Electricity Committee

Millennials and Boomers: Centuries Apart?

Moderator: Hon. John Rosales, Illinois

Panelists:

Martin Burns, AARP

Nathan Shannon, Smart Energy Consumer Collaborative

Molly Bauch, Accenture

“Millennials and Boomers: Centuries Apart?”

Martin Burns

Campaign Director

AARP

NARUC 2017 Annual Meeting

November 13, 2017

AARP Real Possibilities

About AARP

AARP, with its nearly 38 million members, is a nonprofit, nonpartisan organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

Learn more at www.aarp.org.

AARP
Real Possibilities

Our utility positions

- **AARP is fighting to save you money on your utility bills.**
- **AARP has fought for affordable and reliable home energy and telephone services for consumers for more than 20 years, at the federal level and in states across the country**. In each instance, we have worked with a variety of groups – consumer advocates, senior organizations, businesses, and even utility companies themselves – to make the case for affordable and reliable energy and telecommunications services. Our work is always non-partisan,
- **We are fuel neutral.** AARP policy is “fuel neutral,” meaning we do not advocate for or against nuclear, coal, gas, wind or solar. AARP does oppose excessive costs and unfair financing schemes whether for fossil fuel or renewable technology.

Who are Boomers/Millennials?

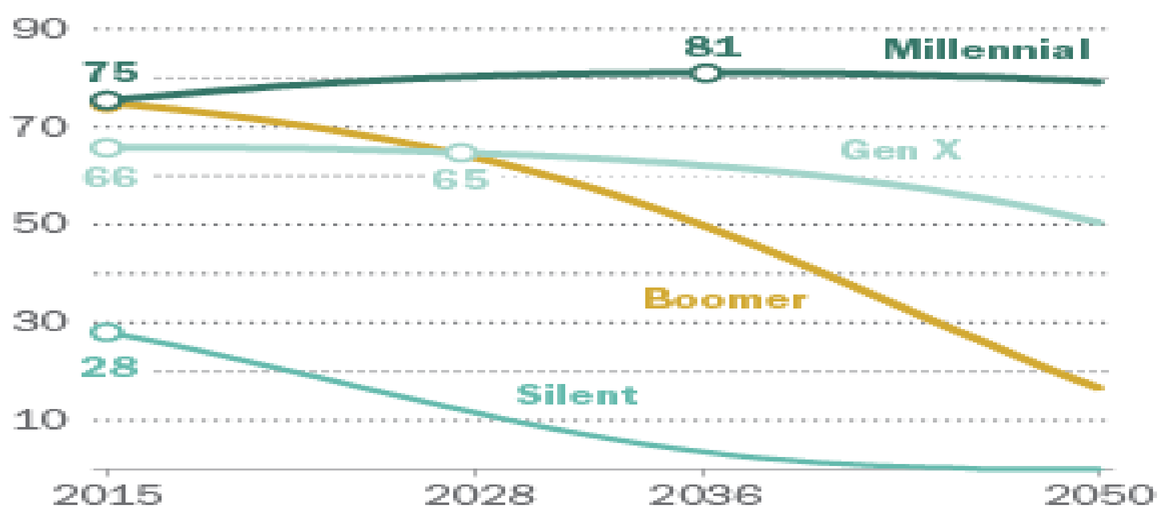
Millennials have surpassed Baby Boomers as the nation's largest living generation, according to population estimates released this month by the U.S. Census Bureau. Millennials, whom we define as those ages 18-34 in 2015, now number 75.4 million, surpassing the 74.9 million Baby Boomers (ages 51-69). And Generation X (ages 35-50 in 2015) is projected to pass the Boomers in population by 2028.

- Source: Pew Research Center, April 2016

The Graphic View

Projected population by generation

In millions



Note: Millennials refers to the population ages 18 to 34 as of 2015.
Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014 and 2015 population estimates

PEW RESEARCH CENTER

AARP Real Possibilities

Millennials and Technology

Millenials see technology and "connectedness" as part of their identity.

"In nearly every focus group I have done of young people, whenever I've asked what makes their generation special, they inevitably bring up their own comfort with technology. Every major corporate or PR firm research study on young adults that I have ever been a part of or have a chance to review names connectedness and technology aptitude as a core defining attribute of this generation. Being a connected, technologically savvy candidate is a necessary though not sufficient condition these days for being acceptable to young voters."

Kristen Soltis Anderson, "The Selfie Vote, Broadside Books, 2015."

Boomers and Technology

"During my years of marketing to baby boomers, I've learned that the baby boomer generation spends as much time online as do watching television. It might surprise you to learn that 96% of baby boomers use search engines, 95% use email and 92% shop for products ad services online rather than shopping in stores and shopping malls."

Karina Tama-Rutigiliano, Senior Digital Marketing Manager at Caring People Inc., Forbes, September 26, 2017.

Real Possibilities

Boomers vs. Millennials: Boomers are stiil ahead in purchasing power

“The 50-plus and 60-plus populations clearly playing a larger role in consumer spending and older consumer are going to become more significant as these trends intensify,” says Wayne Best, chief economist of Visa. “Paul Davidson, USA Today, July 17, 2017. There are a lot of them. The 90.7 million Americans 55 and older last year made up 28% of the population, according to the Census Bureau.”

“There are 80 million millennials in the US. They outnumber boomers (76 million) and Generation X (60 million). But while millennials, those born from about the mid-1980s to1995, hold the “power,” boomers hold the money,” according the Oracle content strategist, Mia McPherson.”

“Boomers Still Wield Mighty Retail Power,” Catherine Salifino, Sourcing Journal, October 12, 2107.

Key Question: Will Millennials Value Connectedness Over Cost?

- "More specifically, the millennial customer wants information, services and products that meet the criteria of the three "Cs": cheap convenient and cool."
- "Millennials and the Future of Electric Utilities," John P. Banks, Brookings, July 11, 2014

AARP Real Possibilities

Millennials and Price Sensitivity

- Millennials want to be connected and in control – but they are still very price sensitive. See: “The Cheapest Generation. Why Millennials aren’t buying cars or houses, and what that means for the economy,” Derek Thompson and Jordan Weismann, the Atlantic, September 2012.

Boomers and Millennials: Different but Similar

- Boomers and Millennials may be different in how they communicate with businesses, but they are still very price sensitive.
- AARP research has consistently shown that both Boomers and Millennials want fair utility prices.

