

eBOOK

Six Reasons Why Most SMBs Don't Switch Rates



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Introduction

Small-to-medium-sized businesses (SMBs) are an important part of a utility's portfolio; making up [75% of the business segment and representing around 17% of U.S. national electric usage](#).

Though these businesses make up a sizeable portion of an average utility's customer base, they are often overlooked, with the majority of existing programs and support directed at residential and larger commercial and industrial (C&I) businesses.

And when it comes to rate programs, the same is true. Historically, small and medium businesses have been largely restricted to standard rates, or rates with a demand component. In recent years, alternative time-varying rates or time-of-use (TOU) rates have become more available as utilities upgrade their meters and expand their rate offerings to help with grid flexibility.

Given the potential of this important segment and a small amount of existing research on SMBs, Uplight focused its latest customer research around SMBs, aiming to understand their attitudes, behaviors, and motivations around rates.

Our research found that uptake on advanced rates for SMBs has been slow for a multitude of reasons. First, most SMBs are not aware of their current rate status, the options available to them, and potential benefits of switching to an alternative rate. Many SMBs are wary of

changing to a rate that does not align with their business operations. As a segment, SMBs are also understandably risk averse and reluctant to make changes that could increase their monthly bill.

Additionally, our research reinforced that it can be next to impossible for utilities to connect with this hard-to-reach-segment. Many business owners are stretched thin already, with no time to decipher their bill on a new rate, consider a change, or read anything beyond their energy bill. And given the proliferation of fraudsters posing as utilities, they are also cautious of any new communication.

But our research found that once customers learned about new rate opportunities, they were interested in exploring them or even switching—provided that they had the right information in front of them and that the process was easy. More broadly, SMBs want to hear from their utility. They would like check-ins around rates and billing on a regular basis.

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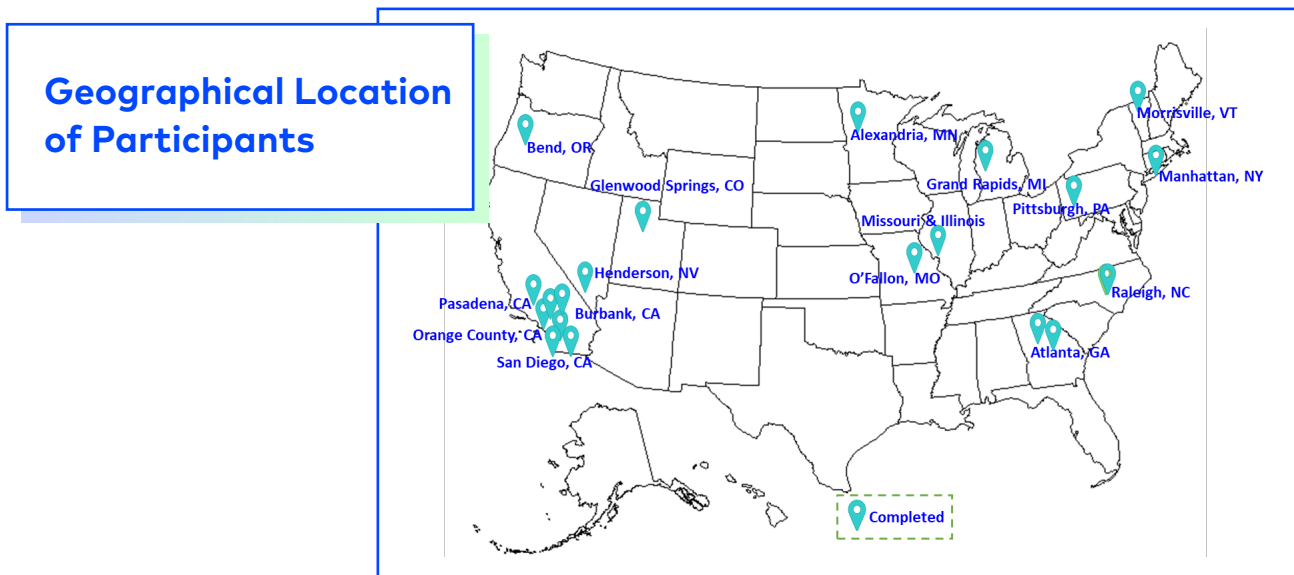
Methodology

In spring of 2022, Uplight partnered with See Change Institute to interview 20 SMB energy decision-makers from across the United States to understand:

- What were customers' knowledge about rates?
- What were customers' attitudes towards rates?
- What were customers' behaviors related to rates?
- What were customers' experiences with utility rate services and programs?

