



# INNOVATE project

WP2, D.2.3

Heerlen, Business Model

## 1. Customer segments - Who will be your clients?

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

The market in Heerlen knows a considerable variety in customers. Segmenting the market has many options. For instance, there are the early adopters who already started working on making their houses (more) energy friendly or even neutral. This is however only a slight portion of the home owners. Next to that, a big portion is waiting for clear and prosperous opportunities to make the transition. This is a segment that has the money to actually realize deep renovation. However as the market situation is opaque and there is no productive connection between supply and demand, potential customers do not engage in renovation. Then there is another big portion, which does not have the means for renovation. This segment requires a different and multi-purpose approach that is not limited to energy-transition but should include the improvement of the social situation.

Considering the home owners who want to renovate there are 3 segments:

- \* the small and early minority who doesn't need assistance;
- \* a large segment which needs help in renovation in either full service and turn-key solutions or support to 'do-it-themselves'
- \* a large segment which needs integral and full support including the social situation. This segment is threatened by 'energy-poverty'.

## 2. OSS key activities in short

*Specify if there are activities for specific market segments.*

We need a Center for Sustainability that consists of a physical shop that displays all the options for renovation and provides services, as well as a digital shop and platform. This also includes a service organization which is able to provide full - and when needed integral - advice and service.

As the political situation concerning sustainability has radically changed in the Netherlands, the urgency to make houses energy-friendly or even energy-neutral has increased drastically. This means that already existing attempts at OSS like DUW (a digital platform that is already operational but the performance of which isn't very successful) or the solar-panel project are getting more and more

attention. Still the turnover is not enough to secure the energy transition needed.

The before mentioned Center for Sustainability can use these initiatives and thrive on the increased attention for sustainability, but also has to bring the energy transformation to another level.

INNOVATE Heerlen only focuses on private individual house owners. The segmentation can however also include condominiums.

While developing the OSS in Heerlen, the region of Parkstad, of which Heerlen is the largest municipality, has stated that they want to participate in the OSS. This means that the OSS, the Center for Sustainability, does not work for 1 municipality, Heerlen, but for 8. This results in a bigger market and should lead to economies of scale.

This also means that the Center for Sustainability is part of the overall project PALET which goal is to make the region Parkstad energy-neutral in 2040. The Center for Sustainability can function as a strong energizer for PALET. Through this it will have its effect on the social situation, the job market and the cultural profile of the region. The Center for Sustainability will also influence economic, social and cultural and political activities in Parkstad.

The Center for Sustainability will not only focus on deep renovation, but will also focus on improving and even maximizing the quality of living. This is not just a technical approach, but also a social and awareness-raising approach. It should involve all those citizens interested in improving the quality of their houses and of living in general. This approach might not just be limited to the private house itself but might involve the whole neighbourhood. The latter is something to be considered for future developments of the OSS.

The Center for Sustainability (OSS) will focus on the following key activities:

1. Taylor-made service (turn-key) for customers, including the option of 'do-it-yourself'.
2. Integral and full-service approach for those homeowners threatened by energy poverty.
3. Displaying options and full-service for manufacturers and installers.
4. Displaying and generating job-market opportunities for installers and renovators.

In order to realize the Center for Sustainability (OSS) the following steps are needed:

1. Shape a business case for the Center of Sustainability.
2. Secure political support for the Center and the financial means necessary.
3. Start a project for the actual realization of the Center.
4. Attract partners that want to participate in the Center.
5. Find a physical location for the Center.
6. Integrate activities like DUW or the Solar Panel project into the Center.

7. Create awareness of the Center for Sustainability and its possibilities for sustainability.
8. Actualize the business case and define the specific activities of the Center.
9. Assemble and hire the required staff.
10. Open the Center, start its activities and monitor the results and turnover.

### **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?*

At the moment there is no OSS. The market is chaotic and hardly approachable for potential customers. The market gap analysis has clearly shown this.

As the pressure to make houses more energy friendly or even neutral increased drastically, the desire to do so increases as well. The customers, homeowners, need help in this and are looking for ways to make sense of the situation. As the market doesn't really function, the municipality of Heerlen sees it as its task to improve the situation, and to help organize the market.

