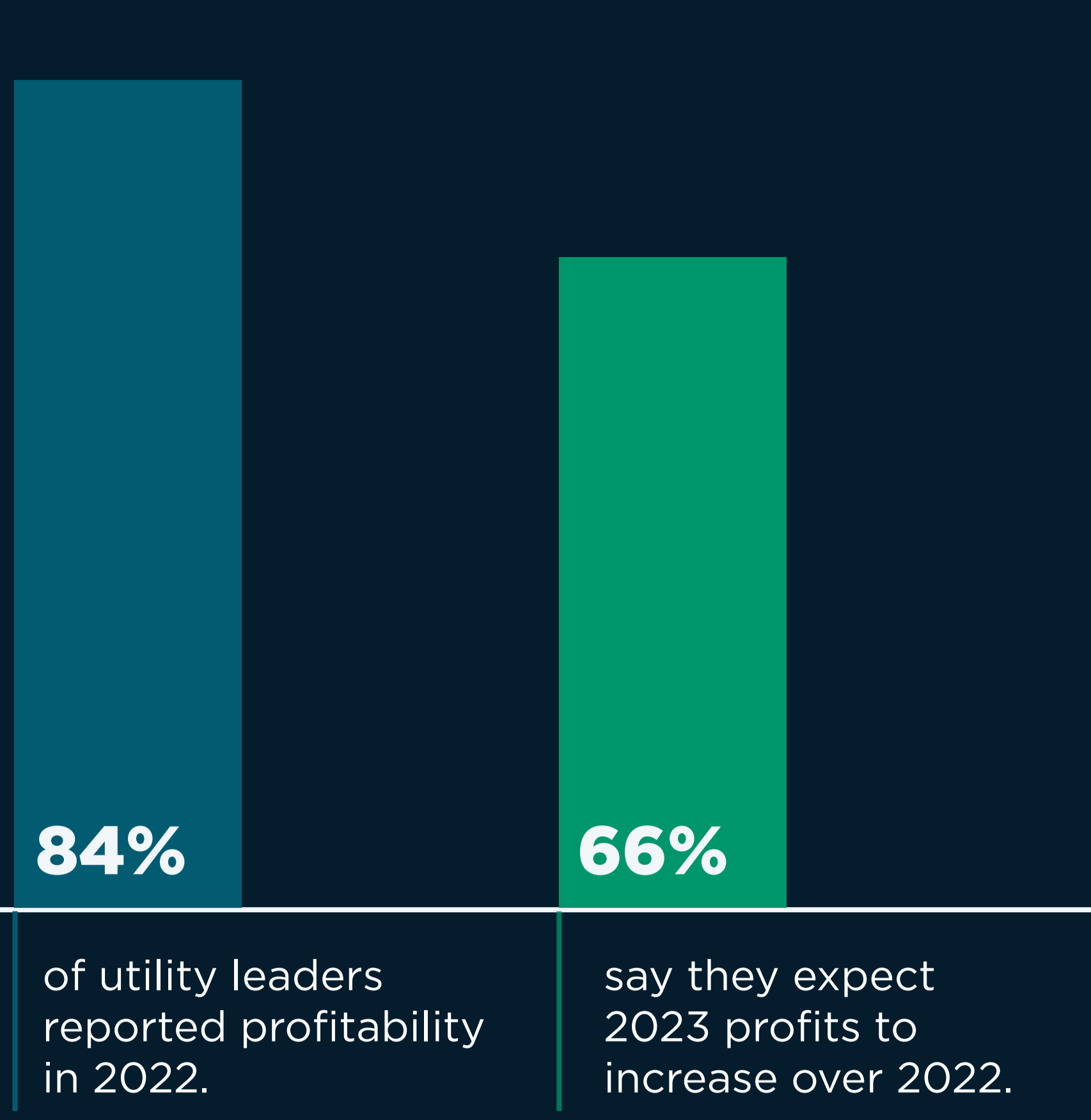


The State of Digital Product Adoption in Utilities

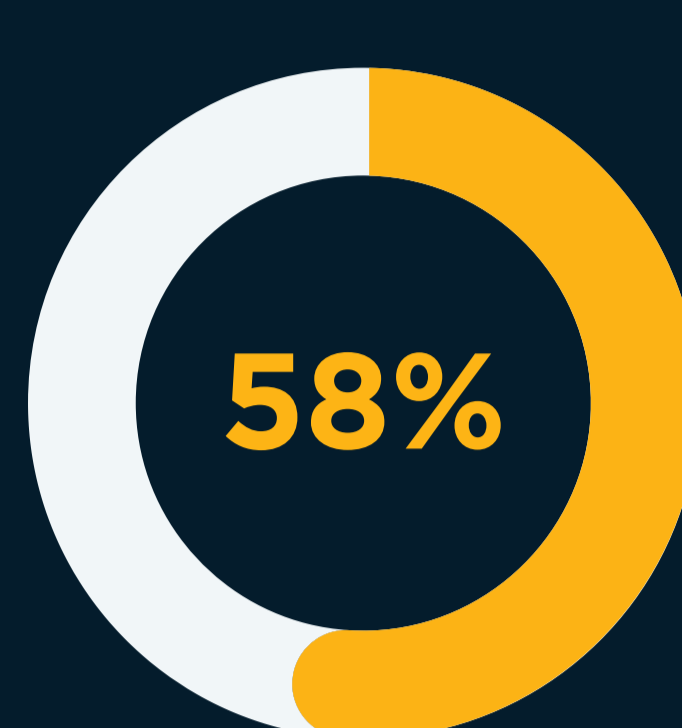
West Monroe's Digital Disconnect signature research uncovered how consumers and industry leaders are thinking about digital transformation. Our data highlights key insights based on the perspective of 100 utility industry executives and 5,000 consumers.

The utility industry is in a strong financial position. Utility leaders overwhelmingly reported an increase in profit in 2022, far outpacing any other industry surveyed. It also has confidence in sustained financial growth into the future: A majority of executives foresee further revenue and profit increases in 2023.

Consumers and employees increasingly expect a seamless digital experience—meaning the utility sector will have to leverage technology