The businesses represented a geographically-diverse participant pool and all of the businesses that were interviewed fell within the SMB category based on staff numbers and energy consumption. The study focused on the following business types:

- Office
- Retail
- Food Service
- Warehouse / Storage / Light Industrial (strictly within kWh threshold)
- Services (e.g., Dry Cleaning, Tanning Salons, Beauty Shops, Kennels)



Most participants were screened with a short survey, email, or phone conversation to confirm they were the primary energy decision makers at their business and that they were serviced by a utility that offered alternative rates for SMBs.

Nineteen out of twenty participants were either owners, co-owners or founders. Not one had a dedicated energy manager. Only a third of these businesses had smart meters at their locations.

Out of the 26 buildings that the SMBs managed, only ten were owned, reflecting a similar rate of commercial renters across the U.S.

The buildings consisted of:



12 warehouses



5 offices



4 stores



3 bars



1 studio



1 bakery

The vast majority (85%) of interviewed SMBs were on standard or fixed commercial rates. Four (20%) were on on/off or mid-peak rates, one paid for renewable energy credits, and one was on budget billing. None had demand charges, nor did any of them know what that alternative rate meant (about half understood time-of-use rates, although more from their residential billing than their business rates).



What is an SMB?

Well, it depends on who is asking.

There is no single definition and/or criteria. Generally, they are defined by staff numbers (usually, <500 employees in the U.S.), or sales (<\$100m per year). However, for utilities, parameters around monthly energy consumption (at least 150kW demand) or annual energy costs (between \$50,000 to \$500,000) may be more meaningful.



Why SMBs?

Small buildings and buildings with low energy use or demand are often overlooked by utility programs, as they may [not be seen as passing the cost-effectiveness test](#) compared with larger commercial and industrial customers. Single-site, single-facility enterprises are among the least cost-effective for utilities to work with, as the [administrative and marketing costs per unit of energy saved are higher](#).

However, utilities who overlook engaging SMBs may also be overlooking important savings and grid flexibility. Collectively, SMBs, due to their large number, consume about [2.5 times the amount of energy in total as compared to large enterprises](#). Importantly, with this consumption comes a big opportunity. The potential savings from energy efficiency and behavioral measures are [estimated to be as high as 30%](#).

Also important to note is that SMBs were among those businesses hit the hardest by COVID-19. In the U.S., [over 30 million jobs in small businesses are under severe threat](#). In Q1 2022, about three in 10 small business owners (29%) reported having open roles they have been unable to fill for at least three months, and $\frac{2}{3}$ of small business owners say they have had problems with too many workers being unable to work after testing positive for COVID. SMBs need more help than ever to support their important functions in the community and recovery efforts by reducing their utility bills.

Reaching the Hardest to Reach

SMBs are generally regarded as hard-to-reach energy users. This is in part due to their diversity; they operate in every sector, on all property types, and vary from one-person operations with no business premises, to manufacturers with up to 500 employees.

Our researchers felt this challenge first-hand when recruiting participants for this study. We attempted to reach close to 2,500 potential participants to produce the final twenty that were successfully interviewed. Of those, at least half were references through direct personal and business connections, showing the importance and effectiveness of those relationships when attempting to recruit hard-to-reach energy customers.

As part of this research, we aimed to understand why these business owners are so hard to reach and engage, and what this means for utilities.

How do SMBs Make Decisions?

SMBs often make decisions very differently than larger businesses. Energy providers can consider the [following factors that impact SMB decision-making](#):

- Whether they rent or own their business assets
- Who the key decision makers are, and if they are dedicated energy managers
- How flexible their energy-use types are
- How risk-averse they are
- What stage of career the business owner is in (impacting long-term plans, for example)
- What their underlying values and brands are



SMBs have high levels of obligation

First, SMB owners have very limited time and energy to donate to research. They simply don't have the time to read and digest an email from someone they don't recognize—especially when so many are fraudulent. They also have a lot to manage, especially in a pandemic. A few times, interviews were canceled due to unexpected problems at the interviewee's business—as the owner and or manager, they often have to provide support or solve issues. They also understandably admitted to having higher priorities than worrying about or discussing their energy rates.

Utilities that make the utility rate customer experience simple and easy to understand will have the most success. Participants don't have the time or motivation to calculate impacts or other changes.

They have a high level of mistrust

People are currently trained to suspect any 'stranger' wanting to speak with them. Cold-calling and random email recruitment can be easily misunderstood to be a scam/spam, or a sales pitch of some sort.

Even after interviewees expressed gratitude for the information and nudges they received during interviews, which now may lead to them changing their rate plans, they sometimes asked rather incredulously what our objective was talking to

them (especially once they were reminded at the end of the interview that they would receive the cash incentive as well).

