

# Survey Reveals Top Gas Marketers

By Linda K. Rader

## Mastio & Company Honors CMS Marketing & Trading Services and Woodward Marketing

Choose wisely. Those two words may be a marketing campaign for green energy provider GreenMountain, but they offer sound mid-crisis advice to energy consumers, marketers and traders because the consumer voice packs a powerful punch.

The new customer satisfaction results are out. The stakes are high. The customers have spoken.

For the first time, CMS Marketing Services & Trading, the unregulated marketing subsidiary of CMS Energy Corporation, took top honors among North American mega-marketers in the 2000 (4th) edition of the Natural Gas Marketer Customer Satisfaction, Marketing Effectiveness, Benchmarking & Image Report. The popular report is most commonly called simply the Mastio Customer Satisfaction Survey.

"Reliant Energy came in a really close second," said Bart Thedinger, vice president, senior partner of Mastio & Company, citing tight scores between the two companies. The mega-marketer category is primarily based on the largest 20 North American natural gas marketers, but since exact size is often difficult to quantify in a fluid market, it also takes into consideration the number of customer respondents.

Woodward Marketing Corp. was the top-ranked mid-tier marketer (loosely defined as companies smaller than the mega-marketers), and continues its consistent string of top 10 placements in multiple attribute categories that began in the first Mastio survey published in 1995.

Whether or not marketing executives wish to publicly acknowledge their scores or comment on their relative Mastio position compared to their peers and/or fiercest competitors, they often know their exact overall scores and have extensively crunched the numbers before commenting.

Based on extensive interviews with nearly 1,200 energy consumers at 1,111 companies, Mastio & Company sorted



Photo courtesy of Williams

through consumer preferences, trials and tribulations for 68 natural gas marketers.

They interviewed, cajoled direct and frank conversations, asked open-ended questions

## Top 20 Marketers For Customer Satisfaction Overall Mastio Index Rankings

### Mega-Marketers<sup>1</sup>

- 1 CMS Energy Corp.
- 2 Reliant Energy
- 3 Williams Energy Marketing & Trade
- 4 TXU Energy Trading
- 5 Enron Americas
- 6 Southern Co. Energy Marketing
- 7 Conoco, Inc.
- 8 Oneok Energy Marketing & Trading
- 9 TransCanada Energy
- 10 El Paso Energy Marketing Co.
- 11 Aquila Energy
- 12 PanCanadian Energy Services
- 13 BP
- 14 Duke Energy Trading
- 15 Texaco Gas Marketing
- 16 Dynegy, Inc.
- 17 ExxonMobil Gas Marketing Co.
- 18 Coral Energy Resources
- 19 Sempra Energy Trading
- 20 Koch Energy Trading

### Mid-Tier Marketers<sup>2</sup>

- 1 Woodward Marketing, Inc.
- 2 US Energy Services, Inc.
- 3 ProLiance Energy
- 4 Prior Energy Corp.
- 5 CXY Energy, Inc.
- 6 Barrett Resources
- 7 OGE Energy Resources
- 8 Phillips Gas Marketing Co.
- 9 Texican Natural Gas Co.
- 10 Equitable Resources Marketing
- 11 Amerada Hess Corp.
- 12 Cook Inlet Energy Supply
- 13 Tenaska Marketing Supply
- 14 Noble Gas
- 15 Perry Gas Marketing
- 16 Anadarko Petroleum Corp.
- 17 Enserco Energy, Inc.
- 18 AEP
- 19 Marathon Oil Co.
- 20 Coast Energy

Source: Mastio & Co. 4th Edition Natural Gas Marketers Customer Satisfaction Study, [www.mastio.com](http://www.mastio.com)

