Business models for a more effective market uptake of DSM energy services: IEA DSM TCP Task 25

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# For all the entrepreneurs in Energy Efficiency Services out there…

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There are three essential ingredients to become successful...
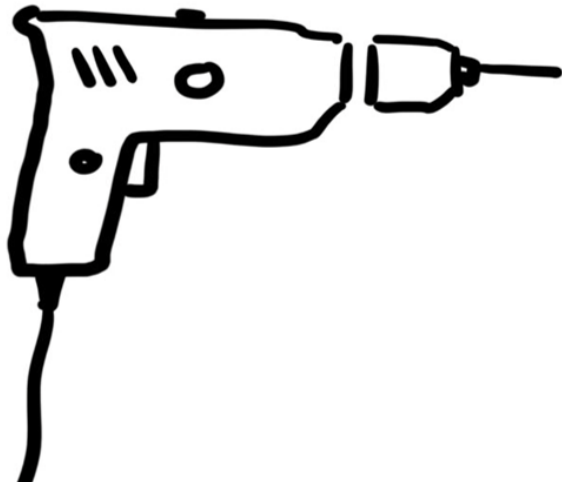
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And they are all about a transition

From product dominant logic to service dominant logic (servitisation process)

We sell products

We sell products
+ added value
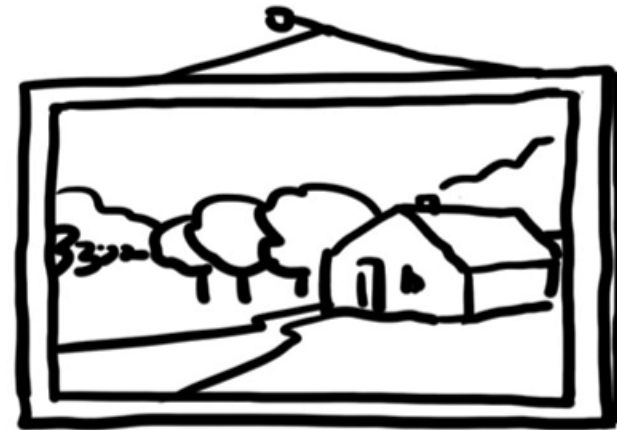
We deliver services
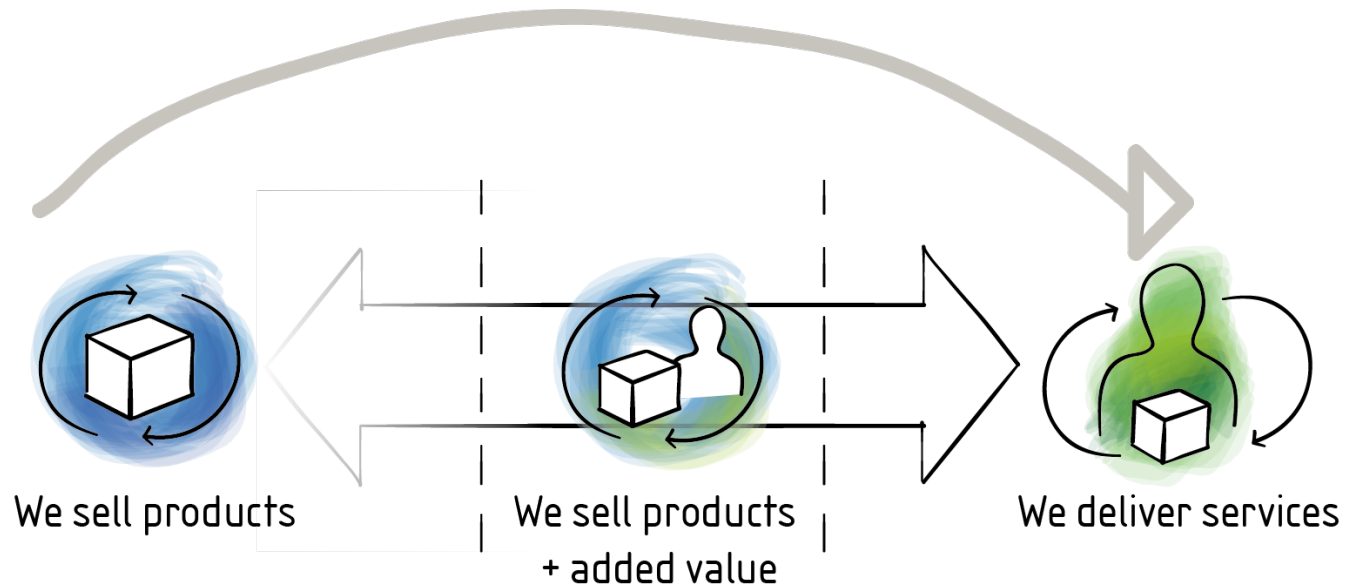
Key success element 1:

