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Leveraging Utility Customer Research for Competitive Advantage Through Customer Experience

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Abstract
As energy markets become increasingly competitive and deregulated, utility companies must transition from traditional monopolistic models to customer-centric organizations focused on satisfaction, loyalty, and retention—key drivers of long-term success. This article examines how strategically designed customer research—particularly scientifically rigorous surveys—can generate actionable insights that enhance customer experience and secure a competitive advantage. It outlines best practices in survey methodology, including planning, sampling, data collection, and questionnaire design. The article also explores the influence of demographic variation, key satisfaction drivers, and earned loyalty. It concludes by advocating for the systematic use of customer surveys as both diagnostic and strategic tools, enabling utilities to anticipate customer needs, build trust, and strengthen performance in an evolving energy landscape.

Keywords: customer experience, customer satisfaction, customer loyalty, customer retention, customer research, survey methodology, utility management

1. Introduction

In today's increasingly competitive energy marketplace, utility companies face mounting pressure to deliver not only reliable service but also a high-quality customer experience. With rising customer expectations and the expansion of energy deregulation (Bedrich 2021, Kiesling, 2009), utilities can no longer rely solely on their historical role as monopolistic providers. Instead, they must evolve into customer-centric organizations that are responsive, adaptive, and forward-looking.

Meeting and exceeding customer expectations is essential for achieving and sustaining high levels of satisfaction, loyalty, and retention—three core pillars of long-term organizational success (Anderson et al., 1994; Seto-Pamies, 2012). Moreover, retaining existing customers is significantly more cost-effective than acquiring new ones, especially in markets where switching costs are low and alternatives are increasingly available (Gallo, 2014). As of 2025, customers in 32 states and Washington, D.C. have some level of choice in their energy providers, underscoring the importance of prioritizing customer satisfaction (Quick Electricity, 2025).

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In this environment, a proactive marketing and communications research strategy is not merely advantageous—it is essential. Such a strategy involves actively listening to customers, systematically measuring their experiences and expectations, and integrating that feedback into organizational decision-making. Rather than reacting to customer dissatisfaction after the fact, utilities should adopt an anticipatory approach by identifying emerging concerns, evolving preferences, and behavioral trends before they lead to customer attrition. This research-driven strategy strengthens customer relationships, enhances brand loyalty, and positions utilities for long-term growth and stability.

2. Overview

Customer feedback is one of the most effective ways for utilities to bridge the gap between customer expectations and their understanding of them. Among the various feedback mechanisms available, statistically representative customer surveys stand out as the most effective means of capturing the attitudes and experiences of a broad and diverse customer base. Compared with informal or ad hoc methods, scientific surveys allow utilities to collect large volumes of data efficiently and with a high degree of reliability.

Utilities commonly rely on four methods for collecting customer feedback:
- Anecdotal information obtained through casual conversations with customers
- Moderated focus groups that provide in-depth qualitative insights
- Data collected and analyzed from customer complaints
- Systematic, representative surveys using probability-based sampling

Each method of gathering customer feedback has its merits, but only systematic surveys employing scientific sampling techniques can yield findings that are generalizable to the entire customer population. Surveys designed using probability sampling and statistical weighting enable results to be reported with a precise margin of error (e.g., ± 4%) and a high level of confidence (e.g., 95%) (Groves et al., 2009). Moreover, the regular administration of surveys using a core set of questions enables utilities to track trends over time, identifying long-term shifts in satisfaction, expectations, and service perceptions. Nonscientific methods of customer feedback can be misleading and may result in biased, unrepresentative findings that overstate the opinions of vocal subgroups while failing to capture the views of the broader customer base.

While customer surveys are extremely useful, they are not a panacea. Surveys alone do not directly solve problems; rather, their primary value lies in diagnosing potential problems, uncovering opportunities, and serving as a catalyst for change. Moreover, poorly designed surveys can yield misleading data. Common pitfalls include flawed sampling strategies, biased or confusing questions, and erroneous statistical analyses. These concerns underscore the importance of working with experienced research professionals throughout the survey process to ensure scientific rigor and actionable data, as outlined below.

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3. Method

Designing and implementing a valid and reliable customer survey requires a multi-step process that includes planning, selecting appropriate data collection methods, sampling, and questionnaire design.

3.1 Planning

The foundation of a successful survey lies in clearly defining its objectives. During this stage, key decisions are made regarding the most critical information to collect, the questions to ask, the best methods for data collection, and the timeline and resources required for completion. Well-defined objectives guide both the design and execution of the survey and serve as a framework for interpreting the results.

