

oikos Case Writing Competition 2016

Social Entrepreneurship Track

1st Prize

Polarstern Energy – Sustainable Change Led by Innovative Entrepreneurs

Teaching Note

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This case is accompanied by a teaching note, available to faculty only. Please send your request to freecase@oikosinternational.org. The authors are thankful for any feedback and suggestions to further develop this case to mpullman@pdx.edu.

Copyright © 2016 by the authors. This case was prepared as a basis for class discussion rather than to illustrate the effective or ineffective handling of an administrative situation.

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Teaching Note

1. Summary of the Case

The case introduces students to Polarstern, a renewable energy start-up that follows a triple bottom line approach. It highlights several challenges for sustainable entrepreneurs and raises awareness to the trade-offs involved when entering the market and marketing a novel sustainable service.

2. Teaching Objectives and Target Audience

This case can be used to illustrate and discuss relevant strategic issues for sustainability-oriented (new) ventures:

- Overcoming market entry barriers
- Managing the trade-offs in a sustainability-oriented new venture
- Entering sustainability markets and marketing a sustainable product/ service
- Overcoming challenges of segmenting and targeting
- Defining a key value proposition
- Deciding for a positioning and communicating strategy

Furthermore, the case improves students' soft skills including (but not limited to):

- Problem solving and prioritizing
- Team work and consensus decision making
- Argumentation and presentation skills

Target audiences include both, advanced undergraduate and graduate students. The case is particularly suited as part of the following courses (and related topics):

- Sustainable/ Social Entrepreneurship
- Sustainable/ Social Marketing
- Entrepreneurial Marketing
- Business and Society, CSR,...

The learning objectives include an improved ability to:

- Understand the key challenges and complexities in the market entry/ marketing of a sustainable start-up
- Critically reflect on the role of social and ecological values in the positioning and communication of a sustainable product/ service.
- Understand the major steps involved in developing a sustainable market entry/ marketing strategy in the case of a start-up
- Handle the trade-offs inherent in developing strategies for sustainable development

3. Preparation

It is recommended to assign the case as a required reading prior to class. The indicated time frames of Q1-3 can be reduced, if the following discussion questions had been assigned as a preparation before class:

- How can the market for renewable energies in Germany be characterized?
- How can Polarstern be characterized?
- What are the key problems Polarstern is facing?

4. Additional Reading and References

Polarstern Website: <https://www.polarstern-energie.de/> (only in German)

Polarstern YouTube: https://www.youtube.com/channel/UCJSBl5yBQApCd_bzmgIM2HQ

Polarstern Facebook: <https://www.facebook.com/PolarsternEnergie>

4a) Marketing-focused courses:

The case is very well suited for courses with a focus on marketing (e.g. sustainable/ social marketing,...) in combination with the textbook “Sustainability Marketing” by Frank-Martin Belz and Ken Peattie. Together with the textbook the case is useful to illustrate and apply the theoretical concepts introduced in chapter 6 (Sustainability Marketing Strategies). The case works particularly well as part of a teaching session/ assigned reading/ video session on the topic.

Textbook: Belz, F.M. & Keattie, K. (2012). Sustainability Marketing: A Global Perspective. Chichester: Wiley.

Videos: The videos for each chapter can be watched for free: http://va-web.zmml.uni-bremen.de/vabne_de/index.php/video?id=42&x=1

4b) Entrepreneurship-focused courses:

For courses with a focus on entrepreneurship (e.g. sustainable or social entrepreneurship, entrepreneurial marketing,...) the case works very well in combination with the Business Model Canvas (<http://www.businessmodelgeneration.com/canvas/bmc>). Thereby, the case focuses on the “Value Proposition Canvas”, which is one subset of the business model canvas. It is useful to introduce the business model canvas to the students before assigning the case questions.

Handbook: An extended preview of the handbook “Business Model Generation” by Osterwalder & Pigneur (“The Business Model Canvas”) is available for free: <http://www.businessmodelgeneration.com/book>

Videos: Furthermore, explanatory videos are available for free at YouTube: <https://www.youtube.com/user/businessmodeltv>

5) Teaching Approach and Strategy

The set-up of the case allows students to slip into the role of a sustainable entrepreneur who has to make key strategic decisions for his new venture. The outline of the case is ideally suited for lively group works and class debates, engaging role-plays, as well as individual reflection papers. It allows for a combination of different creative teaching methods.

