

The Energy & Utilities Industry: Sales Trends and Strategic Initiatives



Executive Summary

It is a rapidly changing world and energy and utilities companies, regardless of their sector position, are affected by powerful economic, political, and social trends. These companies are faced with declining consumer use, increased political interest in energy, and the emergence of new companies trying to transform the industry by researching and experimenting with biofuel alternatives. In the wake of these changes, some companies have been forced to lay off workers and cut back services, leaving management to tackle new market realities with fewer resources.

However, energy and utilities companies can take strides toward being proactive vs. reactive through a series of strategic adjustments to business processes and practices. Add to that effort investment in key areas of skill development to solidify a service-to-sales culture and equip Sales Reps to capitalize and close on each sales opportunity to offset declining consumption by driving revenue.

Sales Trends in Energy and Utilities

Energy and utilities is a diverse industry that includes companies that provide energy products ranging from crude oil, to natural gas, to refined petroleum. Utility services include the generation of electricity; the transmission and distribution of electricity, natural gas, and water; and/or the marketing and trading of energy commodities. Regardless of their sector position, energy and utilities companies are affected by powerful economic, political, and social trends.

- ▶▶ **Energy Use is on the Decline .** As oil, energy, and utility prices have risen sharply over the last year or so, energy use per dollar of GDP has declined, as has per capita energy use. Some have estimated that industrial sector gas use could decline 7% in 2009. With a national-scale decline, increasing revenues while absorbing costs has become a critical priority for energy and utilities companies.
- ▶▶ **Anticipated Shift in Consumer Consumption .** The industry has noted a shift in consumer buying behaviors, particularly in shifting from light-duty vehicles back to cars, and is projecting a more dramatic shift by estimating that mild and full hybrid systems will dominate new vehicle sales by 2030.

Overview

From its position as a global sales training and consulting firm, Richardson has partnered with some of the world's leading energy and utilities companies to provide comprehensive total solutions for their team members to improve performance and reach revenue goals.

As part of its detailed customization process, Richardson interviews several top stakeholders within its client's organization to understand needs, challenges, and areas for development. Richardson's proprietary methodology for acquiring and analyzing this information leads to valuable insight and trends from within the energy and utilities industry as a whole, and as a result, Richardson is able to provide this value-added information to its Client Partners.

- ▶▶ **Energy Efficient Programs** . While approximately 10-12 states actively push decoupling programs to encourage consumers to be more efficient in their energy usage, those programs are expected to be more widely adopted as new provisions from within the recently passed economic stimulus bill will require states to take steps to decouple electricity rates if they want certain federal grants. Although encouraging consumers to use less power typically means less revenue, in the wake of already declining usage, energy and utilities companies are now viewing these programs as a way to offset lost revenue.

- ▶▶ **Start-up Biofuel Companies** . Inspired by recent government policy on gasoline alternatives, there has been a trend toward companies (an estimated 200), which range from 12-person start-ups to oil giants, developing next-generation biofuels using various technologies, such as creating ethanol from a cellulosic feedstock. The entry of this new segment and continued political noise from Washington serves as a reminder that the energy industry is on the verge of transformation.

Strategic Initiatives for Adapting to Sales Trends

Energy and utilities companies will likely work very hard to make adjustments in their business approaches, rather than opting to “ride out the storm” until the economic environment subsides.

- ▶▶ **Creating Internal Efficiencies** . In many cases where energy and utilities companies have been forced to make layoffs and service cutbacks, it now becomes critical to do more with less. Management will need to create internal efficiencies, such as evaluating their models and business practices and identifying ways to strengthen them so that they can fully leverage the existing resources on behalf of their consumers.

- ▶▶ **Consumer Education** . In response to the major shifts within the energy and utilities industry (declining usage, increased political attention, costs), these companies will need to research newly formed commercial and residential consumer needs so that they can build and adjust programs that will be widely accepted. By validating assumptions, energy and utilities companies will be best positioned to proactively capitalize on new usage/spending trends.

- ▶▶ **Adjusting Metrics Rewards in Sales and Service** . Energy and utilities companies may also need to rethink how Sales Reps are measured and incentivized as they pursue smaller, more relationship-oriented deals with customers who may want to be energy efficient, but deals may take longer with more effort to close.

- ▶▶ **Increased Investment in Sales Skill Development.** Several large energy and utilities companies are increasing their investment in initiatives that develop and support the selling skills of their sales force in order to create a true service-to-sales culture and improve their ability to close on revenue-generating opportunities.

