Reaching the Other 50%: Why Utilities Are Missing Half of Commercial Buyers (And How You Can Fix It)

How you can leverage wholesalers, resellers, and manufacturers ecommerce sites to increase your energy program performance

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Executive Summary

This ebook examines the rapid growth of commercial transactions in the digital age, and how with the right message at the right time, utilities can provide customers with instant rebates where they shop online while simultaneously addressing critical program design challenges such as awareness, attribution, and influence.

By unpacking the size and importance of this emerging channel, you'll learn how you can prepare for the next big transition in customer engagement – ecommerce. This channel can also help you engage with hard-to-reach segments including small and rural businesses, support facility maintenance staff, and provide clear and consistent awareness on product and rebate eligibility where decision-makers evaluate product recommendations, online.

In preparation for this ebook, Encentiv Energy worked alongside several utilities across the country and ecommerce website owners to create a solution that meets the rigors of utility regulators, while maintaining a great customer experience.

Introduction

In the early days of energy efficiency programs, utilities primarily relied on in-house and contracted energy, mechanical, and electrical engineers to analyze a range of products and end-use applications that ultimately became the foundation for efficiency initiatives. Founded primarily on the math, and not on the business need resulted with one strong positive, and one glaring negative.

The math behind the engineering analysis was solid. Verifiable savings based on a variety of clearly defined inputs including replaced and new equipment, hours of operation, building types, system performance checks, and more. This gave utilities and their regulators well-placed confidence that the reported energy savings they provided rebates or incentives towards were as accurate as possible given the tools and technologies of the time.

However, the customer experience left much to be desired. The application process was time intensive and often required someone with an engineering background to complete, leaving most if not all small businesses and residential customers on the fringe. Not only was the application submission process difficult, but if your project was approved, it took several weeks if not months to reimburse the project.

This misalignment to customer needs and project expectations proved to be a barrier to accelerating the adoption of high-efficiency technologies. Recognizing this, utilities began to look for ways to simplify the process, at the expense of engineering rigor. Savings formulas shifted from user inputs, to market characterization where product savings assumed hours of operations and assumed a blended baseline of technologies.

No surprise, participation in programs increased. Upstream-Retail and Midstream-Commercial program designs allowed customers and their service partners to more easily access product discounts where they shopped and how they made purchasing decisions.
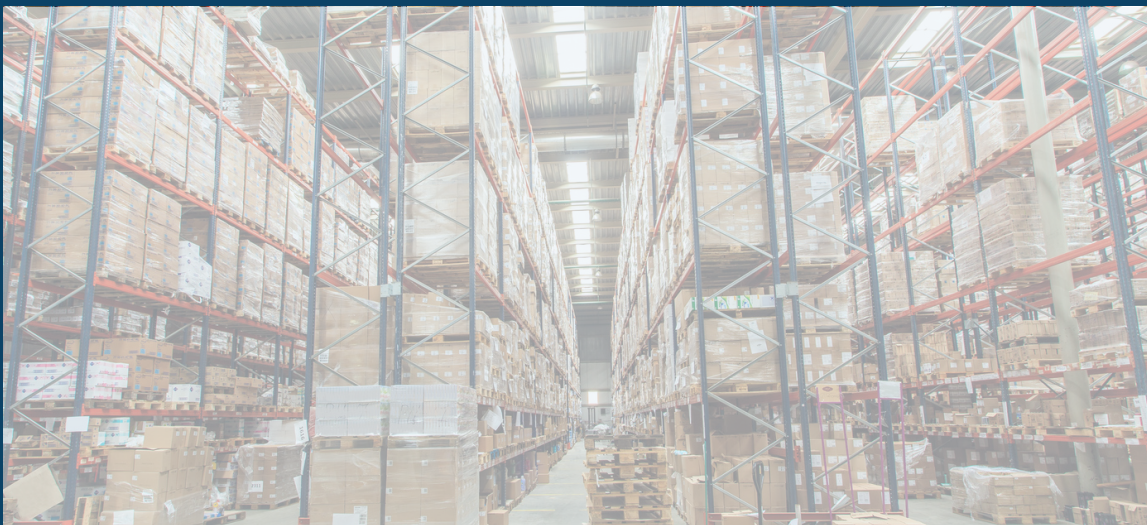
This trend continues as utilities look to offer a complete energy ecosystem to their customers. Today's customer receives detailed bill analysis, curated energy savings recommendations, and even the option to purchase energy-related products directly through their electric or gas utility. The trend suggests utilities are looking to provide transactional ease in the customers journey towards reduced energy demand.

