



**Task 25: Business models for a more effective market uptake  
of DSM energy services for SMEs and communities**

**Task 25 progress report  
IEA DSM EXCO  
Den Haag-Netherlands  
2017**

# 3 Key levels/Questions...

1. Are user centered/service oriented business models more effective?
2. Do the (user centered) dynamic capabilities of entrepreneurs contribute to a more effective uptake of the product or service?
3. Is the way the business models fit or stretch context influencing their success?

# What do our cases tell us?

- ✓ 46 cases
- ✓ Netherlands, Sweden, Norway, Austria, Switzerland and South Korea +ECI analysis
- ✓ Retrofitting, total solutions, lighting, heating, smart systems



**For all the entrepreneurs in Energy  
Efficiency Services out there...**

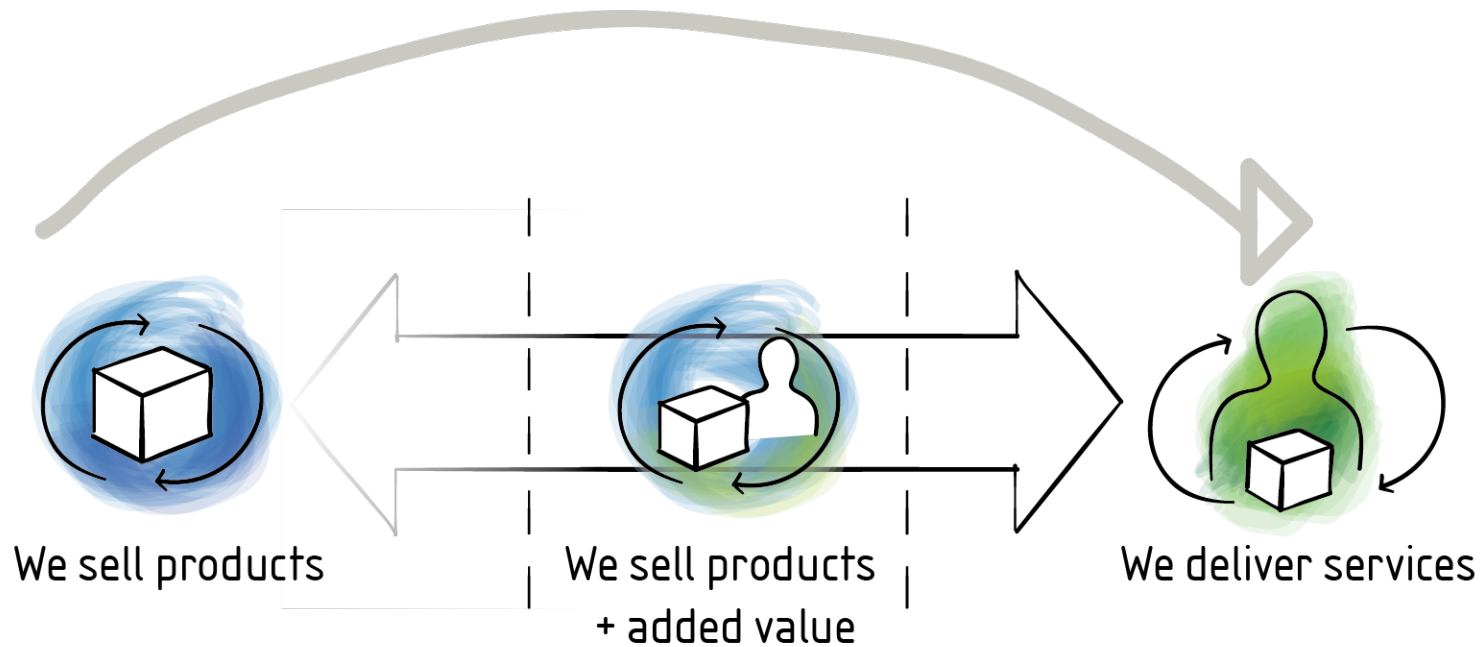