Questions/Comments

Martin Burns

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Spotlight on Millennials

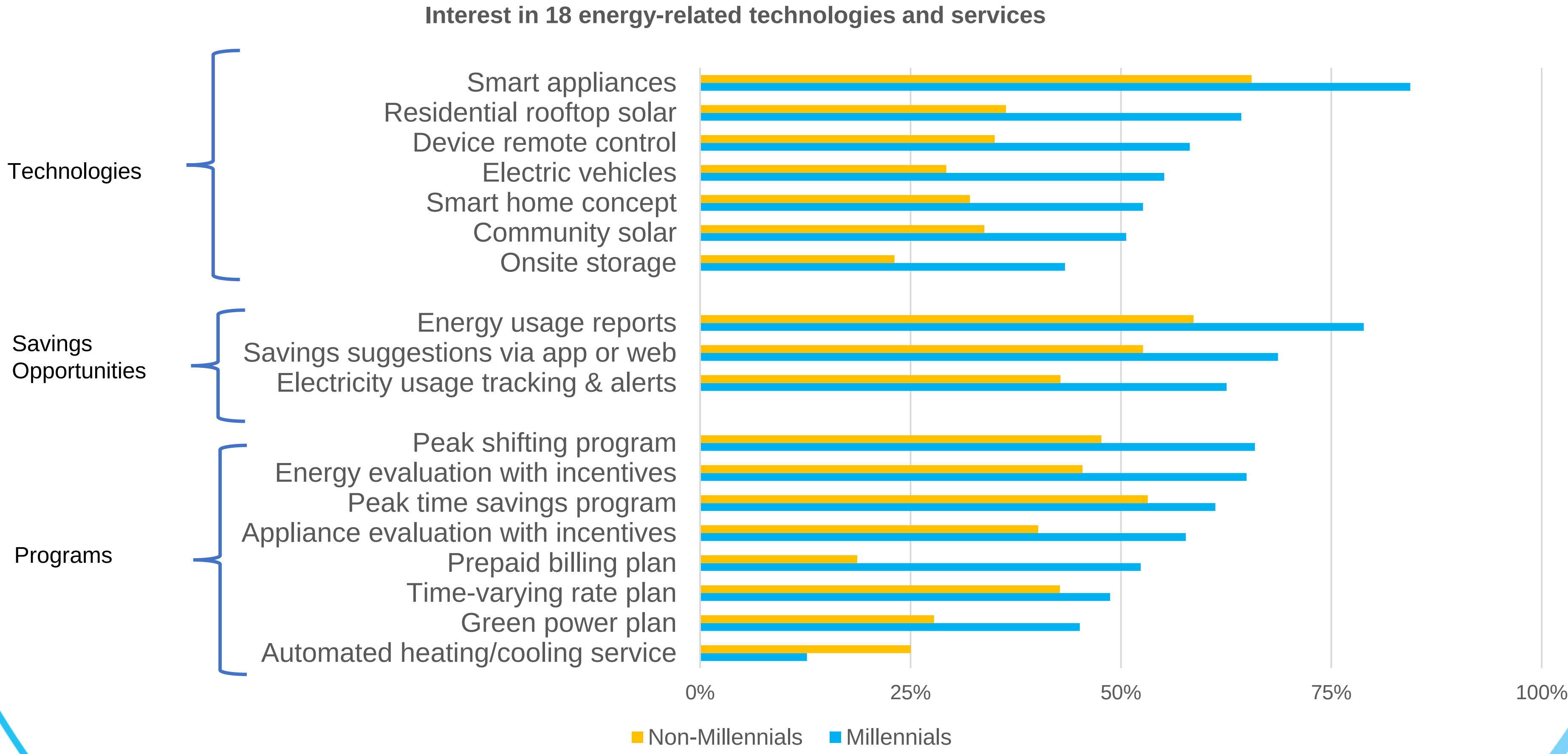
Nathan Shannon,

Smart Energy Consumer Collaborative

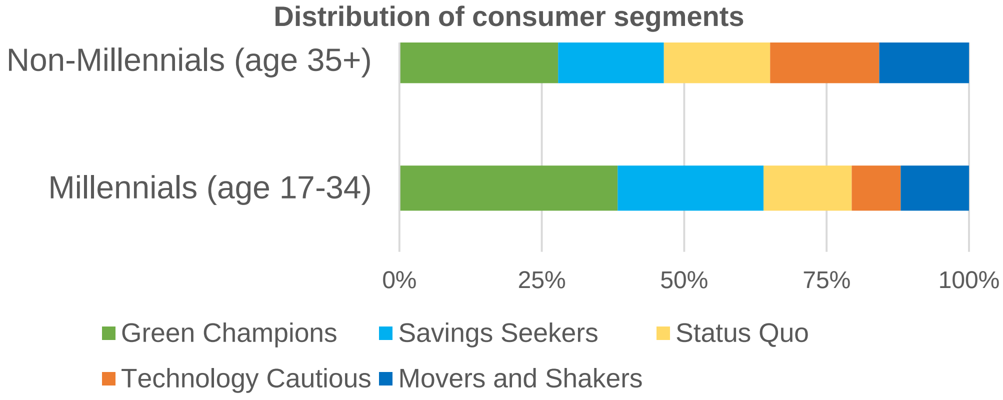
Key Research Questions & Objectives

What demographic and other factors describe Millennials and where they are in their professional and personal lives?
What energy-related issues are important to Millennials and what drives their decision-making?
What are Millennials’ attitudes regarding renewables, electric vehicles and other Smart Grid-related technologies?
What do Millennials think of their electricity service provider?
How do Millennials engage with their electricity service provider, if at all?
What energy-related programs and offerings might interest Millennials?

One interesting thing about Millennials is that they're more interested in almost everything