As the markets evolve, there is a growing gap between where/how utilities engage their customers and where/how these customers purchase products. Utilities tend to communicate to the customer responsible for paying the utility bill. On the residential side, this makes complete sense as the individual(s) responsible for making in-home purchases and upgrades are typically also responsible for the utility bill.

Unfortunately, this is not often the case in the commercial and industrial channels. These customers often handle utility bills through the finance department or may even outsource bill management to a third party. Meanwhile any maintenance or capital improvement decisions are made by a wholly separate individual or department. This leaves a considerable gap between those hearing the utility message and those making energy-related decisions.

Recent studies show businesses are driving more purchasing through digital channels. In fact more than 50% of all energy product related purchases are completed digitally[5], including EDI, account portals, ecommerce and more. These channels are void of any promotion, education, or guidance from utilities and their messaging. Customers are making purchasing decisions based strictly on first-cost and other business needs that may not include the positive impact of efficiency rebates or long term energy savings.

*Utilities looking to maintain a positive touch point with those commercial customers leveraging the ease and convenience of digital channels should evaluate their go to market strategy with **a few simple questions**:*

1. Does my program design effectively communicate the value of efficiency where decisions are made?

2. Do my trade partners include influencers across the entirety of the supply chain?

3. Have we considered contingencies to maintain program performance in the face of evolving health and safety protocols?

Growth rate of ecommerce sales

19%

Deloitte research projecting YoY growth in B2B e-commerce of 19 percent is faster than projected growth in B2C

37%

Online sales represent more than ⅓ of all commercial lighting sales in 2020

8%+

The historical growth rate of online lighting sales prior to 2020

The Gap is Growing for Utilities to Engage Online C&I Customers

To say the internet has changed commerce for individuals and businesses alike is low hanging fruit. Just now, this second, Amazon shipped more than 18 orders, and will fulfill more than 66,000 orders this hour.[4] We know more shopping is done via digital channels and this is not unique to personal shopping. Commercial buyers are shifting their purchasing processes and decision-making to a virtual environment creating a large gap in how utilities currently engage customers and promote energy efficiency.

> *The United States B2B ecommerce transactions are expected to grow at a CAGR 18%+ through 2028 at a total value of $3.5 trillion USD.[1]*

This is focusing exclusively on pure ecommerce sites, whereas the broader ecommerce channel which includes all forms of digital commerce (EDI, ecommerce sites, log-in portals and marketplaces) is presently worth $9.9 trillion in 2021 and supports more than 50% of all B2B transactions.[2]

The purchasing experience is less consultative and more curated based on buyers' needs. Whether created in collaboration with a sales or account representative, or developed via common search filters associated with the products in question, buyers are taking control over their purchasing experience.

This space is void of any energy program promotion, education, or other influence. There is no defined space for utilities to communicate or promote which products reduce energy consumption, provide ongoing energy savings, or offer rebates in a way that aligns with the shopping experience.

Utilities are limiting their market engagement to local ads, flyers, bill inserts and account portals where the person receiving the message may have little to no involvement in the purchasing process. **Energy programs are at best communicating with 50% of the commercial market's purchases or decision makers when promoting energy programs and that percentage will dramatically decrease over the next several years.**

Validating customers and purchases has historically been a pinch point to large scale market engagement.

With few exceptions, most energy programs require customers to prove they are eligible to receive rebates and incentives either through a pre-approval process or risk purchasing a rebateable product without confirming they are eligible to receive a rebate.

Utilities adapted via third-party look up tools made available for use exclusively by their trade partners to quickly confirm eligibility and offer instant rebates largely through their midstream programs. While this has increased the overall number of rebated commercial transactions, it still requires the trade partner to modify their sales process and slow the purchasing experience.

This is most burdensome at the sales counter where a metric of success is not defined by the size of orders but the volume of orders and adding a step to visit a third-party site to confirm customer eligibility adds minutes to each transaction.

