

The Market Opportunities created by the UK Energy Savings Opportunity Scheme (ESOS)



**THE ENERGY SAVINGS OPPORTUNITY SCHEME
SUPPLIER SURVEY REPORT**

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MARKETING

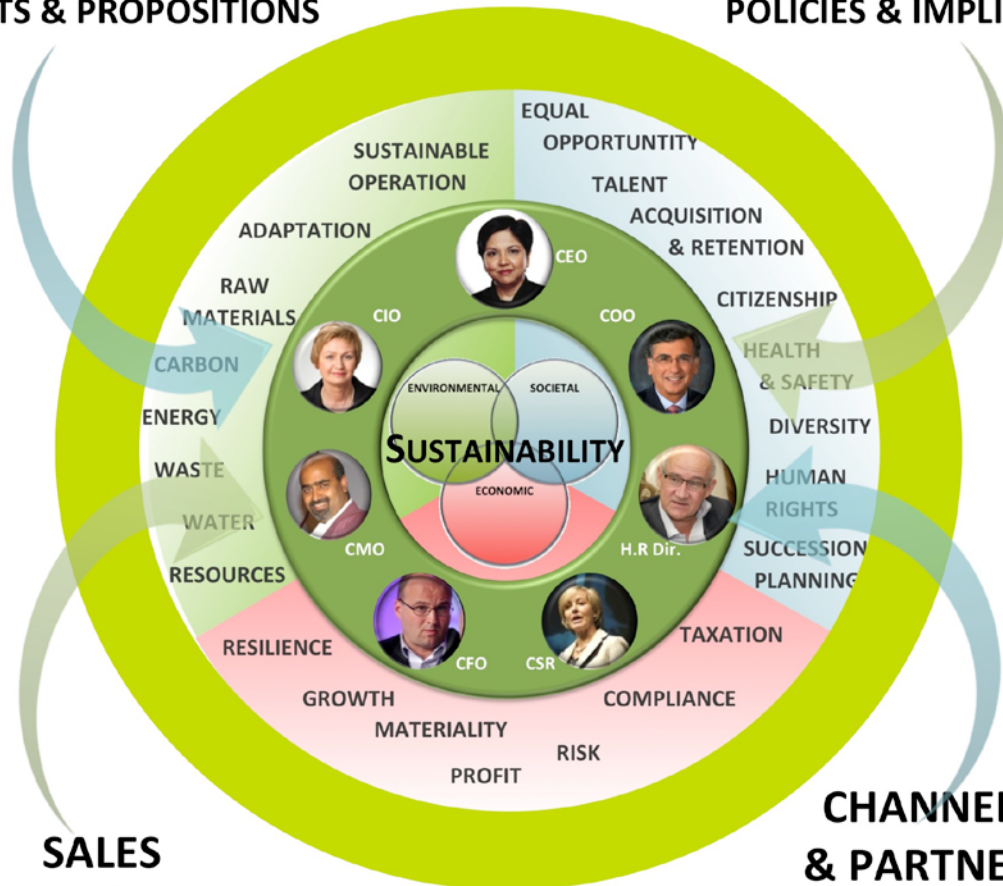


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THE MARKET OPPORTUNITIES CREATED BY THE UK ENERGY SAVINGS OPPORTUNITY SCHEME (ESOS)

FINDINGS OF A ENERGY EFFICIENCY SUPPLIER SURVEY
CONDUCTED IN OCTOBER – NOVEMBER 2014

**ANALYSIS AND INSIGHTS FOR ENERGY EFFICIENCY
PRODUCT AND SERVICE PROVIDERS**

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About Cambium

Cambium helps Suppliers to grow their sales to public and private organisations interested in becoming more resource efficient, sustainable and responsible. We understand which organisations are actively investing in these topics and how to reach the key decision makers. We help our clients position their products with the right audiences in ways that gets attention. Our core Services are summarised in the graphic on page 2.

Our Expertise

Cambium's team comprises experienced scientific and engineering skills from a diverse range of disciplines. These technical skills are complemented by extensive expertise in environmental policy and legislation. What makes Cambium different is that our consultants also have deep knowledge and broad experience of successful B2B sales and marketing execution. It is this combination of technical understanding, policy insight together with proven sales and marketing experience that enable us to help our clients to maximise their sales and marketing productivity.

Cambium and ESOS

We have been tracking the development of ESOS for well over a year and in addition to helping the UK reduce its consumption of energy, we believe it will

be an important catalyst of growth for the energy efficiency solutions market. We also believe that for many organisations ESOS will catalyse their transition to become more sustainable businesses.

See Graphic below.

This transition will bring Suppliers many new opportunities to both grow their business and elevate their contact level within their clients and prospects.

We also expect ESOS to improve UK energy security as well as supporting the UK in achieving the greenhouse gas emissions reduction made in the Climate Change Act 2008. [More information on Cambium's ESOS specific services can be found here.](#)

To contact with us, please just email us at info@cambiumllp.com or call us on 0845 638 3280



About ESTA

The Energy Services and Technology Association (ESTA) is the UK's leading energy management industry association. With over 30 years' involvement in energy management, ESTA is a standard setter in the development of the industry. We have a highly regarded and impressive track record of promoting our members' interests at the highest levels in the UK, Europe and internationally.

As a not-for-profit organisation, owned by the members our mission is ***"To reduce energy consumption through the application of technology and expert services."***

We have a thriving and active membership of over 120 companies that supply products, systems and services covering all the elements critical to the energy efficient design, management and operation of buildings and processes.

ESTA members provide:

- unrivalled expertise and are best placed to provide independent advice to energy end-users;
- market leading energy management products, technology and services;
- significant levels of energy and carbon savings to energy end-users in the public and private sectors;
- full ESCO (Energy Contracting) services which guarantee significant energy savings; and
- in-depth knowledge of funding mechanisms for the purchase of energy and energy efficient products and services.

Our strategic objectives:

- Promote the economic benefits of energy demand reduction, energy efficiency and management to all demand-side users and professionals.
- Raise awareness of energy reduction, efficiency and management with bodies of influence.
- Ensure that membership enhances the business proposition of member companies.

To find out more – <http://www.esta.org.uk/>

Executive Summary

This report summarises the findings of a survey carried out between 14th October 2014 and 16th November 2014 of UK energy efficiency (EE) Suppliers. Conducted in partnership with the Energy Services and Technology Association (ESTA), it is the first survey of the UK energy efficiency supply chain's attitudes to the Energy Savings Opportunity Scheme (ESOS). The survey was **open to all vendors** of energy efficiency products and services (ESTA and Non-ESTA members).

Data was collected from companies across a wide range of technologies, turnover and regional coverage. In total 80 respondents are included in

the data analysis. See page 14 for participant profile breakdown. A full list of companies is included in Appendix 1.

The survey covered the following three aspects of Supplier's attitude to ESOS shown below:

- Marketing Plan
- Sales Approach
- Business Strategy

The report provides analysis of each of these aspects of the Suppliers approach to the ESOS opportunity including relevant graphs and statistics. The report closes with a list of conclusions and recommendations for EE Suppliers.



Executive Summary continued

Key Findings

The ESOS Market is Active

The energy efficiency supply chain reports that the ESOS market for both Consultancies and energy efficiency solutions providers is very active with 64% of Suppliers already seeing ESOS opportunities. 26% of Suppliers report having already won business or have well advanced sales discussions as a result of ESOS. 66% of Suppliers expect to see incremental business catalysed by ESOS in 2015.

Suppliers interested in capitalising on these new regulations should enter the ESOS market as soon as possible. Evidence suggests that they should consider increasing their sales and marketing activity to build sales pipeline and grow market share.

ESOS Market Challenges

61% of the energy efficiency supply chain regard increased Government ESOS awareness programmes as key to the success of the ESOS legislation to help secure more ESOS Participant investment in the reduction of their energy consumption. Suppliers believe that the Government needs to do more to promote awareness of the legislation amongst Companies affected by ESOS.

Suppliers Focus on Solutions Delivery

43% of Suppliers noted that delivery of a complete solution was an important requirement in winning new clients. Vendors also recognise that these solutions need to be supported by supplying flexible services of high quality to meet client expectations.

C-Suite Access and Quality of Business Case is Vital

Just under half of Suppliers believe that to make the most of new sales opportunities resulting from ESOS will require access to senior decision makers and the presentation of a high quality business case for investing in energy efficiency. This view is further

supported by 38% of respondents, who reported that access to funding is going to be the biggest influence on development of their ESOS business

Evolving C-Suite Interest in Energy Efficiency

Suppliers report that most interest in ESOS is being shown by Energy Managers (EM) – 45%, followed by Facilities Managers (FM) Head of Compliance and Risk both at 19% with the Chief Sustainability Officer (CSO) – 18%.

Over the next two years, most Suppliers indicated that they do not see these roles changing in importance. However of those that did anticipate change in the C-suite interest in Energy, the most influential roles are expected to be the Chief Operating Officer (COO) and Chief Sustainability Officer (CSO). This growing importance of the COO and CSO, indicates an increasing influence of these roles in relation to the operational security and environmental impacts of energy consumption.

The Impact of Carbon and Sustainability on Business Cases

From the perspective of business case 76% of Suppliers see reduction of client's carbon footprint as being important to their proposition and sales process, yet only 35% of Suppliers include it in all ROI calculations and proposals.

Although the supply chain has a good understanding of the legislation impacting ESOS participants, the awareness and understanding of carbon and sustainability reporting is significantly lower with only 21% and 8% of the supply chain being fully aware of the GHG protocol and GRI respectively.

There is a clear need for the supply chain to improve its understanding of these frameworks or Suppliers risk being less credible with members of the C-Suite that are of increasing importance in their sales processes e.g. CSO, CFO, CEO. They also risk undervaluing the benefits of their proposals and as a result hampering their sales productivity.

A Supply Chain in Flux

The survey shows that most (88%) of Suppliers are reliant on direct sales to engage their customers, but more than a quarter of Suppliers see partners as an important channel. There is also evidence to indicate that this traditional channel balance may be changing catalysed by the size and scale of the ESOS opportunity.

76% of Suppliers reported that are reviewing the efficacy of their partner ecosystems to meet the demands of the ESOS market. The driver for this activity is to provide greater market coverage (48%) and to provide a more complete solution or additional skills and resources (31%). Only 14% of Suppliers indicated that they were not interested in new or improved partnerships.

The energy efficiency supply chain is in a state of flux. This is a great time to be engaged in partner recruitment and development. However all Suppliers will require a clear and well executed partnering strategy to maximise these new emerging channel opportunities.

Summary of Findings

The introduction of ESOS is proving to be an important catalyst of change. Not only to increase focus within Participants upon energy efficiency, but also to accelerate change within the UK energy efficiency supply chain. Whilst Suppliers see ESOS implementation as creating good market opportunities, their responses to the survey indicate that the requirements to secure their own market success are becoming more onerous.

Market share will be gained by those Suppliers capable of delivering a complete solution to a client's requirements backed by high quality services. Additionally Suppliers must gain access to the key decision makers within their target clients and be able to demonstrate a compelling business case. In what are sure to be very competitive evaluations successful business cases must include a complete appraisal of business value. That means quantifying

environmental and societal benefits in addition to the traditional financial returns on the investment.

Many Suppliers are concluding that these rising demands cannot be delivered in isolation. In response most Suppliers are exploring new partnerships and channels to market. This increase in collaborative activity indicates that ESOS may become the catalyst for supply chain consolidation around a smaller numbers of larger Suppliers.

Whatever the ultimate outcome of ESOS on the energy efficiency market, it's clear it is a market dynamic that cannot be ignored. For those Suppliers keen to respond, we offer the following recommendations based on the results of this survey.

Recommendations for Suppliers

In response to the changing dynamics of the energy efficiency supply chain presented by ESOS, our report provides some specific recommendations for Suppliers. A complete list of recommendations is provided on page 59.

In preparing a response to ESOS Suppliers should ensure that they have adequately considered all of relevant aspects of their "go to market" plans. No matter if a Supplier is already engaged in the ESOS market or just about to enter the market, Suppliers need to assess their ESOS market readiness in relation to some or all of the following criteria to:

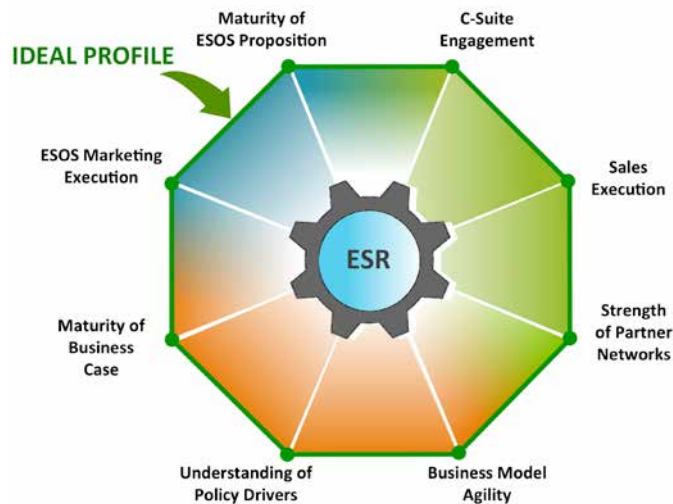
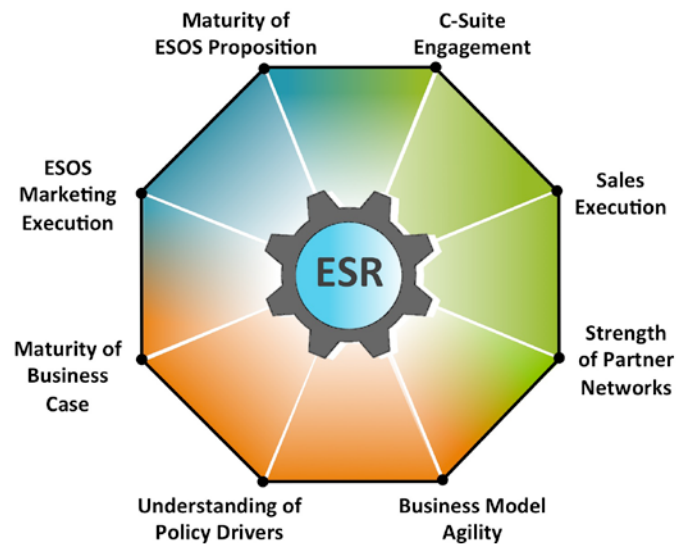
- 1. Maturity of ESOS Proposition**
- 2. ESOS Marketing Execution**
- 3. Maturity of Business Case**
- 4. Understanding of Policy Drivers**
- 5. Business Model Agility**
- 6. C-Suite Engagement**
- 7. Sales Execution**
- 8. Strength of Partner Networks**

These criteria are shown below and on page 56 we provide more details on how performance against these criteria can be readily benchmarked.

How well is YOUR business positioned to win in the ESOS market?

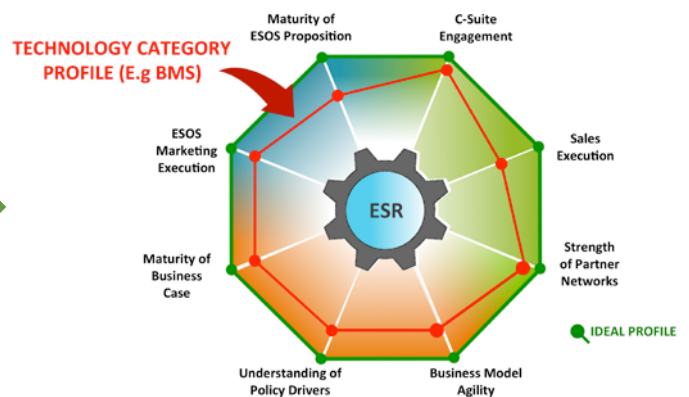
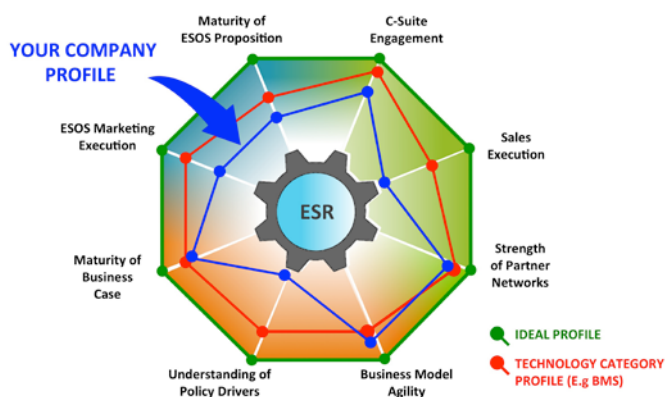
If you are not sure or your answer is 'not that well', the ESOS Supplier Readiness (ESR) framework can provide you with essential insight.

The Cambium ESR Framework gives you independent assessment of your business based on objective analysis of over 5,000 data points.



A simple way to get clarity on the key factors needed to win in the ESOS market

An informed and objective view of the level of readiness for your technology category



Custom insight on how your business compares

ESOS Background Information

The Energy Savings Opportunity Scheme (ESOS) is a mandatory energy assessment and energy saving identification scheme for large undertakings (and their corporate groups) referred to in this report as Participants. The scheme applies throughout the UK.