Instructors should calculate a minimum of 120 minutes for the discussion of the case in class, however, in combination with the textbook on Sustainability Marketing or the handbook on the Business Canvas Model the case is suitable for up to 180 minutes.

As a start and to familiarize the students with the case study, the first three questions aim at a discussion of the sustainable innovation of Polarstern, the energy market, and the evaluation of the key challenges presented in the case. The discussion of the first three questions is highly recommended, as students will be able to use the information from this introductory part to familiarize themselves with the company, the market, and the challenges, as an understanding of these aspects is needed for developing the strategic recommendations (Q 4-6), which are at the core of the case.

To present the results the following methods are suggested:

1) Elevator pitch for the group work

An interesting and novel method for presenting the group work results of Q4-Q6 might be the elevator pitch. Historically, an elevator pitch reflects a situation of meeting an important decision maker in an elevator and trying to pitch an idea in the short time span of the elevator ride. Today, entrepreneurs and marketers frequently use the elevator pitch method to get their arguments across quickly to the point. If an elevator pitch is used in class, the instructor can assign 2 minutes to each student team, who will then have the possibility to convincingly present their suggestions for Q4-6 in front of the class. The winner of the elevator pitch, i.e. the student team that presents the most convincing strategy (verbally AND visually), might be awarded by the instructor/ voted for by the class.

The elevator pitch contributes to students' ability to summarize their ideas, improves their presentation, communication and argumentation skills, and can be seen as a good preparation for real-life working situations.

2) Poster presentation of role-play

Students might outline the results of their group work on a poster. The instructor can then ask one group of each role to present their arguments for Q4 (Q5, Q6) and afterwards open up the discussion between all groups. When testing the case, this presentation form has worked particularly well when students were encouraged to stand around the posters (which have been attached to the wall), thereby encouraging lively debates among students.

6) Questions

Q1) As a start, let's describe the German energy market. What are the key characteristics of this industry? (approx. 15- 20 minutes)

Instruction:

This question is well suited for small group discussions among 2-4 students (5-10 minutes). After the discussion within the groups, the instructor can open up the question to collect and discuss the results of the groups with the entire class (10-15 minutes).

Alternatively, the instructor can directly discuss the question with the entire class (approx. 10-15 minutes)

Analysis:

Students might identify the following characteristics with the help of the case and/ or some background knowledge:

- Different product offerings
Gas vs. electricity; renewables vs. fossils
- Quickly growing markets
Due to the liberalization of the electricity (1998) and gas (2006) markets
- Highly competitive
Over 1000 electricity providers and over 50 gas providers
- Dominated by a handful energy giants
EON, RWE, ENBW, Vattenfall → these four have about 80% market share
- High entry barriers
Role of incumbent firms, need for policy changes, low involvement of customers, high perceived customer costs (see also chapter 9 of the Sustainability Marketing textbook), price sensitivity, low margins, industry complexity and regulatory burdens,...
- Lack of trust and transparency
No standards for using terms such as “Ökostrom/ Ökogas”, all energy providers offer a “green” alternative,...
- Low involvement product
- Price sensitive market
- Intangible products
- ...

It is recommended to elaborate the main points mentioned above. For instance, the instructor might want to ask questions such as “what are potential market entry barriers?” and other follow-up questions that advance students’ understanding of this interesting, yet difficult industry. The answers provided above are accurate for the year 2011/2012 in order to reflect the developments at the time of the case. When writing this teaching note (2015), the above-mentioned characteristics still aptly described the energy market.

Q2) Now let's focus our attention to Polarstern. What are the key characteristics of the sustainable start-up? (approx. 15- 20 minutes)

Instruction:

Like the first question, the second question is well suited for small group discussions among 2-4 students (5-10 min) followed by a class discussion (10-15 min).

Alternatively, the instructor can directly discuss the question with the entire class (approx. 10-15 minutes)

Analysis:

Students might identify the following company characteristics:

- Offering 100% renewable energy
Electricity and gas from hydropower plants and residuals
- Innovative calculation model
Renewable energies at an affordable, stable and transparent price
- Flexible and easy to use service
High customer orientation, all administrative changes are taken care for by the company
- Global social component
One-to-one approach linking German customer to Cambodian family
- ...

This is a **very important preparatory exercise**, as it sets the base for segmenting the market, defining the value proposition and positioning the service. The instructor needs to ensure, that the students grasp the sustainable innovation of Polarstern.