**There are three essential ingredients to become successful...**



**And they are all about a transition**

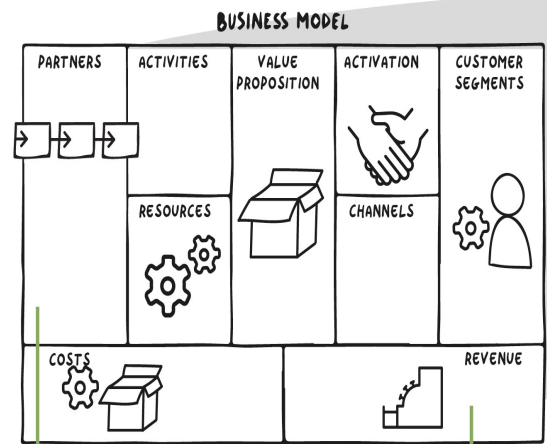
# From product dominant logic to service dominant logic



# Key success element 1:

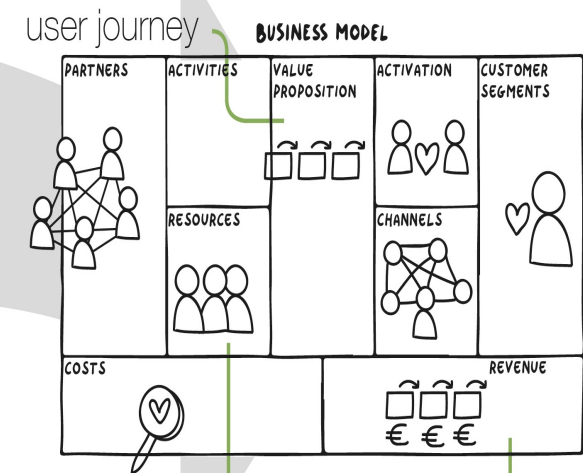


# When the offer is a service.. A service supporting businessmodel is more successful



value chain partners

pay per unit

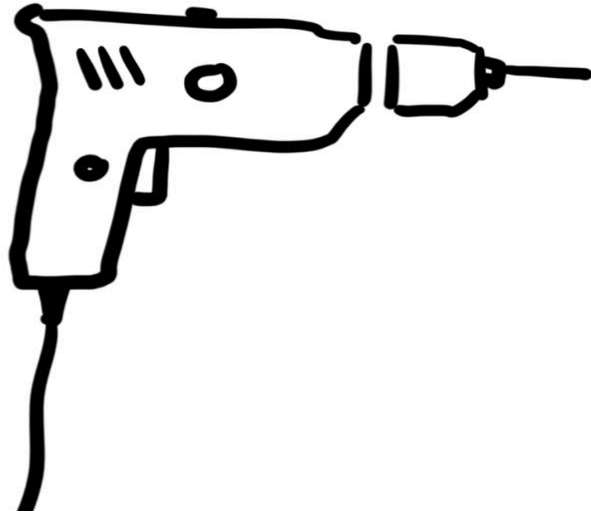


user becomes key resource

pay for use

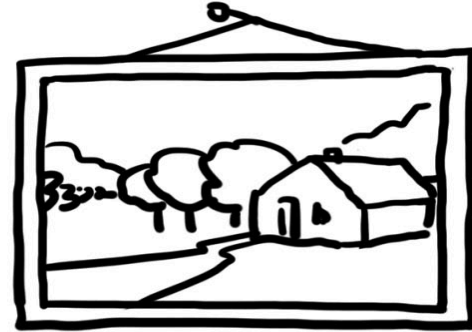
Building on business model canvas by Osterwalder and Pigneur (2010)

# Goods



- Output-orientation
- Offer stated in tech-specs
- Efficiency: low costs, high margins
- Value in exchange/transaction
- User role passive

# Services



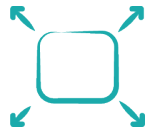
- Solutions
- Value = outcomes for user
- User role is key
- Value experienced in use
- Co-creation
- Delivered within a system
- Good/technology is 'enabler'

