



INNOVATE project

WP2, D.2.3

Frederikshavn, Business Model

1. Customer segments - Who will be your clients?

Which market segment are you addressing? Who will be the beneficiaries of the model?

Customer segments in this context will be clusters of owners of condominiums and homeowners' associations on the one hand and providers of services in the construction sector on the other hand.

The beneficiaries of the model will be clusters of owners of condominiums, which are organized in boards, homeowners and owners of single-family houses.

Stakeholders of the Business model consist of different service providers in the construction industry, suppliers of hard white goods and the financial sector.

2. OSS key activities in short

Mapping of condominiums, housing cooperatives and homeowners' associations and the assessment of energy-saving potentials for the individual customer segments has been carried out. A thorough examination of the individual customer segments has been conducted, including data collection via the central building register combined with written inquiry and physical inspection of all mapped condominiums. The inspection of 60 housing cooperatives showed that there were no annexes for initiating deep energy refurbishment efforts in this customer segment, as all cooperative housing associations were generally in good condition both in terms of building maintenance and energy consumption. The customer segments for which OSS services are being prepared are becoming condominiums and homeowners' associations.

In order to build up the OSS organization, Energibyen has launched a survey of suppliers of services in the construction industry and the finance sector. The survey is based on dialogue / interviews with 5 selected craft companies, which have homeowners in their customer directory. In addition, there have been interviews with two DIYs (XL-bar and Bygma), two suppliers of white goods (Skovsen and Elgiganten), two energy advisory firms (Supply Energy Consulting and Energihuset) and local banks (Danske Bank and Jyske Bank).

The reason for the initiation of the study was to gain insight into specific barriers and tools in the energy conversion of private houses and to involve these groups in building up OSS services and associated funding models as much as possible to accommodate the target group (owners of condominiums and house associations) wishes and needs.

We have held meetings with a condominium association (Nordstrand) together with the free energy advisor from the local Utility and one housing cooperative (Sæby Strand Park) together with a commercial advisory firm (Energihuset). Both cases were followed by energy reviews to assess energy-saving potentials. In both cases, it was found that there was no basis for profound energy renovation projects.

Energy City has held meetings with boards of 6 housing cooperatives followed by energy-saving studies. Here, too, the conclusion was that the energy savings potential was too small to offer the use of an OSS model and funding offers.

In respect to the financial instrument research, two meetings were held with two different local banks for sparring regarding the building of possible OSS models from the financial point of view, and how to meet homeowners' expectations for the OSS models.

3. Value propositions: What benefits do you have to offer the selected market segments?

Why will this work? Why will customers use the service? How are these benefits different from other offers available on the market?

By implementing energy refurbishment in clusters, selected market segments can access a versatile market, which they have not yet known. The design of the OSS models means that there will always be at least one and often more offers from the OSS-package, that homeowners may choose from. Raising the customer's interest towards one or more of the products thus creates new value for a market, where it is compound products or services (multiple products from different suppliers) that attract customers' interest more than if there was only a single product. OSS-models also create new value for the vendors, as one service provider will play a vendor role for other service providers, since the end customer's choice includes several services which a single market segment cannot deliver.

Assuming that clusters of condominiums are motivated to use the OSS-models, this will generate a relatively large amount of work at a time for OSS-service providers, which increases revenue and thereby the growth of the community. Delivery of services will also be more cost efficient, as larger quantities of building materials and other equipment will be purchased, which normally trigger volume discounts on purchases. It is possible that a training of service providers about cooperation will be necessary, so that condominiums experience a well-planned renovation work of a good quality.

From the customer's position, energy refurbishments through OSS-models will be more beneficial to homeowners than performance of single renovation tasks, since homeowners can realize several of their dreams at one time and the advantage would be that compound-OSS services would be cheaper than if homeowners should order a single energy renovation task at a time.

4. Cost and resource structure

What resources are needed to implement your OSS activity?

What will be the organizational structure and its salary costs? What professional profiles will be needed?

What is the global annual budget for the OSS?

What resources are needed to implement your OSS activity?

Organization of service providers in OSS clusters, on the one hand, and "market demand" (meaning market demand, motivation for owner-occupied organizations for the use of OSS services), on the other hand, are the most resource-consuming processes. In this regard, man-hours are the primary resource and the necessary man-hours are needed to promote both areas of action.