Product   # Service
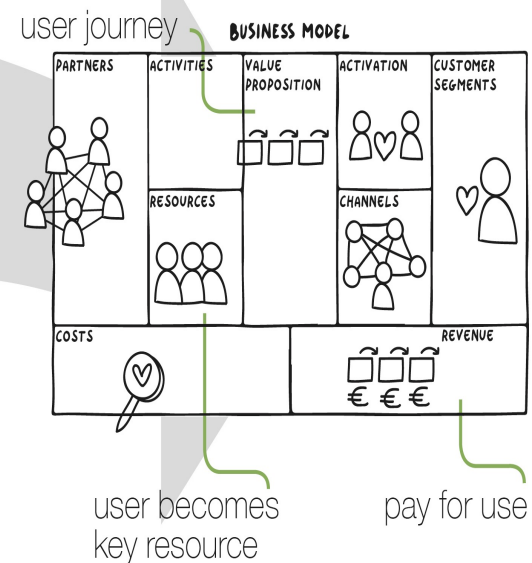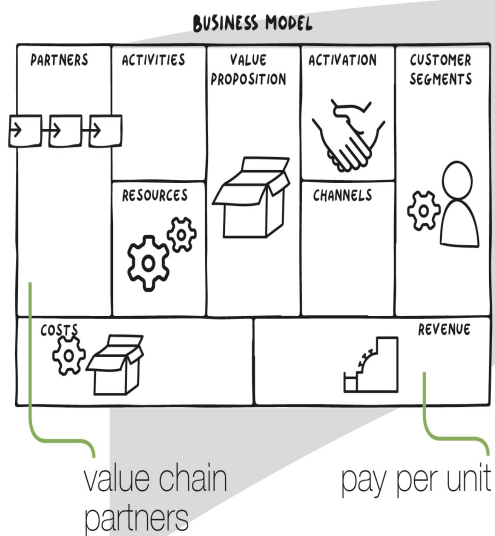

- Output-orientation
- Offer stated in tech-specs
- Value in exchange/transaction
- User role passive
- The product is the goal

- Solutions
- Value = outcomes for user
- Value experienced in use
- User role is key: Co-creation
- Good/technology is 'enabler'

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When the offer is a service.. A service supporting businessmodel is more successful

BUSINESS MODEL

PARTNERS | ACTIVITIES | VALUE PROPOSITION | ACTIVATION | CUSTOMER SEGMENTS

RESOURCES | CHANNELS

COSTS | REVENUE

value chain partners

pay per unit

user journey

BUSINESS MODEL

PARTNERS | ACTIVITIES | VALUE PROPOSITION | ACTIVATION | CUSTOMER SEGMENTS

RESOURCES | CHANNELS

COSTS | REVENUE

user becomes key resource

pay for use

Building on business model canvas by Osterwalder and Pigneur (2010)

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Key success element 2:

Be skilled to serve the user...

Sensing user needs, context, system

conceptualising

orchestration

Scaling and stretching

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Key success element 3:

Understand how to deal with context

Context and synchronicity...