# Key success element 2:

# Be skilled to serve the user...



**Sensing user needs, context, system**



**Scaling and stretching**



**orchestration**



**conceptualising**

# Key success element 3:

# Understand how to deal with context

# Context and synchronicity...



**The unaware**



**The smart matcher**



**The aware stretcher**



**The stealth stretcher**



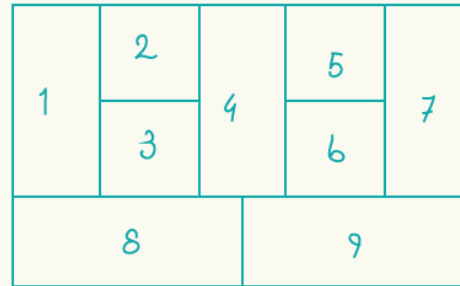
# 4 combinations business model-capabilities-context...



# Pushing harder



## Businessmodel



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**1. Customer Segments**  
Industrial/commercial

**2. Customer Relationships**  
Distant, not personal, no focus on user needs or user barriers

**3. Channels**  
Traditional, focus on cold acquisition

**4. Value proposition**  
Functional benefits and technical specs are the core of the proposition

**5. Key activities**  
Focus on hardware and software, developing resellers channels and training resellers and clients

**6. Key resources/skills**  
Technical, sales knowledge and tech knowhow

**7. partners and suppliers**  
Hierarchical/ value chain. Resellers and intermediaries for sales purposes

**8. Revenue Streams**  
One off, transaction based  
Maintenance fee

**9. Costs**  
Traditional, focus on personnel and material

## Capabilities

**User Sensing**  
Not in a structured way



**Conceptualizing**  
Not in a structured way



**Orchestrating**  
Not in a structured way. Focus on the supply chain side



**Scaling and stretching**  
Outsourcing the sales skills.



## Context

**What they experience:** fragmented market, no clearly defined competitors, weak - or lack of policies and regulation, lack of user's trust in product. No clear perspective on orientation of stakeholders

**How they respond:** pushing, demand regulatory creation, label certification, procurement rules.

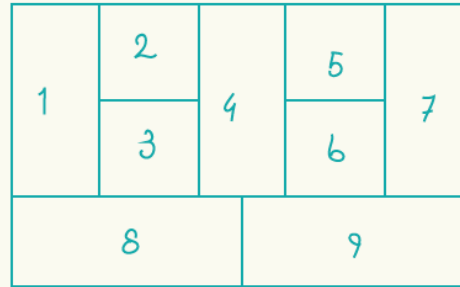
**Strategy:** unaware market changer



# Reframing/referral



## Businessmodel



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### 1. Customer Segments

Consumers, industrial, commercial

### 2. Customer Relationships

Standardised. More personal and tailored

### 3. Channels

Traditional. Word of mouth

### 4. Value proposition

Reframing by acknowledging that energy efficiency is low on the buyers priority list

### 5. Key activities

Focus on hardware and software, tackling fragmentations, process optimisation

### 6. Key resources/skills

Technical, sales knowledge and tech knowhow. Partners become resources

### 7. partners and suppliers

More equal. Focus on co-creation. Choice of partners based on branding quality and matching

### 8. Revenue Streams

Transaction based. Goodwill creation

### 9. Costs

Traditional, focus on personnel and material

## Capabilities

### User Sensing

Weakly developed. Collecting user insights up to transaction. Strong focus on specific details in transaction journey (like decision making, info needed or simplifying process, trust building)



### Conceptualizing

Shifting focus from delivery process towards tailoring value proposition and buyers satisfaction



### Orchestrating

Buy-transaction journey orchestration well developed. Public private partnerships to boost sales and trust



### Scaling and stretching

Branding to create competitive edge. Quality and ease as differentiating elements