<sup>1</sup>Ranked by size and number of respondents

<sup>2</sup>Next 30 cos. by size and number of respondents

## Top 40 Marketers Ranked by Industrial Respondents

- |  |                                     |
|--|-------------------------------------|
| 1 Woodward Marketing, Inc.             | 21 Aquila Energy                    |
| 2 OGE Energy Resources                 | 22 Conoco, Inc.                     |
| 3 U.S. Energy Services, Inc.           | 23 Tenaska Marketing Ventures       |
| 4 TXU Energy Trading                   | 24 Chevron Energy Services          |
| 5 IGI Resources, Inc.                  | 25 Koch Energy Trading              |
| 6 WPS Energy Services, Inc.            | 26 Dominion Energy                  |
| 7 Noble Gas                            | 27 PanCanadian Energy Services      |
| 8 Sempra Energy Trading                | 28 Coral Energy Resources           |
| 9 Anadarko Petroleum Corp.             | 29 Oneok Energy Marketing & Trading |
| 10 Texican Natural Gas Co.             | 30 El Paso Energy Marketing Co.     |
| 11 Williams Energy Marketing & Trading | 31 TransCanada Energy               |
| 12 SCANA Corp.                         | 32 Amerada Hess Corp.               |
| 13 CMS Energy Corp.                    | 33 Duke Energy Trading              |
| 14 Perry Gas Marketing                 | 34 Enron Capital & Trade Resources  |
| 15 Texaco Gas Marketing                | 35 Dynegy, Inc.                     |
| 16 BP                                  | 36 e prime                          |
| 17 Engage Energy U.S., L.P.            | 37 Western Gas Resources, Inc.      |
| 18 AEP                                 | 38 Southern Company Energy          |
| Marketing                              |                                     |
| 19 Reliant Energy                      | 39 Burlington Resources, Inc.       |
| 20 Barrett Resources                   | 40 Equitable Resources Marketing    |

Source: Mastio & Co. 4th Edition Natural Gas Marketers Customer Satisfaction Study, [www.mastio.com](http://www.mastio.com)

and made head-to-head marketer performance comparisons in 36 marketer attribute preference categories and three overall preference categories – best overall performance, best day-to-day customer service and overall company preference. Through all the categories and groupings, and across the various respondent groups – industrial con-

sumers, local distribution companies or utilities, other marketers, etc - several company performances were exceptionally rewarded by their customers.

Among the mega-marketers, Southern Company received top billing for overall company preference. Reliant Energy carried the highest two-year combined average

(1999 and 2000). ONEOK Energy was No. 1 with industrial respondents to the survey.

As Curt Hebert, new chairman of Federal Energy Regulatory Commissioner, embraces his new role and views the North American energy market, it should be noted that the North American mega-marketer receiving a No. 1 ranking in the most number of attribute categories was not an American company. It was our northern neighbor, TransCanada, which despite its restructuring, or perhaps precisely because of it, was ranked No. 1 in dependability in agreements and commitments, knowledgeable personnel, ease of ongoing business and in weighted performance for all attributes.

### The Big Winners

Customer allegiance shifted in the Y2K. Some customers left their marketers. Some marketers pared their customer lists. Some of that transition was reflected in customer comments and rankings.

“Covering all the companies and considering all the rankings in one big pile, Conoco, Texaco and Enron showed the greatest improvement in 2000,” said The-dinger. Many respondents credited the runaway success and popularity among users of EnronOnline, for Enron Americas’ jump to the No. 5 mega-marketer slot from No. 18 in 1999. In the overall index combining and weighting all customer responses, Enron showed even greater improvement as it leaped to No. 29 out of 68 marketers and three LDCs, from its No. 69 overall index ranking in 1999 out of 77 marketers. Enron had no official comment. Enron Corp., which promotes that it no longer considers itself an energy company, reported a 34 percent increase in quarterly profit for 4Q 2000.