to meet these expectations. As new tools such as generative artificial intelligence accelerate at a rapid pace, how should utility leaders strategically reinvest and expand their digital product capacities to keep up?



DIGITAL PRODUCT TRANSFORMATION STRATEGY



58% of utility consumers say a separate transformation team is responsible for digital transformation projects—far higher than any other industry.

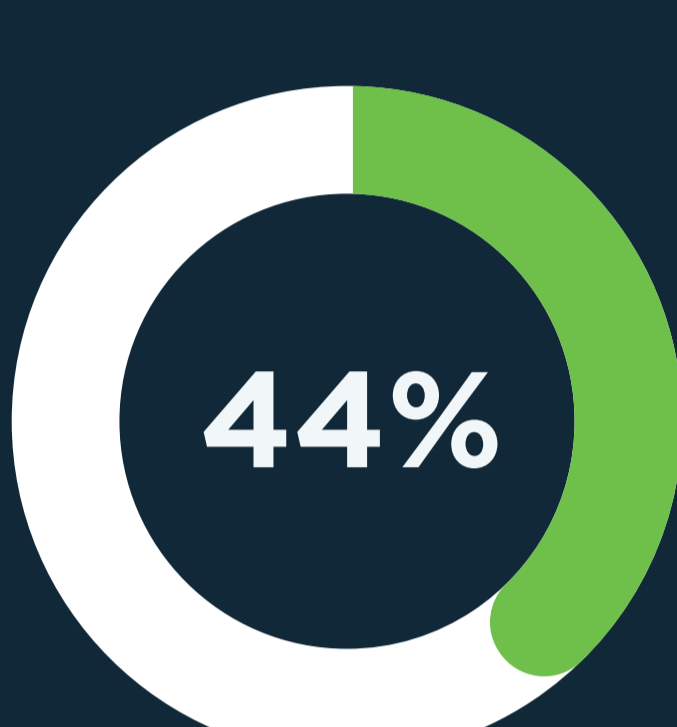
The utility industry's approach to digital product transformation is compartmentalized. For stronger digital success, the industry should strive for a more holistic integration across its business operations.



Just 19% of utility executives see digital transformations as the "creation of an organization with the right people, processes, behaviors and mindsets to compete digitally."