ESOS requires Participants to do three things:

1. Measure total energy consumption
2. Conduct energy audits to identify cost-effective energy efficiency recommendations
3. Report compliance to the Environment Agency (as the scheme administrator)

The Department of Energy and Climate change (DECC) estimate that the Scheme will lead to £1.6bn net benefits to the UK, with the majority of these being directly felt by businesses as a result of energy savings. DECC expect benefits to Participants to include:

- Increased businesses profitability and competitiveness by identifying cost-effective savings which, if implemented, will improve energy efficiency.
- Wider benefits – such as reducing other costs (e.g. from waste disposal and maintenance), and increasing employee engagement, comfort and satisfaction in the workplace.

From a UK perspective DECC see the scheme as bringing positive benefits to the whole UK economy through increasing energy security and helping the UK meet its commitments to tackling climate change by reducing greenhouse gas emissions.

Survey Methodology

This survey was undertaken by Cambium in conjunction with ESTA with the aim of completing the first survey of the UK energy efficiency supply chains attitudes to the ESOS market opportunity.

The survey was open to all vendors of energy efficiency (EE) technologies and services (ESTA and Non-ESTA members). Invitations to participate were made directly to ESTA members, via formal invitation to EE companies within the Cambium network as well promoting the Survey via social media.

The survey was conducted between 14th October 2014 and 16th November 2014 and incorporated 30 questions covering the following topics:

- ESOS market activity to date
- Sector interest
- Functional role interest
- Energy efficiency policy relevance and awareness
- Sales channel dynamics

Data was collected from companies with a wide range of technologies, turnover, deal value and regional coverage. In total 74 companies are included in the data analysis. See section 14 for breakdown of participant attributes.

To maintain survey respondent confidentiality data in this report and any sharing of information related to the survey will only be done at an aggregated level.

Given the nature of the ESOS legislation (an energy audit + list of recommended actions to reduce energy use) a key factor considered was the difference

between the Assessor / Consulting companies and vendors with specific energy saving offerings. Here we recognised that there are likely to be two phases or Waves to the market. The first involves the Assessor / Consulting companies focused on the data gathering and report building element. This is referred to as the Primary Wave. The second Wave involves the deployment of technologies and services in response to the recommendations included in the Assessor reports (Secondary Wave).

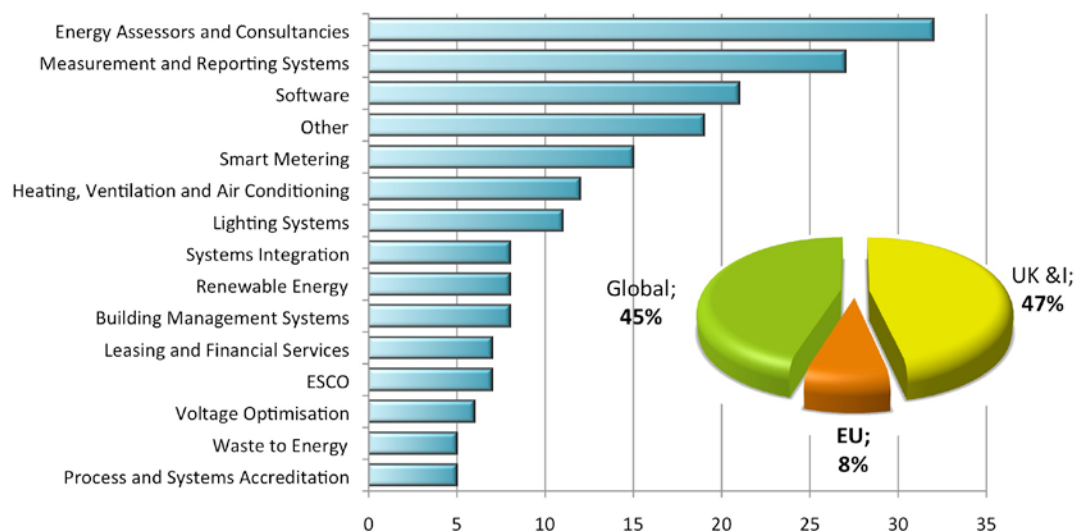
As a result part of the analysis compares these Primary and Secondary Waves across a number of the key dimensions covered in the survey. Companies were placed into each of these “Waves” based on how they self-identified in relevant survey responses

We have only included any charts and commentary for questions where there significant differences have been noted between Primary and Secondary Waves.

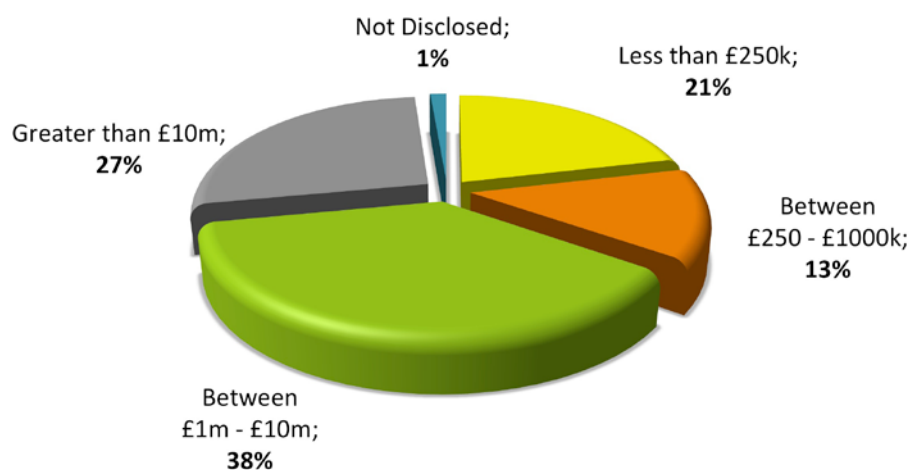
Throughout the report we use the terms “Consultancies” as shorthand to describe Primary Wave Suppliers and “Energy Efficiency Vendors” to describe Secondary Wave Suppliers. This does not mean that Consultancies are not engaged in enabling energy efficiency in their clients, but simply to describe Suppliers typically found at different stages of the ESOS Participant’s energy efficiency journey.

Profile of Survey Participants

Percentage of Participants by Technology Category and Regional Coverage



Percentage of Participants by Turnover



Analysis of Findings

The survey was carefully designed and comprised 30 questions and as a result there are a total of over 5,000 data points, which can be analysed to reveal insights and trends about various aspects of the supply chains view of ESOS.

The survey was designed to cover the following three aspects of supplier's attitude to ESOS:

- Marketing Plans
- Sales Approaches
- Business Strategy

Analysis of all respondents' answers in relation to these three areas follows. In each case the relevant question from the survey is presented in italics and is followed by a summary of the responses across all respondents and is followed by some preliminary interpretation of the results.



Marketing Plan

The market plans of Suppliers were examined to reveal insights about the early dynamics of the ESOS market. The survey design also enabled the following to be assessed:

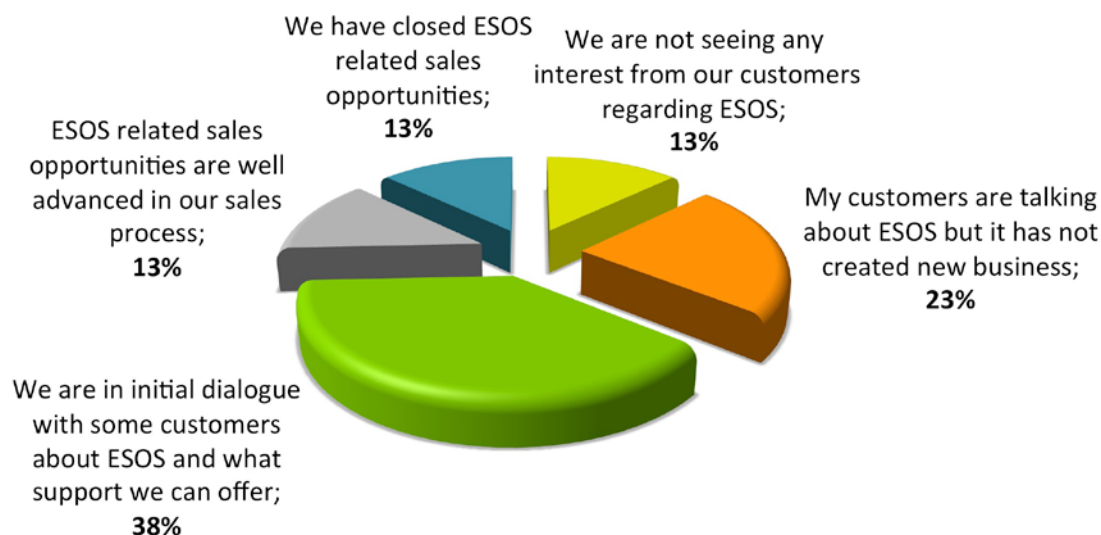
- the readiness of marketing plans
- the scope of value propositions, including the state of business cases
- the availability of references and
- the inclusion of intangible value, such as carbon abatement.



ESOS – Supplier Market Dynamics

ESOS Market Activity

Please select the statement below that best represents your organisation's view of the energy efficiency market in relation to the ESOS legislation?



- 64% of Suppliers are seeing ESOS opportunities already
- 26% have closed or are in the process of closing business
- 13% of Suppliers not seeing ESOS opportunities

Interpretation:

ESOS is starting to create opportunities right across the UK energy efficiency supply chain. Although most of these deals are at an early stage of the sales cycle, 13% of Suppliers claim to already have closed business opportunities as a result.

Primary: Secondary Wave Analysis:

Please select the statement below that best represents your organisation's view of the energy efficiency market in relation to the ESOS legislation?



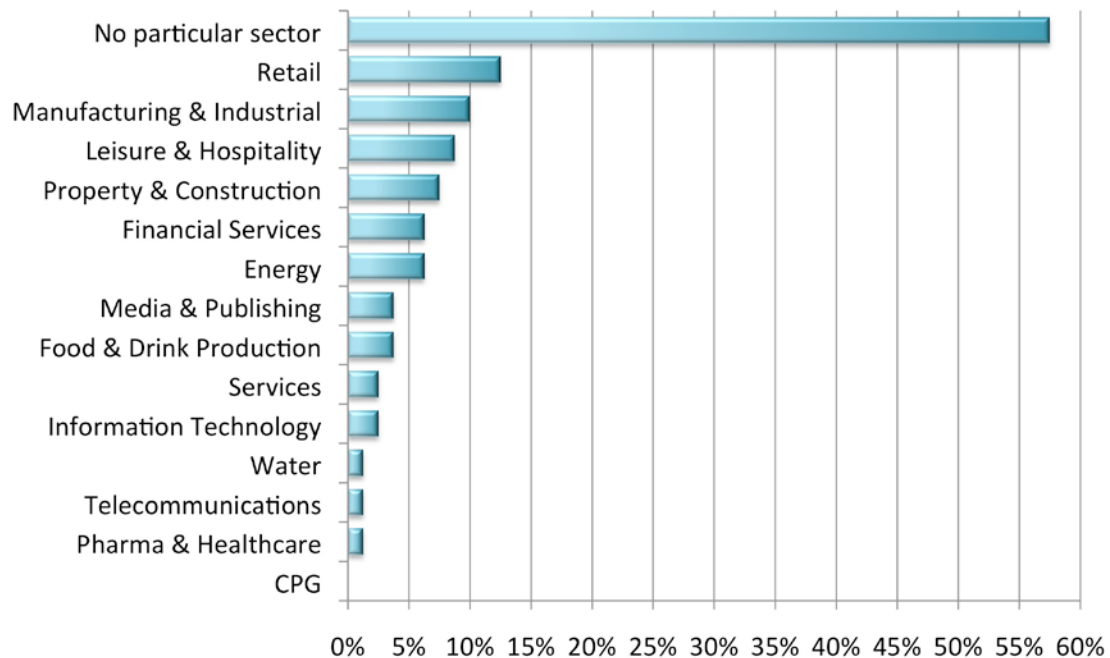
Analysis of the variation in results between Consultancies and other Suppliers is taken into account, it is clear that in the early stages of the ESOS market, that Consultants will be the early winners. 24% of consultants have won business as a result of ESOS.

However over 72% of Suppliers in the Secondary Wave are already engaged with clients to discuss energy saving opportunities, albeit at various stages of the sales cycle.

With over three quarters of the supply chain seeing opportunities, it's clear that early movers right across the energy efficiency supply chain are already seeing an impact on their sales pipelines.

ESOS Market Sector Interest

Which Sector is showing the most interest in ESOS?



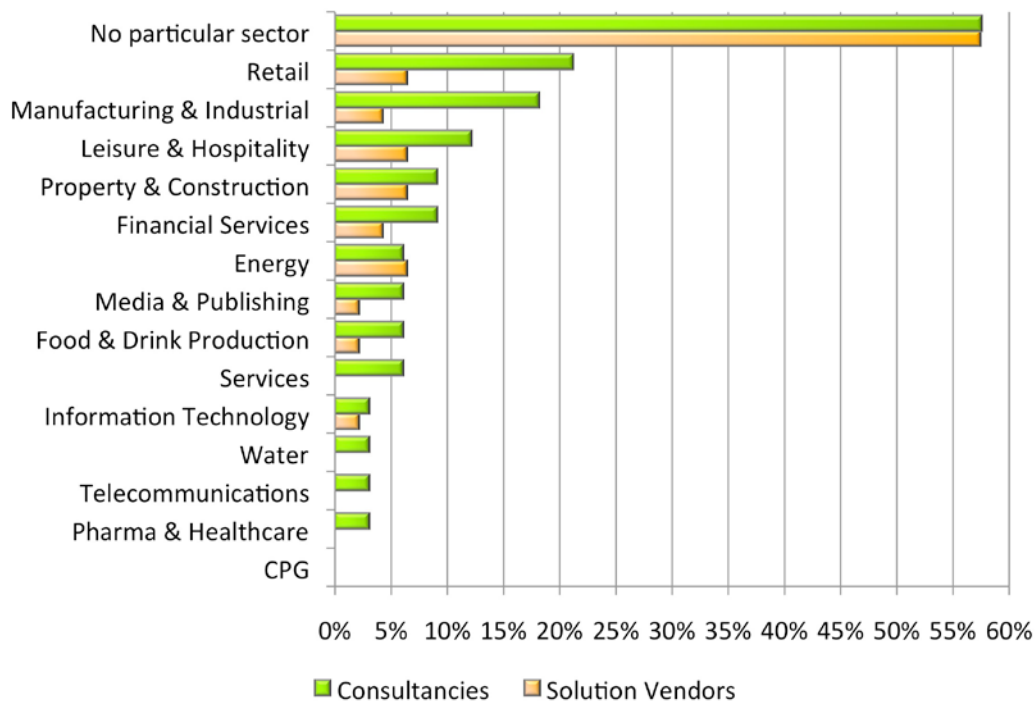
- 56% of Suppliers are not yet seeing any patterns of increased interest
- Of those that saw patterns of increased interest the top three were Retail, Manufacturing and Leisure and Hospitality

Interpretation:

For the whole supply chain there does not appear to be any sectors that appear to be particularly focused upon ESOS. The three sectors showing most interest are those where energy is a key operating cost or in the case of the Energy Sector is the core of their business.

Primary: Secondary Wave Analysis:

Which Sector is showing the most interest in ESOS?



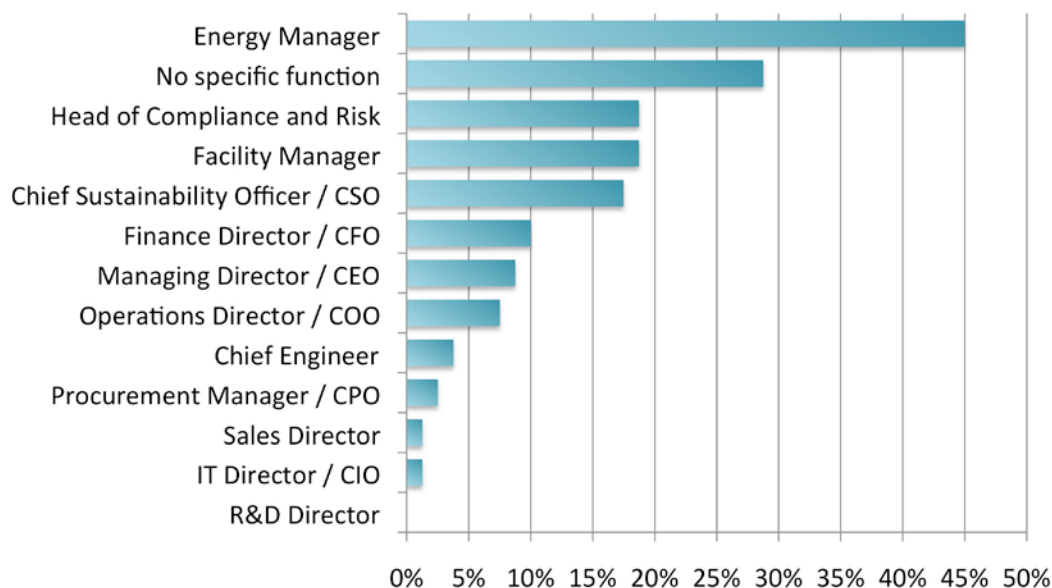
Following analysis of the variation in results between Consultancies and Energy Efficiency Vendors a different pattern emerges. For Consultancies, in addition to the three sectors identified above, significant compliance interest is being shown by

Leisure & Hospitality, Property & Construction as well as Financial Services.

