



Turning Around the Most Hated Company in America

Creative Co-op and Putnam Partners and Pepco Holdings, Inc., Jan 1, 2013

Summary: 2013 Silver Anvil Award Winner — Integrated Communications — Consumer Services

Imagine you're asked to turn around the "Most Hated Company in America." Where do you begin? Blistering press, customer dissatisfaction, and political fallout over service reliability and outage restoration in its Pepco utility led Pepco Holdings, Inc. (PHI), to transform its communications strategy. In August 2011, new leadership re-engineered the department and developed integrated strategies to improve day-to-day and storm communications. That along with PHI's historic reliability effort – a five-year, \$5.9 billion investment in distribution and transmission systems and technology – and enhancements to preparing for and restoring outages, led to Pepco's 20-point overall leap in customer satisfaction since summer 2011.

Integrated communications includes any program that demonstrates leadership of public relations strategies and tactics in a creative and effective integrated campaign, along with other marketing or communications. The program must demonstrate the clear leadership of public relations, along with its integration with other disciplines.

Full Text: **OVERVIEW**

It was an everyday occurrence – negative press, customer anger, political backlash aimed at Pepco, named the "Most Hated Company in America" by *Business Insider*, based on ratings published by the American Customer Satisfaction Index. Protests, media ambushes, regulatory investigations, new legislation and a \$1 million fine. In recent years, Pepco Holdings, Inc. (PHI), and particularly its Pepco utility, had struggled with service reliability and restoration issues that led to a nosedive in customer satisfaction. PHI launched two initiatives in 2010: the company's biggest reliability effort – a five-year, \$5.9 billion investment in distribution and transmission systems and technology, and an overhaul in planning and processes for power restoration. But the damage was deep, and the company suffered unrelenting criticism. In August 2011 – just after Pepco earned its "Most Hated" moniker and customer satisfaction plummeted to an all-time low – a new communications leader laid out an aggressive vision to improve PHI's overall reputation among all of its approximate 2 million customers across three states and the District of Columbia. That meant strengthening the team, developing and implementing an integrated communications strategy, and taking strategic risks in 2012 to turn around embattled Pepco's image while maintaining the solid reputations of its sister utilities, Atlantic City Electric and Delmarva Power.

RESEARCH

PHI's semi-annual research conducted by Market Strategies International painted a dismal picture in the summer of 2011. Rankings were low, notably in overall satisfaction, value of electricity product, value of customer service, and overall favorability. While overall satisfaction for its Atlantic City Electric and Delmarva Power utilities seemed stable, PHI's Pepco utility lagged behind them by more than 25 percentage points in its overall satisfaction score. Additional research in the fall of 2011 helped develop a roadmap for messaging that would

improve scores – top topics were reliability and restoration efforts and how rates relate to system improvements. In addition to formal research, the team and its strategic partners did extensive research on the media markets, political landscape and its own team.

PLANNING

Planning for a turnaround this monumental was threefold:

- An aggressive, integrated strategy built around research results.
- A re-engineered team to handle the aggressive approach.
- team training to handle the intensity of proactive storm communications.

Integrated communications plan

Written and launched early in 2012, the plan included more than a dozen comprehensive strategies, some over 100 pages, that worked together – from transparent communications around rate adjustments to ensuring consistent messages to evolving and strengthening the brand. The portions of the plan that most directly affected key metrics were aimed at educating customers, elected officials, regulators and the media about the work being done and PHI's commitment to the people and communities it serves:

- The Reliability Enhancement Plan (REP) Communications Strategy: Focused on communicating about the operational work being done – and the significant gains made – to improve reliability across the PHI system
- The Emergency Response Improvement Project (ERIP) Communications Strategy: Communicating about PHI's crisis preparedness and response, and how customers should prepare for storms and other events
- Social Media Strategy: Engaging customers through tools they use – Facebook, Twitter and YouTube
- Earned Media Strategy: Transforming relationships with local media through a proactive, transparent approach

Re-engineering the team

The 27-member communications department was re-engineered within months with a new structure, job descriptions, greater accountability, and internal and external high-performing talent.

Storm preparation

Four training sessions, including two drills, were conducted in 2012 to ensure the team was ready to handle storm duty. One of those drills was a functional exercise that involved the entire business.

EXECUTION

Unlike most plans that are developed, refined and then executed, the reputational damage to the business was so severe and the communications strategy had been so lacking that many parts of the 2012 PHI integrated communications plan were being implemented while being developed; they were refined throughout the year, and strategic risks were taken – such as embedding media during Hurricane Sandy.

