Energy Performance Contracting Plus

# Business Plan of EPC+ services

April 2016

Co-funded by European Union

## Contact information

Reinhard Ungerböck
Grazer Energieagentur GmbH
Kaiserfeldgasse 13/1
A-8010 Graz
T: +43 316 811848-17
E-Mail: ungerboeck@grazer-ea.at
Website: www.grazer-ea.at

This document has been elaborated within the *Energy Performance Contracting Plus* (EPC+) project and is available on the project website.

www.epcplus.org

Task: 4.1.
Deliverable: 4.1.

*This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No. 649666.*
*The content here included reflects only the authors' views and the EASME is not responsible for any use that may be made of the information it contains.*

## CONTENT

# 1. EXECUTIVE SUMMARY

EPC+ aims at eliminating barriers for implementation of energy efficiency (EE) and renewable energy sources (RES) measures through standardization of technical measures and simplified financing. The service will be provided by **S**mall and Medium Enterprises **P**artnerships for **In**novative Energy Services – SPINs. These SPINs can be organized in various types and can be structured differently (see therefore http://epcplus.org/sme-partnerships-spins/#spin-requirements-and-organizational-tools).

All SPINs have a demand for a reasonable business plan that describes the process from the product idea up to a realization schedule. The target markets and how to reach them through standardized implementation, financing and simplified measuring and verification (M&V) is crucial for each business plan of EPC+ services and is described in detail in this document. The main target clients are SMEs, although others like large industry, the residential and the public sector may take advantage of this approach too.

Tools like Value Proposition Canvas, Business Model Canvas, SWOT-analysis are introduced and elaborated on a generic basis to help developing strategies, name players and define opportunities and risks of the product. Although target markets and clients can be diverse in participating countries a template for further market analysis is included.

In the end it is highly recommended for each SPIN providing EPC+ services to elaborate a concrete business plan for its specific situation, depending on the market structure, the technical offer and the accompanying performing capabilities of the SPINs, leading to certain business cases to be tested in the field as a pilot before rolled out on the large scale.

## 2. PRODUCT IDEA

Energy Performance Contracting (EPC) is generally looked upon favorably, but the implementation can be complicated and lengthy. The reason lies - among other things - in the procurement law provisions (EU-wide tendering) and long-term and complex contracts, which impede a real breakthrough in the spread of the EPC business model in both, the private sector and public. The other main barriers for the implementation of EPC in Small and Medium sized Enterprises (SMEs) are:

- The transaction costs for procuring EE and RES services are too high
- Project sizes are too small[1]
- It is difficult to obtain financing for such small projects (either because of the unwillingness of the financial institution or due to a lack of knowledge of the employees of the financial institution in assessing the techno-economic feasibility of the proposed project).
- High costs for guarantees, M&V procedures.

The business model of EPC+ delivers a solution to overcome these barriers through:

- The development and establishment of SPINs. A SPIN is an organized cluster of independent EE service providers, mainly SMEs, that jointly supply EE and RES services and that have a structured long-term collaboration with some commonly agreed objectives. The types of SPINs are described in detail in Chapter 4
- Simplified EPC models. Similar to existing EPC models standardized and simplified contracts are used to reduce transaction costs and increase understanding of them. This enables manageable project sizes that can be directly awarded or awarded with simple tendering procedures or pre-awarded services (according to procurement law) with special EE and RES measures (e.g. LED lighting, pumps and electric motors, ventilation systems, cooling, consulting services and user motivation with no or low cost investments etc.) that can be easily handled by SMEs.
- Standardized EE and RES measures and financing. For avoiding complex and individual designs per project all applied measures are standardized in their design, implementation and quality assurance. For the pre-financing an optional financing tool is available for all clients.
- Simplified measurement and verification. As comprehensive M&V of savings in EPC projects increase their transaction costs, simplified and still performance based methods for M&V are part of the EPC+ model. These are customized for each EE and RES measure.

The process of design of the EPC+ product idea can be described best in the format of the Value Proposition Canvas (after A. Osterwalder), Figure 1, the content of which has been provided by the consortium members of EPC+ project.

[1] Depending on the specific market the minimum project sizes for EPC are considered between €100.000 and €300.000

