Task 25: Business models for a more effective market uptake of DSM energy services for SMEs and communities

Task 25 TKI-RVO report
2017

Task 25

Phase 1 2014-2017

- ✓ Task 25 investigated many business cases for energy efficiency services and found clear outlines for patterns matching specific models with specific ‘sectors’.
- ✓ 4 strategies were identified that can help companies delivering energy efficiency services more successfully.
- ✓ A self assessment tool was developed that can help companies make a first assessment of their strategy and its strength and weakness.

Phase 2 2018-2019

- ✓ Further investigation of additional business models in additional sectors
- ✓ Further developing of understanding of best model-context match
- ✓ Capacity training of entrepreneurs and policymaking stakeholders on necessary capabilities and knowledge to create and facilitate potential effective business models for energy efficiency services

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Task 25

- ✓ Task 25 findings from phase 1 can help promote, connect and support companies and knowledge institutes in the development and application of innovations towards a rapid transition for a sustainable, reliable and affordable energy system in the urban environment and infrastructure.
- ✓ It does so by providing insight into what the business model, the value proposition in particular, the entrepreneurial capabilities and the interaction with context need to be to be more successful.
- ✓ In phase two we aim to perform capacity building roadshows in the participating countries, to train both entrepreneurs and policy makers in designing and supporting the necessary business models and product or service development.

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Task 25 and other relevant links

- ✓ Task 25 also provides very relevant insights and actionable knowledge on the servitisation process and how this is or should take shape in the energy sector. As such Task 25 can contribute to the set-up of the servitisation agenda and roadmap in the energy sector.
- ✓ Task 25 will explicitly focus on digitization and how (big) data shapes a new type of energy efficiency service business model, or can help these business models scale-up, especially thanks to the opportunity this data offers to provide personalized tailored services on mass scale. Task 25 as such can contribute to the (energy) digitization agenda.

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Task 25 set-up and findings
Phase 1 (2014-2017)

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3 Key levels/Questions…

1. Are user centered/service oriented business models more effective?

2. Do the (user centered) dynamic capabilities of entrepreneurs contribute to a more effective uptake of the product or service?

3. Is the way the business models fit or stretch context influencing their success?

Findings

- ✓ 3 keys to success
- ✓ All part of a transition

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Our cases

- ✓ 50+ cases
- ✓ Netherlands, Sweden, Norway, Austria, Switzerland and South Korea +ECI analysis
- ✓ Retrofitting, total solutions, lighting, heating, smart systems

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For all the entrepreneurs in Energy Efficiency Services out there…

