

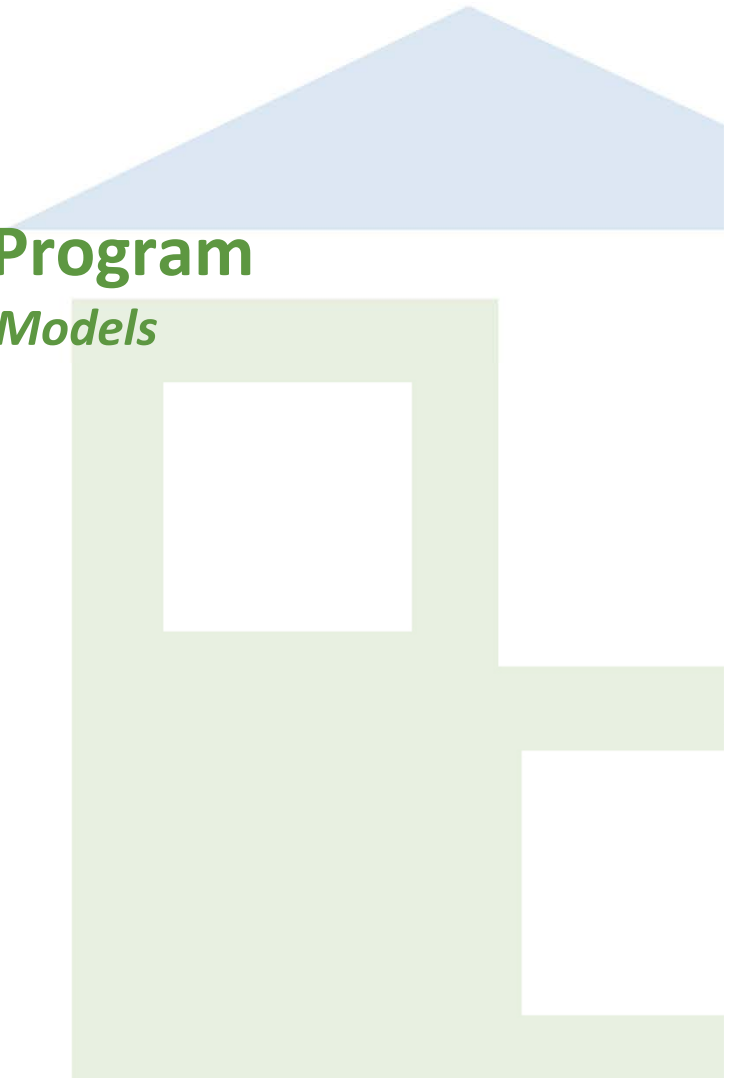


Better Buildings Neighborhood Program

Overview of Business Planning and Business Models

October 25, 2011

Opening Plenary



Key Business Planning Questions

What is the long term vision?

What services will be delivered?

Who will run the program and how?

What assets are needed?

Who are the partners?

How will it stay financially sound?

Who are the customers?



