

# Using Business Model Design To Combat Climate Change and Social Inequality



The nexus between climate, social justice, and economic inequality crystallized in 2020 during the COVID-19 crisis. As Paul Siegler, Managing Director at Evergreen Climate Innovations, noted in Clareo's [2020 Virtual New Energy Roundtable](#): "the pandemic, racial inequality, climate change—each crisis is a health crisis AND an economic crisis AND a human rights crisis." As the pandemic continues, Clareo sought to help create a direct positive impact for both the climate and vulnerable communities.

We received the opportunity to make such an impact via a large energy client's investment fund — working pro-bono with one of their portfolio companies, a nonprofit focused on reducing energy consumption in boiler-heated buildings.

Boiler-heated homes will be one of the hardest segments of the economy to electrify in the energy transition, primarily affecting low-income, multi-family homes. This nonprofit works to make boiler-heated homes as energy efficient as possible, making an immediate climate impact while aiding vulnerable communities by reducing cost and making low-income housing more livable.





# Introducing A Start-up Methodology In A Nonprofit Context

Our charge was to help an established nonprofit implement a startup-speed methodology, utilizing Clareo's FastPath tools to help the nonprofit determine commercial viability of the SaaS product it had developed: a bundle of heating-efficiency IoT-equipment. With proven ability to reduce energy bills, greenhouse gas emissions, and discomfort from overheating in low-income housing units, the product clearly worked — the question was how to bring it to market, and which market to bring it to.

## Answering The Big Question

We began with a simple question: "Is the product commercializable?" Knowing that multiple uncertainties surround such a broad question, Clareo facilitated a Key Hypotheses session aimed at prioritizing those uncertainties, creating more manageable hypotheses-driven workstreams.

Profitability was the proxy for whether the product was commercializable. And, for this product, scale drove profitability by allowing the business to distribute fixed costs of software development.

**Therefore, we focused on two critical uncertainties underlying the question of scale:**

1

**What approaches can the nonprofit use to hit its current-year sales volume targets in existing geographic markets?**

2

**How might the nonprofit prioritize new geographies for expansion in FY 2022?**



## Learning Plans: Adding Structure To Uncertainty

For each uncertainty, Clareo worked with the organization to develop Learning Plans: a structured, hypothesis-driven approach to business model design.

To learn more about driving current year sales targets in existing markets, we asked: What new partners or tactics could improve close rates and reduce the length of the sales cycle for **current year** in an effort to drive sales volume **now**? To answer this question, the nonprofit conducted ethnographic interviews with HVAC contractors, who could serve as reseller partners. These interviews produced insights on these new potential distribution partners' unmet needs, revenue models, and profit centers.

Regarding how to enter new markets, the nonprofit used Clareo's FastPath methodology to evaluate six geographies for expansion in 2022, focusing on dense urban areas located in the northern third of the US. The analysis resulted in a simple but effective comparison of market attractiveness (applicable housing stock, regulatory environment) and ability to execute in those markets (local nonprofit implementation partners, local labor pool).



## Early Outcomes & The Path Forward

Early conversations indicate that HVAC contractors can benefit from incorporating this product into their offering, either as a value-added service for customers that are installing new boiler systems or as a way to lower costs by streamlining service-call operations. Additionally, Clareo equipped our client with a tool to prioritize markets and created guidelines for streamlining market-research efforts. These tools will enable the organization to carry out a thorough analysis of markets to expand into in the coming years.

Reducing heating-related emissions and protecting and serving vulnerable populations play critical roles in building a just future. We at Clareo are thrilled with our non-profit client's impact on emissions and heating costs in the communities it serves, and we are grateful for the opportunity to contribute in a small way to their success.