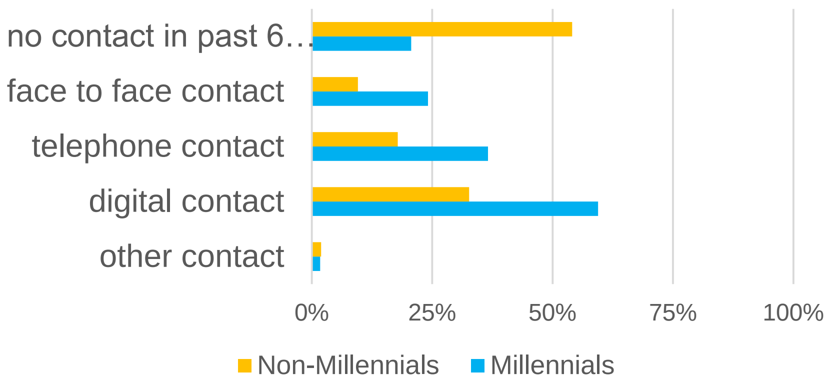
#1: Treat me like the individual I am



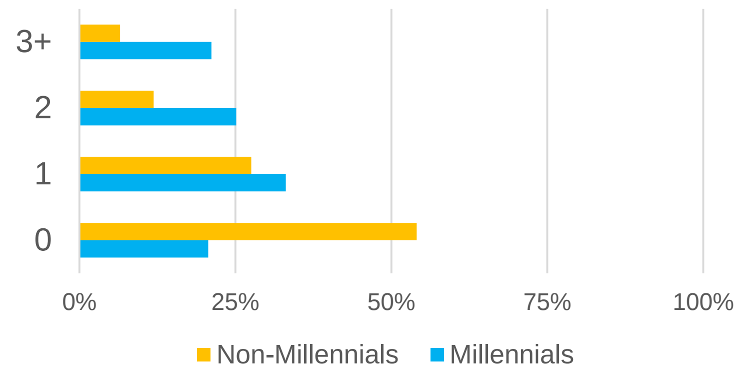
- Millennials are most commonly classified as Green Champions
- Millennials are more likely to be classified as Green Champions than non-Millennials
- Millennials are more likely to be Savings Seekers than non-Millennials

#2: I will contact you using any means you make available

Communication channels used to contact electricity providers



Number of channels used to contact electricity providers



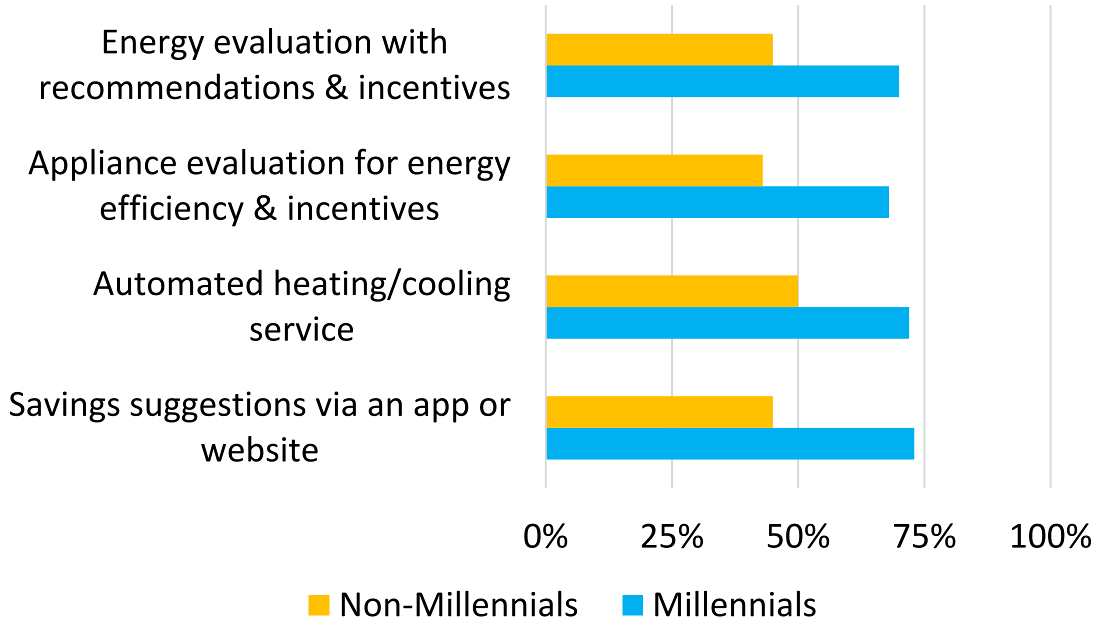
- Millennials are more likely to make contact
- Although they prefer digital channels, they will use whatever channel is available and convenient

AND

They're more likely to use multiple channels to communicate with their providers

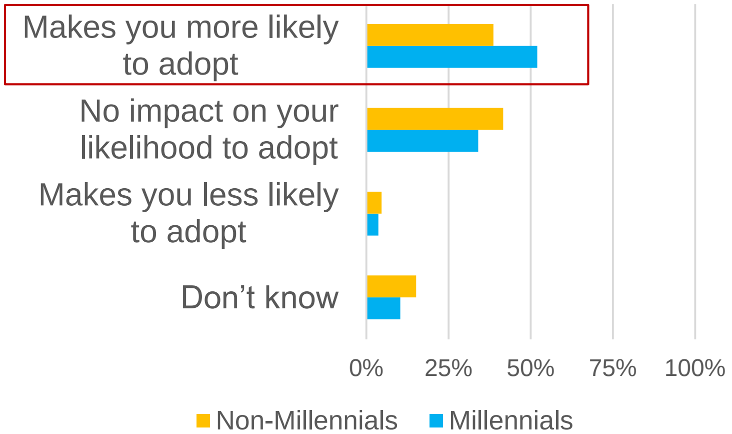
#3: I expect good service and am willing to pay for it

Willingness to pay for energy-saving equipment or services

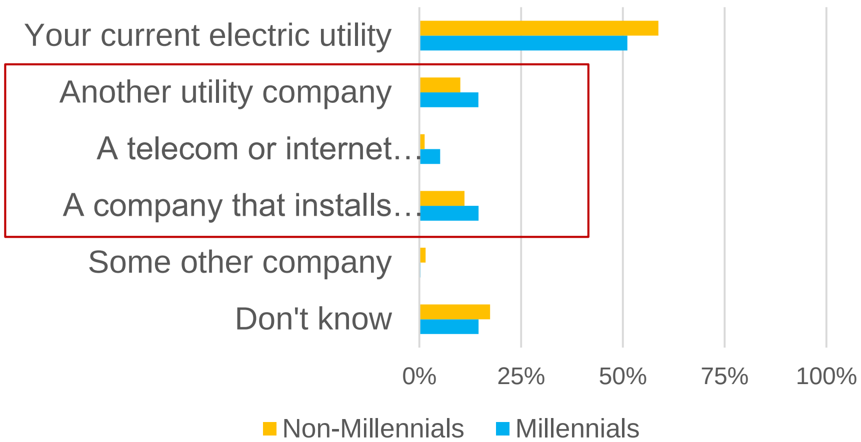


#4: I like you and trust you, but don't think I won't jump for a better offer

Potential influence of provider endorsement on adoption of energy-related technologies



