

Relationship Marketing By Energy Companies

Felicetta IOVINO ¹

Abstract

New two hour schedule tariffs were introduced on 1st July 2010 by AEEG. They distinguish use of electric energy between night and daylight hours and Sundays and public holidays, creating three different price bands (F1, F2, F3), thus eliminating one hour schedule tariff for the vulnerable customers. This study is proposed to understand the basic research problem “How much Italian energy companies have implemented relationship marketing and what are the characteristics of their marketing policies”. We suggest this approach increases competition which is the aim of liberalization processes. In fact, according to the principle of the “conservation of relationship energy”, an Uppsala model, relationship energy cannot be destroyed and it can only be transformed and transferred to other relationships, manifesting itself in a variety of ways. So if relationship marketing is better implemented switching increases but trade relationships can be reactivated at a later time by social links which continue during the time. To answer that question we compare the data of three recent researches that analyze switching energy supplier in Italy, the UK and State of Victoria in Australia.

Keywords: *customers, energy, relationship marketing, service, switching.*

JEL classification: M31, M38, H4

Introduction

The power also recognized to Italian household customers to choose the free energy market since 2007, has submitted the concerned utilities to market competition. In this way, they have been challenged by the necessity to implement new suitable marketing strategies, aimed at both finding new customers and retaining the existing ones.

But since the opening of the energy market to residential consumers, how much do these consumers know about the existence of a variety of providers and the possibility of switching? What are the main reasons that induce consumers to change their supplier? And do they know about and by which instruments do they know about today's commercial offers? The answers to these questions are really important for the development of marketing strategies both by big national and international players, approaching the Italian market and by local utilities. In particular, to answer to these questions means to be willing to investigate, within a strategic sector such as the energy one is in any country, how much substantially and not only formally, the

¹ **Felicetta IOVINO**, Department of Law, Economy, Management and quantitative Methods University of Sannio – Benevento (BN), Italy, felicettaiovino@yahoo.it

relational approach to the market has been adopted by the energy companies of the sector.

In this work we assume that marketing strategies can be positively developed if they are implemented by energy companies that suitably adopt a relationship approach. We also affirm that the partial adoption of such relationship logic is the cause of a limited competition between energy utilities in Italy (Iovino F., 2012).

Then we sustain that such an approach has become one of the factors increasing the level of competition of energy markets. In fact, the studies carried out by the University of Uppsala, among which there are “Inter-organizational personal contact patterns” (1982) by Cunningham and Turnbull and “The principle of the conservation of business relationship energy: or many kinds of new beginnings” by Havila and Wilkison (1997) show that even if the trading relationship stops, the relationship energy can continue in other forms. In this way a new commercial relationship can take place over time and at the same time the relationship energy can further manifest itself within other relationship contexts.

Referring then to the principle of the conservation of business relationship energy, in order to prove the truth of the above said assumptions, we will compare secondary data collected by two researches carried out by the regulating energy authorities in Italy, Great Britain and Victoria, concerning the main aspects characterizing the liberalization process and secondary data from other researches, in order to provide further confirmation of the above said assumptions.

2. From transactional marketing to relationship marketing

The emergence, in the second half of the ‘70s, of the limits of transactional marketing, above all as regards its application to services and industrial goods, has led to the development of relationship marketing, thus causing a real paradigm shift, “We have to realize that is a new paradigm, not just a new model” (Grönroos C., 1996).

Relationship marketing is meant for starting, negotiating and managing the exchange of relationships with key groups interested in pursuing sustainable competitive advantages in specific markets, according to long term agreements with customers and suppliers (Håkansson H., Wootz B., 1979). Marketing, then, became management of long term bidirectional and highly complex relationships.

Transactional marketing had become the dominant paradigm during the ‘60s, it was based on the concept of marketing mix introduced by Neil Borden, and the mix of different means of competition was called 4Ps (product, price, place, promotion). The reasons why it was so widespread are to be found in its adaptability to the economic context of the time, characterized by a steady growth of the demand, by wide mass markets and by a fundamental environmental stability. And just after the environmental changes occurred in the ‘70s, the limits of marketing management dramatically emerged.

Being implemented by American companies, it led them to an increasing loss of market shares in favour of the Japanese ones, who, instead, had anticipated

the post fordism principles. The operative instruments of marketing mix implied to pay attention solely to a short-term profitability, following a passive logic concerning the environment, showed by the development of imitative products, and a limited tendency towards innovation (Wind Y., Robertson T.S., 1983). In addition to this there was the awareness of an atomistic character of the market structure, in which businesses had to come face to face with anonymous buyers who became numbers, shown by the market shares and therefore they could be perfectly replaceable (Grönroos C., 1994). The focus was then a power unbalance between the parties, which emerged into a one direction exchange model, in which an active role was solely played by firms, without taking customers' needs into consideration (Aijō T.S., 1996).

The development of relationship marketing has had as purpose, as above said, that of dealing with such faults, by suggesting a clear change of the enterprise in its both internal and external points of reference. In this sense, many authors have underlined the differentiation elements between the two different approaches. The figure 1 summarizes the main ones.