## Context

**What they experience:** lack of consumer demand for Energy Efficiency and savings. Fragmented market.

**How they respond:** focus on developing client relationships. Building trust. Piloting and experiment

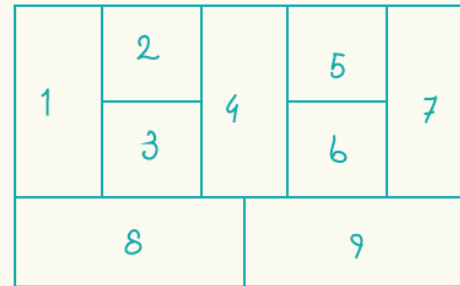
**Strategy:** smart matcher



# Pushing something else



## Businessmodel



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### 1. Customer Segments

Expanding segments from B2C with a B2B2C segments

### 2. Customer Relationships

Explicitly and actively creating partnerships with users. Entering new niches

### 3. Channels

Direct and personalised

### 4. Value proposition

Delivering multiple benefits (other than energy efficiency) in an integrated way

### 5. Key activities

Collecting and handling user and usage data

### 6. Key resources/skills

Data and ICT become enabler of delivering value

### 7. Partners and suppliers

Explicitly service oriented partners that help deliver complex packages. Partners that also can be a launching customer

### 8. Revenue Streams

Subscription fee. Client retention, goodwill and retention

### 9. Costs

Personnel and material. Technological innovation

## Capabilities

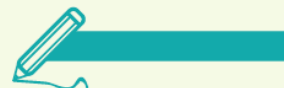
### User Sensing

Well developed. Systematic. Active co-creation becomes key activity



### Conceptualizing

Active conceptualizing, however technological barriers are inhibiting. Moving towards multiple benefit innovation



### Orchestrating

Problem solvers. Delivering complex services. Or become original equipment manufacturer (OEM)



### Scaling and stretching

Tech barriers still hard to overcome. Marketing in traditional way



## Context

**What they experience:** lack of consumer demand for Energy Efficiency and savings. Fragmented market.

**How they respond:** become problem solvers. Deliver other benefits than EE.

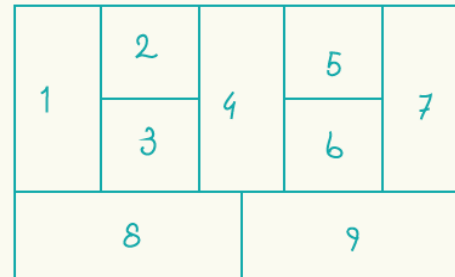
**Strategy:** aware/stealth



# Servicing



## Businessmodel



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**1. Customer Segments**  
Users are fans

**2. Customer Relationships**  
Built on trust and long term

**3. Channels**  
Multichannel. Tailored

**4. Value proposition**  
Fluid value proposition, customized

**5. Key activities**  
Building relationships across the user life cycle. Following changes in the value

proposition. Datamining and collecting user intelligence

**6. Key resources/skills**  
User, use phase, data

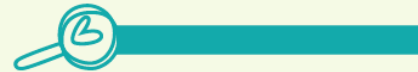
**7. Partners and suppliers**  
Equal partnerships, user is considered as a partner

**8. Revenue Streams**  
Crowd funding, memberships, goodwill

**9. Costs**  
Investment in 'vision'

## Capabilities

**User Sensing**  
Core capability



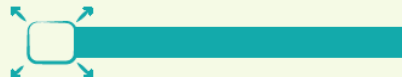
**Conceptualizing**  
Co-creating. Growth of client base is inhibiting the ambition to grow



**Orchestrating**  
Aimed at serving the user during the use phase



**Scaling and stretching**  
Aimed at continuous innovation



## Context

**What they experience:** opportunities.  
Their target market is not considered to be an EE market, but as a market that reflects their value proposition (lifestyle, smart home, etc.)

**How they respond:** responsiveness

**Strategy:** aware/stealth



# Business and research conclusions

- ✓ Service oriented business models can be more successful
- ✓ Energy efficiency experienced in use, multiple benefits matter
- ✓ Requires specific capabilities
- ✓ Combination model, capabilities context fit or stretch matters!
- ✓ Service oriented business model canvas in energy field not available yet = important innovation and analysis tool!
- ✓ Contours of matches between one of our four business model strategies and a specific sector are emerging

# it's not all up to the entrepreneurs....

Most countries have many small EE firms

Most service oriented firms that become bigger have a 'patient mother'