For Suppliers in the second Wave, the top 3 sectors are in Retail, Property & Construction as well as Leisure & Hospitality and Energy.

ESOS C-Suite Interest

Which roles are showing most interest in ESOS?



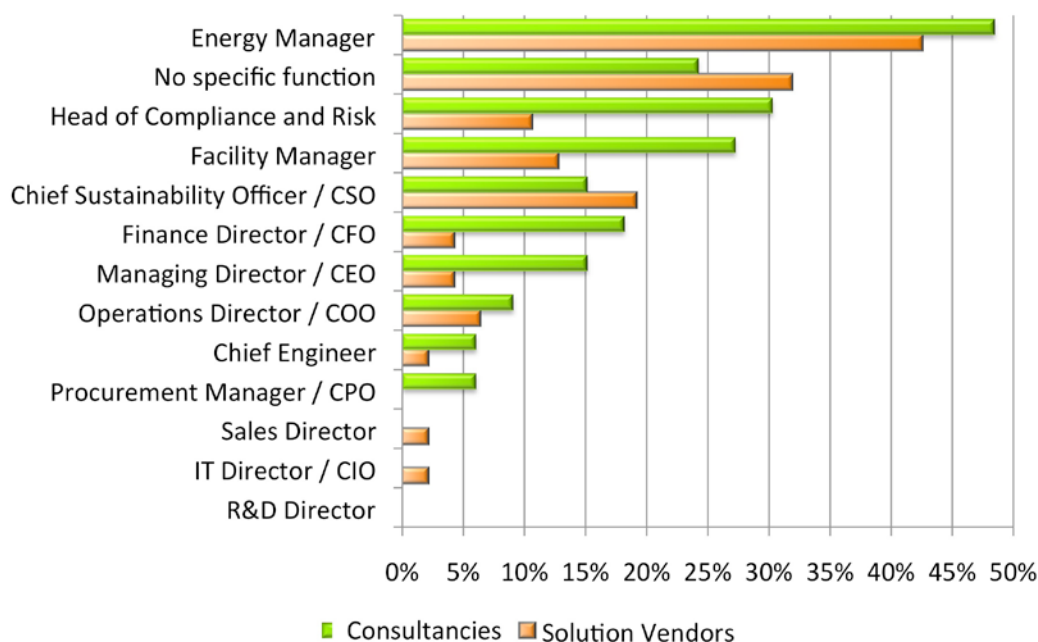
- Almost half of Suppliers thought Energy Manager had the greatest interest at present
- Just under 20% of Suppliers recognised importance of Facilities Manager
- Chief Sustainability Officer (18%)
- Of the senior members of the C-Suite, the CFO seen to be the most important 10%
- Only 9% saw it as being something that CEOs were interested in
- No Suppliers thought the Marketing Director or the Research Director were interested in ESOS

Interpretation:

According to respondents the interest amongst the C-Suite in ESOS appears to be restricted to those roles where Energy traditionally plays an important part of their role. The importance of the CSO is potentially significant and may reflect an alignment in some organisations between energy and carbon footprint.

Primary: Secondary Wave Analysis:

Which roles are showing most interest in ESOS?



Analysis of our two Waves of Suppliers indicates that energy Consultancies are engaged at a higher level than the Secondary energy efficiency solution providers. The Compliance Officer is unsurprisingly an important focus for consultants in this phase of the ESOS market.

Secondary Wave Suppliers are mostly focused on traditional audiences e.g. Energy Manager, CSO and Facilities.

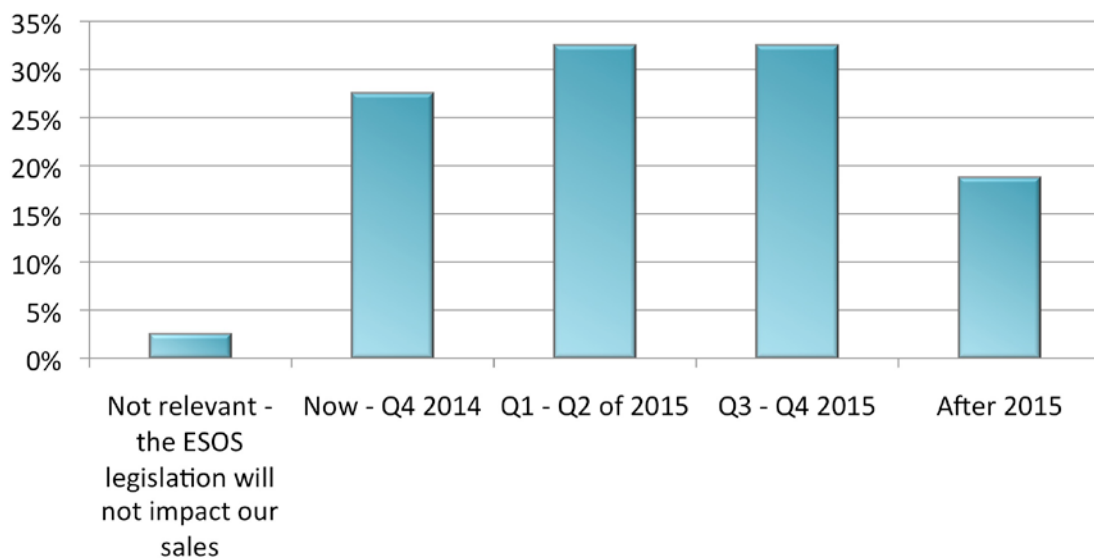
ESOS Market Dynamics – Key conclusions

- Suppliers are active and closing business in the ESOS market now - if not yet engaged Suppliers need to take action soon.
- Consultancies are actively engaged with most senior roles within the C-suite of their clients.
- Energy efficiency vendors are primarily talking to traditional audiences.
- As adoption of energy saving opportunities are voluntary and investment decisions will be taken at a senior level, energy efficiency vendors will need to engage and make their business case for investment at this higher level.

ESOS Marketing Plans

ESOS Revenue Impact

When will the ESOS legislation have an impact on your sales?



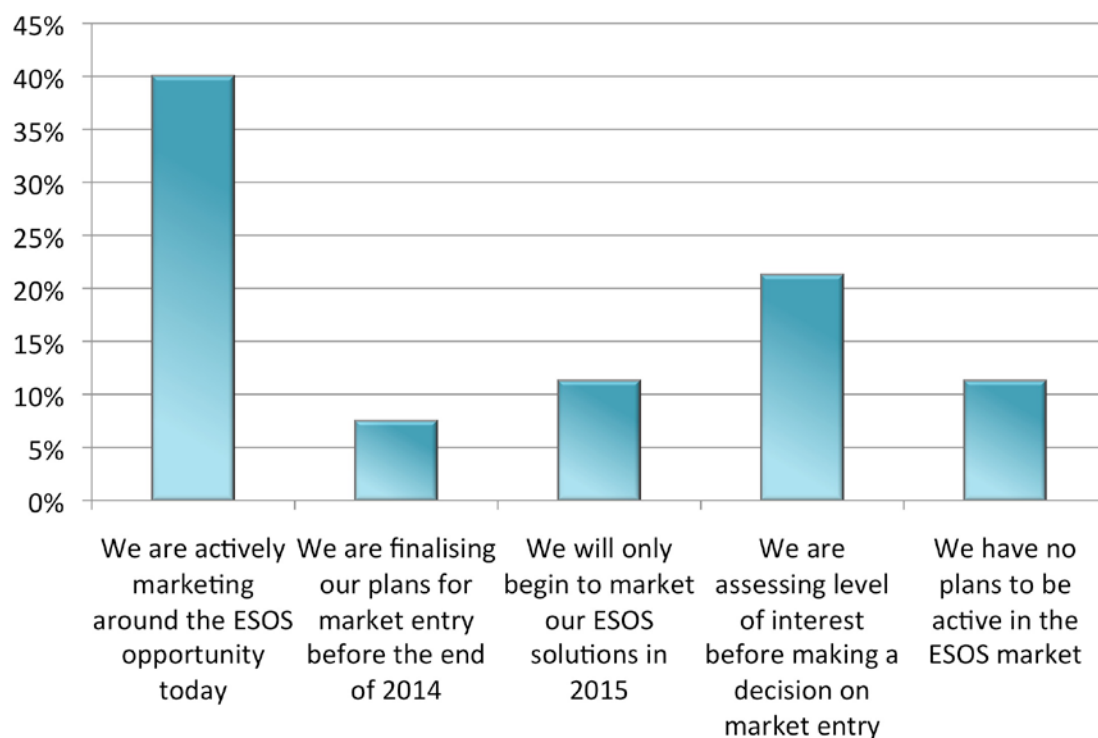
- 27% of Suppliers are seeing ESOS opportunities impact sales right now
- 66% expect the market to be created in 2015

Interpretation:

Answers to this question provide evidence of great optimism that ESOS will catalyse more business for their organisation, although most vendors expect 2015 will be when most opportunities will become available. Less than 5% of the supply chain does not believe that ESOS will catalyse any new opportunities for them.

ESOS Market Entry

Marketing activity: Please select the statement that best represents your organisation?



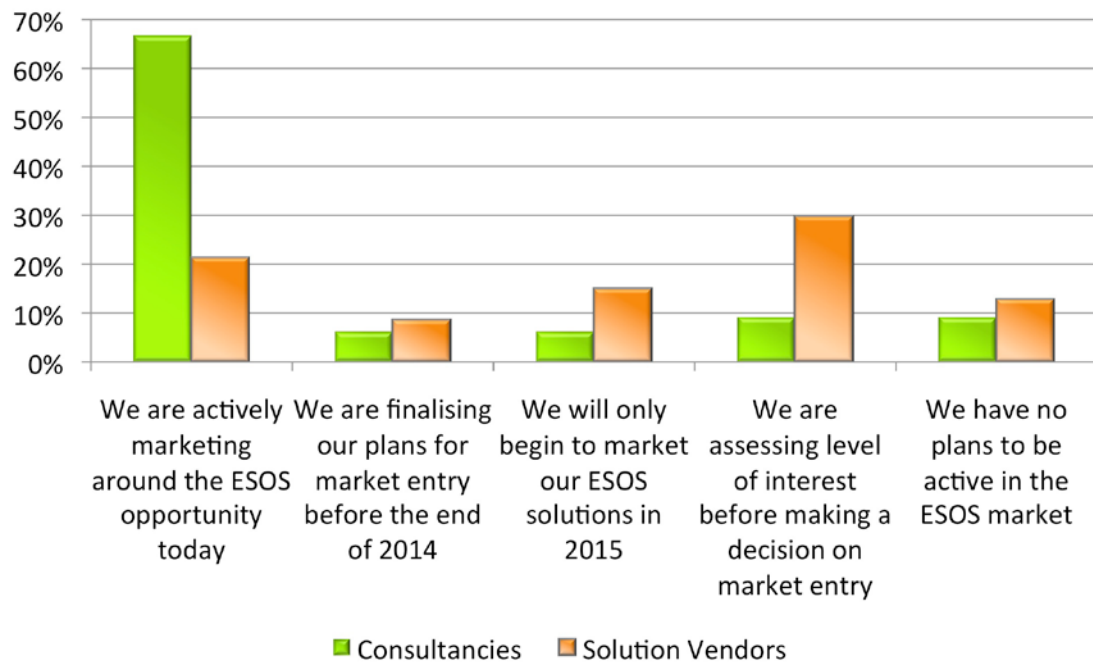
- 40% of Suppliers are already marketing their services around ESOS
- 8% will enter market before the end of the year so almost half of the market will be active in ESOS before the start of 2015
- 11% are waiting until 2015
- 36% are not yet convinced there is an opportunity for them around ESOS

Interpretation:

Although most vendors expect ESOS to catalyse new business opportunities, less than half are currently actively marketing their services. The data shows that a third of the vendors are considering if they can intercept ESOS opportunities without additional marketing investment. This may imply that many organisations see ESOS driving new opportunities within their existing clients or are as yet unsure where the real market opportunity resides for their business.

Primary: Secondary Wave Analysis:

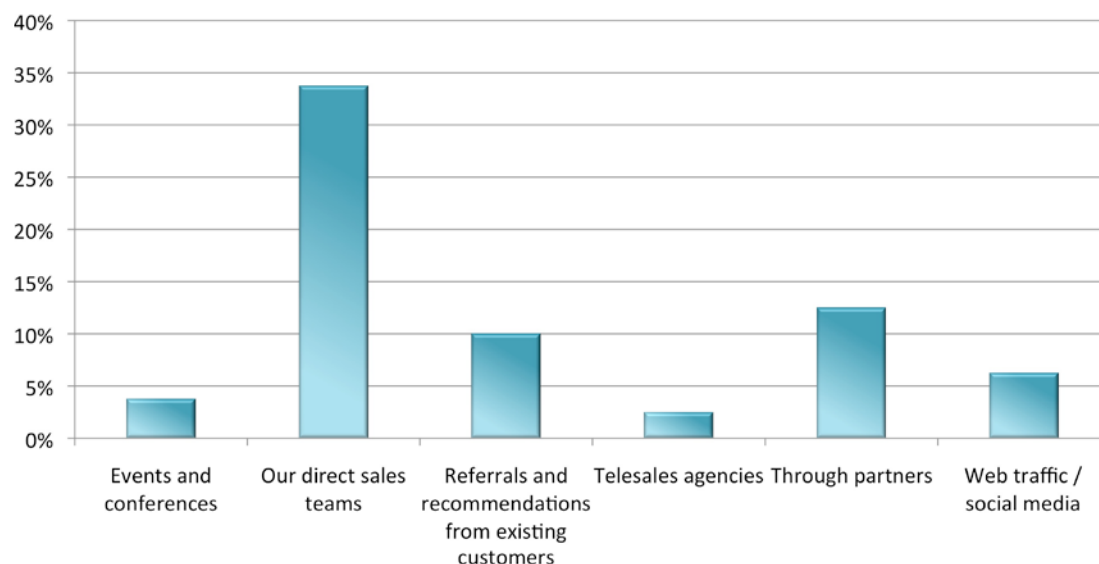
Marketing activity: Please select the statement that best represents your organisation?



Clearly the marketing activity is in-line with pattern of sales activity highlighted earlier. Despite this 24% of Secondary Wave vendors plan to increase marketing activity on ESOS in 2015.

Lead Generation

What is the most important channel for intercepting new business opportunities in your business?



- 34 % of Suppliers see direct sales as the most important channel for intercepting opportunities
- An equal number see referrals and partners as being important
- Web traffic and social media seen as being responsible for 6%

Interpretation:

Direct sales channels remain the most important source of leads for most vendors in the energy efficiency supply chain. This means that most vendors are dependent on their sales teams to reach all of those audiences inside the 10,000 ESOS obligated companies. Their sales teams will need to be able to contact all potential decision makers and key influencers within all functions inside their clients.

Any failure to engage with all potentially relevant audiences will hamper lead generation and since a supplier cannot win a deal it is not engaged in, by implication sales productivity.

Partners and referrals are also important to lead generation, placing pressures on Suppliers to ensure both high quality delivery of solutions to their clients, as well as the need to ensure that they have the best partner ecosystem capable of engaging with the emerging ESOS market.

The relatively low use of the web and social media as a lead generator is surprising as content marketing techniques are widely used in other sectors particularly in reaching senior level 'time-poor' decision makers.

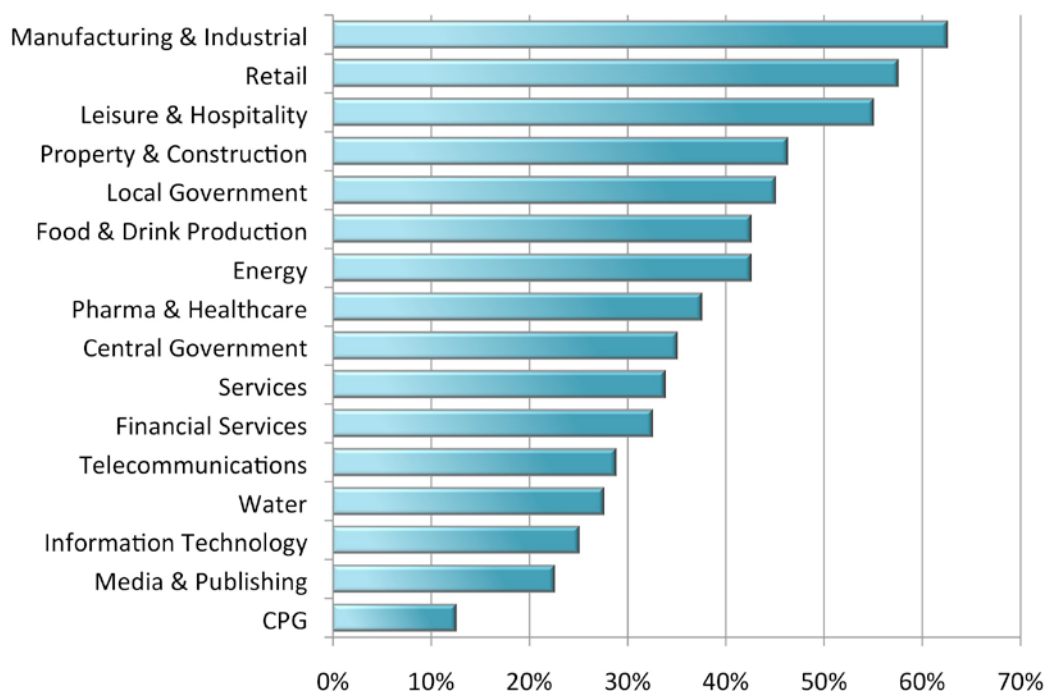
ESOS Marketing Plans – Key conclusions

- Most Suppliers across the supply chain are investing in ESOS to generate new opportunities
- Primary Wave Suppliers confirm that they are expecting to see an earlier revenue impact than Secondary Wave Suppliers, although these Suppliers expect to see new ESOS opportunities in 2015 and beyond.