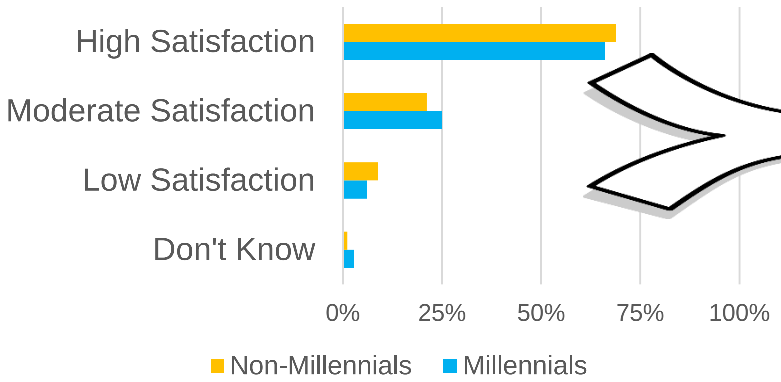
Electricity provider preference



#5: I'm satisfied with my energy provider, but banks and online retailers provide better customer service

SMART ENERGY CONSUMER COLLABORATIVE

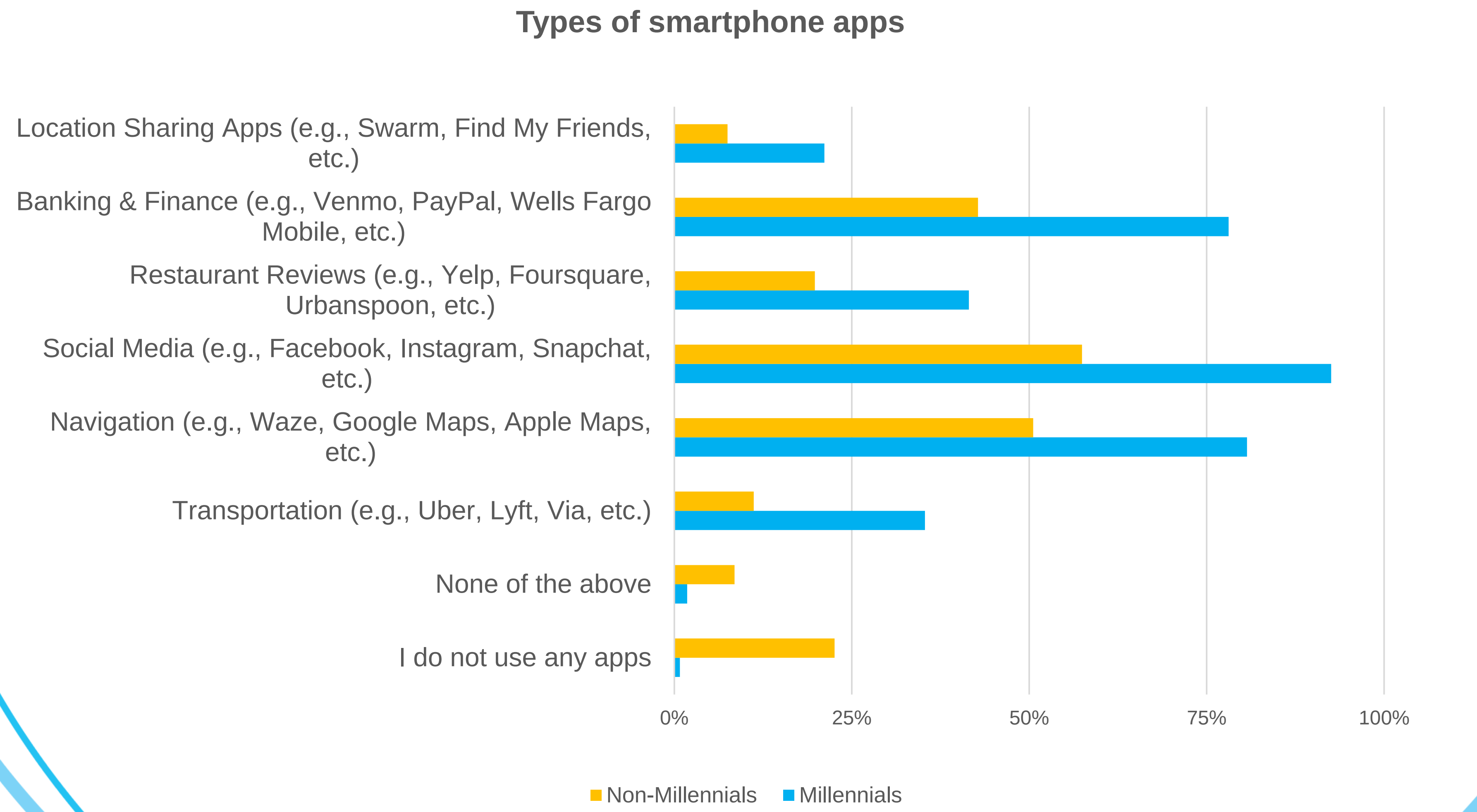
Satisfaction with current electricity provider



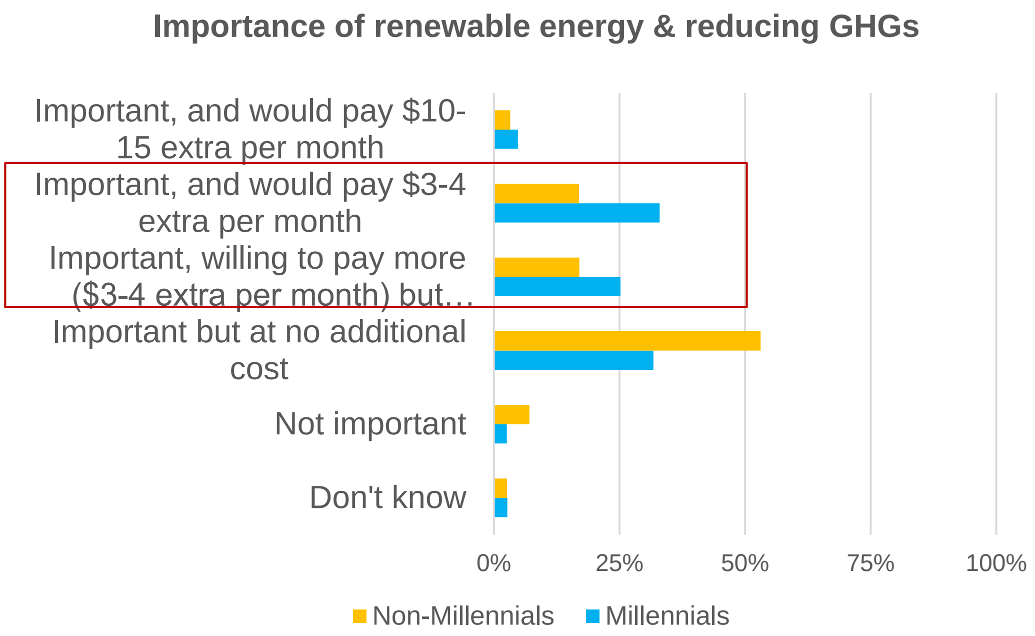
Best providers of customer service

Rank Order	Millennials	Non-Millennials
1st	Banks	Banks
2nd	Online retailers	Utilities
3rd	Utilities	Doctor's offices
4th	Communications providers	Online retailers
5th	Cable providers	Communications providers