Of the highest-ranked mega marketers, only five were repeats from Mastio’s 1999 survey: CMS MS&T, Reliant, William Energy Marketing & Trading, ONEOK Energy Marketing & Trading and TransCanada Energy (1999 rankings were No. 4, No. 3, No. 10, No. 1 and No. 2, respectively). Moving into the top 10 mega-marketers were TXU Energy Trading, Enron Americas, Southern Company Energy Marketing, Conoco, Inc. and El Paso Merchant Energy North America, previously known as El Paso Energy Marketing Co. (1999 rankings were No. 13, No. 18, No. 14, No. 16 and No. 20, respectively).

Customers that received gas supplies this winter as promised and companies with intensive programs to improve customer satisfaction perceptions may appreciate the collective effort needed to effectuate such dramatic positive ranking changes.

"The tide is turning," Clark Smith, the new president at El Paso Merchant Energy told Power & Gas Marketing, "and the customer will be the catalyst. ... The customer is more important than at anytime in the past five years. There is an opportunity for suppliers to differentiate themselves."

Indeed. And every solution has its own dilemma, said Williams Energy Marketing & Trading Unit President Bill Hobbs, as to why Williams' 2000 Mastio rankings (No. 4 overall mega-marketer, No. 3 in dependability in agreements and commitments, No. 4 in each attitude of continuous improvement and ease of initiating gas purchases and No. 8 in price competitiveness) improved over strong 1999 results.

"We changed materially," he said. "That's why our ratings went up. We made a very difficult decision to concentrate on the quality of customers rather than the quantity." Williams focused on core values and beliefs. "Our customers told us our company's ratings aren't inconsistent with what you're hearing, but everyone has their own ways of communicating with customers." Williams chose to put the customer first this year, and not promise what it couldn't deliver, he said. Instead, Williams concentrated on integrity and customer initiatives.

One of the most successful corporate initiatives in the energy business last year was Williams' launch of EnergyNewsLive. Customers love the customized weather, pricing information and regional dynamics in play, he said.

Another dynamic move was Hobbs' high-level customer meetings for nine straight months. One alteration, in particular, addresses a common issue among previous Mastio survey respondents – representative round-robin. "We now have the same reps in place that we had eight months ago," said Hobbs, commenting how the move was in direct response to customer requests. Another was creative financial hedges in the risk arena.

"Unfortunately, if the end user or the utility doesn't want to lock in when the producers are selling financial forwards, ..." He made his point without having to finish the sentence. Williams made firm fixed prices available during 2000. Some customers chose to lock in at varying levels, others didn't in gas price forward curves that are deeply backward-dated. There was cheaper gas up front, but customers would be paying for it in the out months. Historians will debate the rest of the story for years to come.



Photo courtesy of CMS

In the interim, Hobbs sees customers wanting to grow and wanting knowledge of what they are doing. "In theory, as they grow, we grow with them," said Hobbs. Customers want access to generation, market-area exposure, risk management, financial exposure coverage and help with their expansion.

### Size Doesn't Guarantee Success

Williams did its part to help the customers. Customers also benefit by giving feedback, as they did to Williams.

Ninety-five percent of dissatisfied customers will never tell their supplier they are leaving, Thedinger said. "And by that time, it's too late. But satisfied customers will come to their supplier and tell them there is a problem rather than just walking out the door. They will give that marketer a chance to resolve the issues."

When asked the biggest disappointment from a market in the past year, customers again cite contract delivery non-performance and canceled or assigned contracts.

"Some executives are obsessed with short-term share prices at the expense of their customers," said Thedinger. As layoffs are increasing, consumer confidence levels dropped 14 points since December 2000, to the lowest point in nearly four years. Technically, those figures were released for just a national economy flirting with recession, but they clearly apply to the energy economy, where many say bottom support has already eroded. In fact, Mastio's 2000 Customer Satisfaction Study evaluated 68 companies, down from 77 in 1999. The rest

were absorbed in mergers and acquisitions or lost to bankruptcy or apathy.