- A third of Suppliers are hesitant to increase marketing activity as a result of ESOS until they see an increase in interest in ESOS. The majority of this reluctance is found in energy efficiency solution providers.
- Direct sales, partners and referrals remain the most important lead generation mechanism for the supply chain.
- Adoption of content marketing and use of social media across the supply chain is relatively low at 6%

Value Proposition

Which are the key market sectors that you serve?



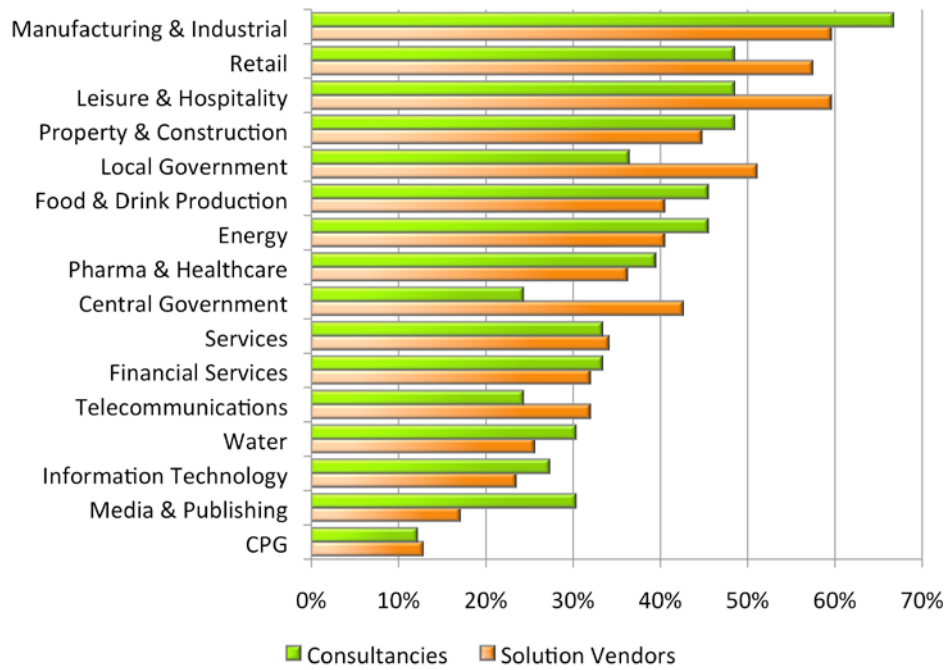
- Most important Sectors covered by survey respondents are Manufacturing 63%, Retail 58%, Leisure & Hospitality 58%, Property & Construction 46% and Food & Drink 43%
- Least covered sectors by respondents CPG 13%, Media & Publishing 23% and Telco 29%

Interpretation:

Whilst the supply chain has a presence across all industry sectors, the biggest presence is in the more energy intensive sectors. This includes Manufacturing & Industrial, Retail and Leisure & Hospitality.

Primary: Secondary Wave Analysis:

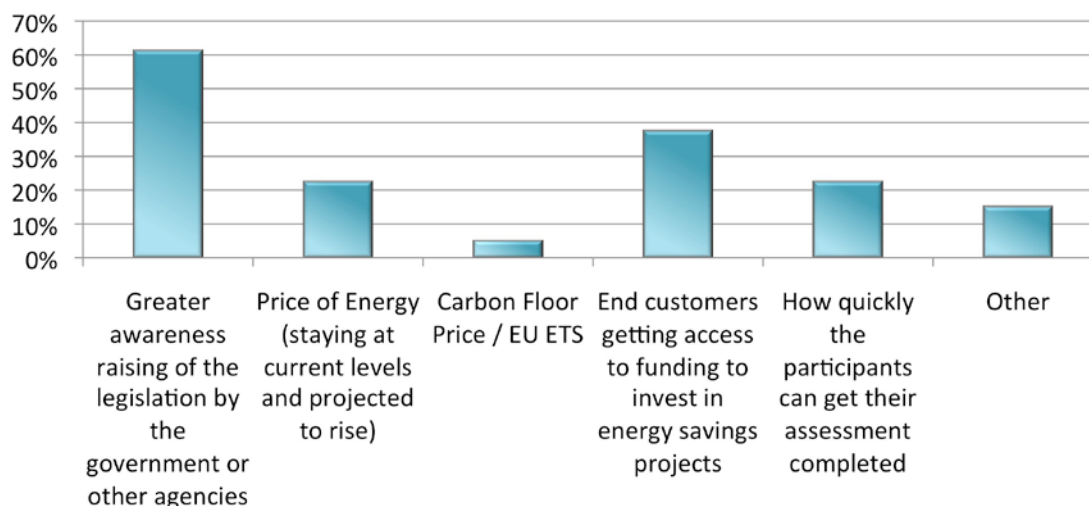
Which are the key market sectors that you serve?



The data here indicates that energy efficiency measures have already been widely adopted in retail, leisure & hospitality, as well as manufacturing. Central Government is also showing high levels of adoption by comparison with their adoption of consulting services, although Central Government is not affected by ESOS.

ESOS Market Success Factors

Which market factors: Making the most of the sales opportunities resulting from the ESOS regulation will depend on...



- 61% of Suppliers think greater awareness of the legislation by the Government will make the biggest difference to development of the ESOS market
- 38% believe that access to funding is going to be the biggest influence on development of their business
- About a quarter of Suppliers (23%) think that speed of the completion of the audit and energy prices will be key drivers of market growth
- Only 5% think the Carbon Floor Price will be important

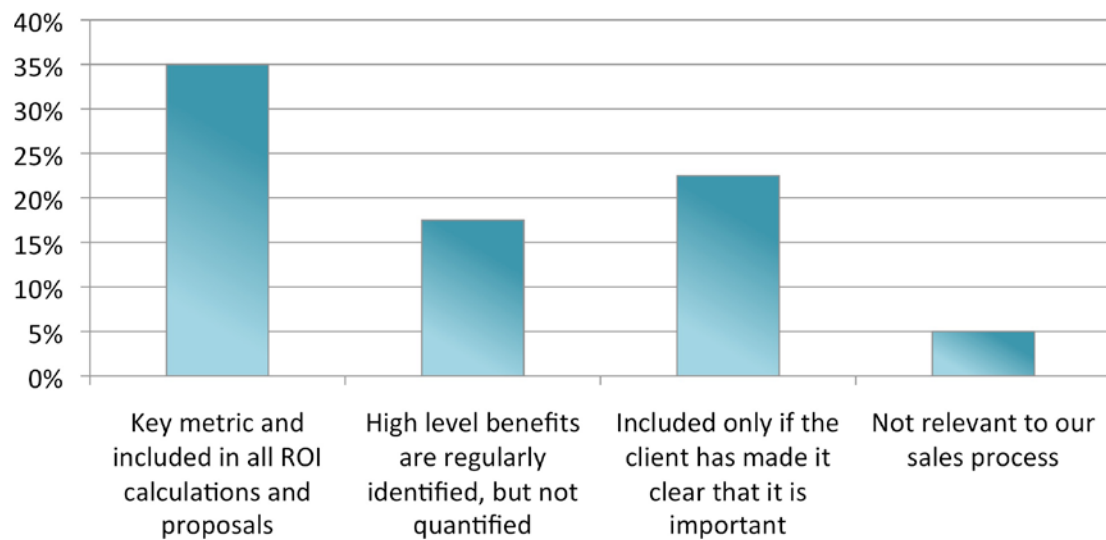
Interpretation:

At the time of this survey most Suppliers believe that the Government needs to promote awareness of the ESOS Scheme to Participants. In addition most Suppliers believe that access to funding amongst the Participants will be vital to the policy goal of reducing energy consumption via energy efficiency investments. This means that the creation of a compelling business case will be vital to the success of both participants and the achievement of ESOS policy objectives.

Suppliers do not yet see the price of Carbon in terms of the Carbon Floor Price or the EUETS (European Union Emissions Trading Scheme) as being an important driver of investment. This may be due to the low price of Carbon in the EUETS or that the full impact of the Carbon Floor Price on UK energy prices has yet to be seen.

Carbon Impact

How important is the reduction of your client's carbon footprint to your sales process / proposition?



76% of Suppliers see carbon footprint as a factor involved in their sales process

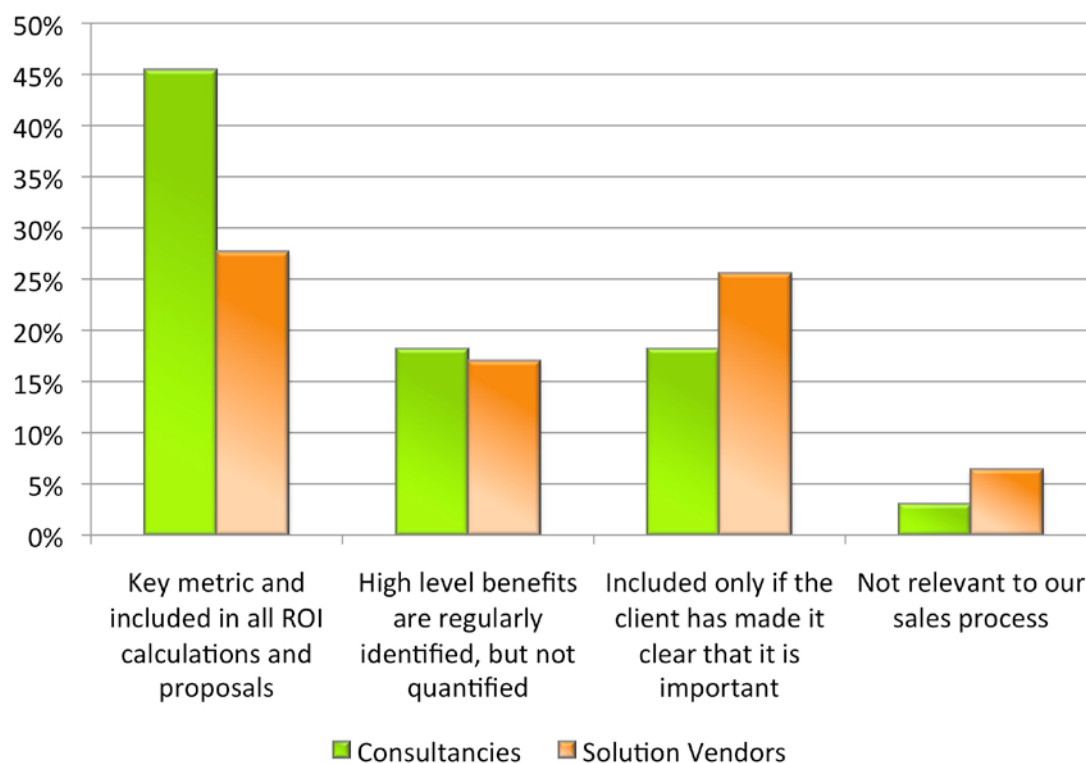
- 53% of all Suppliers recognise the value of reducing carbon footprint amongst the benefits of their offering
- 35% of Suppliers also account for these reductions it in all ROI calculations
- 23% only quantify it if the client is interested
- Only 5% see it as irrelevant

Interpretation:

Although many Suppliers recognise the importance of measuring and reducing carbon footprint within their value proposition, only 35% of Suppliers regularly measure and present this data as part of their value proposition to customers and prospects. The majority of Suppliers do not include this metric in their proposals, unless there is demand for its inclusion by customers.

Primary: Secondary Wave Analysis:

How important is the reduction of your client's carbon footprint to your sales process / proposition?



The variation in interest in carbon footprint suggests that Consultancies appear to have a generally slightly better understanding of how to quantify any carbon benefits than energy efficiency Suppliers.

48% of Solution Vendors do not include any assessment of the tangible value of carbon footprint reduction to their clients. This may provide a source of hidden value to Suppliers as they seek to build a better business case to improve the access to funds to invest in their propositions. The importance of funding access was cited by nearly 40% of Suppliers as a key success factor in the ESOS market (see ESOS Market Success Factors question above, page 28).

Value Proposition – Key Conclusions

- The most mature market sectors for adoption of energy efficiency plans and investments are: Manufacturing & Industrial, Retail, Leisure & Hospitality, Food & Drink and Property & Construction.
- Nearly 61% of Suppliers see Government awareness programmes as a key enabler for the success of the ESOS market.
- Nearly 40% of Suppliers see client access to funding as being a crucial success factor reinforcing the importance of business case strength and value proposition development.
- Most Suppliers (76%) see reduction of client's carbon footprint as being important to their proposition and sales process, yet only 35% of Suppliers include it in all ROI calculations and proposals. Given the importance of business case to ESOS success this could be a source of untapped additional value for many Suppliers.

Marketing Plans – Summary

- The ESOS market is now active – all Suppliers should engage ASAP
- Although Consultancies expect to see ESOS business earlier, energy efficiency solution providers also expect to see business in 2015.
- All vendors irrespective of category need to increase activity now to maximise market share
- Direct sales are the most important vehicle for lead generation amongst all Suppliers, but referrals are particularly important for Consultancies, whereas partners are important for Suppliers of energy efficiency solutions.
- The most mature markets for adoption of energy efficiency measures are:
 - Manufacturing
 - Retail
 - Leisure & Hospitality
 - Property & Construction
 - Food & Drink
- 61% of Suppliers see increased Government ESOS awareness programmes as a key enabler for the success of the ESOS market
- Suppliers (76%) see reduction of client's carbon footprint as being important to their proposition and sales process, yet only 35% of Suppliers include it in all ROI calculations and proposals.
- Given the importance of business case to ESOS success, better articulation of the tangible value of carbon footprint reduction to clients could be a source of untapped additional value for many Suppliers.



Sales Approach

The survey has looked at 3 areas of sales strategy:

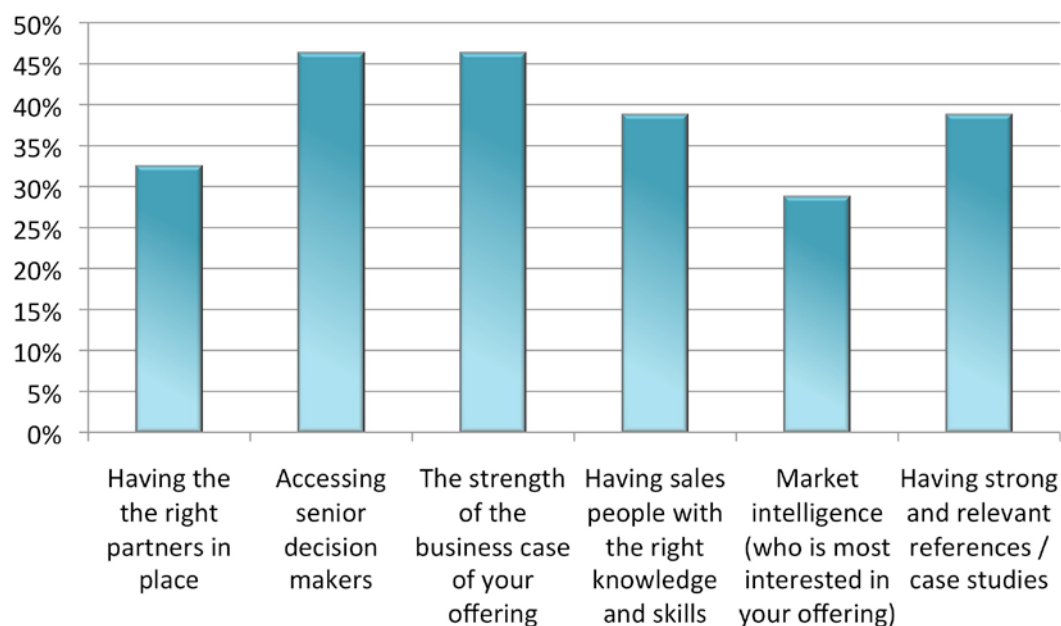
- Drivers of sales productivity in the ESOS market
- The use of both direct and indirect channels to market
- Clarity over sales process e.g. average sales values and length of sales cycle



ESOS - Sales Productivity Drivers

ESOS Sales Success – Critical Success Factors

Which sales effectiveness factors: Making the most of the sales opportunities resulting from the ESOS regulation will depend on...