Q3) What are the challenges Polarstern is facing? (approx. 15- 20 minutes)

Instruction:

Again, the question is well suited for small group discussions among 2-4 students (5-10 min) followed by a class discussion (10-15 min).

Alternatively, the instructor can directly discuss the question with the entire class (approx. 15 minutes)

Analysis:

Students might identify the following challenges:

- Trade-offs in communicating sustainable service
- Difficulties in positioning
- Determining customer value

Intangible service, no feasible customer benefit; no direct need as primary need for energy is already satisfied

- Lack of customer awareness and trust
No legal standards for the terms “Ökostrom/Ökogas”
- No reputation as a start-up
- Low involvement product
- Consumers willingness to switch energy provider is low
- Highly competitive energy market
- Service requires a lot of explanation
- ...

This question is important to make students understand the complexity of the case and the difficulties in making decisions in the case of Polarstern. It also introduces students to a wide array of challenges in entering sustainability markets and in the marketing of a sustainable service.

Important: Variations for Q4-Q6

The following questions represent the core questions of the case and vary with regard to two dimensions:

- 1) **Thematically:** For Q4 and Q5 a different teaching approach is suggested for marketing-focused classes (p.21-26) and entrepreneurship-focused classes (p.27-30).
- 2) **Methodically:** For Q4 – Q6 of the marketing-focused classes two different teaching methods are suggested: group work and role-play. Besides small group work (in teams of 2-4 students), the case is well suited for a “role-play in three acts” as well. For the role-play it is suggested that students take over the role of one of the founders (Jakob, Florian, Simon) in the meeting and discuss the advantages and disadvantages of each of the options outlined in the case:
 - Segmenting and targeting (see also Q4)
 - Positioning/ Defining a value proposition (see also Q5)
 - Communicating (see also Q6)

Note:

For both, the marketing and entrepreneurship classes, students can only proceed to the next question after a team-decision has been made. This reflects real-life situations in which entrepreneurial teams need to agree on one strategic choice as well, thus this exercise will also strengthen team-skills, such as consensus decision making, team problem solving, listening skills among others.

MARKETING FOCUSED-CLASSES

*for entrepreneurship-focused classes please continue reading on p. 27

Q4) Customer segmentation

For courses focused on marketing, this is a great exercise for a hands-on experience on segmenting and targeting.

Group work question: *What are the advantages and disadvantages of each customer segment? To whom would you suggest targeting the sustainable service? (20 minutes)*

Instruction:

In groups, students can discuss the advantages and disadvantages of each customer segment, before making a decision. Furthermore, students can be asked to present their selected target group by means of a customer profile (Name, age, hobbies, preferences,...) or a mood board (a type of collage consisting of pictures, text,...). The customer profile and mood board might be in form of a poster or digital (e.g. PowerPoint slide) and represent frequently used presentation tools in marketing.

Role-play question: *Now, imagine you are one of the founders of Polarstern, what are the advantages of the selected customer segment of your founder? What are the disadvantages of the selections of your co-founders? (20 minutes)*

Instruction:

The role-play is suitable for small classes (e.g. 15 students) but has been successfully tested with big classes (e.g. 80 students) as well. For both group sizes, the class might be divided in teams of three to five students. Student teams are assigned one of the three co-founder and are asked to take over the role and opinion of the assigned founder. The class role-play for the first round of decision might be designed as follows:

Team Simon is in favour of the green consumers

Team Florian is in favour of the lifestyle consumers

Team Jakob is in favour of the unconcerned consumers.

Each team has to find arguments in favour of their customer segment, but also arguments against the proposed target groups of their co-founders.

Q4 Analysis:

Polarstern has seriously considered all three customer segments and so there is no real right or wrong answer. Thus, the accuracy of the choice for one customer segment or the other depends on the argumentation of the student team. In reality, Polarstern decided to focus on the lifestyle-oriented customer segment. In the following, the advantages/ disadvantages for each customer segment are outlined.