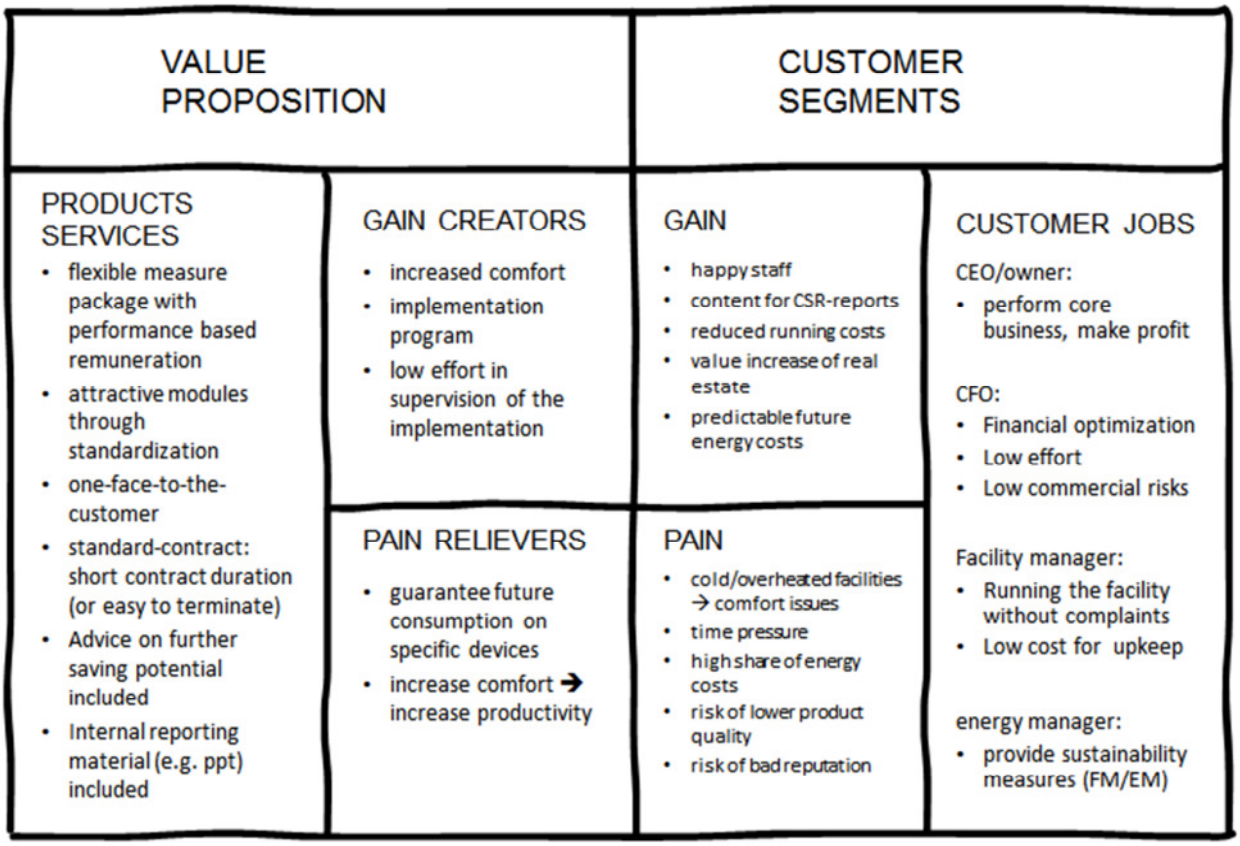


Figure 1: Value Proposition Canvas

The systematic of Value Proposition Canvas (VPC) is to describe typical jobs to be performed by the client/customer and step by step answering the resulting questions of what would help them to ease its life. The result is a collection of features of the to-be-developed service: the Value Proposition (to the left of the VPC presented in Figure 1)

## 2.1. BUSINESS MODEL CANVAS, PRINCIPLE OF ONE-FACE-TO-THE-CUSTOMER AND CONTRACTUAL RELATIONSHIPS OF EPC+ SERVICES

The Business Model Canvas (BVC) after A. Osterwalder is most suitable to picture business models for a first impression and to adjust certain components of a business model. Key fields of EPC+ BVC, Figure 2, are: (1) The Value Proposition and (2) The Customer Segment, (3) Relation, (4) Channels and (5) Revenue. Fields (3), (4) and (5) define the relationships between fields (1) and (2). The field (6) Service through SPINs defines, how the Value Proposition should be prepared, please see Chapter 4 and document "Organisational tools for SME Partnerships for Innovative Energy Services"[2].

[2] http://epcplus.org/upload/ue/wp2/D2.2_Development-of-organisational-tools_2015-08-14.pdf

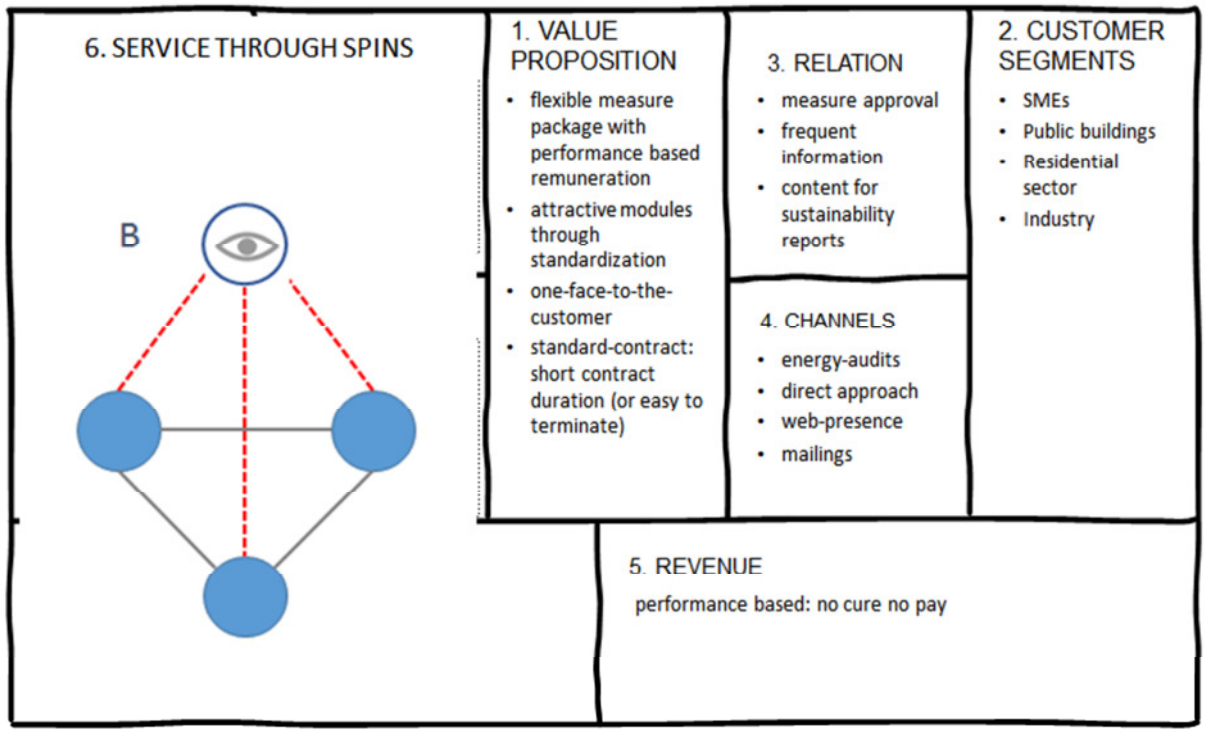


Figure 2: Business Model Canvas of EPC+ services

Essentially the VP, which is represented by the EPC+ service package, has to be provided by the SPIN – the network of SMEs. As it cannot be expected from the client that he communicates with all members of the SPIN and delegates the responsibilities and duties, the SPIN needs a certain point of contact for the client; depending on the type of SPIN it's the principal, coordinator or leading partner of the SPIN[3]. Subsequently the concept of one-face-to-the-customer is a principle for EPC+ services and shall be followed in as many respects as possible, starting with the contractual relationship of the service. The variations of different SPINs are described in chapter 4.1. In the Figure 3 the contractual relationships are described for the case, that the performance based EE and RES measures as well as the financing of the investment are to be provided by the SPIN as a whole.