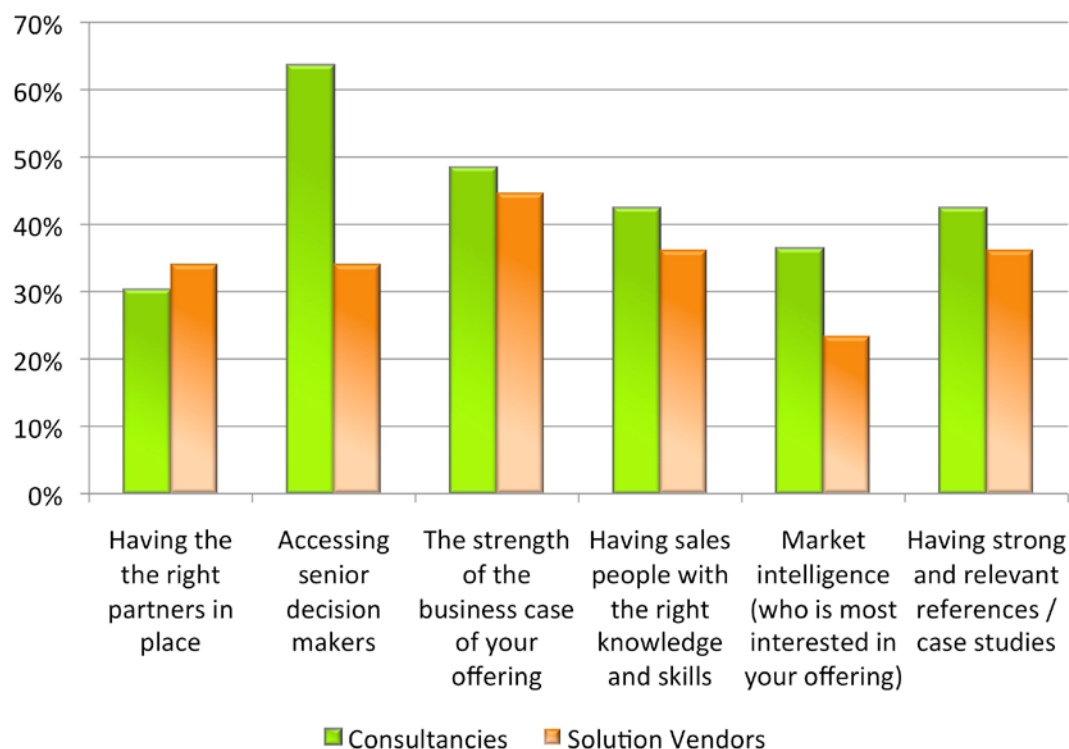
- Just under half of Suppliers believe the two biggest factors in determining sales effectiveness will be accessing decision makers and the strength of the business case for their offering
- A good proportion of Suppliers believe that in addition to having the right references (39%), sales people with the right knowledge and skills (39%) and Partners (33%) are going to be important

Interpretation:

The importance of high level C-Suite engagement with Participants and the related ability to make a good business case to these decision makers are seen by respondents as being the most important criteria for sales success in the ESOS market. The other responses also support the notion that enabled sales people accessing the right C-Suite audiences with the right value proposition will be vital. For those with less focus on direct sales, finding partners that are capable of making the case for investment at board level will be important if their indirect channels are to be effective.

Primary: Secondary Wave Analysis:

Which sales effectiveness factors: Making the most of the sales opportunities resulting from the ESOS regulation will depend on...

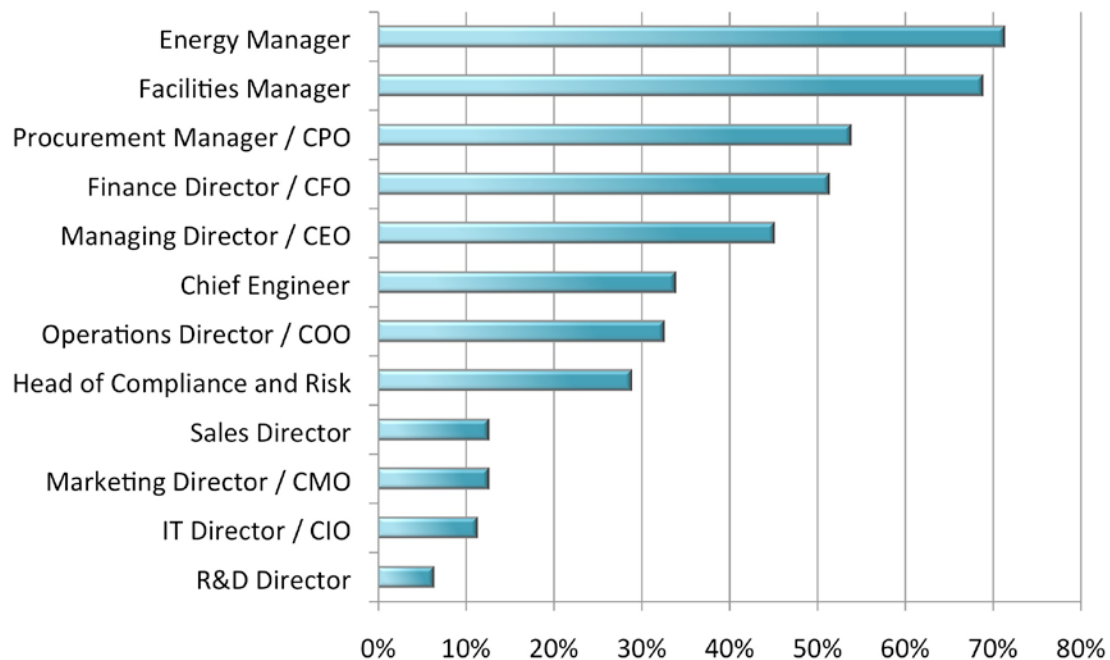


Consultancies see accessing senior decision makers as being almost twice as important to their sales effectiveness compared with energy efficiency solution providers. This may point to an over reliance by the Energy Efficiency Vendors on the Consultancies to make the business case for investment with the senior decision makers.

Companies are likely to only be able to invest in a certain number of energy efficiency opportunities in the initial phase of the scheme. Consequently success in this early market will go to those Suppliers to vendors irrespective of technology category that make the best business case when compared with alternatives. The implication is that Solution Vendors will need to act to improve their business case and to ensure that the case is presented powerfully either by their own sales teams or those of their key partners.

Typical C-Suite Audiences Today

Which business function(s) do you actively sell to currently today?



Interpretation:

Across the C-Suite there seems to be reasonable engagement, although less so the CIO, and CMO, and almost never for Head of Research. This is surprising given the potential for information to be used to identify energy efficiencies (CIO), the reputational issues associated with carbon footprints (CMO) and the importance of energy as a strategic resource (R&D). These low levels of engagement appears to be a missed opportunity. Increased contact with these roles in the sales process may offer Suppliers the opportunity to both identify additional sources of value and client support for the business cases underpinning their proposals.

ESOS Sales Productivity Drivers

– Key Conclusions

Suppliers believe that the key drivers of sales productivity in the ESOS market will be obtaining access to decision makers and the quality of the business case that is presented to these audiences.

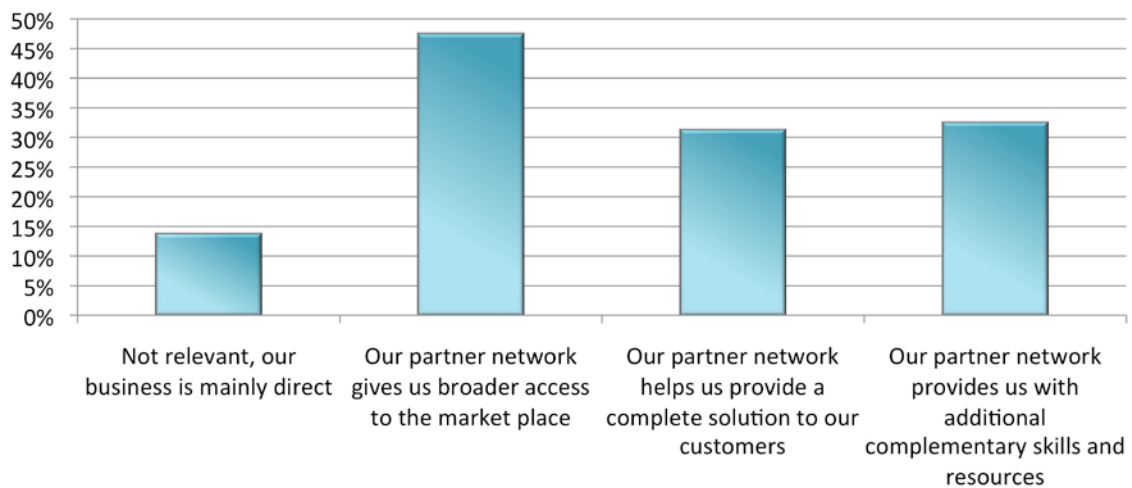
Consultancies are actively engaged with clients at all senior levels within the C-suite of their clients, whilst energy efficiency vendors are primarily engaged with traditional audiences more closely aligned with the evaluation of energy efficiency solutions.

As adoption of energy saving opportunities are voluntary, in particular energy efficiency vendors will need to make their business case for investment at more senior levels than at present.

ESOS Channel Readiness

Partnerships

Business partnerships: What are the Primary reasons for your partnering activity? Please select the statement(s) that best describe their role in your business.



- 48% see partners as being important to provide greater market coverage
- 33% see partners as helping to provide a more complete solution or additional skills and resources

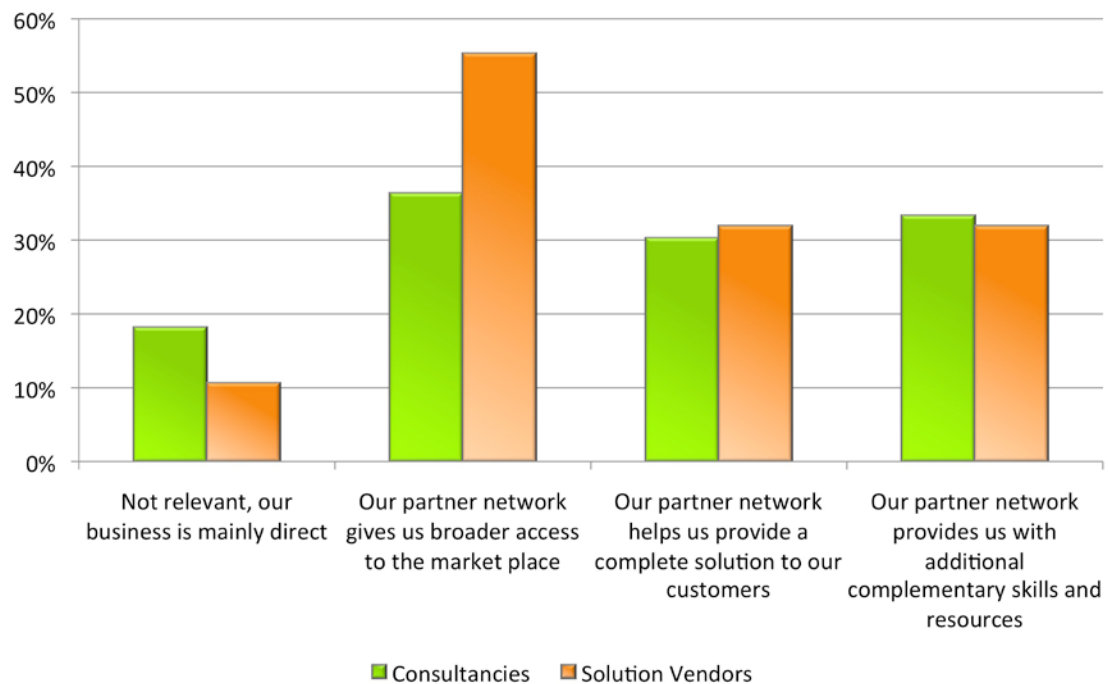
Interpretation:

Over 75% of Suppliers see partners as bringing value to their sales activities, most notably to increase market coverage.

Primary: Secondary Wave Analysis:

Business partnerships: What are the Primary reasons for your partnering activity?

Please select the statement(s) that best describe their role in your business.



It is clear that the Secondary Wave supplier segment sees partners as being more important than consulting organisations. In particular they are keen to leverage partners as a means to cover the market more effectively.

ESOS Partner Readiness - Business partnerships:

How well does your current partner portfolio support your plans for the ESOS market?



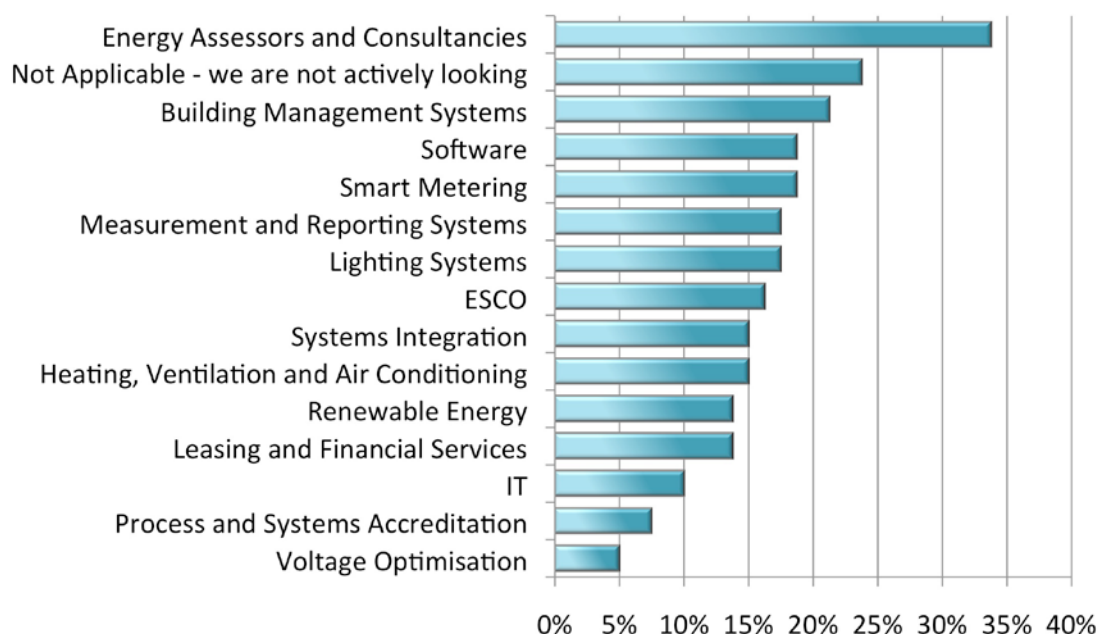
Interpretation:

The energy efficiency supply chain is in a state of flux with most Suppliers reviewing or recruiting new partners. Identification of partners that add clear value to sales and marketing efforts will be crucial. With so many organisations looking for partners at the same time, it will be vital that Suppliers have a clear recruitment strategy and a differentiated value proposition to offer their prospective partners.

Although the majority of Suppliers are looking for partners, there is evidence that it is consultants who are most actively moving away from a direct sales approach to address the ESOS market. Second Wave Suppliers, who already understand the value that partners can deliver, are reviewing their partnerships to meet the needs of the ESOS market.

Partner Recruitment

If you are looking for partnering opportunities - which of the following areas are of most interest to your organisation?



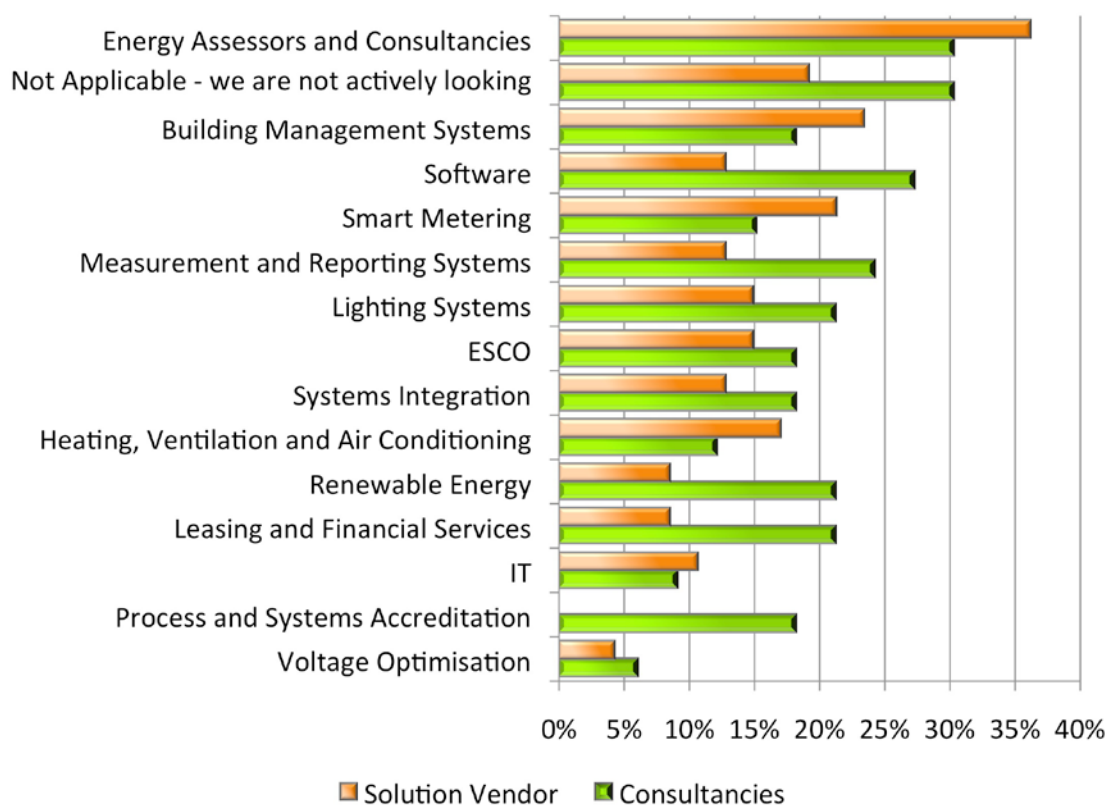
- Three quarters of all Suppliers are actively looking for new partners in complementary areas. These areas vary but cover a wide array of categories. Supply chain formation is active as Suppliers seek new channels, solutions and scale. 34% of Suppliers are seeking new partnerships with Energy Assessors and Consultancies
- Building Management Systems and Smart Metering are also needed by 21% of Suppliers

Interpretation:

This chart provides more evidence that businesses within the energy efficiency supply chain are actively seeking partners.