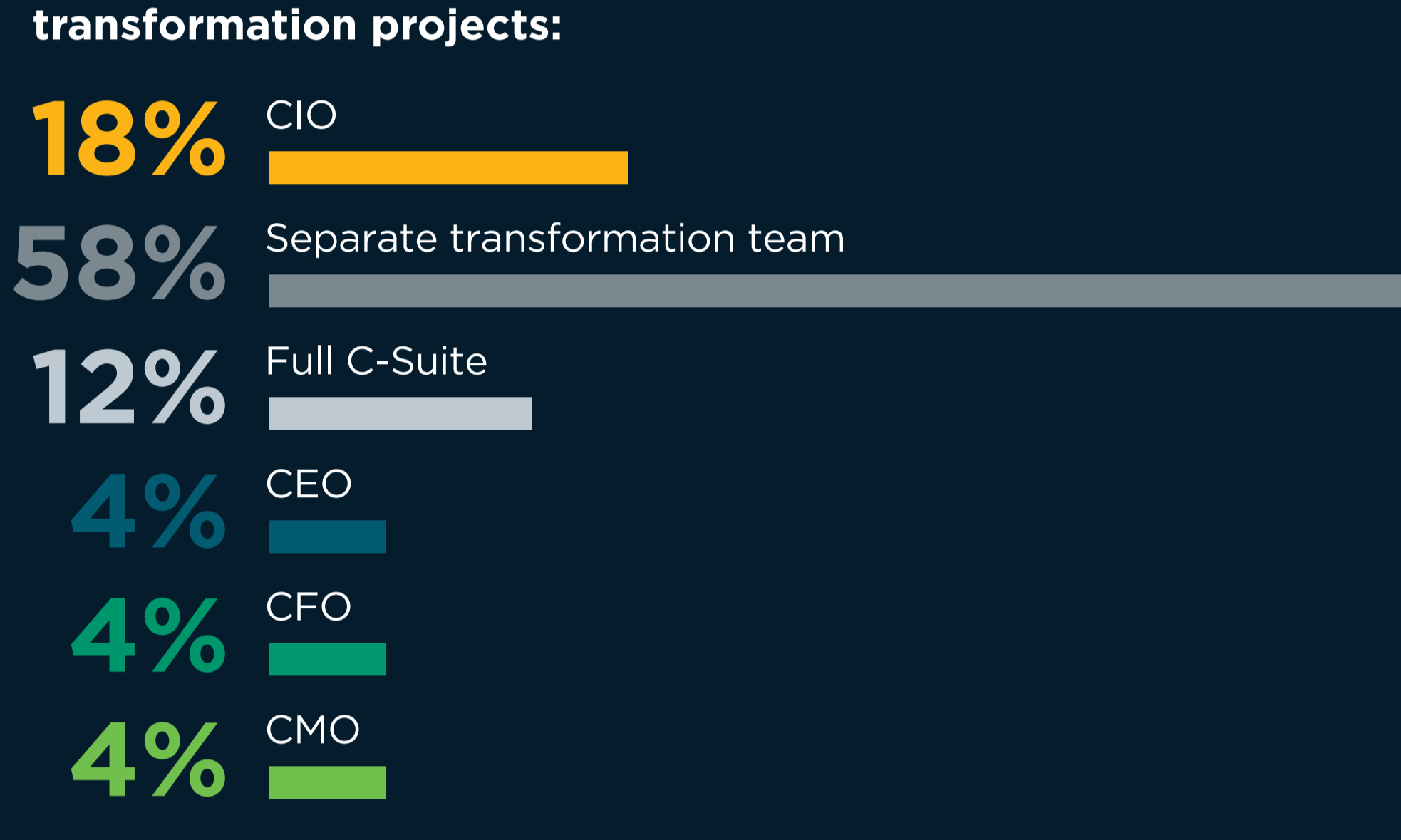
Industry leaders view digital products tactically—rather than seeing digital transformation as an organizational shift in mindset, many in the industry see it as a mere transition from manual to digital activities.

This siloed view extends to the industry's implementation strategy. The utility industry stands out for seeing a separate transformation team as being responsible for leading digital projects. Utility companies identify a separate team for this role 25% more than other industry counterparts—rather than assigning responsibility to a C-Suite member.



Just 44% of utility executives consider digital transformation a top priority this year, trailing all other sectors by at least 10%.

Who utility executives say is responsible for digital transformation projects:

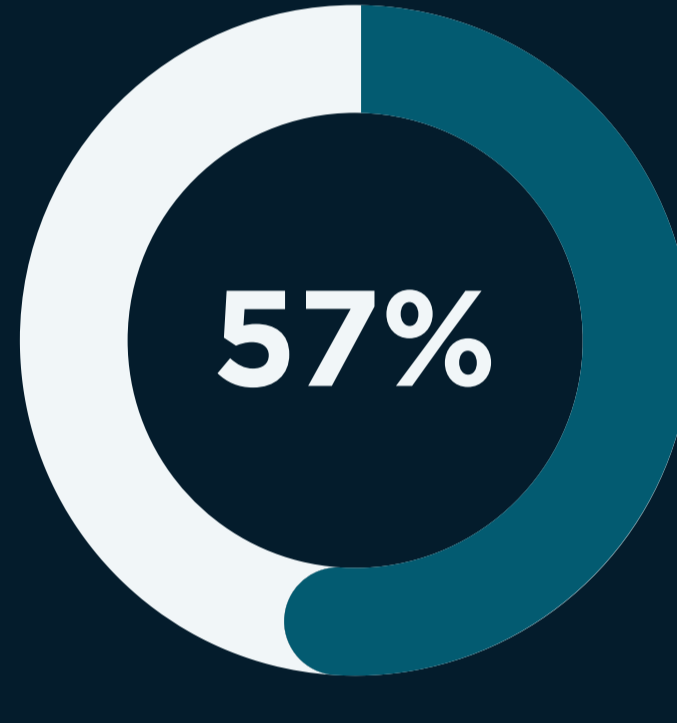


This siloed approach may be a contributing factor to the industry's low prioritization of digital products. For the utility industry to thrive in the digital age, a shift from isolated digital activities to a comprehensive, organization-wide digital product strategy is essential.