Thankfully, SMBs have a high degree of trust in their utility. However, a new type of communication or communication through a new channel might still make them suspicious—even if it is from their utility. Repeating these communications can help SMBs understand that these are genuine, especially if the benefits are clear.



It's hard to determine eligibility

Locating a relevant small or medium business with an energy provider that offered alternative rates, as well as the correct person to speak with in that business (the key energy decision-maker), and running through a separate screening process with Uplight was certainly a barrier to gathering participants and/or useful information.

Energy providers are at an advantage because they have the contact information of the person listed on the bill. Utilities may still have trouble speaking with or reaching this energy decision maker. However, once engaged, utilities can cultivate a meaningful relationship that adds value and guides them on their energy saving journey.

Almost all participants expressed that they had learned something new about their utility rates and offers by the end of the interview and that they would contact their utility or further investigate ways to save energy and/or costs.

The twenty participants also offered valuable insights which we've distilled into six key findings.



FINDING 1

Businesses don't know what they don't know

Even SMB owners who claim to know a fair bit about rates struggled to explain what exactly their rates meant. Some were very energy literate, and yet, when we looked through their bills together, they often found a rate (e.g. off-peak / mid-peak) they didn't know they were on. Many were more informed about alternative rates from their residential energy use, sometimes mixing the two up during interviews.



"I'd like to know what time does the mid-peak and on-peak and all those times change? What time does it start? It doesn't clearly mention it on my bill."

-LIANNA, BEAUTY SALON OWNER

"No idea how those rates work. I looked at usage based on TOU, wanted to find out if it was more expensive during the day when customers come through (selling merch) or at night when we are making merch (this was more expensive)."

-ASHLEY, WAREHOUSE OWNER

FINDING 2

Businesses don't feel like they have the flexibility to switch rates

Several SMB owners, even though they said they'd love to have alternative rate offerings, thought they wouldn't have the flexibility to switch. Some business energy usage is very seasonal or has to occur at a certain time of day, needs specialist equipment, or requires heating or cooling 24/7. These SMB owners would need to be convinced with their own data and forecasts that it would indeed be possible as well as worth their time and effort to change rates. Compounding these challenges, a large number of SMBs are still on analog meters with no access to advanced rates.

"I don't believe that I have [an alternative rate] option for my business. I think some of those things are options for home consumers, but I am 90% sure I don't have that option for my business."

-MADELINE, BAKERY OWNER

"So I know they do have alternative rates. I'm smart enough to know what it is that during peak periods they may charge more in an effort to do that. But to that point, I don't understand how I could ever control that, given what my business does."

-MICHAEL, CLEANING SERVICE OWNER

"Laundry is the main energy use I can think of where we could save with different rates. I can easily have a stylist track timing of use of laundry, which I am sure uses a lot of power. What creates hesitancy on my part is if the hassle to my staff is worth the savings. I'd do the research to figure it out but if it's negligible or if off-peak times are when the salon is closed, it wouldn't be worth it."

-PAUL, HAIR SALON CO-OWNER

FINDING 3

SMBs are motivated by more than cost-savings

A majority, 70% of interviewees, said they would be interested in switching rates, especially if it lowered their costs significantly. Resilience and reliability were also mentioned as important motivations. Many interviewees stated that the environment was very important in their decision-making and energy-using behaviors (69%). Some even thought it was useful for their B-Corp brand to pay more for RECs or to have solar panels installed, for example.

"When electricity goes out that's a problem. All systems need it. We don't use battery backup. The business shuts down when it's gone. It is run 70% based on credit cards, and needs to do transactions online."

-PAUL, SALON CO-OWNER

"I mean, cost is important, but my bill isn't that high right now. So if there is more sustainability-related stuff that I could look at, that probably would be more important. If my bill were more like \$1,000 - at that rate, then that would be cost saving, but as it is right now, being more green and helping the environment would be more of a goal for me."

-CAROLINA, TRAINING BUSINESS OWNER

"Our power has to be incredibly reliable. One of our facilities also services hospitals. We need to be on top tier for getting restored in a power outage. Personally, I would like to be as green as I can be, but it has to make sense financially for us."

-MARYANN, LAUNDRY SERVICE CO-OWNER

FINDING 4

SMBs think switching rates is difficult and time intensive

Most interviewees thought it was probably worth their time based on the energy savings they might have. However, very few had ever proactively switched their rates, and most didn't know where to start.

Fourteen of the interviewees (70%) said they had no idea how to switch rates. Only four interviewees said they had changed rates in the past, three didn't know, and thirteen said they had never changed their business rates.

