

Global power strategies

The future of the utilities industry and the players that are driving market success

Decarbonization, decentralization, and digitization are compelling utilities to evolve faster than ever before. So, how are they responding to this new, three-dimensional challenge?

Strategy&, PwC's consulting business, recently analyzed the strategic actions of the world's largest utilities companies by market capitalization. Here's a snapshot of the different ways the heavyweights in this Global Top 40 peer group are navigating the road ahead and forging a new industry.

strategy&
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US\$1.1 trillion
The Global Top 40 (GT40) combined worth

\$12 to \$73 billion
Market value of members



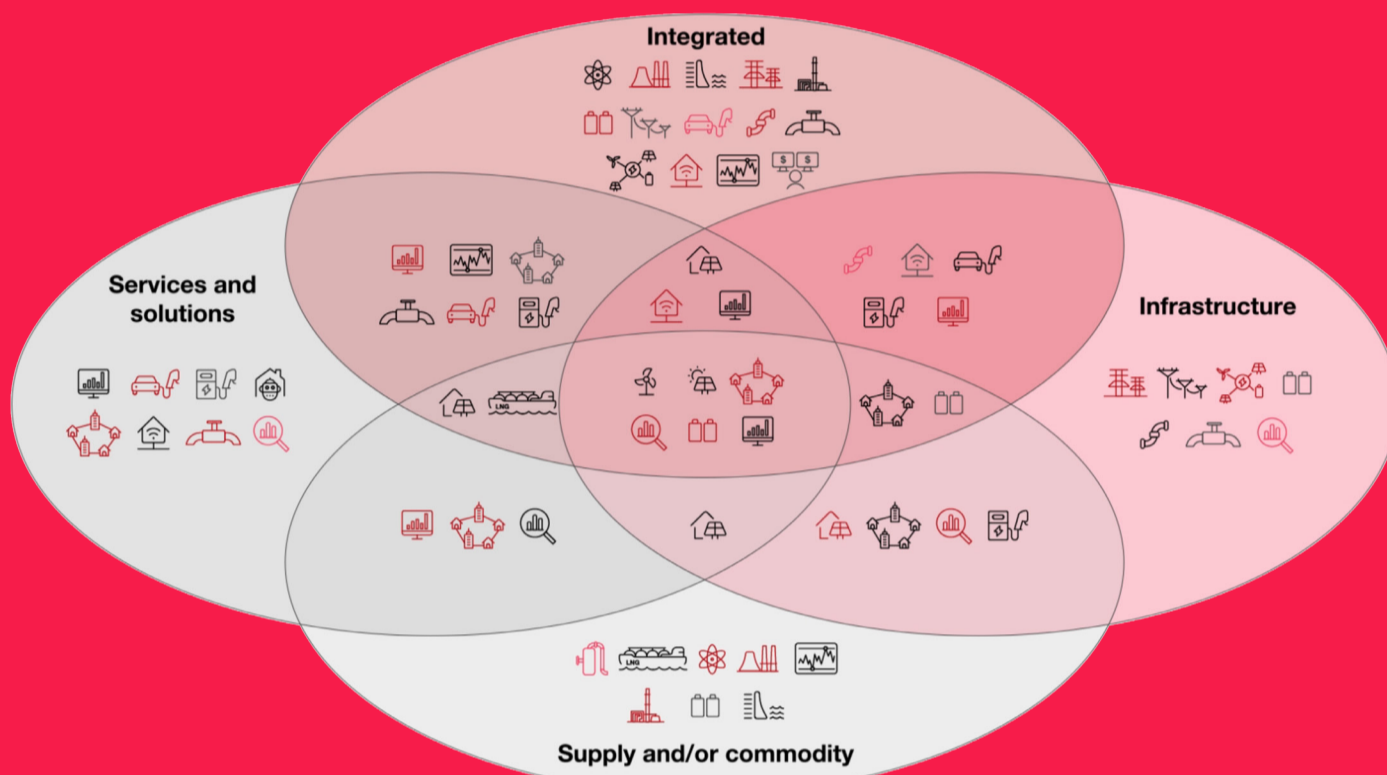
Where are the strategic bets placed?

Utilities are working hard to create winning strategies amid the most significant transformation in the sector for decades. The majority of their strategic effort is focused in five key areas.

- 1 Reducing exposure to conventional power generation, particularly coal
- 2 Redirecting investment into networks and renewables
- 3 Increasing activity in energy solutions and services
- 4 Developing distinctive innovation capabilities
- 5 Redesigning their business models to create and capture market opportunities

Leaders are reinventing and repositioning

Some utilities are embracing even more radical change. These leaders have begun to reinvent themselves, aggressively pursuing business model innovation and entering new markets for energy solutions and services. They are targeting new value pools in areas as diverse as energy management, electric car charging, and home automation.



Externalities are becoming sharper

Not only are utilities dealing with a world where markets, customers, and strategies have transformed, the GT40 must come to grips with the challenge of the externalities that influence their operations becoming sharper.

- Interest rates – and therefore the cost of capital – are rising
- Technology is shifting from analog, centralized, and standardized to digital, distributed, and personalized
- Customer needs are starting to outpace what the sector can deliver
- Utilities face a growing number of “unnatural competitors” in the form of highly admired global brands



Think like a “non-utility”

To date, all utilities companies have tended to pursue strategic actions with a high degree of confluence. But over the next few years, we expect a gap to emerge between the most aggressive and innovative companies and their peers. Leading utilities are learning from the way nontraditional competitors approach contested or new markets. In other words, they are positioning themselves for success by thinking in a “non-utilities” way.

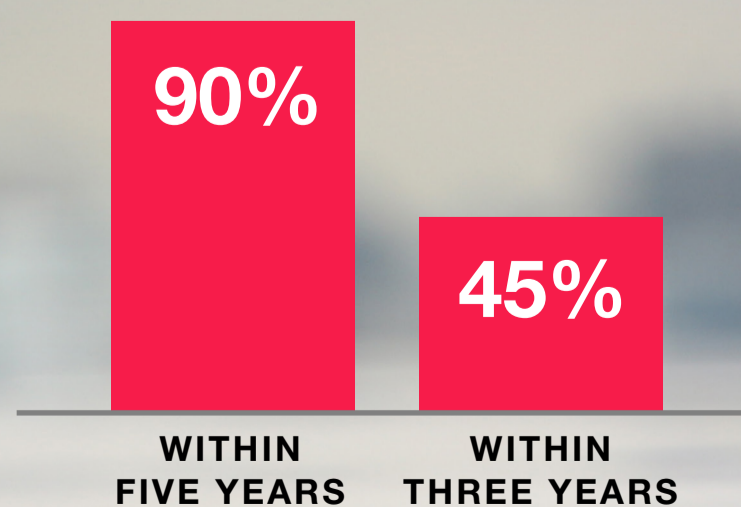
- Define where you will compete and develop the business models to do so
- Think and act commercially, rather than as a market incumbent
- Develop the capabilities for agile strategic actions: continuous market sensing, constant innovation, and quick decision making
- Speed up the pace of strategy development and implementation



Time is running out

Several players in the GT40 need to speed up the development and pursuit of their strategies or risk falling behind. A recent PwC survey revealed that 90% of industry respondents believed they had as long as five years to prepare for upheaval. About half thought they had three. **We think it's even less than that.**

Preparing for change



Find out more by downloading the full report at www.strategyand.pwc.com/power-strategies

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