There are three essential ingredients to become successful…

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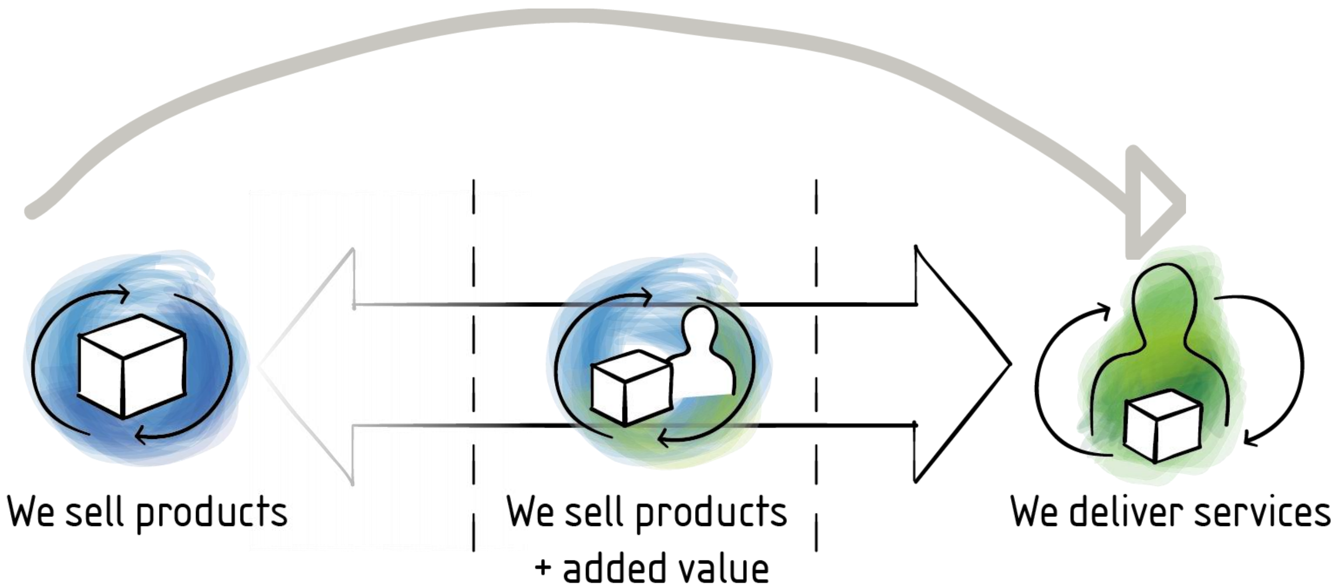
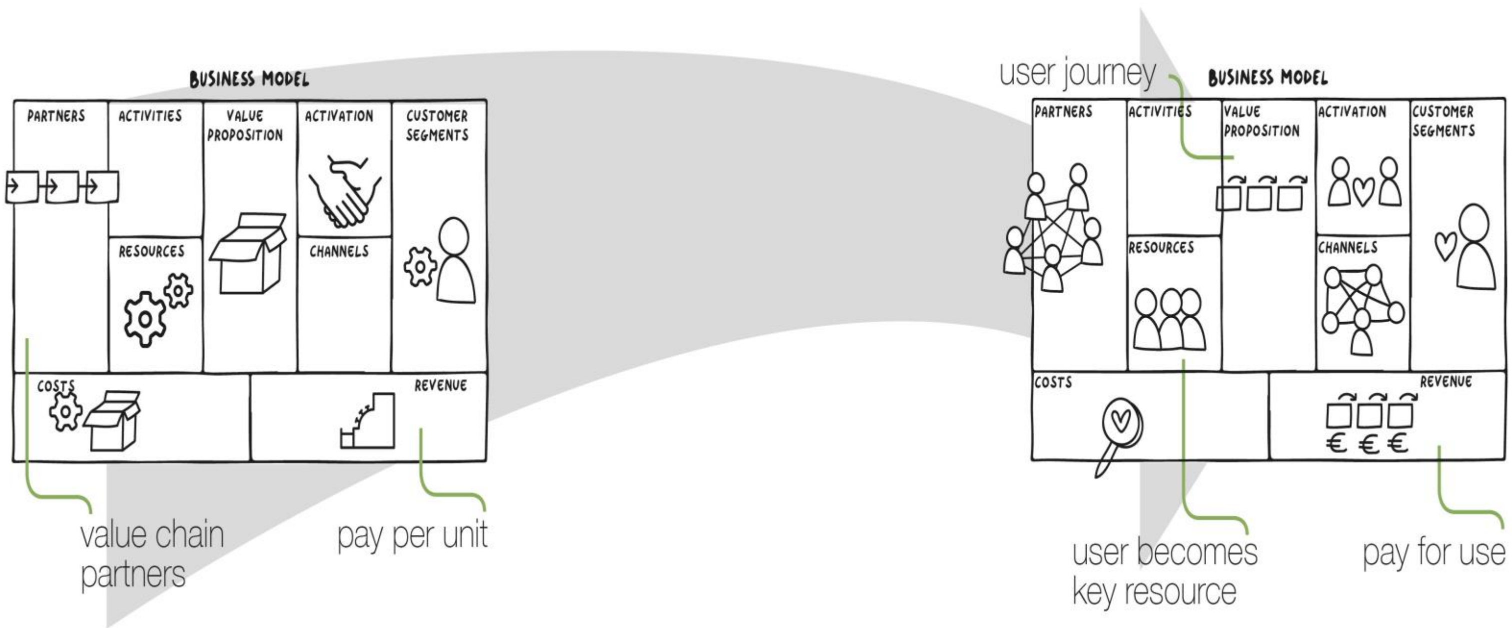
And they are all about a transition

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



Key success element 1:

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



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

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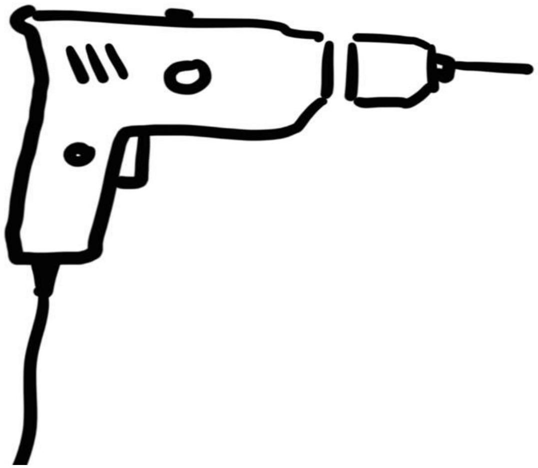
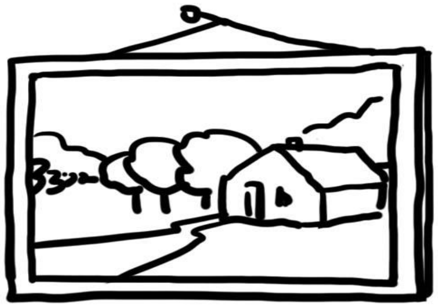
Goods



- Output-orientation
- Offer stated in tech-specs
- Efficiency: low costs, high margins
- Value in exchange/transaction
- User role passive

Services



- Solutions
- Value = outcomes for user
- User role is key
- Value experienced in use
- Co-creation
- Delivered within a system
- Good/technology is ‘enabler’

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Key success element 2:

Be skilled to serve the user…

Sensing user needs, context, system

Scaling and stretching

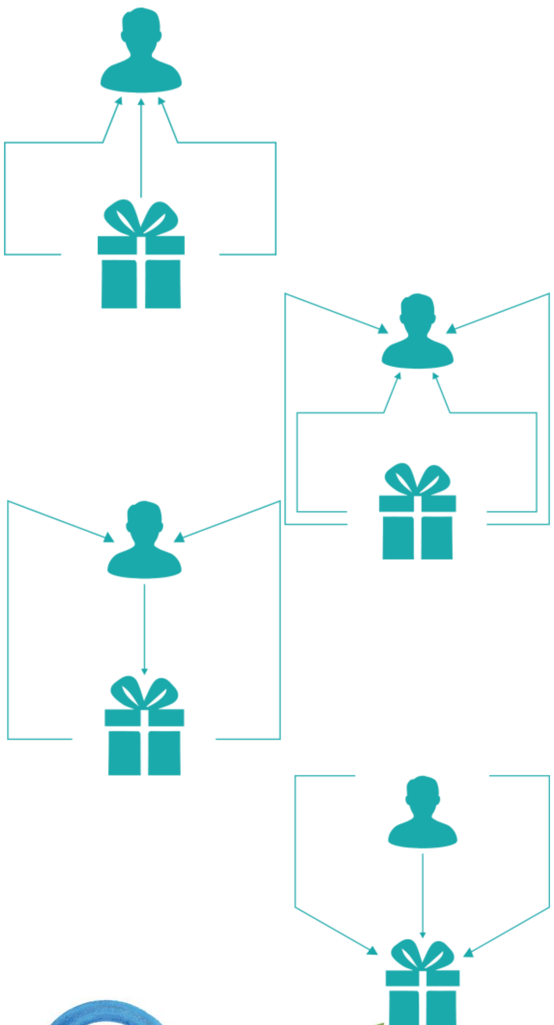
orchestration

conceptualising

Key success element 3:

Understand how to deal with context

Context and synchronicity…



The unaware

The smart matcher

The aware stretcher

The stealth stretcher

Findings and outputs:
4 combinations of business model, capabilities and context…

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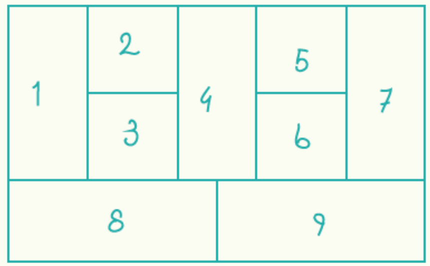
Pushing harder

