



# INNOVATE project

## WP2, D.2.3 Business Model KAW

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

Following the division in the Local Development Plan (KAW-LDP), we consider 5 target groups:

*Direct customers:*

*1. Owner-occupants of series-produced apartments.*

Primary target for Reimarkt, explicitly mentioned as individual owners, not primarily approached as a group.

*2. Renters of series-produced apartments.*

For social rent: only possible to approach when conditions are agreed on with the social housing organization. Social housing organisations increasingly offer liberties to renters to have renovations made in exchange for rent raise. Private rent does not need prior discussion on conditions.

*3. Owners' Association Board (OAB).*

Primary target for the purchase of collective products (building level solutions), also an important partner in approaching individual residents.

*Indirect:*

*4. Social housing corporations (apartment owner)*

Reimarkt provides the service of convincing renters to join the project and pay higher rent, provides whole building solutions and assists in achieving sustainability goals.

*5. Private investors (apartment owner)*

Reimarkt provides the service of convincing renters to join the project and pay higher rent, provides whole building solutions and assists in raising/preserving apartment value.

All mentioned groups are divided in three segments (KAW-MGA):

- *Small (2-6 apartments) – will be treated as individual houses.*
- *Middle (6-25 apartments)*
- *Large (>25 apartments)*

The final segmentation therefore includes  $5 \times 2 = 10$  segments: 5 customer types in 2 size segments.

### 2. OSS key activities in short

Our challenge is to design ready-made products and a clear and transparent approach that accommodates different organizational setups of decision making, stimulates apartment owners to really engage in the process and solves the split incentive problem without any hassle. Of course, this includes full support of the customer journey (KAW-MGA).

#### *Market analysis*

Analysing the existing building stock is essential for the creation of a good typology of building and apartment types, as input for product development and the prioritisation of developments. At the same time data analysis maps building types as well as target groups. The main challenge will be in acquiring and combining public data with data that strategic partners have (KAW-LDP).

#### *Development of standardized products per apartment type*

Our product offers need to be redesigned to fit MFRH, considering technical differences (e.g. floors above storage) and differences in customer needs and preferences (e.g. focus on apartment value for investors). The provision of products fit for individual apartments, as well as products for renovation on building level is critical for success. For each product type a complete EESP needs to be developed, including information, guarantees and protocols.

#### *Process support for OABs and residents*

Whereas all products have the option for individual apartment installation (with separate pricing) as well, we focus primarily on the collective approach, via the OAB with the semi-annual OA meetings as the moment of truth. Instead of forcing the speed, we start as early as possible to have a complete and supported proposal ready for signing at the OA meeting, thereby not needing a second meeting to reach a decision. A smart design of the customer journey support is essential to keep the total project time short and the support hours limited. Following the Reimarkt principle we map the complete customer journey for the different decision makers and develop support materials, protocols and support systems to follow the separate phases and decisions of each phase. Specific information and marketing materials are developed for each owner/user type (KAW-LDP).

#### *Incorporation of financing*

Due to its complexity we develop financial solutions in a separate working group. This will start with an investigation of present options and needs, if necessary followed by the development of new financing methods. We assume the main issue will be the creation of a transferable financing scheme.

#### *Joined communication with key partners*

The main communicative approach will be that of simplicity and clarity. We join forces with strategic partners who are logical referral points for apartment owners, tenants and OAB members. To do this we need to write a marketing communication plan and develop a communication calendar, develop marketing materials and content and align our communications with those of our strategic partners to send consistent messages to the target group throughout their customer journey (KAW-LDP). We also have to collect and communicate reference stories to optimize social proof.

#### *Staff capacitation*

To support the customer journey of apartment owners and tenants perfectly, our staff has to acquire knowledge about all aforementioned elements (customer needs and preferences, process, service package, products, financing and legal issues). Besides this, sales of EE improvements to a collective require a different approach and different skills, which we need to train with our staff.