Two great schools of thought can be distinguished as regards relationship marketing, one of them is the American one, which is focused on services, and the other one is the Nordic one, which has specially focused its studies on the sector of services, but also on industrial goods. In particular, the work of the Nordic School is often carried out by two research groups collaborating together, and coming from the University of Uppsala and the Swedish School of Economics. The latter has analyzed the sector of services¹ (Grönroos C., 1978; Grönroos C., Gummensson E., 1985) and industrial goods, Mattson's work, in particular stands out as a study focused on the structural aspects of networks. The University of Uppsala, instead, has focused its attentions on industrial marketing, first by an interactive approach, concerning dyadic relationships between companies and then by a network approach, focused on the process aspects of multipolar relationships.

¹ Many authors have classified the schools of thought referring to RM. An Anglo-Australian School has also been identified as referring to RM, and it has got, among its leading exponents, Christopher et al. (1991).

Key differences between the concepts of relationship marketing and transactional marketing

| <i>Criterion</i> | <i>Relationship marketing</i> | <i>Transactional marketing</i> |
|--|---|---|
| Primary object | Relationship | Single transaction |
| General approach | Interaction-related | Action-related |
| Perspective | Evolutionary-dynamic | Static |
| Basic orientation | Implementation-oriented | Decision-oriented |
| Long-term vs. short-term | Generally takes a long-term perspective | Generally takes a short-term perspective |
| Fundamental strategy | Maintenance of existing relationships | Acquisition of new customers |
| Focus in decision process | All phases focus on post-sales decisions and action | Pre-sales activities |
| Intensity of contact | High | Low |
| Degree of mutual dependence | Generally high | Generally low |
| Measurement of customer satisfaction | Managing the customer base (direct approach) | Monitoring market share (indirect approach) |
| Dominant quality dimension | Quality of interaction | Quality of output |
| Production of quality | The concern of all | Primary concern of production |
| Role of internal marketing | Substantial strategic importance | No or limited importance |
| Importance of employees for business success | High | Low |
| Production focus | Mass customization | Mass production |

Figure 1 Key differences between the concepts of relationship marketing and transactional marketing

Source: Hennig-Thurau T., Hansen U., (2000), Relationship marketing: competitive advantage through customer satisfaction and customer retention, Springer, Berlin, New York

3. The principle of the conservation of business relationship energy

For the purpose of this work, among the models of relationship marketing published in literature, we will use the principle of the conservation of business relationship energy, drawn by Havila and Wilkinson.

Such model has been created for the interfirm relationships within the industrial goods market according to IMP2 data collected by the University of Uppsala in order to analyze marketing relationships in depth within the above said sector, by a network approach. We can also sustain the applicability of such a model also as regards BtoC relationships and services sector, after the already experimented attempts of approaching industrial marketing, to that of services, made by Holmlud (1996). Moreover, according to Grönroos, also as regards goods, consumers ask for a service,

besides a physical good, “other required resources” are necessary to use products (Grönroos, 1994). Then goods marketing is a special case of service marketing in which the interactions with consumers are connected only with the goods, even if they look for a support, a service that a physical product as a resource can produce (Grönroos C., 2005). According to Grönroos: “Goods are resources, goods businesses are service businesses, and the marketing of a physical good should be viewed as marketing of a service” (Grönroos, 2005). Thus, by adopting a relationship approach, all businesses are service businesses (Grönroos C., 2000).

Furthermore Ford, Gadde, Hakansson, Snehota (2011) affirm that business customers ask for solutions to specific problems, but also consumers, as above said, don't only ask for a core service. Havila and Wilkinson (2002), by the principle of the conservation of business relationship energy have highlighted what happens when the trading relationship stops, that is during the stage called relationship aftermath. The two scholars have investigated about what happens during this stage and in particular, about the role of social bonds, born from a previous business relationship. Such question had been previously investigated by Dwyer (1995) in terms of distribution of the accumulated relationship equity. As a matter of fact parties tend to adapt themselves to each other over time, carrying out investments of different kinds in the relationship, because of a variety of possible interactions existing between the parties. All this causes a larger involvement between the parties and the development of various kinds of links over time. For example, the trust, goodwill, personal regard, commitment, as well as the knowledge and cooperation developed during relationships are good principles on which to build other relationships, while negative elements coming from conflicting and trustless relationships, weaken the birth and development of relationships themselves.

The suggested model is above all based on the results of the researches carried out by Gadde and Mattesson (1987), who underline that a merely trading relationship can be interrupted for a certain period of time and then be started again. However, in the meanwhile, there are personal interactions and knowledge which can be used later. In their ARA model Hakansson and Snehota (1982) also affirm that exchanges of a personal kind are the basis for the occurrence of a new trading relationship. By mainly referring to previous researches, Havila and Wilkinson have further underlined that the relationship energy, cannot be destroyed when the trading relationship stops, but it is preserved in order to re-emerge again in new relationship contexts.

