

Case Study: Digital Reinvention Requires A Customer-Obsessed Organization

Utility Company Eneco Reinvented Its Business Model To Stay Relevant Amid Fast-Changing Customer Expectations

by Frederic Giron

August 24, 2016

Why Read This Report

A combination of technology, regulatory, and consumer trends forced Eneco, a leading provider of sustainable energy in Europe, to accelerate its digital transformation. The company is focusing on making its core business capabilities more relevant and investing in developing and scaling new digitally enabled business models. This report presents lessons that CIOs can apply to their organizations when helping business peers build the company's future digital businesses.

Key Takeaways

The Pace Of Transformation Is Dictated By Your Customers

The pace of business transformation for the utility industry used to be set by the electricity generation and distribution asset life cycle. Today, empowered customers are increasingly adopting smart technologies to take their energy destiny into their own hands.

A BT Transformation Brings Technology Closer To The Business And Its Customers

A business technology (BT) transformation helps Eneco's business units understand the value of digital technologies and stay relevant to customers. This new capability is critical to scaling digital innovations and having a positive and meaningful impact on business outcomes.

CIOs Need To Orchestrate The Transformation And Innovation Agendas

By 2025, digital products and services should be generating 50% of Eneco's global revenues. Eneco's CIO is key to orchestrating the transformation of the core and scaling new digital ventures.

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Forrester interviewed Eneco.

Related Research Documents

[Begin Your Journey To Digital Mastery](#)

[The Digital Business Imperative](#)

[Your Company Needs A Digital Business Acceleration Team](#)

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Situation: A Perfect Storm Of Disruptive Trends Keeps Thundering

Sometimes, being a visionary is not enough. In 2006, Eneco predicted a massive transition from centralized, large-scale, fossil fuel-based energy production to sustainable and local production in collaboration with citizens and business customers. The following year, Eneco defined its corporate mission as “enabling sustainable energy for everyone” and began to transform its central energy supply. To date, the company has made good progress; 25% of its total energy supply comes from sustainable sources. However, that’s not enough — and today, Eneco is at risk of becoming digital prey for more nimble, agile, and customer-obsessed predators because:

- › **Customers are taking their energy destiny into their own hands.** Eneco’s annual report states: “The ongoing energy transition leads to fundamental changes in the energy supply value chain. More and more households and businesses become energy producers, which results in a decrease in the demand for the supply of electricity and gas.”¹ As a result, the company must find new sources of growth while also reducing costs to serve its clients.
- › **Customer-led digital firms disrupt traditional energy utilities.** Similar to the telecom sector, where over-the-top players are bypassing incumbent operators, companies like Nest and Tesla are bypassing electricity utility operators and providing differentiated value to customers.² The combination of cheap energy storage from Tesla and distributed generation could take a number of customers off the grid.³ They are faster and more agile in understanding the needs of customers and serving them with digitally enabled products and services. Utility firms face the risk of disintermediation.
- › **Disruptions in adjacent markets will have massive impacts on energy utilities.** The Dutch government’s aim is to have 1 million electric cars in the Netherlands by 2025 — a number that Germany expects to reach as early as 2020. This can be a massive opportunity for electricity service providers if they are agile enough to develop the relevant platforms that will enable these new use cases. They must execute before someone else does.

Solution: Transform The Core, Innovate At The Edge

Five years ago, in response to these threats, Eneco started its transformation to become “a platform and service provider for the coordination of the supply of and demand for sustainable energy at the local level.” Joeri Kamp, Eneco’s group CIO, has been instrumental in enabling this transformation. In the first phase, Kamp focused on creating a BT capability to make technology management more agile and relevant to business units (BUS).⁴ In the past couple of years, he has worked closely with the business to create digital platforms to power Eneco’s future business models. Over the years, the role and strategic importance of the CIO and his tech management capabilities has dramatically pivoted.

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Phase 1: Operate A Business Technology Transformation

Becoming a more sustainable energy provider was a step in the right direction to meet customer expectations, but Eneco was still too disconnected from its customer base. In 2012, executive leadership (including CIO Kamp) shifted the business strategy to make it more customer-centric — from selling energy to providing comfort. As part of its commitment to becoming a customer-led company, Eneco started using Net Promoter Score and customer satisfaction systems for executives' key performance indicators.⁵ It redefined the role of data and technology as a way to create new sources of value for customers and make the company more relevant. This shift in business strategy triggered massive changes from a tech management perspective, including moving away from a central IT organization focused on synergies and cost savings. With the support of Eneco's CEO and CFO, Kamp was asked to design and implement these changes and:

- › **Distribute tech management throughout the business — guerilla-style.** The CIO transformed the tech management organization from a central function focused on cost savings and reporting to the CFO into a networked technology organization of smaller tech management teams embedded into the various BUs. This change followed a broader business transformation that aligned the BUs to customer segments (like consumer and business) rather than on business functions such as marketing and customer service.⁶ Each technology team is led by a manager who is part of the business leadership team and works in close collaboration with other technology managers across other BUs. This had an impact on the required skills, as collaboration and the ability to work in a networked environment were now critical skills for the technology team.
- › **Make business units accountable for their BT budgets and strategy.** IT was seen as the enemy — and business stakeholders held the tech management team in very low esteem when Joeri Kamp started the transformation. He faced significant internal cultural roadblocks as technology budgets moved from a centralized cost center into the BUs. The process required significant training and change management, and the CIO found a great ally in the CFO, who actively supported the transformation. This shift in BT ownership was a critical factor in changing the business's mindset and educating it on the business value of digital technologies.

“One of the key challenges was about helping the CMO balance investments in between advertising and technology to win new customers and retain existing ones.” (Joeri Kamp, group CIO, Eneco)

- › **Reskill and rebrand technology managers as internal BT consultants.** BT teams manage the application environment for each BU. The supporting infrastructure and the commodity technology that can be shared across BUs are outsourced to Capgemini.⁷ As a result, tech managers' role is that of technology consultants aiming to support business initiatives. They know which technology is coming to market and guide the business on how to leverage it to help the business achieve its objectives. Case in point: The technology team helped the retail BU implement a CRM capability that allowed customer service staff to become an extension of

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the sales organization by offering relevant products to every consumer based on their personal situation. The tech team also uses insights from customer journey analytics systems to quickly define and prioritize fixes on which its Agile Scrum teams then work.⁸

Phase 2: Reinvent (And If Necessary Cannibalize) The Business Model Via Digital Platforms

The company vision of “sustainable energy for everyone” means that Eneco is willing to cannibalize its own revenues in order to remain relevant to its clients. It therefore becomes imperative for Eneco to quickly develop new business models that will offset this long-term revenue erosion. The company first built a digital platform dubbed Toon, a smart thermostat designed to drive customer experience and differentiation. Building and successfully scaling this digital platform required a different mindset, one which Eneco achieved by:

- › **Acquiring a software company.** Early on in the process, given the lack of adequate skills and resources internally and the critical time-to-market imperative, Eneco looked for external partners. In 2009, Eneco started collaborating with Quby, a local startup in the smart home market segment.⁹ Benefiting from Eneco’s financial support, Quby developed Toon, a smart thermostat to help customers save energy, and launched it in 2011. Eneco and Quby then worked together to commercialize Toon to Eneco’s 2 million customers; as of the end of 2015, a total of 225,000 Toon devices have been installed.¹⁰ Eneco finalized its acquisition of Quby in November 2015.
- › **Expanding Toon to serve customers’ personal value ecosystems.** Forrester defines personal value ecosystems as the set of digitally connected products and services that individuals combine to help satisfy their needs and desires.¹¹ Quby continues to develop the digital platform, focusing on the incremental value it can deliver to clients because consumer needs are now more complex (see Figure 1). Quby is also looking for partners; insurers, for instance, are interested in the Toon platform, because adding a smoke or leak detector or a burglar alarm could prevent or limit damage.¹²