Customer Segmentation Analysis		
	Advantages	Disadvantages
Green-/Ethical oriented	<ul style="list-style-type: none"> • Already convinced of the advantages of renewable energies • Easy to connect the values of Polarstern to the values of this customer segment 	<ul style="list-style-type: none"> • Small market segment, only a few customers would forgo their personal benefit in favour of environment/society • No sustainable benefit in making conscious consumers switch from one renewable energy provider to the other
Lifestyle-oriented	<ul style="list-style-type: none"> • Quickly growing market segment • High awareness of social and environmental problems • High purchasing power • High potential for realizing a change in energy behaviour 	<ul style="list-style-type: none"> • Possible difficulties in positioning Polarstern as a lifestyle product • The intangible service is difficult to position as a green status symbol • Many customer contact points required (high marketing spending)
Unconcerned	<ul style="list-style-type: none"> • Biggest market, if successful this is a promising segment • Convincing unconcerned customers to switch really contributes to a change towards sustainable lifestyles 	<ul style="list-style-type: none"> • Very difficult to connect to the values of this customer segment • High marketing spending necessary in order to reach and convince unconcerned customers • Difficulties in positioning the sustainable service for a customer group not interested in sustainability

In a nutshell:

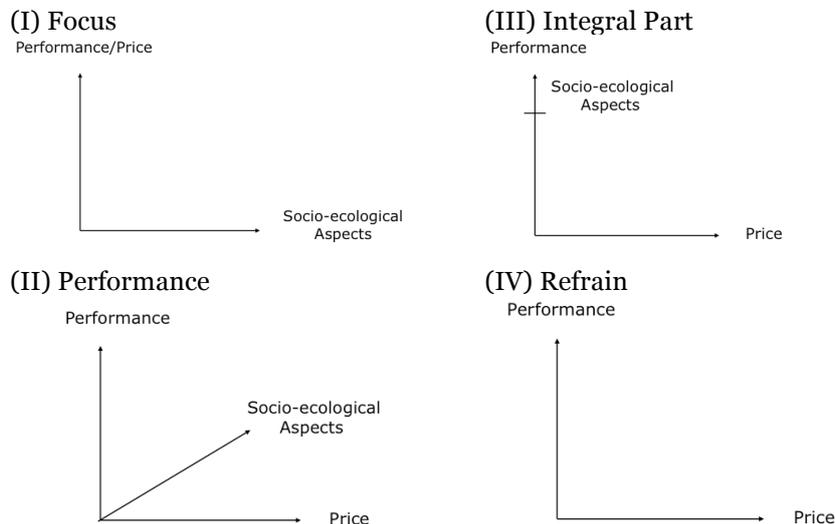
From the viewpoint of the founders, the main argument against the green-/ethical-oriented customers was that they did not anticipate a transformation in the energy market by making customers switch from one renewable energy provider to the other. The founders often emphasize that other providers are not their main competitors, but mainly the energy giants who have the biggest impact on the environment.

A real alternative was to target the unconcerned customers, as the perceived sustainability gains in making this customer segment switch to renewable energies were very high. However, with no reputation and a small marketing budget, this customer segment would have been difficult to convince. It is still considered to be a promising customer segment for the future of Polarstern.

The lifestyle-oriented customer segment (search for “LOHAS” to gather more information on this customer segment) was chosen because customers in this segment are already aware of social and environmental problems and sustainable considerations play a role in their consumption choices, however, energy had not played a dominant role in this segment at that time. Mostly consumer goods have been targeted to this customer segment, but the founders saw a huge potential for targeting renewable energies to these customers as well.

Q5) Positioning

For courses focused on marketing, determining a company's positioning is an integral part of the marketing strategy. If students did not have an introductory lecture/ assigned reading/ assigned video session on chapter 6 of the Sustainability Marketing textbook, the instructor can introduce the students to the 4 positioning strategies presented in the textbook (p. 160):



Sources: Belz & Peattie (2012) – reproduced from Meffert & Kirchgeorg (1998).

Group work question: *Weighting the advantages and disadvantages of each positioning strategy and considering your selected target group, which positioning do you suggest? (approx. 20 minutes)*

Instructions:

In groups, students can discuss the advantages and disadvantages of each positioning strategy, before making a decision that fits best to their selected target group.

Role-play question: *Weighting the advantages and disadvantages of each positioning strategy and considering the selected target group of your founder, which positioning do you suggest? (approx. 20 minutes)*

Instruction:

The class role-play for the second round of decision might be designed as follows:

- Team Simon is in favour of the focus positioning
- Team Florian is in favour of the integral part positioning
- Team Jakob is in favour of the refrain positioning.

Again, each team has to find arguments in favour of their positioning strategy, but also arguments against the proposed target groups of their co-founders.