Businessmodel



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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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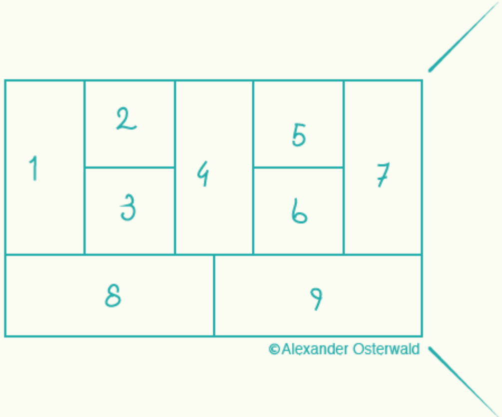
Reframing/referral

Businessmodel



1. Customer Segments
Consumers, industrial, commercial

2. Customer Relationships
Standardised. More personal and tailored

3. Channels
Traditional. Word of mouth

4. Value proposition
Reframing by acknowledging that energy efficiency is low on the buyers priority list

5. Key activities
Focus on hardware and software, tackling fragmentations, process optimisation

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

7. partners and suppliers
More equal. Focus on co-creation. Choice of partners based on branding quality and matching

8. Revenue Streams
Transaction based. Goodwill creation

9. Costs
Traditional, focus on personnel and material

Capabilties

User Sensing
Weakly developed. Collecting user insights up to transaction. Strong focus on specific details in transaction journey (like decision making, info needed or simplifiing process, trust building)

Conceptualizing
Shifting focus from delivery process towards tailoring value proposition and buyers satisfaction

Orchestrating
Buy-transaction journey orchestration well developed. Public private partnerships to boost sales and trust

Scaling and stretching
Branding to create competitive edge. Quality and ease as differentiating elements

Context

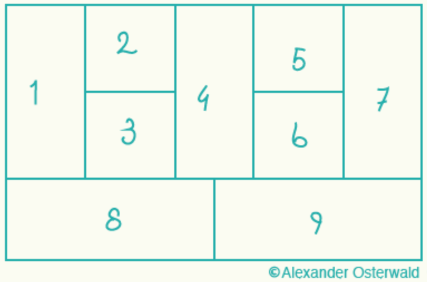
What they experience: lack of consumer demand for Energy Efficiency and savings. Fragmented market.

How they respond: focus on developing client relationships. Building trust. Piloting and experiment

Strategy: smart matcher

Pushing something else

Businessmodel



1. Customer Segments
Expanding segments from B2C with a B2B2C segments

2. Customer Relationships
Explicity and actively creating partnerships with users. Entering new niches

3. Channels
Direct and personalised

4. Value proposition
Delivering multiple benefits (other than energy efficiency) in an integrated way

5. Key activities
Collecting and handling user and usage data

6. Key resources/skills
Data and ICT become enabler of delivering value

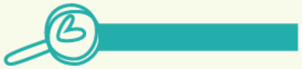
7. Partners and suppliers
Explicitly service oriented partners that help deliver complex packages. Partners that also can be a launching customer

8. Revenue Streams
Subsciption fee. Client retention, goodwill and retention

9. Costs
Personnel and material. Technological innovation

Capabilties

User Sensing
Well developed. Systematic. Active co-creation becomes key activity



Conceptualizing
Active conceptualizing, however technological barriers are inhibiting. Moving towards multiple benefit innovation

Orchestrating
Problem solvers. Delivering complex services. Or become original equipment manufacturer (OEM)

Scaling and stretching
Tech barriers still hard to overcome. Marketing in traditional way

Context

What they experience: lack of consumer demand for Energy Efficiency and savings. Fragmented market.

How they respond: become problem solvers. Deliver other benefits then EE.

