

INNOVATE project

WP2, D.2.3 Business Model Linnaeus University

Business Model Proposal based on the One-Stop-Shop Concept

There could be several business models for renovating single-family houses. In this section, we will discuss the business model with a One-Stop-Shop (OSS) concept. The basic idea behind this kind of business model is the clustering of the various steps behind the renovation in a systematic way. OSS would provide all innovative technological alternatives for renovation, which is believed to be much more efficient, compared to fragmented renovation process. The development of a business model with a 'one-stop-shop' concept provides a platform that will support the creation of a supply chain of integrated retrofit solutions and create demand in a holistic approach.

Understanding the perception of house owners and various construction SMEs is crucial in developing an OSS business model, as they are the key players and the ultimate users of the developed business model. LNU has conducted two specific surveys in this regards (i) survey of house owners to understand the socio-demographic and attitudinal attributes influencing the decision to renovate their homes, (ii) interview with construction SMEs regarding innovations, in particular the one-stop-shop business concept, and its adoption for renovation of detached houses.

A business model based on the OSS concept could be an effective model to address the market need of the deep renovation. However, there is no one-business solution that fits all customer segments and their needs. Based on the targeted customers segment viz. high-income group, medium income group or low-income group, the model might need some adjustment in terms of resources and activities planning. Similarly, the model should also address the customer needs if they need (i) deep renovation at once, (ii) Step wise deep renovation or (iii) specific renovation that addresses the energy efficiency. Therefore, the OSS based business model can be designed with a common core package and in addition other tailored made packages can be chipped in, based on targeted customer segments and addressing different customer needs. Table 1 presents the summary of OSS based Business framework with various packages for different customer segments.

Table 1: Market Segment and Various package services under OSS based business model

Description		Customer segments		
		High-income	Medium Income	Low-income
Market type 		Market based model (with or without loans)	Market based (with potential need of soft loan)	Market with subsidy/incentives and soft loans
Core Package 		A complete package for building audit, cost estimation, technical services (including installers, painters, carpenters, etc.); facilitate the process of getting building permission from the municipality; Supply the materials for renovation in the supply chain; professional services from real estate agencies and insurance companies.		
Tailored made packages based on customer needs	Deep renovation at once	✓	✓	X
	Step-wise deep renovation	✓	✓	✓
	Specific energy renovation	✓	✓	✓

A detailed business model with a market-based approach is discussed below with an example of higher-income customer segment. The business model is however, compatible with other market segments, as well with additional packages of soft loans (for medium income customer segment) or further expanded to capture the low-income segments with provision of both soft loans and subsidies. The proposed model will be further discussed with the relevant stakeholders for the finalization of the business model.

1. Customer segments - Who will be your clients?

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

At first place, the targeted market segment will be the high-income section with well-educated, town living single-family house owners, who show environmental sensitivity. At a later stage, younger house owners should be targeted, as they show great environmental interest. Loan availability in the market can accelerate the market of deep renovation with medium income customer segments. The market can be further expanded to capture the low-income segment as well if there is availability of some sorts of subsidy and soft loan for the deep renovation.

2. OSS key activities in short

Specify if there are activities for specific market segments.

Activities Under Core Package

(a) For house owners

- *Pre-renovation energy audit, fixed price offer*
- *Consulting (process monitoring, independent renovation scenarios, coordination of work)*
- *Renovation work*
- *Quality control and commissioning (independently)*
- *Post-renovation follow-up*

(b) For potential business partners

- *Communication and marketing actions*
- *Training on innovative business solutions*
- *Knowledge sharing seminars*
- *Mixed open-discussion seminars with house owners*
- *Seminars to enhance OSS logic in existing business models*

Activities under the Tailor-made package

- *Provide technical solutions and services based on customer segments and their needs*
- *Facilitate for financing Package according to customers' needs*

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?

For house owners:

House owners will get a high quality renovated house, which guaranteed improvement in their aesthetic values and thermal comforts. Besides, this could help to raise the property values. Furthermore, house owners have the chance to contribute to the national goals for energy efficiency, by having a house that complies with the latest national building energy regulations, and which can provide them a very new living experience.

For potential business partners:

Potential business partners have the opportunity to broaden their customer base and advance the level and quality of the services they provide collaborating in larger business networks and share knowledge with other professionals in the market. Their business will follow a new innovative approach that will allow them to increase their profit, expand in a larger scale and grow in size and revenues. Furthermore, the number of skilled workers in energy renovations will increase and further innovative business solutions from entrepreneurs in the building industry will be supported.