The unaware

The smart matcher

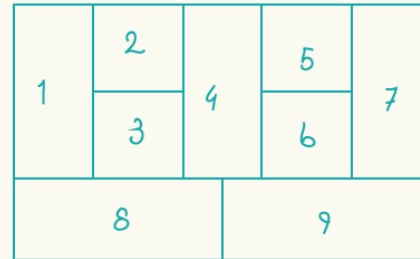The aware stretcher

The stealth stretcher

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4 combinations of business model, capabilities and context...

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Pushing harder

Businessmodel

©Alexander Osterwald

1. Customer Segments
Industrial/commercial

2. Customer Relationships
Distant, not personal, no focus on user needs or user barriers

3. Channels
Traditional, focus on cold acquisition

4. Value proposition
Functional benefits and technical specs are the core of the proposition

5. Key activities
Focus on hardware and software, developing resellers channels and training resellers and clients

6. Key resources/skills
Technical, sales knowledge and tech knowhow

7. partners and suppliers
Hierachical/ value chain. Resellers and intermediairies for sales purposes

8. Revenue Streams
One off, transaction based
Maintenance fee

9. Costs
Traditional, focus on personnel and material

Capabilties

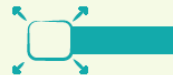**User Sensing**
Not in a structured way

Conceptualizing
Not in a structured way

Orchestrating
Not in a structured way. Focus on the supply chain side

Scaling and stretching
Outsourcing the sales skills.

Context

What they experience: fragmented market, no clearly defined competitors, weak - or lack of policies and regulation, lack of user's trust in product. No clear perspective on orientation of stakeholders

How they respond: pushing, demand regulatory creation, label certification, procurement rules.

Strategy: unaware market changer

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Next steps

✓ We now want to understand the role of context stakeholders in supporting service oriented business models...

✓ demand side flexibility
✓ & increasing the integration of renewables
✓ & reducing emissions

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Community says-System says

Community says	System says
We want to keep the energy flows in our community as much as possible, including local storage	Deliver on a national level, use the grid as storage, partner with an aggregator to participate in market bids

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We want to balance locally, using the simplest tech possible	You have to contribute to national balancing mechanism, and make sure to have enough money to buy energy from outside to do so, or partner with a licensed supply incumbent

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Provide us with rules that apply to our level, we want to keep sole ownership	Be smart enough to deal with our rules and codes, partner if necessary with incumbents, share ownership

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We only need- and want to spend- money to buy assets	Have enough money, liquidity, collateral to be able to participate in the market and comply with the balancing requirement

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Small is beautiful	Become big enough to be a player in our energy market

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We want to work with our own (voluntary) human resources	Outsource or professionalise, work with a manager, a CTO, a CFO

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Community says-System says

Community says	System says
Small is beautiful	Become big enough to be a player in our energy market
We want to work with our own (voluntary) human resources	Outsource or professionalise, work with a manager, a CTO, a CFO
Deliver value to our community members first: environmental, economic, tariff fairness, community benefits, power quality, democratisation, increased power reliability, rural regeneration, increased social capital, development of community skills, employment, participation in planning process, control over the environment, creating symbolism, placemaking, building relations, etc…	• Deliver value to the system: primary capacity, secondary capacity, reserve capacity, reliability, network services, grid investment deferral, whole-sale arbitrage, flexibility, balancing, reduce network congestion, improve load forecasting, simplify communication by aggregating individual loads, etc… • Oh yes, you can use your revenue to create your community value…

Very preliminary findings....

- Energy system in participating countries designed around centralized market, large generators, connection to transmission system and national system balancing, assets remote from consumers
- 'simple' community energy projects need to grow enormously in complexity to survive..
- Every element of the business model needs to change (i.e. adapt to system requirements)
- Outcome: new business models are not challenging, not novel... rather compliant and aiming for a fit.
- "we will help you deal with the system".. Not: lets learn how to change the system
- Instead of promoting decentralised distributed energy the system is reiterating and optimising itself?

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Thank you!

http://www.ieadsm.org/task/task-25-business-models-for-a-more-effective-uptake/

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