#6: I shop around for the best value, so help me understand your offer and how it benefits me

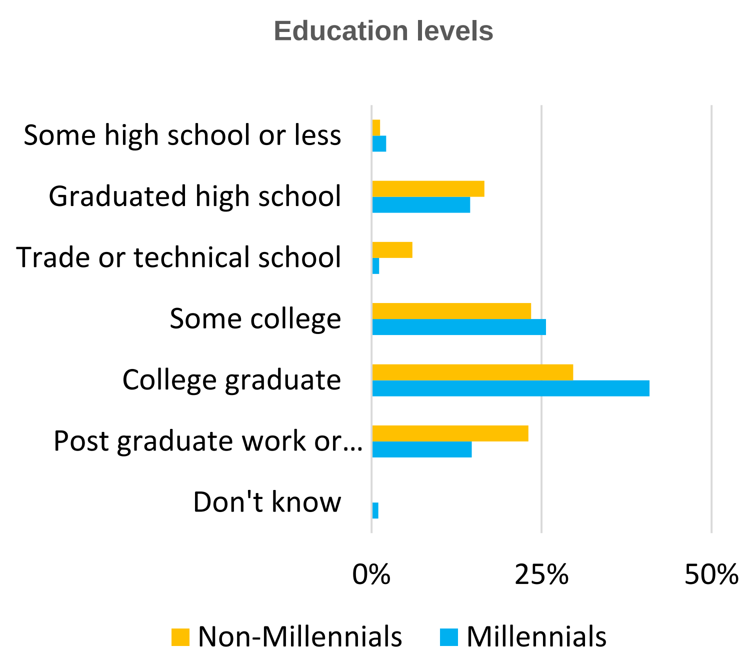


#7: I want renewable resources and am willing to invest in them



- Millennials are most commonly classified as Green Champions
- Millennials are also more willing to pay to achieve their "green objectives"

#8: I'm a savvy, well-educated consumer



1,000 **JD Power Customer Satisfaction Index**

811 *Auto Insurance*

793 *Retail Banking*

726 *Airlines*

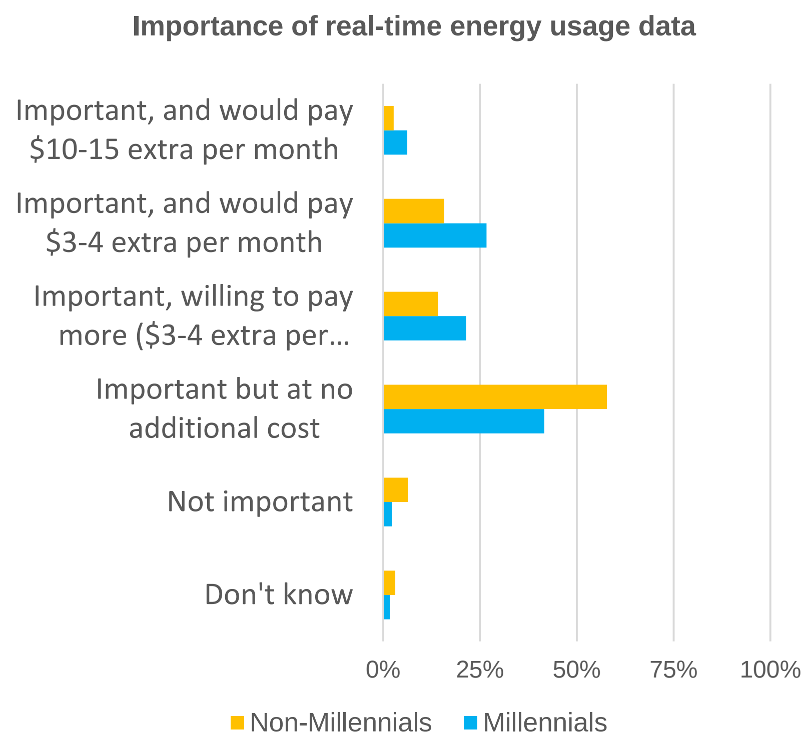
680 *Utilities*

"The lesson that utilities can learn from other high-performing service providers is that to excel you need a culture that puts customers and employees first," said **John Hazen, senior director of the utility practice at J.D. Power**.

"And because customer expectations continue to increase, you need to have a mindset of continuous improvement to keep up."

JD Power Residential Customer Satisfaction Study, July 2016

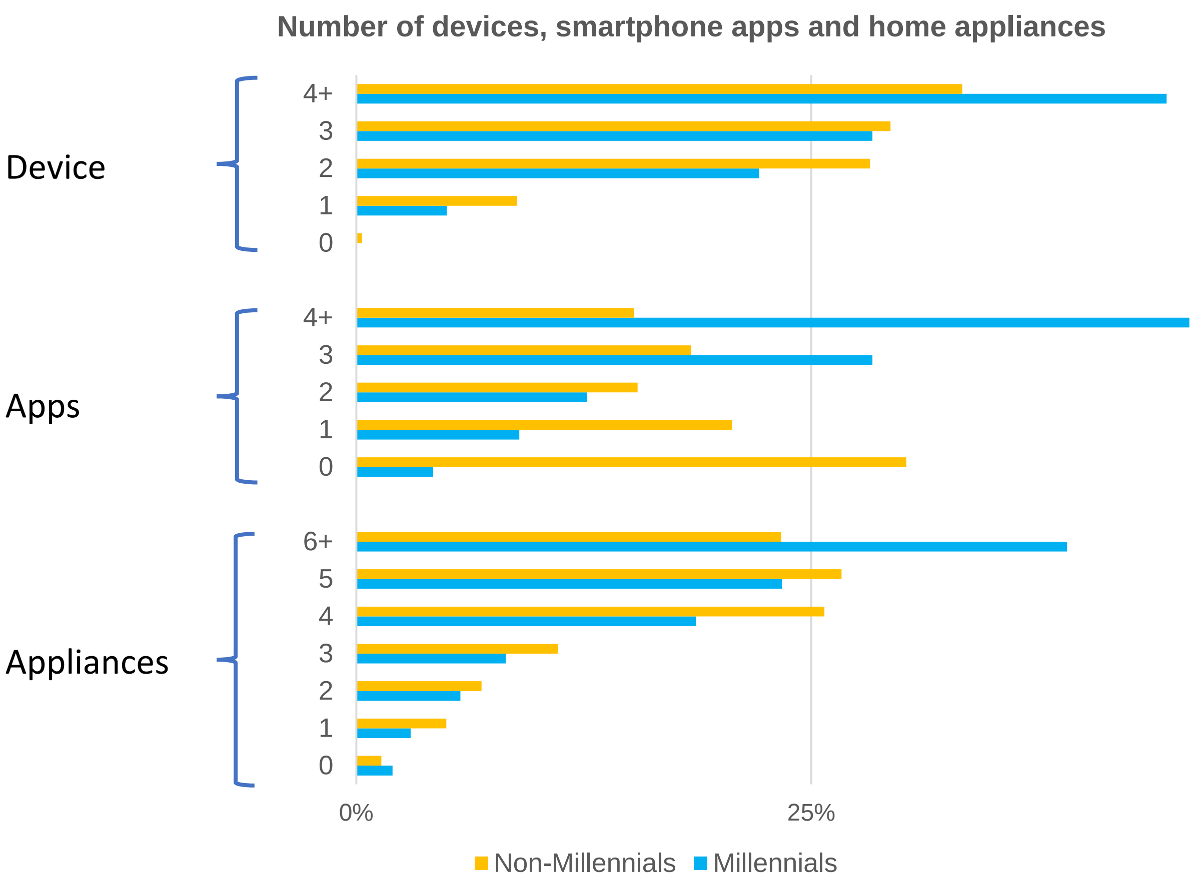
#9: I do my research, so make useful information easy to find anywhere, anytime