The people mainly involved in the business relationship, allow the creation, the development and the transfer of the concerned relationship energy. And it is the variety of such actors to allow that it is transferred from a specific trading relationship to other relationships. Relationship energy caused by previous relationships or by relationships still in course of development can be imported into the focal relationship if the people themselves are involved. In the same way it is possible to export energy from the focal relationship to the subsequent ones. Such “imports” and “exports” can be positive or negative, as far as that they consolidate or weaken relationships. Furthermore changes in relationship energy of the focal relationship show their effects on the other relationships. In this way, relationship energy allows both the relationship

itself to start again later also in trading terms, and to help or hinder the formation and continuation of others just because the “end” of the trading relationship does not imply the end of the relationship itself, being the new marketing focus.

4. Methodology

The method of the qualitative comparative analysis has been adopted. It has been focused on the data of energy markets in Great Britain, Victoria and Italy. Such countries have been chosen for different reasons.

First of all this work is the first step towards a larger analysis of the European energy markets. Moreover, Italian Energy markets have been liberalized later than other countries within the European market, while the English and Victorian energy markets are characterized by the highest level of competition and switching activities in the world and then those country have been considered as benchmark.

Secondary data have been used. They are made up with those resulting from three researches carried out by three different research institutes, the RIE for the Acquirente Unico (AU- protection authority of customers bound by contract in Italy), and Ipsos Mori for the Ofgem (regulating English authority) every year since 2007 and Lightspeed Research for CUAC (a consumer organisation). The researches concern the knowledge of the liberalization of energy markets by consumers and the main reasons for switching.

Ofgem commissioned Ipsos MORI to conduct a face-to-face survey representative of the population of Great Britain aged 15+. Where possible, this report includes year-on-year comparisons with the previous surveys in March 2007 and March 2008 though there are some questionnaire changes year-on-year. The research vehicle chosen was Ipsos MORI's omnibus survey, known as the Capibus, for which the fieldwork dates were 26 February-4 March 2010, achieving 1,992 computer-assisted personal interviews. RIE used a sample survey of 2,000 households representative of the population of Italy. The interview method chosen was C.A.T.I. CUAC contracted Lightspeed Research, to program a survey and administer it online. The survey administered, annotated with skip logic and randomised question/response order. The 12 minute, 34 question survey comprised 33 closed-ended questions and one broad, open-ended question. For each survey question, the contractor supplied CUAC with frequency tables created using SPSS software. CUAC also conducted additional uni- and bi-variate analyses of the cleaned data using Excel. The population for the survey was Victorian householders with responsibility (either sole or joint) for energy decision-making. A total of 327 respondents completed the survey.

A comparison has been carried out between the data of the three researches, starting from the results given by the investigations made by the above said research institutes on similar aspects, as regards their respective national energy markets.

From the three researches it is possible to derive data concerning the following elements being critical for the marketing strategies on energy markets: a) knowledge of liberalization; b) knowledge of the switching possibility; c) switching rate; d) main reasons for switching; e) main instruments to know commercial offers.

Moreover, we will use other secondary data obtained from researches carried out by YouGov for uSwitch and data of the Vaasaett world Energy retail ranking reports, in order to underline the relationship existing between the customer satisfaction and the switching rate over time, as regards the English energy markets. We also further emphasize how the increase in customer satisfaction, being an expression of the implementation of relationship marketing, is linked to high levels of switching and then to a growth of competition between Energy companies

5. A comparison between the English, Victorian and Italian energy markets

About ten years after the opening of the Italian Energy markets, we can observe that there is no real competition in Italy, with the predominance of a few big suppliers. Such limited development of competition dynamics can be derived from a partial adoption of strategies having a cooperative-relationship approach to demand, unlike what happens in Great Britain and Victoria. The latter two are the countries having the highest levels of competitive and switching action in the world, also considering the markets of the other public services.

From the surveys of the World Energy Retail Market Rankings Report 2010, Great Britain is in the third position, after Ireland with a switching rate of 21% and Victoria in Australia which reaches 25%.

Going further on with the analysis and the comparison of data resulting from the recent investigations carried by the RIE (2010) on behalf of the Acquirente Unico (AU) for the Italian market and by Ipsos Mori (2010) on behalf of the Office of the Gas and Electricity Markets (OFGEM) for Great Britain and by Lightspeed Research (2011) on behalf of the Consumer Utilities Advocacy Centre Ltd (CUAC) for Victoria, it is possible to show the link existing between levels of competition among energy companies and the relationship marketing policies and that in Italy they are not fully implemented.