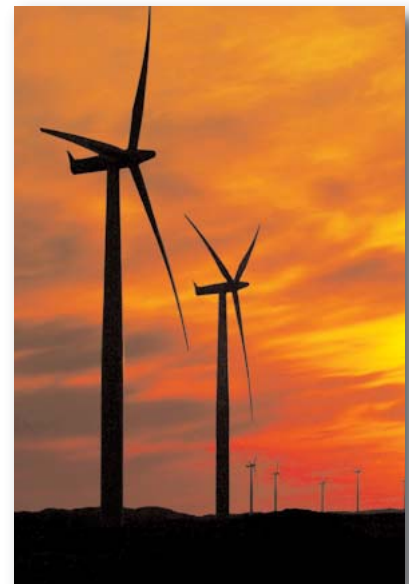
Specific initiatives include:

- **Strengthening** consultative selling processes and models that support industry shifts and the demand for a new, relationship-oriented approach to selling
- **Holding** salespeople, teams, and managers accountable for results through coaching to change and maximizing resources to achieve revenue goals
- **Integrating** skill-building activities to develop customized value propositions with the breadth and depth of program-specific training that energy and utilities salespeople need to succeed – know the program (or product), and know how to sell it
- **Focusing** marketing and promotional resources on a value-add message (instead of a product push or capabilities message) in order to quickly drive consumer decisions
- **Transforming** training by leveraging the best technologies to blend salespeople's work with learning and bring support tools directly into their daily workflow – learning and working become two sides of the same “coin”

This **SHIFT** approach to skill development is being driven by sales leadership's adjustment to the external sales trends affecting the industry and requires best-practice “know how” in order to maximize the return on this investment.

2009 Best Practices for Skill Development

As a result of analyzing data from several energy and utilities companies, Richardson has been able to identify the following best practices, which represent the most pressing areas for skill development. Energy and utilities companies that



have invested in these areas of skill development to date have reported that their Sales Reps are better equipped to meet strategic objectives amidst a new, challenging environment.

Transition to Relationship-focused Selling

As energy and utilities companies prepare to place an even greater emphasis on pushing programs and products that will generate revenue to offset declining usage levels, the need to adapt sales processes and models to support that shift is critical.

To achieve success, Sales Reps working for energy and utilities companies will need to learn how to live and breathe a service-to-sales culture and practice relationship-focused selling, which is driven by efforts to understand consumer needs and position solutions to those needs. True relationship-focused selling involves becoming an Energy Advisor to consumers as an alternative to a Technical Solution Provider, whose value is limited to the features and benefits of a program. Becoming an Energy Advisor involves a broad and deep understanding of a customer's current situation – if it is a business, then it is about understanding its' business operations, vulnerabilities, consistent and evolving needs, as well as the time and effort to provide value-added advice on a continual basis.

Leading a Need Dialogue

Delivering a fairly generic overview of a program's benefits as a way to kick off a sales opportunity typically has been the norm for most Sales Reps within energy and utilities companies. However, the recent economic challenges have resulted in consumers – both commercial and residential – needing to carefully prioritize expenditures and, by default, have delayed decision-making on things that they consider to be non-essential, thus reducing the amount of sales opportunities or elongating the close.

However, by building strong questioning skills and making it a standard sales practice to engage each consumer in a Need Dialogue, the Sales Rep will be able to generate more dialogue opportunities, during which he/she learns about needs. It is this kind of dialogue that creates relationship momentum and positions the Sales Rep as an Energy Advisor so that when sale opportunities arise, he/she is in a position to fully capitalize.

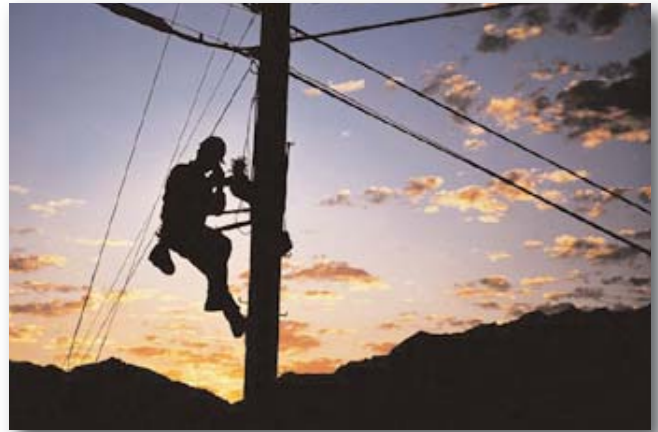
Service to Sales

Energy and utilities companies have traditionally understood the idea of establishing good service-to-sales practices; however, in the wake of a dramatically shifting landscape and the need to generate revenue, ensuring a solid service-to-sales culture is critical for success. By solidifying a process and investing in soft skills, energy and utilities companies will create Sales Reps who are proficient in understanding how to first satisfy the immediate service need, proactively initiate dialogues to identify additional needs, and position programs that will ultimately drive revenue.