Q5 Analysis

For this question there is no right or wrong answer. What distinguishes good from less good responses depends on the argumentation, as well as on the fit between the selected target group and the suggested positioning strategy. After working through the four different positioning strategies, students should discuss the advantages and disadvantages of each strategy for their selected/ assigned target group:

Positioning Analysis		
	Advantages	Disadvantages
Focus	<ul style="list-style-type: none"> • Clear positioning of Polarstern as a sustainable energy provider • One key message • Easy to communicate 	<ul style="list-style-type: none"> • Positioning will lead to competition with other renewable energy providers • Targeting already green customers doesn't trigger a change • Only a few customers will forgo their personal advantages for environment/ society
Integral Part	<ul style="list-style-type: none"> • Aligning customer benefits with social and environmental gains • Positioning Polarstern's energy as a lifestyle product • Potential to trigger a real change 	<ul style="list-style-type: none"> • Turning energy from a low-involvement into high-involvement product is not easy • Difficulties in communicating value added of renewable energies for overall performance
Equal Emphasis	<ul style="list-style-type: none"> • Best for communicating all aspects of Polarstern's sustainable innovation • Addressing a mass market by equally emphasizing all value gains 	<ul style="list-style-type: none"> • Many messages might dilute Polarstern's positioning • Very difficult to communicate all value gains of the triple bottom line • High marketing spending necessary in order to establish positioning
Refrain	<ul style="list-style-type: none"> • Addressing mass market might be best suited to trigger a global change • Largest customer segment 	<ul style="list-style-type: none"> • If refraining from communicating any socio-ecological values the question what the core value proposition is will arise • Very difficult to communicate USP of Polarstern compared to other providers

In a nutshell:

Eco-/ethical-oriented: If students target the eco-/ethical-oriented customers as the main target group, the best fit seems to be the focus positioning. In this case Polarstern would dominantly emphasize the ecological advantages (100% renewable energies) and social benefits (Cambodia project), while performance and price remain subordinate to these and aren't emphasized in communicating the service.

Lifestyle-oriented: If students target the lifestyle-oriented customer group, the best fit might be the integral part positioning. Environmental and social criteria are aligned with traditional buying criteria (e.g. price, security of supply, customer service,...). Lifestyle-oriented customers might most likely react positive to this positioning, as they are not willing to sacrifice performance, but will pay a higher price for higher quality and socio-ecological benefits. An

alternative might be the equal emphasis positioning, however, it is very challenging to convincingly communicate all three bottom-lines and this positioning strategy faces the risk to dilute the positioning of Polarstern. Furthermore, lifestyle-oriented customers might find it difficult to identify their personal value when following this strategy.

Unconcerned: If students target the unconcerned customers, the most likely positioning strategy would be to refrain from communicating environmental and social arguments. The main reason for this is, that unconcerned customers don't take environmental and social attributes in consideration when making their purchasing decision. However, the challenge for the students would be to determine the USP (unique selling proposition) of Polarstern, when refraining from communicating their social and environmental value added.

Q6) Communication Strategy

If time allows, this question applies to the creativity of the students and besides the group work/ role-play the question is suitable for an individual assignment after the case study teaching session as well. Instructors may want to introduce the marketing concepts of above-the-line (ATL), below-the-line communication (BTL), through-the-line communication (TTL).

a) Group work/ Individual assignment question: *Having selected a target group and a positioning strategy, how should Polarstern design its communication strategy? (approx. 20 minutes/ 500 - 1.000 words)*

Instructions:

In groups/ their individual assignments students can discuss the advantages and disadvantages of each communication strategy, before making a decision and working on concrete recommendations how to best reach their selected target group.

b) Role-play question: *Having selected a target group and a positioning strategy, how should Polarstern design its communication strategy? (approx. 20 minutes)*

Instruction:

The class role-play for the third round of decision might be designed as follows:

Team Simon is in favour of the personal communication strategy

Team Florian is in favour of the mass communication strategy

Team Jakob is in favour of the mixture of personal and mass communication strategy.

Each team can now develop concrete recommendations for their assigned communication strategy.

