

FINAL REPORT

Small Steps. Bright Future.

JUNE 2024



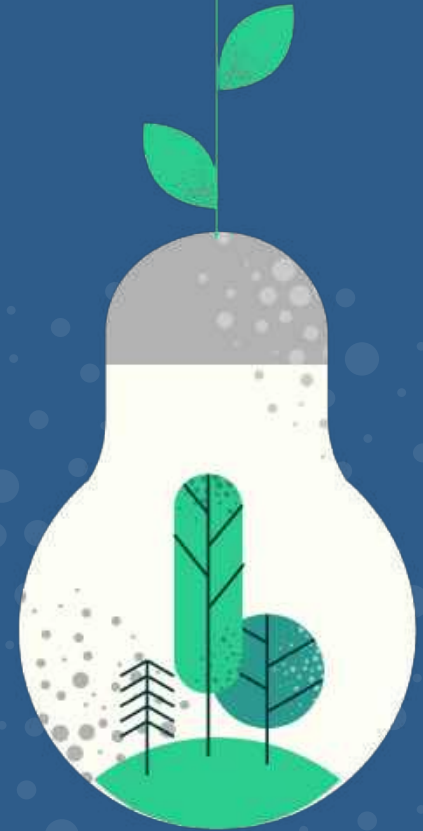
Acknowledgement of Country

89 Degrees East acknowledges Aboriginal and Torres Strait Islander peoples as the traditional custodians of the lands where we live, learn and work. We acknowledge and pay respect to Elders past and present and recognise that sovereignty was never ceded.

This report was prepared on Bundjalung, Turrbal and Yuggera country.

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Executive Summary

The small business community is being crippled by energy hardship and needs more and better targeted support if it is to make the energy transition to Net Zero.

The Small Steps. Bright Future. research shines a light on small business and their experience of energy hardship and the energy transition. Headline findings from the research show:

- More than 1 in 3 SMEs are experiencing energy hardship, which is more than post-covid lockdown impacts. SMEs operating within a shopping centre or embedded network are most at risk and overall half of SMEs are reporting a negative financial impact over the last 12 months
- A clear link between the experience of energy hardship and the type of energy used. SMEs experiencing energy hardship typically include industries with fixed, shopfront or intensive energy costs including retail/shops, restaurants/café and using power for cleaning and laundry.
- Rising energy costs is the number one factor impacting the financial situation of SMEs. 1 in 5 SMEs report difficulty paying their energy bills on time and in full.
- Most SMEs report they have not yet taken any steps towards the energy transition, this is particularly the case for micro SMEs. Where actions are underway they are most likely to be installing solar panels and implementing energy efficiency practices.
- High priority energy efficiency actions for SMEs include changing the way energy is used to be more efficient, comparing better renewable energy deals and using smart energy efficient equipment and appliances.
- There is limited knowledge about what's required for businesses to transition to renewable energy, with more than a third reporting low knowledge and half reporting a medium level of knowledge. Only 12% report having high knowledge. However, there is a real interest and appetite for resources and advice to support SMEs with the energy transition.



Executive Summary (cont...)

The research provides the data and evidence to develop a powerful yet practical segmentation framework and informed customer journey mapping resources that can be used to target advice and support for small businesses more tactically and more effectively.

Three segments within the small business community have been identified:



Fixed – representing 19 percent of the survey sample, Fixed SMEs face high levels of financial hardship. They have a medium to high level of understanding about what's required to switch their business to renewable energy, but facetime and financial barriers. 1 in 3 have not taken steps towards net zero. They typically operate within a shopping centre or embedded network, experiencing limitations with landlords and building management.



Swifts– representing 38 per cent of the sample, Swift SMEs believe that taking action on using smart and energy-efficient equipment and appliances is a high priority for their business, and are most likely to already have implemented energy efficiency practices in their business. They know there are long term cost savings associated with switching to renewable energy and that it will reduce their energy costs. They are typically larger SMEs, and are less constrained by shopping centre limitations, with more control over their physical space.



Agiles – representing 43 percent of the sample, Agile SMEs are the least likely to be taking steps in the energy transition. They are also least likely to have experienced energy hardship in the last 12 months. Taking steps towards the energy transition is seen as a low priority, and switching to renewables doesn't feel like it is worth the effort and investment. They are typically smaller or micro businesses and close to half operate in a home-based premise.



Executive Summary (cont...)



The segmentation shows in stark relief that there is no one size fits all approach that will work across the spectrum of small business. But what it and the customer journey mapping does do, is illuminate the opportunities for tactical interventions that can move SMEs within each segment further along the energy transition journey.

Notwithstanding the need for this nuanced tactical approach, the conduct of the whole research project did also provide the opportunity to identify more strategic recommendations.