3.2 Data Collection

Utilities have three primary data collection options when surveying their customers: telephone, mail, and online surveys. Historically, telephone surveys were widely used, but due to caller ID, call screening, concerns over telemarketing scams, and growing public fatigue with telephone solicitations, response rates have sharply declined (see Figure 1 below), raising concerns about the validity and reliability of results obtained through this method.

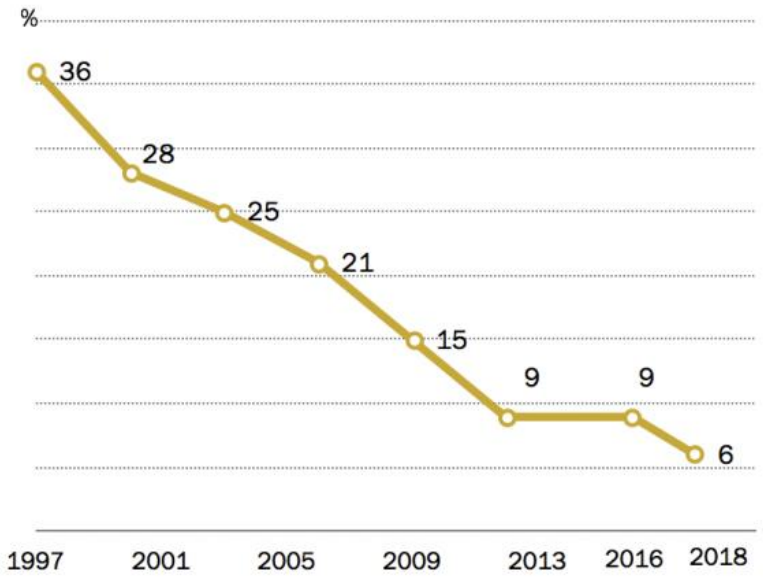

Figure 1. Telephone Survey Response Rates: 1997 – 2018
Source: Pew Research Center (2019)

Mail surveys are now the most common method of conducting customer surveys. Mail surveys offer several important advantages over telephone surveys: (1) higher response rates; (2) less intrusiveness; (3) anonymous responses; (4) reduced social desirability bias (i.e., giving "socially

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acceptable" responses) due to anonymity; (5) enhanced legitimacy through official utility branding (e.g., the company's logo on the mailing envelope and a cover letter signed by a utility official—for example, the general manager); and (6) utility companies have access to the mailing and billing addresses of their customers, enabling them to draw a scientifically valid sample from their customer population, or to survey the entire customer base if it is small enough.

Online surveys are a relatively new data collection alternative and offer several distinct advantages. They are significantly less expensive to administer than mail or telephone surveys, easier for customers to complete, and much more effective at reaching younger customers (ages 18 to 49 years old) than telephone surveys. However, they tend to have lower response rates, and many utility companies lack a complete list of customer email addresses, thus making it difficult to draw a scientifically valid sample.

Combining mail surveys with an online component is arguably the best method for utilities interested in surveying their customers. This hybrid approach combines the strengths of a mail survey (accurate mailing list, scientifically valid sample, legitimacy) with those of an online survey (convenience, ease of completion, younger respondents) and provides customers with flexible response options.

3.3 Sampling

Due to the financial and logistical challenges of surveying an entire customer base, most utilities rely on sampling. There are two general types of samples: probability and nonprobability.

Probability sampling involves random selection, giving every customer a known and equal chance of inclusion. This eliminates selection bias and allows results to be generalized to the entire customer population with a known margin of error and a high level of confidence.

Nonprobability sampling, on the other hand, relies on non-random selection criteria such as convenience or geographic proximity. Because selection bias is not controlled with nonprobability sampling, survey results cannot be generalized back to the broader customer base with a high degree of confidence regarding their accuracy.

3.4 Questionnaire Design

Questionnaire design is often the most challenging step in the survey process. Crafting clear, concise, and unbiased questions is essential to ensure consistent interpretation across all respondents. A well-constructed questionnaire has survey questions that flow logically from one section to another and elicits valid and reliable responses that generate actionable insights aligned with the survey's objectives.

Given the complexity of designing and implementing scientifically valid customer research, most utility companies would benefit significantly from the expertise of survey research professionals. These professionals are trained in the principles of questionnaire construction, sampling methodology, and statistical analysis—ensuring that the data collected are both credible and useful for decision-making.