Q6 Analysis:

The main factors that should be taken into consideration are the following:

- **Selected target group and positioning**
- Trade-offs in communicating sustainable service
- Lack of customer awareness and trust
- Novel service with no reputation
- Low involvement service
- Consumers willingness to switch energy provider is low
- Service requires a lot of explanation
- Many contact points necessary to explain service and convince customers to switch

Communication Strategy		
	Advantages	Disadvantages
Mass Communication (ATL)	<ul style="list-style-type: none"> • Reaches a high number of potential customers 	<ul style="list-style-type: none"> • Very high expenditures • Only a few contact points • Focus is on promotion rather than communication • Difficult to explain the service by means of mass media • High scattering losses
Personal Communication (BTL)	<ul style="list-style-type: none"> • Focus is on communication, interaction and building relationships • Many contact points • cost effective communication • Customized communication possible 	<ul style="list-style-type: none"> • Limited outreach • Might be slower than mass communication
Mix of Mass and Personal Communication (TTL)	<ul style="list-style-type: none"> • Reaches many potential customers • Possibility to raise awareness in mass media, but still explain and interact by means of personal communication 	<ul style="list-style-type: none"> • High expenditures • Only a few contact points • Medium-high scattering losses

In a nutshell:

The question appeals at the creativity of the students, who can come up with different ideas for communicating with customers. Good recommendations consider the constraints outlined above when designing the communication strategy. Accordingly, mass communication should not play a role for all target groups and positioning strategies. In reality, Polarstern is focusing all their marketing spending on personal communication: Social media (blog, YouTube, Facebook) is used to engage the audience and create many contact points for explaining the service. Sponsorships and Events (e.g. Motorcross, Earth Hour,..) are used to interact with customers and to emphasize the positioning as a lifestyle product. Interestingly, word-of-mouth is the most important sales channel for Polarstern, as building and maintaining relationships with customers is the top priority for the young start-up. Instructors might want to present Polarstern's website, Facebook page, and particularly some of their videos on YouTube, which emphasize the lifestyle focus and personal communication approach.

ENTREPRENEURSHIP-FOCUSED CLASSES

*for marketing-focused classes please continue reading on p. 21

For courses focused on entrepreneurship, this is a great exercise for a hands-on experience on defining the value proposition canvas (see Figure 1), a tool that helps to design customer value propositions (free download: <http://www.businessmodelgeneration.com/canvas/vpc>). It is recommended that instructors introduce students to the basics of the business model canvas before proceeding with the group work.

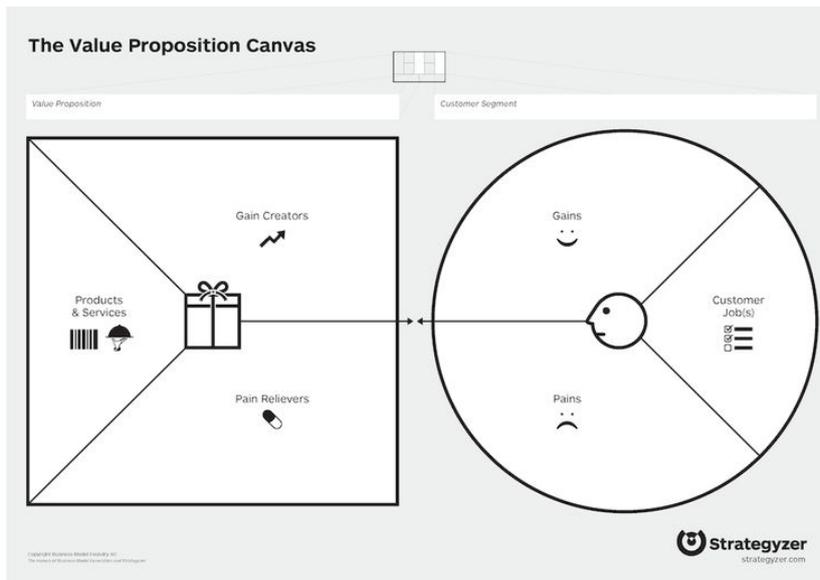


Figure 1 – Value Proposition Canvas as part of the Business Model Canvas by Strategyzer

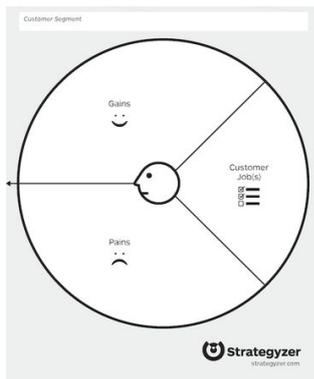
Q4) Customer segmentation

To whom would you suggest targeting the sustainable service of Polarstern? What are the gains and pains of your selected customer segment? (20 minutes)