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

**Reimarkt supports apartment residents in their choices with ready-made products to make their apartment more comfortable, beautiful and sustainable in a simple, quick, and affordable way, at their own pace.**

KAW aims to design, implement and execute a clear and transparent One-Stop-Shop EE service package for condominiums within the existing Reimarkt OSS context, where ready-made products are offered with fixed prices, installation times and guarantees in an attractive and effective way to all

stakeholders involved (KAW-MGA).

We know that many apartment residents at this moment do not act because of a lack of transparent offers with a clear action perspective. This specifically concerns apartment residents because of the complex decision making structure. Good process support is essential, knowing that few owners can block all others in decision making. By providing a clear action perspective to indirect customers (investor and Social Housing Organisations) we provide a solution for the split incentive problem (KAW-MGA).

Six important elements function as USP's and make direct and indirect customers use this service (KAW-MGA):

- Offerings are clear, including costs, savings and warranties
- The service is endorsed and promoted by the OAB, MFRH management organisation, social housing organisation and/or investor
- Reimarkt is endorsed by the municipality and is considered to be trustworthy
- Benefits towards the apartment value are clear
- Split incentive can be solved by (legally) raising rent
- Payback can be transferred to future new owners (apartment-based financing)

#### **4. Cost and resource structure**

Most important resources include:

##### *Market and building typology knowledge*

The knowledge of matching a specific building to a building type and to specific products is essential to the Reimarkt approach and therefore an invaluable asset.

##### *Personnel*

As the Reimarkt approach is focused on extreme customer satisfaction and distinctively different to existing business practices, we need well-trained staff that is able to apply these concepts into real customer interactions.

##### *Client numbers*

A vast number of clients means a lot of social proof towards potential clients. Besides, a vast number of clients helps Reimarkt in the negotiation of prices, capacity and the implementation of our values in partners practices.

Most important cost sources are:

##### *Purchasing and Installation*

Being 80-90% of final product costs, the implementation of measures is our biggest cost factor and therefore extremely important to manage.

##### *Personnel*

Good quality personnel is the biggest internal cost factor of Reimarkt. The cost of recruiting and training new personnel is also significant, especially at the projected rate of growth.

##### *Product development*

Good product development will save a lot of costs "downstream" in every single project, but to achieve this, investments have to be made to develop a high-quality solution for every building category.

##### *Automation / IT*

For automation the same principle applies: it will save a lot of costs "downstream" in every single action, but to achieve this, big investments have to be made.

#### **5. Revenue streams**

Reimarkt creates revenue from:

##### *Advice fees*

Reimarkt started charging a process fee to OABs for the process support provided. When an owners association decides to invest, the advice fee is deducted from the total costs. This is an income stream

for OABs that do not follow through their ambitions and also helps to filter out OABs that are not serious, lowering acquisition costs.

#### *Sales margin*

On every EE measure Reimarkt calculates a 10% mark-up for process support. This is the main income stream for Reimarkt.

#### *Subsidies*

In its start-up phase, Reimarkt relies heavily on subsidies. This also means that business development is important and the organisation prioritises works that create results that apply for subsidy schemes.

Future revenue streams include:

#### *Recurring revenues from long term contracts*

Reimarkt is working with a MFRH management organisation on the development of “green MJOPs” (multi-year maintenance plans). This can be developed into long-term sustainability fund reservation where maintenance and investments are combined, bringing a secure flow of revenue to both partners.

## **6. Key partners**

Several actors (municipality, social housing corporations, and installation companies, building management companies) have to be enticed to form a “city-wide” alliance where agreements can be made that apply to all buildings in the municipality. Other actors (homeowner associations, private investors, private owner-occupiers, dwellers) have to be enticed to join the projects on a building-by-building basis. The “force field” of actors around each building project depends heavily on the division of apartments between the three central actor groups (private owner-occupiers, private investors, social housing corporations) and the form of building management (sleeping homeowner association, active homeowner association, professional building management) (KAW-MGA).

