

How small and mid-sized businesses can save, save, save

The laws of supply and demand in traditional economics would generally dictate that a steep rise in price of a product or commodity would lead to a reduction in demand. However, when that commodity is a necessity and is not easily substitutable, the drop in demand will be much less marked and in certain cases demand may remain stable.

Such is the case in the retail electricity supply market to SMEs where prices have risen by around 50% over the last two years. And many businesses simply accept the price rise as a fact of life soldiering on with yet another burden to add to the increases in rates, rents and insurance, the bulk of which are non-recoverable from price increases indexed to inflation.

But there is another way to recoup some of these crippling losses.

Shopping around for a cheaper [electricity supplier](#) will typically save a business around 20% from their existing supplier. As an added value, these companies can show businesses the best ways to conserve energy by avoiding wastage – this alone can help reduce the annual bill by as much as 15%. Suddenly, the maths begin to stack-up.

For example, a business that was paying an annual rate of £1000 for its electricity two years ago is now paying £1500. By switching to a cheaper supplier, the price can be reduced to £1200. By becoming more energy efficient and using 15% less electricity that now changes to £1020. Had the original electricity price simply risen by the inflation rate of 3% then the price now would have been just over £1060 which means that the business is actually paying less in real terms than it was two years ago.

So instead of paying 50% more for its annual electricity bill, a business may indeed be paying less, whilst helping the environment in reducing its carbon footprint; as well as adding a social 'green image'. Furthermore, if most of its competitors are being hit by these unprecedented rises then that business will have a significant competitive advantage and may indeed improve its revenue, turning a negative situation into a very positive one for all concerned.

During the period of lower priced energy, energy was fairly low in the rankings amongst the list of main business costs. However, the latest government figures suggest that energy now accounts for nearly 10% of the average small firm's annual overheads. In times such as now, when many businesses need to button down the hatch, cost control becomes the main focus and opportunities to save such significant amounts must be seized.

And there appears to be plenty of scope for these savings since government reports estimate that £12 billion of energy is wasted in the UK every year.

About the Author

Emma Churchill - Communications Executive - E4B is Britain's independent electricity retail company specialising in the supply of [business electricity](#) to small and medium sized businesses. E4Bs aim to offer lower prices to British businesses.

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