STRATEGIC RECOMMENDATIONS

- **Getting the governance right** – Energy hardship is impacting small businesses right now and is a significant barrier to energy transition. To ensure a dedicated and joined up approach to this immediate issue across jurisdictions, small business energy transition should become a standing item and ongoing focus within the Energy Climate Change Ministerial Council governance framework.
- **Enabling the energy transition** – A one-size-fits-all approach to energy transition is likely to miss the mark for many small businesses. And while there is limited knowledge about how to make the transition, there is an appetite for advice, support and change. To meet these needs world should commence on:
 - establishing a small business energy transition portal. The design of this AI powered tool would integrate the research and evidence from this project to ensure users are provided the right information and advice at the right time.
 - Augmenting the small business energy transition portal with energy transition navigators providing an advisory service that understands the transition and the differing needs and motivations of small business and who could provide tailored plans and advice to small business.
 - Establishing a time-limited podcast featuring experts, decision-makers but also small business success stories, would provide a platform to demystify the transition, share good practices and tell the relatable story about how small business can be at the forefront of the transition.



Executive Summary (cont...)

STRATEGIC RECOMMENDATIONS

- **Targeted and immediate steps** – Using the tools and resources of the Small Steps. Bright Future. research, pilot interventions targeting highly motivated and at-risk small business segments should be developed (or existing programs reconfigured). This work should be developed in consultation with ECA, COSBOA and other relevant stakeholders.
- **Professional education as a communication channel** – The energy transition will be an ongoing challenge for small business. To ensure consistent and high quality advice to small businesses over this lengthy reform challenge, work should commence on the development and accreditation of basic energy efficiency education for business professionals, business owners and practice managers.





This Report

The Council of Small Business Organisations of Australia (CoSBOA), backed by Energy Consumers Australia and supported by 89 Degrees East, has developed a new small business segmentation framework to better understand the experience of small business and the energy transition during periods of energy hardship.

A national quantitative survey was conducted in early 2024 with small and medium-sized business owners and managers. The survey data was then segmented. The segmentation framework was tested with small businesses and customer journey maps for each of the three segments developed. The framework and the customer journey maps are designed to provide the basis with which to better understand and support small business on their energy transition and journey to Net Zero. They have also underpinned the development of guides and resources that can be used to assist small business and which are attached to this report.

The full research report is attached at Appendix 1. It is a deep dive into the survey results and the segmentation analysis. It also outlines the research methodology in detail.

Customer journey maps for each of the three segments are attached at Appendix 2. The customer journey maps provide a powerful insight into the journey and experience of small businesses within each segment as they grapple with the energy transition. The customer journey maps are a resource in their own right and can be used to better understand the needs of small business and target interventions to support them.





This Report (cont)

As part of the research, a number of compelling case studies bringing to life the experience of the energy transition for small businesses were recorded. These real-life examples illuminate what's working now and what isn't, and are provided at Appendix 3 as a standalone resource that help tell a small business story.

The research findings have been presented at various forums and are now publicly available. They are attached Appendix 4 and provide a succinct overview of the research approach, key findings and segmentation framework.

The segmentation framework and customer journey maps have been used to develop three guides for three separate audiences that can be used to support small business. The first is a guide for policymakers within government to assist with the design of new initiatives to support the energy transition and is included at Appendix 5. The second is a guide for use by commercial landlords and property managers that identifies where and how landlords can work with their tenants on mutually beneficial energy outcomes and is included at Appendix 6. The third is a guide for financial counsellors, accountants and bookkeepers who work with small business clients and outlines how they can factor this segmentation advice into their work, and is included at Appendix 7.



Findings and Recommendations

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Bright Future.**





Findings and Recommendations

Getting Governance Right

Finding

Energy hardship is an immediate and significant barrier to energy transition. More than 1 in 3 SMEs have experienced energy hardship in the last 12 months which is more than that experienced in the aftermath of Covid. Interest rate rises, increased rents and mortgages, increases in cost of goods, decreased customer demand and extreme weather in the last 12 months are all compounding this hardship.

Recommendation

Enabling energy transition for small business is critical to achieving Net Zero goals and alleviating energy hardship for small business. Working within the Energy Climate Change Ministerial Council governance framework and existing working groups, small business energy transition should become a standing item and ongoing focus across jurisdictions. The three small business consumer segmentations should be applied to the design of federal, state and local government energy transition incentives and schemes for small business, to ensure more targeted and effective outcomes and deliver taxpayer value for money.

Funding considerations

Commonwealth entities have long been subject to an annual efficiency dividend to provide managers and policymakers with a financial incentive to continually seek new or more efficient ways of carrying out ongoing government business. However a similar incentive, a Small Business Transition Dividend, should be considered to provide the “carrot” for federal, state and local governments to develop small business-friendly policies supporting Net Zero.



