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<http://www.one-stop-shop.org>

One Stop Shop - “From demonstration projects towards volume market: innovations for one stop shop in sustainable renovation”

Sub delivery WP 4 – Guidelines to One Stop Shop model

Evaluation of Business Models of One Stop Shop

Main authors:

Trond Haavik, Synnøve E. Aabrekk: Segel (Norway),

Research contributors and reviewers:

Erwin Mlecnik, Johan Cré , Irena Kondratenko: Passiefhuis-Platform vzw (Belgium),

Satu Paiho, VTT (Finland),

Jeroen Vrijders: BBRI (Belgium),

Matilde Grøn, Sanne Hansen: DTU (Denmark)

1. Introduction

During this project the researchers have studied pilots of business models in the partners' countries. The understanding of a One Stop Shop house renovation concept is that the house owner may get a full service from planning, execution and follow up from one single contact point. This project demonstrates that the key role in such concept may be played by different type of actors in the value chain.

In this report the experiences so far is analysed and evaluated. As it is still at an early stage in the market development, there will be more interesting learning to come during the next years.

The sources for the work in this sub delivery are:

- a. SuccessFamilies report 3.2 (in general and in particular chapter 5)
- b. Experiences from Business Zoo event in Antwerp and a more limited collaboration event in Nordfjordeid (documented in a paper to the Nordic Passive House Conference).
- c. Researchers learning from contact with the different pilots in partners' countries. Some examples are described in the Guidelines for How to develop a business model for One Stop Shop for house renovation
 - i. In particular learning from the Norwegian pilot Bolig Enøk which has been followed most closely.

The Osterwalder methodology is used to describe the business models in this project.

We will present the main learning from each of the above sources and finally discuss the overall learning from them all.

2. The business Models described in SuccessFamilies

In SuccessFamilies' report D.3.2 chapter 5 the studied business models defined according to Osterwalder's methodology are compared in the table below:

	Dong-Cleantech (currently not in operation)	ProjektLavenergi	ENRA (currently not in operation)	K-Rauta & Rautia	Bolig- Enøk	Enrenov
Customer segment	Houses with oil boilers House build before 1973	1970-80s	1940-90	All houses in the need of renovation	1960-80s	1960-80s
Value propositions	Full-service renovation Includes financing	Holistic renovation based on concept of external air tightening and insulation of the house Includes financing	Full-service renovation No financing services	Full-service renovation (on customer choice from do-it-yourself to turn-key) Includes financing	Full-service renovation No financing	Full-service renovation No financing
Channels	Mass media and website Personal contacts Key partner contacts	Mass media and website Open house arrangement Personal contacts Key partner	Mass media and website Local meetings Personal contacts Key partner	Mass media and website Local (mass) media Personal contacts Own stores	Mass media and website Local meetings Personal contacts	Mass media and website Local meetings Personal contacts Key partner

		contacts	contacts		Local community	contacts
Customer relationship	Dedicated personal assistance	Dedicated personal assistance	Dedicated personal assistance	Dedicated personal assistance	Dedicated personal assistance	Dedicated personal assistance
Revenue streams	Customer payment for the renovation	Customer payment for the renovation	Customer payment for the renovation	Customer payment for the renovation Commission from suppliers	Customer payment for the renovation and detailed energy audit and analysis report*	Customer payment for the renovation and detailed energy audit and analysis report Commission from suppliers
Key resources	Product manager (everyday manager) Experienced consultancy Administration and marketing personnel	Project managers Administration and marketing personnel	Project managers Administration and marketing personnel Renovation employees	Two well-known brands Distribution network	Two project managers Administration and marketing personnel	Labour, equipment, and skill and experience for energy audit and renovation Energy analysis tools and database of condition of houses Finance to run the business
Key activities	Marketing Building inspection and energy audit Project management Completion of renovation Post renovation information provision to the customers Service/after sales	Marketing Building inspection and analysis Project management Completion of renovation Service/after sales	Marketing Building inspection and energy audit Project management Help obtain approvals from local authorities and apply for subsidies Completion of renovation Post-renovation inspection Post renovation information provision to the customers Service/after sales	Marketing Building inspection and energy audit Project management Completion of renovation (with help from partners) Solutions are sold in easy and understandable packages/modules	Marketing Building inspection and energy audit Project management Help obtain approvals from local authorities and apply for subsidies Tendering process Completion of renovation (by hired contractors) Post-renovation inspection Service/after sales	Marketing Building inspection and energy audit Project management Help obtain approvals from local authorities and apply for subsidies Completion of renovation Independent post-renovation inspection Post renovation information provision to the customers Service/after sales
Key partnership	Service provider: energy utility Key partners: contractors, Products/heating system suppliers, financial institutions	Service provider: medium sized contractor Key partners: local utility company, products/heating system suppliers, financial institutions, Green Business Growth Partnership	Service provider: renovation company Key partners: products/heating system suppliers, energy auditor	Service provider: hardware store chain Key partners: product manufacturers, installation companies, energy auditors, financial institutions	Service provider: building product supplier Key partners: contractors, local retail stores, energy experts (Sintef, Glava, KVT)	Service provider: renovation company Key partners: heating system retailers/installers, energy auditor
Cost structure	Salary of product manager Marketing Consultancy Administration and support	Salary of project manager Marketing Travel Administration and support	Material and product Salaries & overheads Marketing Travel	Material and product Salaries & overheads Marketing Travel	Salary of project managers Marketing Travel Administration	Costs involved in traditional renovation Marketing Post-renovation commissioning

			Subcontracting from the other partners	Subcontracting from the other partners	and support	and information material
Possibility for improvement	Guarantee on energy savings Independent quality advise by third party Support deep renovation Actively search for customers	Guarantee on energy savings Independent quality advise by third party	Financing Guarantee on energy savings Independent quality advise by third party	Guarantee on energy savings Independent quality advise by third party Obtain permissions and apply for subsidies Actively search for customers	Financing Guarantee on energy savings Independent quality advise by third party	Financing Guarantee on energy savings

The report in SuccessFamilies points out that “one major issue is how to offer independent but quality advice to the customers in order to improve trustworthiness of the business proposition. In some models financing is not available, and guarantee on energy savings is lacking in all models.”

3. Experiences from business collaboration events

In Antwerp on 18th of April 2012 the Belgian Passive House Platform and IWF organised an experimental business collaboration event with about 80 participants. It was a full day event, where the second part of the day was devoted to how to establish collaboration between complementary actors in the construction industry for offering a One Stop Shop for house renovation. For full summary report from this event see <http://een.iwt.be/sites/default/files/documents/BZ%20public%20report.pdf>

The after-noon session was divided into two parts:

- a. “Animal gathering”
- b. Business model development

In the first part the different actors representing different roles (crafts) were confronted to a fictitious renovation case represented by a “house owner”. In total ten parallel groups did the same exercise with different “house owners”, which were played by persons who had got some initial instructions.

The exercise started with a presentation of the home owners specific needs of renovation and which other parameters were important seen from the customer point of view. Based on the presentation each of the actors presented how he/she could contribute. Thereafter the home owner chose which actor should be the main contact point. Then the supply side discussed how they could collaborate in order to make the best process to reach a good result.

From the summary report of the event:

“As a result of the animal gathering exercise, several groups detected opportunities for improving customer confidence and thus could report opportunities to improve customer relationships.

For example, the prefab oriented group (villa renovation) defined training of actors and testing of supply-side solutions as key to convincing the customer.”

The second part, the business model development, was formed by the same participants in the groups as the first exercise. The result of this exercise was that each group defined their business model (by using the Osterwalder methodology) to their selected market segment.

A general challenge for several groups was to define responsibilities within the collaboration. The researchers expected that most groups would choose a contractor company to play the key role. The result showed however such examples of who were chosen as key actors; a prefab oriented actor, a start-up company modelled as a One Stop Shop, a consultant, project manager/architect – allied with a contractor, a networking actor.

A modified methodology of the “Animal gathering” in Antwerp was applied in a smaller event on 19th of June in Nordfjordeid, Norway. At this event 16 actors from the supply side; architect, carpenter/contractor, plumber, electrician, hardware store, heat pump supplier and window manufacturer were represented. In addition two home owners presented their planned renovation projects. The participants were divided into two groups so no competitors were in the same group. As each group interacted with one of the home owners, they had real business cases to discuss.

A very interesting point was to see that the house owners showed willingness to increase their budgets as they learned more about the subject. In particular, their initial attitude to not want instalment of ventilation system changed during the process. The actors on the supply side pointed out the need for an audit of the house to identify the renovation needs. No one of the local actors offered such service today. They also had challenges to determinate who would take on the key role as a One Stop Shop for the customer.

4. Experiences from the pilots

In this project it is only the Norwegian pilot Bolig Enøk which has been followed in depth. The researchers participated even in a strategy workshop with the company, where the experiences so far were evaluated and strategies were modified to cope with the challenges detected.

In the SuccessFamilies project only one of the business models of Bolig Enøk has been studied; The Project Manager. In addition to this the company has developed a business model for training courses for craftsmen and employees in hardware stores. An additional supportive service is to plan and build “Energy Efficiency Exhibitions” within hardware stores.

The Project Manager

The Project Manager offers two main services:

- c. An energy audit with recommended renovation actions
- d. Project management from planning through execution and follow up of renovation project

Experiences from the energy audits.

This service has been subsidised by Bolig Enøk as the price has been set low in order to use the audit as part of their marketing of their service as project management in the next phase. To reflect the real costs, the price should have been 2-3 times higher.

After one year in operation the company has completed about 40 audits which are not too bad in a start up year. On the other hand it is not straight forward to sell in the audit. Many home owners find the price of NOK 6.900,- (incl. VAT) too high.

Bolig Enøk has spent time to find the right channels to market their service. One of the most important channels is now the web page of Enøketaten (Energy Efficiency Department) in the municipality of Oslo.

The One Stop Shop partner Segel has interviewed 20 of the customers after completion of an energy audit. Some of the findings are listed below:

- Two main reasons for contacting Bolig Enøk; a) want to reduce energy use and b) plan to renovate
- About half of the respondents had lived in the house less than 3 years
- The consultant that carried out the energy audit was evaluated very well by all respondents.
- The written recommendations have influenced close to 80% of those who answered.
- 8 of the respondents answered that they have done renovation after the audit. All except one followed the recommendations.
- About half of the respondents answered that they plan to renovate within the next year.
- Only three of the respondents answered that they plan to hire Bolig Enøk for the project management

Experiences from the project management.

So far Bolig Enøk has been hired as project leader for two renovation projects only. As the survey mentioned above, few intend to hire the company for project management. Based on this fact it seems that those gaining from the execution of the energy audit is the contractors and the hardware stores. Bolig Enøk considers therefore modifying their business model to offer a consulting service to hardware store chains and to contractors. These actors have already a network to reach each individual client.

Courses to craftsmen and employees in hardware stores

Bolig Enøk has developed different courses for all most important actors:

- Home owner evenings
- Employees in hardware stores (at different levels)
- Craftsmen

The concepts have been well received by two big hardware chains, and have signed contracts for courses throughout the country. This part of Bolig Enøk's business is therefore developing to be most important for increased income and profit.

5. Conclusions

We have learned that different type of actors may initiate and play the key role in an One Stop Shop for holistic sustainable renovation. It is still too early to find examples of business models which have proven to be profitable. Business consultants, as in Segel AS, have experienced a typical three year period before a new business get through the “blood bath” and start to earn money. This means that initiators of One Stop Shop concepts either have to have a strong capital base or be strongly supported by public innovation funds in order to survive.

The survey among Bolig Enøk’s customers indicate that the willingness for paying the real cost of an energy audit is limited. The company also have experienced that few of those who have bought an energy audit are willing to hire a professional project manager for the renovation project. This means that Bolig Enøk’s reason for subsidising the audit as a promoter of their project manager is no more valid. If the audit should be continued as a service there remain two options:

- a) Public support of at least 50% of the cost of the audit must be provided
- b) Change the business model so that the actors gaining of renovation projects (mainly hardware stores and contractors) hire Bolig Enøk for executing the audits and be a consultant during the renovation process.

Both the Danish pilot Adboll and the Finnish pilot K-Rauta and Rautia are actors which directly will gain from renovation activities. Their challenge is however how to arrange a neutral quality assurance of the renovation work.

These issues illustrate that national authorities have to take such actions to get this market started:

- a) Establish a standard for quality assurance of renovation of single family houses
- b) Establish a subvention schemes for holistic energy audits which include recommended actions

References

[1] SuccessFamilies 2012. Nordic project which studies business concepts for renovation services for single-family houses <http://successfamilies.vtt.fi/downloads.htm>, report D3.2, retrieved 27 August, 2012

[2] OSTERWALDER & PIGNEUR 2009. Business Model Generation, Osterwalder A., Pigneur Y., 2009

[3] OSS 2012. One Stop Shop - From demonstration projects towards volume market: Innovations for sustainable renovation. <http://www.one-stop-shop.org>, accessed: 30 June 2012.

[4] Mlecnik, E. et al, Opportunities and barriers for business modelling of integrated energy renovation services, Paper to the Nordic Passive House Conference 2012.