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?*

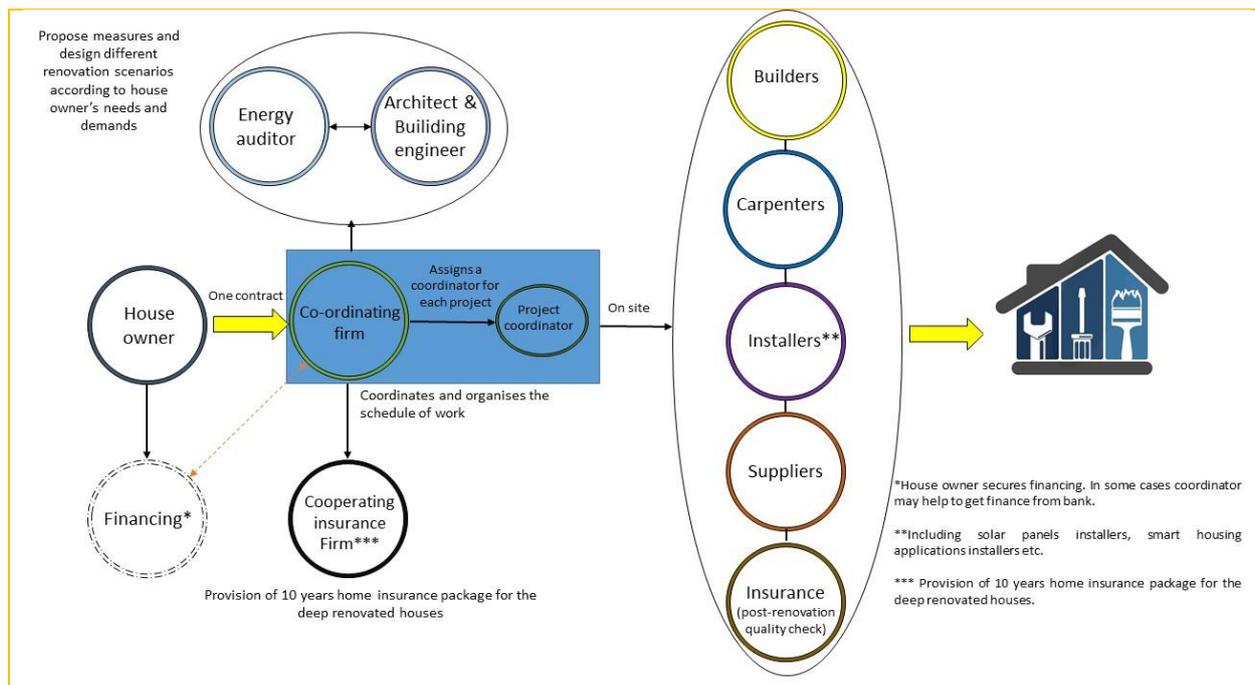
All the service providers within the OSS model, equipment, appliances and materials for the renovations are key resources to implement the OSS activities. The role of coordinating firm is very crucial. It is still a bit early to be specific which organization will play this central role. But it could be one of the service providers having a major share of work in the total renovation package. We have already identified a few SMEs playing some similar coordination role with single contracts in the past renovation work within Sweden.

The proposed organizational framework within the OSS based business model is presented in the figure below. In this proposed OSS based business model, we propose to initiate this as a consortium of SMEs complementing each other's expertise for the deep renovation. OSS could be started at the initial phase with one partnering organization coordinating the consortium and being responsible for making contracts with the clients. Defining the role and responsibilities of the various partner organizations clearly and sequencing of the action list would be the most important and challenging tasks to avoid the possible conflict and misunderstanding during the implementation of deep renovations. This will help to reduce the initial operational cost. Later in the long run, OSS service providers can organize themselves in some form of legal company.

The cost associated with OSS are mainly the coordination cost and various services charges to perform the deep renovation. Such cost can vary case by case. Besides, there will be some cost for the marketing of the business model.

The annual OSS budget depends upon the market demand for deep renovation in the area. We suggest operating this model as a consortium of construction SMEs in the beginning where the coordinator of the OSS will operate on the certain percentage of total renovation cost covering the marketing and coordination fee. Once the market starts expanding, an independent OSS structure with its own legal institutional status could be set up.

