

Analysis of Existing One-Stop-Shop Business Models in the EU Promoting Building Retrofits in the Private Residential Sector

Executive Summary

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Summary

This report was commissioned to provide an analysis of existing one-stop-shop (OSS) business models in the EU, promoting building retrofits in the private residential building sector. OSS is a business concept, which entails that one supply-side actor coordinates all other actors involved in the renovation process and thus serve as the single contact point for homeowners. The concept is advocated by Directive 2018/844/EU, and it is an important element of the “Smart financing for smart buildings” initiative, according to which, member states are encouraged to develop local or regional OSS to provide information and assistance to homeowners through the whole renovation process.

The report provides an extensive overview of the different types of the existing OSS business models, and the various ways those models are currently delivered in the EU market. Parameters like value proposition, customer relationships, customer segment, activities and capabilities, revenue streams, cost structure, maturity level, and identified strengths were used to describe 23 existing OSS business models. The information for those business models was collected from companies’ websites, presentations of OSS that the companies have given in various forums and from reports of various research projects related to OSS. The parameters are mainly based on the deliberations of Osterwalder and Pigneur’s business model canvas¹.

Overview of Findings

The examined OSS were comparatively assessed regarding the different parameters of the business model canvas. More specifically, the comparison is made regarding different characteristics of a parameter (e.g., value proposition has several characteristics). We have termed it “direct reference” when the characteristics is explicitly mentioned in the referred business model, and “indirect reference” if we have interpreted it to be included based on the description of the referred model in secondary sources of information.

Value proposition

The most common features of the value propositions have been identified to be the availability of the service for all customer segments, reduction of energy demand of the building, and good customer service. Features like customization, quality of work, and post-renovation guarantees are still important, but in most cases they are not expressed clearly in the value proposition. As expected, very few OSS providers have experience of offering services of this level, while it is noticeable that only a few OSS refer to the importance of efficient management of the renovation process in their value proposition.

¹ Osterwalder, A., Pigneur, Y., Clark, T. (2010) Business model generation: A handbook for visionaries, game changers, and challengers. Hoboken, NJ: Wiley.

Customer Relationships

Many of the examined OSS business models are built on personal relationships with their customers. This can be explained with the high degree of personal consultancy and trust required to encourage the customers for big investments. Many OSS providers invest a lot in the development of such relationships as they play a crucial role for the acceptance and further viability of their service to the market. Quite some providers are trying to build trust through different channels. The use of informative material and the organization of informative events are among the most preferred. Communication through social media or a dedicated website, or even the use of references, seem not to be highly preferred for the examined OSS. Other OSS providers invest more in the quality of the service rather than building a personal relationship with the customer.

Customer Segment

Homeowners of single-family houses are the most frequently mentioned segment by the examined OSS providers. Other than that, social housing companies and homeowners' associations have been mentioned quite often as well as construction-related companies.

Activities and Capabilities

Consultancy for the energy efficiency measures to be adopted is a core activity for most of OSS providers. Involvement of customers in the renovation journey, access to qualified professionals to deliver the various renovation works, and access to or information about financing tools are part of the most important activities. Other than that communication and intermediation services and supervision and coordination of the whole renovation process are mentioned comparably often. Less common services are trainings and workshops for both customers and participating technical actors, prefabrication of building parts and renovation delivered by the OSS itself (in-house capacity). It is also noticeable that only few of the examined OSS perform dedicated marketing activities for their business.

Revenue Streams

Regarding revenue streams of the examined OSS, state and public funding have been identified the most, followed by fees of additional services for administration, management and consulting. Another commonly used stream is brokerage (proposing other technical actors who can perform the renovation, who in return pay a fee to the OSS).

Costs

IT-related costs, costs for consultancy and customer support, and personnel expenditures are important constituents of the cost structure of the business models. Costs connected to marketing, and office and administration are important, but they seem to be relatively small compared to, for example, personnel expenditure costs which are essential costs for a company. Depending on the business model, one can identify costs connected to training programs, subcontracting and technical equipment. Moreover, very few OSS bear the costs for production (renovation) and materials. Where project management and coordination skills do not exist, costs

occur for hiring external partners to cover the competence gap. In that way they achieve the optimization and proper planning of the required renovation processes.

Maturity Stages

The examined OSS business models in the majority of cases are either in the developing or emerging stage. Very few of the examined OSS are reaching the strategic level, while we cannot claim that there is a market leading OSS, at least for now. Even for companies that have long experience and presence in the construction and renovation market, OSS is a relatively new concept in which they invest to expand their market reach in the future.

Identified Strengths

There are OSSs that have all the competence required for the successful delivery of the concept in house. Those OSSs build good relationships with their customers on the basis of widespread competencies (as the customer does not have to search for other actors in the market to deliver parts of the renovation, and the OSS itself does not need to subcontract external partners to cover missing competence, increasing that way the final price for the renovation). Other OSSs build good relationship with their customers on the basis of advising or providing access to financing, e.g., in the form of loans, public grants etc. The access to direct financing and/or financing mechanisms lead to customer lock-in, as the financing keeps the customer attached to the OSS provider.

Most of the examined OSSs offer guarantees on the quality of the work delivered, with few of them providing guarantees on energy-efficiency post-renovation. For the later, such guarantees have an underpinning of know-how in the field and the existence of experienced and well-trained employees, which is something very few OSS providers invest on via training programs. The way an OSS delivers its service, and the status of the provider have also been found to give OSS with an influencing power on homeowners. Scalability of the service is another important strength, and it is connected to the way the OSS delivers its value proposition. For some of the examined OSS, this is an important aspect of their business, as it keeps them interested in the market, while for others achieving scalability is a concern as they do not possess the required resources to scale-up their work.

Conclusions

The provision of cost- and energy-efficient renovations has been found to be central to the value proposition of the analysed OSS business models. However, not all the examined business models present a similar cost structure for running their activities, and in some cases, interventions are required to improve the way those OSS structure their costs. Moreover, sustainability is in the core of the service offered by an OSS. Activities towards that direction though, like prefabrication of building parts, reuse of materials and so on are not very widespread. Such activities could provide a valuable boost in competitiveness for OSS providers, while creating opportunities for optimization of the value chain of renovations. Such services could be proposed to customize pre-defined business models or give insights to newly developed ones and evaluate opportunities that open on the market when offering such an integrated service. It should be noticed that the end-of-life phase of building components and automations is not considered by any of the examined OSS. Relevant actors in the market like, e.g., building product vendors are already focusing their field of activity on circularity, recycle and reuse of building components and automations. Including the end-of-life phase in the value proposition to the customer could boost business opportunities, while providing a solution to the problem of waste management from renovations. Analysing the whole life cycle of the building can produce added value, so an emphasis should be put in integrating the life-cycle costing of the building in all planning, design and construction activities involved in the renovation process.

