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

IEA EGRD
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Kopenhagen
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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?

What do our cases tell us?

✓ 46 cases

✓ Netherlands, Sweden, Norway, Austria, Switzerland and South Korea +ECI analysis

✓ Retrofitting, total solutions, lighting, heating, smart systems

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Who?

We tend to blame the Entrepreneurs

For not understanding their users..

But...Their life is difficult!

What do they need?

For all the entrepreneurs in Energy Efficiency Services out there…

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There are three essential ingredients to become successful...

And they are all about a transition

From product dominant logic to service dominant logic

We sell products

We sell products
+ added value

We deliver services
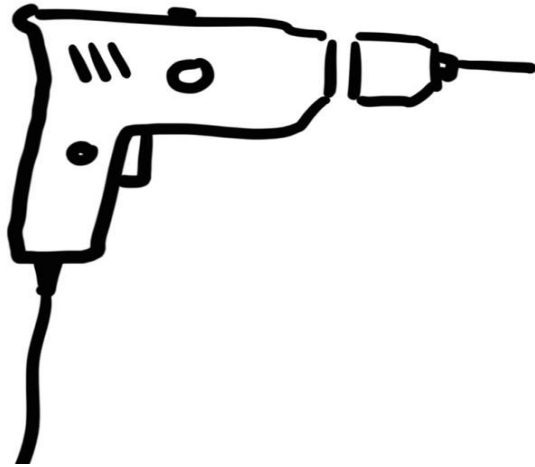
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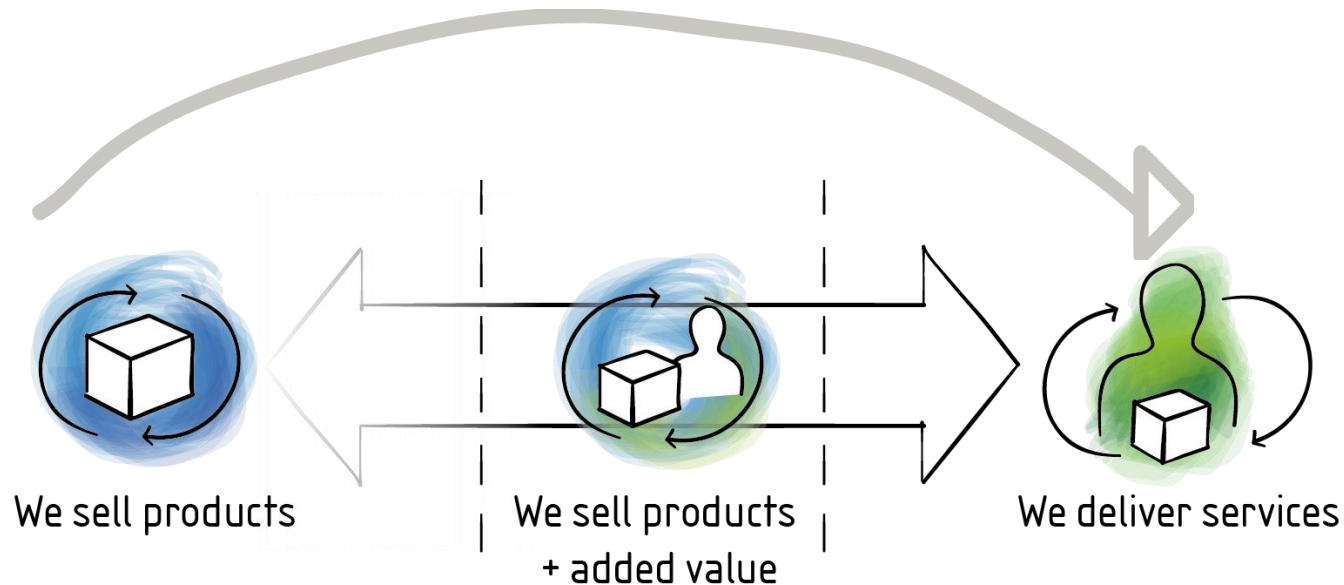
Key success element 1:

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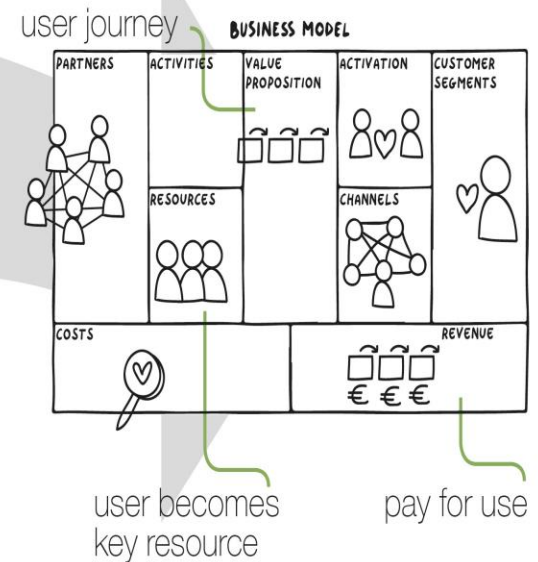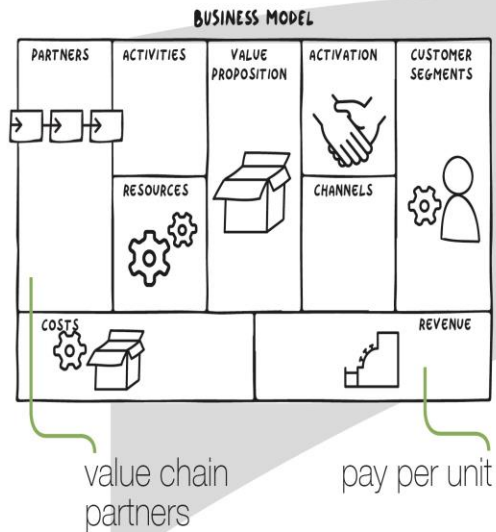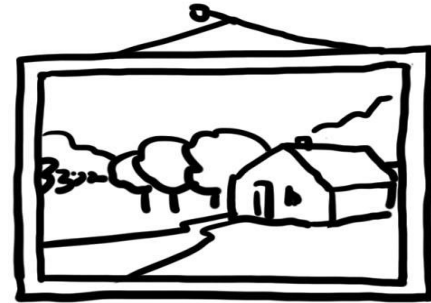

Building on business model canvas by Osterwalder and Pigneur (2010)

Goods

Services

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

- 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

Conceptualising

Orchestration

Scaling and stretching

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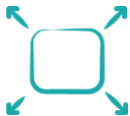
Key success element 3:

Understand how to deal with context

Context and synchronicity...
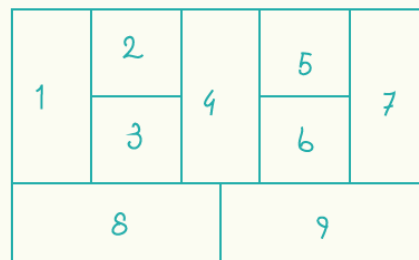
The unaware

The smart matcher

The aware stretcher

The stealth stretcher

4 combinations
business model-capabilities-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

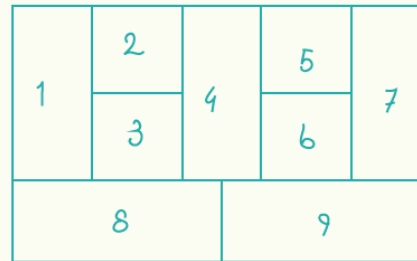**How they respond:** pushing, demand regulatory creation, label certification, procurement rules.

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

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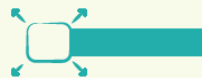
Orchestrating
Buy-transaction journey orchestration well developed. Public private partnerships to boost sales and trust

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
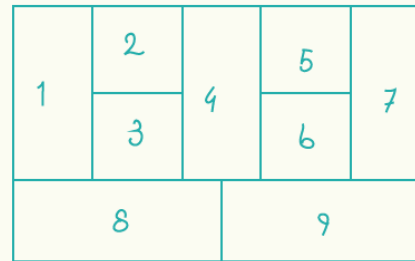
Strategy: smart matcher

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Pushing something else

Businessmodel

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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
Subscription 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.

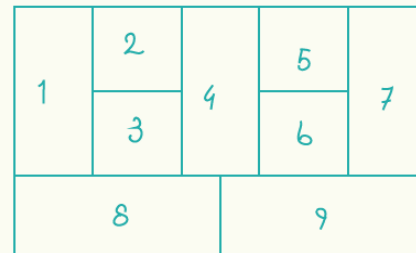**How they respond:** become problem solvers. Deliver other benefits then EE.