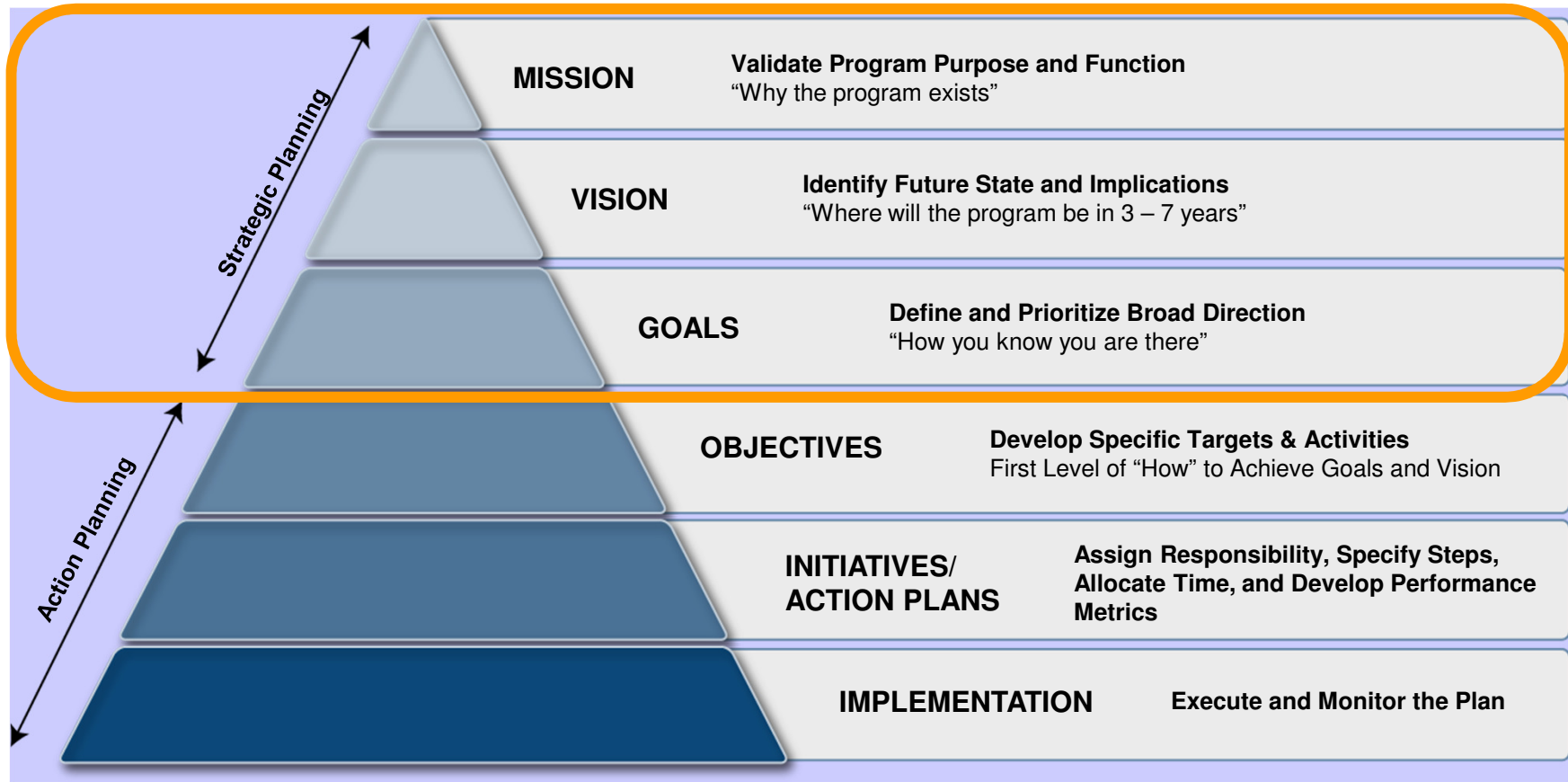
Business Plans

- Program Strategy – describes the direction of the program and how progress will be measured
- Business Model – describes how the program will operate
- Partnerships – describes the organizations that the program is working with and what each partner's role is

Business Plan Outline

- **Program Strategy**
 - Mission
 - Vision
 - Goals
- **Business Model**
 - Governance Strategy
 - Financial Strategy
 - Asset Strategy
 - Service Offering Strategy
 - Customer Strategy
- **Partnerships**
 - Engagement Strategy

Program Strategy Development



Characteristics of a Good Mission

- ▶ Captures the soul of the program
- ▶ Reason for existence
- ▶ Defines contribution and value
- ▶ Inspires change
- ▶ Long-term in nature
- ▶ Easily understood
- ▶ Is **not** a description of products, outputs or target customers

Sample Mission

Grow the number of sustainable energy efficiency markets across the country

Characteristics of a Good Vision

Paints a picture with words, is easily understood, and inspires action

3-5 year timeframe

Expresses where a program wants to be, not how it is to get there

Both action and customer oriented

Based on a common understanding of the market context and the agreed upon probable future scenario

Sample Vision

A self-sustaining market for building energy efficiency upgrades that results in economic, environmental, and energy benefits across the United States