A large barrier was perceived ease to switch, or the perception that they were "stuck" with whatever they were offered by their energy provider. Only four thought it would be easy to switch rates while nine participants said they thought it would be hard or even impossible.

"Once you know how to do [switch rates], it's probably not awful. But I guess it's not something utilities will put out there, readily."

-MARYANN, LAUNDRY SERVICE CO-OWNER

"Only if it were a significant impact. If it's a matter of pennies a month – don't bother me. It will take me longer to read through whatever they want and digest. And my time is worth something too. So if I have to read a 3-page email that tells me if I do this, I'm going to save 10 cents a month, I'm not interested."

-MADELINE, BAKERY OWNER

"I just assumed rates are the rates, and haven't looked at it from a competitive standpoint because there are not many options. I am not thinking about it like other services. It's a necessary evil. We need energy, so we have to pay the bill."

-PAUL, SALON CO-OWNER

Many SMB owners thought their time was worth more than switching and adapting to a new rate.

"I can't stop what I'm doing. It's not like I can say, 'Okay, I'm not gonna wash your hair and I'm not gonna do the laundry.' Because if it needs to be done, it needs to be done. Air conditioning needs to be on, cause when the people are working in the salon it gets really hot."

-ANNIE, HAIR SALON OWNER

"Is it a just return on my time? If I lowered our bill by 10%, that's like, 300 bucks a month. That's meaningful. It's not as meaningful as my time, so it's a little bit down the list in terms of priority. It'd be great to do, but not if it takes too much time."

-ELLIOTT, FOOD PROCESSING BUSINESS CO-FOUNDER



FINDING 5

Customers are interested in rate tools, but they need to be simple and personalized

The majority of interviewees (17 out of 20) expressed interest in rate tools, particularly those that could show them, using their own data, models or forecasts of savings, or how behavioral changes could work with e.g. time of use tariffs. Many described graphs they would like to see, but also assumed that they were either not available from their utility, that they had to create them themselves, or pay a lot of money to access them. Several mentioned calculators that could show the cost savings based on different rates or energy-using behaviors. Some made it clear that without further education or explanations, they wouldn't know what to do with the tools.

"Declare a simple thing on your bill, like 'you could be saving X'—that would be a pretty darn nice way to tell me that there's an opportunity there. It's taking away the steps in the process, but it really is about dollars and cents like, 'hey, you can save 3% on your bill'—that doesn't sound very good vs. 'hey, you spent \$3,000 last year and you can save 100 bucks if you change'. You know, the \$100 you might get my attention."

—MICHAEL, CLEANING SERVICE OWNER

"I'm usually in a hurry. I don't really feel like I know how to use the tool efficiently or effectively. They're given me these tools, like, I can pick a day. Okay. I picked yesterday, and I'm looking at our energy usage. I can see that at 5am was probably the lowest point for the day. And we only use 1.36 kilowatt hours during that 15 minute window. I mean, but what does that mean? I don't know. So they've given us these things, but I don't know how to use them."

—ALEX, RESTAURANT/BAR OWNER

The interviews showed that utilities are seen as not being proactive enough in advising their customers on what's best for them. There is a clear appetite for more targeted solutions and tools, particularly around forecasting and modeling expected charges and disaggregated equipment use. Support with troubleshooting, e.g. where there may be an equipment failure or leak leading to higher power use in real time, is also needed.

"I feel like it's really just one of those things that people just kind of assume there's not much you can do to change. The best way of doing it would be proactively being contacted for ways that we can optimize our electricity usage and bill, which I feel like my utility does a decent job of like on the residential side. But I mean, I haven't really heard from the guy [his key account manager] in a long time."

-ELLIOTT, FOOD PROCESSING BUSINESS
CO-FOUNDER



FINDING 6

Utilities have to be savvy about contacting SMBs

Despite the fact that most SMB customers we interviewed expressed wanting to get more information about switching rates or saving energy, they also were clearly quite difficult to contact. Even the <1% we managed to recruit here expressed strong feelings about common modes of contact and receiving information, largely rooted in mistrust of spammers and fraudulent calls or emails.

"I probably wouldn't pick up the phone. I get a lot of phone calls that say we're calling from your utility provider to tell you about a rebate or something like that and I and I just don't trust it."

-LIANNA, BEAUTY SALON OWNER

"I don't know if you've heard of the water and power frauds they've been doing? No. I wouldn't trust it... There is a lot of fraud going on. So now, in letters, they always say we will never call. So do not give any information if someone calls and says they're from the utility."

-ANNIE, HAIR SALON OWNER



SMB owners had different ideas about how they'd like to be contacted as well, with email standing out as a potential preferred channel, although with reservations. they don't have to.