Both the former two researches have been carried out, since 2007, each year on a sample of consumers of the energy market. As it was to be expected, both researches have shown an increase over time, of people being acquainted with liberalization. As regards the electric power sector, in Italy the percentage of such people has increased between 2007 and 2009, from 60% to 80%, while in Great Britain a pretty total knowledge can be found in 2009, with a percentage of 96%. However, we must notice how from the RIE research 25.9% of the interviewed people states not to know the implications of liberalization. Moreover the majority (89% electricity and 91% gas) of the interviewed families states not to be willing to change its own energy supplier. In order to evaluate a switch, it is to be added that 29% of the sample asks for obtaining a saving of money of at least 50%. The main reason for a switch among the Italian consumers who have changed their supplier or have accepted a new commercial offering has been, in 2009 too, caused by economic reasons (75% as regards electricity and 80.5% as regards gas). However commercial offerings are considered by Italian consumers to be clearly formulated but not easy to be compared (as regards electricity

no has been the answer of 29.9 of the sample, I do not know of the 36.3 % and as regards gas, no has been the answer of 20.5% of the sample and I do not know of 54.6%). All these elements show how energy in Italy, particularly the electric one, is largely considered by residential customers to be a commodity for which they would hardly take care for finding and selecting possible new suppliers.

In Great Britain and Victoria the situation is quite opposite. Respondents' basic knowledge of the Victorian energy market was assessed with the statement: Victorian consumers can choose their energy company. The results indicate that respondents had a fair level of knowledge of the basic structure of the retail energy market, with 95% of respondents answering who were aware of the existence of choice. 30% of respondents indicated that there was likelihood they would switch retailer in the coming year, compared with 54% who indicated that this was unlikely. Survey respondents were also asked about their motivations for switching; price remains the primary motivation also for most Victorian consumers' switching decisions (52%). 74% of respondents who had changed providers reported a degree of confidence in their switching decision. Almost 70% of respondents found it easy or neither easy nor difficult to find and compare offer information. The main sources of information used by consumers in deciding to switch energy offers are: 31% relied upon spoken information from the sales person and 20% used comparison service websites.

| Q20b. How much do you agree or disagree that: | | | | | | | | |
|---|------------|-----------|------------|------------|--------------|------------|-----------------|------------|
| <i>"I found it easy to decide which deal to switch my gas to"</i> | | | | | | | | |
| | All | Age | | | Social Grade | | Internet Access | |
| | All | 15-34 | 35-64 | 65+ | AB | DE | Yes | No |
| <i>Base: All with mains gas and responsible for bills who have ever switched gas supplier</i> | (589) % | (86) % | (348) % | (155) % | (127) % | (123) % | (466) % | (123) % |
| Agree | 72 | 65 | 73 | 78 | 71 | 78 | 70 | 83 |
| Neither | 13 | 21 | 11 | 12 | 12 | 13 | 14 | 9 |
| Disagree | 14 | 13 | 15 | 10 | 16 | 8 | 15 | 7 |
| Don't know | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

| Q24b. How much do you agree or disagree that: | | | | | | | | |
|---|------------|-----------|------------|------------|--------------|------------|-----------------|------------|
| <i>"I found it easy to decide which deal to switch my electricity to"</i> | | | | | | | | |
| | All | Age | | | Social Grade | | Internet Access | |
| | All | 15-34 | 35-64 | 65+ | AB | DE | Yes | No |
| <i>Base: All with mains electricity and responsible for bills who have ever switched electricity supplier</i> | (633) % | (91) % | (374) % | (168) % | (130) % | (135) % | (495) % | (138) % |
| Agree | 75 | 73 | 73 | 81 | 73 | 79 | 74 | 78 |
| Neither | 11 | 8 | 12 | 9 | 9 | 9 | 11 | 10 |
| Disagree | 13 | 17 | 14 | 9 | 16 | 11 | 14 | 11 |
| Don't know | 1 | 3 | 1 | 0 | 2 | 1 | 1 | 1 |

Figure 2

Source: www.ofgem.gov.uk - Update on probe monitoring: tariff differentials and consumer switching - 1 July 2010

In Great Britain the Ipsos Mori research shows, as above said, not only a high level of knowledge of the possibility of switching, also among those who have never changed their supplier (a percentage reaching even 83%), but above all a big involvement of consumers into the selection of the supplier.

From the last survey carried out in 2009 on behalf of the Ofgem, an almost equivalent percentage has been registered between the switches carried out by the Internet sites comparing offers and the sales carried out door-to-door (27% in the first case and 34% in the second case). More specifically, a rapid increase in the use not only of the websites of different suppliers, but even more of those specially created to help consumers for the comparison of different offers, has been observed.

All this shows a large use of the internet and the consciousness of the help that it can provide to make one's own choices, also and above all as regards energy (Iovino F., 2014). And the clear engagement of consumers, as it results from the Ipsos Mori research, is represented by a high percentage of those who think to have fully understood the key points of the contract signed with the new supplier, 76% as regards gas and 78% as regards electricity.

