



INNOVATE project

WP2, D.2.3

Business Model

Parity Projects

1. Customer segments - Who will be your clients?

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

- We intend to target owner-occupied houses (rather than flats). These types of homes are most prevalent (~63% in the initial areas, see MGA) because these have fewer barriers to installation of deep retrofit, although we will happily assist residents of flats and private tenants where these come forward and where this is practical.
- We hope to target homes in the four South London boroughs of Merton, Croydon, Kingston and Sutton, but as we are an independent company rather than a municipality we may target homes in other UK municipalities based on the level of political support we are able to achieve.
- We will be using our housing stock models to target homes with potential for measures, ideally at the level of individual homes.
- Our key target is the able-to pay, although with grants and certain types of finance available for the fuel poor we will also address these homes where they come forward and/or where we have financing or funding available.

2. OSS key activities in short

Specify if there are activities for specific market segments.

Our key challenges are to:

- Find residents with potential for energy saving measures
- Motivate residents to take up measures through:
 - Outreach
 - Independent advice
 - Access to grant funding where relevant
 - Access to finance where possible
 - Access to independently quality assured installer network

Rather than conducting activities for specific market segments we intend our service to be suitable for the broad segment we have identified in (1) and to learn how to address these households through an agile approach of marketing trials (to allow marketing to be honed) and further segmentation.

Parity Projects has expertise in building stock monitoring and advice. RetrofitWorks is an installer-owned co-operative (not for profit) which allows householders to get three quotes from different installers, then offers an impartial guide through the installation process for the householder including quality assurance of works.

We intend to bring these together into a One Stop Shop by 'filling the gaps' in our collective capabilities:

- Building additional building targeting capability into our online CROHM model
- Building an online householder front end to allow householders to identify measures suitable for their homes, and to request more information
- Incorporating additional finance capabilities into RetrofitWorks install process
- Incorporating additional support for householders where required
- Identifying strategic partners (e.g. Local Authorities)
- Conducting trial outreach to test the model and generate some installations

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 present nothing approaching a one stop shop exists for UK householders: although elements of the service exist (e.g. energy advice services, installers of various technologies) these are isolated, and each break between the isolated services is a major barrier to installations.

The key value proposition is therefore a single service:

enquiry =>

impartial advice =>

impartial installer selection =>

grants and finance =>

quality assured installation

This 'One Stop Shop' will provide a simple process to guide the householder through the relatively complex installation journey.

The value proposition to the householder in terms of the product of installing measures must also be considered. We suggest tailoring the different messages dependent on what we know of the individual householders being targeted, with various messages likely to include:

- Warmth, reduced bills, access to grants (for more fuel poor householders)
- Efficiency, control/self-sufficiency, and access to finance (for able to pay)

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?

The service will be run as a commercial enterprise, so it is not possible to expect a particular budget to become available. Instead we intend to use the INNOVATE project to develop products and services that will enable us to:

1. attract investment from customers and partners
2. provide 'infrastructure' allowing us to run our services with maximum efficiency with the aim of making the service self-sustaining more easily (by reducing running costs)

The financial model included with this document is designed to show how the model will work financially based on various levels of initial investment and installations, and addresses many of the points in this question. Note that the financial investments in the model have not yet been secured; rather the model is designed to work out what investments are required, and what levels of project success may be possible given various scenarios.

Resources Needed

Information to inform targeting of marketing

We are extending our existing CROHM website to provide dwelling-level intelligence designed to inform well-targeted marketing, and to register marketing activities so they can be evaluated. We expect this to save costs compared to conventional market analysis which is time consuming and static.

Marketing costs

The cost of implementing marketing can be high. We intend to secure funding from partners (Local Authorities and others) to fund marketing activities. If possible we will fund marketing from ongoing scheme income.

Support from marketing partners ('Advocate Members')

We find that in many cases there are organisations who will conduct marketing at no cost in partnership. We call these Advocate Members, and they are individuals or organisations who wish to assist us in environmental aims (e.g. local environmental groups), in getting grant-funded energy saving measures installed (e.g. community support groups), or generate business for themselves (e.g. installers).

IT infrastructure

We propose to develop a householder website through the INNOVATE project that will enable householders to learn more about their own home, find and select suitable energy saving measures, and request installation quotes. We anticipate that this will drive high quality enquiries to us at relatively low cost compared to the alternative methods of home visits or advice lines which are time-consuming and therefore expensive. Note that we will have to spend marketing money promoting the website.