Primary: Secondary Wave Analysis:

If you are looking for partnering opportunities - which of the following areas are of most interest to your organisation?



The variation in the partner ecosystems of interest to Primary and Secondary Wave Suppliers is marked. Primary Wave Suppliers, such as Consultancies are actively seeking partnerships with software and measurement & reporting systems companies, as well as process and systems accreditation bodies.

In terms of energy efficiency savings solutions Primary Wave vendors are interested in forming relationships with lighting and renewable energy Suppliers. This may indicate that the Primary Wave vendors are interested in not only energy saving innovations, but also those that have an impact on improving energy resilience and carbon footprint. Finally these vendors are interested in working

with leasing solution providers to help offer clients a mechanism to fund investment in energy saving innovations.

Secondary Wave vendors are more interested in forming alliances with the Consultancies as mentioned above, but also with building management system providers. Smart metering vendors are also being sought. This may be to help them acquire the data needed to make an even more compelling case for investment in their solutions.

ESOS Channel Readiness – Key Conclusions

- The vast majority of Suppliers surveyed see their partner networks as being key to their success in the ESOS market, in particular to effectively cover the number of potential clients needing to comply with ESOS.
- The energy efficiency supply chain is in a state of flux. 76% of Suppliers are reviewing the efficacy of their partner ecosystems to meet the demands of the ESOS market.
- This heightened level of partnering activity across the supply chain. Consequently, a clear and well-executed partnering strategy will be vital to maximise opportunities in the markets created by ESOS.
- In response to the scale of the ESOS opportunity Consultancies are awakening to the importance of partners. In particular they are collaborating

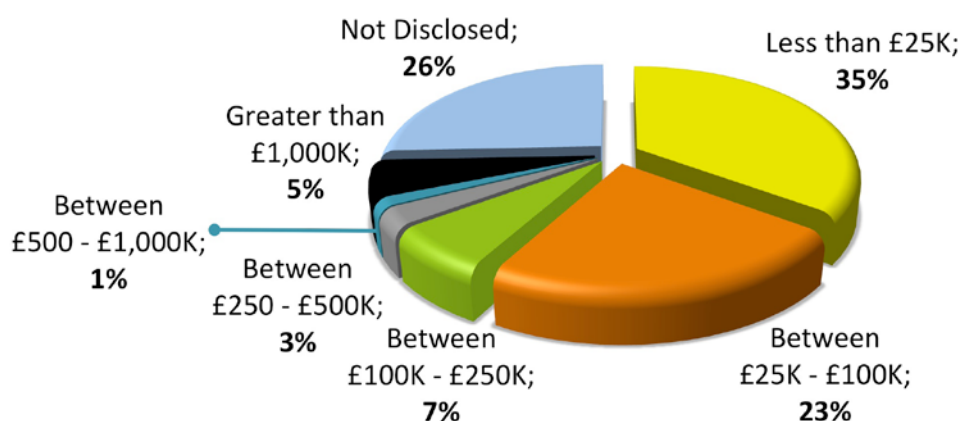
with technology Suppliers that enable a better understanding of the energy usage profile of their clients. These include Suppliers of Software and Measurement & Reporting Systems. In line with the need to identify energy saving opportunities, Primary vendors are also seeking partnerships with leasing and finance companies to help fund investment in energy efficiency solutions.

- Most Secondary Wave Suppliers have well-established channels, but they are also actively reviewing the readiness of their partners to meet the demands of the ESOS market. They are trying to recruit partners amongst the energy Consultancies that will assure initial ESOS compliance. They are also looking to partner with building management system and smart metering Suppliers that provide information that supports the business case for investment in their offerings.

Sales Process

Average Deal Size

Please select the statement that best describes your average new business deal size or annual subscription



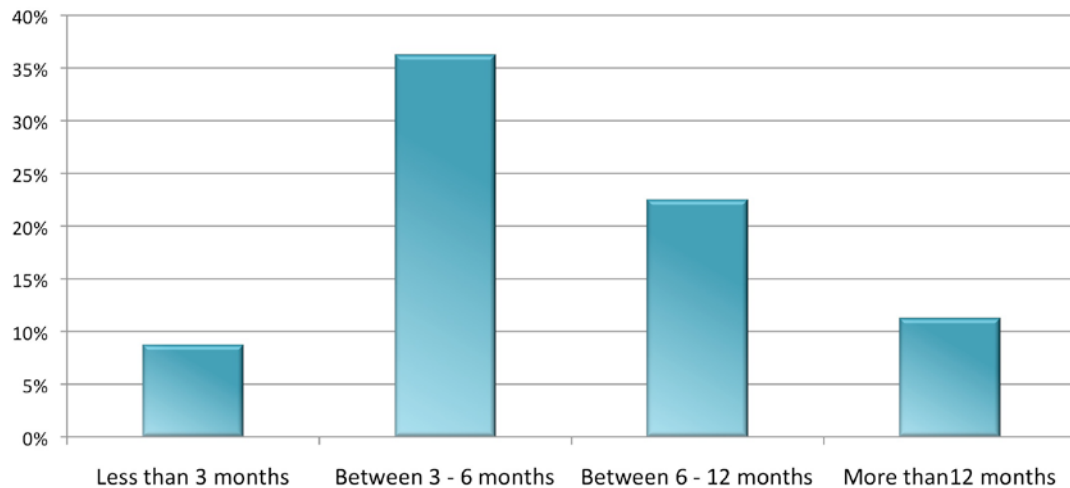
Interpretation:

There is a wider range of new business average deal sizes (ADS) across the energy efficiency supply chain with just over half (58%) of Suppliers seeing a starting investment of <£100k.

Average Sales Cycle

What is the typical average length of your sales cycle for new customers.

The graph below shows the % based on total sample size including those not disclosing



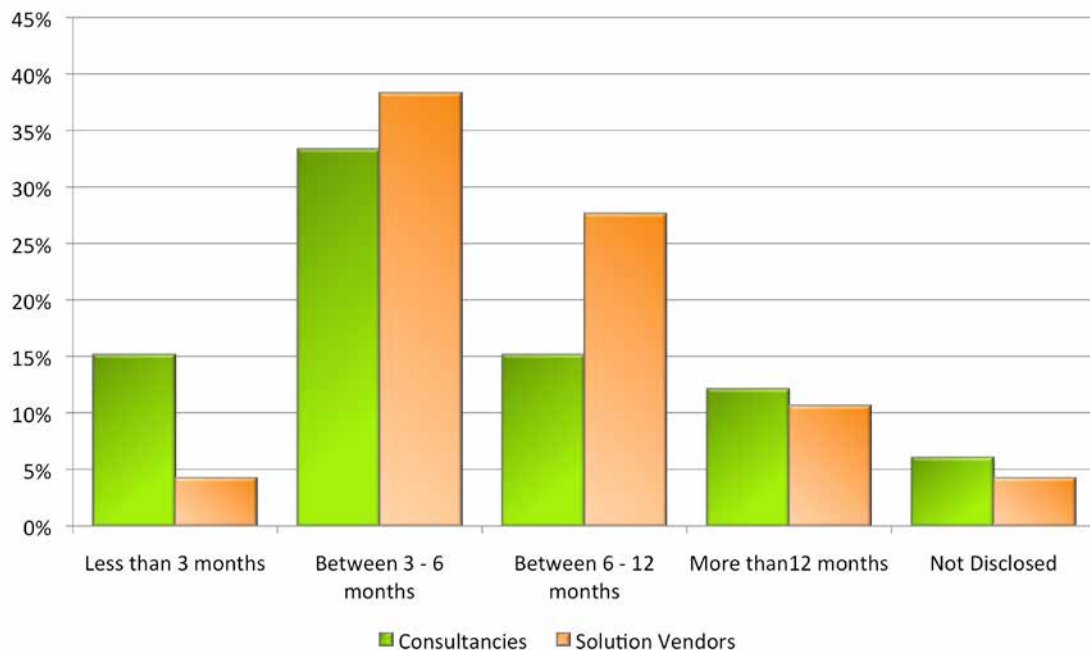
- 36% of deals take 3 – 6 months
- Only 13 % of deals take longer than a year
- 11% are done within 3 months

Interpretation:

Over 68% of sales reported by the supply chain happen in less than 12 months with the largest percentage 45% happening in less than 6 months.

Primary: Secondary Wave Analysis:

What is the typical average length of your sales cycle for new customers ?



Primary Wave Suppliers are reporting typically shorter sales cycles of less than 6 months (48%). The biggest differences are shown at the 3 month level (Consultancies -15% versus Solution Vendors - 4 %) and at the 6-12 month level where the balance of sales closed are reversed (Consultancies - 15% versus Solution Vendors - 28%)

Sales Process – Key Conclusions

- Whilst some deals can be up to £1m at the very high end, the majority of new business deals are < £100k with the majority of initial deals being less than £25k.
- Secondary Wave vendors report having a typically larger deal size than Primary Wave vendors underpinning the need for a solid business case.
- Indicative of the larger financial commitment required by Secondary Wave vendors, their sales cycles mostly take 6 – 12 months to close, whilst deals for Primary Wave vendors are typically concluded in less than 6 months.

Sales Approach – Summary

- Whilst responses indicate that Consultancies are often engaged right across the C-Suite and at senior levels, the Energy Efficiency Vendors engage more often with senior management roles linked to direct “technical” evaluation of their offerings.
- Energy efficiency solution vendors report having a typically larger deal size and longer sales cycles than Consultancies, thereby confirming the need for a solid business case to their proposals.
- Investment in energy saving opportunities is voluntary under ESOS, so access to funding and key decision makers are key success criteria for Secondary Wave vendors aiming to leverage the ESOS opportunity. Consequently vendors need to ensure that they elevate and broaden their level of C-Suite engagements.
- The energy efficiency supply chain is in a state of flux. Suppliers see partner networks as being also vital to their success in the ESOS market to cover the 10,000 ESOS participants.
- 76% of Suppliers are reviewing the efficacy of their partner ecosystems to meet the demands of the ESOS market.
- A clear and well-executed partnering strategy will be vital to maximise opportunities with what will be a very active and competitive partner space.
- Primary vendors are seeking new partnerships with Suppliers of software and measurement & reporting systems, as well as leasing and finance companies.
- Secondary Wave vendors are seeking partnerships with Primary vendors building management system and smart metering Suppliers.



Business Strategy

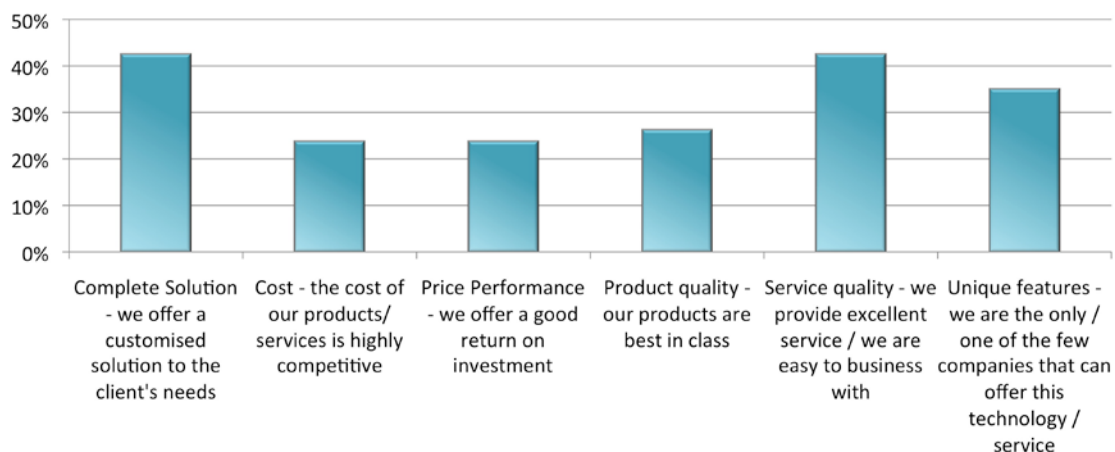
In relation to business strategy issues, the survey design has enabled analysis of important elements a supplier's business strategy. The key aspects considered relate to the basis of their competitive positioning being pursued within the supply chain, the extent to which relevant policy and legislation is being leveraged and how the target audiences and channels within clients are beginning to vary as the basis of competition changes e.g. from the sale of a single product or service to a mix of both for example.



Competitive Positioning

Unique Selling Points (USP)

In bids that you win, why do your customers choose you? What is the key value that you offer to your clients?



- 43% of Suppliers indicated that service quality and delivery of a complete solution are seen as key differentiators on bids
- 35% of Suppliers believe that unique features of their offering are key to their success

Interpretation:

All providers believe in the importance of a complete solution, and the quality of their respective product or service. Whilst some Suppliers believe that they have unique product or service capability that creates demand from their clients, most vendors (43%) seek to differentiate themselves on the completeness of their solutions or the quality of their services.

Primary: Secondary Wave Analysis:

In bids that you win, why do your customers choose you? What is the key value that you offer to your clients?

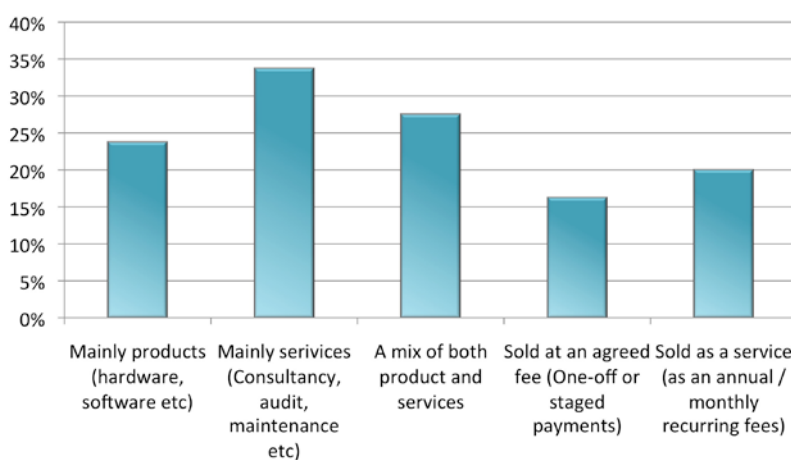


Energy Efficiency solution providers are more concerned about unique features, price performance and the cost of their offer as these are tangible aspects of what is primarily a product proposition.

Energy efficiency solution providers seeking partnerships with Consultancies should recognise the importance of service delivery quality to these organisations, as they value this aspect of their offers highly.

Product or Services Focus

Product or Services: Please select the option(s) below that best describes your business.



Interpretation:

The majority of Suppliers responding to the survey were services businesses. A quarter of Suppliers surveyed have businesses that are based on the delivery of both product and services with a quarter of the supply chain moving to providing their solution as a service on an annuity basis.

Competitive Positioning – Key Conclusions

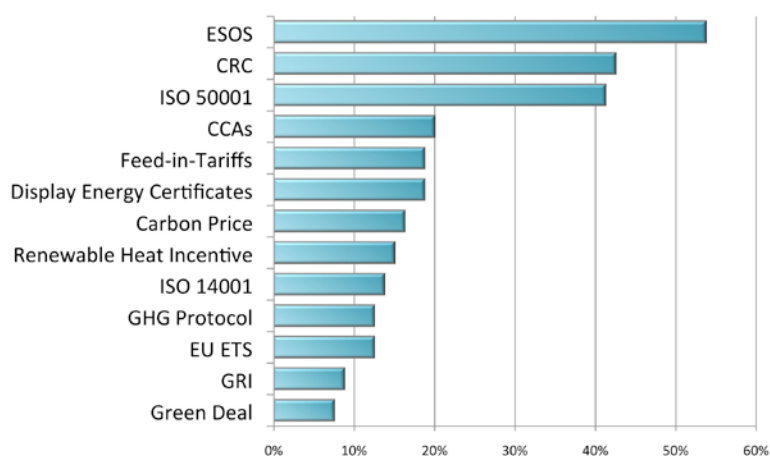
- Competitive differentiation across the entire supply chain centres upon the delivery of a complete solution backed by quality services,
- Consultancies are especially focused on the quality of their services delivery, which solution vendors need to recognise when they are trying to recruit consulting partners to their channels.

