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Bounce Energy CEO tell us how e-commerce is retailer's angle

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EXCLUSIVE INTERVIEW

The Texas power retailer Bounce Energy was formed by e-commerce veterans and now it wants to take its unique customer acquisition model into other markets.

The firm lacks the money to buy naming rights to an NFL stadium and does not have a peer-to-peer sales network, but CEO and founder Robbie Wright told us last week that it does have another low cost way of picking up new customers.

"We felt like there was another approach that you could take into the deregulated market, different than what we were seeing with the different deregulated entities we were working with as an outside marketing partner in Texas and other areas," said Wright.

Wright and six of his senior executives and co-founders used to work at WhiteFence, a web firm that gives consumers various offers for home services and utilities such as power, television, insurance and others. WhiteFence worked with a number of retailers in ERCOT.

"We felt like we had an expertise in the e-commerce space, marketing online, working on the social media side of things and felt like we could be very competitive in that arena, targeting certain segments of the market on the residential end that other people weren't focused on," said Wright.

Since its founding, Bounce signed up about 60,000 customers, all from the residential and small business sectors in Texas and is eyeing expansion into other markets starting later this year.

E-commerce is different from other retailers' acquisition strategies as it focuses on a specific subset of customers who prefer to take care of most of their bills and services over the internet. Bounce offers plenty of other ways for customers to get in touch with the firm, but its main focus and strength is online.

"Everybody has come to this realization: the internet is going to continue to grow as a meaningful part of people's lives," said Wright. "More and more people everyday are going on and doing things online that they used to do offline."

Bounce is focused on that world. It is not aggressively rolling out sales forces, peer-to-peer marketing or large advertising plays. The online strategy reportedly has let Bounce gain at a pretty significant scale without spending a huge amount of money.

The firm gets customers with its online presence and its ability to track where a customer first saw one of its offers.

"The technology, if it's there, if you're tracking mechanisms are accurate, you're going to be much more effective in real-time analyzing channels that work," said Wright. "Turning the ones off that don't or turning the ones down that work less and putting more money in the ones that work well."

That kind of quick assessment and turn-around of marketing strategies just is not possible for firms that blanket Texas with billboards or have ad campaigns over traditional media.

Texas is the most open market in the country but it is also the most competitive with some 40 active retailers constantly trying to get more business. That leads to margins shrinking as they compete on cost.

Other markets beckon

So now Bounce is planning to move into other states that may not have as retailer-friendly rules as Texas but where other retailers are not doing the same things Bounce is, said Wright.

Bounce is actively working to move into Pennsylvania and hopes to start enrolling customers there later this year. From there, it hopes to move into New York and Illinois sometime next year and is considering other retail states for future expansion.

But even as it expands into other markets, which Wright said was the biggest opportunity for the firm going forward, it still to plans to actively pursue steady growth in Texas.

After several years of low power prices due to natural gas prices, the wholesale side of Texas is going through some major changes as the PUC works to get new generation built to avoid rolling blackouts.

QUOTABLE: Prices are going to go up. I think that's part of their point [in Texas] is to drive prices up on the forward curve to incent investment on the wholesale side.

*Bounce Energy CEO and
founder Robbie Wright*

Pushing up the wholesale price is going to impact retail prices but boosting scarcity pricing as the PUC did last week does not mean customers' prices will skyrocket, he added.

What will higher cap do?

Bounce is not going to try to raise its customers' fixed price deals when the offer cap goes to \$4,500/MWH on Aug 1, but those on variable products and those coming off a contract will see their prices impacted, said Wright.

Bounce and other retailers are all hedged but Wright noted that no perfect hedge exists and any firm could be caught partially short on an especially hot day and that will be expensive. Those expenses will eventually flow down to customers.

"It's just something that gets layered into future trades to hedge your book," said Wright. "To be clear, we're already seeing it. The prices in the market on the forward curve for wholesale have gone up and that's going to leave the people offering higher prices on the residential side.

"There's no way around it. The margins at this point are relatively compressed to begin with."

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