

SMALL TO MID SIZED BUSINESS CUSTOMERS SAY THEY NEED HELP. SO WHY AREN'T THEY KNOCKING DOWN YOUR DOOR? IN SEARCH OF SMC'S FOR DSM

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When it comes to the small business segment, many utilities across the country are in a real pickle.

No offense to pickles – they're a very important food product, an American staple, a billion dollar business and a major contributor to the nation's GDP. What's a picnic without a pickle? Speaking of pickles, Pete Gherkin, Sr. was in a pickle -- he needed his son, Pete to take over Pete's World Class Pickle Emporium, the family pickle business. Pete wanted nothing more than to take over the family business, but he was worried about the many challenges a small business owner faces.

This is the story of Pete Gherkin's quest to be a successful family-owned Pickle business. Will he successfully navigate the many obstacles that face a small business owner today?

"Wait a minute," you say. "What's this have to do with the utility industry?"

Everything.

Pete, like most small business owners, needs help, but often doesn't know where to ask for it.

He probably won't turn to his utility, because that's just a monthly bill – a tax if you will – that he must pay every month – the cost of doing business. What help can a utility provide a pickler who is in a pickle?

Pete needs your help to manage costs so he can stay competitive. As a community leader, you need his help to meet your corporate objectives. Sounds like a perfect match, so why is Pete and so many others like him so hard to reach? Why doesn't Pete ask for your help? Why doesn't Pete respond to your bill stuffers, brochures and web content? To understand what motivates Pete, we first need to understand his world.

The World of a Small to Mid sized business owner

It's Monday, 7:00 a.m., and Pete arrives at work, ready to satisfy the cravings of his hungry pickle-eating customers. He knows the day's demands on his time will be severe; he is responsible for, and has to be an expert in, **every** aspect of his business. Pete not only makes pickles, he is the company accountant, lawyer, marketing specialist, facility manager, human resources, chief pickling person, and buyer. And when that's done, he has to sell a lot of pickles every single day just to pay for the overhead. So you can now see why Pete is in a Pickle.

By 8:00 a.m., Pete's able apprentice pickler, Preston Trickle, calls in sick and asks Pete for a code number for the health insurance. At 9:00 a.m., it's time for a bank run -- a pickle business needs to have change for its pickle-eating customers. Without Mr. Tickle, who is going to make the pickles, while Pete is at the bank?

At 10:00 a.m., it's time to take care yesterday's receipts and update Quick Books. At 10:45 a.m. -- almost time to open the doors -- Dill Spears, the brine supply salesperson, knocks on the door.

After Dill leaves, Pete has 10 minutes to gobble down some food. While munching on a Gherkin, he remembers the weekly advertisements are due by 1:00 p.m.. Good thing Purvis, the master pickler, just got back from his vacation in Pickleadelphia! At 1:30 p.m., Purvis calls Pete on the intercom -- a batch of sweets got mixed in the sours and there is water is pouring out of the men's room.

3:00 p.m. -- the phone rings -- Pete's best customer, Sam's Deli, is ticked off because Pete hit the wrong key and Quick Books sent him a double bill.

Keeping the books has not been fun for Pete. Times are difficult, and if Pete can't find a way to trim the budget, he may have to lay off Susan, his young cousin and one of his best picklers, affectionately known at the office as Baby Gherkin.

Pete wonders how his biggest competitor, Mick, "the little picker" of Queens been able to make ends meet.

At 4:00 p.m., Pete sits at his desk to look at the mail. He notices a flyer from his utility company -- something about saving money. To Pete, saving money is sweeter than Old Fashioned Bread n Butter Pickles, so he puts the mailer on top of a two-foot high "to read" pile. What's a pickler like Pete to do? It's now 5:00 p.m., and Pete is thinking about Monday Night Football. However, there is no one to fill in for Patty the night pickler's shift -- of all the times for the Pepto Bismol bottle to be empty! . So tonight, Pete skips Monday night football so he can stay and make pickles -- for this is the business Pete has chosen, and so many people need his pickles.