Strategy: aware/stealth

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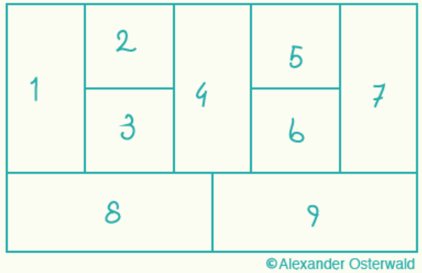
Servicing

Businessmodel



1. Customer Segments
Users are fans

2. Customer Relationships
Built on trust and long term

3. Channels
Multichannel. Tailored

4. Value proposition
Fluid value propositoin, customized

5. Key activities
Building relationships across the user life cycle. Following changes in the value proposition. Datamining and collecting user intelligence

6. Key resources/skills
User, use phase, data

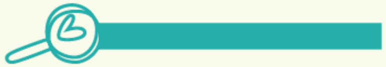
7. Partners and suppliers
Equal partnerships, user is considered as a partner

8. Revenue Streams
Crowd funding, memberships, goodwill

9. Costs
Investment in 'vision'

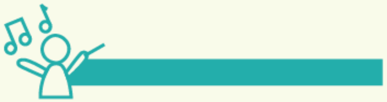
Capabilties

User Sensing
Core capability

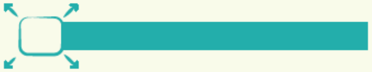


Conceptualizing
Co-creating. Growth of client base is inhibiting the ambition to grow

Orchestrating
Aimed at serving the user during the use phase



Scaling and stretching
Aimed at continuious innovation



Context

What they experience: opportunities. Their target market is not considered to be an EE market, but as a market that reflects their value proposition (lifestyle, smart home, etc.)

How they respond: responsiveness

Strategy: aware/stealth

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Business and research conclusions

- ✓ Service oriented business models can be more successful
- ✓ Energy efficiency experienced in use, multiple benefits matter
- ✓ Requires specific capabilities
- ✓ Combination model, capabilities context fit or stretch matters!
- ✓ Service oriented business model canvas in energy field not available yet = important innovation and analysis tool!
- ✓ Contours of matches between one of our four business model strategies and a specific sector are emerging

it’s not all up to the entrepreneurs….

Most countries have many small EE firms

Most service oriented firms that become bigger have a ‘patient mother’

- ✓ Access to client base
- ✓ Already existing good client relationship
- ✓ Valuable customer data
- ✓ Branding
- ✓ Money of course but…
- ✓ Time to experiment, stretch, learn, sense!
- ✓ Multiple benefits
- ✓ Continuous business innovation

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Policy conclusions

- ✓ Energy regime focused on products delivering EE
  - ✓ low hanging fruit business models
  - ✓ Focus on transaction not use phase
- ✓ Weak user centered + orchestrating entrepreneurial capabilities = innovation system failure
- ✓ Policy has important role to play as patient mother…
  - ✓ Laws and Regulation, information and communication, capacity building, infrastructure, business support, incentives, financial/subsidies