ALIGNING WITH CONSUMERS

More than half of utility consumers say "simplicity" is the most important part of their interactions with their utility provider.

Embracing digital transformation means ensuring the adoption of new technologies to empower consumers as well as align with their preferences and expectations.

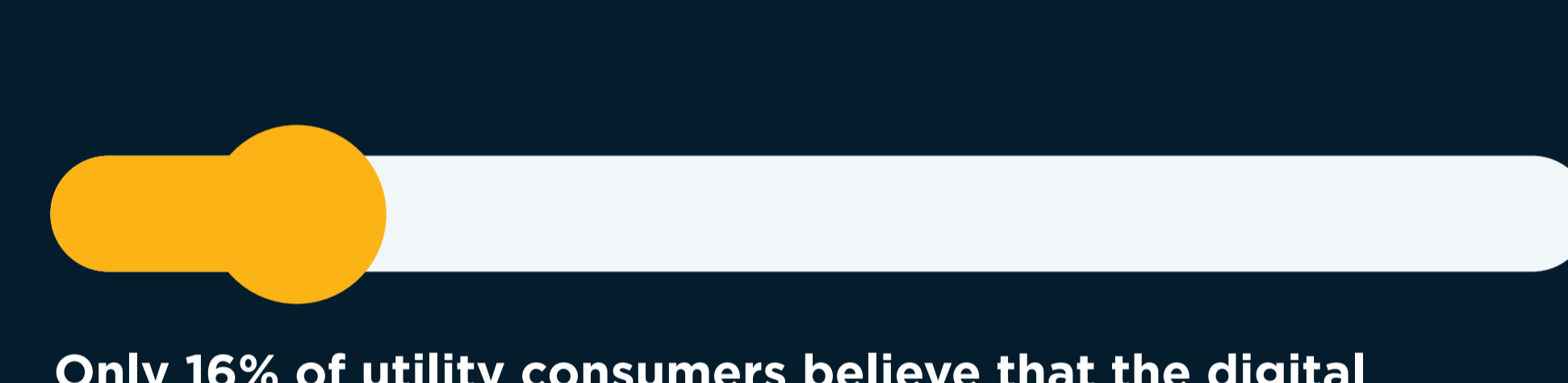
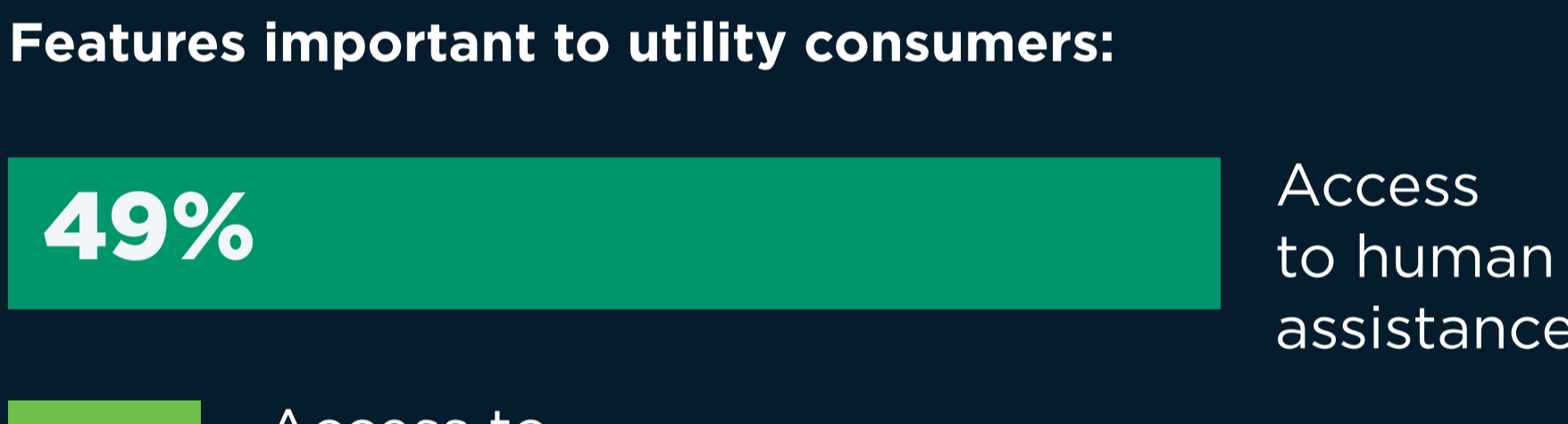


57% of utility consumers say they expect their service interactions with their utility provider to be "convenient and seamless."

