

The corporate power perspective

Perspectives series
November 2017

Introduction

Energy spend is unavoidable, whether a company has an eight-figure budget or an 11-figure budget. Unavoidable but not uncontrollable. Today, the reality is that the more you understand your energy consumption, the more you can refine and control it to better run your business.

Energy insights can shed light on operations in a way that wasn't possible a decade ago. At the same time, energy management technologies are helping companies expand the limits of their production, improve asset effectiveness, reduce unwelcome operational surprises, and comply with regulatory standards.

With the way that so many businesses run fundamentally changing in light of concurrent data, digital, and eco-ethical revolutions, we wanted to explore if and how that most constant aspect of every business – the power on which it runs – has changed.

Through an examination of the role of energy within the corporate landscape, this report – The corporate power perspective – endeavors to reveal industry trajectory-based insights to help connect some of the energy and operations dots for managers.

We surveyed management professionals across the retail, manufacturing, commercial building and healthcare industries to gain a sense of the impact energy spend has on their organization now, where they think it's headed and if their companies are beginning to adopt energy-enlightened policies (such as embracing the Internet of Energy and other smart, connected asset application) that the corporate world increasingly demands.



Energy costs: consuming operations overhead

Energy sources have certainly changed in recent years, with companies utilizing solar, wind and other sources of cheaper, greener power to help control their energy costs. Still, to the extent that energy is becoming more abundant and more sustainable, the market has not yet reached an inflection point, as most respondents report that this expenditure is climbing at a faster rate than other overhead expenses.

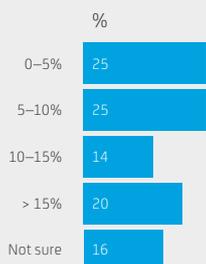
Close to half – 48.21% – of the participants in our survey report an increase in the percentage of their overhead budget dedicated to energy spend. At the same time, less than 10% can say that they shrunk this portion of their operations budget.

Per the results of our survey, around 60% of companies are spending over 5% of total overhead on energy. Broken down

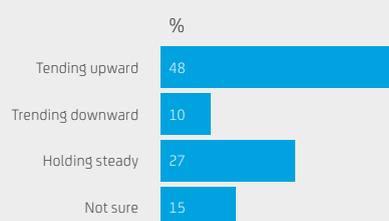
more granularly, we find that (discounting those respondents that cannot place their approximate energy expenditure) nearly one-third of companies report spending 5 to 10 percent of that budget on energy, while almost 24% say their energy spend tops 15% or more.

It's clear from the data that energy costs represent an increasingly massive burden for many of these companies.

What percentage of your operations overhead is devoted to energy costs?



In your judgment, how is this percentage changing with time?



Handling Asset Performance Management

Asset Performance Management (APM) technologies monitor the most important and expensive portion of an operation: the equipment that keeps it running. Proper APM covers all aspects of operating this equipment from soup to nuts, and still, more than half of those surveyed – 57% – have no APM system or functionality in place. What’s more jarring perhaps, over 30 percent report no interest in rolling out any such system.

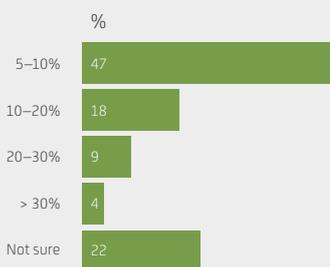
Interestingly, when we examine the nature of respondents’ APM systems, we find that those relying on energy monitoring and analytics fare better than their counterparts relying on more general building management systems (BMS). 50% of companies with an energy management system (EMS) based APM programs keep routine maintenance and repair costs below 10% of total operating overhead, while only 27% of those with BMS based APM programs manage to do the same.

In other words, an EMS based APM represents a considerable competitive advantage over the 93% of the market working with BMS based APM or no APM at all.

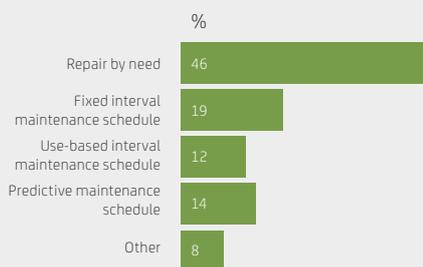
When key equipment malfunctions or breaks down, the cost to repair doesn’t just boil down to dollars. Broken equipment leads to massive delays and missed deadlines that impact employees and customers alike, setting off a chain reaction of problems within the operation.

Even with all the headache that these breakdowns cause, 46% of those surveyed admitted to only fixing equipment when it breaks down. Even more astounding, a full 22% don’t know how much they’re spending on essential, business-as-usual repairs. Comparatively speaking, for those operations already benchmarking their maintenance KPIs and practicing preventative maintenance, (less than 15% of the market) this is very good news. You’re ahead of the curve! For everyone else, this represents a potential money pit.

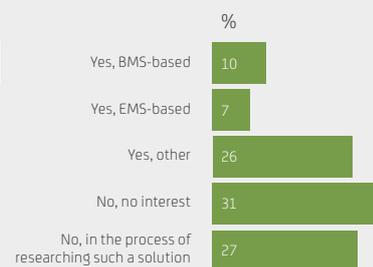
What percentage of your operating budget is devoted to routine maintenance and repair costs?



In terms of maintenance, how does your operation approach asset performance management?



Does your organization have a devoted technology solution in place to handle APM?