More than half the Millennial respondents felt that access to real-time energy usage data was important for making better energy management decisions…

And they are more willing to pay extra to get access to data

#10: I depend on my digital devices, appliances, and tech "toys", so give me technology I'll want to use



Millennials are more likely than non-Millennials to own four or more digital devices, use three or more apps and have six or more appliances in their homes.

Millennials shine the light on the path forward

Millennials are engaged and “ambidextrous”; you should be too.

Millennials are inquisitive and information hungry: take advantage of it.

Millennials are adept at change, and are willing to support it financially.

Millennials are enthusiastic about energy and sustainability; engage them now.

MOLLY BAUCH
NOV. 13, 2017
SECC NARUC MEETING

ACCENTURE'S GLOBAL NEW ENERGY CONSUMER MULTI-YEAR RESEARCH

2010
Understanding Consumer Preferences in Energy Efficiency

2011
Revealing the Values of the New Energy Consumer

2012
Actionable Insights for the New Energy Consumer

2013
New Energy Consumer Handbook

2014
Architecting for the Future

2015
Unleashing Business Value in a Digital World

2016
Thriving in the Energy Ecosystem

TECHNOLOGY AND MARKET CHANGES CONTINUE TO FUEL THE NEW ENERGY REALITY

GLOBAL SWITCHING ECONOMY

$6Tn of an estimated value in revenue

HYPER-RELEVANCE

2.5EB of data are produced every day

ARTIFICIAL INTELLIGENCE SCALE

85% of executives reported they will be investing in AI technologies over the next 3 years

ROBOTIC AUTOMATION MARKET CADENCE

47.1% CAGR will be reached during the period 2016-2024

ACCELERATED INTERACTION PLATFORMS

60Bn messages sent daily by 3 billion active users

DER VALUE POOLS CONVERGE WITH IOT

$2.9Bn invested in 130 individual distributed energy companies since 2010

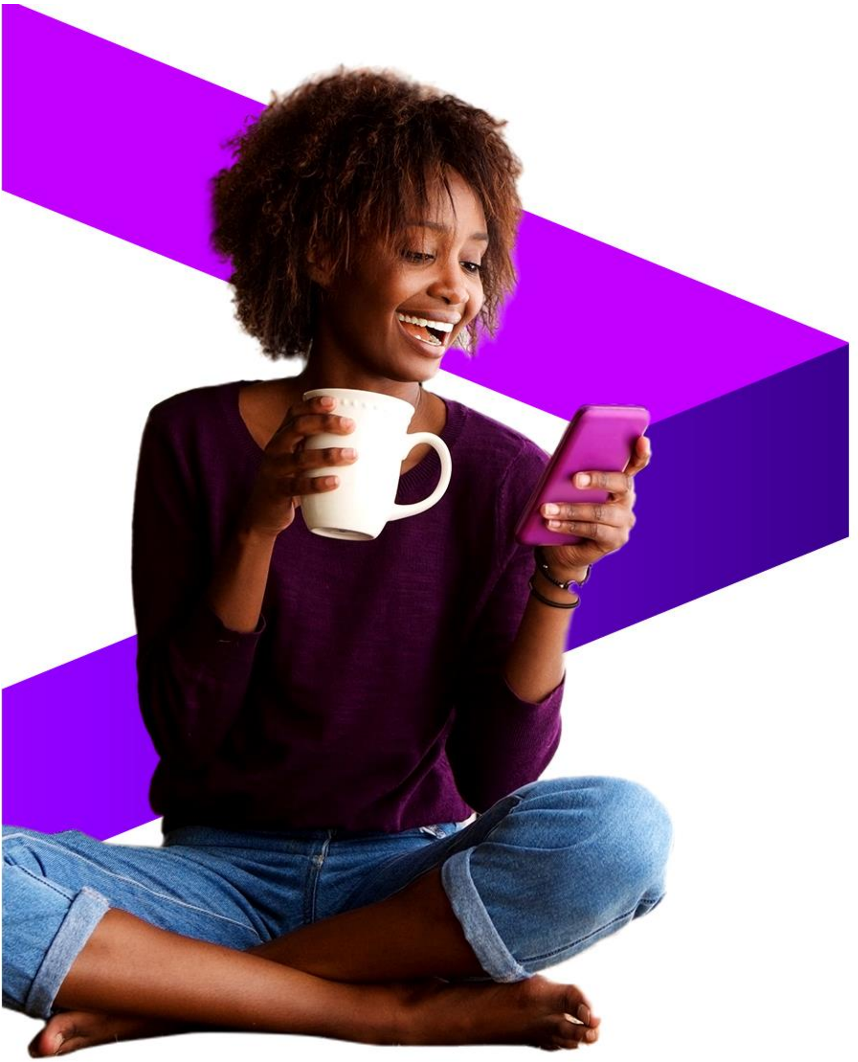
PEER-TO-PEER ENERGY MARKETPLACES

$7Bn of estimated Blockchain-enabled DER marketplace value

Sources: "Advanced Customer Strategy: 12th Annual Global Consumer Pulse Survey," Accenture, 2017; "Technology Vision 2017," Accenture, 2017; “Global IT Robotic Automation Market: Rising Demand across Emerging Economies to Help Market Exhibit a Staggering 47.1% CAGR 2016-2024, says TMR,” Transparency Market Research press release, November 4, 2016; "Chatbots in Customer Service," Accenture Interactive, 2016; ”Profiles in Innovation: Blockchain,” Goldman Sachs, May 24, 2016.