Pete know he is in a pickle -- he needs help. Sound familiar?

Research by J.D. Power and Associates from a 2003 study indicated that small to mid-sized business customers rated their satisfaction levels with their utility significantly lower in the first part of 2003 as compared to 2002. According to Al Destribats, executive director of the utility practice at J.D. Power, "While businesses are intent on finding ways to cut costs, electric bills are rising significantly. Naturally, this negatively impacts customer satisfaction. These businesses are sending a message to utility that they are looking for help in these trying times". In spite of the obvious drivers of challenging economics and rising costs, utilities are having a difficult time getting small to mid sized customers to take advantage of the help J.D. Powers is suggesting they are in dire need of.

How and Why?

Time and management skill sets:

Owners and managers of these facilities have many demands for their time and equally as distracting is the diverse nature of the day-to-day operations of a small business. The owner/manager must be an expert in human resources, accounting, marketing, facility operations, advertising, customer relations and many other concentrations that would in a larger business be the focus of multiple individuals.

Considering all these areas of focus and the premium on time it is easy to see why energy matters might take a back seat to day-to-day business operations. Since time is at a premium and it is unlikely they possess a suitable knowledge of energy matters, how can we expect the owner/manager to react to a utilities call for action? At a larger business there is most likely a person with some level of expertise assigned to facility operations and energy matters, these people have the time and skills to react or be proactive.

To achieve the desired objectives from this class of customers it will be necessary to provide options to make participation easy, more convenient, less complicated (technically), focused on their business issues, and with multiple channels or choices.

Facility ownership and money:

For a significant portion of this customer class the place of business is leased for a period of two to five years with options to extend. Making a capital investment is difficult to justify if it exceeds the term of the lease. Capital investment in facility equipment for short-term leases is also difficult to justify since most owners choose to preserve capital for direct business investments or cash flow. Customers who own their facilities may be more inclined to make a capital investment so long as the return is competitive with other demands for money. In most cases small business owners look for paybacks in under two years. Exceptions to this rule occur when other factors make it easier to accept a longer payback these include improvements in comfort, productivity and for some improvements in appearances.

For the past ten years, countless market research studies have reached like conclusions.

The economic, energy, and national security issues during this time period vary widely, however, the same set of issues prevail:

- “ I am confused about my energy bill”
- “ I am a business person, not an energy expert”“
- “ I need to better manage my cost, can’t you help me?”
- “My telephone company showed me how to save and they did all the work – can’t you help me with my energy bill?”

While business owners admit to needing help, it is not always easy to provide:

- “I am a small business owner, I have little time”
- “Didn’t know about your support services and how it would benefit my business”
- We lease our facility – why would we benefit from improving someone else’s property?”

This still doesn’t answer the question why so few small to mid sized business customers sign up for “free money” and “soup to nuts” efficiency implementation services.

Several electric and gas utilities have tackled this issue utilizing Nexus Energy Software tools and learned that success requires taking a more aggressive path -- frequent contact through multiple communication channels. When utilities communicate with these customers, it has to be in their language (not efficiency and conservation speak) and to the point using business talk and use simple forms of energy communications.

Experience has indicated that effective messaging should:

- Come from several directions and come more than once. - Multiple touch points with the customer.
- Make sense for your customer’s business. -Simple and quick project screening
- Explain WIIFM (What’s In It For Me?) -Comfort, appearance, money savings
- Provide clear communication that guides the customer through the process easily.
- Communicate available incentives
- Respect the customer’s time. –Only ask for small bits with each program step

Utility Case Study:

Southern California Gas Company is the nation’s largest natural gas distribution utility, serving 18.9 million consumers through 5.3 million meters. Responding to the challenges stated above were compounded by the unique business climate in California where the cost of doing business is becoming increasingly expensive. Factors contributing to the demands on small commercial customers include rising energy costs, workers compensation increases (benefits increased 71%), family leave act requirements, (all employees eligible for 6 weeks paid leave), high healthcare costs, high and sometimes hidden taxes, high cost of living for employees and increasing environmental regulations.