Strategy: aware/stealth

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Servicing

Businessmodel

1	2	4	5	7
	3		6	
8		9		

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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

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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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What did we do to support these different types of entrepreneurs?

Most entrepreneurs are unaware
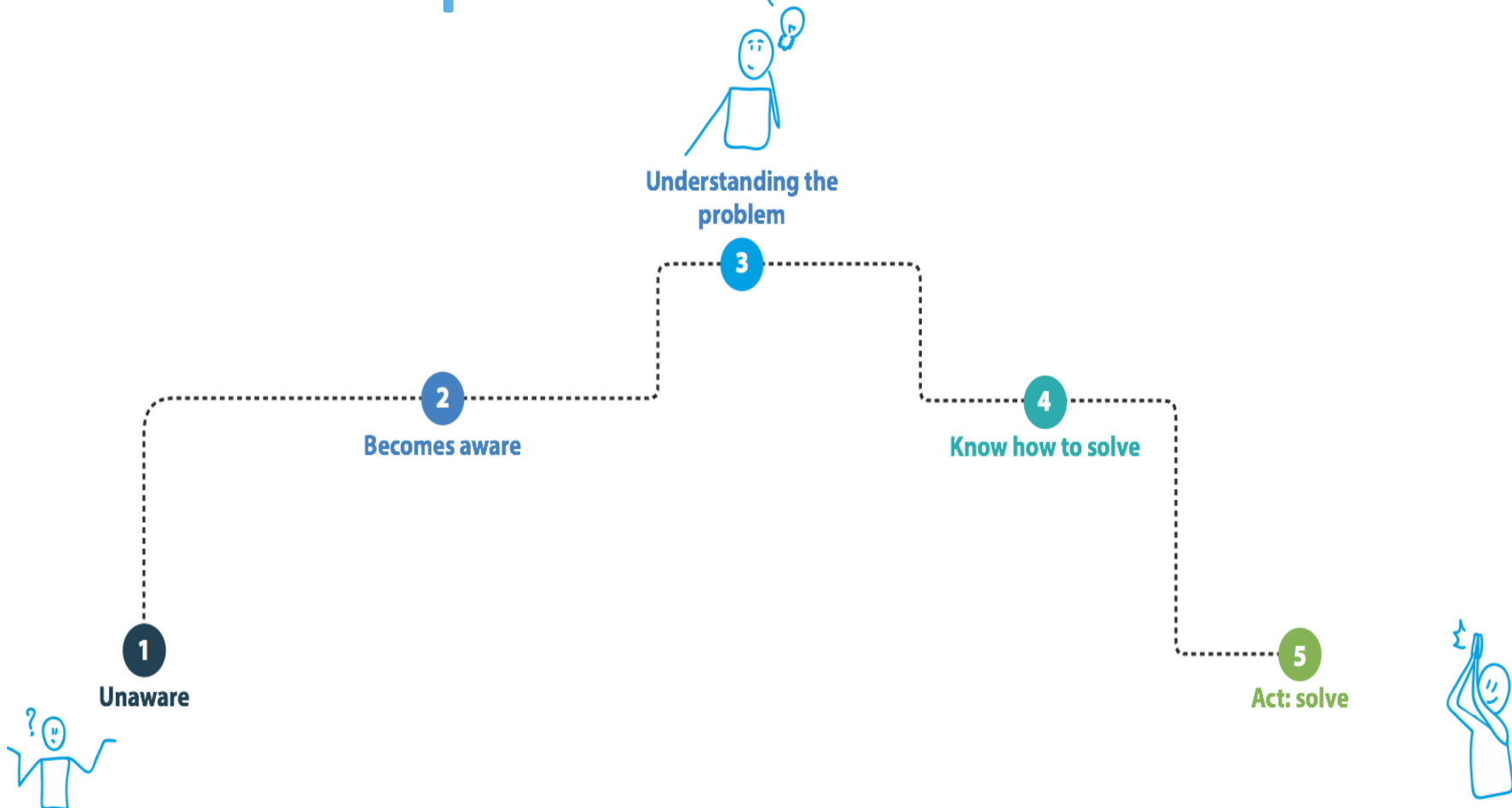
Understanding the problem

3

2
Becomes aware

1
Unaware

4
Know how to solve

5
Act: solve

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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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Thank you!

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

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