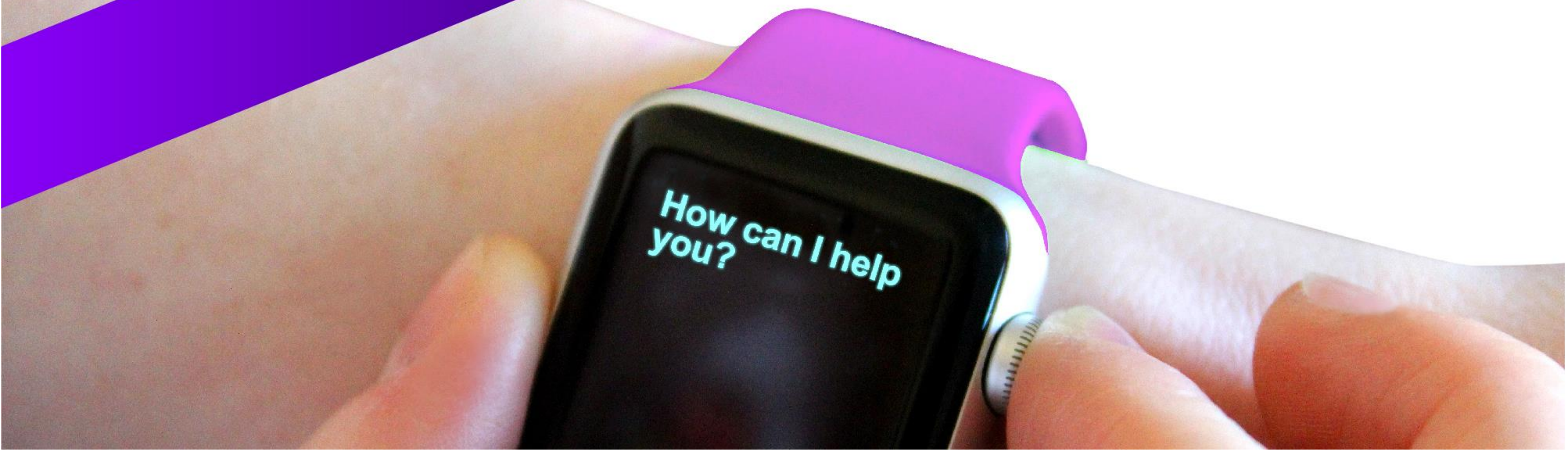
ACCENTURE IDENTIFIED FIVE NEW PERVASIVE CONSUMER TRENDS

TOTALLY DIGITAL? MAYBE NOT



THIS TIME IT GETS PERSONAL

MAY THE BOTS BE WITH YOU



PARTNER OR PERISH


SWITCH
THE SWITCHERS

A DIGITAL, CUSTOMER CENTRIC, OPERATING MODEL IS KEY TO DELIVERING DIFFERENTIATED CUSTOMER PLAYS

COMMODITY-CENTRIC SUPPLIER

Lean and mean low-cost commodity provider

ENERGY MARKETPLACE ENABLER

Facilitating transactions in the energy system

CONNECTED LIFESTYLE PROVIDER

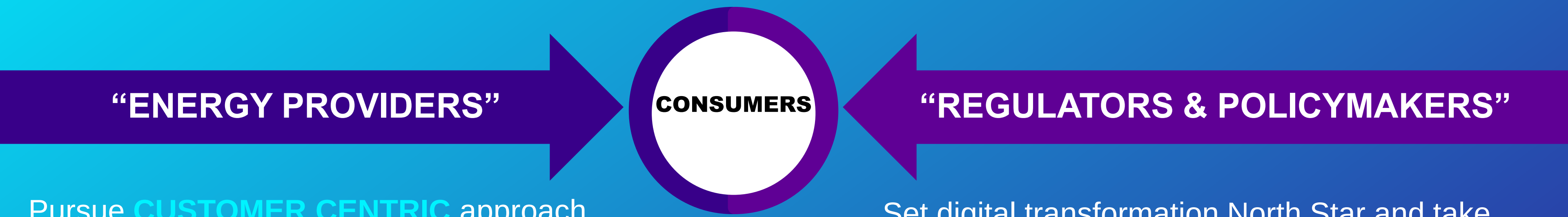
Partner of choice for the new energy consumer

ENERGY DISRUPTOR

Automated energy markets

DIGITAL OPERATING MODEL

INTERVENTIONS ARE REQUIRED FROM ALL KEY STAKEHOLDERS TO MEET THE NEEDS OF THE NEW ENERGY CONSUMER



Pursue **CUSTOMER CENTRIC** approach

Create innovative **INVESTMENT STRUCTURES** and attract new market investors

Develop non-business as usual and **DIGITAL CAPABILITIES**, and expand **ECOSYSTEM**

Build upon **CUSTOMER TRUST** and support the rise of the new energy consumer

Facilitate **STANDARDIZATION**, interoperability and data exchange

Set digital transformation North Star and take **REGULATORY STEP CHANGES** to achieve

Enable and encourage **DIGITAL INVESTMENTS**, allowing forward-leaning compensation models

Assign new **RESPONSIBILITIES** across the value chain

PLAN SYSTEM DEVELOPMENT with consent from all market players

Ensure an efficient deployment of **EMERGING TECHNOLOGY** through targeted support

Backup

NEC 2017 SAMPLE DETAILS

Interviews by country

Australia Brazil* China* France Germany	Ireland Italy Japan Malaysia* Netherlands	Philippines* Portugal Singapore Spain Sweden	**500**
Canada			**529**
UK			**641**
USA			**1049**

Regulated markets: Brazil, Canada (some provinces), China, Malaysia, Singapore, United States (some states)

Competitive markets: Australia, Canada (some provinces), France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Philippines, Spain, Sweden, United Kingdom, United States (some states)

Notes: *Sample representative of the urban population.

Gender

Women	**51%**
Men	**49%**

Age

18-24s	**13%**
25-34s	**19%**
35-54s	**35%**
55+	**33%**

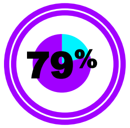
UNITED STATES
2017 NEC SURVEY RESULTS

American consumers spend more time interacting in both digital and non-digital channels

In the US		vs.	Globally	
11.5 min	Time spent interacting via digital channels	vs.	**9.6 min**	Time spent interacting via digital channels
11.8 min	Time spent interacting via non-digital channels	vs.	**9.8 min**	Time spent interacting via non-digital channels

American consumers are more effective in interacting via digital channels

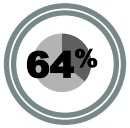
In the US



Were always able to successfully complete their requersts via digital channels

vs.

