

BIGFOOT CONSULTING

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Executive Summary

The B.C. Government and local governments have started different initiatives aimed to reduce the environmental impacts of buildings. Currently, the city of Vancouver is developing a green building strategy (GBS) that will be implemented in several phases and will pursue a mandatory regulated green building strategy for most new development in the city.ⁱ Similarly, the B.C. Government is proposing a B.C. Green Building code for early 2008 which will address, among other things, new provisions of green building regulationsⁱⁱ. It is foreseeable that in the near future the government will require that all new building construction follow certain green building guidelines which will result in an increasing demand for green building services. This increased demand will generate an opportunity for companies that can offer expertise in this field, as this type of new construction will require additional capacities or expertise that medium and small developers do not possess at this point in time.

Bigfoot Consulting will offer green consulting services to satisfy the underserved demand for green building expertise. Currently the competition is quite fragmented and recent entrants have not been able to meet current excess demand. Competitors offer either specialized niche consulting or a more comprehensive range of services, and range from well-established architectural firms to new ventures. Bigfoot will provide a comprehensive range of green consulting services targeted to individuals (B2C) and to development teams in the construction industry pursuing green building standards (B2B) in the GVRD. Bigfoot will differentiate itself from its competition by leveraging UBC's 11 years of experience in green building and sustainable community planning, and will draw on the qualified personnel pool that the Sustainability Office currently possesses. