



INNOVATION NATION



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Innovation Nation

Who wants to be innovative?

It seems like everyone wants to be innovative today. When we talk to our clients in industries as diverse as health care, education, energy, and financial services, their leaders tell us that innovation is a top priority. Being innovative can be seen as a plus, but a perceived lack of innovation can make or break a business.

In the utility industry specifically, the subject of innovation is more complex. As *New York Times* columnist Thomas Friedman asked and answered: “Do you know what my favorite renewable fuel is? An ecosystem for innovation.”

For utilities, innovation is a business imperative, a regulatory mandate, and a perception issue. Electric utilities, in particular, often get painted with a broad brush. People think they move slowly to adopt new technologies or that they run an outdated grid. They don’t necessarily believe that utilities are creating the ecosystem for innovation that Friedman references.

“Do you know what my favorite renewable fuel is? An ecosystem for innovation.”

*— Thomas Friedman
New York Times columnist*

Pair those preconceptions with the rapid pace of change in many other aspects of our daily lives – particularly technology – and it can add up to an overall perception that the industry is lagging.

At Global Strategy Group (GSG), we’ve worked in the utility industry for decades, both in house and as consultants. We see an industry that is addressing one of the most critical questions of our time – how do we secure and deliver power in a way that is reliable, efficient, safe and sustainable? Many of the utilities we work with have teams dedicated to strategy and innovation, and they are regularly introducing new business models and customer-centric products – all while navigating a regulatory structure that takes longer to adopt and reward innovation than the economic marketplace.

In a recent nationwide survey conducted by GSG, we dug a little deeper into what industries people find innovative, how they define innovation, and how they view their own local utility’s efforts.



Customers' views on innovation

Not surprisingly, when we asked what industries people thought are the most innovative, the only industry to get a majority response was technology (71%). The good news is energy is in second place (39%) – ahead of health care, education, cable/ phone service, and financial services.

Overall, the same number of people who view the energy industry as innovative (39%) also say their local electric company is innovative (38%). But those numbers are misleading. Different demographics – including education level, geography, and party affiliation – all affect the perceptions of innovation.

As we look at these different groups, a disconnect emerges. Generally, those who are the most likely to believe the industry as a whole is innovative are less likely to believe their local utility company is innovative. For example, when we look at college graduates, the perception gap between the industry and a person's own utility gets more pronounced. About 47% of college graduates say the energy industry is innovative, but only 27% of those same respondents believe their local electric utility company is innovative – a 20 point difference.

Why does this matter? It means that local companies are leaving value on the table. There are entire populations who believe that energy companies can be innovative; that the technology is out there. But local companies are not yet meeting that expectation.

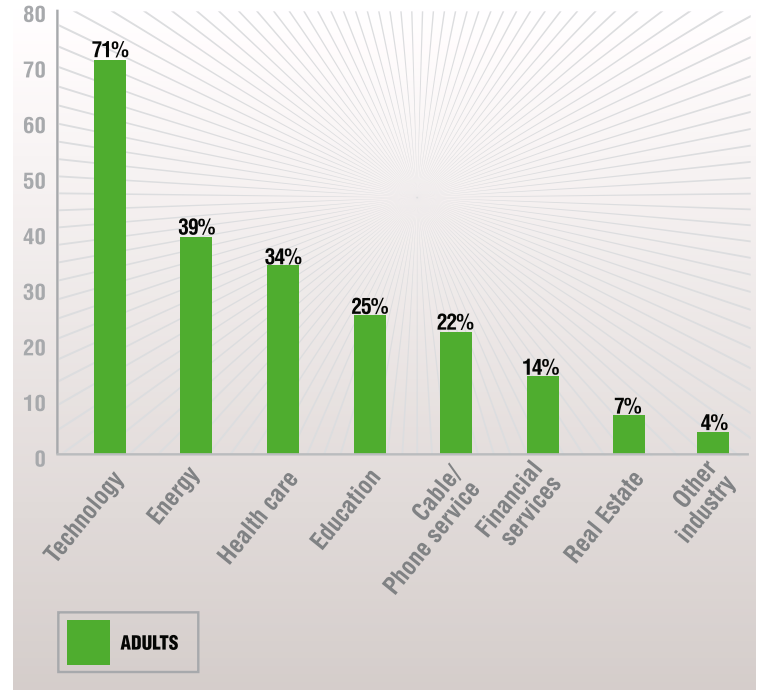
What makes something innovative, anyway?

The expectations for what makes something innovative can feel daunting. We found in our research that people don't define innovation as improving a process or a product or creating something big and disruptive.