| "I am confident that I fully understand the key features of the deal I switched to" | | | | | | | | |
|---|------------|-----------|------------|------------|--------------|------------|-----------------|------------|
| | All | Age | | | Social Grade | | Internet Access | |
| | All | 15-34 | 35-64 | 65+ | AB | DE | Yes | No |
| <i>Base: All with mains gas and responsible for bills who have ever switched gas supplier</i> | (589) % | (96) % | (348) % | (155) % | (127) % | (123) % | (466) % | (123) % |
| Agree | 76 | 67 | 79 | 76 | 76 | 74 | 77 | 73 |
| Neither | 10 | 15 | 9 | 10 | 5 | 15 | 11 | 8 |
| Disagree | 12 | 18 | 11 | 10 | 16 | 9 | 12 | 15 |
| Don't know | 1 | 0 | 1 | 5 | 2 | 2 | 1 | 4 |

| "I am confident that I fully understand the key features of the deal I switched to" | | | | | | | | |
|---|------------|-----------|------------|------------|--------------|------------|-----------------|------------|
| | All | Age | | | Social Grade | | Internet Access | |
| | All | 15-34 | 35-64 | 65+ | AB | DE | Yes | No |
| <i>Base: All with mains electricity and responsible for bills who have ever switched electricity supplier</i> | (633) % | (91) % | (374) % | (168) % | (130) % | (135) % | (495) % | (138) % |
| Agree | 78 | 71 | 78 | 82 | 79 | 78 | 78 | 75 |
| Neither | 10 | 11 | 10 | 11 | 5 | 15 | 10 | 11 |
| Disagree | 11 | 16 | 11 | 7 | 14 | 6 | 11 | 12 |
| Don't know | 1 | 2 | 1 | * | 2 | 1 | 1 | 1 |

Source: Ipsos MORI

Figure 3

Source: Lewis P.E., VaasaETT world energy retail market rankings report 2008

As further confirmation of the above mentioned data we must add that the trend of the switching rate in Great Britain shows an increase every year (Lewis P.E., 2010), as well as regards customer satisfaction analysed by researches carried out by YouGov on behalf of the website uSwitch every year since 2007.

Such researches show the general satisfaction of customers of the English energy companies. It has been then analysed according to a variety of elements, the values of which show an increase in the application of the relationship approach. Among the analysed activities there are the customer service, the on line services, the billing system, besides the switching process and the meter services for which from 2007 to 2009 an increase of the number of different energy suppliers has taken place, as above said. The increasing improvement of such services that we have observed, shows an increasing empowerment of customers who, as they become better and better at comparing different offerings, have caused an increase in the switching rate over time and then in the competition between suppliers. The switches carried out in Italy on December 31st 2009 are 9.2%, but only 2.7% results to have switched to a competitor supplier, unlike what happens in Great Britain, where since 2009 the percentage has increased up to reach 18% and Victoria, where the percentage has reached 25%.



Figure 4

Source: Lewis P.E., VaasaETT world energy retail market rankings report 2010

The English and Victorian energy companies have then implemented a real relationship approach by increasing competition between themselves and the customer engagement. The merely commercial relationship, as above said, can end, but other forms of personal interaction or knowledge can continue, thus allowing a re-emerge of a new demand over time also of that service supply.

The English and Victorian energy companies, then, have been able to transform themselves into sensitive organizations, in which needs, perceptions and likes and finally, customers' satisfaction, become the focus of their action (Kotler, 2006). The customer is really the partner of a co-production relationship, in which there is not only attention to his motivations and evaluations, but a mutual exchange of information takes place. To such an end we have deeply changed and renewed the distribution channels and as regards communication we have increased its level of clarity and transparency and in this sense the ICT has showed how useful it is for the development of bidirectional relationships between demand and offer.

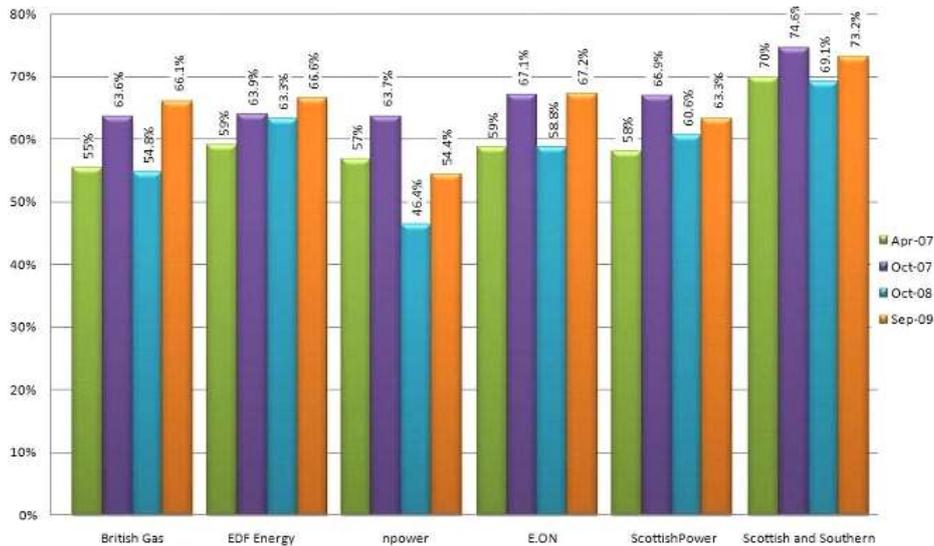


Figure 5

Source: YouGov, uSwitch energy customer satisfaction survey 2010

Marketing policies have been adopted that have caused both an increase of the effectiveness and efficiency, but also a real reversal of the relationship terms, so that we can call it reverse marketing (Blenkhorn D.L., Banting P.M., 1991). It is a customer satisfaction oriented relationship, in which the criteria of customer satisfaction are the focus of the relationship itself, which the business too helps to determine (Porter, 1996).