REP Communications Strategy

This was possibly the most active part of the overall integrated communications strategy because of the enormous amount of work being done to improve reliability, the dramatic results, and research highlighting customers' need to hear about it. Proactive and ongoing tactics included regular earned media updates on reliability projects and improvements, bill inserts, fact sheets, brochures, handouts and materials for community presentations, worksite signage, blog and other social media postings, and the development of a "reality" TV ad campaign – a necessity given Pepco's customer satisfaction extreme low. TV spots were shot in black and

white, and front-line workers detailed – in their own words – what their work was doing to improve customers' reliability. Four TV, 4 radio, 8 web, 4 print and 13 out-of-home (transit) ads were implemented across the footprint. The campaign was repurposed to engage employees: 20 posters and banners.

ERIP Communications Strategy

Restoration was also a key topic customers identified as affecting their perception of the company, so tactics were ongoing and frequent: press briefings, releases and advisories, fact sheets, a storm preparedness handbook used as a bill insert and handout at community events, a Facebook tab, YouTube videos on storm preparedness and the restoration process, and advertisements. For 2012, there were 6 radio, 7 print, 17 web and 1 TV ads and 16 Weather Channel crawls for this strategy

Social Media Strategy

This strategy was aimed at meeting customers where they are at any given moment. It was specifically designed to streamline our social media channels to allow us to better engage with customers and other stakeholders. The strategy is highly proactive by pushing out information and interacting on a variety of topics: reliability and restoration efforts, storm preparedness, how customers can save money on their electric bills, the benefits of smart meters, investments in infrastructure and the community.

Earned Media Strategy

The team identified media relations as the weakest link. With no solid relationships, reporters in the Washington D.C. Metro media market did not trust Pepco or PHI. Increased transparency was a key strategy element – implemented during Hurricane Sandy when 13 reporters embedded across the PHI footprint, including 4 reporters, a still photographer and a videographer from *The Washington Post* – our most vocal critic. Of all the changes in 2012, this idea caused the most alarm internally because of the vulnerability in opening up so completely to *The Washington Post* and other outlets. But it was a lesson learned during the devastating “derecho,” or land hurricane, June 29 – media wanted that transparency and without it, did not report accurately; political view shaped the coverage, which called Pepco's response “lagging” when it was on par or faster than other area utilities.

The team executed on storm plans for the derecho and Hurricane Sandy and generated more than 76 press releases and media advisories; 10 press conferences and briefings; 23 radio, TV, print and web ads; 2.35 million outbound customer calls; reached nearly 170,000 Facebook users; received over 38,500 mentions on Twitter; and had over 1.4 million web visits.

EVALUATION

After a year of focused execution on a fully integrated strategic communications plan, including working through two major storms, PHI's customer satisfaction has risen dramatically. Against summer 2011 results, fourth quarter results for 2012 show an increase in overall satisfaction by 14 percentage points, in value of electricity product by 10 percentage points, in value of customer service by 12 percentage points, and in overall favorability by 12 percentage points. The improvement was in large part because of Pepco's significant gains. In overall satisfaction, Pepco rose 20 percentage points from summer 2011 to the end of 2012. The integrated plan also helped to improve overall satisfaction scores for Atlantic City Electric – up by 6 percentage points – and Delmarva Power – up by 11 percentage points.

In addition to the research, key indicators of the dramatic turnaround for Pepco, and in turn PHI, include:

- **Media tonality:** Complete transformation of tone of news stories in the Pepco (Washington, D.C. Metro) market. After Hurricane Sandy, *The Washington Post* published a glowing article entitled “Inside Pepco: How the Utility Kept the Lights On During Hurricane Sandy,” a direct contrast to its December 2010 article, “Why Pepco

Can't Keep the Lights On." Other vocal critics such as NBC 4's Anchor Jim Vance and news radio WTOP staff all reported Pepco was prepared and responded well to the storm. Positive to neutral tonality continues in all other media markets in the footprint – even in Atlantic City, where Hurricane Sandy hit PHI hardest.

- **Political perception:** After Hurricane Sandy, D.C. Mayor Vincent Gray led his press conference audience in a round of applause for Pepco's performance, Montgomery County, Md., Executive Ike Leggett credited Pepco for being prepared, U.S. Energy Secretary Steven Chu delivered coffee and doughnuts to Pepco linemen, and Delaware Governor Jack Markell visited linemen in Delaware to thank them for their service.
- **Customer engagement:** In 2012, the digital team saw a: 296% increase in Facebook followers, 139% increase in Twitter followers, 26% increase in web visits and 154,700 new downloads of our mobile app.

This evaluation illustrates the true power of strategic, integrated communications. As is the case with PHI, a focused, aggressive approach – aimed at the most severely damaged parts of a brand but also mindful of the positive influences on the brand – can turn around even the worst reputation.

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