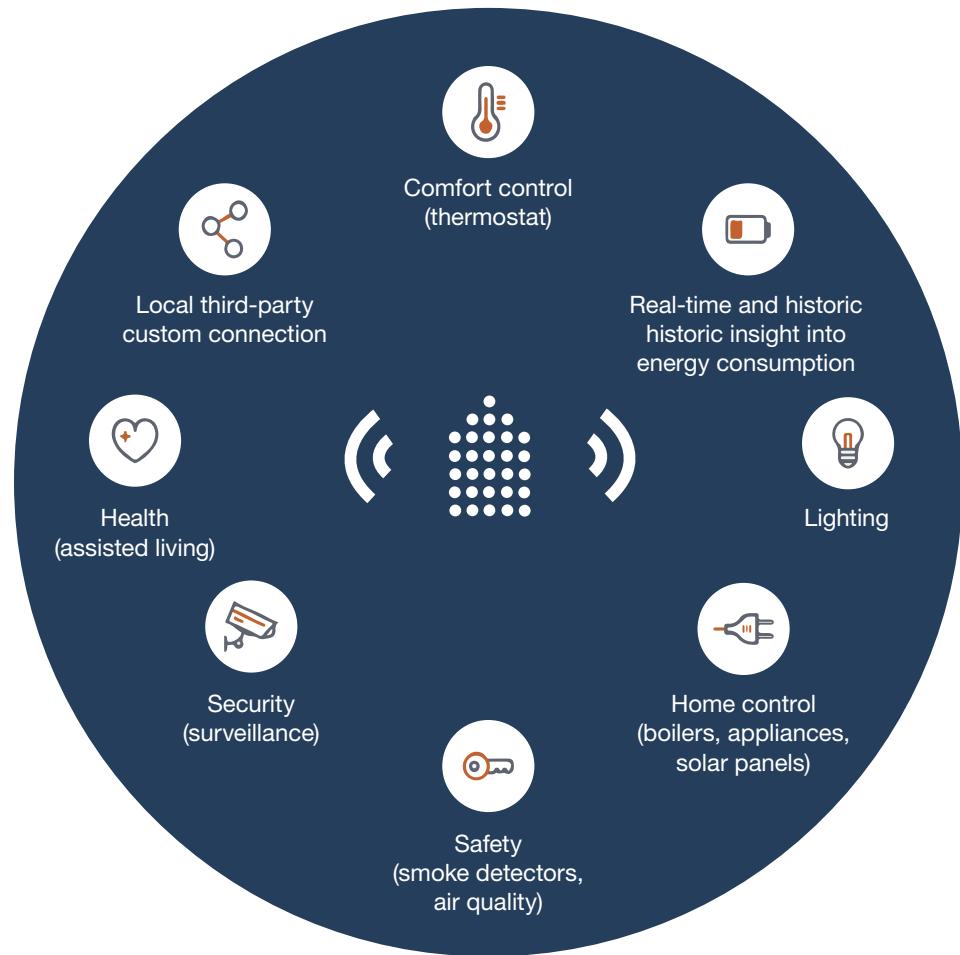
“Sustainable solutions have been added: solar panels on roofs, a battery to store the solar energy, an electric car, a heat pump. People want to know how much energy their devices are using and when. This creates other needs, and we interlink these in Toon.” (Ivo de la Rive Box, CEO, Quby)

- › **Creating an open innovation ecosystem.** In order to make the digital app platform interesting to a larger group of customers — and achieve its goal of selling 1 million devices by 2017 — Eneco opened up the Toon platform to external developers during a hackathon organized in March 2015. Six months later, the company announced the Toon Open API initiative.¹³ Eneco expects that the initiative will result in a rapid increase in Toon functionality, thus creating a device that appeals to an even larger group of customers. The creation of this open innovation ecosystem will help Eneco accelerate the development of new services and related revenue streams. Eneco and Capgemini also collaborated on the international rollout of Toon.

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FIGURE 1 Eneco Expands Its Product Offerings And Interlinks These In Toon



Source: Eneco

Phase 3: Multiply And Scale Digital Platform Investments

The early success of Toon encouraged Eneco to repeat and scale the model. In 2015, the company created a new BU, Eneco Innovation and Ventures (I&V), to “assess, field test, and ultimately market promising and innovative ideas existing within and outside of Eneco Group.” In other words, this BU has a mandate to accelerate innovation, bring more discipline to innovation processes, and define future business models for Eneco. In order to achieve its aims, Eneco I&V set itself on a course to:

- › **Assemble a small, multidisciplinary digital acceleration team.** I&V is led by Hans Valk, former head of Eneco’s consumer business, who collaborates closely with Joeri Kamp, the new BU’s head of IT and innovation. The team also includes various experts who bring a wealth of experience from the venture capital and startup worlds. This BU, which stands alone but is tightly coupled to the

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rest of the Eneco Group, is in a perfect position to take risks, experiment, and accelerate digital innovations — and to quickly scale selected innovations thanks to Eneco's large customer base and process maturity.¹⁴

- › **Pull together a modern tech management team.** Kamp sees himself as the “CEO of IT” in this new BU. While the transformation of the traditional tech management is well under way, the new platform helps the CIO test new ways of working. Unconstrained by the legacy models of traditional Eneco, he can bring in people with different skill sets and a more agile mindset. This also enabled Kamp and his team to leverage new technology approaches, including microservices, Agile development, cloud orchestration, and crowdsourcing, at less risk than ever. By leading tech management for both the traditional and innovation portfolios, Kamp is also in the best position to continuously bring some of these new approaches into the more traditional part of the business and accelerate its transformation.
- › **Create a venture capital capability to accelerate the growth of digital platforms.** Eneco I&V is actively investing in a number of internal and external projects to grow its portfolio of digital services.¹⁵ The CIO has a major role to play here to vet the technology feasibility of the startups the BU is investing in and to guarantee the future integration and security of the innovations into the broader Eneco business. The decision to bring these new platforms in the Eneco I&V portfolio is based on three key questions: Is it relevant to energy transition? Does it address client needs? Does it help Eneco accelerate its transformation? In parallel, Eneco I&V also had to step up and acquire new skills, including innovation product management and portfolio management.