Consumers have clear expectations when interacting with their utility providers: More than half (53%) say "simplicity" is the most important aspect of their experience.

This desire for simplicity is not synonymous, however, with a desire for automation. Consumers value "access to human assistance" nearly 10x as much as receiving assistance through a chatbot.

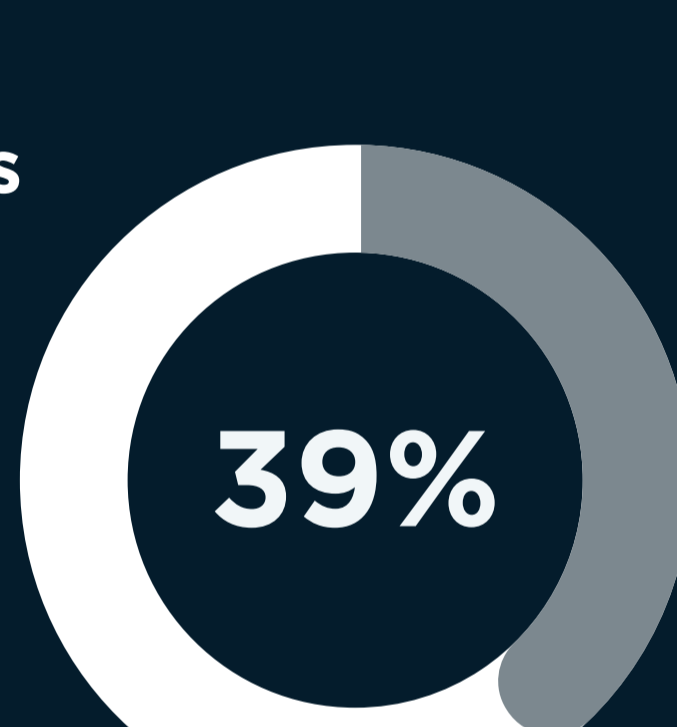
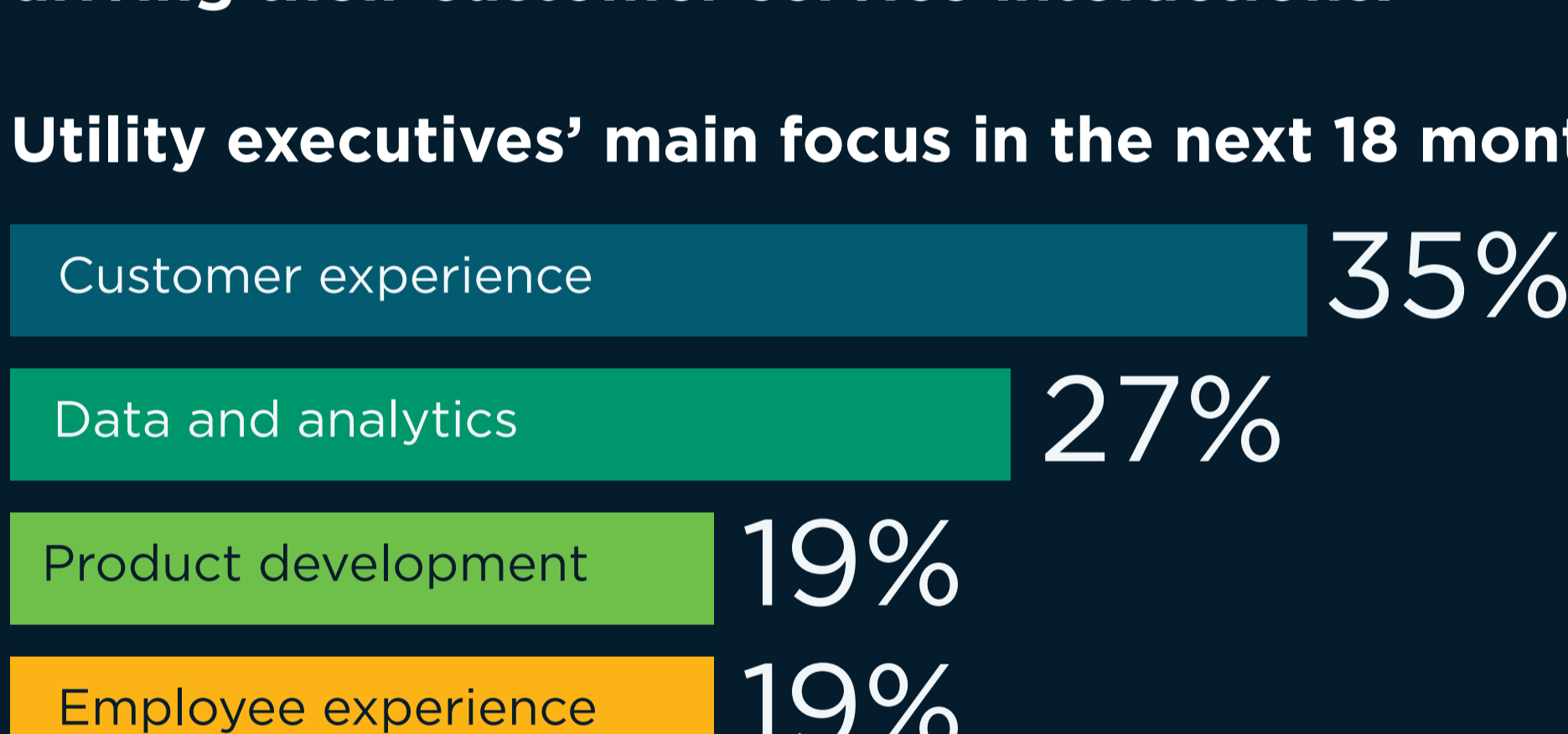
Features important to utility consumers:



Only 16% of utility consumers believe that the digital solutions provided by utility vendors "significantly" improve their day-to-day interactions.

There is a disconnect between this preference and where utility leaders see trends going. Consumers are not convinced about the benefits of digital product innovations in enhancing their utility provider interactions. Utility leaders, meanwhile, say they're prioritizing customer experience over the next 18 months— and are leaning toward using digital product solutions like generative AI for customer support. Generative AI may be a trendy technology, but customers don't yet want to see it driving their customer service interactions.

Utility executives' main focus in the next 18 months



39% of utility executives say they are actively piloting generative AI for use in customer support.

For the utility industry, aligning digital strategies with consumer needs could be transformative for customer experience. Adopting digital products is important—but only if they are adopted in the right areas.



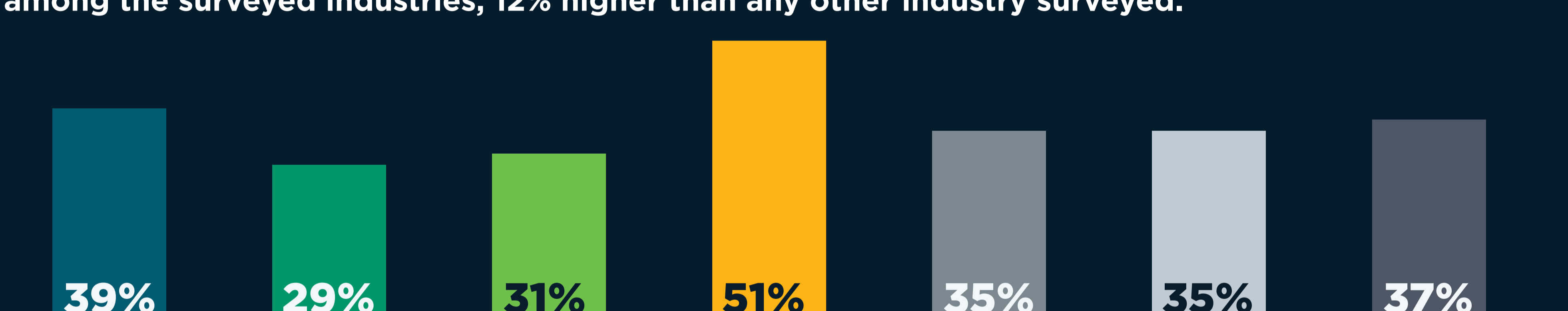
60% of utility leaders say that the majority of their staff have not embraced digital.

BARRIERS TO DIGITAL PRODUCT ADOPTION

The utility industry faces significant challenges in its digital transition, primarily centered around talent and skill gaps. Addressing these barriers is essential for the sector to fully realize its digital potential.

There has been resistance to digital adoption for now, with 60% of utility respondents saying that the majority of their staff have not embraced digital.

This slow adoption may be attributable to a skills and talent deficit. Utility leaders identify talent and skillsets as the primary barrier to bringing digital change to their organizations; this is an outlier among the surveyed industries, 12% higher than any other industry surveyed.



Utility leaders are aware of the problem: Executives believe that an "under-resourced team" and a "skillset gap" are their organizations' most significant missteps in their digital transformation journey. Utility identified "under-resourced teams" as an issue more than any other industry.

