

The Power of a Demand-Led Energy Transition

When I was a kid, my most impassioned battles with my parents were about eating vegetables. If you had asked me at the time, I would have confessed that I knew I *should* eat more of them. I just didn't *want* to.

There's a similar standoff happening in the energy transition. BCG's research has found that upward of 80% of customers express concern about sustainability, but very few purchase sustainable products and services.

To help them make those purchases, we need to give the demand side more weight. BCG's [Center for Energy Impact](#) partnered with experts from our [Marketing, Sales & Pricing](#) practice to [formulate a strategy for a demand-led transition](#), which we detail in a new report out today. Here are some of the highlights.

Sustainable Offerings That Customers Will Want to Choose

Sustainable products and services tend to fall into one of three distinct categories for customers—offerings they should choose, can choose, or want to choose—depending on how they stack up to traditional choices in terms of cost and performance. The pace of adoption for any specific product or service reflects which category it's in, and its position may shift over time as its relative price and performance change.

Should Choose. Customers perceive the products or services in this category as being higher priced and delivering worse performance than customary nonsustainable options. These offerings depend largely on those that feel they should (or must) embrace them: the early adopters, enthusiasts, and customers in

markets where government mandates require adoption.

Can Choose. Customers see these offerings as equal to or better than established products or services in terms of either affordability or performance (but not both). In other words, they have a rationale for adopting the sustainable offering. But even though many customers will pick the sustainable option in this category, the shift happens slowly, often only once the older, nonsustainable option is retired.

Want to Choose. This category is the goal: building offerings that customers perceive to be superior to established options in both performance and price. How can companies do it?

Companies need to juggle multiple product benefits at the beginning of the design and development process, aiming for an end result that leads to far faster adoption than the overall replacement rate. But making this occur isn't easy or obvious.

It takes a deep understanding of the desires of different customer segments—and of the tradeoffs customers are willing to make. It also takes investments in disruptive innovation.

When companies get this right, they have products with powerful benefits that often allow them to outgrow the market size of the incumbent. In the energy sector, for example, more convenient or less expensive products are able to tap into new or previously underserved pockets of demand.

Demand-Led Transitions in Action

When it comes to decarbonizing large commercial buildings, a range of global companies are using a customer-centric approach. Schneider Electric, for example, sells electrification solutions that decrease customers' energy bills while increasing resilience to outages. Customizing its offering across regions creates economically viable solutions that appeal to different customer segments.

In Gujarat, India, residential rooftop solar is booming. The state, which accounts for just 5% of India's total population, now has 67% of the nation's solar rooftop installations. Dozens of companies have taken advantage of government incentives and helped facilitate the rapid solar buildout, delivering performance and customer experience far superior to the expensive and sometimes unreliable power from the grid.

And as we shift to grids with smaller, more distributed generation from renewable sources, some companies are easing pressure on power production. Octopus Energy US, a retail power utility and subsidiary of UK-based Octopus Energy, has found an innovative demand-led approach to optimizing electricity consumption. It provides services to residential and commercial building customers at sharply lower prices in exchange for users' modifying the timing of their usage.

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The potential in just three areas—buildings, transportation, and industry—is enormous. With just solar photovoltaics (PV) in India, EVs in the US and Europe, and heat pumps in Europe, we could avoid an additional 1.5 gigatons of carbon emissions over the next ten years by following the examples of leading companies. That's the equivalent of about 4% of global energy-related emissions in 2023.

Progress on the supply side is essential. But just as roasted broccoli with garlic and olive oil worked for me and vegetables, an innovative customer-centric approach can unlock a demand-led energy transition that will take us where we need to go faster and with more staying power.

Until next time,

A handwritten signature in black ink that reads "Rich". The signature is written in a cursive, slightly stylized font.

Rich Lesser
Global Chair

Further Insights



Turbocharging the Energy Transition by Boosting Customer Demand

Companies must shift from providing clean energy solutions that customers think they *should* buy to those they *want* to buy.

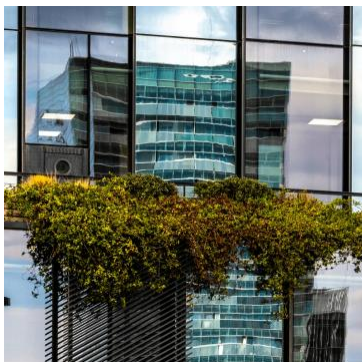
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Six Lessons from Energy's Top Performers

Companies with the highest shareholder returns effectively managed capital allocation tradeoffs among reinvestment decisions, shareholder payouts, and balance sheet improvements.

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