



# INNOVATE project

WP2, D.2.2

Local Development Plan

Partner: KAW



## A. What is the starting point?

In 2014, KAW started Reimarkt: a One-Stop-Shop service for EE-refurbishments targeted on single family housing. Central to the Reimarkt strategy is the design, implementation and execution of a clear and transparent One-Stop-Shop process where ready-made products are offered with fixed prices, installation times and guarantees.

In cooperation with the Innovate-programme KAW wants to develop the same approach to Multi-Family Residential Housing (MFRH) in the Netherlands. The market for condominiums is very different from the market for individual houses: unit value, energy use, income, moving frequency, maintenance state, decision making structure, process orientation of companies and financing options differ.

In the MGA we identified several barriers to overcome for a successful OSS for apartment buildings:

- The organization of decision making (homeowner associations, social housing, owner-occupants and private investors, division between joined and individual ownership).
- The perception of possibilities, (as a few apartment owners can block joined investments).
- The split incentive problem.

The target audience will be motivated to embark on a renovation project if:

- This is promoted by the homeowner association
- Payback can be transferred to future new owners
- Offerings are clear, including costs, savings and warranties
- The company realizing the renovation is considered to be trustworthy
- Benefits towards the apartment value are clear
- Split incentive can be solved by legally raising rent

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. Critical success factors will be the provision of products fit for individual apartments, as well as products for renovation on building level. A smart design of the customer journey support is another success factor, as this is essential to keep the total project time short and the support hours limited.

We need to work well together with stakeholders on municipality level and building project level to

prevent conflicts of interest between all actors involved. Professional homeowner association management companies can help to “implement” our process towards a broader public, but we still need to sell our process just as much as our product to both homeowner associations and individual apartment owners and dwellers.

### **Energy Efficiency measures to be taken**

We aim to develop EE solutions for apartments in six main categories. All products already exist for individual houses and need to be adjusted to the apartment building situation:

- Floor insulation
- Wall insulation
- Roof insulation
- Insulated glazing
- Heating
- Solar panels

### **Strategic options**

A clear strategy in providing EE solutions from a OSS to condominiums has to address three main issues:

- *Collective vs. individual:* products and services can be offered at the condominium level (to all apartment owners jointly) or to individual apartment owners.
- *Service vs. product:* the offer can be an advisory service to jointly reach the right selection and implementation of EE measures, or the sales of EE products.
- *Natural pace vs. forced pace:* the strategy might follow the normal decision structure and speed of condominiums (meetings every half a year) or create extra decision moments to increase the pace.

## **B. Where to?**

### **Goal**

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.

### **Objectives**

The objectives connected to this goal can be divided in qualitative and quantitative elements.

#### **Qualitative**

- *Creation of a complete EE Service Package:* this would include product information, customer journey, protocols, information materials, marketing materials and configuration of website and CRM.
- *A solution for all stakeholders:* the EE Service Package has to fit the needs of the different owner/user types we encounter and the partners that are involved in the project.
- *Scalable:* even though we develop the EE Service Package with specific partners, the resulting process and offers have to work for other partners (social housing companies, MFRH management organisations) and have to be able to be sold in other Reimarkt locations.
- *Staff capacitation:* our staff has to work with the EE Service Package and therefore has to be fully trained to consider our goal to be achieved.
- *Developed products:* all existing GWS products have to be redesigned to fit MFRH, considering technical differences and differences in customer needs and preferences.
- *Financing:* if possible we want to be able to provide financing to the complete target group. As a minimum we consider that at least 75% of the target group should be able to fully finance the

EE improvements.

### **Quantitative**

We consider our goal to be achieved when at the end of the project period (May 2020) the following targets are reached:

Metric	MFBs	Units
Reach <i>How many MFBs &amp; Units did we reach with our message?</i>	2.000	20.000
Contacts <i>How many MFBs &amp; Units had at least one contact moment with GWS?</i>	250	3.000
Leads <i>How many MFBs &amp; Units are actively targeted by GWS?</i>	160	2.500
Offers <i>How many MFBs &amp; Units ask for (and receive) a price quote?</i>	80	1.900
Deals <i>How many MFBs &amp; Units sign for execution of EE improvements?</i>	30	750
EE Improvements <i>How many EE improvements are realized?</i>	70	2.000
Label improvements <i>How many "label steps" are reached?</i>	-	1.700
Customer satisfaction <i>What is the average grade customers give us?</i>	8,0	8,0
NPS <i>What is our Net Promoter Score?</i>	10%	10%
Ambassadors <i>How many satisfied clients agree to help spread the word?</i>	10	50

*N.B. Results from the pilot phase show that many owners' associations (OAs) use the GWS offer to shop for other offers with our competition. This means that our approach stimulates more EE improvements than those done by GWS. At this moment the division is 40% with GWS and 60% with competition.*

### **Service package**

The EE Service Package we envision for MFRH has to inform and stimulate all owner-user types. 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. Important parts of the service package are customer support in decision making (which products, which priorities), financing (availability and support in application for subsidies and financing), coordination of the works and aftersales.