- ✓ Access to client base
- ✓ Already existing good client relationship
- ✓ Valuable customer data
- ✓ Branding
- ✓ Money of course but...
- ✓ Time to experiment, stretch, learn, sense!
- ✓ Multiple benefits
- ✓ Continuous business innovation

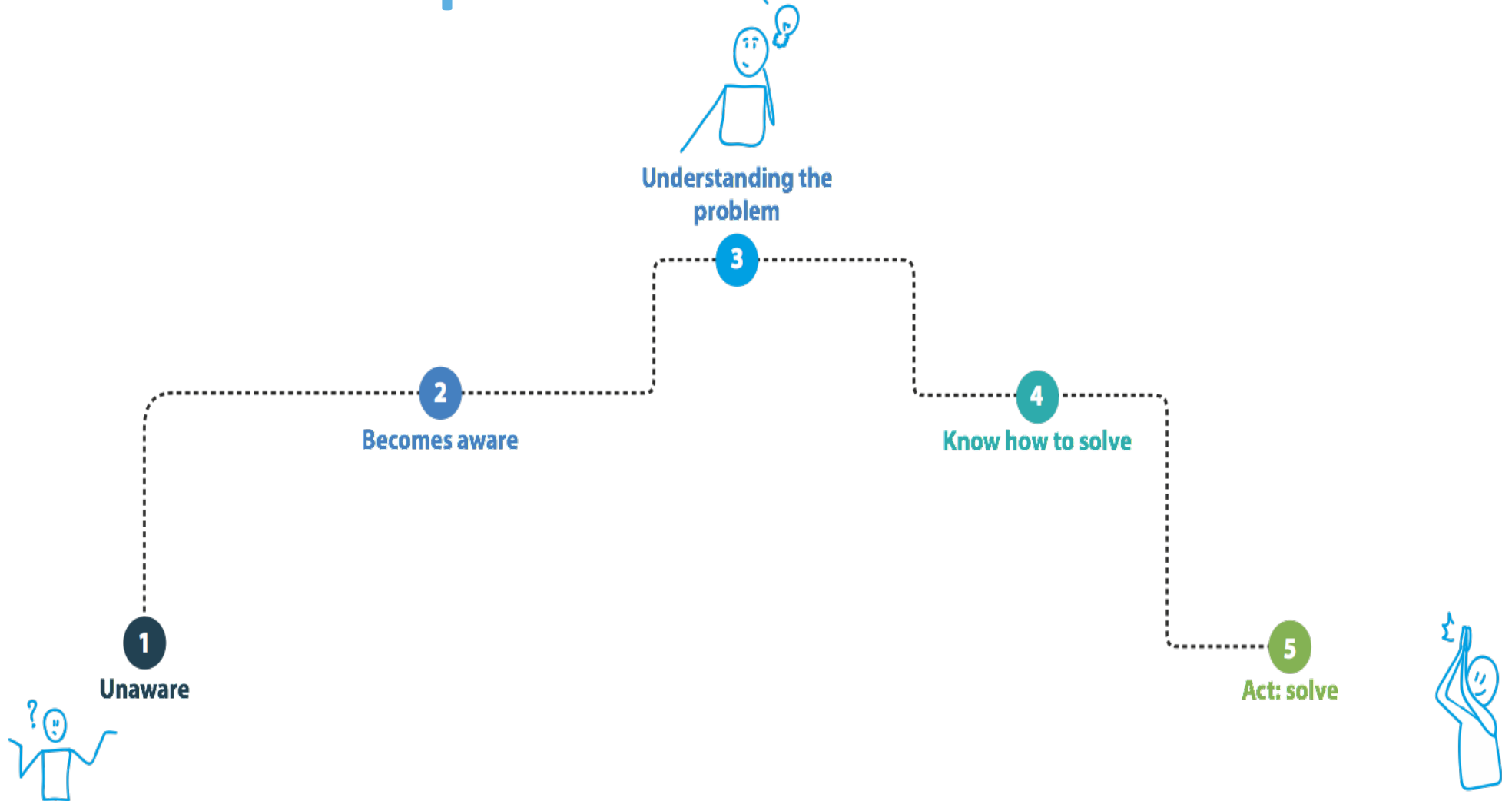
# Policy conclusions

- ✓ Energy regime focused on products delivering EE
  - ✓ low hanging fruit business models
  - ✓ Focus on transaction not use phase
  
- ✓ Weak user centered + orchestrating entrepreneurial capabilities = innovation system failure
  
- ✓ Policy has important role to play as patient mother...
  - ✓ Laws and Regulation, information and communication, capacity building, infrastructure, business support, incentives, financial/subsidies

# What did we do to support these different types of entrepreneurs?



# Most entrepreneurs are unaware





## Understanding the problem

3

# Fit to Serve

Is your Energy Efficiency business model fit to serve?



Please Scroll

Climate change is trending business. The urgency for transition is felt by many entrepreneurs who expect it to lead to new –big- business opportunities. But when it comes to energy efficiency, we somehow are still waiting for the big breakthrough.

Energy Efficiency isn't an easy value to build a business on. After analysing 42 companies that offer Energy Efficiency, we dare to say, to many consumers, energy efficiency is not a value at all.... This low interest in energy efficiency might be one of the many causes for a bad market uptake, but it is one that is not easily influenced.

There are a few measures you can take to influence the growth of your business. These measures have to do with the way energy efficiency business models are designed. As most of the companies in the field of energy efficiency originate from technological backgrounds, their businesses are built to exploit these innovative technologies. The question is, are these business models also designed to meet the expectations of the user?

# You can read all about it..

## Papers

- ✓ Conferences: eceee, behave
- ✓ Journals: EE and JCP and third tbc

## Country reports

- ✓ Thesis user centered business models
- ✓ 6 + ECI report
- ✓ Comparative analysis

## Spotlight articles

2 Webinars

6 country workshops

25+ Presentations, **DDW!**

Task update reports

# Remaining work till end of december

1. Input test results FitToServe tool
2. Positioning paper- going beyond Energy Efficiency
3. Final formatting reports/cases



# PHASE 2 Task 25

## 2018-2019

IEA DSM EXCO  
Den Haag-Netherlands  
2017

# New work- Phase 2 of Task 25

- Today:
  - discussion conceptual paper
  - expression of commitment
- Next year: start phase 2

# Subtask 2a- deepening understanding

- ✓ Broadening the scope/Increasing our comparison
- ✓ Going beyond energy efficiency-systemic change
- ✓ Understanding match btw model logic and sectors
- ✓ Understand new partnerships (impacting partnering, activities and revenue+ capabilities)



✓ Further develop models for sectors  
**iea dsm**  
energy efficiency

# Subtask 3a- Tackling inertia from above

Deepening understanding of issues explaining the inertia of EE uptake

- role of agencies, governments (i.e. context players) in stimulating market uptake of energy services, especially for smaller companies
- Co create tailored program to specific national context



# Subtask 4a- Training, engaging, disseminating

**This type of knowledge needs to be experienced and worked with in a real life setting, investigating real business models, real policies and real users.**

- ✓ Set up training system and roadshow
- ✓ Continuation of the tool Fittoserve: when do you know your company has the wrong business model?
- ✓ Organise user centered business modelling interventions
- ✓ MOOC-DSMU
- ✓ All the already ongoing 'standard' communication

# Deliverables

- ✓ D7: business model strategies for each investigated sector, including a comparative analysis across countries
- ✓ D8: Overview different types of policy and institutional support available to the different types of business models
  - ✓ Country context and sector context sensitive
  - ✓ Recommendations for alternatives
- ✓ D9: Training road show+ tool
- ✓ D10: Outreach and dissemination material, including at least 2 academic/journal publications, MOOC, and other outreach material highlighting the Task's work.

# Phase 2 of Task 25

- ✓ 2 years- 3 if many new countries join along the way
- ✓ Starts with 2-3 participating partners
- ✓ Country contribution = 37.500 total,
- ✓ 1300 hours OA
- ✓ National expert estimated contribution 240 hours- under discussion

# Thank you!

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