Results: Digital Business Models Drive Customer Satisfaction

It's still early days, but Eneco's digital ambitions are clear. The company's future business will combine transformed, sustainable energy production and marketing business models with new digital value propositions that Eneco will deliver from its digital platforms. The medium- to long-term goal is a portfolio balanced between the old and new business models; Eneco wants the I&V portfolio to generate 50% of global revenues by 2025, up from about 1% in 2015. To achieve this vision, Eneco understands that its existing customer base, brand promise, and business capabilities will be instrumental to market the new digital value propositions. The risk in this transition is that the managers of existing business models refrain from pushing the new digital services. In that case, how can Eneco encourage the right behaviors? Management counts on the ability of the digitally enhanced products and services to generate a differentiated value proposition that will retain existing customers and attract new ones. Looking at Quby's Toon, and beyond the commercial success of the platform, Eneco witnessed the following results:

- › **Improved customer satisfaction.** The customer-centric strategy of Eneco is bearing fruit; the firm's Net Promoter Score rose from -21 in 2014 to -12 in 2015.¹⁶ The impact of the Toon digital platform is even more encouraging: Customers with a Toon thermostat are more satisfied with Eneco than other customers. Their NPS with respect to Toon is +10, and 0 with respect to Eneco.

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- › **Increased customer loyalty.** The continuous stream of additional value delivered to customers via new functionality like home lighting control or solar panel output measurement acts as a loyalty driver. Customer churn among Toon clients was 60% lower than for non-Toon clients. Forrester has shown in previous research that loyalty can be worth a lot of money.¹⁷
- › **Augmented value delivered to customers.** Digitally enhanced products like Toon transform customers' contacts with the brand: from one interaction per year (meter reading and bill payment) to one interaction per day. How often customers use your digital product is a good proxy for the value it brings to them.

Recommendations

Create Your Digital Team To Wag The Digital Transformation Dog

The Eneco CIO has a key role to play to modernize traditional tech management and bring new skills, methods, and ways of working from the Innovation & Venture business unit to the Eneco mother ship. CIOs should seize every opportunity they get to create such digital innovation units whose goal is to experiment with using low-cost, low-risk technologies like cloud and open source solutions. In time, CIOs will be able to bring some of the modern skills, more agile ways of working, and related innovations back to their core tech management team to accelerate their firm's digital transformation. Depending on the level of urgency and the maturity of the company's digital strategy, CIOs can embrace different approaches and:

- › **Partner with digital labs.** Most companies — especially in the financial services sector — are starting their own digital innovation labs to accelerate digital innovation. Forrester believes that most of them will fail, because they follow a bolt-on strategy that will spawn numerous digital prototypes but will have no impact on the legacy business.¹⁸ CIOs can change this fate and use these labs as a way to raise their digital IQ before helping to accelerate the testing and delivery of some of these prototypes inside the mother ship.
- › **Create a digital acceleration unit.** CIOs lacking such a lab can create one. The CIO of a large hospital in Hong Kong has set aside resources and time to create a digital acceleration unit, the goal of which is to help business stakeholders raise their digital IQ and create an environment where doctors and other people can familiarize themselves with new technologies and create new innovations. This also enables CIOs to collaborate with new partners that typically do not belong in the tech management space.
- › **Become the “CEO of IT” for the new digital venture.** It took more than three years for Eneco's management team to reach the point where the board decided to create a unit dedicated to the acceleration of digital innovation. Group CIO Joeri Kamp was one of the architects of this strategy; by collaborating closely with the rest of the executive leadership, including Hans Valk, he was able to secure a key role in the new unit. Digitally savvy CIOs need to find their

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doppelgänger on the business side and develop a digital vision to reinvent the business value proposition and create relevant digital business models. Having strong support from the CFO and CEO will be necessary, though.

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Supplemental Material

Company Interviewed For This Report

Eneco

Endnotes

¹ Source: "Annual Report 2014," Eneco (<http://annualreport2014.eneco.com/>).

² Thermostat manufacturer Nest claims to have sold about 1 million smart thermostats in the period up to 2014. This would mean that a Nest thermostat is installed in nearly 1% of households in the United States.