Energy Transition Steps

Finding

The small business sector is diverse and at different points in the energy transition, with different needs, motivations and opportunities for change. A one-size-fits-all approach is likely to miss the mark for many small businesses. There is limited knowledge about how to make the transition. But there is an appetite for advice, support and change.

Recommendation

Establish a small business energy transition portal that allows small business to self diagnose which segment they most align with. This AI powered tool would integrate the three segments and their relevant customer journey maps to ensure the tool identified the range of services and advice currently available and which are most appropriate to their needs to their segment and to where they are on the energy transition. This would provide the right information and advice at the right time for small business. To support this work, ECA, COSBOA and state, federal and local jurisdictions would work together to review and build out the range of incentives and programs that best support each segment.

This approach could be augmented with the establishment of energy transition navigators providing an advisory service that understands the transition and the differing needs and motivations of small business and who could provide tailored plans and advice to small business.



Energy Transition Steps (cont...)

Recommendation	Small businesses need to see themselves in the energy transition. There are already plenty of good news stories in this field. Establishing a time-limited podcast run featuring experts, decision-makers but also small business success stories, would provide a platform to demystify the transition, share good practices and tell the relatable story about how small business can be at the forefront of the transition. The podcast would be stand-alone series, auspiced by COSBOA, ECA and the government.
Recommendation	Tailored support for high-risk segments is likely to pay dividends. Specific intervention programs for high-risk segments like the Fixed group, would address their unique challenges such as shopping centre constraints and financial hardship. Personalised consulting services will help these businesses navigate their energy transition and identify the most effective solutions for their specific circumstances.
Funding Considerations	An AI-powered small business energy transition portal could be trialled as a pilot, co-funded by corporate partners and government. For example a small scale pilot aimed at 'at-risk high-priority' small business segments could be developed and delivered by a number of Australian tech companies within a year and for less than \$2 million.



Targeted and immediate efforts

Finding

The research shows there is a link between energy transition, energy hardship and the type of energy used. SMEs who have experienced energy hardship in the last 12 months typically include industries with fixed, shopfront or intensive energy costs including retail/shops, restaurants/café and using power for cleaning and laundry. SMEs operating within a shopping centre or embedded network are most at risk of experiencing energy hardship. Using energy more efficiently is a priority for these small business. The highest priority energy efficiency actions for SMEs to take is changing the way energy is used to be more efficient, comparing better renewable energy deals and using smart energy efficient equipment and appliances.

Recommendation

There is an opportunity for immediate effort to be targeted at small business sectors with complex and high energy usage, in targeted industries with energy efficiency advice and other enabling interventions that will help to reduce energy costs and deliver long-term savings for business. **Industries most at risk should be the immediate priority.** SMEs using power for retail/shop and manufacturing are more motivated to take steps for energy efficiency, and transition to renewable sources, creating an opportunity to target strategies by motivation level and energy usage.



Targeted and immediate efforts (cont...)

Recommendation	At the ECMC level, using the tools and resources of the Small Steps. Bright Future. tools, pilot interventions directed at particular industry / ies within the segments most motivated for change, experiencing energy hardship should be developed and endorsed (or existing programs reconfigured). It should target highly motivated and at-risk small business, and be developed in consultation with ECA, COSBOA and other relevant stakeholders, with a view to becoming an exemplar intervention that others could then be adapted or modelled on
Funding Considerations	For relatively little additional cost, the Small Steps. Bright Future. toolkits and guides can be adapted into online templates, checklists and quizzes that can be white labelled so that any accountant, bookkeeper, landlord or policymaker maker to own and use.



Findings and Recommendations

Professional Education as a Communication Channel

Finding

Many small business owners do not know what they do not know about energy transition. Just over a quarter (26%) of small businesses surveyed did not even know if they were interested in resources, advice and support services that would help their business through the energy transition to renewable energy. Small businesses sought advice from a range of sources including business coaches, the ATO, energy retailers and Google searches.

There is an important role for targeted education, advice, support and resources to help small businesses through the energy transition.

Recommendation

The challenge for energy transition is the ongoing education of small businesses over many years. Similar to recent developments in small business cyber security, the development and accreditation of basic energy efficiency education for business professionals, business owners and practice managers should be investigated as soon as possible. For example, doctors must complete 50 hours of continuing professional development each year across different activities, and the cyber security program, Cyber Wardens, is accredited for one CPD hour. Bookkeepers and accountants – the key advisors to small businesses – must also complete compulsory continuing education, making them a critical education channel to small businesses.

Funding considerations

Working with professional education accreditation specialists, a free pilot e-learning course targeting one to two high-risk small business segments could be designed and developed for as little as \$900,000. With corporate sponsorship such as banks, energy retailers and tech companies, this pilot would serve as a proof-of-concept for a wider energy transition education tool across industries and professions.