Utility's biggest mistakes in digital transformation



Every challenge, however, presents an opportunity. These results indicate that the utility sector has a long runway for improving its digital product capacities. By consulting with digital experts to determine how to best address these talent and skill gaps, the utility industry has the potential to unlock significant growth.



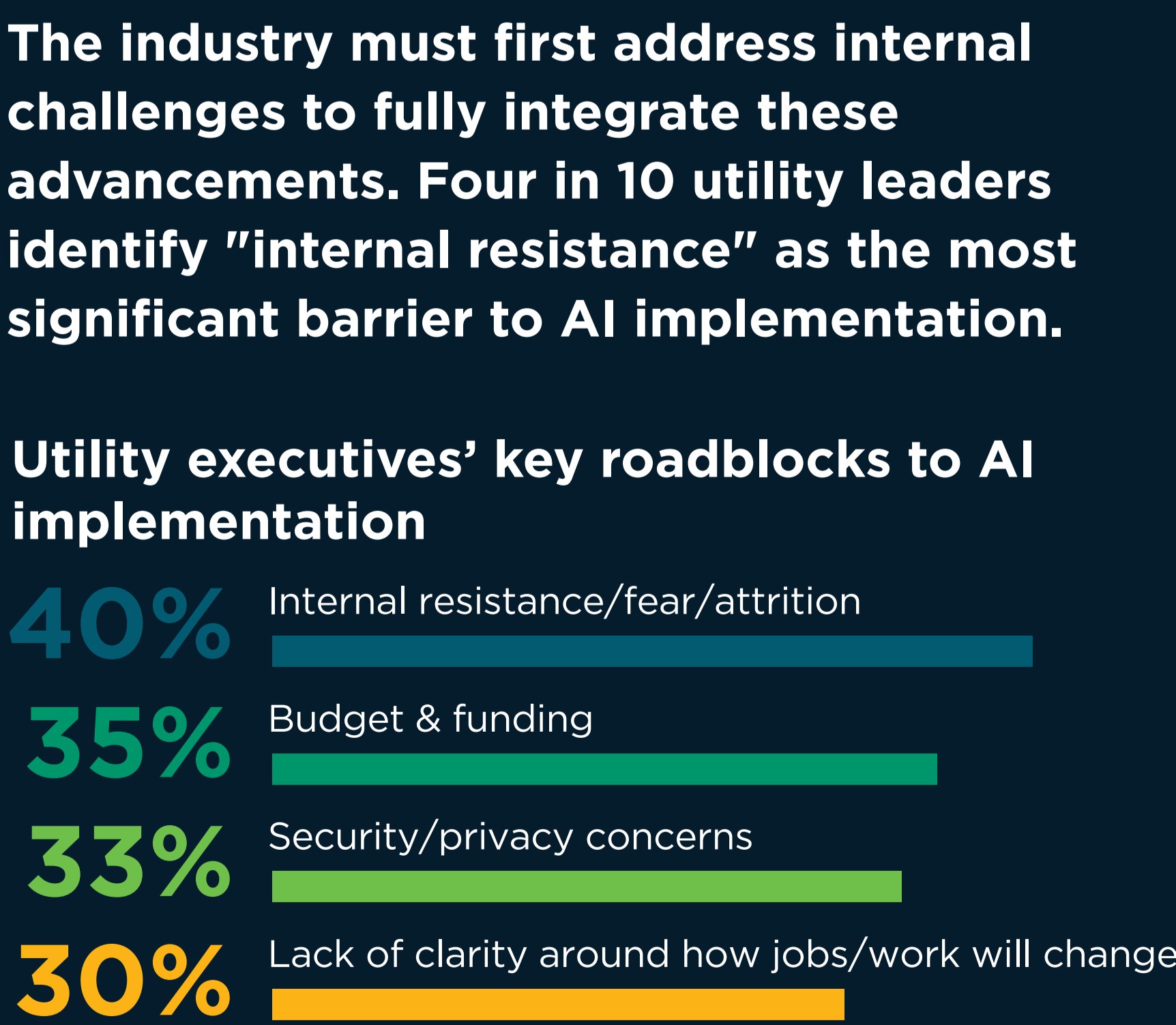
42% of utility executives see generative AI implementation as their highest digital priority.