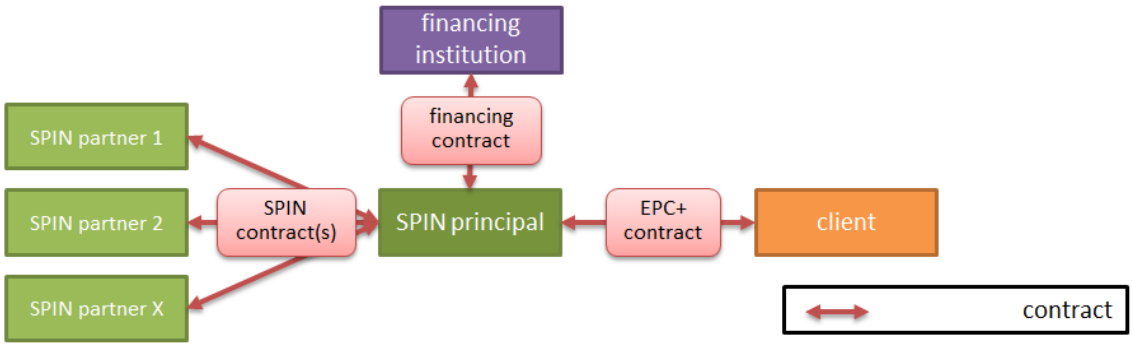


Figure 3: EPC+ contractual relationships in case of financing through spin principal (example of a Simple SPIN)

[3] In certain cases it might be advised for the client to seek support through a project facilitator.

## 2.2. PERFORMANCE ORIENTED REMUNERATION

To stand out from standard implementations of EE and RES measures, the performance-based remuneration is a key-element of EPC+[4]. This means, that the remuneration must be based on some kind of metering (details on M&V in order to evaluate the performance are to be found in the specific technical toolboxes) instead of e.g. unit costs for implemented appliances. While the pricing inevitably will be based on bottom-up calculations for the foreseen working hours and used materials, complemented by various surcharges for design, project management, profit and taking risks, the invoicing has to take into account whether the implemented measures show effect to the promised extent.

The rough concept of the performance oriented remuneration thereby foresees subtractions from the agreed payments and shall always be adapted to the individual needs of the projects:

If the SPIN fails in achieving the promised performance guarantee when the performance is evaluated, it should get an extension of three months to compensate the difference and prove evidence of the energy savings. If the SPIN cannot fulfill its promise again, the client should be entitled to a reduction in accordance of the failure of the promised guarantee. This reduction could be either equal to the amount of unachieved cost savings (+ an additional penalty), or fixed for each failure range, for example:

- If the SPIN fails to meet the performance guarantee by up to 10% it should receive 5% less than the foreseen remuneration
- If the SPIN fails to meet the performance guarantee by 11%-30% it should receive 25% less than the foreseen remuneration
- If the SPIN fails to meet the performance guarantee by up to 31%-69% it should receive 50% less than the foreseen remuneration
- If the SPIN fails to meet the performance guarantee by more than 70% it should receive no remuneration at all.

On the other hand, if the guaranteed savings are exceeded, the SPIN may be entitled to participate in additional energy savings, for example with 50% share (this provision could also be a barrier for some clients to sign a contract as payments could be higher than initially foreseen. Therefore it should thoroughly be considered for each project.

## 2.3. THE TECHNICAL OFFER: WHICH MEASURES ARE TO BE IMPLEMENTED

The choice of EE and RES measures is crucial for the whole VP, as it has to be customized to the specific needs of the target group/client(s) of the SPIN. Moreover to fit into the EPC+ service-scheme the measures have to be

[4] Cf. Code of Conduct of the Transparense-project

- Standardisable, to minimize transaction costs of design, preparation and supervision
- Approvable, to measure the performance with an acceptable effort
- Suitable for the increase of demand side energy efficiency in a facility

A range of EE and RES measures have been considered by the EPC+ project consortia to be suitable for these preferences, making no claim to be exhaustive, and have been elaborated into a so-called "toolbox" of typical EPC+ measure. The measures are split in two types: measures that are solely demand side EE measures and measures that increase the RES supply within a facility and thereby reducing the overall-demand for the final energy-input.

Measures for energy efficiency:

1. Indoor lights: LED lights + control system
2. Hydraulic adjustment of heating system
3. Modernization of heating pumps
4. Modernization of electrical motors
5. Energy efficient ventilation and/or cooling
6. HVAC systems
7. Managing and metering systems for buildings
8. Renovation/replacement of heating boilers
9. Energy-efficient windows
10. Steam boiler blowdown

Renewable energy measures:

1. Solar DHW
2. Biomass heating systems
3. CHP
4. PV-panels
5. Wind-power
6. Heat pumps

The EE and RES measures are described in the "EPC+ Toolbox: Description of Standardised Measures"[5].