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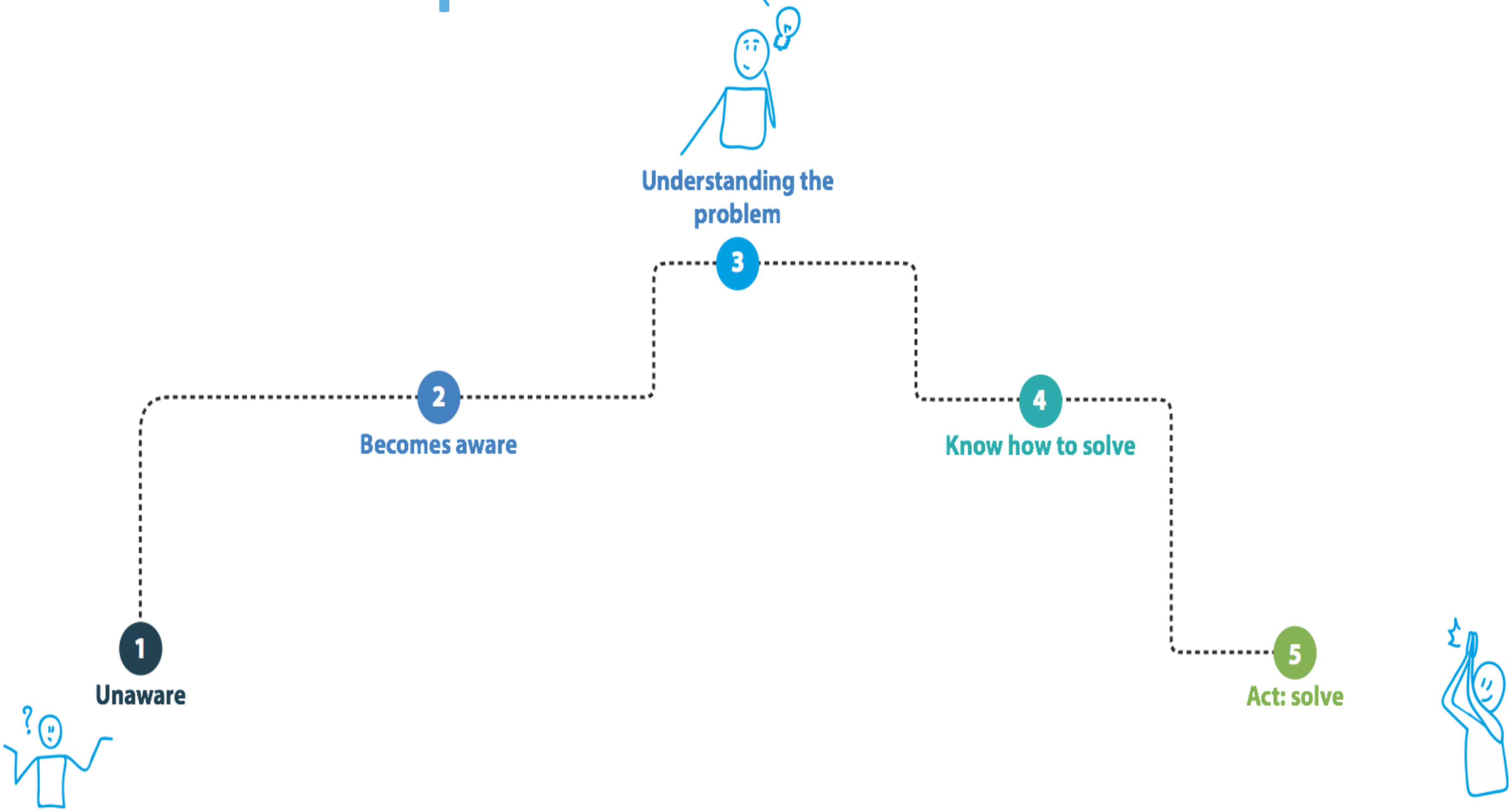
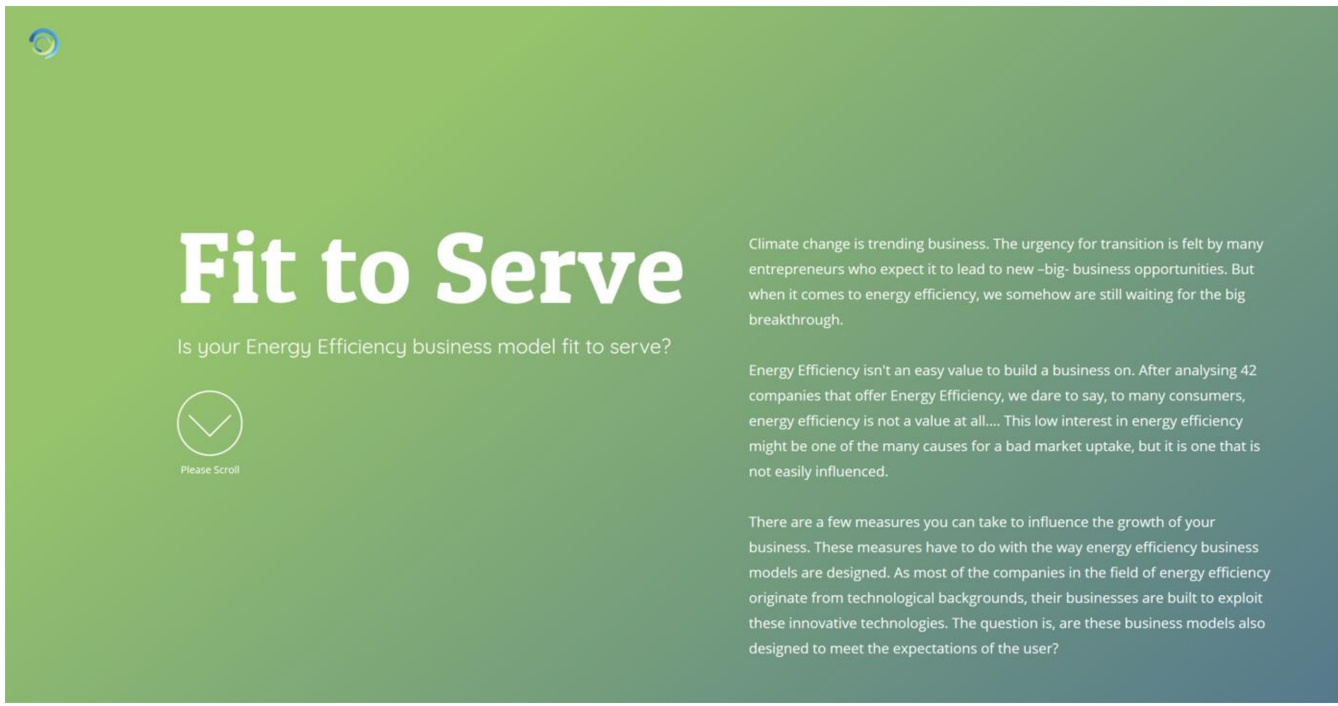
Output: a awareness raising toolkit