The same could be said for most any sales channel. The size of the order is an interesting metric, however the volume of transactions is the critical metric. Creating deal flow boils down to two primary inputs: Creating market awareness that provides a large funnel of customers to transact; and a purchasing experience that quickly moves interested shoppers to completed buyers. Once this foundation is established, the average deal size will increase by offering customers more products that complete their project needs.

To put a fine point on it, utilities have developed a solution to confirm customer and product eligibility that does not align with how businesses aim to transact, and as markets move to an increasingly digital world it will become harder for utilities to reach shoppers.

Benefits of Participating in ecommerce

The solution is simple on the surface: Equip digital channels with the tools that allow customers to validate their eligibility and the information to know which products may receive a rebate. Oh, and process it for rebate fulfillment.

In practicality it is much more complex. **Good news though, there's been a breakthrough.**

Encentiv Energy, supported by a panel of utilities across the country, and ecommerce site owners and platform managers, have collaborated on a workflow and set of requirements to ensure commercial customers can receive instant rebates in the cart, online, while satisfying the spectrum of regulatory requirements including influence, attribution, and awareness.

Below are some of the key findings from our collaboration:

Observations from the Utility Advisory Panel

Mass market program participation remains flat or is in decline.

This is of course a generalization, however we found that most programs only see a bump in participation when there are substantial bonuses or relaxed rules. The belief is that markets are reaching a saturation point, and while this is true, the general extent of saturation is around 30-55% depending on the market and the industry or technology. The data suggests the markets have plenty of energy saving years ahead of them if utilities can meet commercial customers where and how they are shopping.

Influence and Attribution must be demonstrated.

Mass market programs have struggled to fully satisfy these requirements as oftentimes a third-party purchases from wholesalers and may or may not relay the benefit made available from a utility efficiency program. Through the course of several brainstorming sessions, we developed a customer experience that promotes efficiency rebates on the landing page and product pages of ecommerce sites, allows customers to easily select which utility applies to them, see which products qualify for rebates and for how much, validate their eligibility in the cart, and see clearly that their utility offered this rebate and the exact amount on their final receipt.

Observations from the Utility Advisory Panel

Where do digital transactions fit into the portfolio?

Launching a new program channel can take years to scale, however there are several ways to promote ecommerce sites and partners within your existing portfolio of programs. Most utilities have determined their midstream channel is the best fit, so long as the sites and customers are in compliance. Others are considering behavioral programs and/or extensions of their commercial marketplace offerings. In all cases, it's simple to add ecommerce sites as partners to your portfolio website and promote them as you would any other trade partner.

Observations from the Market

Don't mess with the customer experience!

We spoke with site owners and platform hosts about where and how to best integrate. The sensitivity around customer experience and click-paths is significant. Turns out when you're purchasing a product online, that decision was informed by the site configuration. How you enter a site, find a product, and complete the checkout are all carefully crafted to move customers quickly from consideration to purchase as quickly as possible. This feedback led to our ecommerce solution focusing on static information early in the customer journey, such as rebate amount displayed on the product page, to more dynamic engagement later in the cart after a purchasing decision is made. More specifically, our tools complete customer validation in the cart versus upon entering the site so as not to dissuade a customer from continuing their shopping experience should they not qualify for a rebate in a select market. A key requirement for scaled market adoption.

Scale is critical.

Again, a reflection on customer experience. Site owners do not want disjointed experiences which simply means if we're only offering rebates in a few markets, that may create a clunky experience for customers shopping outside of a participating utility area. For this solution to work for one market, it needs adoption across many markets. To achieve this, Encentiv Energy has developed a variety of pricing models to remove adoption obstacles on both the utility and market-facing side of the transaction. The goal is to create scale such that everyone wins.

Observations from the Market

Digital transactions cover a broad swath of the market.

