

i-STUTE

WP1.2 'Exploring business models in the UK home heating sector'

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WP1.2: Business model typology.

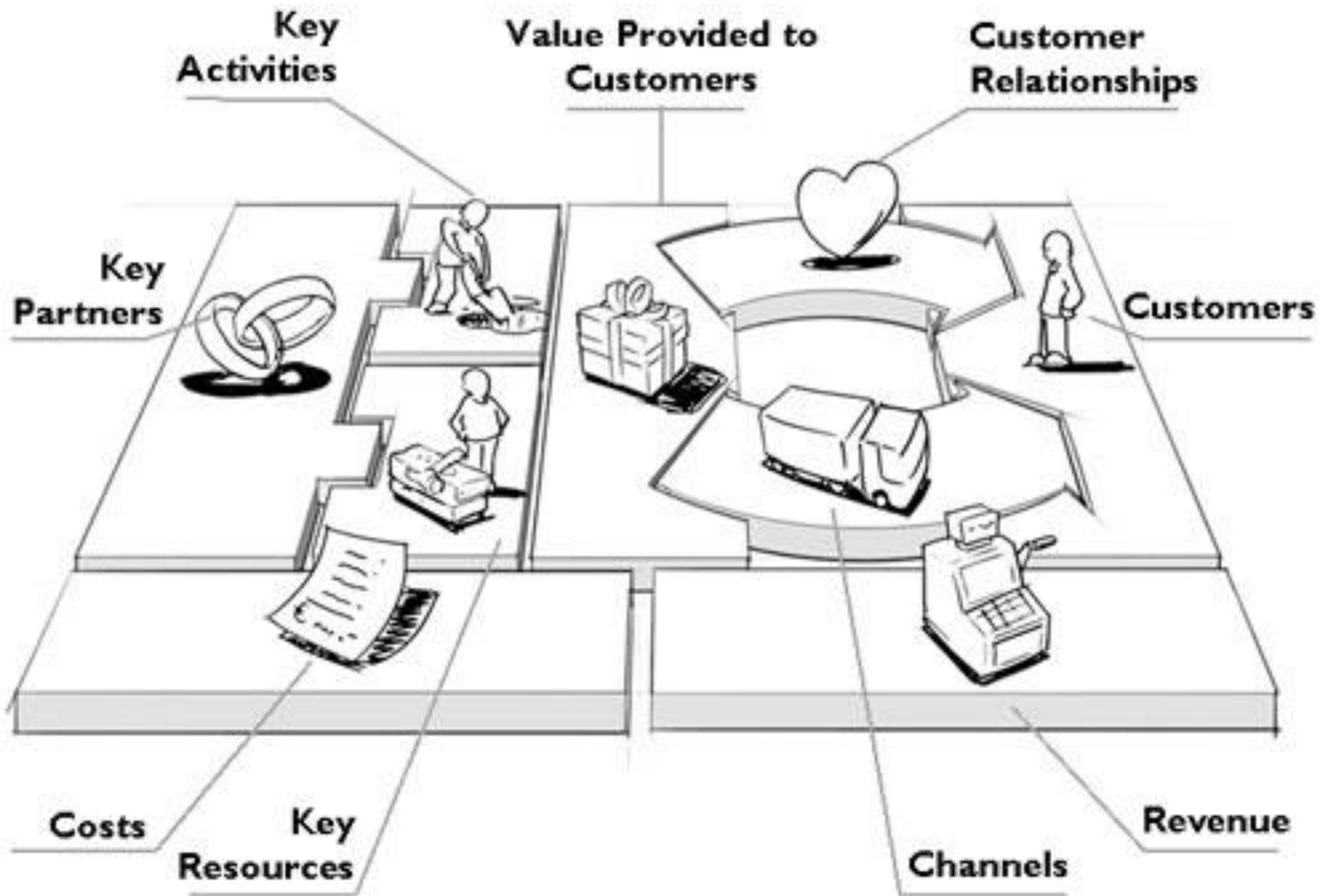
- Reconfirmed research questions and updated academic perspective:
 1. Explore the existence and application of business model thinking among key players in the UK home heating industry.
 2. Investigate the changing nature of these business models over time.
 3. Assess the validity and contribution of the business model concept to strategic thinking and industry evolution.

Business model definition and conceptual issues

- Despite the ubiquitous use of the concept, there are also numerous definitions, e.g.:
 - “Describes the rationale of how an organization creates, delivers and captures value” (Osterwalder and Pigneur, 2010: 14; see also: Amit and Zott, 2001; Zott and Amit, 2010; Casadesus-Masanell and Ricart, 2010; Teece, 2010)
 - “The structure, content, and governance of transactions between the focal firm and its exchange partners” (Amit and Zott, 2008: 3).
- Used for the identification of four key underlying business variables:
 - Customers; perceived value; income stream and cost structure (Magretta, 2002)
- What are the role and contribution of business models as part of strategic thinking among practitioners?
- How does business model thinking/redesign affect the evolution of whole industry sectors?
- What are the connections between business model innovation, demand-side thinking and changing market structures?