| | British Gas | EDF Energy | npower | E.ON | ScottishPower | Scottish and Southern |
|-----------------------------|-------------|------------|--------|-------|---------------|-----------------------|
| Overall Satisfaction | 66.1% | 66.6% | 54.4% | 67.2% | 63.3% | 73.2% |
| Recommend a Friend | 47.3% | 45.6% | 32.4% | 47.2% | 41.2% | 55.8% |
| Value for Money | 53.0% | 50.4% | 42.2% | 53.1% | 49.2% | 59.1% |
| Best Deal | 43.6% | 40.0% | 28.8% | 42.4% | 40.5% | 42.4% |
| Customer Service | 52.5% | 54.9% | 39.8% | 52.1% | 48.5% | 62.0% |
| Billing | 68.4% | 63.3% | 47.6% | 68.2% | 67.2% | 70.0% |
| Meter Services | 64.9% | 57.5% | 42.6% | 62.2% | 59.0% | 59.5% |
| Online Services | 48.1% | 44.7% | 33.3% | 53.6% | 57.3% | 37.9% |
| Reward Schemes | 20.3% | 43.7% | 28.6% | 39.2% | 12.8% | 30.2% |
| Energy Efficiency | 28.6% | 40.9% | 21.3% | 29.8% | 20.5% | 33.4% |
| Transfer Process | 74.0% | 73.1% | 69.4% | 77.5% | 75.1% | 75.9% |

Figure 6

Source: YouGov, uSwitch energy customer satisfaction survey 2009

Table 1

| | British Gas | EDF Energy | npower | E.ON | ScottishPower | Scottish and Southern |
|----------------------|--------------------|-------------------|---------------|-------------|----------------------|------------------------------|
| Overall satisfaction | 72,8% | 74,8% | 65,5% | 73,1% | 73,1% | 78,6% |
| Recommend a friend | 54,5% | 53,3% | 42% | 51,6% | 51,6% | 59,4% |
| Value for money | 57,2% | 61,5% | 53,8% | 58,3% | 60,9% | 63,5% |
| Best deal | 43,7% | 47,2% | 37,5% | 47,5% | 46,3% | 49,6% |
| Customer service | 56,5% | 61,4% | 51% | 55,6% | 54,4% | 67,9% |
| Billing | 72,3% | 71,3% | 60,5% | 71,6% | 71,2% | 73% |
| Meter service | 65,8% | 64,2% | 55,4% | 64,2% | 62,8% | 60,6% |
| Online Services | 56,6% | 50,5% | 44,2% | 57,2% | 57% | 43,3% |
| Reward schemes | 20,1% | 51,9% | 26,8% | 36,9% | 17% | 33,5% |
| Energy efficiency | 31,1% | 43% | 25,1% | 35,6% | 20,7% | 32,6% |
| Transfer process | 73,5% | 84,3% | 75,7% | 79,6% | 80% | 82,8% |

Source: YouGov, uSwitch energy customer satisfaction survey 2010

6. Marketing policies in the European energy markets

The deregulation of the European energy markets has produced an increase in the level of competition that together with the demand sophistication has challenged again the energy industry (Benady, 1999). In this sense the marketing policies for energy companies represent the main means of relationship with the external environment, in particular with customers (Sioshansi F.P., Pfaffenberger W., 2006), thus producing positive effects in the competition between companies. In the specific case they end up being an increase of value produced for the customer, an increase of profits and an improvement of the business image.

All this is shown by a consolidation of its position on the market and then by the conquest of a lasting competitive advantage both for national suppliers and for local utilities. Such policies that have become gradually popular in the energy sector, are focused on the two fundamental goals of the commercial development, that is existing customers loyalization and winning new customers. Both newcomers and incumbents, over the most recent years have clearly distinguished customer acquisition policies from customer loyalizing policies, addressing them to the new and existing customers, respectively.

However, within today's context of widespread economic difficulties, and because of the desired growth of competitiveness, the adoption of one policy is not possible anymore. As regards any potential customers the marketing policy to win customers must provide a range of different actions, besides different price offerings. As it is for current customers, besides guaranteeing a global value offering it is no more possible to leave out pricing. The creation of service values is mainly based less on hard elements than on soft elements, which can cause and enhance a consonance relationship between a business and its customer. In this way winning customers is solidly based, which strengthens the link between the firm and its customer, and reduces the risk of churn, deriving from the cognitive

mobilization of consumers, who have become more autonomous and competent as regards business offers. On the other hand, the need of gaining new customers for the newcomers, forces the incumbents, to adopt customer retention strategies, in order to limit the loss of market shares. In this sense, a lot of studies have showed the positive effects of the customer satisfaction on the customer loyalty on the energy market. It has also been confirmed that the trust on energy suppliers, implies the will of consumers to keep a long term relationship with their own supplier, in particular when the switching costs are high because of the high level of inherent risk and uncertainty (Johnson R.R., 2001).