The implementation of the measures always follows a dedicated standardised process, which should be followed to reach these impacts:

- optimization of effort: for acquisition, communication with the client, administration
- transparency towards the client: at certain milestones the client receives further information about the status of the project and the measures

[5] http://epcplus.org/upload/ue/wp4/EPC+_Technical_toolbox_all_measures.pdf

- one-face-to-the-customer: following this process eases the project-management for the client and thereby reduces his effort

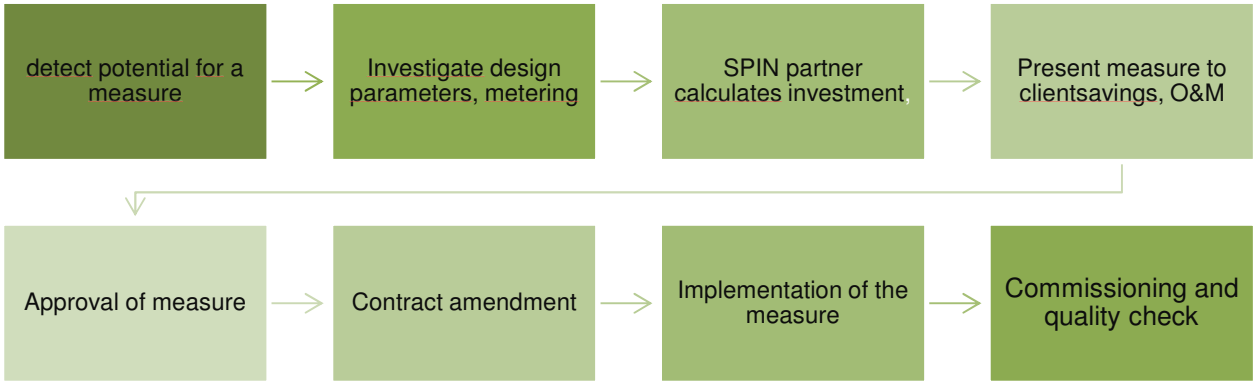


Figure 4: Process of implementation of EPC+ measures

A more detailed visualization of this process with dedication of tasks to the involved actors is the service blueprint that can be found in the Annex 1, *Figure 9: Service blueprint for the implementation of EPC+ measures*. The service blueprint also shows horizon lines that give an indication of the area of influence and transparency of the process – and also lacks of transparency to be taken care of.

## 2.4. THE FINANCIAL OFFER: FINANCING, PRICING AND CASH FLOWS OF EPC+ SERVICES

As an added value to increase the implementation probability of the measures, standardized, pre-negotiated financial modules have to be at hand by the SPIN. The options for financing of the investment are:

1. Customer's financing: if the client is willing and able to finance the investment by himself, either using its own capital or customer's credit from a financial institution (e.g. bank); the technical offer can concentrate on the EE and RES measures and their performance.
2. Third Party Financing – Financing of part or all of the investment, from a third party with the payback of both the investor and the energy service by the SPIN being based on the guaranteed energy performance. The sources of financing may include one of the following, or a mixture of them: A traditional financial institution (i.e. a bank) or other financial sources (i.e. revolving fund, venture capitals, crowd-funding)
3. SPIN Member Financing – Financing of part or all of the investment, from a member of the SPIN with the payback of both the investor and the energy service by the SPIN being based on the energy performance. The sources of financing may include: Supply of the equipment without advance payment, Own funds, Traditional Bank loan, revolving funds, etc.
4. Revolving Funds – Financing of part or all of the investment, from available revolving national funds (i.e. Greenfunds, Energy Efficiency funds, ESCO funds etc.) with the payback of both the financer and the energy service of the SPIN being based on the energy performance

5. National subsidies – Financing of part or all of the investment, from available national subsidies with the payback of both the financer and the energy service of the SPIN being based on the guaranteed energy performance.

The respective financing offer (apart from client's own financing) should be highly standardized, concise, preferably unnegotiable and only flexible regarding its amount (but still attractive) – considering that the aimed loan volume represents only a minor volume for financing institutions (i.e. microcredit). Moreover from a selling point of view discussions about the financing would draw the attention too much away from the EE and RES measures and their performance and unnecessarily increase transaction costs.

Still the financing offer always has to be optional for the client and represents a supporting feature of EPC+ services, not a mandatory one. In addition mixtures of the various financing types should be possible on the client's choice (e.g. 30% customer's financing, 60% third party financing, 10% subsidies)

The pricing of the EPC+ service depends largely on the kind of EE and RES measures that have been chosen for the concrete project; therefore each single technical toolbox describes the calculation of costs, energy and other savings, and effort for operation and maintenance and M&V. The EE and RES measures of the technical toolbox are available for download here:
http://epcplus.org/upload/ue/wp4/EPC+_Technical_toolbox_all_measures.pdf

In favour of the principle of one-face-to-the-customer and to make the revenue streams as easy and convenient as possible for the client all payments shall be made through the main contact of the SPIN; in most cases it will be the principal/coordinator/leading partner of the SPIN. The cash-flows shall be distinguished between one-time cash-flows (e.g. one-time-invoice for investment) and periodic cash-flows (e.g. re-financing rates, operation & maintenance); moreover there are varying schemes depending on the applied financing scheme of the project. In the figure below the case of clients own financing and risk taking by the SPIN partners (associates/members/partners) is described.

