



# SMB Demand Management Program

## How to Successfully Engage the Small- to Mid-Sized Business in Your Demand Management Program

One online [publication](#) called it the “red-headed step-child” of the demand management customer segments. It seems unloved and ignored. But the reality is more likely it is misunderstood and underappreciated, especially in regard to its massive load growth potential.

At Itron, we built our business on residential demand response and have become the clear market leader in this segment. Along the way, assisting more than a dozen utility clients within the small- to mid-sized business (SMB) segment, we’ve recognized the synergistic opportunities SMBs offer as a complement to a strategy otherwise focused on capturing residential load.

So let’s first take an overview of the commercial segment, examine some of the challenges it poses and then offer some core ideas on how to meet those challenges for utilities ready to either start a program or augment a currently existing demand response or energy efficiency program with an added SMB focus.

To begin, consider the following: The [Small Business Administration](#) considers a small business as one with fewer than 500 employees. There are about 28 million of them and they employ more than half the U.S. workforce.

Since 1995, SMBs have created 65% of America’s jobs, with more than half a million starting up each month, and even more shutting down the same month. At the beginning of the decade, the fastest-growing freelance businesses were auto repair shops, beauty salons and dry cleaners.

Our scope is a bit narrower. Itron defines SMBs by their energy usage, with small businesses using up to 200 kW/month and mid-sized businesses using 200 to 500 kW/month. This segment accounts for 36% of total energy use.

According to the [Energy Information Administration](#) (EIA), through 2014, just 256 utilities had commercial program opportunities for SMBs, with 150 of them (59%) having fewer than 100 participants.

There are about 28 million small businesses and they employ more than half the U.S. workforce.

- Small Business Administration

That speaks to the challenge. Now here's the opportunity: The EIA states these businesses consume 26% of their load from HVAC and another 22% from lighting— together a potential gold mine for DR and energy efficiency savings. What's more, the organization projected earlier this year that the commercial segment load growth will average 0.8%/year from 2013 through 2040. In contrast, residential growth is expected to grow at a 0.5%/year pace during the same period. Clearly, when it comes to strategies to mitigate energy usage, it would be logical to prospect in this segment.

Which brings us to the obstacles. Traditional marketing and communication channels for residential or even large industrial customers often are ineffective for SMBs. Residents still prefer to receive mail they can read at their leisure, while large businesses likely have a designated individual or department responsible for handling and evaluating offers and solicitations.

SMB decision-makers, in contrast, have limited staff and time, which they must necessarily devote to producing revenue. They may only open mail to pay bills, and even then will likely give anything else half a glance and half a thought. Therefore, the most effective channel to reach them is in person.

But, even when meeting them onsite, the opening to communicate with them is likely small. You'll have time for an elevator pitch. So make sure the idea you present is simple, compelling and recognizably tailored to the SMB decision-maker's discrete business dynamics.

Let's break that down. As we at Itron know only too well, demand management is inherently complex. But any program description must be easily understood. The offer must not only be straightforward, it must be a no-brainer. The focus needs to be on why it's a win-win that will bring benefits to the small business and its bottom line. Furthermore, while a shop

owner doesn't need to hear that you understand the seasonality of his or her merchandise, he or she does need to trust that you understand the challenges a small retailer faces with customers, especially as relates to shopping environment, ambience and climate control concerns.

In other words, as the saying goes, your efforts shouldn't be to just make a sale, but rather to make a customer. When it comes to SMBs, your purpose has to be bigger than capturing enrollments for one load program. It should be about establishing a relationship, an energy-saving partnership that will continue long-term with ongoing engagement informing the SMB of value-adds (e.g., energy efficiency programs, product rebates, discounted energy-saving products, etc.) that will be tailored by relevancy to that customer. Customer engagement will only result if you're seen as a trusted advisor.

Evidence for this was recently offered in a [survey conducted by Accenture](#) that showed 37% of customers in competitive markets and 52% in non-competitive markets look to their utilities to help them better manage their energy. There is clearly a market need for this information, and even as competitors and new energy resources disrupt the market landscape, utilities are best positioned to offer their authoritative knowledge to SMBs to build and maintain a lasting customer relationship.

Finally, at the end of the day, while it may seem more labor intensive to harvest less relative load from an SMB than a large commercial and industrial company, and more personnel may be required to reach the many SMBs that likely populate your footprint, the potential returns can't be ignored. Engaging SMBs is about more than demand management. It is about a changing business model that personalizes the business connection. It is about changing your thinking from "marketing" to "consumer education" and "customer centricity."



Join us in creating a more **resourceful world**.  
To learn more visit [itron.com](http://itron.com)

#### **CORPORATE HQ**

2111 North Molter Road  
Liberty Lake, WA 99019 USA

**Phone:** 1.800.635.5461

**Fax:** 1.509.891.3355

While Itron strives to make the content of its marketing materials as timely and accurate as possible, Itron makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of, and expressly disclaims liability for errors and omissions in, such materials. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third party rights, title, merchantability, and fitness for a particular purpose, is given with respect to the content of these marketing materials. © Copyright 2017 Itron. All rights reserved. **101569MP-01 08/17**