Therefore, it is our intention to create a Center for Sustainability. This will generate the following activities:

1. The OSS will create awareness and supply information on the options for making houses energy friendly or neutral.
2. The OSS will create awareness and supply information on the overall energy transition, including 'gas-free' households.
3. The OSS will help people to decide what the possibilities are for each house through energy advises.
4. The OSS will function as a marketplace, connecting supply and demand in a transparent and cost-effective way.
5. The OSS will showcase the various products and techniques available for energy transition.
6. The OSS will function as a display for new 'energy' products and their manufacturers.
7. The OSS will be a shop for the 'do-it-yourself' customer.
8. The OSS will supply turn-key solutions for those who cannot do it themselves.
9. The OSS will function as an information and education center for students.
10. The OSS will function as a center for training new 'energy-technicians'.

### **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?*

1. The resources needed should be supplied by the 8 municipalities of Parkstad.
2. A part of the resources should be gained through national or provincial funding, whenever possible and realistic.
3. Resources should be gained by providing services for customers against fixed prices.
4. The municipalities of Parkstad should be accountable for the means necessary, in staff and cash, etc, for the Center of Sustainability in case funding cannot be secured.
5. Manufacturers will pay for the display space for their products in the physical shop of the Center.

The OSS will have an obligation to generate its own resources. These should be obtained through its turn key offers or through the supplying of information and education.

Furthermore the OSS, the Center of Sustainability, will be a unique concept in the Province of Limburg and will therefore be in a position to either distribute or copy its model, and gain financial means for doing this. As it can function as an energizer in the region and the Province it will be put in a position to gain available funding for the energy transition needed.

The organizational structure has yet to be designed. The Center will be managed by a director who has to report to the Parkstad politicians responsible for energy-transition. The governance model should take this into consideration.

Considering staff there will be a need for staff for direct customer service via telephone or face to face contact. Next to that there will be a need for technical staff that can advise home owners on renovation or that can supply turn-key services.

This could mean that staff needed for the Center is supplied by the various municipalities of Parkstad. This would mean that the municipalities pay for the staff. This should lead to efficiency in overall, costs.

The annual budget is estimated on € 1.6 million. These are costs for housing, staff, marketing and ICT.

## **5. Revenue streams**

*How will the OSS be financed? What are your financing needs?  
Which services will be charged for?*

1. Sales margins.
2. Service fees.
3. Additional funding.

The sales margins and service fees will be low at the start, but will increase when the Center becomes fully operational and has secured its position on the market. This should be a realistic option as there are no real competitors.

As mentioned, the municipalities should secure the means necessary in case the Center cannot do so. From the experience of other OSS in the Netherlands and in Europe, it can be learned that a OSS is never a profitable or even viable center, but will always depend on funding and support. This is apparently what is needed to realize deep renovations. This should also challenge the OSS, the Center to explore new and different ways to gain the means necessary.

## **6. Key partners**

*Who are the partners and how will they contribute?*

1. Politicians and municipalities in Parkstad.

These will contribute with financial support and through PR, by becoming ambassadors for the Center.

2. Suppliers of renovation products.

These will contribute by displaying their products and in this way shape the physical (IKEA-style) store of the Center. They will also supply info and service for their products to the customers.

3. Manufacturers of renovation products.

Same as 2.

4. House owners.

They will contribute through the renovations. These will supply primary examples as showcases or best practices and will create learning material for future renovations.

5. Schools that educate potential employees for renovation.

They will contribute by developing and offering education for new technicians and installers and for those already active. This because there is a huge shortage in technical staff.

6. Province of Limburg.

They can contribute through funding and being ambassadors. Furthermore they can promote the Center and help us copy the model as a franchise in the rest of the Province.

## **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?*

We will develop an advertising campaign for the Center. Next to that we will create brochures for all the products available in the Center or in which the Center can function as agent.

The location of the Center should enable customer traffic. This means that it should be located next to shops that sell home products, or products to renovate the house for purposes different than sustainability, such as 'do-it-themselves' or IKEA type stores.

Customers should be convinced by the personal and tailor-made service. In this the trust in the reliability and neutrality of the government is a crucial factor as recent studies have shown.

The Center is in very minor competition with other suppliers on the market. To secure our position and to 'smoothen' the market, the Center will seek cooperation with other players in the market in all those cases possible and profitable.

The Center will communicate through all channels possible and profitable. Mouth to mouth appears to be the most effective and cost-efficient.

#### **8. How will you monitor your activity?**

This is not clear yet and has to be developed.

The key target however is the contribution that the renovation of houses will make to the overall energy transition in Parkstad as laid down in the project plan PALET.

Key factors then will be:

1. Number of houses renovated.
2. Number of customers reached.
3. Expected overall effect of renovation.