One answer stands out well beyond the others: **new.**

For many of the industries that GSG works in, the word "new" can cause anxiety, particularly when regulatory approval is needed during every step of the process for something "new." For electric

Which of the following industries do you associate with innovation?



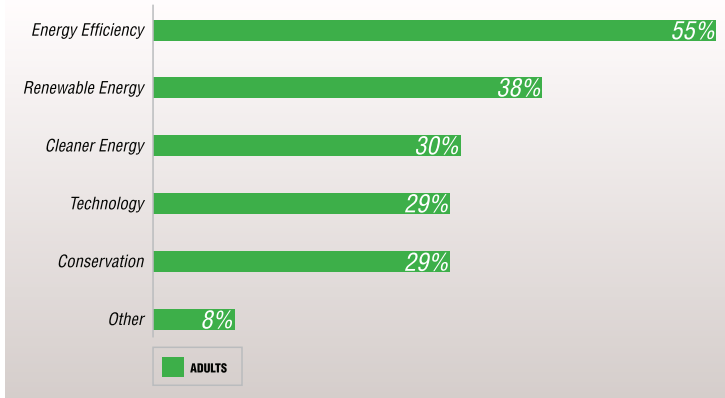
When you think of the word "innovation," what is the first word or phrase that comes to mind?



utilities, creating something “new” can also be tough because while there has been an increase in renewable energy generation in recent years, the ways we generate and deliver electricity have been the same for decades.

But when we asked people what word came to mind when they thought about innovation in terms of their local utility, there are things that utilities already offer that count.

When you think of innovation in terms of your local utility company, what words or phrases come to mind?



Specifically, energy efficiency (55%) was the top choice by a large margin, with renewable energy, cleaner energy, technology, and conservation following 15 to 25 percentage points behind.

This is good news: it means that your customers give you credit for something that you’re already doing.

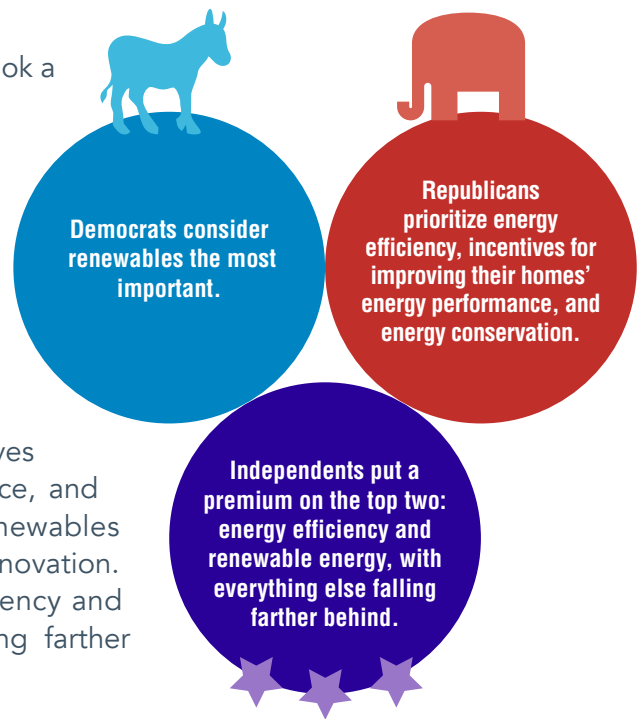
There is a big communications opportunity here. By communicating more – and more directly – with this particular audience about your energy efficiency programs, you will get credit for being more innovative.

The politics of energy innovation.

With the 2016 election cycle in full swing, we took a look at partisan differences.

It’s no secret that Democrats and Republicans think differently. And it turns out they think different things are important when it comes to electricity. For a utility trying to influence a state legislature or a partisan regulatory body on new programs, this kind of insight is helpful.