Globally



Were always able to successfully complete their requersts via digital channels

SLEEPING GIANTS

American "sleeping giant" users are more likely to prefer a low-cost brand

In the US = 35% of the sample

- **80%** More likely to prefer a low-cost brand
- **54%** Amongst the rest of respondents

Globally = 36% of the sample

- **69%** More likely to prefer a low-cost brand
- **59%** Amongst the rest of respondents

ACTIVE DIGITAL USERS

American active digital users are more likely to switch in the next 12 months

In the US = 31% of the sample

- **61%** More likely to **switch** in the next 12 months*
- **32%** Amongst the rest of respondents

Globally = 27% of the sample

- **38%** More likely to **switch** in the next 12 months*
- **26%** Amongst the rest of respondents

*Refers to US deregulated states: California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Virginia, Washington DC,

MOVE AHEAD WITH NO REGRETS: SEVEN STEPS TO ACCELERATE DIGITAL TRANSFORMATION

NEW

Create new business and ecosystem management capabilities.

Set up the right organization and KPIs.

Build a digital workforce and foster digital leadership.

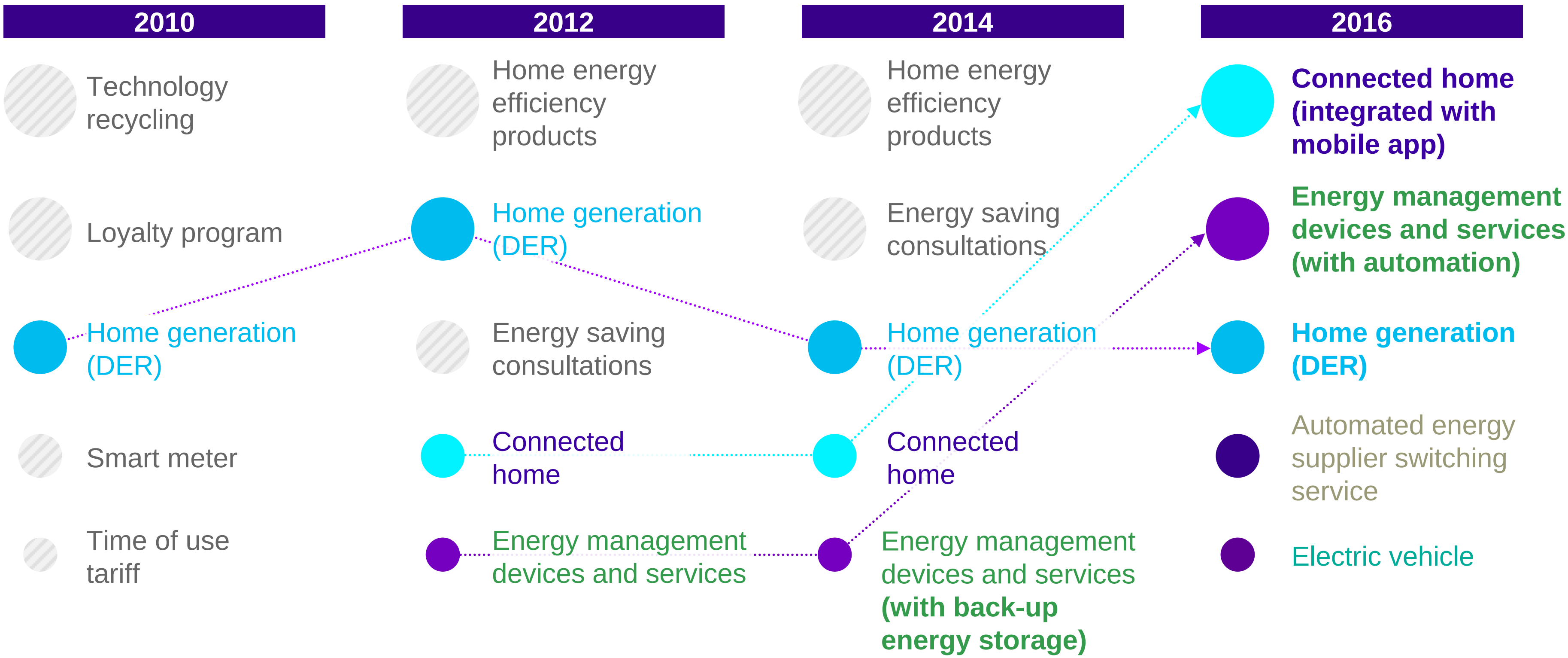
Automate customer operations by deploying RPA and AI in operations at scale.

Enable agile at scale.

Digitize customer journeys.

Become relentlessly customer obsessed.

CONSUMER INTEREST IN PRODUCTS AND SERVICES HAS CHANGED SIGNIFICANTLY



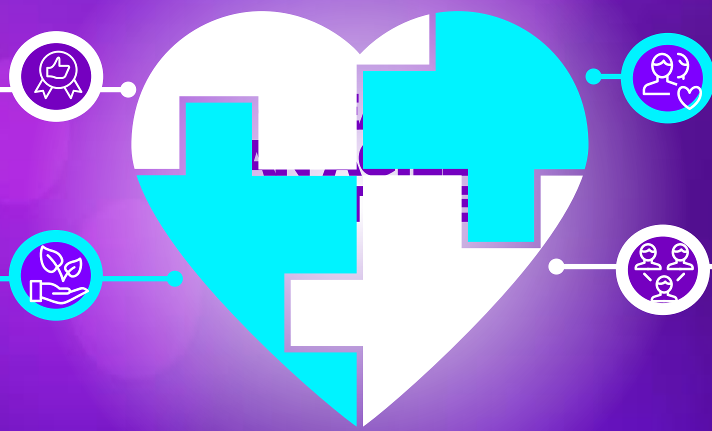
* Back-up energy emerging in 2014 and analytics driven home energy management applications becoming common in 2015-2016.

DIGITAL OPERATING MODEL

Promoting people-first, speed and experimentation

NEW LEADERSHIP STYLE

NEW WAYS OF WORKING



PEOPLE AT THE CORE

RIGHT GOVERNANCE

DIGITAL FOUNDATION

Applying new methods to the DIGITAL WORKFORCE, NEW IT, and NEW PARTNERSHIPS

Tracking transformation: Measure WHAT MATTERS MOST

Electricity Committee