

Industry insight:
Heat Plans – made to measure

How to sell consumers Heat as a Service

There has been a lot of talk about selling Heat as a Service lately, and for good reason. Advocates claim it could help everyone get more value from the energy system:

- Consumers could get better control of how much they spend getting the comfort they want;
- Retailers could attract and keep more customers by offering them better services;
- Manufacturers could apply data to improve the design of their products; and
- Governments could cut carbon, save energy and reduce fuel poverty more easily.

Clearly then, there is a lot to like.

Back in 2017, no one was selling consumers their heating as a service, so we decided to give it a try. We designed a starter-for-ten energy service, called Heat Plans, and offered it to the residents of our 'Living Lab' of homes. We learned a lot about what works and what does not. So, if you plan to offer Heat as a Service, here is a 4-step guide to help you design a service your customers will love.

1. Use data to learn what kind of experience people will want

To design a great heat service, you need to know what people really want. To find that out you will need data.

We gave consumers control of the temperature of each room in their home from their phone. Then we analysed how they used their heating to find out what heating experiences they liked. This showed how warm they heated each room, how often they made changes and how long their home stayed warm. We learnt so much more about what consumers wanted than we ever could have done from asking them what they liked. Many did not even know what temperatures they liked or how many hours they wanted their home to be warm each week.

You can use the data you collect from your customers to offer them a heat service that they will enjoy.

What people do shows what is important to them

People who like to save money:

- Use fewer hours of heating
- Heat to lower temperatures
- Heat fewer rooms
- Often turn their heating down to try and cut waste

People who love feeling cosy (or hate the cold):

- Use more hours of heating
- Heat to higher temperatures and enjoy radiant heat
- Heat most of their home
- Often pre-heat their home so it's warm when they are in

2. Create a service language people can understand

People need to understand your service before they will buy it. Mobile has texts and minutes, but heating is confusing. People don't understand kilowatt hours, so you need a new language.

We worked with consumers to create the concept of a 'Warm Hour': an hour when their home was as warm as they wanted it to be. Consumers found this much easier to understand and their expectations matched reality. They thought it would cost more in big, old houses, than in small, new flats and for higher temperatures.

The level of service consumers buy could tell you lots about what they value. In our trials, some wanted as many as 160 'Warm Hours' per week at high temperatures, others as few as 60, with cooler temperatures.



3. Find ways to add value to your core service

Usage data can show you new ways to enhance consumers' experiences. Consumer behaviour patterns that break away from the norm can indicate an unmet need.

For instance, we found some people sometimes asked for temperatures as high as 26°C. When we visited their homes, we saw that they were trying to turn up the temperature to dry their clothing. What they needed was a way to make their radiator hot for a while, so we created a 'laundry dry' feature.

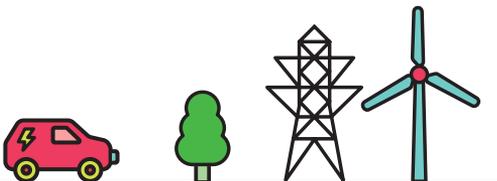
These outliers can help you develop features that can add value to your core service. We found consumers put up with damp, drafts and overheating in almost every home. Many would be happy to pay for services that help them solve their problems.

4. Give consumers control over which options they buy

When you know what your customers want and you can explain your service, you can make them an offer they will like.

We offered consumers the choice of three fixed price 'Heat Plans'. Our FixedTime option included the Warm Hours in their schedule. It was the cheapest option because consumers could not change their schedule. They could pay a fixed price if they wanted to use an Extra Warm Hour at any other time. FlexiTime was our mid-priced plan. It contained a bundle of spare Warm Hours and consumers were free to use them when they liked. The Unlimited plan was our most expensive option. It offered consumers a fixed price for an unlimited number of Warm Hours.

Most consumers picked the FlexiTime plan. They valued the peace of mind in knowing that they would have all the heat that they needed. Some preferred the FixedTime plan. FixedTime consumers were happy to fix the times their home was warm because it saved them some money. Few wanted to pay more for the Unlimited plan when they knew how many 'Warm Hours' they used each week.



Businesses could interpret the choices consumers make to offer them more valuable services.

Some consumers will enjoy saving money for a no-frills package, others will be more than happy to pay more for top quality. The 'Heat Plans' we designed were only a 'starter-for-ten' to get the market moving. There are many ways to adapt plans to suit different types of customers. We're already experimenting with 'Pay As You Go', 'Rollovers' and various other advances.

The options we offered:



Next steps

Energy as a service may open up new routes to market for low carbon heat. As long as people know they will get the heat they want, they seem quite open to alternative heating systems. We've started by offering consumers hybrid heating systems as part of an energy service. The early signs are very promising.

The heat sector is ripe for innovation. So, please do get in touch to find out how you can use our Living Lab to move your business forward.

Find out more, visit: www.es.catapult.org.uk

People are happy to pay more for things they value, like flexibility

Our findings showed that people on FlexiTime or Unlimited rarely used all their spare hours. Many used none at all. To them, flexibility was worth the extra cost, even if they did not use all that they paid for.

**Energy Systems Catapult supports innovators
in unleashing opportunities from the transition
to a clean, intelligent energy system.**

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