"Maybe an email would be nice. A phone call? I don't really like answering phone calls. It's better to see the information myself. If I see it in front of me, that way I can kind of compare with at a glance, you know, but they are a little bit harder to follow when someone just tells me."

-LIANNA, BEAUTY SALON OWNER

"Getting a targeted email to businesses like mine, saying, 'Hey, did you know that we can offer you this kind of rate in the winter and this kind of rate in the summer?' but as far as I know my utility company doesn't do anything like that, because they don't have to."

-MADELINE, BAKERY OWNER

"Emails would work too, but it's just where there's so much foreign junk mail that yeah, it's a little bit difficult for I think the average person to go through it and actually pay attention to it."

-ANNIE, HAIR SALON OWNER



Give SMBs the help they need

Almost every single interviewee expressed that this research had either made them more aware or curious about their rates, or helped them better understand them. None were fully versed in rates and rate structures—demand charges especially were wholly unknown to them. The level of confusion even among those who expressed high energy literacy showed how important proactive energy education is in this sector.

How can utilities give this segment the assistance and assurance that they need?

1

Give SMBs better access to their own data

Ensure customer awareness of utility-provided energy management tools by using targeted marketing promotions delivered through customers' preferred channels. Once utilities have the customer's attention, make it easy for them to understand the benefits through clear rate calculators and "What-if analyses" so that these busy SMB customers don't have to use their limited time and resources to dig into their data.

And for those who don't have smart meters, expand the roll-out and offer more tailored tools, forecasts and models, as well as disaggregated equipment data that pulls from their available meter data.

2

Provide more personalized, proactive engagement

Use digital outreach to provide tailored recommendations to each SMB customer. Once a customer is on a new rate, help them best operate on their rate—by making it easy for them to understand peak and non-peak times as well as providing enabling technology such as smart thermostats to help them take advantage of the cheapest times to use energy and avoid the most expensive.

There is a lot of fraud and spam communication overwhelming customers, and SMBs don't have the time to investigate each communication. Energy providers can consider investing in key account managers, at least for medium-sized businesses or those with very high energy consumption (e.g. light industrial or manufacturing), an action that would be worthwhile and appreciated.

Utilities can also leverage personal connections to increase engagement and participation. Reaching out to business associations and other networks to promote energy saving opportunities and benefits will help businesses trust and understand the message.


3

Check in with SMBs on a regular basis to increase trust

Customers trust utilities on billing, but may not have the same trust around rates. By offering the best-fit rate and helping customers optimize energy usage around that rate, energy providers can grow brand satisfaction and trust.

Utilities can also offer other programs and services that will help accelerate SMB savings from alternative rates. If these are done on a consistent basis, SMBs can not only learn about which programs are most relevant to them, but also to trust communications from their utility and discern it from spam. Even exploring sending an email coupled with a similar text message can assure customers that communications are genuine. Finally, SMBs would appreciate at least yearly check-ins around rates and billing. These would also build additional trust and customer loyalty.



A woman with blonde hair, wearing a denim shirt and a dark apron, is sitting at a wooden table in what appears to be a cafe or office setting. She is looking at a laptop screen and has her hands on the keyboard. On the table in front of her is a glass of iced coffee, a pen, and some papers. The background is slightly blurred, showing shelves and other items in the room.

Engaging with truly hard-to-reach SMB owners and managers was an exercise in itself when conducting the survey. Not only are they busy, but they are highly unlikely to trust communications given the high amount of fraud they have to contend with. It's easy to understand why utilities have had difficulty in connecting with them.

However, when we did reach this important segment, they were genuinely interested in understanding new rate options, especially if it meant saving money or being more sustainable. By proactively giving SMBs more access to their own data and making it easy to understand as well as checking in more frequently, utilities can provide the help that SMBs need to to adopt new rates that help them save energy and money as well as continue to optimize their energy usage beyond rates.

About Uplight

Uplight is the technology partner for energy providers and the clean energy ecosystem. Uplight's software solutions connect energy customers to the decarbonization goals of power providers while helping customers save energy and lower costs, creating a more sustainable future for all. Using the industry's only comprehensive customer-centric technology suite and critical energy expertise across disciplines, Uplight is streamlining the complex transition to the clean energy ecosystem for more than 80 electric and gas utilities around the world. By empowering energy providers to achieve critical outcomes through data-driven customer experiences, delivering control at the grid edge, creating new revenue streams and optimizing existing load and assets, Uplight shares a mission with its clients to make energy more sustainable for every community. Uplight is a certified B Corporation.

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