



INNOVATE project

WP2, D.2.3 Business Model Riga

Condominiums: <http://www.renove.lv>

1. Customer segments - Who will be your clients?

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

Ultimate goal for the Municipality of Riga is the renovation of condominiums built over 20 years ago, as well as increasing energy efficiency (hereafter EE) of housing stock in Riga, thus decreasing CO2 emissions.

In order to reach its ultimate goal, the Municipality of Riga has set a long-term goal of launching a revolving fund. However, having such an ambitious goal is rather difficult to achieve in the short-term. It is even more difficult if not many citizens are aware of the benefits and thus do not have much interest in renovating their homes.

In order to reach this long-term goal, several short-term goals were set. Firstly, start a subsidy program for condominiums to conduct a renovation of the building. Flat owners of condominiums create a first customer segment, i.e. owners of a flat in a 20-50 year old building, middle-income class. Secondly, start a subsidy program for single family houses for a PV panel purchase, which creates a second customer group, upper-middle income class, having up to twice as much income per household as the first customer segment.

The construction and EE industry companies on the other hand are the main suppliers.

Stakeholders include flat owners, their unions, house owners and the Municipality of Riga.

Beneficiaries are all suppliers including construction companies, suppliers of materials and the financial sector.

2. OSS key activities in short

Specify if there are activities for specific market segments.

Main activities of OSS include:

- Retrofit advice services
- Energy audit co-financing
- Available financial tool consultations, both commercial and available subsidy programs
- Assistance in preparation of documents required for the subsidy program application
- Communication and marketing campaign development and execution
- Maintenance of database on EE houses in Riga
- Market analysis

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?

Riga Energy Agency as part of the Riga City Council is aiming at EE measure stimulation and increasing the level of citizens' awareness.

Since late 2017, Riga Energy Agency is offering 50% payback on the cost of renovations that meet a

number of requirements. The program has attracted a lot of interest and more than 50 applications have been submitted since then. It should be noted that each application represents a condominium consisting of at least 4 owners.

As of beginning of September 2018, REA has subsidized 500k euro. The program is planned to continue and more financing is due in October 2018.

The main objective of the program is to increase the number of retrofit cases as much as possible, thus increasing awareness. A qualitative analysis has been done on the matter and proved to show correlation between the number of renovated buildings supported with a subsidy and a number of refurbished buildings having no subsidy support.

By the end of 2018, REA is planning to launch a single family house program to co-finance purchase of PV panels. The following subsidy program is planned to educate house owners of EE measures and increase their awareness.

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?

Main resources to establish OSS include:

- Fixed costs including equipment and office goods.
- Variable costs including office maintenance, staff salaries

Staff needed:

- Project manager/supervisor
- Secretary
- Communication officer (can be outsourced in some cases)
- EE specialist
- Legal officer (can be outsourced in some cases)

5. Revenue streams

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

Which services will be charged for?

No revenue streams for OSS are planned. OSS is fully financed from the Riga City Council budget.

6. Key partners

Who are the partners and how will they contribute?

There are 3 main groups of partners. Firstly, suppliers include construction companies that will perform all needed refurbishment works. Secondly, housing unions are considered both as customers and key partners. Housing unions act as the main and most accurate source of information. Third, a number of municipal units are involved in the process of providing information and servicing OSS customers.

Key partners:

1. Suppliers
2. Housing unions
3. Municipal units:
 - a. Rīgas Namu Pārvaldnieks

- b. Rīgas pilsētas būvvalde
- c. Rīgas Dome īpašuma departaments
- d. The Municipal Revenue Office of Riga City
- e. Rīgas pilsētas arhitekta birojs

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?*

Main communication channels include:

1. website of the program
2. website of REA
3. Municipal News Portal
4. Meetings with housing unions
5. social networks

How will customers be convinced?

Following the OSS strategy, the aim is to convince the customer target group by providing as much information as possible. There are multiple obvious benefits of OSS services, while the main problem is lack of information.

Benefit compared to the rest of the market

Existing market solutions are expensive and are not attractive for a mass market user. There are national subsidy programmes.

Due to a number of reasons, none of existing solutions are popular and created no significant impact on the housing stock of Riga.

8. How will you monitor your activity?

A number of metrics will be used to monitor the OSS activity.

- Number of housing renovated per year;
- Decrease in energy consumption after completion of the work;
- Number of submitted applications for renovation works;
- Number of houses overtaken from the municipal housing company;
- Number of established private housing management companies;
- Conversion rate (percentage of homeowners who established contact, and who actually perform the renovation works).