OSS based Business Model for Deep Renovation



5. Revenue streams

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

We suggest operating this model as a consortium of construction SMEs in the beginning where the coordinator of the OSS will operate on the certain percentage of total renovation cost covering the marketing and coordination fee. Such fee could be mutually agreed within the consortium and may vary between 10 to 20% of the total renovation cost.

6. Key partners

Who are the partners and how will they contribute?

- *Renovation service providers: They are those who will deliver the service. They have knowledge of the local markets, and have close relationships with local communities. They have the technical capacity to deliver a renovation service that will satisfy customers' needs. Their established networks of suppliers, other technical experts etc., ensure the establishment of the proposed service concept.*
- *Building material suppliers: They have access to qualified craftsmen that can deliver the service, and they have knowledge of the materials that can be used to achieve the desired energy efficiency from renovation*
- *Banks: They have the capacity to finance both house owners and renovation service providers.*
- *Real estate & Insurance agencies: They have good knowledge of the building stock and through their collaborators, they have knowledge of its quality and the measures that are appropriate to be adopted.*
- *Municipalities: They have the acceptance and trust from local communities and they are the actor that can initiate renovation projects on a larger scale. They can also create a database of qualified services providers in their area of responsibility, which can create a fertile ground for achieving the best possible results.*
- *House owners associations: They are the representatives of the target group for the proposed service. They have the ability to bring in close contact service providers and house owners, to create an environment of good communication between them, and initiate projects of larger scale that could reduce the overall cost and maybe attract larger and more specialized players in the market (larger contractors, big building construction companies etc.)*

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?

Key steps, which could motivate the customer to choose the proposed service, could be described with the 4E Approach: Exemplify, Engage, Enable and Encourage (Mlecknik, 2011).

- *Exemplify: demonstrate to the customer what this is about, which is helpful in creating greater understanding about the OSS and its benefits.*
- *Engage: let the house owner be engaged with his/her own ideas and wishes. That could be achieved through information seminars with house owners associations, where, through open discussions and workshops, house owners can express their needs and partners on the supply side can gain useful insights in order to create the appropriate service package.*
- *Enable: show how he/she can do this within his/her budget. Inform about available public incentives.*
- *Encourage: Give the customer some sort of positive confirmation about his/her decision. For any type of one-stop-shop business for high ambition renovation, it is important to also use “non-energy benefit” arguments in addition to the energy benefits for promoting the service. The pitfalls of selling only on the payback time argument should be avoided. The best would be to find out what is important for the homeowner and avoid him/her regretting in the future of not doing a holistic renovation.*

Working in close collaboration with public actors, which promote energy efficient renovations. This will reinforce the effort for OSS and the customer can see the benefits behind deep renovation going beyond the OSS business interest. In this context, the role of Municipalities can be crucial as they are the actors who have the greatest acceptance and trust from house owners. The one-stop-shop’s main objective is to make sure that the measures taken are the best in a holistic and long run perspective.

The communication channels that can be used for promoting the service are the websites of actors on the supply side of the proposed service and Municipal websites (to enforce the public initiative argument). Furthermore, through print press and other mediums (symposium/exhibition) the proposed service can reach a broader audience.

Four strategic elements that can make the proposed service more attractive are:

Designing OSS activities focusing on customer specific tasks that will serve clients' needs and demands, rather than following strict marketing plans (applies to local construction SMEs)

Branding OSS renovation services, which represents skills, personality, quality of work and customer relations

Co-production of OSS service packages in accordance with according customer's needs and in close collaboration with them, and making them understand the sequencing of various steps of renovation.

Using the existing collaborative network to promote OSS services. For this, OSS service providers should build and maintain long-term relationships with suppliers, customers and local communities. They can be the best reference points for the future attraction of new customers and for expanding in new markets.

8. How will you monitor your activity?

To monitor the activities a methodology similar to Business Activity Modelling (BAM) should be developed. The first step towards this direction is the careful definition of each of the processes. To do this, we must keep in mind what phases or stages each project has and what process indicators we want to measure in each stage. These indicators could be discussed with OSS partners and used as guidelines. These indicators might be modified or tuned with the better understanding of the process along with the experience.

Other activities that need to be addressed in our monitoring model are the following:

- Event predictions: Failures and Uncertainties, technical experts reports etc.(Pre-activities)*
- Event alerts for failures in the procedures (Activities in action)*
- Detailed financial monitoring of the project (including risk analysis and mitigation)*
- Improvement of processes within the offered service (Post activities)*
- Assurance that each task is delivered properly and according to the initially planned costs and time.*