FUTURE TECHNOLOGY ADOPTION

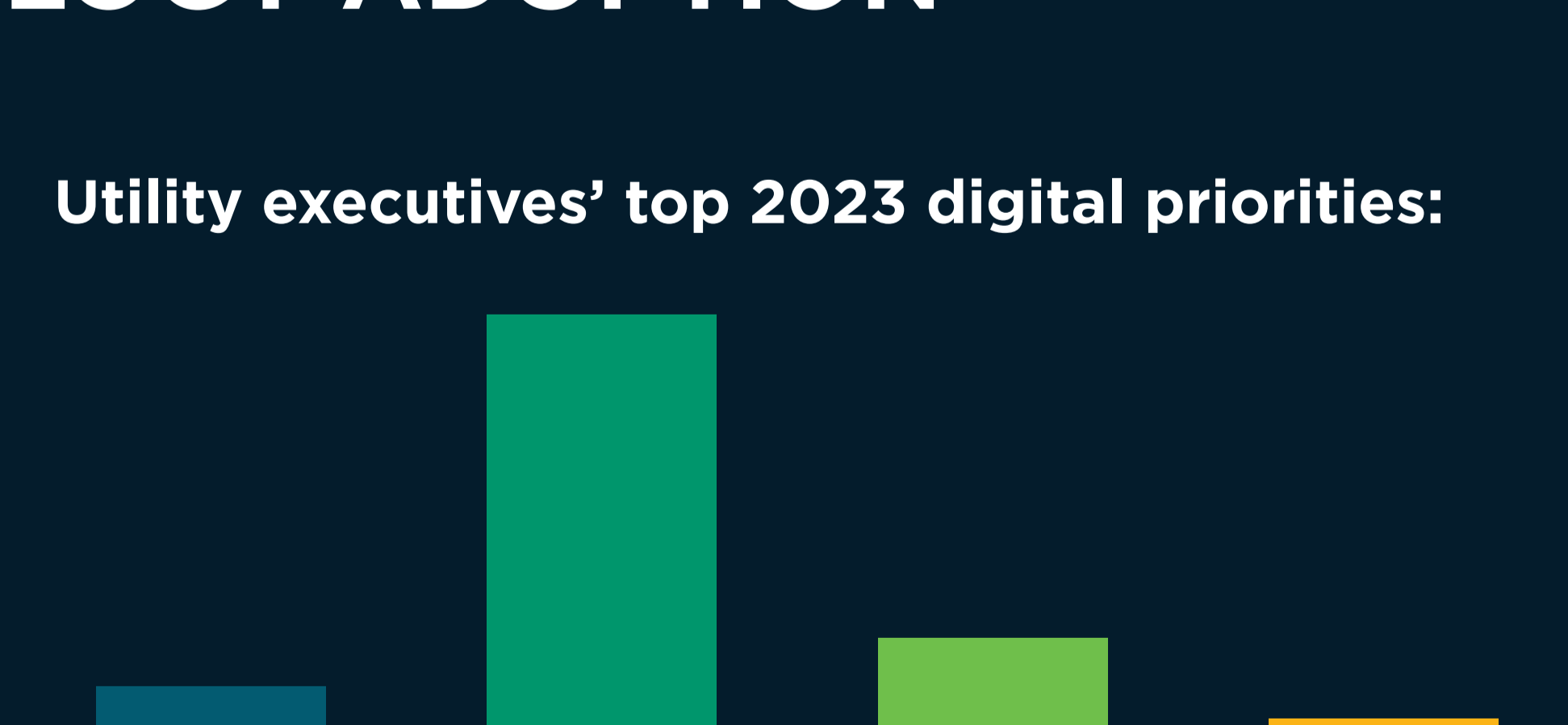
As the digital landscape evolves, utility executives are interested in harnessing the potential of generative AI technologies; 42% of utility respondents in the survey identified generative AI as their top digital priority for 2023. This was higher than for any other surveyed industry.

The industry must first address internal challenges to fully integrate these advancements. Four in 10 utility leaders identify "internal resistance" as the most significant barrier to AI implementation.

Utility executives' key roadblocks to AI implementation



Utility executives' top 2023 digital priorities:



Utility executives are much more enthusiastic about AI implementation than about leveraging digital products for customer insights: Only 19% of respondents consider "predictive customer insights" a primary digital focus for the upcoming year.

For the industry to become a leader in AI technology, however, building up competence in this baseline data analytics will be essential. The utility industry will need to develop these capacities for gleaming insights from data as a foundation for development robust AI systems.

To truly harness the power of digital products, the utility sector must foster internal alignment and build up its digital infrastructure, ensuring a cohesive, coordinated approach to adopting the technology of the future.

The utility industry is facing an important moment. It is in a position for continued financial success, but challenges such as talent acquisition, internal alignment on digital priorities, and meeting customer preferences present obstacles to future growth.

To navigate a successful digital transition, the industry must increase its internal commitment to digital products and develop adoption strategies that include the whole organization. If utility leaders take advantage of this moment and embrace change, they can ensure the industry will see growth through strong digital capacities.