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4. Discussion

4.1 Customer Satisfaction.

Customer satisfaction is the cornerstone of strategic utility management (Bhattacharya et al., 2020). It is a key predictor of customer loyalty, retention, and overall profitability (Sharma, 2007; Singh, 2006). Customer satisfaction itself is shaped by numerous factors that influence how customers evaluate their experiences (Anderson and Sullivan, 1993; Leninkumar, 2019). Conceptually, satisfaction reflects a consumer's overall level of contentment across all interactions with the utility. It is based on perceptions, positive or negative, of service reliability, pricing, communication, and customer support experiences. Satisfaction occurs when a utility's performance meets or exceeds expectations, while falling short of expectations leads to dissatisfaction. However, research indicates that customer satisfaction is not distributed evenly across customer groups (Dawes 2025; Mittal and Kamakura, 2001; Sharma et al., 2012). For example, women and older customers typically report higher levels of satisfaction than men and younger customers, respectively. Similarly, satisfaction tends to decline as income and education levels rise. In general, younger, well-educated, high-income males often have higher expectations, making them more difficult to please than older, lower-income female customers. Understanding these variations allows utilities to tailor their customer engagement strategies.

To sustain long-term loyalty, utilities should aim for high levels of satisfaction—not just "satisfied" customers but "very satisfied" ones. This distinction matters because the most loyal customers tend to be those who report very high levels of satisfaction. However, as customer satisfaction improves, so too do expectations—a phenomenon known as the "raising the bar" syndrome (Oliver, 2010). When performance consistently meets or exceeds expectations, customers begin to expect that same or higher performance in the future. Over time, this creates a moving target that challenges utilities to continuously innovate and improve. This phenomenon reinforces the importance of why utility companies should continually engage their customers through regularly scheduled customer surveys.

4.2 Customer Loyalty

Loyalty represents the behavioral manifestation of satisfaction—choosing to remain with a company despite the availability of alternative providers (Freedman, 2025). As deregulation expands and more consumers gain choice, loyalty becomes a strategic imperative for utility companies.

Customer loyalty can be measured in two primary ways:

1. *Stated intent* to remain with or switch from a provider if given an option
2. *Earned loyalty*, which reflects the extent to which customers believe the utility has genuinely earned their trust and commitment

Earned loyalty is shaped by customers' perceptions of a utility's concern, transparency, and reliability. Sustained customer loyalty arises from consistently delivering an excellent customer

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experience (Freedman, 2025). Without this foundation, utilities may struggle to retain customers or promote new services beyond their core offerings.

4.3 Drivers of Customer Satisfaction and Loyalty

Once utilities have established baseline data for satisfaction and loyalty, they can identify the key drivers of customer satisfaction and loyalty, i.e., the factors that most strongly influence customer perceptions and behaviors. These drivers are typically grouped into several categories:

Attitudinal Measures
- Concern and care for customers
- Openness and honesty in communication
- Trustworthiness and consistency
- Fairness and affordability of rates
- Value (services received for the price paid)
- Confidence in management competence

Performance Measures
- Reliability of electric service
- Speed of service restoration after outages
- Power quality (e.g., voltage stability)
- Accuracy of metering and billing

Stewardship Measures
- Planning for future energy needs
- Innovation in new products and services
- Customer education on energy efficiency
- Engagement with the local community
- Environmental stewardship
- Perceived organizational integrity

Respondent Demographics
- Sex
- Age
- Race/ethnicity
- Educational attainment
- Household income
- Geographic location

Statistical regression is commonly used to assess the impact of these drivers on satisfaction and loyalty. Variables with statistically significant standardized regression coefficients (beta values) are identified as key drivers. The larger the beta coefficient, the greater the variable's influence on satisfaction or loyalty.

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It's also important to recognize that different demographic segments may respond to different drivers. For example, women often place more importance on customer service, while men tend to prioritize service reliability. Moreover, external factors—such as economic trends, environmental conditions, and regulatory changes—can shift the relative importance of drivers over time. Hence, utilities should reassess the key drivers of satisfaction and loyalty on a regular basis.

Conclusion

As competition increases in the electric utility industry, companies must adopt a more customer-focused, data-driven approach to maintain their market position. Professionally designed, scientifically rigorous customer surveys provide the insights necessary to understand evolving customer expectations and deliver superior customer experiences. By investing in continuous feedback and analysis, utilities can enhance satisfaction, strengthen loyalty, and ensure long-term viability to remain competitive in a shifting energy landscape.

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