

The Digital Journey of An Energy Solutions Giant

Schneider Electric, a major energy management and automation company with customers in more than 100 countries, is dedicated to digitally transforming itself — and it can count on strong backing from its chairman and CEO, Jean-Pascal Tricoire, as well as other top executives.

In this interview, sponsored by Mphasis, Knowledge@Wharton sat down with Christopher David, the company's chief technology officer of digital customer experience, to talk about how Schneider Electric is adapting to this new environment.

What follows is an edited version of that conversation.

Knowledge@Wharton: Tell us about Schneider Electric.

Christopher David: Schneider Electric is a multinational company in the energy field covering all the aspects of energy and automation. We have a presence in a huge number of countries and a leader in most parts of the energy sector, such as electrical distribution and automation, across the globe. Typically, we are number one in several of our fields, and two and three in some of the other fields. In a nutshell, we do electrical solutions.

Knowledge@Wharton: So you serve electric utilities? You're not an electric utility yourself, right?

David: That's correct. We are a solutions provider — hardware, software and service solutions. Our clients are everyone from residential customers to small- and medium-size businesses, to industrial and commercial buildings — basically, everywhere you have a need for energy sources.

Knowledge@Wharton: Everyone's talking about digital these days. So tell me, how do you define digital transformation?

David: When people talk about digitization, we mainly think about digitization of the customer

experience and the interaction we have with customers on the different touchpoints, whether it's coming from the customer care [department], through the web, [physical or virtual] shops ... and all these types of touchpoints. And this is very true for us as well.

We're changing everything we do — digitizing all the touchpoints we have with our customers — from the sales guys interacting with our customers, to the customer care agent, to the CRM systems, to our social presence, online chats, and everything [else].

All of that is about ensuring that in those touchpoints, we have a real presence. And more importantly, a very quick presence and a quick turnaround so that we can provide customers, in a contextualized manner, access to the right data or the right information they are looking for.

But digitization stretches much further beyond that. In fact, if you look at the electrical industry, the energy industry, to date, everybody takes it for granted that you have electricity. You walk into the room, you flip the switch, the light goes on and so on. All of the infrastructure behind that is also step-by-step being digitized, if you think about what's happening in the context of the Internet of Things (IoT).

So imagine that the whole electrical and energy industry, and the components of the energy industry, are also being digitized. We are digitizing our solutions, digitizing our equipment to ensure that the whole energy infrastructure becomes a first-class citizen within the utility space.

On top of that, when solutions are being digitized, it means that the way we interact with our customers — whether it be to configure, select, discover, calculate solutions — all of that, which typically has been stand-alone desktop applications, is being completely changed and digitized, so that they become always on in an online paradigm with direct results, direct access for the customers.

What we see in the energy industry is the evolution from a typically capex [capital expenditures] business to a capex plus a recurring service business. And that's where smart energy management will come into play. If we can do that, the customer benefits here in a way [that extends beyond] energy efficiency, energy consumption ... peace of mind and so on. Digitization impacts all of these aspects.

Knowledge@Wharton: You mentioned the shift from being a capex business to capex plus a recurring revenue stream business. Can you talk more about that?

David: Well, obviously I can't give you very specific details. But it's no secret. Yes, we do have a service business, [such as in] our field services, and on top of that, I would say for facility management and for remote management of different solutions and infrastructures. These are things that are already ongoing and common practice in the industry.

But if you think beyond that, and looking at what we think is coming within the context of IoT with connected devices, you can anticipate [that companies are] already thinking about not only the monetization of the devices, but also

the monetization of relevant services for the end customer. What the end customer sees in services is a relatively greenfield [endeavor] today. There is a huge variety of things ... that people are willing to pay for.

So our role is, number one, to enable this [by providing] a platform, infrastructure, environment and solution [for connected devices]. Number two, where it is meaningful and makes sense, to also provide the services.

Knowledge@Wharton: When your company first started on this digital transformation journey, what were the goals you had in mind?

David: In the context of the evolution of the industry, as communication becomes much more pervasive and easy to access — with communicating devices reduced in size and footprint and cost — it means that connecting the dots there is becoming easier. That was one aspect.

The other one was to really engage with the customers, provide real answers to them and address their pain points. Those are the key drivers. If we can do this right, then we know we are providing value to those customers.

Knowledge@Wharton: After you set those goals and implemented some of these changes of digital transformation, what were some of the results that you saw, at least in the initial stages?

David: Digital transformation is a journey, right? And in a company like ours, in an industry like ours — which has been around for quite a while — it's not an overnight transformation. We started a couple of years back, and step by step, we've been changing and transforming different pieces, bit by bit, continuously going on that journey.

Some of the things we saw was that our customer engagement, customer satisfaction, and customer awareness are on an upwards trend. It also gives us much better insight and predictability in terms of the products we need to bring in, and products

and solutions we need to bring to market. Also, we [are getting] much better insight into the customer's needs.

So for us, it's not only [about providing] easy-to-access touchpoints. We also need to understand what customers are looking for. Does it mean that we are there on all the metrics? Does it mean that we are there on all the solutions? No, not yet. As I said, it's a journey. And we probably are at the beginning of our journey.

Knowledge@Wharton: As you got closer to the end user, was there any pushback from your corporate clients? Because really, they're the ones interacting with the end user.

David: Well, absolutely. Look, it's an industry that has been around for quite a while, with a set of habits that are part of its DNA. So, changing habits is always difficult. That being said, what we see is that our customers are becoming more and more like a digital native. ... Everybody is on an always-on, always-connected paradigm in their everyday life.

Our customers understand they need to go where their customers are, right? And we need to go where the customers will be. So that is also inflicting a paradigm shift. Now at the same time, you do have newcomers in the industry and in the space. You see people like Google acquiring Nest and entering the home with that type of solutions. And you see a huge number of companies and solutions popping up in the context of IoT.

So there's a lot of movement here, which in itself is stimulating the industry towards a transformation. It's becoming the nature of things.

Knowledge@Wharton: How did you balance the analog and digital side of your business, as you're going through a digital transformation? And what hurdles did you have to overcome?

David: It is a continuous journey, a continuous transformation. It's not [like a] rip-and-replace, one takes over [the other scenario] — you flip the switch, and digital takes over. There will always be a mixture. And the question is, what is the right balance in that mixture? Some things make sense to digitize, some things do not. And you don't necessarily need to digitize everything or, every part of a solution. But maybe, some main parts.

This is a process that is continuously being optimized. I don't think anybody in the industry yet has found that right balance. If you take the analogy of the telecom industry, it took them quite a long time to actually flip the switch from analog to digital, then flipping the switch towards mobile, and then flipping the switch towards the smartphone. So, there are a couple of steps that will have to happen in our industry as well.

Knowledge@Wharton: Do you have any tips for other companies who might be interested in learning from your experience?

David: For us, one of the key differentiators and what's actually making that transformation possible ... is we have the full endorsement and the full backing of the whole executive committee of company, all the way up to the CEO and the chairman and the board, who truly believes in digitization.

So if you're going to embark on a digitization journey and you're ... a start-up, it's a no-brainer. But if you're a huge corporation, then you do need to have solid sponsors at the adequate level, to back you up because it is a journey. It is not a one-day [endeavor where] you do all the planning and processing, then you flip a switch and you're digital.

At the same time, as you embark on that journey, the biggest challenge is the transformation of the mindset of your people, their habits and behaviors. ... To do that, you need to have very solid [support] from management. ■