Instruction:

In groups, students can discuss the gains and pains of each customer segment, before making a decision for one customer segment. Furthermore, students can be asked to present the selected target group in the customer profile canvas consisting of 1) the jobs a customer wants to get done in his/ her life with the help of a product/ service (e.g. solving customer problems, satisfying customer need,...); 2) the pains, i.e. the negative aspects customers hate and would like to avoid when getting the job done (e.g. costs, negative emotions), and 3) the gains, i.e. the positive outcomes and benefits the customer seeks/ require/ desire (e.g. functionality, desirability, cost savings,...). In all cases students might want to distinguish between severe and light issues, in order to determine the relevance of the outlined aspects for the customer. This question is also well suited for the *customer insight empathy map* (detailed instructions can be found on p. 131 of the business model canvas).

Q4 Analysis:



Polarstern has seriously considered all three customer segments and so there is no real right or wrong answer. Thus, the accuracy of the choice for one customer segment or the other depends on the argumentation of the student team. In reality, Polarstern decided to focus on the lifestyle-oriented customer segment. In the following, the advantages/ disadvantages for each customer segment are outlined.

Customer Segmentation Analysis			
	Gains	Pains	Jobs
Green- /Ethical oriented	<ul style="list-style-type: none"> • Behaving in line with their values • Supporting a sustainable cause • Switching the energy provider without any difficulties 	<ul style="list-style-type: none"> • Gathering relevant information • Making a choice between the different providers of renewable energies 	<ul style="list-style-type: none"> • Contribute to sustainability • Obtain electricity and/ or gas • Energy with a good conscience
Lifestyle- oriented	<ul style="list-style-type: none"> • Service to fit their lifestyle • Contributing to planetary and societal health • Reduced effort in switching the energy provider 	<ul style="list-style-type: none"> • Switching the energy provider (time risk) • Gathering relevant information • Judging/ evaluating sustainability information 	<ul style="list-style-type: none"> • Obtain electricity and/ or gas • Contributing to sustainability • Product to fit lifestyle • Energy with a good conscience
Unconcerned	<ul style="list-style-type: none"> • No direct gains by switching to renewable energies 	<ul style="list-style-type: none"> • Switching the energy provider (time risk) • Potential price increase (financial risk) • Insecurity about reliability of renewable energies (performance risk) 	<ul style="list-style-type: none"> • Obtain electricity and/ or gas

In a nutshell:

From the viewpoint of the founders, the main argument against the green-/ethical-oriented customers was that they did not anticipate a transformation in the energy market by making customers switch from one renewable energy provider to the other. The founders often emphasize that other providers are not their main competitors, but mainly the energy giants who have the biggest impact on the environment.

A real alternative was to target the unconcerned customers, as the perceived sustainability gains in making this customer segment switch to renewable energies were very high. However, with no reputation and a small marketing budget, this customer segment would have been difficult to convince. It is still considered to be a promising customer segment for the future of Polarstern.

The lifestyle-oriented customer segment (search for “LOHAS” to gather more information on this customer segment) was chosen because customers in this segment are already aware of social and environmental problems and sustainable considerations play a role in their consumption choices, however, energy had not played a dominant role in this segment at that time. Mostly consumer goods have been targeted to this customer segment, but the founders saw a huge potential for targeting renewable energies to these customers as well.

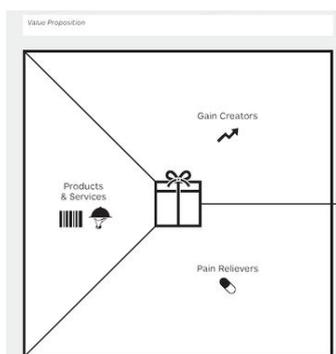
Q5) Value Proposition

Considering your selected customer segment, what are the gain creators, pain relievers and products/ services Polarstern is offering as part of their value proposition? How does the value proposition correspond to the chosen customer segment? (approx. 20-30 minutes)

Instruction:

For courses with a focus on entrepreneurship, this exercise might include the second part of the value proposition canvas (pp. 22). The value proposition is all about designing the key features that will address the selected customer segments jobs, gains and pains. The value proposition map is composed of 1) the service Polarstern is offering, i.e. the product/ services that help customers to get a job done 2) the pain relievers, i.e. describing how the service contributes to relieving the customer from his/ her pain (before, while and after the customer is trying to get a job done); 3) the gain creators, i.e. the positive gains the service creates for the chosen customer segment. Students have achieved a problem-solution fit, when the features of the value proposition achieve a perfect/ very high match with the values of the chosen customer segment.

