

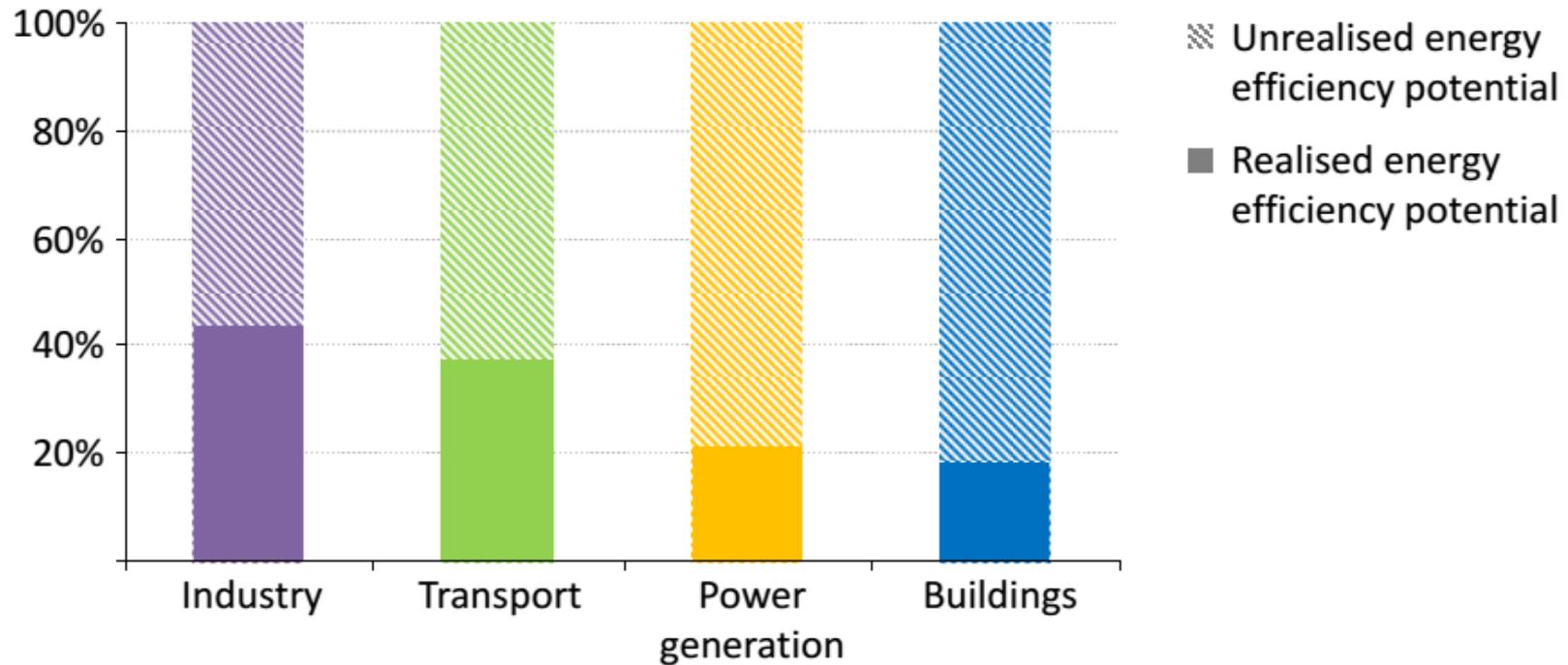


Understanding and addressing the client's needs: How can we frame energy efficiency?

eceee Industrial Summer Study
Arnhem, June 2014
Hans Nilsson, Charlotte Ruhbaum

The „energy efficiency gap“ is uncontested.

Energy efficiency potential used by sector in the New Policies Scenario



IEA World Energy Outlook 2012

And market failures and barriers are well-documented!



Information failures

Energy market failures

Capital market failures

Inovation market failures

Imperfect Information

Access to capital

Risk

Hidden costs

Split incentives

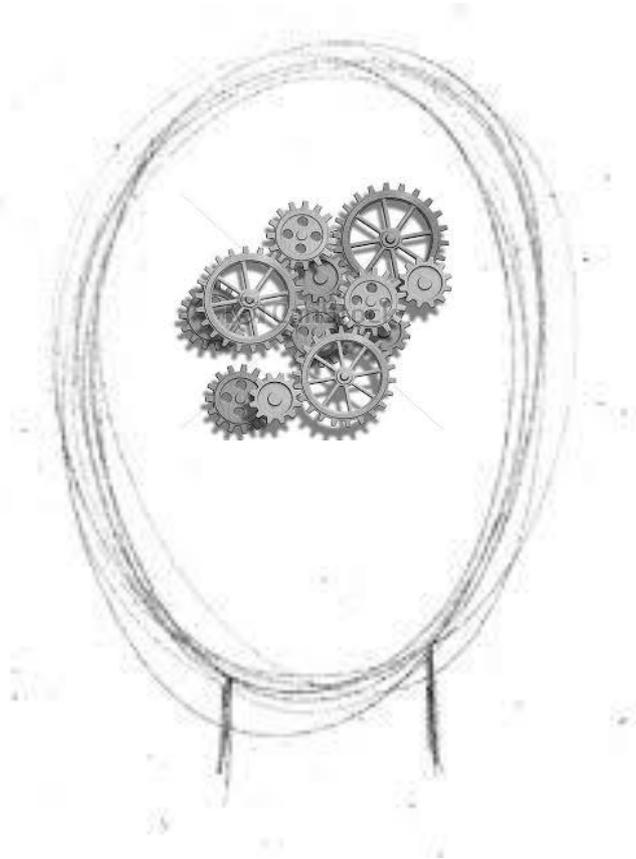
But removing them does not seem to be sufficient.

~~Energy market failures~~

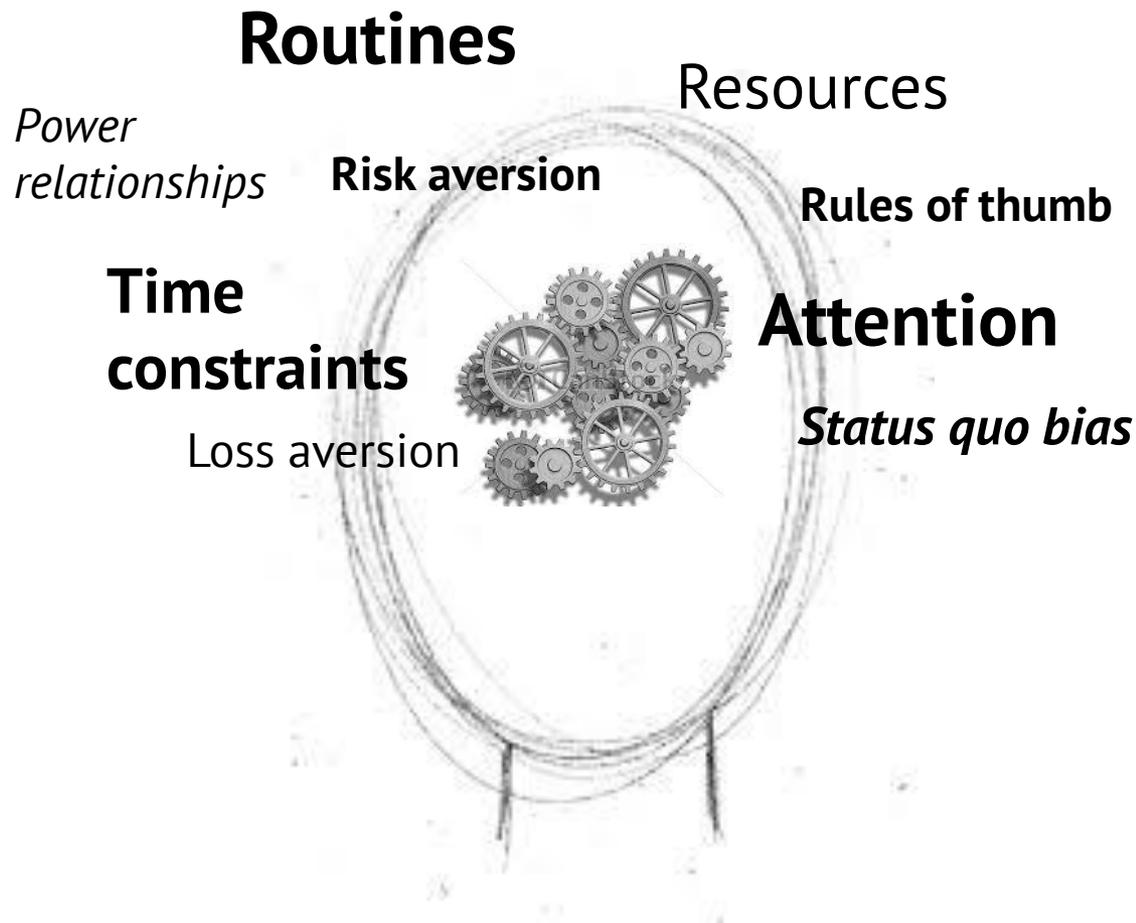
~~Capital market failures~~

~~Information failures~~

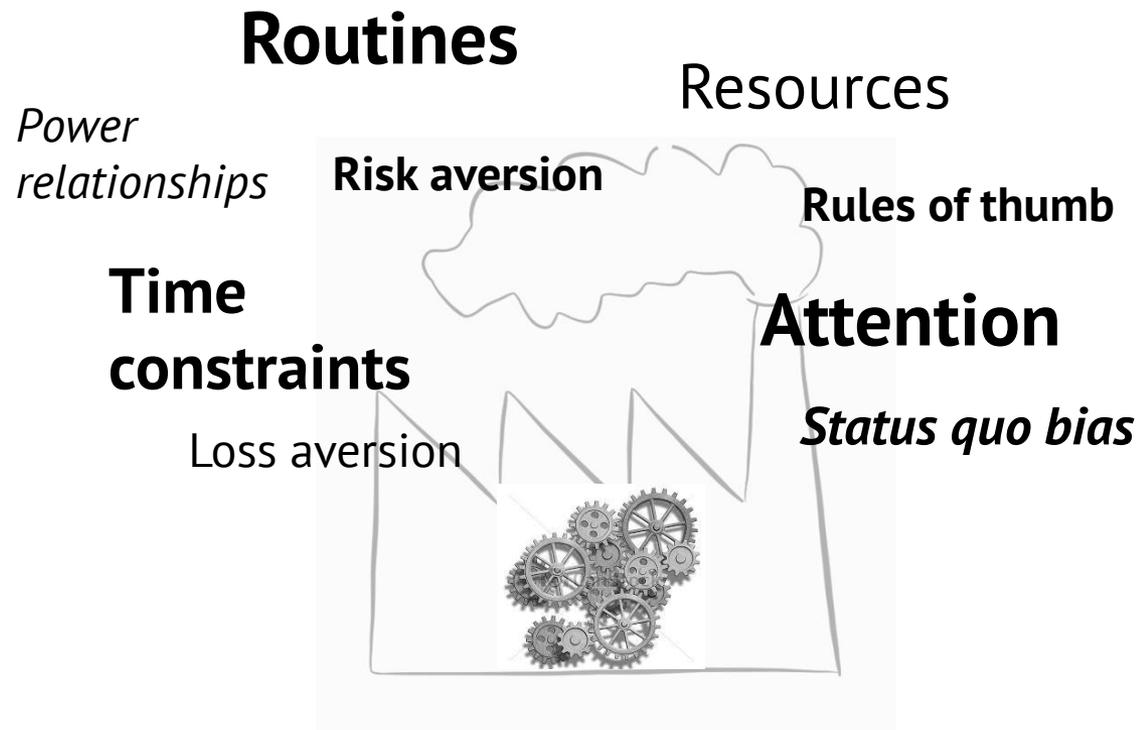
~~Innovation market failures~~



As human decisions are biased and energy efficiency may be a non-issue.



This is also valid for investment decision processes in industry.



...and has implications for the design of energy efficiency solutions and business models.

Energy efficiency has no or low strategic relevance

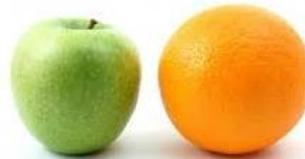
How do we argue for our products or services?



Communicate on the multiple benefits of energy efficiency, including non-energy benefits

Information is inadequately framed or not credible

How do we shape and distinguish our products and services?



Make products and services transparent – tell the customer what he is buying

Solutions are complex and know-how is limited

With whom do we offer our products and services?



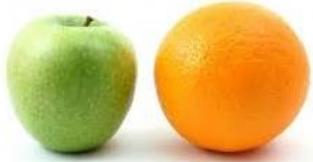
Offer a quality not a product – create one stop shops for the customer



How do we argue for our products or services?

- Find the customer's **Unique Buying Reason**
- Communicate on the **non-energy benefits** of energy efficiency investments (better product quality, reduced resource use and maintenance needs, improved capacity utilization, ...)
- Highlight the **strategic character** of energy efficiency investments (costs, risks & **value**)

Apples and oranges

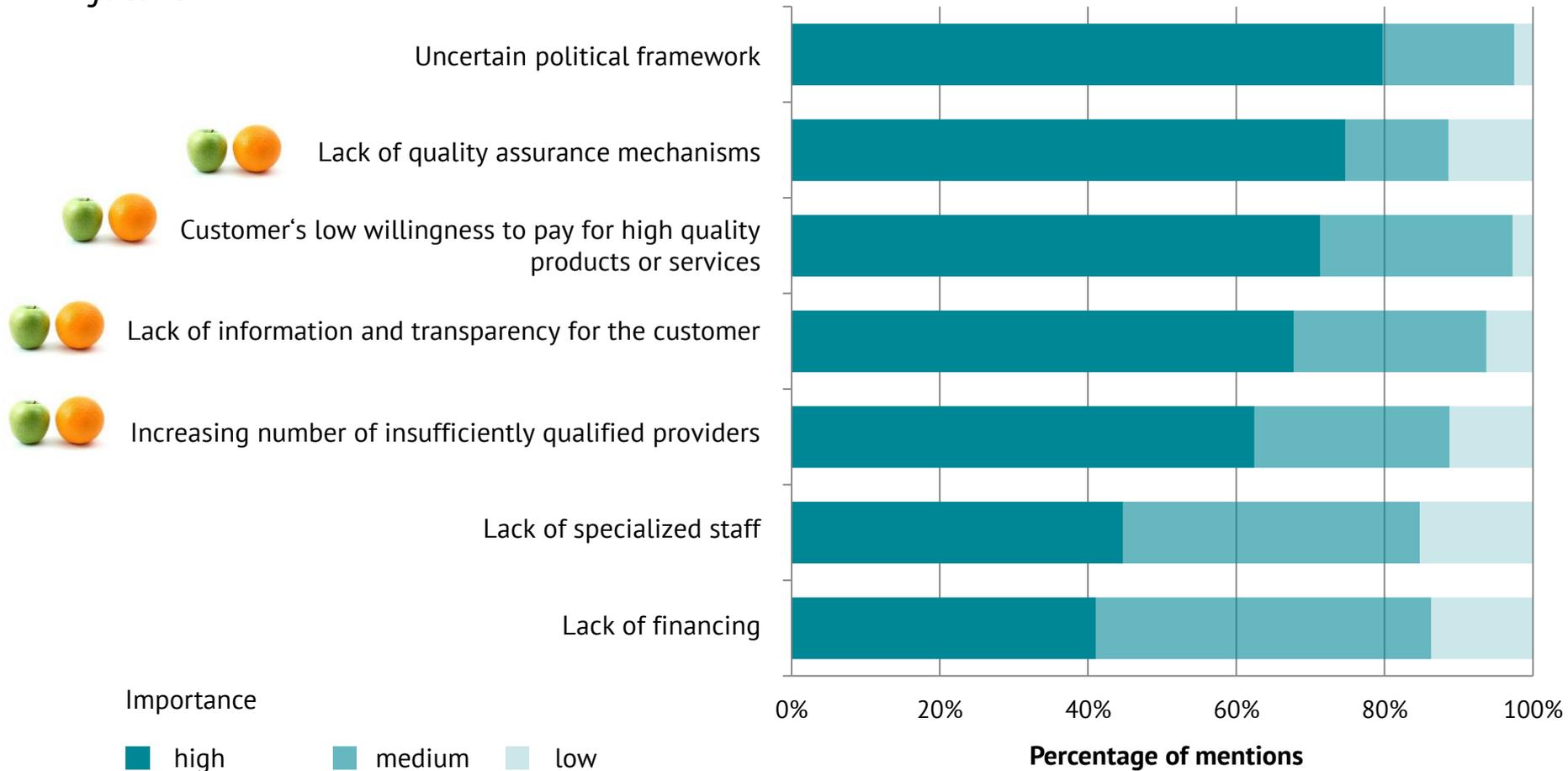


How do we shape and distinguish our products and services?

- Services are experience or credence goods = **trust & information asymmetry**
- Energy efficiency services market: **huge variety** of service products along the “services value chain”
- Difficult for the client to **distinguish** the high quality service or the service which suits his needs
- Create **transparency** as to qualifications/ labelling of service products

Key market challenges: Quality assurance + customer's low willingness to pay

What will be the key challenges for the energy efficiency market in the future?



DENEFF Market Survey 2014



With whom do we offer our products and services?

- Energy efficiency is more **complex** than simply using more fuel
- Often, the customer is not looking for a specific **product** but for a **quality**
- ... and prefers **integrated solutions** (one-stop-shop/ single point of contact)
- To satisfy this request, there is a need to **look out for partners!**

Quality and individualization need alliances

What are the success factors of services/ products on the energy efficiency market?

Rank

- 
- ① Products and services answering the **client's individual needs**
 - ② Highest possible **quality**
 - ③ Personal, individual and efficient communication with the client
 - ④ Holistic **one-stop services**
 - ⑤ Standardization of products and services
 - ⑥ Lowest possible price
 - ⑦ Specialization in very selected fields

DENEFF Market Survey 2014

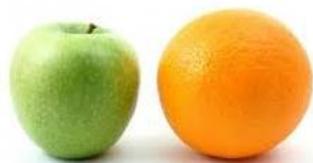
Nudging the market – What role for politics?



Nudging the market – What role for politics?



Communicate on the multiple benefits of energy efficiency, including non-energy benefits



Make products and services transparent – tell the customer what he is buying



Offer a quality not a product – create alliances and one-stop services for the customer



Support/ incentivize the introduction of energy management systems

Improve market transparency: Set quality standards, define “products”

Improve market conditions for energy service providers, support market facilitators

Charlotte Ruhbaum

Deutsche Unternehmensinitiative Energieeffizienz e.V. (DENEFF)

charlotte.ruhbaum@deneff.org

Hans Nilsson

EnergieEffektiviseringsFöretagen

nosslih@telia.com