The results of the Nesbit's (2000) and Pesce's (2002) studies, according to which the costs for winning new customers on energy markets can be 5/6 times higher than retention costs and the enough care taken for both kinds of customers, make it necessary to plan and implement a mix of policies both of loyalization and of acquisition. In this sense, we are observing two important phenomena which confirm what above said:

1. an increasing but nonetheless limited diversification, called constrained diversified, in which the primary role is played by Energy companies, as a proof of the trend observed over the last years, towards a substantial focusing of the market on the energy core business;

2. the consolidation of marketing policies, both as regards residential and business customers (Cerrato D., 2004).

The right implementation of these marketing policies must be based on the above explained principle of the conservation of business relationship energy.

Both during the planning and the implementation stage of the policies themselves, energy companies must take under consideration a long term perspective for the birth, the conservation and increase of their relationships with customers (Ford D., Gadde L., Hakansson H., Snehota I., 2011).

Conclusions

This work provides theoretical and managerial implications. The theoretical implications can be found above all in the emphasis given to the integrated use of theoretical models and principles formulated by the research about services together with the ones being typical of the IMP group. Moreover we emphasize the applicability of principles specifically formulated for the markets of industrial goods, also to the markets of services within a B2B and B2C perspectives. Different managerial applications can also be observed. From the comparison carried out between the results obtained in Italy and those obtained in Great Britain we can easily deduce that in order to guarantee a real competition, it is necessary to use an efficient relationship approach to the market, based on the definition and communication of commercial offers for the residential and business customers' segments. Overall the results show that significant efforts are require to Italian energy providers to increase their relationship approach. Currently English energy providers are mainly able to satisfy their customers and to increase the

switching rates thanks to the relationship approach. Enhancing and implementing the relationship approach of the marketing strategies taking into account the principle of the conservation of business relationship energy will stimulate satisfaction and market competition. The results suggest if relationship marketing is better implemented switching rate increases and trade relationships can be reactivated at a later time by social links which continue over the time.

A relationship approach to the market increases competition between energy companies and customer engagement, achieving the liberalization objects of energy markets.

This approach suggests that innovative choices in terms of additional services being offered must be directed both towards current customers and towards potential customers, paying the same attention to pricing. The differentiation of the service thanks a higher value offered to the customer, compared with the main competitors, matching pricing with customer service represent then, the necessary levers to guarantee a competitive advantage that can be really maintained.

However a variety of limits are to be underlined. They can be found in the limited number of countries for which a comparison of data has been carried out, in the reference period of time limited as well, and in the number of sources used that can be increased.

The future research directions will be then focused on a larger number of countries being the subject of the analysis, at first the European ones and then the non-European ones, particularly the USA and Latin America, which show the biggest cultural differences, then further public services will be considered and the attention will be paid to how structural differences in the sector, in different countries, may have influenced the present results derived from liberalization and from the implementation of marketing strategies.

References

1. Aijo, T.S., 1996. "The theoretical and philosophical underpinnings of relationship marketing". *European journal of Marketing*, 30 (2), pp. 8-18.
2. Borden, N.H., 1964. "The concept of the marketing mix". *Journal of Advertising research*, 4 (June), pp. 2-7.
3. Cerrato, D., 2002. "Processo di deregolamentazione e cambiamenti strategici e organizzativi nelle imprese di servizi pubblici. Il caso Aem Milano". *Azienda Pubblica*, 15, pp. 277-294
4. Cerrato, D. , 2004. *I percorsi di sviluppo delle public utilities. Risposte strategiche alla liberalizzazione nel settore dell'energia* Padova: CEDAM.
5. Christopher, M., Payne, A., & Ballantyne, D., 1991. *Relationship marketing*. London: Heinemann.
6. Consumer Utilities Advocacy Centre 2011. *Improving Energy Market Competition Through Consumer Participation*. Melbourne: CUAC.