Most entrepreneurs are unaware



Understanding the problem

3



Fit to Serve

Is your Energy Efficiency business model fit to serve?

Please Scroll

Climate change is trending business. The urgency for transition is felt by many entrepreneurs who expect it to lead to new -big- business opportunities. But when it comes to energy efficiency, we somehow are still waiting for the big breakthrough.

Energy Efficiency isn't an easy value to build a business on. After analysing 42 companies that offer Energy Efficiency, we dare to say, to many consumers, energy efficiency is not a value at all.... This low interest in energy efficiency might be one of the many causes for a bad market uptake, but it is one that is not easily influenced.

There are a few measures you can take to influence the growth of your business. These measures have to do with the way energy efficiency business models are designed. As most of the companies in the field of energy efficiency originate from technological backgrounds, their businesses are built to exploit these innovative technologies. The question is, are these business models also designed to meet the expectations of the user?

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You can read all about it..

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

Papers

- ✓ Conferences: eceee 2017, Behave 2016
- ✓ Journals: EE and JCP (forthcoming)

Country reports

- ✓ Thesis user centered business models
- ✓ 6 country reports with case studies + ECI report
- ✓ Comparative analysis

Spotlight articles

2 Webinars

6 country workshops

25+ Presentations

Task update reports

PHASE 2 Task 25

2018-2019

Subtask 2a- deepening understanding

- ✓ Broadening the scope/Increasing our comparison
- ✓ Going beyond energy efficiency-systemic change
- ✓ Understanding match btw model logic and sectors
- ✓ Understand new partnerships (impacting partnering, activities and revenue+ capabilities)
- ✓ Further develop models for sectors

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Subtask 3a- Tackling inertia from above

Deepening understanding of issues explaining the inertia of EE uptake

- role of agencies, governments (i.e. context players) in stimulating market uptake of energy services, especially for smaller companies
- Co create tailored program to specific national context

Subtask 4a- Training, engaging, disseminating

This type of knowledge needs to be experienced and worked with in a real life setting, investigating real business models, real policies and real users.

- ✓ Set up training system and roadshow
- ✓ Continuation of the tool Fittoserve: when do you know your company has the wrong business model?
- ✓ Organise user centered business modelling interventions
- ✓ MOOC-DSMU
- ✓ All the already ongoing ‘standard’ communication

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Deliverables

- ✓ D7: business model strategies for each investigated sector, including a comparative analysis across countries
- ✓ D8: Overview different types of policy and institutional support available to the different types of business models
  - ✓ Country context and sector context sensitive
  - ✓ Recommendations for alternatives
- ✓ D9: Training road show+ tool
- ✓ D10: Outreach and dissemination material, including at least 2 academic/journal publications, MOOC, and other outreach material highlighting the Task's work.

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Thank you!

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