Energy as a disruptive force

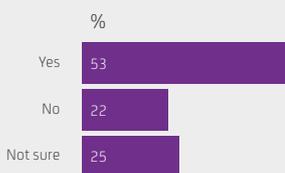
In an era of digital disruption, the processes most taken for granted often hold the most differentiation value. It's the companies that have a unique approach to the things that most people never even think about that ride the disruptive wave to the top. (Think Toyota's inventory management, Amazon's supply chain structure, Netflix's zero-friction entertainment, etcetera.)

According to the results of our survey, a majority of businesses – almost 53% – are concerned with disruption. At 40%, a smaller number (though still a plurality) of respondents claim that their organizations have a strategy in place to contend with and seize upon digital disruption. While those numbers are encouraging, it stills throws 13% of the market in the uncomfortable position of fearing disruption without having an action plan to address it. Of course, there's likely an even larger subset of the market that falsely believes itself impervious to disruption.

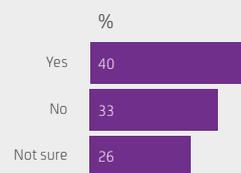
With 27% of survey respondents confessing that their organizations are comparatively non-innovative, it's clear that there's a lot of room for improvement. This makes it even more important that your operation dots all its I's, crosses all its T's, and leaves no stone unturned in pursuit of a competitive edge.

Being that energy runs through every critical asset at work in most operations, there's no bigger opportunity for competitive, even disruptive, advantage. Indeed, when approached through a digital lens, energy procurement, energy distribution, energy monitoring, and advanced energy management have the power (pun very much intended) to propel companies forward and past their competitors.

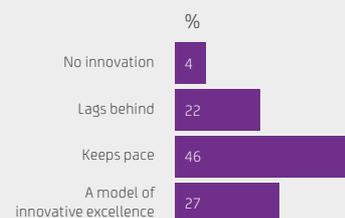
In your judgment, is your operation affected by digital disruption?



Does your organization have a strategy in place to contend with and seize upon digital disruption?



In your judgment, how does your organization compare to the overall rate of innovation in its industry?



Public relations: turning “musts” Into “wins”

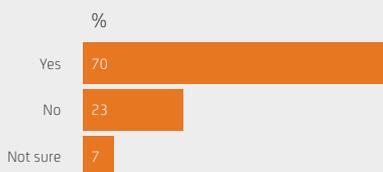
Innovations related to energy monitoring and usage help daily operations and impact the bottom line. But these innovations can also be used to bolster your brand and the relations – public and strategic – on which it depends.

Effective sustainability strategies are beginning to push the needle on stock price targets for large companies. What’s interesting is that while 70% of companies have PR programs and 68% report being affected by environmental/energy efficiency legislation, only 52% have corporate social responsibility (CSR) programs in place.

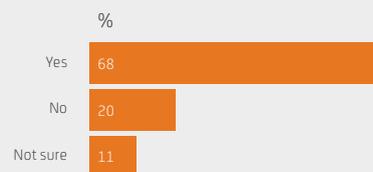
If you’re using an EMS, for example, to bolster asset production and improve energy efficiency, taking advantage of its reporting capabilities to quantify, track, and publicize conscientious environmental impact goals should be a no brainer.

Think about that for a moment: almost 20% of respondents are spending time and money on PR and making efforts to improve their environmental impact and energy efficiency, but not combining those efforts to the tune of a CSR program. It’s a case of wasted opportunity. These organizations are already paying the price of entry but are somehow, inexplicably, stuck in the parking lot.

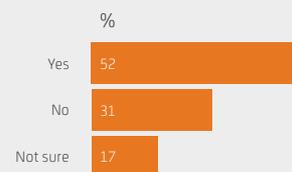
Does your organization devote resources (time, money or personnel) to public relations?



Is your organization affected by environmental/energy efficiency legislation?



Does your organization have a corporate social responsibility program/policy in place?



Connecting the energy management dots

It's clear that the corporate perspective on energy is changing and executives from every industry are looking for new ways to seize upon that old resource. Best-in-class organizations will use energy data as a strategic business asset – ranging from predictive maintenance programs, asset effectiveness initiatives to energy efficiency.

Reining in unnecessary energy spend in the form of after-hour system use, inefficient lighting or HVAC mis-calibration is just the tip of the EMS iceberg. Data extracted from energy use can inform upon and guide virtually every part of an operation, from asset performance management to brand identity to public relations.

Energy (the Internet of Energy in particular) will play a vital role in keeping the connected technologies and network structures that underlie the new generation of digital disruption running smoothly.

Perhaps the one thing that comes out clearest from this report is that most professionals don't have a firm enough grasp of their companies' energy and asset dependencies, or the strategies in place to content with and mitigate those constraints. As with anything, the best way to start is by collecting data. The more you know, the more you'll be able to exercise control.

Of course, it's always important that managers not lose the forest for the trees. It can be easy to hunker down and single mindedly focus on the numbers. That said, one should always strive to maintain a broader perspective. At the end of the day, the goal of every program should be to produce wins for the company. To that point, the conservation efforts informed by energy management data provide an incredible opportunity to formulate corporate social responsibility policies; and perfect material for use in a public relations campaign.

Energy is everywhere and runs through everyone and everything that moves – business operations included. Whether it's a small five-person office or a 100,000-square-foot manufacturing plant, energy is the key to unlocking the stories unfolding within your business and its factors of production. The question you should be asking yourself is whether you're ready to hear those stories and how you're prepared to act on them.





To learn more about energy management solutions and corporate sustainability, visit centricabusinesssolutions.com

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