To meet these demands, SCG chose a multi-channel approach that aimed at providing customers with a wealth of channel implementation choices designed to capture customers at multiple interaction points. SCG selected the Nexus Business Energy Management tool, which offers an interactive energy survey platform deliverable via multiple channels.

Via the Phone – One highly effective approach has been the use of proactive and reactive telephone surveys. Using a quick introduction, customers are invited to complete a short survey via the telephone. Customers receive a customized report (mailed or emailed)with recommendations and information on rebate/incentive programs that they are eligible for. Reports are either emailed or mailed to the customers. Typically, participants include the owner, office manager or building facility head. Customers can return to the SCG Web site to view their report and conduct additional analysis.

Response rates have ranged from 50 – 80%.. Customers have been very receptive to this method since it is quick and to the point.

Via the Mail. Using the Nexus Fast Track question set, a tri-fold survey is direct mailed to hard to reach customers. To increase response rates, So Cal Gas sent a postcard notice prior to the survey mailing and a reminder card sent two weeks after the survey mailing. The mail approach allows customers to complete the survey at their convenience and the pre-paid postage return makes return extremely easy. Customers who complete the survey receive the same report provided to phone survey participants and also have the option of visiting the SCG web site for additional analysis. This approach has resulted in a much lower response rate, typically 1% - %5 of customers return the survey. While some customers prefer this approach, costs are generally higher as they include printing, postage and processing expenses.

The Mail Survey is also made available at So Cal Gas business customer seminars, tradeshow, Community Based Organizations, and Bill Payment offices.

Via the Internet –So Cal Gas offers the Nexus Business Energy Management tool on its web site for access by customers at their convenience. The tool is prominently promoted featured on the So Cal Gas website home page and integrated with available programs and services. Links to the tool are also featured on numerous Community Based Organization (CBO) websites. To encourage customers to complete the tool online, So Cal Gas has offered a variety of innovative, low cost incentives including free movie tickets.

Via CD-ROM – Business customers can also request the same energy analysis to be delivered via CD-ROM for installation on their personal computers. The CD includes the same analysis as delivered via the other means with links to the So Cal Gas web site. The CD allows customers the convenience of receiving energy management assistance without a connection to the Internet. CDs are typically distributed at tradeshow, seminars and trainings, civic and customer events, via phone and through the Mobile Energy Workshops with a focus on minority groups, Chamber of Commerce and Industry Associations.

Via Onsite Audits – As a higher cost option and frequently as a last resort, onsite audits are offered by So Cal Gas by request.

Southern California Gas has achieved success in reaching small and medium commercial customers by providing a variety of implementation channels and allowing the customer to choose how they wish to interact with the utility.

Other Innovative Implementation Venues

Another innovative venue piloted by So Cal Gas for small and medium commercial customer outreach has been the Mobile Energy Workshop. The objective of these portable seminars is to provide energy efficiency information and assistance to hard-to-reach small commercial and industrial customers. Workshops are held in “strip-mall” shopping centers, with a high concentration of small hard-to-reach

customers as defined by the California Public Utilities Commission. Information provided to customers includes:

- Prepared templates and brochures on how to save energy costs for lighting, HVAC, hot water and process loads
- Information on how to obtain rebates, and other financial assistance
- Assistance by utility staff in reviewing rebate and financial assistance forms with the customers, and help them in completing these forms.

Conclusions

Using a multi channel approach and reaching customers in convenient venues, utilities can reach small and medium commercial customers with the information, programs and assistance that they are desperately seeking. The investments made by providing a wide variety of implementation choices can pay off in significant increases in customer participation in DSM programs and services as well as improved customer satisfaction and retention. Utilities interested in enhancing relationships with this customer segment should consider tools that include multi-channel capabilities. Software platforms that provide for an integrated customer experience (web, email, CD, mail, phone) with the opportunity for customers to choose multiple touch points while maintaining centralized data collection and analysis are highly recommended.,