7. Cunningham, M.T.& Turnbull, P.W., 1982. Inter-organizational Personal Contact Patterns, In Håkansson, H. *International Marketing and Purchasing of Industrial Goods. An Interaction Approach*, London: Wiley & Sons.
8. Blenkhorn, D.L. & Banting, P.M., 1991. "How Reverse Marketing Changes Buyer-Seller Roles". *Industrial Marketing Management*, 20 (3), pp. 185-191.
9. Drucker, P., 1954. *The practice of management*. New York:Harper Collins Publishers.
10. Drummond, J. & Hanna, F., 2001. *Selling power. Marketing energy under deregulation*. Canada: Trafford.
11. Dwyer, F., Dahlstrom, R. & DiNovo T., 1995. "Buyer-Seller Relationships - Theoretical Perspectives". In Möller, K., & Wilson, D. *Business Marketing: An Interaction and Network Perspective*. Boston: Kluwer Academic Publishers.
12. Ford, G., Gadde, L., Hakansson, H. & Snehota, I., 2011. *Managing business relationships*. London:Wiley.
13. Gadde, L. & Mattsson, L., 1987. "Stability and Change in Network Relationships". *International Journal of Research in Marketing*, 4 (1), pp. 29-41.
14. Grönroos, C., 1978. "A service-oriented approach to the marketing of services". *European Journal of Marketing*, 12(8), pp. 588-601.
15. Grönroos, C., 1984. "A Service Quality Model and its Marketing Implications". *European Journal of Marketing*, 18 (4), pp. 36-44.
16. Grönroos, C., 1996. *Relationship marketing: a structural revolution in the corporation*. International Conference on Relationship marketing. Berlin.
17. Grönroos, C., 2000. *Service management and marketing. A customer relationship management approach*. London: John Wiley and Sons.
18. Grönroos, C., 2005. *What can a service logic offer marketing theory*. Helsinki: Library of Swedish School of Economics and Business Administration.
19. Grönroos, C., 1994. "From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing". *Management Decision*, 32 (2), pp. 4-20.
20. Grönroos, C. & Gummensson, E., 1985. *The Nordic School of services. An introduction*. In Grönroos, C., & Gummensson, E. *Service Marketing – Nordic School Perspectives*. Stockholm: Stockholm University.
21. Håkansson, H. & Snehota I., 1995. *Developing Relationships in Business Networks*. London : Routledge.
22. Hakansson, H. & Wootz, B., 1979. "A Framework of Industrial Buying and Selling", *Industrial Marketing Management*, 8 (1), pp. 28-39.
23. Havila, V. & Wilkinson, I.F., 2002. "The principle of the conservation of business relationship energy: or many kinds of new beginnings". *Industrial marketing management*, 31 (3), pp. 191-203.
24. Hennig-Thurau, T. & Hansen, U., 2000. *Relationship marketing: competitive advantage through customer satisfaction and customer retention*. Berlin, New York: Springer.

25. Holmlund, M., 1996. *A Theoretical Framework of Perceived Quality in Business Relationships. Research Report*. Helsinki: Library of Swedish School of Economics and Business Administration.
26. Iovino, F., 2012. "Le scelte delle politiche di marketing delle imprese energetiche". *Management delle utilities*, 10 (4), pp. 23-35.
27. Iovino, F., 2014. "L'internet marketing nelle imprese energetiche: il caso di un'impresa elettrica romana". *Mercati e competitività*, 3, pp. 141-161.
28. Johnson, R.R., 2001. "Aftershocks". *Public Utilities Fortnightly*, Spring, pp. 4-6.
29. Kotler, P., 2006. *Marketing in the Public Sector: A Roadmap for Improved Performance*. Prentice Hall: Pearson Ed.
30. Kotler, P., 2008. *Kotler on marketing. How to create, win and dominate markets*. New York: The Free Press.
31. Lewis, P.E. (2010). *VaasaETT world energy retail market rankings report 2010*. [Online] (Updated 11 May 2011) Available at: <http://www.vaasaett.com> [Accessed 11 June 2011].
32. Mele, R., 2003. *Economia e gestione delle imprese di pubblici servizi. Tra regolamentazione e mercato*. Padova: Cedam.
33. Nesbit, B., 2001. "Power to the people". *Public Utilities Fortnightly*, Winter, pp. 36-42.
34. Pesce, B., 2002. What's in a brand?. *Public Utilities Fortnightly*, March/April, 2, pp. 24-26.
35. Porter, M.E., 1996. What is strategy?. *Harvard Business review*, nov-dic, 6, pp. 61- 78.
36. Sioshansi, F.P. & Pfaffenberger W., 2006. *Electricity market reform: an international perspective*. Amsterdam: Elsevier.
37. Wijnholds, H., 2000. "Competitive electricity markets in the U.S. and the E.U.: can they learn from each other?". *Journal of Euromarketing*, 9 (1), pp. 37-55.
38. Wind, Y. & Robertson, T.S., 1983. "Marketing strategy: new directions for theory and research". *Journal of marketing*, 47 (2), pp. 12-25.
39. Rie, gruppo GMPR, AU, Enel, Federutility 2010. *3° Indagine liberalizzazione mercato energia*. [Online] (Updated 13 April 2010) Available at: <http://www.acquirenteunico.it> [Accessed 11 June 2011].
40. Autorità per l'energia elettrica e gas 2010. *Elettricità: dal 1° luglio arrivano i nuovi prezzi biorari*. [Online] (Updated 25 June 2010) Available at: <http://www.autorita.energia.it> [Accessed 15 May 2011].
41. Ofgem 2010. *Update on probe monitoring: tariff differentials and consumer switching*. [Online] (Updated 1 July 2010) Available at: <http://www.ofgem.gov.uk> [Accessed 18 June 2011].
42. YouGov, uSwitch 2009. *Energy Customer Satisfaction survey*. [Online] (Updated 1 June 2010) Available at: <http://www.uswitch.com> [Accessed 15 June 2011].
43. YouGov, uSwitch 2010. *Energy Customer Satisfaction survey*. [Online] (Updated 1 April 2011), 2010 Available at: <http://www.uswitch.com> [Accessed 15 June 2011].