### **Target group**

The MFRH approach follows the Reimarkt principles in a focus on series-produced buildings with a building year after 1945. Historic or unique buildings are advised to contract a specialized energy adviser for a tailor-made approach. Owners of small MFRHs (2-6 units) behave like owners of individual houses, so we assist them in our existing process.

Within the abovementioned building category we encounter five target groups:

1. The Owners' Association Board (OAB), representing the whole building.
2. Owner-occupants of apartments.
3. Social housing organisations (as apartment owner)
4. Private investors (as apartment owner)
5. Tenants (both private and social housing)

### **Product choices**

We promote the whole range of GWS products (floor, wall and roof insulation, insulated glazing, heating and solar panels) towards MFRH. In the pilot phase we discovered that the decision-making level is different for these products:

Product	Joined	Decision-making level	
		Differs per case	Individual
Floor insulation	X		
Wall insulation	X		
Roof insulation	X		
Insulated glazing		X	
Heating			X
Solar panels		X	

### C. How? What?

#### ***Pilot phase (completed)***

During the first year of the INNOVATE project KAW ran a pilot project to collect a first series of learnings that help build a successful strategy. These learnings are:

- A project approach towards MFRH (building-based offer for a complete renovation) scares off the potential clients because of price and complexity.
- The combination of individual and collective EE improvements in one process does not work in bigger MFRH (cost differences and discussions on building meetings). A strict division in collective and individual measures is necessary.
- Smaller MFRH need simple and clear solutions based on a long term “step-by-step” plan.
- Especially in private rent housing the split incentive problem exists, a solution is necessary to make impact.
- It is hard to speed up the decision-making process, it is tempting for MFRH meetings to postpone the decision to the next meeting.

#### ***Strategy***

Following the learnings of the pilot phase, our strategy is product oriented. This follows the Reimarkt principles and goes against the existing market, which is oriented towards the sales of advisory processes. This also means that we do not use the first MFRH to “clone” solutions towards similar MFRHs. Instead, we provide readymade and “stackable” solutions designed based on a building and apartment typology.

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.

For options not offered collectively we do start individual tracks with all apartment owners before the OA meeting as to synchronise decisions towards installation of measures in one process as much as possible, but “legally” the decisions are completely separated.

The main communicative approach will be that of simplicity and clarity, both in process and product. We join forces with strategic partners who are logical referral points for apartment owners, tenants and OAB members and use social evidence (references and ambassadors) to convince apartment owners to contract EE improvements themselves.

#### ***Tactics***

The abovementioned strategy can be divided in several tactics that need to be deployed to get towards our goal. We identified 11 tactics:

1. *Form alliances with strategic partners*

With the joined experiences of the pilot phase we can transform our existing contacts with strategic partners towards partnership agreements, to make these partnerships robust. Besides, we will try to involve more strategic partners to scale up our operation.

2. *Product development*

Our product offers for MFRH so far have been a translation of products offered towards single-family housing. They 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).

3. *Customer journey mapping*

We are not going to change how apartment owners think and act, we need to follow (accommodate) their “journey” as closely as possible to achieve our goals. Therefore, we first need to map these journeys. This requires joining experiences, hypothesize and test these concepts in conversations with “real clients”. For one target group (OAB members) we started the concept phase already, but much is left to do here.

4. *Process design & EE service package development*

Following the customer journey mapping, we design the process to accommodate this journey by developing information materials, e-tools, web pages and content. We secure the implementation of this process with adjustments in our CRM system and the creation of protocols.

5. *Financing*

An important factor is financing. Knowing that this is a complex development with specialised knowledge from which most project employees will only use the resulting services, 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.