Reaching Decision Makers

As sales cycles become more complex and lengthier, the need to identify, gain access to, and build a relationship with the right Decision Makers is paramount to success.

However, when surveyed, Sales Reps report spending a significant amount of their time speaking with a day-to-day contact, which is typically a lower-level or administrative contact. So that Sales Reps can accelerate the time they spend getting to the closing stage, it is important to strengthen their skills in leveraging their day-to-day contact relationship to go higher and wider within a business organization to understand needs at multiple levels. This understanding of a conglomerate of needs that can be represented during a closing presentation will help to gain buy-in, rather than resistance, when there are multiple Decision Makers or Stakeholders at various organizational levels.



Closing the Sale

When surveyed, Sales Reps with energy and utilities companies have a wide range of skills and comfort surrounding the process of closing. Generally, during large commercial opportunities, Sales Reps make their case for energy efficiency and/or other general benefits and then wait for a “yes” or “no” decision from the Decision Maker.

However, within a dynamically changing environment, the need to refocus efforts and deploy a relationship-focused approach – setting a measureable closing objective and actively closing on all opportunities – will be paramount to reaching revenue goals.

Therefore, in consideration of the direct effect closing efforts have on revenue, several energy and utilities Sales Leaders are trending toward placing a renewed focus on sharpening the ability of their Sales Reps to confidently close, follow up, and maintain momentum between interactions with consumers as a way to spot additional opportunities, work through obstacles (so that the program actually gets implemented), and strengthen the relationship overall.

Coaching to Change

As energy and utilities companies aim to re-engineer their approach and sales processes to effectively confront new challenges, equipping and motivating Sales Reps will be a critical element of success.

Sales Management will need to sharpen its sales coaching skills to ensure that behavior change is adopted to improve team and individual effectiveness. By doing so, Managers will be better able to improve performance and achieve revenue growth, strengthen relationships with their Sales Reps, accelerate learning, and help Sales Reps become responsible for their own development.



A specific emphasis may also be placed on the varying elements surrounding in-the-action coaching to help shape behavior change “just in time.”

Richardson Total Solution for Energy and Utilities Companies

Richardson has worked with several leading energy and utilities companies to provide a comprehensive, total sales training solution for Sales Reps and Sales Leaders to support these emerging trends and those strategic initiatives that will most-effectively position them to reach their maximum success amidst a challenging and shifting environment.

Some critical elements of an integrated training strategy include:

- ✓ Flexible, On-Demand eLearning Courses
- ✓ Benchmarking Diagnostic Tools
- ✓ Cost-effective Webinars
- ✓ Practical Performance Support Tools
- ✓ Convenient, Affordable Sales Resources
- ✓ Video-On-Demand Training (VoDs)
- ✓ Dynamic, Highly-Customized Classroom Training
- ✓ Coaching Practices to Effect Behavior and Culture Changes

Richardson’s Global Performance Solutions Team of highly skilled Relationship Managers, Senior Training Designers, and Senior Global Trainers can work with your energy and utilities company to assess and evaluate your current and future needs and design a customized training strategy to suit your learning and development initiatives.

About Richardson

Richardson develops customized and comprehensive sales training and performance improvement solutions for sales, sales management, and customer service professionals, which integrate with an organization’s business strategy, sales challenges, and overall vision to improve sales skills, increase performance, and drive results. The company’s 30-year dedication to changing the behaviors of sales professionals and innovation has made Richardson one of the largest global sales training and performance improvement providers today. Clients around the world choose Richardson for their “go beyond” approach and broad platform of customizable sales training and technology solutions, which is why they deliver a comprehensive, end-to-end training platform that includes: online diagnostics, fully customized live and online training programs, continuous coaching processes, reinforcement tools and techniques, and performance support applications. Richardson continues to be on the front line of sales training innovation in the development of leading-edge solutions that help clients generate revenue faster and more cost-effective than ever before.

Visit Richardson’s website at www.richardson.com for more information on how Richardson can help your energy and utilities Sales Representatives reach their sales objectives.