Installation administration team

Administration of enquiries through to installation is time-intensive. However, RetrofitWorks already has a suitable team, and works using a model that allows additional income as the numbers of enquiries and installations increase.

5. Revenue streams

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

Parity Projects and RetrofitWorks will create revenue from:

1. Sales margin. RetrofitWorks takes a percentage fee from its members to cover administration and outreach, with a proportion of this going to Parity Projects for successful leads.
2. Service fees. Parity Projects intends to sell the service to Local Authorities who will be able to access the housing model (to improve targeting of measures) and householder-facing advice tool. In addition, we may be able to secure additional income for management of schemes

Our financial modelling shows the level of initial (and ongoing) investment, and ongoing installation levels necessary to make our model sustainable. The financial model included with this document is designed to show how the model will work financially based on various levels of initial investment and installations, and addresses many of the points in this question. Note that the financial investments in the model have not yet been secured; rather the model is designed to work out what investments are required, and what levels of project success may be possible given various scenarios.

6. Key partners

Who are the partners and how will they contribute?

Parity Projects

Parity Projects are the lead project partner, and are responsible for project management, delivery of the One-Stop-Shop framework including integration with RetrofitWorks, recruitment of Strategic Partners.

RetrofitWorks

RetrofitWorks is a sister organisation to Parity Projects, and will share responsibility for developing an integrated One-Stop-Shop framework for delivery of measures to area-based schemes. RetrofitWorks is based in the same office as Parity Projects, and was only established as a separate organisation in order to provide an impartial, not for profit and cooperative mechanism for installation of energy measures as recommended by Parity Projects.

Delivery Partners (including Finance Partners)

Installer Members

Installer members are installation companies who join the RetrofitWorks cooperative, and who install measures through the RetrofitWorks framework.

Advocate Members

We find that in many cases there are organisations who will conduct marketing at no cost in partnership. We call these Advocate Members, and they are individuals or organisations who wish to assist us in environmental aims (e.g. local environmental groups), in getting grant-funded energy saving measures installed (e.g. community support groups), or generate business for themselves (e.g. installers).

Finance Partners

We are also seeking other delivery partners, most notably for delivery of finance to householders. So far London Rebuilding Society have joined RetrofitWorks as a member and this will allow residents with equity in their home to finance home improvements.

Strategic Partners

We expect the key strategic partners to be municipalities. In the UK many municipalities have a remit to promote energy saving, but have very limited resources. We have designed our project to provide the infrastructure to design, implement, monitor, and evaluate energy saving projects, making use of IT where appropriate to reduce implementation costs. We expect this to dramatically reduce the overheads involved in a municipality implementing a scheme, and we also hope to identify a business plan that will make local energy saving projects more financially sustainable, and therefore more attractive to municipalities.

In addition we expect to find other strategic partners as we develop and make contacts, although the nature of these strategic partners is not clear. These may possibly include:

- Other organisations with similar aims to Parity Projects
- Installers wishing to access new resources to address a wider market
- Organisations, such as power companies, estate agents, or retailers, wishing to make strategic partnerships to achieve energy saving aims.

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?

The main communication channels for marketing to householders are expected to be:

Website

In recent years the internet has become the primary method of finding out information about a service, and the costs associated with running a website are relatively low. We have therefore focused much of our efforts into development of a web portal capable of providing dynamic advice to a householder, and starting them down the installation process.

Partners

As mentioned already, we find that in many cases there are organisations who will conduct marketing at no cost in partnership. We call these Advocate Members, and they are individuals or organisations who wish to assist us in environmental aims (e.g. local environmental groups), in getting grant-funded energy saving measures installed (e.g. community support groups), or generate business for themselves (e.g. installers).

Direct mail

When we can identify the most appropriate householders for our service through data analysis we expect direct mail to be the best way of addressing them.

Building visits

Where this can be resourced by strategic partners or by working with advocate members, we intend to offer home visits to provide advice to householders in their home. Building visits are expensive, and it is difficult to make a business case for funding them, but where they can be financed by strategic partners or by working with advocate members they tend to result in a high proportion of householders going ahead with measures.

8. How will you monitor your activity?

The project includes a customer relationship system. This enables us to:

- Evaluate the effect of marketing activities in terms of enquiries received, quotes submitted and accepted, installations completed
- Manage the installation process to ensure that all jobs are managed and meet the various stages of our quality assurance process.