6. *Legal issues*

Several legal issues are at play in this approach, from the ownership of joined solution, fair division of costs, legal changes in apartment rights and OA regulations to support individual EE improvements as well as internal sales of electricity from solar panels. Like with financing, this is a complex development with specialised knowledge from which most project employees will only use the resulting services, so we work on legal issues in a separate working group.

7. *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 towards a collective require a different approach and different skills, that we need to train with our staff.

8. *Data 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 the market, in the sense of building types as well as target groups. The main challenge will be in acquiring and combining public data with data that strategic partners have.

9. *Marketing communication*

Following market mapping, we need to contact, inform and activate our target group. 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.

#### 10. *Social proof*

We use the first renovations we have done in the pilot phase as referrals for further business. This means we have to activate our satisfied clients to act as ambassadors towards new clients. We also want to continue the “pop-up” we developed with the social housing corporation, where we improve one empty apartment as a show case for the rest of the MFRH.

#### 11. *Execution, coordination and feedback*

Strict coordination of all aforementioned elements is essential in delivering a consistent process to create an excellent customer experience for apartment owners and tenants. With their feedback we can further improve this experience to reach the high bar we set ourselves on this aspect.

### **Activities**

The abovementioned tactics are translated into specific activities. These activities can be found in the planning document attached to this LDP.

## **D. Who?**

### ***Roles in development of the approach***

*Reimarkt* (the OSS concept created by *KAW*) is implementing the MFRH-approach in their Groningen location called *Groningen Woont SLIM (GWS)* first. Concept development (alliances, product development, customer journey mapping, process design, staff capacitation and development of marketing & social proof formats and protocols) is done by *Reimarkt*. On several elements *Reimarkt* will work together closely with *GWS* employees to optimally include first-hand customer experience in the development. Specific knowledge development (customer journey mapping, financing, legal issues and data analysis) is done jointly with *KAW*. *VvE-belang* (OA interest group) is an important knowledge partner we work with, specifically on legal issues. Where needed, external specialists are contracted. We invite representatives of strategic partners *Nijestee* (social housing corporation) and *Pandgarant* (MFRH management organisation) to reflect on all developments in a working group. Product development is done jointly with *Plegt-Vos* (installation company).

### ***Roles in the customer journey***

Approaching bigger MFRH, we have strategic meetings with *Pandgarant* and *Nijestee* to select MFRBs with a lot of potential. They inform the OA, with support of *VvE-Belang*. *GWS* then starts marketing communication, customer journey support and sales towards the OA and individual owners. When a deal is made, *Plegt-Vos* organises the execution, coordinated by *GWS*. *GWS* is also responsible for aftersales and ambassadorship.

Approaching smaller MFRH, *Reimarkt* selects areas with potential based on data analysis. *GWS* then starts marketing communication, involving *Nijestee* and *VvE-belang* where relevant. The rest of the process is the same as described above.

*N.B. 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.*

## **E. In what time?**

See Action Plan, attached to the LDP.

## F. What will be the indicators of success?

### **Qualitative objectives**

We have translated our objectives into specific deliverables in the Action Plan attached to this document.

### **Quantitative objectives**

Reimarkt has a marketing communication automation and CRM system in place that provides the necessary measurement of the metrics mentioned under B, based on the following definitions:

- *Reach*: Number of addressed communications towards members of the target group, evading double counts where realistically possible.
- *Contacts*: members of the target group that have given specific contact information (address, email, telephone number and/or name) to GWS intentionally, e.g. by enrolling for our newsletter.
- *Leads*: members of the target group that have completed activities that prompt us to actively engage in contact with them, e.g. making an appointment for a GWS store visit.
- *Offers*: Offers send out to target group members preceded by their explicit request. Multiple EE improvement measures offered towards one potential client count as one offer.
- *Deals*: Offers signed by clients that are part of the target group. Multiple EE improvement measures contracted with one potential client count as one deal.
- *EE Improvements*: The total number of EE improvement measures installed for members of the target group. Multiple measures towards one client count separately.
- *Label improvements*: The total number of "label steps" realised for members of the target group, e.g. an improvement from label E to B counts as three label steps (E → D → C → B). Can only be counted on apartment level.
- *Customer satisfaction*: The average grade customers give GWS for the complete customer journey support, grading this on a 1-10 scale in a survey.
- *NPS*: Number of Promoters (clients grading 9-10) minus number of detractors (clients grading 6 or lower) divided by the total number of responses, as a percentage.
- *Ambassadors*: Number of clients that are willing to share their experiences with GWS with other potential clients, as answered in the customer experience survey.

## G. Other comments