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needed?

In order to ensure robust and long-term OSS models, so that they can continue delivering OSS services and ensure the development and upgrading of types of services after the end of the Innovate project period, it will be advantageous for OSS service providers to organize themselves in some form of legal company. The interference of local authorities will only occur in the event of inconsistencies between owners of condominiums and the OSS organization. The company's labor costs (marketing, technical customer advice, financial advice and loan assistance, project management, etc.) could be integrated into the overall OSS package offered to customers. As there will be economic benefits in implementing cluster renovation (see section 3), it will be possible for the OSS to cover its costs and still provide economically attractive offers to owners of condominiums. The most important professional profile is to create understanding of OSS service providers about the benefits to collaborate to offer holistic solutions to homeowners, following the professional skills of organization and company formation. Most craft companies know about organizing in clusters. Those who do not possess these skills can retrieve legal assistance from their professional organizations

What is the global annual budget for the OSS?

In our OSS-model structure, the combined annual OSS budget will be directly proportional to the "demand" of owners of condominiums (market) and will depend on the volume of ordered energy conversion work in clusters.

Operation and further development of an independent OSS organization in our area when it is established will require an annual budget equal to 1-1.5 full-time equivalents.

5. Revenue streams

How will the OSS be financed? What are your financing needs?

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There is no single financing model for all customer segments, due to the fact, that the individual customer groups are organized differently. In cooperative housing organizations, where the individual homeowners own only a "share" of the cooperative's total assets, the association is associated with a single bank. Here the association's bank can be the source of funding.

Some of the OSS service providers offer financing for their own refurbishment work. In these cases, the level of interest rates is slightly higher than the offers given by homeowners' own bank. Not all OSS-service providers offer financing, so we investigated whether the OSS-organization can offer financing for housing associations' energy refurbishment projects.

Which services will be charged for?

Technical energy advice and preparation of a holistic refurbishment plan, including acquisition of Various offers and project management from the beginning to finish will be associated with expenses. The cost is usually between 10-15% of the total cost of the renovation work. A consultant, who is associated with the renovation project from the beginning would provide technical advice. The consultant, who is a partner in the OSS-organization, is simultaneously involved as project manager for the entire project.

6. Key partners

Who are the partners and how will they contribute?

Key partners consist of artisan companies in the fields of masons, timber, electricians, plumbing and insulation companies, construction markets, energy consulting firms, white goods suppliers and local banks.

Key partners' contributions consist in offering the renovation works that the energy consultant / project manager has described in his overall energy refurbishment plan. The consultant will also be responsible for implementation of his plan. When the total investment needs are calculated and depending on the type of condominium association, the project manager would discuss various financing options with the board of association.

7. Channels

What channels will you use to touch your customers, in terms of communication and sales? How will you convince your customers of your service? How will you demonstrate the benefits of your offer compared to the rest of the market? How will you communicate? How will your services or products be promoted?

Through social media, Frederikshavn Municipality has already informed owners of condominiums about municipality's participation in the Innovate project cooperation and the benefits of radical energy refurbishment at condominium associations.

Subsequently, the project manager has written letters to all homeowners' associations existing in the municipality with an appeal to participate in "dialogue meetings", either with the board of directors and representatives of leadership of the condominiums. The invitation for holding meeting also counts for all members of condominium associations in order to ensure easy-to-understand and uncomplicated information dissemination in eye level. Regular dialogue meetings are held with representatives from the associations, where they receive information about the benefits of using OSS-models through energy refurbishments in groups. Positive feedback on energy review is passed on to the energy advisor, who subsequently makes a quick survey of energy-saving options. If there is potential for significant savings, the energy consultant prepares an energy action plan for the condominium association.

There are ongoing articles in the local print media, targeted condominium associations and housing associations. A Facebook page has been created, where homeowners can follow a deep energy renovation of a house regularly. The Facebook page is used as an inspiration and an appetizer encouraging homeowners towards energy refurbishment.

8. How will you monitor your activity?

Initially, as long as key partners have not organized themselves as an independent entity, the project manager follows the project's step systematically as a living lab from beginning to end. He plays the role both as a coordinator and as a mentor. Then the overall energy renovation project will be evaluated. The evaluation process also includes a satisfaction survey of owners of condominiums.