Size isn't everything; it's merely a comparative marker. Collectively, respondents purchased 64.9 Tcf of gas per year, equivalent to 90 percent of U.S. consumption. However, to determine the breakdown between the 'mega 20' and 'mid-tier 30', Mastio grouped companies by both size and the number of respondents to the survey rather than strictly adhering to any traditional report on corporate size, sales rankings, market cap or stock prices. After all, how does one know if stock prices will change suddenly or whether corporate-reported purchase volumes measured by any one reporting mechanism are not later counted twice as sales volumes, or also tallied as sales between subsidiaries?

Tight energy supplies, coupled with a preponderance of short-term, interruptible supply contracts, left an indelible mark on the California landscape this winter as interruptible and firm supplies both interrupted and energy bills skyrocketed. With their natural gas provider struggling to secure fuel supplies, Edwards Air Force Base officials are telling personnel to reduce energy consumption and be prepared for gas cutbacks.

At press time, as some California energy consumers launched into a 15th consecutive day of blackout warnings, Mexico's Federal Electricity Commission (CFE) agreed to sell 50 megawatts per day to California's Department of Water Resources until Feb. 14, at a delivered price of US\$230 per megawatt hour. CFE, the state-run utility under the new administration of Mexican President Vicente Fox, was a successful winner among 39 bids received. Could it be that as a result of the gas-to-power movement, the California energy crisis and newly proposed changes in national and certain state energy programs, that yet another non-U.S. energy supplier could join the ranks of the top natural gas marketers in upcoming years? Why not?

### CMS Spotlight

While some companies clearly do not wish to acknowledge their position, for whatever reason, others were glad for customer recognition. "We're pleased and honored," said CMS Marketing Services & Trading (MS&T) President and Chief Operating Officer Tami Pallas.

"Being ranked at the top of the mega group is rewarding feedback since we're not in the top 10 in market cap," said Pallas. "We have not tried to be all things to all markets." Instead, CMS MS&T has maintained a regionally focused business strategy. As a result, she said, customers tell her cus-

customer service feels like the touch of a smaller company. The company continues to be responsible by adding more customer-valued products such as innovative risk management tools, a wide array of seasonal price products, climate forecasts, weather derivatives and access to real-time market information.

They stress cross-selling experience and services as an efficient method of promoting their full mix of products and expertise, while keeping the efficient use of the customer's time a priority, she said.

A growing number of gas and/or service customers want to know how to integrate technology into their daily operations to give themselves a competitive edge, or at least a fighting chance to survive. "The introduction of IT adds further twists and risks," Proxicom's J. Highberger told Power & Gas Marketing. "If you play it right, you'll make out well. If not, then you'll go under – and continue to learn lessons."

### Seeking Devoted Customers

Just as tastes for movies and actors change over time, so does marketer preference. A true cynic might say they change at the same rate of change. Upon closer look, however, there is evidence that some marketers, especially those that target regional or niche customers, sustain successful long-term relationships.

In the Mid-Tier 30 Marketer Index, following top-rated Woodward Marketing, Inc. were the others rated in the mid-tier top 10 by customer satisfaction, respectively: U.S. Energy Services, Inc., ProLiance Energy, Prior Energy Corp., CXY Energy, Inc., Barrett Resources, OGE Energy Resources, Phillips Gas Marketing Co., Texican Natural Gas Co. and Equitable Resources Marketing.

Just one year ago, the top five similarly situated companies in the 3rd Mastio Customer Satisfaction Survey (1999) were Clayton, Alliance, Tennergy, Perry Gas and Volunteer Energy. In the 2nd Customer Satisfaction Survey (1997), these same top spots, respectively, went to Prior Energy, Woodward, U.S. Energy, Cabot and Howard. Howard topped that list in the first survey (1995), followed by El Paso, Cibola, MRT and Anadarko.

Customer loyalty, once won, can make for a strong bond. OGE Energy Resources leapfrogged others to be named the No. 1 mid-tier marketer for ease of initiating contracts. Rated this year as the third-most-competitively priced mid-tier supplier, OGE Energy Resources and its customers have jointly attended corporate-sponsored and independently taught courses on various

energy-related topics for the past few years. Customers quietly credit the company for helping them navigate through the energy options. A smarter customer makes a stronger ally.