- A quarter of all Suppliers provide solutions with product and service elements with 20% of vendors offering their solutions on the basis of a monthly or annual fee. Use of this pricing model is likely to increase following the trend in other sectors e.g. ICT, as it shifts investment in solutions from capital to operational costs.

Leverage of Policy and Legislation

Relevant Policy Knowledge

Policy, legislation and context RELEVANCE: Please tell us about the relevance of each of the policy areas to your sales and marketing plans against the list below



- Top Three most relevant policy and legislative drivers are CRC, ESOS and ISO 50001
- Viewed by Suppliers least relevant GHG Protocol (12%), EUETS (12%), GRI 9% and Green Deal 8%

Interpretation:

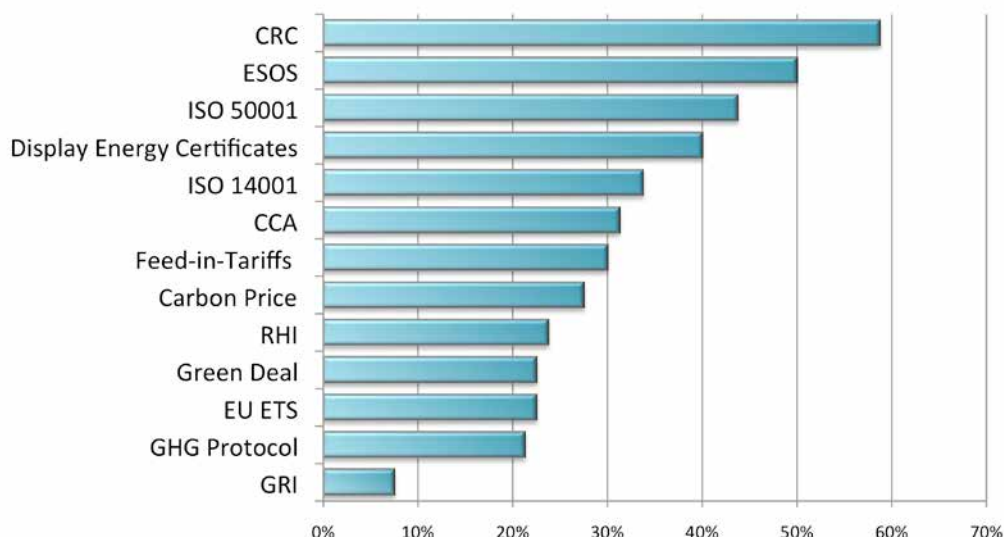
Vendors believe that CRC, ESOS and ISO 50001 are the most relevant elements of legislation to the market opportunity. This is unsurprising. However, Suppliers also see limited relevance in EUETS, and the GHG protocol. Whilst this is not directly relevant to the ESOS legislation these policy instruments can have implications for how for some ESOS participants, such as those that are in the EUETS or companies that have set aggressive emissions reductions targets, which will affect how they value and justify energy efficiency business cases.

Furthermore there is limited relevance attributed to GRI. Again whilst not directly relevant to ESOS compliance, for those clients committed to improve their Sustainability performance, in particular any listed companies, there are implications in relation to the evaluation and ranking of their investment priorities.

Suppliers not understanding these linkages face potential credibility risks that will impact their sales productivity if not addressed. Given the low relevance cited there is an emerging need for Suppliers, especially amongst solution vendors, to more fully understand the relevance and future direction of the carbon markets, carbon pricing and sustainability reporting. Absence of this understanding may undermine efforts to present the best possible business cases for their solutions.

Policy Awareness

Policy, legislation and context AWARENESS: Please tell us about your awareness of each of the policy areas to your sales and marketing plans against the list below.



- Three least understood Policy instruments are EU ETS, GHG protocol and GRI
- Most widely understood instruments are CRC, ESOS and ISO 50001

Interpretation:

The trends shown in the previous relevance question are to some degree explained by the comparative awareness amongst the supply chain of reporting frameworks.

The low awareness of GRI as a standard for Sustainability reporting means that some vendors may be overlooking significant elements of value, when presenting their business cases to a client. This is particularly true where the client has large public sustainability commitments. For example the published GRI performance data of an ESOS Participant can be used to engage their senior executives responsible for these goals e.g. Chief Sustainability Officers (CSO).

Although there is relatively good awareness of the importance of carbon price, awareness of the GHG protocol is low. Within the ESOS participants there will be a good number who have clear and publicly stated ambitions to reduce their Carbon footprint built around GHG protocol principles. Suppliers are not recognising this and may therefore undervaluing the business case for their solutions.

In both cases lack of knowledge about the significance of these reporting frameworks may damage supplier sales productivity and credibility. Those vendors with this understanding have an opportunity to gain significant sales advantage in the increasingly competitive market conditions catalysed by ESOS.

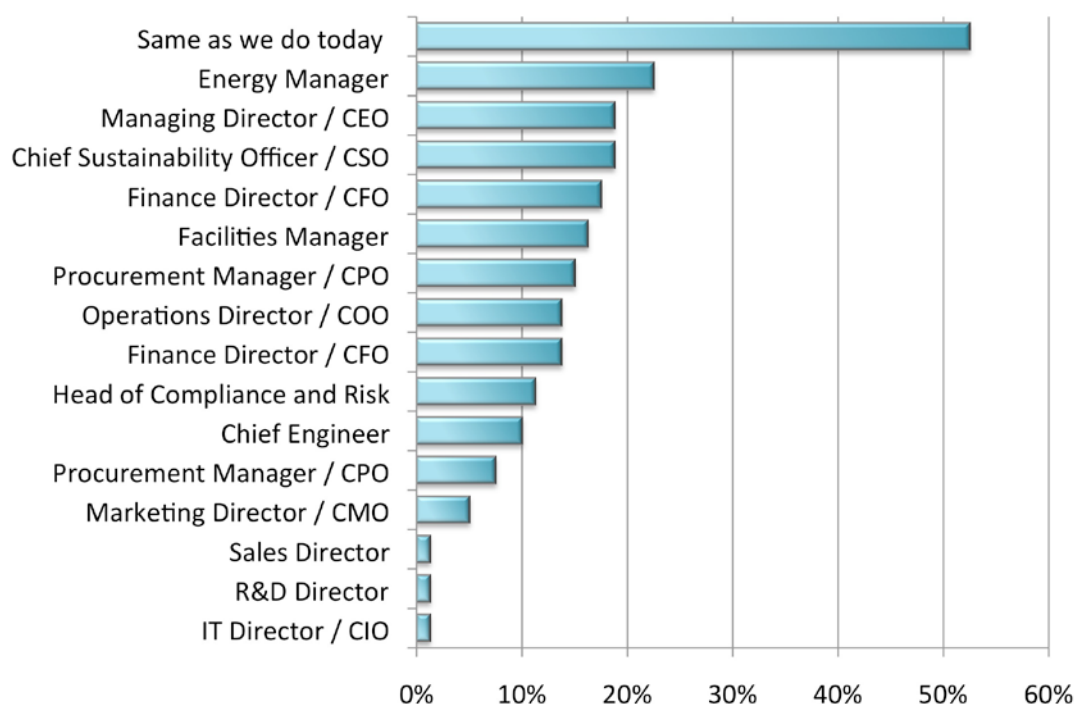
Leverage of Policy and Legislation – Key Conclusions

- As expected the supply chain appears to have a good understanding of legislative drivers such as ESOS, CRC, and CCAs, but is less strong in terms of understand the importance of voluntary reporting frameworks for both Carbon and Sustainability reporting.
- Suppliers should seek to plug these knowledge gaps regarding these frameworks to mitigate any credibility risks in front of Participants that might hamper sales productivity in a very competitive market.
- Limited understanding of these important frameworks places Suppliers at the risk of significant competitive disadvantage. This impact applies in two ways. Suppliers may underestimate the value of their offer. Additionally these frameworks can be a valuable enabler of a wider, elevated and more credible dialogue with senior executives within the clients.
- Suppliers without a comprehensive understanding of these frameworks should seek to plug these knowledge gaps and mitigate these risks to their sales execution.

New Audiences and Channels

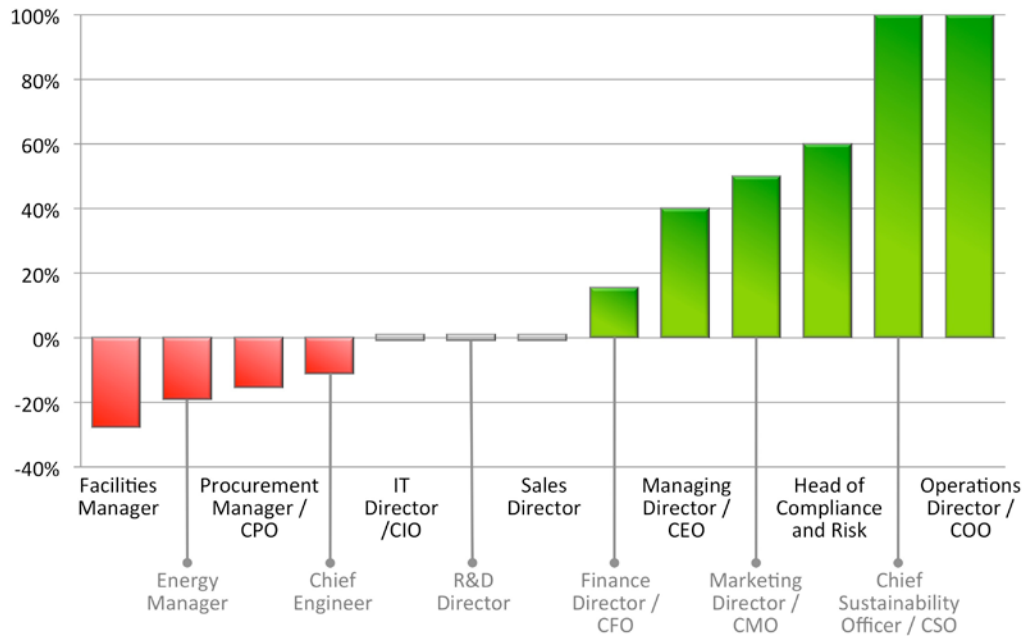
Typical C-Suite Audience Tomorrow

Which business function(s) will you actively sell to 2 years from now?



- 53% of Suppliers see no need to change who they sell to
- The MD/CEO and Chief Sustainability Officer (CSO) were both identified by 20% of Suppliers as future roles key roles to engage

Suppliers view of the most important C-Suite roles over the next 2 years?



Interpretation:

Over half of Suppliers do not see any change in the Primary C-Suite audiences that they sell to. Of those that identified a change in target C-Suite audience, there is a move away from the functional operational roles to more senior C-suite decision makers.

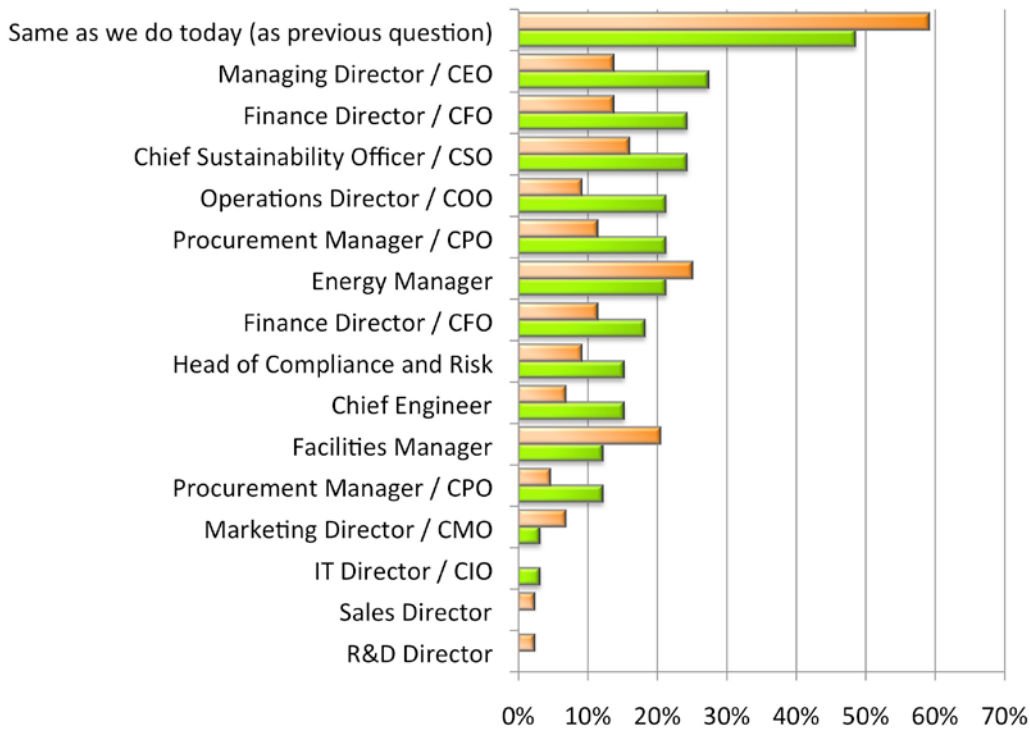
The FD and CEO continue to grow in importance emphasising the need for Suppliers to elevate the level of their engagement. The Head of Compliance and Marketing Director also grow in prominence emphasising the growing significance of energy efficiency to meet new regulatory pressure and the impact of energy on brand and corporate reputation, respectively.

However the most important roles in this period are seen to be the Operations Director or COO and the Chief Sustainability Officer (CSO), whose status in their sales cycles is expected by 47% of Suppliers to double over the next two years is significant. It points to the growing significance of energy to continuity of operations, as well its environmental impact e.g. in relation to emissions, as vital components of business cases to invest in energy efficiency.

The growing reputation of these non- traditional C-Suite audiences shows suppliers must elevate and broaden their C-Suite engagement within their clients.

Primary: Secondary Wave Analysis:

Which business function(s) will you actively sell to 2 years from now?

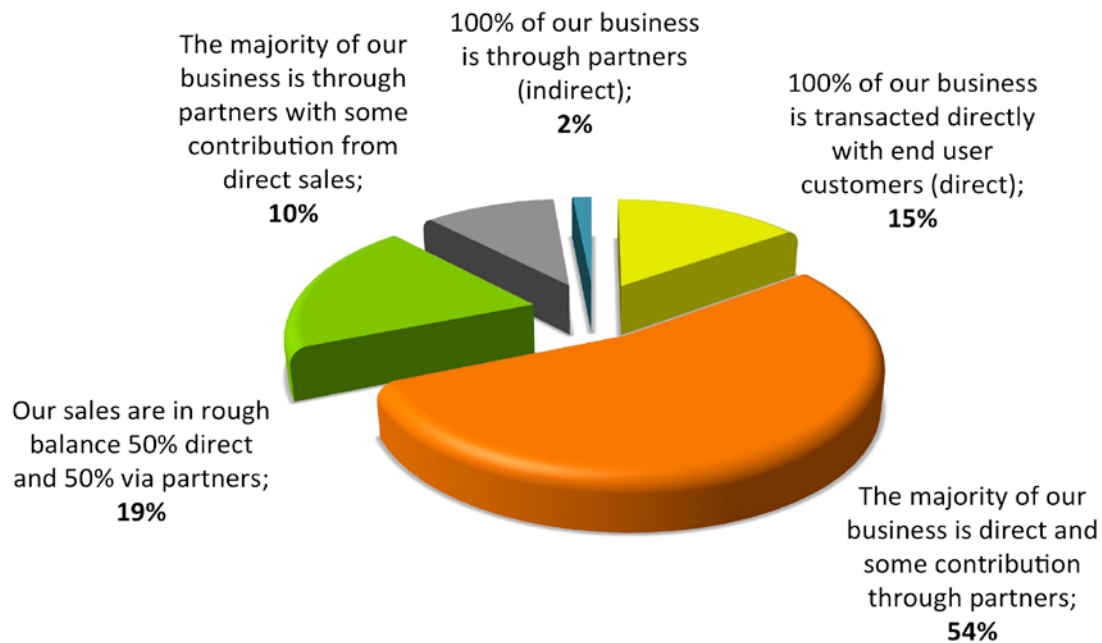


For those Consultancies seeing to expand their C-Suite contacts, senior management roles such as the CEO and CFO being most important. The CSO, Energy Manager and Head of Procurement are also seen by these consultants as increasingly influential to their sales process.

Solution Providers aiming to expand their C-Suite contacts are aiming to focus upon the Energy Manager and Facilities Manager, whilst recognising the need to also engage the CEO and CSO.