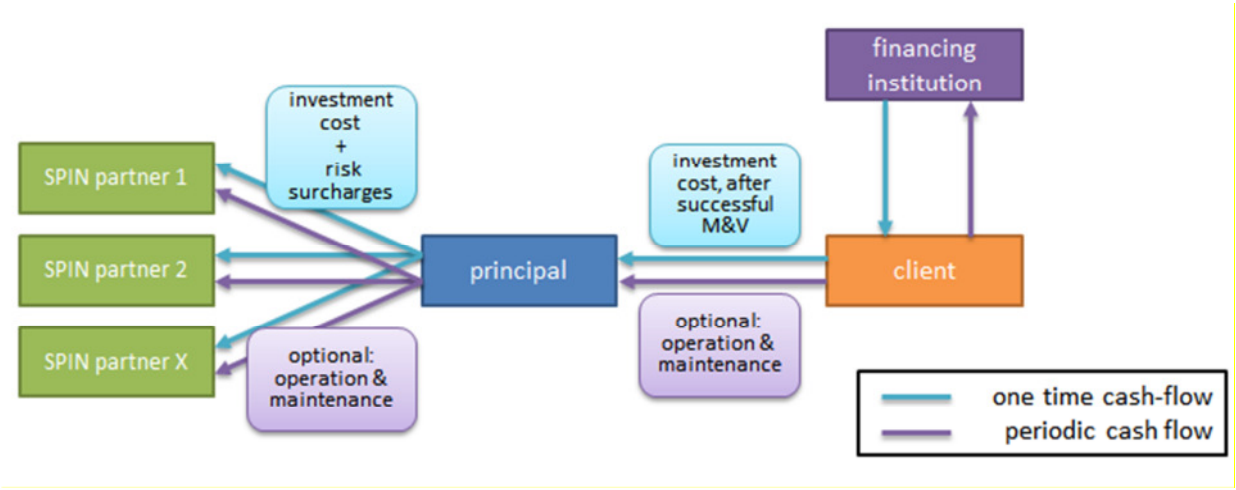


Figure 5: Cash flows in case of clients own financing and risk taking by the SPIN partners

In the case that the principal/coordinator/leading partner of the SPIN is taking the risk, the risk surcharges must not be forwarded to the SPIN partners but are kept by the principal of the SPIN. Moreover not all EE

and RES measures are in need for an operation & maintenance agreement, which can be erased both from the contract and from the cash-flows in this case.

To fulfil the requirements of an EPC+ energy service all cash-flow-streams must be evaluated in respect to delivered performance and contractual clauses have to be foreseen for them.

# 3. TARGETED MARKETS AND CLIENT'S NEEDS

The market segments targeted by EPC+ services are spread over several types of clients, although they all have similarities regarding the client's needs and the job to be done through the service.

For local adaptations of the EPC+ business plan it is recommended to research/estimate figures for the size of the several market segments. A detailed template for marketing analysis can be found in *Annex 2* of this document.

## 3.1. SMALL AND MEDIUM SIZED ENTERPRISES (SME)

The main reason for the limited penetration of EPC and the provision of energy services in SMEs is that although they are generally looked upon as favorable, their implementation can often be complicated and lengthy. The reason lies - among other things - in the long-term and complex contracts, which impede a real breakthrough in the spread of the EPC methodology, particularly because of high transaction costs. Thereby – again summarizing the issues mentioned in chapter 2 – the EPC+ service targets exactly these obstacles by

- simplifying the approval of performance
- thereby avoiding long contract-periods
- standardizing technical measures, thereby reducing design costs
- offering optional financing modules

Performance based guaranteed savings alternatives for SMEs are hardly available in terms of demand side energy efficiency, except models of pay-as-you-save that feature lower security for planning and impedes comparability of offers compared to EPC+ services with a performance guarantee.

Thereby EPC+ services can fill the gap between pure installations without performance based remuneration and standard EPC, see Figure 8: Positioning of EPC+ services in the EE and RES market, page 16.

## 3.2. PUBLIC SECTOR

The public sector can be considered to be already covered by models of standard EPC, delivering high levels of performance based energy efficiency services. Still standard EPC is only available for a relatively small group of public facilities due to boundaries of economics: e.g. the minimum size of EPC projects is

considered to be approx. 100.000 €[6] of yearly energy costs (for single buildings as well as for a pool of facilities) because of:

- high effort for customized design
- high effort and long-term preparation for public procurement
- yearly approval of savings (including baseline adaptations)
- high risk surcharges due to unforeseeable expenses

Therefore EPC+ services could deliver high performance for smaller projects (< 100.000 €) by standardized technical solutions and still serving public clients the long-term security of sustainable savings.

## 3.3. RESIDENTIAL SECTOR

Private clients are deemed to serve the market with energy efficiency potentials that are too small for EPC+ services, but a reduction of interfaces would foster the development of projects in this market segment. This could be solved by addressing:

- social housing companies
- facility managers or
- other real estate owners, who have living quarters in their portfolio

Addressing these clients would make it necessary to adopt the technical package of EPC+ services, but can have a promising perspective for a large market as the technical solutions can be similar between the various clients – a high grade of standardisation is possible.

## 3.4. INDUSTRY AND OTHER LARGE COMPANIES

Industry (and other large companies) is an important target sector for EPC+ services considering the Energy Efficiency Directive (EED) framework: for most industry-complexes energy audits had/have to be performed and thereby the structure of a facility's energy consumption, energy-efficiency-potentials and concrete EE and RES measures is already visible through the energy audit reports.

Taking advantage of these existing energy-audits, that often already contain measures of the EPC+ toolbox, will open potentials for EPC+ services as standardised implementation models are assumed to be appreciated by energy managers because of the high security of effectiveness of the measures, see Figure 1: Value Proposition Canvas.

Particularly the Energy Efficiency Network Europe (ENEE) targets these clients, especially those who have to deal with subsidiaries in more than one European country.

[6] May vary from country to country

# 4. PROVIDERS OF THE SERVICE

## 4.1. SPINS

EPC+ services are being offered by SPINs. A SPIN is an organized cluster of independent companies, mainly SMEs, that jointly supply EE and RES services and that have a structured long-term collaboration with commonly agreed rules and objectives.

SPINs can have different structures and different strengths of interrelations between the parties. This insight is based on the Cynefin framework developed by Cynthia Kurtz and David Snowden.

A SPIN could be managed by one partner with a number of subcontractors without interactions between the subcontractors. It could be a dynamic interactive network without much control by one actor or it could be a collaborative network of SMEs with strong connections between all partners.

In pre-market situation complex SPINs used to generate one or more simple or/and complex SPINs to grow up the market. As a follow up the SPIN should develop into a simple or complicate SPIN.