Characteristics of Good Goals

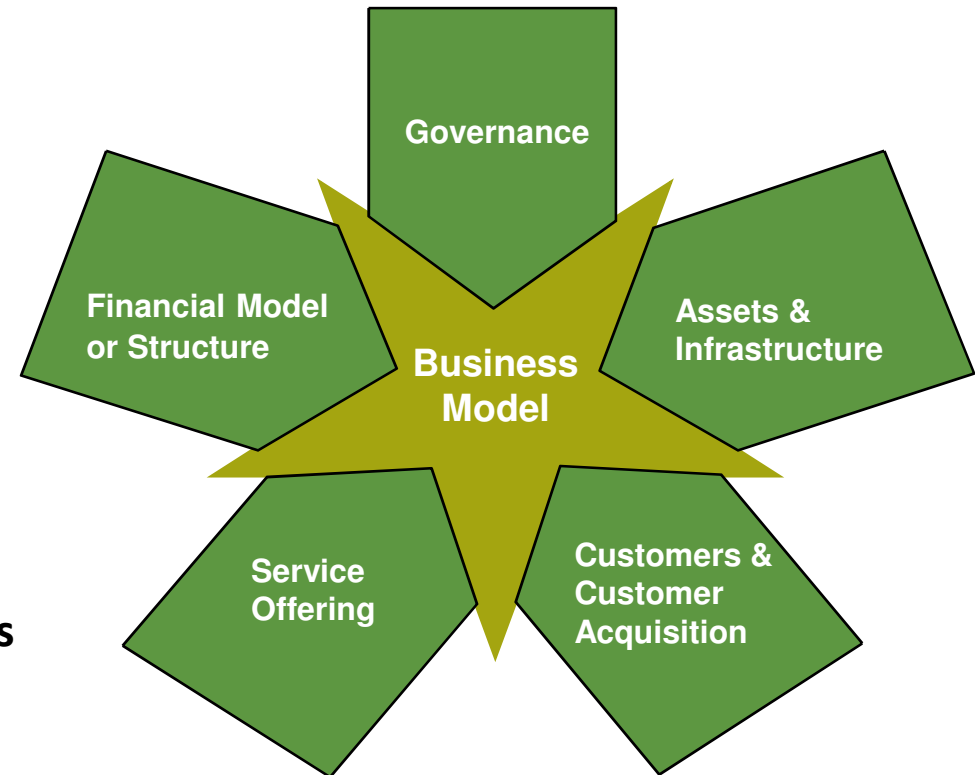
Specific
Measurable
Achievable
Realistic
Timely

Sample Goals

- Upgrade more than 150,000 residential and commercial buildings to be more energy efficient
- Save consumers approximately \$65 million annually on their energy bills
- Achieve 15% to 30% energy savings from energy efficiency upgrades
- Reduce the cost of energy efficiency program delivery [by 20% or more]
- Create or retain approximately 30,000 jobs
- Leverage more than \$3 billion in additional resources

Better Buildings Business Models

- Characterize key business elements of major actors in the market:
 - Remodelers
 - HVAC Contractors
 - Home Performance Contractors
 - Retailers
 - Utility Program Administrators
 - Non-utility Program Administrators



Business Model Elements

Business Model Element	Description	Example Aspects
Governance	How an organization makes decisions	<ul style="list-style-type: none">• Not-for-profit board with executive director• Restrictions on use of grant funds
Financial Model or Structure	How an organization raises capital and sets performance targets	<ul style="list-style-type: none">• Grant funding• Revenue for services
Assets and Infrastructure	How an organization invests and brands itself	<ul style="list-style-type: none">• Business management software• Brand
Service Offering	What goods & services a program markets & sells	<ul style="list-style-type: none">• Energy assessments• Quality assurance
Customers and Customer Acquisition	Who an organization targets and how they reach them	<ul style="list-style-type: none">• Home size less than 3,000 square feet• Household Income levels greater than \$50,000

Governance

Aspect	Government Entity	Private Company or NGO
Description	State or Local government	For-Profit or Not-for-Profit company
Key Decision-Makers	<ul style="list-style-type: none"> ✓ Federal Government ✓ State Government ✓ Local Government 	<ul style="list-style-type: none"> ✓ Owner ✓ Shareholders (if public) ✓ Board of Directors ✓ Executive Management
Sources of Financing	<ul style="list-style-type: none"> ✓ Public Funds ✓ Debt 	<ul style="list-style-type: none"> ✓ Public funds ✓ Owner's equity ✓ Debt ✓ Venture capital
Implications	<ul style="list-style-type: none"> ✓ Products and services limited by government regulations ✓ Profit motive not as influential ✓ Typically more reporting requirements 	<ul style="list-style-type: none"> ✓ Set product and service mix based on funder/leadership requirements ✓ Profit motive may or may not be a driver

Financial Model or Structure

Sample Income Statement			Income Statement Item	Description
Revenues		\$XXXM	Revenue	✓ Sources of revenue (e.g., grants, foundations, private investors)
Cost of Goods Sold		\$XXXM		
Gross Profit (Loss)		\$	COGS	✓ Cost of Goods (and Services) Sold – vary based on program design and services provided
Selling, General, & Administrative (SG&A)				
Wages	\$XXX		Wages	✓ Mainly salary based with benefits packages
Marketing Expense	\$XXX			
Administrative	\$XXX		Marketing	✓ May include advertising, and direct community outreach campaigns
Other Overhead	\$XXX	(\$XXX)		
Interest Expense		(\$XXX)	Administrative	✓ Typically high administrative costs for reporting requirements
Income before Taxes		\$XXX		
Income Taxes		(\$XXX)	Interest Expense	✓ As most funds are government and ratepayer, interest expense is a limited concern
Net Income (Net Profit)		\$XXX		