### Economy And How It Affects Energy Service

Another company that moved upward by a quantum leap in 2000 was El Paso Energy Merchant North America. "We were very pleased with our improvement in performance," Clark Smith told Power & Gas Marketing. "We have put a much greater emphasis on customer solutions and customer service."

When El Paso looked deep into its own practices, "We found opportunities for improvement," Smith said. What the company did was set the tone for change.

With the increase in pricing transparency driven by the growth of the NYMEX and the over-the-counter transactions, the customers and suppliers alike became more complacent and created a 'just-in-time mentality'. Somewhere along the path of declining energy prices, customer attitudes that 'I don't have to put as much emphasis on quality with suppliers, caused customer service as a consideration to be less emphasized.' Once customers

were reminded service is a two-way street, said Smith, that tide began to turn.

Smith outlined what he felt customers really wanted now – more reliability and creative solutions and additional energy management functions. "There is now an opportunity for suppliers to differentiate themselves, and I think customers will spend more time determining who the right energy providers are to help them manage their respective business and energy needs more effectively."

And Mastio & Co. will be there to listen to lessons learned and to capture customer response to services rendered. Now that the survey is published annually instead of biannually, who will top the charts for 2001? That depends on marketer performance at this very minute. Mastio's Thedinger invites customers wishing to participate in the 2001 survey to contact him at (816) 364-6200 or [bthedinger@mastio.com](mailto:bthedinger@mastio.com).

So who's the best marketer? It depends on who the customer is, what they want to achieve, how much risk and interactivity they choose, and how good they themselves are with relationships, commitment and communications. This market is, after all, a two-way street. ■

### Making The Big Move

In an age of successful Internet-based e-jobs and [energyjobs.com](http://energyjobs.com) searches, a great percentage of the time jobs are found by word of mouth spread between friends, family and colleagues. Heidrick & Struggles, Preng and Associates, Korn Ferry and Kurt Vollers all play an important role in placing energy executives, but sometimes prime jobs never even make it to public postings. Allegheny Energy, for example, chose to purchase an entire financial services trading group. Others may be snatched by good 'ole boy networking.

Sometimes sheer luck is a case of being in the right place at the right time rather than meticulous corporate planning. CMS Marketing Services & Trading took advantage of simultaneous departures from Houston to find top talent, said CMS MS&T President and COO Tami Pallas. TXU moved back to Dallas, KN sold to ONEOK, PG&E moved the entire gas team to Bethesda and Avista shut down its shop in Houston, which at least up to now, remains the undisputed U.S. energy capital.

Del Blom, Curt Lizzi and Shawn McGovern heard that CMS MS&T was starting a team in Houston and was looking for senior gas people. Looking at their own combined assets and experience, said Pallas, "Del's and Curt's strength was trading and Shawn's transportation and storage. All three have spent their careers in the Midwest." They approached her and were hired as an existing team. "Why take one guy from column A and one from columns B and C and hope they all jell?" asked Pallas. "Why not take a senior, cohesive team from day one?" So she hired all three.

Even before CMS MS&T opened its Houston trading arm, it already had a strong existing team in place with eight people in Michigan and five in Tulsa, said Pallas. "They already had a good book of business and pilot programs."

What remained was to gather a team that would meet with customer approval. Pieces still missing were customer relations, risk, demand-side and e-management. Pat Grimes joined the team from previous experience at the Chicago Board of Trade. Steve Husband, who knew Pallas from their joint days at Reliant Energy, joined to head the wholesale gas operation business.

"Building a team is more than opportunity," said Husband. "It's not about CMS or the business strategy. In part, it's about the people. People make it happen."

And its customers responded with top customer satisfaction marks.

—Linda K. Rader