

Strategies

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Can Electricity Be Branded?

How to beat the competition in the new power marketplace

Branding — selling power like Crest vs. Colgate — may be the next marketing paradigm in the power industry as electric utility communicators reach the point of decision on how their product will be marketed in the brave new world of deregulation.

UtiliCorp United, the Kansas City-based firm with utilities in eight states, has already begun taking this approach with the introduction of its EnergyOne brand for the electrons it sells. When a research firm asked some 200 large electric users across the nation if a favorable brand image would influence them to pay higher rates, 50% said yes.

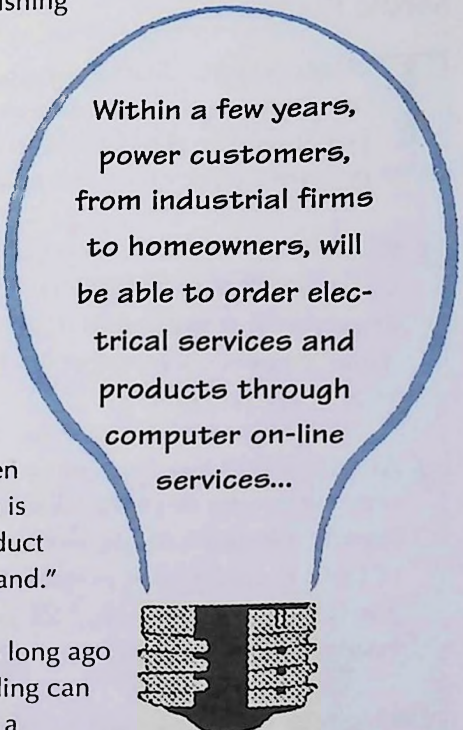
What's behind this is a growing recognition in the power marketplace among both sellers and buyers that what a company stands for is at least as important as price in making a buying decision.

That's good news for electric utilities. As deregulation rolls on (Massachusetts and Rhode Island recently joined the national movement following the Federal Energy Regulatory Commission, and California and New York will announce plans for a more competitive system in 1996) heavy power users are negotiating lower rates with the threat of taking their business elsewhere. Average industrial electric rates dropped from 5.04 cents per kwh in 1993 to 4.90 in 1994. One utility, Baltimore Gas & Electric, saw its average industrial rate drop to 4.64 cents last year. And an old industry bugaboo, the profit margin-shaving theory of short-run marginal cost pricing, has reappeared.

If price is the only factor on which utilities can compete, many will be in trouble. As Niagara Mohawk chairman William Davis said recently, with his New York-based company struggling to avoid bankruptcy, "Outdated regulations and failed energy policies have destroyed the linkage between energy demand, supply and price."

Fortunately, there is an alternative for utilities: old-fashioned product marketing based on product branding. Creation of a brand for a product involves giving it a distinct identity that strikes a positive chord with customers. Establishing such an identity requires both positive deeds and skillful communication of messages. Together, deeds and communication position a product in its marketplace so it stands out from competitors. When this differentiation is achieved, the product has a working "brand."

Product marketers long ago learned that branding can intimately involve a



**Within a few years,
power customers,
from industrial firms
to homeowners, will
be able to order elec-
trical services and
products through
computer on-line
services...**