Appendices

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Appendix 1:

Customer Journey Map to Net Zero

Deliverable: 5 page A4 Landscape PDF



Appendix 2:

Case Studies – Small Business energy stories

Deliverable: 5 page A4 Landscape PDF

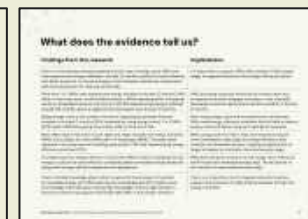


Appendix 3:

Guide for financial counsellors, bookkeepers and small business accountants

Deliverable: 22 page A4 Landscape PDF

Note: Can be set up to be professionally printed as A4 landscape booklet with minor adjustments.



Sample pages

Appendix 4:

Guide for Landlords – supporting small business tenants



Deliverable: 23 page A4 Landscape PDF

Note: Can be set up to be professionally printed as A4 landscape booklet with minor adjustments.



Sample pages

Appendix 5:

Guide for policy makers



Deliverable: 22 page A4 Landscape PDF

Note: Can be set up to be professionally printed as A4 landscape booklet with minor adjustments.



Sample pages

Appendix 6:

One Pagers

(Fixed, Swift, Agile)



Agreement
Fixed Price

Model
Fixed

Value Proposition
Highly Predictable
Opportunity: Medium

Portrait Profile
Fixed price is a business model where the customer pays a fixed fee for a specific product or service. This model is often used for projects with a clear scope and timeline. It provides a high level of predictability for the customer, but it can be challenging for the provider to manage risks and ensure profitability. Fixed price is a common model for software development, consulting, and construction projects.

Case Study
A software development company used a fixed price model to develop a new web application for a client. The client paid a fixed fee of \$100,000 for the development of the application. The company successfully delivered the application on time and within budget, resulting in a satisfied client and a repeat business opportunity.

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Agreement
Time and Materials

Model
Swifts

Value Proposition
Highly Predictable
Opportunity: Medium to High

Portrait Profile
Swifts is a business model where the customer pays for the time and materials used to develop a product or service. This model is often used for projects with a clear scope and timeline. It provides a high level of predictability for the customer, but it can be challenging for the provider to manage risks and ensure profitability. Swifts is a common model for software development, consulting, and construction projects.

Case Study
A software development company used a swifts model to develop a new web application for a client. The client paid for the time and materials used by the company to develop the application. The company successfully delivered the application on time and within budget, resulting in a satisfied client and a repeat business opportunity.

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Agreement
Time and Materials

Model
Agiles

Value Proposition
Highly Predictable
Opportunity: Medium to High

Portrait Profile
Agiles is a business model where the customer pays for the time and materials used to develop a product or service. This model is often used for projects with a clear scope and timeline. It provides a high level of predictability for the customer, but it can be challenging for the provider to manage risks and ensure profitability. Agiles is a common model for software development, consulting, and construction projects.

Case Study
A software development company used an agiles model to develop a new web application for a client. The client paid for the time and materials used by the company to develop the application. The company successfully delivered the application on time and within budget, resulting in a satisfied client and a repeat business opportunity.

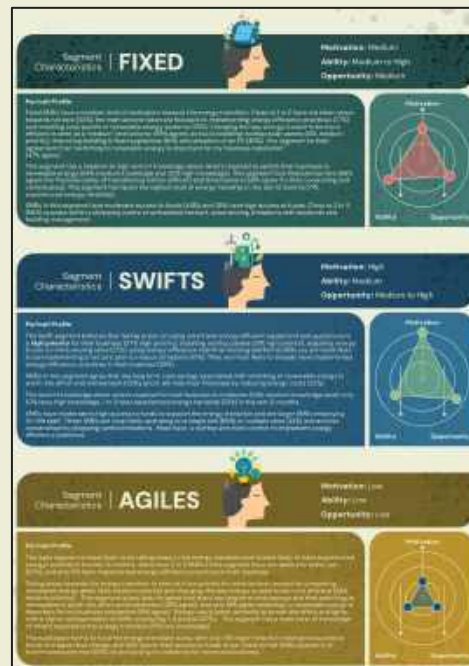
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Deliverable: 3 x single A4 Portrait PDFs

Appendix 7:

Small steps. Bright Future

Research Findings Two-Pager



Deliverable: A4 Portrait PDF 2pg

Additional provided documents



Small Steps Bright Future summary public presentation

Deliverable: Presentation Deck (PDF) 22pg



Small Steps_Bright Future_Research Report_Technical_7.2.2024

Deliverable: Presentation Deck (PDF) 82pg



Small steps. Bright future. South Australia Case Study

Deliverable: Presentation Deck (PDF) 7pg



Research Launch Media Insights

Deliverable: Mixed orientation (PDF) 12pg



Panel Discussion

Deliverable: A4 (PDF) 4pg



MEDIA RELEASE Small Steps Bright Future Research

Deliverable: A4 (PDF) 4pg

Thank you.