Analysis



Again, there is no single right or wrong answer for this question. What distinguishes good from less good responses depends on the fit between the selected target group and the suggested value proposition. Students may identify the following gain creators, pain relievers and products/ services:

Value Proposition		
Gain creators	Pain relievers	Products & Services
<ul style="list-style-type: none"> • Sustainable status symbol • Joining a network of like-minded people (effective customer engagement) • Transparency about energy usage • Stable and affordable prices (Polarstern calculates the prices for one year without any changes) • High flexibility (possibility to cancel contract at any time) • Price outcompetes all other green gas products on the German market 	<ul style="list-style-type: none"> • Cancellation of contract with existing energy provider • Providing transparent information • Visibly documenting the developments in Cambodia (video, photography) • Reducing uncertainties through third party certification 	<ul style="list-style-type: none"> • Renewable electricity and gas • Contributing to sustainability • Energy as a lifestyle product (events etc.) • Energy with a good conscience

In a nutshell:

When presenting the results, instructors should focus on the fit between the value proposition and customer segment. A key learning of this exercise should be that the value proposition creates value through a mixture of elements satisfying the customer segment’s needs.

Q6) Exploring Value Proposition Potential

What features of the value proposition of Polarstern could be enhanced or newly created to increase the customer experience?

Instruction:

If time allows, this question applies to the creativity and entrepreneurial spirit of the students. In groups students can discuss features to improve or further develop the value proposition of Polarstern (chapter “Strategy” pp.196 of the Business Model Canvas)

Analysis:

For this question, no analysis can be suggested, as it depends on the students’ creativity and entrepreneurial spirit to enhance or newly create features of the value proposition by Polarstern. The evaluation of the suggested features should take Polarstern’s limited budget and manpower into consideration. From a customer side, the suggestions should consider the high price sensitivity of energy consumers.

5. Additional Information: Polarstern as of 2015

Polarstern is still active on the energy market in 2015 and is the first energy provider in Germany who is certified by the “Gemeinwohl-Ökonomie” (Common Welfare Economy). This accounting model allows for a transparent and objective evaluation of the sustainable services of Polarstern see also: www.polarstern-energie.de/fileadmin/files/blog/160225/gemeinwohl-oekonomie-bilanz-polarstern.pdf for detailed information in German):

Economic: According to the report, Polarstern’s turnover in 2014 was 2,4 million euros, of which their green electricity product held a share of 77% and their green gas product a share of 21,5%. The customer satisfaction with their service offering was evaluated very high (99,28% positive feedback on basis of 1.000 customer evaluations). The founding team of three co-founders has remained unchanged (Jakob Assmann, Florian Henle, Simon Stadler) and the team is now supported by 5 employees, 4 freelancer, and 7 interns/ working students.

Ecological: Polarstern aims at offering the most ecological product possible. The sources for their green electricity and green gas products have remained the same: green electricity produced from the hydropower station in Feldkirchen and green gas produced from residuals of a sugar root factory in Hungary. In recent analyses by third party institutes, Polarstern was certified as one of only six credible producers of green electricity and gas (Robin Wood, Oekotest) in Germany. The German Technical Inspection Authority (TÜV Nord) certifies their green electricity and green gas products. While their main focus is still green electricity and green gas, they recently extended their service offering to include “Mieterstrom”, an innovative model where tenants buy electricity produced by photovoltaic on-site without using public grids.

Social: Polarstern sees its social contribution as threefold: First, Polarstern wants to counteract climate change on a global level by supporting families in Cambodia to build their own biogas plant. Their fair-trade model (for every new customer Polarstern financially supports one Cambodian family to build a biogas plant) is still a USP in the energy market. Second, Polarstern strives for being an active actor in shaping sustainable lifestyles. By means of their communication activities (blogs articles, events, Facebook posts...), the company aims at raising awareness for the relevance of renewable energy consumption, sufficiency, and sustainable consumption in the transition towards more sustainable lifestyles. Lastly, Polarstern strives for creating healthy and welfare-oriented jobs with fair payments and work-life-balance orientation. Their employees receive several benefits, e.g. free fruits, yoga lessons, flexible working times, and more.