Methodology

- **Two stage qualitative data collection and analysis, with the purpose:**
 - To apply and evaluate the usefulness of the Business Model Canvas in structuring analysis and discussions on existing and potential future business models.
- **Stage I**
 - Desk-based website evaluation of existing businesses in the UK's domestic heating sector
 - 32 members of the UK's Heat Pump Association (HPA)
 - Summarise and characterise firms' existing business models along business model canvas categories
- **Stage II**
 - Semi-structured interviews drawing on a combination of closed and open-ended questions
 - Examine business model canvas elements in the context of companies providing home heating products and services.
 - "Respondent recall" of industry developments in the past and to assess to what extent respondents already have a clear picture of their existing business model
 - Explore potential future business models and any necessary adjustments



Source: BusinessModelYou.com

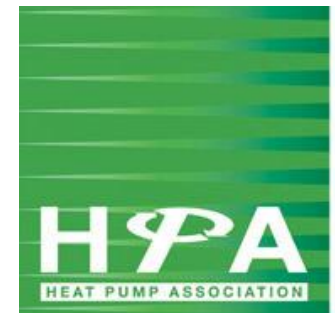
Drawings by JAM

Stage 1 findings defined the traditional OEM-Distributor-Installer-Customer value chain

- HPA sample largely consists of OEMs, some installers, a couple of distributors and some firms related to heat pump manufacture
- **Key customers** depend on type of HP business, usually follows along the value chain
 - Heat pumps are normally offered as part of wider suite of products and services
 - Some regional & local specialisation
 - New-build, refurb or retrofit
 - Most only offer ASHP, few offer both ASHP & GSHP, no-one does GSHP only
- Some fairly advanced **marketing channels**
 - including use of types of social media, apps for technical support, but also “word-of-mouth”
 - pride in ethical approaches to marketing, no deposit needed
- Post-sale **customer relationship** highly dependent on support, maintenance, warranty, spare parts, etc.
- **Key partners** usually those (customers) needed further down the value chain but also external advisors
 - Close links between OEMs and installers, need for accreditation, training and support, thus often cannot offer from a range of OEM suppliers, must choose one.

HPA members share broadly similar ‘value propositions’ for their heat pumps offerings

- In some cases the offering is virtually identical – source material?
- Reference to high levels of energy efficiency, cost savings, carbon savings/environmental impact, income potential through RHI and grants, comfort, aesthetics, noise reduction, legislative compliance.
 - Emphasis on ‘not a new technology’, e.g., Scandinavia
 - Long-term industry experience with installation of heating equipment
 - Alternative to fossil fuel based systems
 - Compatibility with other systems/tech
 - Flexibility
 - Smart-tech
 - Safe



*Helping you
save energy
to create a better
environment*

Stage 2: Next steps...

Which? Best Buy boilers

Best Buy boilers can be relied upon to produce hot water for you when you need it and not break down. They are loved by owners and heating engineers.

The screenshot shows the top navigation bar of the Which? website. It includes the 'Which?' logo, a search bar, and links for 'PRODUCT REVIEWS', 'CAMPAIGNS', 'OUR SERVICES', and 'ABOUT US'. Below the navigation bar is a 'Reviews' section with a search bar and a category menu. The 'Energy' category is highlighted in yellow.

You are here: [Which? home](#) > [Energy](#) > [Creating an energy saving home](#) > [Air source heat pumps explained](#)

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Air source heat pumps explained

- ✓ Discover how air source heat pumps work
- ✓ Air source heat pump costs and payback times revealed
- ✓ Pros and cons of installing an air source heat pump
- ✓ Things to consider when getting a heat pump



Our expert guide to air source heat pumps shows you how air source heat pumps work, how much they cost, and how much they could save you on your energy bills.

- Review initial industry value chain participants with Tony Bowen.
- Include utilities, advisory sites such as Which?
- Confirm & schedule interviews



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Our verdict Test results

Showing 55 Best Buy boilers

Sort by: Highest Which? score ▾

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Which? score **79%**

Worcester Bosch
Greenstar 42CDi Classic ErP
£1,550.00 **BEST BUY**

In the most recent survey of Which? members who own a boiler, the reliability of Worcester Bosch gas boilers was very good. We'd expect this brand to have fewer problems than most of the other brands in the survey, which means you're less likely to have to call the repair man.

The Which? score for Worcester Bosch gas boilers is 79%, which is excellent. This is based on reliability, owners' satisfaction with their boiler, the likelihood of them recommending it to a friend, and the detailed views of heating engineers on how easy Worcester Bosch boilers are to repair, their build quality, how easy it is to get hold of parts and spares and whether they would recommend them to a customer.

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