For a regular business case internal SPIN contracts are necessary. All partners agree as to their separate rights and obligations and ensure that they are complementary in terms of knowledge, resources or/and market focus.

Depending on the offered services, 2 types of SPINs are possible:

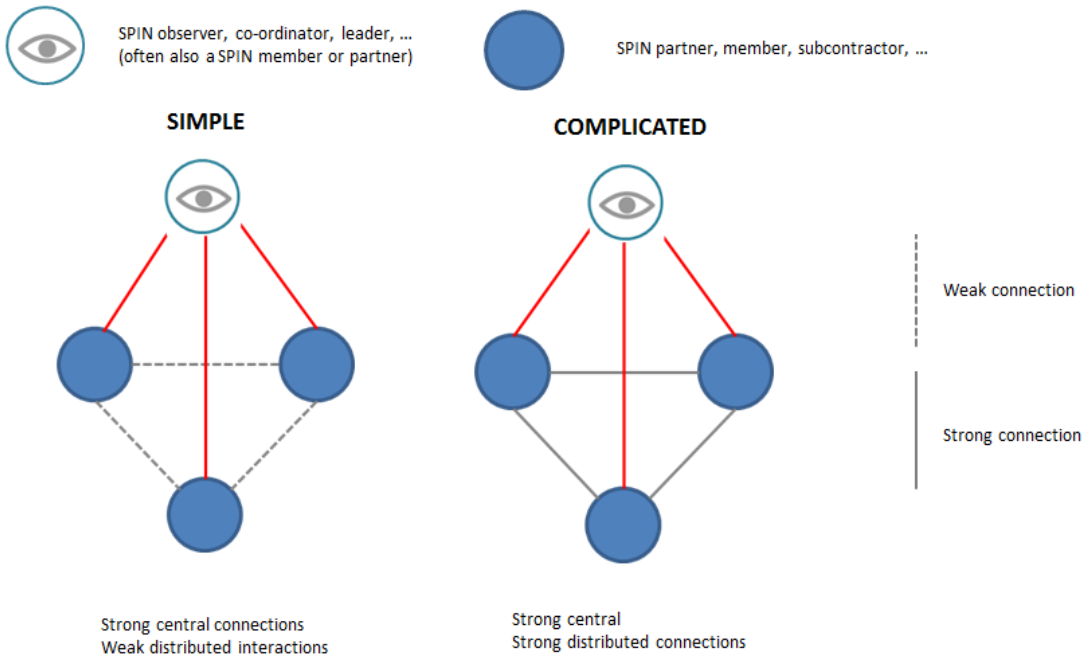


Figure6: SPIN types

## 4.2. SETTING UP A SPIN

For the setting up of a SPIN some preparatory research should be undertaken. This includes an individual market analysis (which service to be offered to which customer group) and decision making process on the most appropriate type of SPIN. The type of SPIN will also have a strong impact on the partner selection, creation and management of the SPIN.

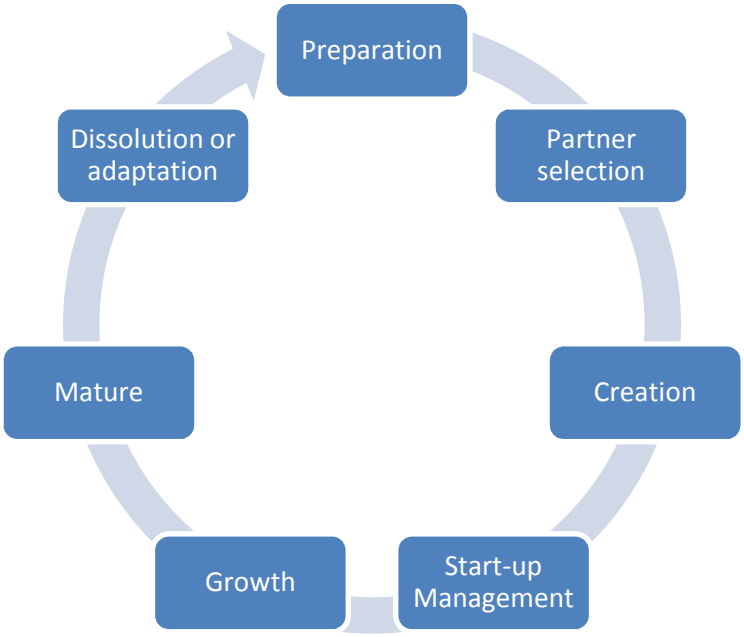


Figure 7: Setting up a SPIN

More details about SPINs and the different types are described in the document "Organisational tools for SME Partnerships for Innovative Energy Services"[7].The Final status report of the establishing of SPINs shows the process how the EPC+ project partners set-up their SPINs.

The outside appearance of the SPIN towards the client will always be one-face-to-the-customer as far as possible. This means that the client has one contact point over the whole project duration to reduce interface-contradictions for the client.

# 5. COMPETITORS, THREATS AND RISKS

EPC+ services target at an uncovered niche at the EE and RES market. Still there are various competing offers on the market, that have to be taken into account in promoting the EPC+ service by communicating it's differences and Unique Selling Propositions (USPs) towards those competing offers.

Broadly speaking the competitor's range starts at pure installation of equipment without performance measurement and ends with standard EPC. In between there is a lack of available services reducing the performance risk and still affordable in terms of transaction costs.

[7] http://epcplus.org/upload/ue/wp2/D2.2_Development-of-organisational-tools_2015-08-14.pdf

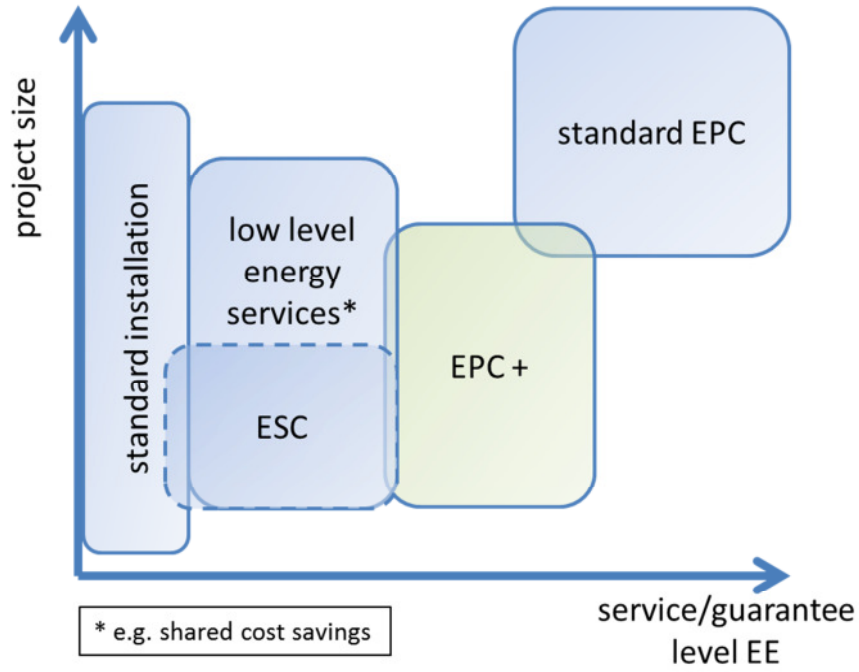


Figure 8: Positioning of EPC+ services in the EE and RES market

## 5.1. SWOT-ANALYSIS OF EPC+ SERVICES

SWOT-analyses have been performed in all participating EPC+ project partner countries within the SPINs. Thereby the circumstances for EPC+ services have been explored on two stages: the first stage (Table 1: SWOT-analysis of EPC+ services) focuses on strengths, weaknesses, opportunities and threats of the SPIN operating at the EE and RES market(clients, competitors, regulatory framework,…), while the second stage (Table 2: SWOT within the SPINs) targets the inner relations of the SPINs. This is particularly important for the necessary agreements and contracts within the SPINs and with clients, as well as for the choice of service level and offered technologies:

Table 1: SWOT-analysis of EPC+ services

| **Strengths** | **Weaknesses** |
|---|---|
| ▪ Simple, low-cost, standardized energy service packages with EPC are more attractive to clients when compared to complex and more expensive solutions<br>▪ The solutions proposed will be low-cost and may be funded with own funding by the enterprises<br>▪ Available expertise and technical tools<br>▪ Network with energy SMEs (partners) and clients | ▪ It may be difficult to demonstrate to clients the added value of the offered service (compared to the available ones)<br>▪ Low level of trust in this type of investment on the part of banks<br>▪ The investments might be too small for banks<br>▪ An energy audit company typically has difficult access to reliable cost estimates of energy saving investments. Having this information could increase considerably its competitive position. This latest information is usually |

| | |
|---|---|
| ▪ No financial and legal barriers<br>▪ Innovative scheme (guaranteed results, several funding options, selection of measures by client), so little competitive rivalry for this particular scheme<br>▪ SPINs can share their pool of contacts/clients<br>▪ Compilation of technologies is flexible due to the needs of the client | available at an engineering construction company but for them it is not advantageous to share this know-how as the information sharing requires their expertise time and there is also the risk that the energy audit company could use afterwards this information to compete with the engineering company itself. As a consequence, an in absence of a solid SPIN-framework (e.g. rules about the role of each partner in the SPIN), the sharing know-how between partners will be limited. |
| **Opportunities**<br>▪ Clients can be attracted, if the service is marketed properly, emphasizing on its innovative aspects (see above), to differentiate it from cheaper services<br>▪ Large number of potential clients who could be interested in the service<br>▪ Mandatory audits: potential measures are already named and identified | **Threats**<br>▪ Arising competitors after the first projects due to lack of legal restrictions<br>▪ Utility services might target this market segment due to the national implementations of the EED<br>▪ In case of ESCO-financing the issue of ownership of equipment can create difficulties → clients could tend to avoid this by not signing the contract |

Table 2: SWOT within the SPINs

| | |
|---|---|
| **Strengths**<br>▪ SPIN-partners' areas of expertise complement each other's and are not competitive<br>▪ More turnover and lower sales costs as partners in a network have access to different clients and can easily introduce other SPIN partners at their clients<br>▪ Quick and efficient startup of projects, smoother collaboration, more know-how transfer and less project risks as partners in a long term network – in contrast with the conventional ad hoc collaboration forms – have a long term collaboration and know and | **Weaknesses**<br>▪ Upfront costs of projects have to be balanced fair<br>▪ The transfer of sales opportunities between partners of a SPIN would increase the overall sales and turnover of the partners of the SPIN. However, the transfer of a sales opportunity from one partner to another partner creates also a cost for the first partner (e.g. time spent for communication of the 'lead') and creates even the risk that the client will be taken over by the other partners, while it does not generate immediately an advantage. In absence of a solid SPIN-framework (e.g. rules about sales commission), a lot of sales opportunities will not be transferred between the partners of the SPIN.<br>▪ Another motivational problem is the fact that experts working in a network belong to different companies and will possibly not have a sufficient |

| | |
|---|---|
| trust each other and as the collaboration and transactions are agreed in the network contracts | 'group' feeling when collaborating with other experts of the network, which can weaken further the trust and smooth collaboration within the network. |
| **Opportunities**<br>▪ Platform for exchange with other SPINs or SPIN-partners<br>▪ Linking of various energy services | **Threats**<br>▪ Individual interests of SPIN members may overweight the SPINs aims<br>▪ Because of 'egoistic' free rider behavior listed above (e.g. some partners that do not transfer sales opportunities or knowhow), other partners will feel unfairly treated and tensions and mistrust will start to grow. This can result in the collapse of the network or even open conflicts between previously collaborating network partners. |

## 6. REALISATION SCHEDULE

Building up a running EPC+ service consumes resources, especially in finding and fortifying a functioning SPIN, harmonizing the chosen technical measures among each other, adjusting the necessary organisational tools and implementing the first pilot projects. Thereby a certain share of upfront costs emerges, which constitute the investment into the EPC+ business model. To secure a return on this investment a solid number of profitable projects have to be executed.

Thereby each SPIN should aim for developing a decent number of pilot projects as a start for creating trust and self-confidence into the product and then go for spreading out the service to a broader number of clients for:

- securing interest of the SPIN-members into the product “EPC+”
- raising attention on the clients side in the added value of performance based services
- re-financing the upfront costs of setting up the business

In the markets of the consortium members of EPC+ at least 2 projects should be implemented by each SPIN as pilot projects with a timeframe of one year. For creating a proper market position in the second stage the number of roll-out-projects after the pilot projects should be 5-10 times higher, depending on the average project size each SPIN is able to create with its portfolio of EE and RES measures.

# ANNEX 1 - SERVICE BLUEPRINT FOR THE IMPLEMENTATION OF EPC+ MEASURES

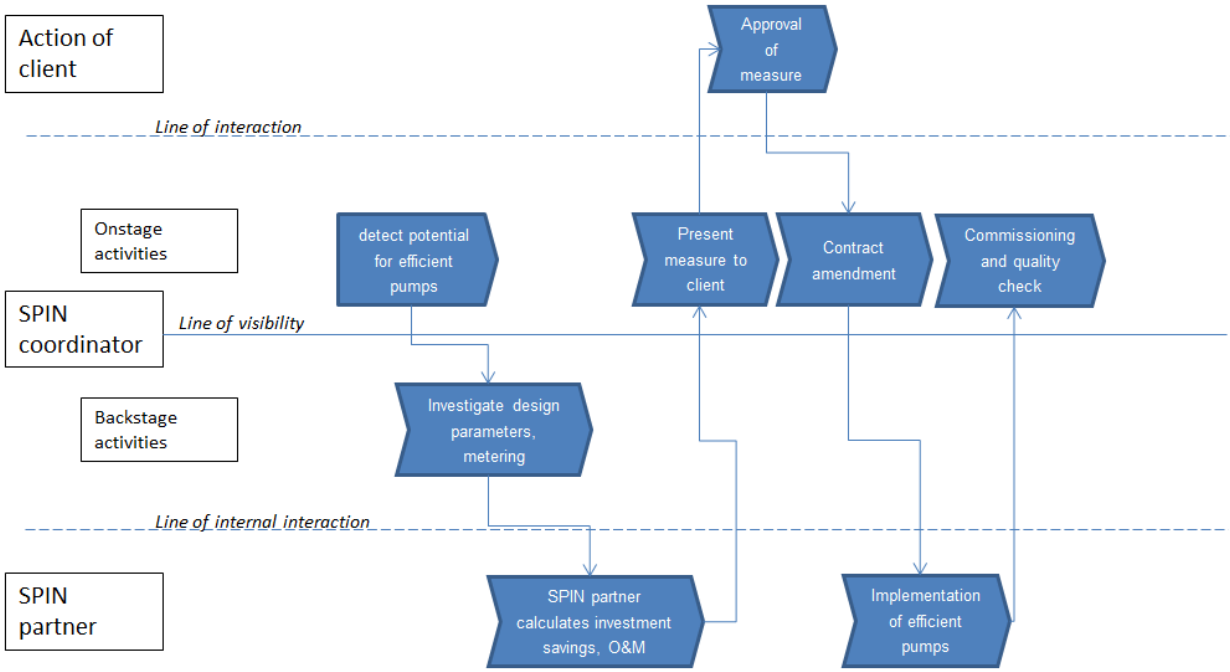


Figure 9: Service blueprint for the implementation of EPC+ measures

The service blueprint also shows horizon lines that give an indication of the area of influence and transparency of the process – and also lacks of transparency to be taken care of.

# ANNEX 2 - TEMPLATE FOR MARKET ANALYSIS

## Market Analysis

<< This section covers market research and competitor analysis. You must show that you have done the market research to justify the projections made in your business plan. It must demonstrate that there is a viable market and that you can beat the competition in the market for sales. >>

**Target Market**

<< The market to which you are planning to sell the product or service. Analyze the segments of this market as follows:

- Size of each market segment
- Is the segment growing or declining?
- Characteristics of potential customers in each segment >>

**Total Market Valuation**

<< Show the total potential value of the market for this type of product or service, in all the targeted markets, domestic and international. >>

**Target Company revenue**

<< These figures are the basis for the sales figures in your financial projections and must be based on realistic assessments. Include average deal size, length of sales cycle, recurring revenues >>

**Market Trends**

<< Analyze what is happening in the market:

- Recent changes
- Future predictions
- Drivers such as demographic changes, economic and legislative factors
- Implications for your product or service
- Your plans to meet future demands and changes in the market >>

**Profile of Competitors**

<<Analysis of your competitors in the market:

- What are the competing products and services?
- Profile of key players (company size, turnover, profitability etc.) and their market share
- Advantages and disadvantages of the competitors' offerings >>

**Competitive Advantage**

<< This is your assessment of why potential customers will choose to buy your product in place of those profiled above. Advantages may include:

- Unique features
- Price
- New technologies or systems
- Better value to customers in terms of efficiency or ROI or cost/benefit ratios
- Greater compatibility with existing systems
- Include any independent validation or case studies >>

**Benefits to Clients**

<< This is what your product or service provides to potential customers in terms of their own business goals. Does your product or service enable them to:

- Increase sales
- Increase efficiencies
- Save money?
- Save time?
- Maximise resources?
- Reduce errors?
- Reduce downtime?
- Improve Customer Service, reduce churn, increase loyalty

What will buying your product or service actually do for the customer? >>