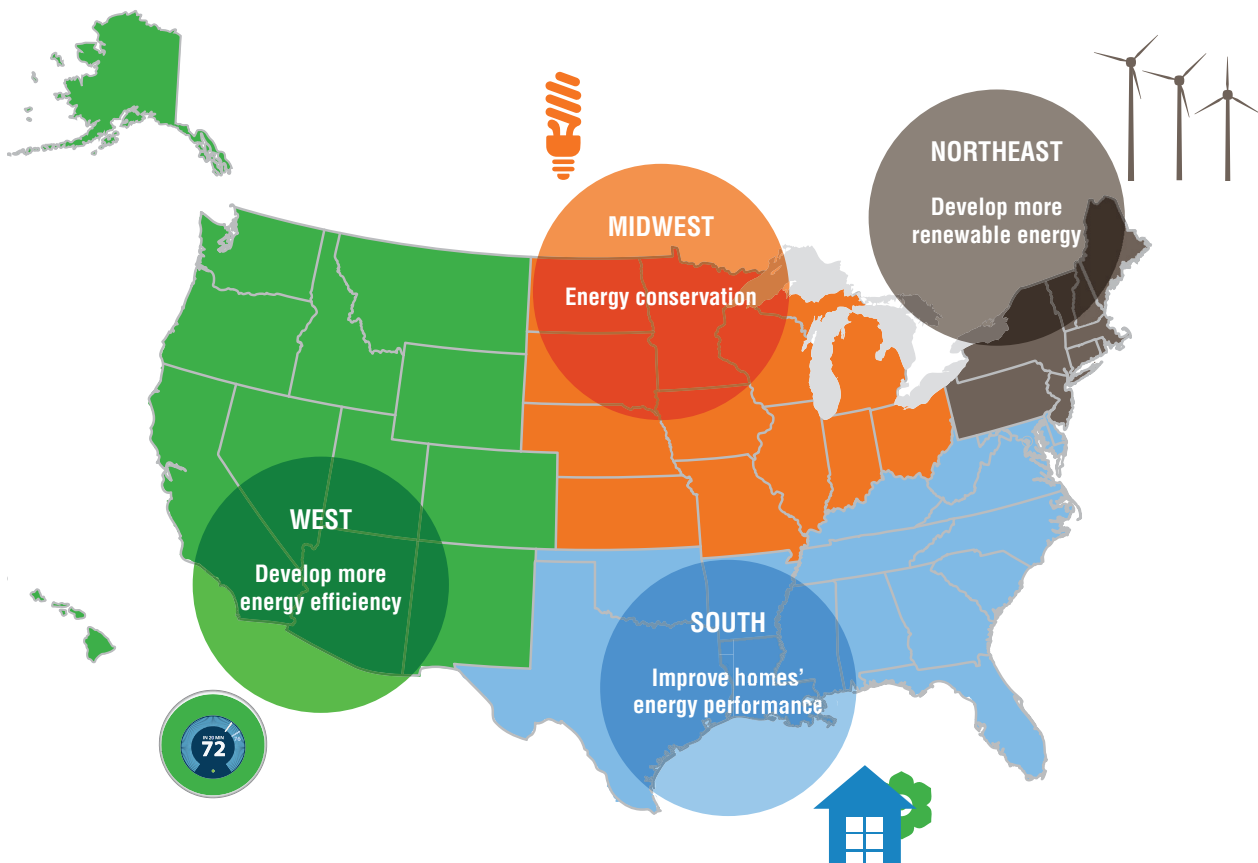
Republicans prioritize energy efficiency, incentives for improving their homes’ energy performance, and energy conservation. Democrats believe renewables are the most important component of innovation. Independents put a premium on energy efficiency and renewable energy, with everything else falling farther behind.



The United States of energy innovation.

We know there are regional differences in opinion on many issues, and that extends to different points of view about what's important to people in different parts of the country when it comes to energy.

Nearly half of people in the West want their companies to develop more energy efficiency programs (46%) and renewable energy sources (47%). The South leans more toward providing incentives for customers to improve home energy performance (46%), along with energy efficiency (43%). The Midwest wants more energy efficiency programs (45%) and renewable energy (43%), and also raises energy conservation into its top tier (41%). And the Northeast – along with putting one of the highest prioritizations on renewables (50%) – also considers it important to update the electric grid (39%).



Look who's innovative now!

Taken together, these results show that utilities have a great opportunity to position themselves – and particularly their work in energy efficiency and renewables – as innovative. Here are a few tips.



Employ “new” words: Update your messages that describe your energy efficiency offerings. Don't be shy about calling them innovative or new!



Make efficiency part of your brand: Highlight energy efficiency programs and services as part of your overall brand marketing and reputation efforts.



Use data to make communications relevant: Utilities have a wealth of information at their fingertips about customer behaviors and preferences. Tapping in to that information, combined with basic demographic information, can make your communications efforts more relevant to your customers.

Many utilities already are doing this work, while others may just be getting started. We look forward to hearing from you about your ideas and your communications needs as you position your innovative energy efficiency offerings.

For more information or additional details about or findings from the survey, please contact:

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Global Strategy Group (GSG), one of the nation's go-to public affairs firms, has served as a trusted advisor to companies across the energy and utilities sector. From power generators and wind developers to traditional electric, natural gas, and electric utilities, to start-ups providing technology solutions to the industry, GSG brings high-level strategic guidance and fast, effective execution to every assignment.

Survey conducted July 2015 with 1,000 respondents. Margin of error +/- 3.1%