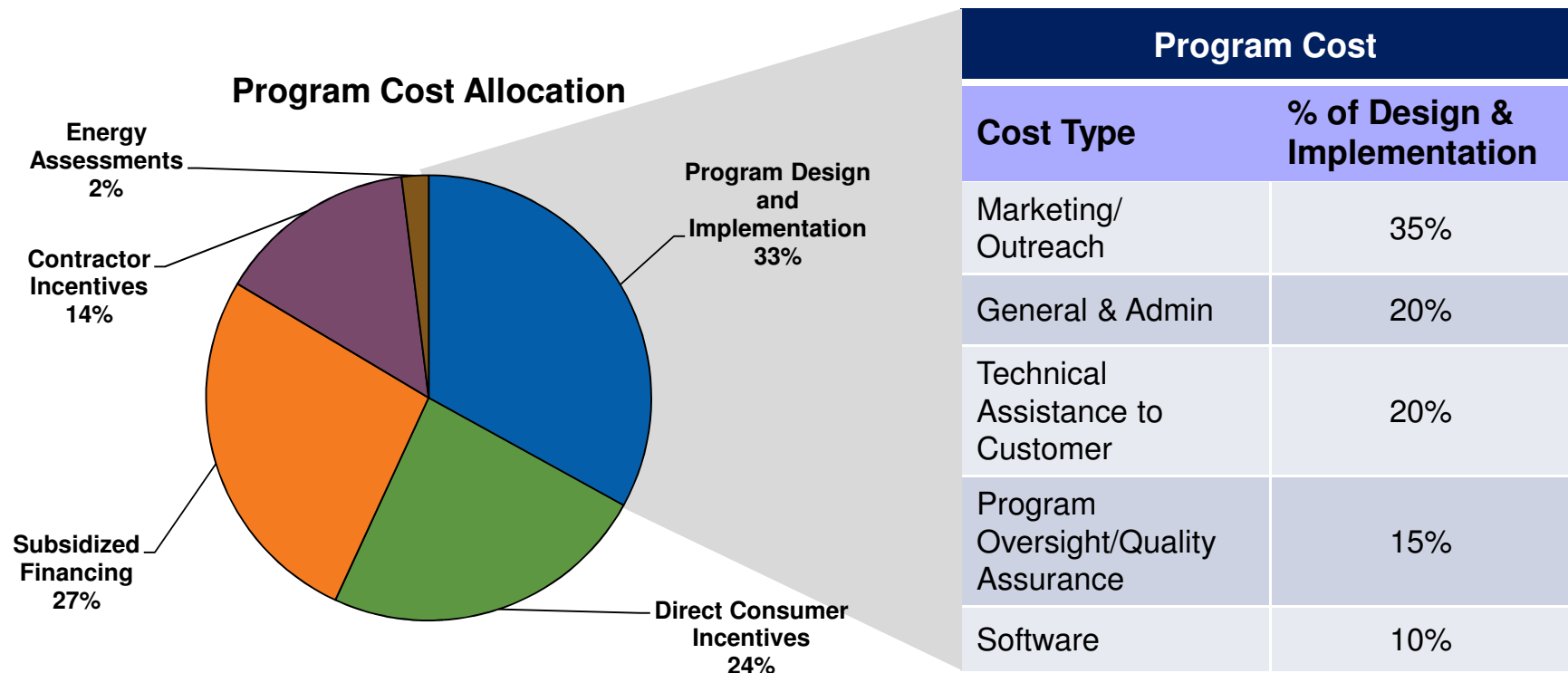
Key:
 Items that can be most influenced

Assets and Infrastructure



- Two prominent assets:
 - Program software
 - Customer Relationship Management
 - Job Tracking Status
 - Reporting
 - Brand
 - Often unrecognized
 - Linked to consumer and contractor confidence
 - Critical for building and growing demand

Service Offering



Customers and Customer Acquisition



Stage	Strategies Employed	E	C	S
Awareness/ Demand Creation (Marketing campaigns)	Customer Referrals			
	Community Outreach			
	Internet search engine optimization			
	Purchased Leads	N/A	N/A	N/A
	Public Relations			
	Advertising			
	Direct Mailing			
	Discount/Rebate			
	3 rd Party Referrals			
Engagement (Direct Interaction)	Trusted Source			
	Customer Education			
	Customer Up-selling			
Conversion (Closing the Sale)	Limited Duration Offers			
	3 rd Party Validation			

Key: **E** Effectiveness **C** Cost Effectiveness **S** Sustainability