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## Changing the fortunes of E.ON's Corporate Customer business (A)

On Thursday 8 May 2008, Adrian Merrick found himself holding a red ribbon stretched across the entrance of Greenwood House in Coventry. Nearby stood world-famous yachtswoman Dame Ellen McArthur, scissors at the ready, while a photographer flashed away. Greenwood House was the headquarters of E.ON UK's Corporate Customer business and Adrian had recently been asked to head up the business. Following the departure of the leaders of both the sales and the customer service operations, Adrian's brief was to bring the two areas of the business together and get to the heart of the issues faced by the business as a whole.

### Background

#### *The UK energy supply market in 2008*

The UK energy industry contributed 5% of GDP and directly employed 142,000 people, or 5% of total industrial employment. Using the most recent data available in 2008, we can see that in 2006 the UK consumed 351 terawatt hours<sup>1</sup> (TWh) of electricity, with industry and service sectors consuming 117 TWh and 110 TWh respectively. In the same year 1,046 TWh of gas were consumed; 154 TWh by industry and 105 TWh by services. Further data are contained in **Exhibit 1**.

The UK gas market was fully opened to competition in 1998, followed by the electricity market the following year. The UK domestic energy market was reportedly the most competitive in the world, with volatile wholesale prices and domestic switching rates of ~15% per annum. Six firms controlled over 90% of residential and small business energy supplies: British Gas (owned by Centrica), Npower (owned by RWE), EDF, Scottish & Southern Energy (SSE), Scottish Power and E.ON.

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This case was written by Adrian Merrick under the supervision of Professor Michael G Jacobides, Sir Donald Gordon Chair of Entrepreneurship and Innovation and Associate Professor of Strategic and International Management at London Business School. London Business School cases are developed solely as the basis for class discussion and are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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