Our summary here has focused largely on traditional ecommerce sites, however the depth of digital transactions goes much further once ERP systems are incorporated. Here lies the most significant and most challenging volume to engage. Our roadmap launches with commercial lighting and ecommerce sites, but will evolve to include water heating, EVCS, some HVAC, residential products, and these more complex ERP systems. In fact, the largest platform host leveraged by more than 50% of the electrical wholesale community is already underway and expected to launch in 2022.
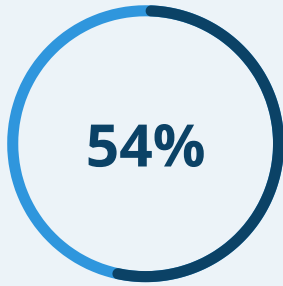
> "We can't wait for the launch and mass adoption of an ecommerce channel for instant utility rebates to increase the value we bring to our customers. Ecommerce is a huge part of our business and providing rebates is another way to set us apart."
>
> Kyle Mann, Vice President of Marketing
> ELEDLights.com

Ecommerce as a Key Strategy

54%

Fifty-four percent of online electrical suppliers are in the beginning ecommerce stage

The adoption rate of ecommerce in distribution soared in 2020 with a weighted +26% increase from 2019 to 2020.[3]

Ecommerce makes it easier to pull levers to manage cost effectiveness.

There is an ocean of energy savings to be created when utilities and the market align where buyers research and purchase products. The digital channel of qualifying transactions, meaning eligible product sales, is already measured in the billions of dollars and quickly growing to trillions across North America. This will accelerate by the continued investment of electrical wholesalers who expand on their existing ERP platforms to offer customers a more traditional ecommerce experience leveraging tried and true platforms such as Magento Commerce, Shopify®, BigCommerce®, and more.

These same companies are expanding their mix of available products to go beyond what has brought them success in past years, to become a true one-stop-shop for commercial buildings. What was once a lighting and electrical outlet is becoming a destination for electrified products including air conditioning and water heating, EV infrastructure, energy storage and more, making them a must have partner to maintain relevance in the future of program implementation.

To partner with these organizations does not simply mean to enroll them in an existing program channel, but to study their business model and align your collective goals: Sell and install more high-efficient energy products across the grid.

Encentiv Energy is ready for this transition with completed plugins for some of the largest platforms available that allow the host company to offer instant rebates to eligible customers. This allows utilities to safely offer rebates in a world that is seeking a higher standard of health and safety protocols, without compromising the utility message and increasing portfolio performance.

How You Can Fix It

If you're considering how to reach more customers or wondering how to increase portfolio performance, ecommerce is the lowest cost resource for energy savings.

Convinced this is where the market is moving? Ask yourself a simple question - what am I doing to ensure we're capturing these sales in a customer-friendly manner? If you're not sure, Encentiv Energy would like to explore that answer with you. Beyond our tools and market partners, we've developed a catalog of information helpful to understand the scale of this market, and the core requirements to engage it.

You may be thinking, we've got ecommerce covered. We have a marketplace and ecommerce sites listed as partners. However, if you're not measuring its performance in gigawatt hours, and customers are not returning to purchase more, then you've barely scratched the surface.
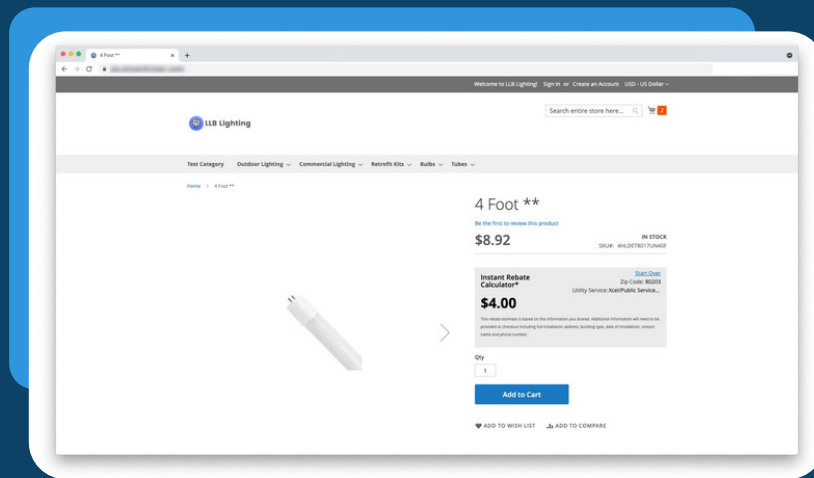
Ready to get started?
Visit https://www.encentivenergy.com/ecommerce-for-utilities/ and fill out the quick form at the bottom to learn more about joining the pilot or contact Ashley Garia directly at agaria@encentivenergy.com.

SOURCES

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