



MARKET FOCUS ENERGY: Switching on to PR - Deregulation has thrust the nation's energy companies into unfamiliar territory: competition Craig McGuire reports on how they're using PR to show them the way.

Written by **CRAIG MCGUIRE**
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Americans are not known for their willingness to go without. So when they flick the switch and the lights don't come on, or they find a rate hike on their monthly bill, they don't hesitate to push the panic button. With deregulation blowing many regional markets wide open, energy providers from Boston to Spokane are realizing they'd better get the word out before someone else does. The industry is calling on PR people to help out with re-branding and crisis management, as well as good old media relations.

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With its monopoly-busting, power-to-the-people connotations, the idea of deregulation has been embraced by consumers. But deregulation in the dollars 500 billion power industry is entirely different. Many are finding that pleasing fickle and frequently confused customers is a lot harder than soothing stoic regulators. Emissions, siting new power-generating facilities, shortages, outages and re-branding are just some of the issues now facing utilities - many of which have been unchallenged for over 100 years.

'In the past they had a guaranteed rate of return with guaranteed profits,' said Bob Sommer, EVP/principal at The MWW Group. 'Now, deregulation has changed the entire environment. Where most states had maybe two or three utilities, they are now hemorrhaging market share (to new competitors) and scrambling to make it up in other areas and regions.'

Crisis management is one area in which utilities are looking to The MWW Group and others for help. When Energy America, a consortium of several Northeast-based utilities, was hammered by disgruntled customers who felt they were oversold following a door-to-door sales campaign, MWW was called in for damage control.

'For the past six months, we've executed a PR campaign targeting regulators, customers, reporters and community leaders, addressing their concerns,' said Sommer. 'Regular press releases and events, including inviting media on sales tours, were critical to (get out the message) that Energy America was taking these complaints very seriously.'

California battles

Nowhere in the US is the battle over deregulation raging fiercer than in California, the first state to usher in deregulation in 1998. Earlier this summer, San Diego residents

were alarmed when Southern California Edison nearly doubled their rates. Meanwhile, regional uber-powerhouse PG&E is not only facing disgruntled customers, but the high-profile 'Erin Brockovich' class-action suit set for trial in November, in which 1,500 plaintiffs allege the company covered up health and environmental hazards.

Taking a 'batten down the hatches' approach to PR, PG&E has so far managed to deflect most of the heat - but not all of it.

Meanwhile, smaller providers in the Golden State are flourishing. Prior to deregulation, the City of Santa Clara's electric department launched a re-branding campaign, casting off its generic label in favor of the sleeker moniker Silicon Valley Power (SVP). The company now serves more than 50,000 customers and has signed lucrative contracts with Intel, Applied Materials and National Semiconductor.

SVP used everything from refrigerator magnets to bumper stickers in its re-branding campaign. PR, however, has proved much more useful in other areas, especially this year. When the available power supply drops below a certain level, the California Independent Systems Operators issues alerts, stage one through stage three. While stage one and stage two require SVP to encourage conservation, stage three means mandatory cutbacks and rolling brown-outs. The city experienced around 20 stage one and stage two alerts this summer.

'If we do go to stage three, we jump right into breaking news mode,' says Victor Heman, PR director for The Corsi Agency, which represents SVP. 'The mayor would make an announcement, amounting to declaring a state of emergency. We have press releases already written, spokespeople already designated. We're past the most dangerous part of the season, but you never know.'

To keep pace these days, utilities have had to re-work their business models or face losing lucrative market share as other regional giants, aggregates and small start-ups moved into their space.

Just look at the numbers. According to Corporate Branding, the Stamford, CT-based research firm, familiarity of utility corporate brands has grown by 24% over the last nine years and, at the same time, brand power ratings for utility corporate brands has grown 14%. Meanwhile, advertising expenditures over the past nine years have jumped over 300%, with most of that coming in the last four years.

One powerful utility that consistently scores high marks on most industry branding surveys is Duke Energy, a Fortune 100 company projecting dollars 40 billion in revenues for 2000, derived from operations on five continents.

Duke Energy was formed through the 1997 merger of Duke Power and Pan Energy, a Houston-based natural gas company. On the corporate level, Duke has 20 dedicated PR and IR employees, with numerous other PR staffers assigned to each product division. The company also uses Charlotte, NC-based Price McNabb on a project basis.

'Customers have long memories, and if you don't serve them well and aren't reliable, they will not forget,' said Roberta Bowman, VP of Public Affairs and Chief Communications Officer. Duke, like more and more energy providers these days, is turning to the Web to publicize its services.

'This year we've been aggressively promoting MyDukeEnergy.com, a password-protected site that will provide customized access to account data and company info,' says Bowman. 'This is really a great marketing and PR tool, leveraging the interaction we have with customers, especially those larger customers really in need of personalized attention.'

Unlike Duke, which maintained its identity through the merger and deregulation, many

other utilities are being forced to re-brand themselves.

'Most are looking to get away from the specific G&Es (gas and electric) and L&Ps (lighting and power),' points out Susan Nielsen. 'Not to mention reflecting their moves outside their region.'

In 1998 Nielsen was the team leader behind the successful re-branding of Washington Water Power to Avista Corp. 'We took everything, from customer bills to press releases, and stamped it with 'Washington Water Power, soon to be Avista Corp.',' said Nielsen.

The mantra proved so pervasive that when a local reporter took to the streets of Spokane asking people to 'finish this sentence: 'Washington Water Power ..."' most rolled their eyes and responded in deadpan, 'Soon to be Avista Corp.' In that same time period, surveys showed recognition had jumped from 15% to over 90% among customers.

The monolith factor

But established monoliths with secure brands they can grow with still have a leg up on the competition. It's the new blood that needs aggressive PR strategies to get the word out.

These include companies like Essential.com, a Burlington, MA-based online marketplace for energy and communications services. Since launching June 14, 1999, effective communications strategies have enabled the upstart to not only raise dollars 95 million in three rounds of fund-raising, but also set the table for an upcoming IPO. They filed their S1 form with the SEC in early April.

'This is a dollars 500 billion industry, so we just pitched ourselves to The Wall Street Journal as a new player,' said Joe Palladino, PR director at Essential.com. 'The reporter picked up on the angle and profiled us in a January article. They then ran a follow-up in February when we landed dollars 75 in VC funding.'

'The number one use for PR among utilities used to be to stay out of the media,' says K.C. Brown, director of research at Delahaye Medialink.

'Now, they are having to bring in new blood, because they are realizing they need people and programs that are going to be proactive in building up under-performing brands and attracting attention.'

Massachusetts was the second state, behind California, to enact deregulation.

NSTAR, a brand born a little over a year ago, grew out of the pre-deregulation merger between Boston Edison and Commonwealth Energy. Right after the merger, Clarke & Company was brought on to position the new company for deregulation.

'We started with crucial employee relations,' said C&C spokesman Lynn Kettleson. 'We got the CEO out early talking to the local and trade media, local legislators and customers. But the most important thing is to educate them not only on where the industry is going, but what your company's role will be.'