience and networks enable us to deliver results in digital business transformation.

EY can help unlock the full potential of digital by making it deliver commercial value through a whole-of-business approach to strategy and practical implementation.

Digital at EY is about more than technology, it is the levers that businesses can use to drive business transformation, elevate customer experience and engagement, and identify demand for and test new products and services.

Understanding the intersection of business, risk and digital is fundamental to EY's digital experience and capability.

EY's digital solution includes:

- Business and IT strategy, business model optimisation
- Business and IT transformation
- Branded customer experience design and channel strategy
- Customer experience and engagement
- Customer insight – customer analytics, customer data management
- Personalisation and real time marketing
- Multi-channel change management
- Governance, risk and compliance management of digital channels
- Security and privacy frameworks assessment



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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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