

FileItUnder...

BY NADIA ADAWI

LESSONS LEARNED:

SWEATING THE SMALL STUFF

Co-op Refocuses on Member Loyalty and Services

It's spring in Philadelphia and I love this time of year—I love the tulips and the flowering trees, and I love the deep feeling of accomplishment when I see that huge stack of spring newsletters ready to go out the door.

By many measures, The Energy Cooperative is a great success. From our humble beginnings as a home heating oil cooperative 23 years ago, we've broadened our services to include electricity, renewable electricity, wind power, and solar power, as well as heating oil. We now boast 6,500 members in five counties, including 350 small businesses, a local municipality, and several federal government accounts. Last year our sales totaled more than \$3.7 million.

But 18 months ago, our future was far from certain. In September 2000, when our external funding was abruptly terminated, we had \$10,000 in the bank, no director, no funding, runaway expenses, and no clear business strategy. How did we get into such a bind? And how on earth would we dig our way out of this?

Who Cares About Deregulation?

A lot of organizations make mistakes when entering newly deregulated markets and we were no exception.

Like many, we overestimated the demand for electricity deregulation. The belief was that the vast majority of electric consumers would welcome one more thing to think about, one more choice to make. Indeed, in the first months, we fielded thousands of calls and signed up members as fast as we could answer the phone.

But once that educated part of the market had finished shopping for a new supplier, we waited in vain for the remaining consumers, many of whom to this day don't even know that Pennsylvania is deregulated. By January 2001, 16 percent of residential customers in our area had chosen a competitive electricity provider. As of January 2002, that number had actually fallen to under 10 percent.

Are We a Grape or a Watermelon?

We overestimated our ability to capture market share. It wasn't hard for other companies to outspend us on advertising, elaborate giveaways and below-market prices. At one point, 18 suppliers were competing for residential customers. Our growth projections and profitability forecasts were completely unrealistic. And based on those projections, we rented a large and expensive office and staffed up in anticipation of a huge influx of members.

Who's Minding the Store?

As we planned for the phenomenal growth that would surely be ours, our attention was focussed on growing the business and not on running the business. Although we had a sales staff of three, we had no one responsible for the care

of our established members. Not only were we out of touch with how our members were being served, we didn't even know who they were until they called with a complaint. We had no member database, and no processes for tracking enrollments and making sure that members received the services for which they had joined.

Sweat the Small Stuff

Clearly, we had our work cut out for us, but our goal of providing affordable energy and renewable energy was too important to walk away from without a fight. Our first priority was to stabilize our membership numbers by building member loyalty and improving the quality of our service to them. We did this by better tracking enrollments, and conducting better follow up to make sure that people are



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enrolled correctly. This strategy has proven very successful; in 2001, we cut member complaints by two-thirds.

We cut costs by moving to less expensive office space and by reducing staff further. We pared back to two employees from our peak of eight, and hired people with flexible skills who could adapt to working across functions as the needs of the business changed. We applied for and received a grant, and retained a terrific consultant who put together a new business plan to guide our future growth.

We reinstated our newsletter, which had been eliminated in an earlier misguided attempt to cut costs. Our newsletter now goes out twice a year, rather than quarterly, and it's a two-sided sheet of legal size paper, rather than a glossy tabloid. It is now folded by hand or by our neighborhood copy center. But our members tell us they love our efforts to help them better understand energy and that our newsletter makes them feel like they are really part of something.

We still face many challenges. The power markets in Pennsylvania continue to be very volatile and, with only four retail suppliers remaining, some are questioning the "success" of deregulation. But we believe we've found a sustainable model—one that will allow us to weather the lean times. We're deeply proud and grateful to be around to tell our story! ☐

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