Sales Channel Balance (Direct vs. Indirect)

Partnering versus Direct Sales: Please select the statement below that best describes your business



- 88% of Suppliers have a big focus on direct sales with 70% seeing it as their Primary channel
- 31% see partners as being important with only 12% seeing it as their Primary route to market

Interpretation:

Direct sales methods dominate across the supply chain, but the importance of partners is recognised and the implication from other questions is that interest is growing, perhaps catalysed by the size of the ESOS opportunity.

The implications for business strategy is that the skills and expertise needed to manage partner channels and networks effectively will be a growing need for all Suppliers irrespective of category.

New Audiences and Channels – Key Conclusions

- Almost two thirds of Suppliers provided a view that they do not need to change their target C-Suite audiences to be successful in the ESOS market
- Despite this some Suppliers are responding to the changing market conditions created by ESOS and using it to engage more widely with the C-Suite
- Consultants are generally looking to elevate and expand engagement across the C-Suite, in particular with the CFO, CSO and CEO.
- Solution providers are also looking to elevate contact with the Energy Manager, Facilities Manager and CEO
- All parties are recognising the growing importance of the CSO and Energy Managers to their sales cycles. This may be in response to the security and environmental impact of energy for ESOS participants
- The size of the ESOS opportunity is catalysing all Suppliers to review the value of partners to their channel strategies
- Consultants appear to be seeking partners that can increase their scale and complementary skills, whilst solution providers are seeking partners that can provide better access to the C-Suite or can improve the quality of their business case.
- For all Suppliers this growth in partners means there is likely to be an increasing need to add partner strategy and management skills to their sales teams

Business Strategy – Summary

- The energy efficiency supply chain is becoming more solution orientated. Suppliers are transitioning away from delivery of a single product or service towards the delivery of a comprehensive answer to a client's energy efficiency needs backed up by quality services.
- New competitive pressures created by ESOS are likely to accelerate this transition in the short and medium term. These pressures on Suppliers will vary dependent on their role and market power in the energy efficiency supply chain.
- Suppliers must therefore develop business strategies that secure them a viable niche within these new emerging more tightly integrated supply chains or risk being marginalised as niche vendors.
- Innovative Suppliers will see ESOS as an opportunity to respond to these changing market conditions and to elevate and extend senior management engagement across their clients.
- Suppliers' responses indicate that they are keen to increase dialogue with the COO and CSO, reflecting the increasing influence of these roles in relation to the security and environmental impacts of energy consumption.
- The increased prominence given to the energy saving opportunities provided by ESOS means that Solution Suppliers in particular will need to review their sales team's ability to make a compelling business case for their offerings.



- One opportunity to identify untapped value in business cases is the environmental benefit delivered by solutions. The data shows that although the supply chain has a good understanding of the specific legislation impacting ESOS Participants, awareness and understanding of Carbon and Sustainability (C&S) reporting is significantly lower.
- Suppliers without this C & S reporting insight may significantly undervalue the environmental benefits of their offerings and present less compelling business cases.
- The executive management in companies committed to public sustainability and reporting goals are held accountable for their achievement. Consequently new opportunities to achieve these goals are taken very seriously. Sales teams that do not understand the significance of these corporate objectives are missing great opportunity to engage with senior influencers of purchasing decisions.
- These gaps in knowledge can be fixed and energy efficiency solutions Suppliers should plug them or risk being consistently outsold by competitors.
- In addition to reviewing the efficacy of direct sales strategies, all parts of the energy efficiency supply chain are actively seeking new indirect channel partners to help them cover the market effectively.
- The growth in importance of partners to supplier business strategy partners means that expertise in partner strategy and management needs to part of their management portfolio.

Conclusions and Recommendations for Energy Efficiency Suppliers

This section provides a comprehensive yet concise summary of the key points of our analysis of the survey findings. It is followed by our recommendations to Suppliers wishing to maximise their opportunity in the ESOS market.

In considering these conclusions and recommendations we have provided a framework for Suppliers to consider their own organisation's readiness to capitalise on the ESOS market opportunity.

This section also covers externalities referred to by survey respondents, which are beyond the scope of any individual Supplier to impact, but which may be addressed by acting with others in the energy efficiency supply chain. A conclusion and recommendation relating to these externalities are presented at the end of this section.

The ESOS Supplier Readiness (ESR) Framework

Cambium's ESOS Supplier Readiness Framework (ESR) is based upon an assessment of 8 indicators of supplier readiness.

It is represented in the diagram below. Insights from the survey that are relevant to each of the indicators shown in the diagram are identified. A number of recommendations for energy efficiency Suppliers relating to each element of the ESR framework are made.

Those Suppliers interested in using this framework to benchmark their own readiness for entry to the ESOS market versus the rest of the energy efficiency supply chain should review the section of this report on ESOS Supplier Readiness benchmarking on page 11.

The ESOS Supplier Readiness Framework provides a checklist that Suppliers may wish to consider in developing and reviewing their plans for ESOS market entry. These 8 indicators span the three key areas of Supplier activities already used to structure the Analysis section of this report. The indicators are defined overleaf.

- Marketing Plan
- Business Strategy
- Sales Approach

ESR Framework Indicator Descriptions

Marketing Plan

1. Maturity of ESOS Proposition

How well does a Supplier's core value proposition to ESOS participants capture the potential value of the offering in terms of the economic, environmental and societal value that it provides to potential clients? Has the proposition been delivered through both direct and indirect channels? Is the proposition expressed in terms that are relevant to C-Suite audiences within prospective clients?

2. ESOS Marketing Execution

How effective are marketing activities in reaching key audiences and segments within the emerging ESOS market? How does this activity compare with the rest of the industry?

Business Strategy

3. Maturity of Business Case

Can prospective clients be provided with a mature well-developed business case for investment in their offer? Are these business cases customised to client need? Are they supported by measurable data of the economic and environmental (e.g. Carbon footprint or associated metrics) benefits captured from successful client deployments?

4. Understanding of Policy Drivity

Awareness and understanding of current legislation and future policy interventions will ultimately be important to a Supplier's success in the ESOS market. This insight can be used to capture and articulate additional value for their clients and to demonstrate the future resilience of a proposed solution to future policy changes. How well does the business demonstrate this understanding and use it in their sales and marketing processes?

5. Business Model Agility

How well are revenues balanced between direct and indirect channels? Does the current business include both product and services elements? Has

the organisation developed offerings that can accommodate or respond to a shift in the delivery of solutions from unpredictable capital investments to long-term recurring revenue streams?

Sales Approach

6. C-Suite Engagement

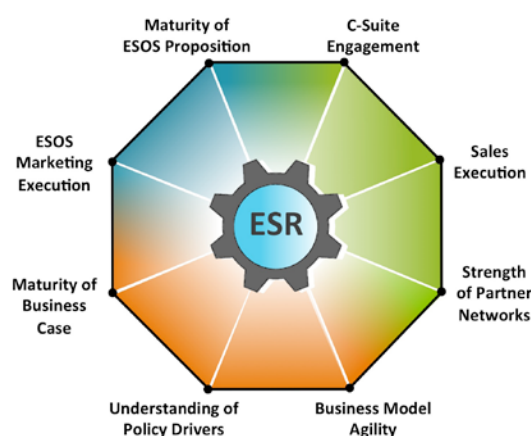
Success in the ESOS market will require organisations regular engagement with decision makers at senior levels and across all functions. Suppliers need to have a good understanding of how different C-Suite functions interest in their offer both now and in the future. To what extent can the business demonstrate comprehensive engagement with the C-Suite in their clients or prospects?

7. Sales Execution

There is sound evidence that a businesses with a good understanding of sales process and a strong focus upon their measurement and assessment optimises its sales productivity. Are processes in place within the business that ensure consistent and predictable delivery of revenues, across all utilised channels?

8. Strength of Partner Networks

ESOS market success will demand collaboration with complementary partners and channels to maximise market share. To what extent does the Supplier currently leverage indirect channels to scale market coverage and deliver complete solutions?



Conclusions from the survey aligned to the ESR Framework

1. Maturity of ESOS Proposition

The energy efficiency supply chain sees great value in being more solution orientated in its approach to clients. 43% of Suppliers cited the delivery of a complete solution as being one of the most important reasons for winning new clients.

The other key reason for winning business given by Suppliers (43%) was excellent service quality, whilst remaining flexible to meet clients' needs

2. ESOS Marketing Execution

The ESOS market for both Consultancies and energy efficiency solutions providers is very active with 76% of Suppliers are seeing ESOS opportunities already.

26% of Suppliers having already won business or have well advanced sales discussions as a result of ESOS.

Consultancies will be the early beneficiaries of the market, but energy efficiency solutions providers expect to see ESOS positively impact their business in 2015.

3. Maturity of Business Case

Just under half of Suppliers believe that the strength of the business case of their offering will make the most difference to making the most of new sales opportunities resulting from ESOS. As investments in energy saving opportunities are voluntary under the Scheme, investment in energy saving projects will need to be supported by robust and compelling business cases.

Over 76% of Suppliers report that reduction of client's carbon footprint is relevant to their proposition and sales process. Given the importance of the business case environmental impact benefits of a solution should be included in supporting sales proposals. Despite this only 35% of Suppliers include reduction of their client's' carbon footprint in their ROI calculations and proposals.

4. Understanding of Policy Drivers

There was a generally good awareness and understanding of the relevance of some environmental legislation across the supply chain in particular of the relevance of regulations and standards, such as ESOS (54%), ISO 50001 (41%), CRC (43%).

Awareness of other policy instruments and frameworks amongst Suppliers was variable. The percentages of Suppliers fully aware of the following policy incentives and frameworks are: EU ETS (23%), GHG Protocol, (21%) and GRI, (8%)

Better awareness of these environmental reporting frameworks by Suppliers across the EE supply chain would be valuable. This knowledge will help to support the building of better business cases and improving C-Suite engagement.

5. Business Model Agility

88% of Suppliers have a big focus on direct sales with 70% seeing it as their Primary channel. However nearly a third also see partners as being important.

43 % of Suppliers service quality and delivery of a complete solution are seen as key differentiators on bids

A quarter of Suppliers provide both Products and Services to their clients to deliver a comprehensive answer to a client's energy efficiency needs.

20% of respondents are already providing their solutions to their clients as an annual or monthly recurring fee.

6. C-Suite Engagement

The majority of Suppliers (46%) believe that to make the most of the sales opportunities resulting from the ESOS regulation will depend on accessing senior decision makers.

This view is supported by 38% of respondents, who reported that access to funding is going to be the biggest influence on development of their ESOS business. Consequently, access to funding and key decision makers are vital success criteria for any Supplier aiming to leverage the ESOS opportunity.

Suppliers report that most interest in ESOS is being shown by Energy Managers (EM) - 45%, followed by Facilities Manager (FM) 19 % and the Chief Sustainability Officer (CSO) – 18%.

Consultancies are actively engaged with client's at all senior levels within the C-suite of their clients, whilst energy efficiency vendors are primarily engaged with traditional audiences more closely aligned with the evaluation of energy efficiency solutions.

Over the next two years, most Suppliers indicated that they do not see these roles changing in importance. Of those that did anticipate change in the C-suite energy interest, the most influential roles are expected to be the COO and CSO.

7. Sales Execution

Energy efficiency Solution Vendors report having a typically larger deal size and longer sales cycles than Consultancies.

64% of Solution Vendors reporting that sales cycles typically last 3 - 12 months whereas for Consultancies 48% were completed within 6 months

8. Strength of Partner Networks

The energy efficiency supply chain is in a state of flux with 76% of Suppliers are reviewing the efficacy of their partner ecosystems to meet the demands of the ESOS market.

The motivation for this widespread review of partners is to provide greater market coverage (48%) and to provide a more complete solution or additional skills and resources (33%).

Recommendations aligned to the ESR Framework

1. Maturity of ESOS Proposition

- Suppliers should ensure propositions make clear how their offering integrates and adds value to complementary solutions and services. This will enable their clients to understand how the Supplier's offering can be configured as part of the client's overall energy efficiency strategy.
- The quality and breadth of services delivered to clients should be reviewed and benchmarked against competitors to ensure that they are in line with rising industry standards across the supply chain.
- Propositions should be reviewed to ensure that they include the complete business value of a Supplier's energy efficiency proposal and not just the financial benefits of cost savings.

2. ESOS Marketing Execution

- All Suppliers interested in providing products and services should enter the ESOS market as soon as possible and consider increasing their sales and marketing activity to build sales pipeline and market share.
- ESOS Suppliers entering the market should ensure that they have adequately considered all of relevant aspects of their "go to market" plans. – see Page 31

3. Maturity of Business Case

- The environmental impact of energy efficiency within all ESOS proposals should be understood and quantified.
- Publicly available client information on objectives for emissions reduction and sustainability should be assessed. This will help Suppliers to identify and quantify potential sources of client-specific value delivered by their solutions.

- Suppliers should have current energy efficiency business cases reviewed independently to ensure that all potential sources of value are being captured in sales engagements

4. Understanding of Policy Drivers

- Suppliers without a full appreciation of Carbon and Sustainability risk significantly undervaluing their offerings / proposals.
- Where sales or marketing teams do not understand relevant Carbon and Sustainability reporting frameworks, education or support should be provided to plug these gaps in knowledge.

5. Business Model Agility

- The energy efficiency supply chain is becoming more solution orientated. Suppliers are transitioning away from delivery of a single product or service towards the delivery of a comprehensive answer to a client's energy efficiency needs backed up by quality services.
- Suppliers must develop business strategies that secure them a viable niche within these new more tightly integrated supply chains or risk being marginalised as niche vendors.

6. Client C-Suite Engagement

- As adoption of energy saving opportunities are voluntary under ESOS, Secondary wave Suppliers will need to obtain support for their business cases at more senior levels than at present.
- To achieve broader C-Suite engagement and to make the business case for investment in their offer more effectively, Suppliers should review the capability of their client facing teams. Where appropriate consider investment in education to enable improved C-Suite engagement.

- Suppliers should ensure that sales teams have both the messaging and collateral to support wider engagement outside of traditional senior management audiences.
- Analysis of client performance relating to achievement of public energy and sustainability goals should be used to obtain wider engagement with senior influencers within client purchasing coalitions.

7. Sales Execution

- Secondary Wave vendors have longer sales cycles and higher average deal values. This means good sales processes designed to regularly qualify the “real” status of sales opportunities will be essential to sales success.
- More effective qualification of opportunities will be an important benefit of higher and wider C-Suite engagement. This should be attempted as early in the sales cycle as possible to ensure that sales resources are deployed optimally.

8. Strength of Partner Networks

- Suppliers across the supply chain see partner networks as being vital to cover the 10,000 ESOS Participants. However, Suppliers should take time and care to ensure they have a partnering strategy that maximises their opportunities.
- Energy efficiency solution vendors will be competing for the best partners – Suppliers should develop partner centric value propositions and build / recruit new skills to manage these relationships effectively.
- Suppliers operating through mainly indirect channels should review the ability of their partner ecosystem to make the business case for their solutions. Where this review leaves any gaps, then Suppliers should consider recruiting new partners or investing in education programmes for partner sales teams.
- Partner engagements should be balanced with care to minimise any conflicts of interest both externally and internally with direct sales channels

ESOS Market Externalities

- We have also considered externalities referred to by survey respondents, which are beyond the scope of any individual supplier to impact, but which may be addressed by acting with others in the energy efficiency supply chain.

Conclusion

- 61% of suppliers see increased Government ESOS awareness programmes as a key enabler for the success of the ESOS market.

Recommendation

- Suppliers should consider working with relevant industry bodies and networks to lobby Government to the risks of achieving policy goals on energy savings across the UK economy, if ESOS awareness amongst qualifying companies is not increased.

Appendix 1 – List of Survey Participants

ABB Ltd	HP
Accuvio	JRP Solutions
Airius Europe Ltd	IBM
Anesco	Industrial Sustainability Solutions
ARM Limited	iVolt Limited
aSG	Kamstrup Instrumentation Ltd.
BIFM	LED Eco Lights Ltd.
BIU	Magnatech Fuel Conditioning Ltd
BM TRADA Certification	Measure My Energy
BuyEnergyOnline	Mulholland Energy Solutions
C T C Energy	Native-Hue
Carbon Clear	Next Control Systems Limited
Carbon2018 Limited	Norland
Carbon3IT Ltd	Npower
Cisco	Open Energi
CloudApps	Pavegen Systems Ltd
Cornwall Energy	Philips Lighting
CP ELECTRONICS	Power Efficiency Limited
Crichton Carbon Centre	PSW Building Consultancy
Cylon Controls Ltd	Sabien Technology Ltd
Degree Days Direct Limited	Schneider Electric
digitalenergy ltd	Siemens Operational Services
E-CO	Stroma Technology
ECA Group	Stuart Jackson Associates Limited
EcoSteer Limited	Swan Energy Ltd
EDF	Tata Consultancy Services
EECO2	TEAM
EEVS Insight Ltd	Technolog Limited
Elmhurst Energy	The Green Consultancy Ltd
Endress+Hauser	Touchstone Energy Management Services
Energy Team (UK) Ltd	UK Energy Partners
Enistic Ltd	UPL
esave	Utility Funding Limited
EuroSite Power Limited	Verisae
FSCL	Verismic Software
Gemserv	Vickers Energy Group
Honeywell	Worldview Learning Limited



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