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- ³ A Morgan Stanley report concluded that improvements in batteries and distributed generation could partly or completely eliminate some customers' usage of the power grid. Source: "Solar Power & Energy Storage: Policy Factors vs. Improving Economics," Morgan Stanley, July 28, 2014 (<http://forms.greentechmedia.com/Extranet/95679/Morgan%20Stanley%20Solar%20Power%20&%20Energy%20Storage%20Blue%20Paper%20July%202014.pdf>).
- ⁴ The journey to digital mastery is continuous. No matter what your firm's starting point, as a CIO, you play a pivotal role in helping your company achieve digital mastery and preventing it from becoming digital prey. See the "[Begin Your Journey To Digital Mastery](#)" Forrester report.
- ⁵ Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Satmetrix Systems, and Fred Reichheld.
- ⁶ Eneco brought all the necessary business functions to support the customer life cycle into new BUs focused on serving different segments of customers, such as consumers and the commercial organization. This was an important first step in creating a more customer-centric culture inside the organization.
- ⁷ Eneco used Capgemini's knowledge, experience, and methods around innovation and the development of IT solutions, combining it with its own knowledge of sustainable energy and energy infrastructure.
- ⁸ Learn how Eneco leverages customer journey mapping. See the "[Brief: Learning From Three Early Adopters Of Customer Journey Analytics](#)" Forrester report.
- ⁹ Eneco expanded its interest to 100% of Quby in 2015. Quby is now a wholly owned subsidiary of Eneco Group.
- ¹⁰ The device sells for €199 plus a subscription fee of €3.50 per month. Eneco mentions in its 2015 annual report that customers save an average of 5% on their electricity bills. The value for Eneco is also important: According to Hans Valk, the managing director of Eneco I&V: "Four years on, we are one of the European market leaders with this platform; we've installed 200,000 Toons for our customers. The brand awareness is fantastic. And even nicer: Customers are hugely satisfied. The Net Promoter Score is positive — happy customers who recommend Toon to others. This is what's driving the acceleration now. We are able to attract new customers with a new proposition."
- ¹¹ Business leaders don't think of digital as central to their business because in the past, it hasn't been. But now your customers, your products, your business operations, and your competitors are fundamentally digital. To win in this new world, eBusiness leaders must reinvent their businesses as fundamentally digital. Do this, and you can become a digital predator; fail, and your business will become digital prey. See the "[The Digital Business Imperative](#)" Forrester report.
- ¹² In 2015, new Toon functionality was added, such Toon Solar (Toon Zon) and a smart smoke detector, which sends a warning to the user's smartphone when smoke is detected in the house. Eneco also introduced a new user interface, which makes Toon even simpler to use than before, and ToonCoach helps customers easily reduce their energy consumption. In addition to providing customers with a better understanding of their energy consumption, Toon will also provide advice and (energy-saving) tips on the smarter use of energy in general and Toon in particular. Source: "Annual Report 2015," Eneco (<http://annualreport.eneco.com/>).
- ¹³ Source: "Eneco launches Toon Open API," Quby (<http://quby.com/en/eneco-launches-toon-r-open-api>).
- ¹⁴ Digital leaders build digital acceleration teams to improve digital capabilities across the business. CIOs have a big role to play in helping establish successful digital acceleration teams either inside their tech management organization or as a standalone but tightly coupled business group. See the "[Your Company Needs A Digital Business Acceleration Team](#)" Forrester report.
- ¹⁵ Eneco announced in July 2015 that it will invest €100 million in startups, making it one of the biggest corporate funds for innovative businesses in the Netherlands. Source: "New business unit of Eneco Group accelerates energy transition through innovation," Eneco news release, July 8, 2015 (<http://news.eneco.com/new-business-unit-of-eneco-group-accelerates-energy-transition-through-innovation>).

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¹⁶ Source: "Annual Report 2015," Eneco (<http://annualreport.eneco.com/>).

¹⁷ CX drives three types of customer loyalty: retention, enrichment, and recommendation. Increased customer loyalty in turn tends to drive increased revenue growth. But for these drivers to affect an industry, customers must be free to switch providers, and providers must offer differentiated CX. See the "[Customer Experience Drives Revenue Growth, 2016](#)" Forrester report.

¹⁸ To speed up digital innovation, many eBusiness teams at financial services firms have launched digital innovation labs. These alternative software development environments mostly sit outside of regular technology management and compliance processes. However, what digital teams gain in development speed, they often lose later, when they face unchanged testing and delivery practices and slow governance. See the "[Digital Labs Are A Temporary Fix](#)" Forrester report.

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