#### *MFRH management organisation.*

Reimarkt analyses the customer data of the MFRH management organisation to jointly prioritize buildings to approach. Communication is done jointly. Reimarkt helps in forming relevant MJOPs (multi-year maintenance plans) and translate these plans into action. This can be developed into long-term sustainability fund reservation where maintenance and investments are combined, bringing a secure flow of revenue to both partners.

#### *Social housing organisations and municipalities (legitimacy, framework and financing)*

With social housing organisations and municipalities we discuss data analysis to jointly prioritize buildings to approach. The support of municipalities and SHOs provides Reimarkt with credibility and extra channels for communication. Moreover, framework agreements with SHOs are necessary to be able to offer solutions to renters.

#### *Innovative installation companies and producers*

The Reimarkt approach conflicts with the traditional view of most contractors and advisors, who are focused on projects (advice hours) more than on products (selling the renovation). We will have to invest in the relationship with these actors to jointly experience that our approach will lead to more revenue for these actors as well. In the market, capacity is becoming an issue, so having good partners for implementation of measures is extremely important (KAW-LDP).

#### *Financing partners*

Financing in general is more complicated as a division between apartments has to be made, involving different stakeholders and different financial situations. Financing is used less, mainly because the process leading towards loans is more complicated. Several experimental financing schemes have to be tested, with a partner with capacity and motivation to do this, to properly organize division of costs and benefits over apartments and time, hoping to increase the ease of financing and attractiveness of financing (KAW-MGA).

## **7. Channels**

We consider four channels to communicate with our customers:

1. Website
2. Partners
3. Direct mail
4. One Stop Shop / Pop-up
5. Building visits

All information about products, services and steps to take, can be found on the Reimarkt *website*. All content is action-oriented, inviting the potential customer to get in touch with Reimarkt for further information or a store visit for an informal conversation. Search Engine Optimisation and the realisation of relevant content are essential for a noticeable web presence.

We work with the aforementioned partners (social housing organisation, OAB, MFRH management organisation, apartment investors and municipality) and provide them with the right information to actively and passively mention Reimarkt and its EESP to their clients.

Data-analysis based on available apartment building information, available products and reference cases lead to selected segments of buildings to be targeted. We write specific letters explaining our offer with a case study of their specific building to these buildings residents, where applicable with aforementioned partners as “co-sender”.

We invite OAB members to visit our store to have an informal conversation about our EESP. This can be our physical shop or a “pop-up” mobile shop, placed on site at a reference situation to invite OAB members from similar buildings.

After a plan is made for the building, we bring our pop-up store on-site to invite all residents to come by for an informal conversation about their options. The presentation of the final plan will also be done on-site.

Successful renovations will lead to happy clients that in many cases are willing to spread the story and function as ambassador towards new clients. In a community of practice these clients can share knowledge about the use of new installations and further steps towards energy neutrality.

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

Reimarkt has a marketing communication automation and CRM system in place that provides the necessary measurement of other metrics, mainly connected to customer journey progress (KAW-LDP):

- Reach: How many MFBs & Units did we reach with our message?
- Contacts: How many MFBs & Units had at least one contact moment with GWS?
- Leads: How many MFBs & Units are actively targeted by GWS?
- Offers: How many MFBs & Units ask for (and receive) a price quote?
- Deals: How many MFBs & Units sign for execution of EE improvements?
- EE Improvements: How many EE improvements are realized?
- Label improvements: How many “label steps” are reached?
- Customer satisfaction: What is the average grade customers give us?
- NPS: What is our Net Promoter Score?
- Ambassadors: How many satisfied clients agree to help spread the word?

Costs and revenues will be monitored in the “normal” budgeting cycle, with monthly budget updates discussed by management and store managers. In the same meetings qualitative factors are discussed, mainly:

- Product development progress, based on information memos by product development department.
- Staff capacitation, based on information memos by HR department.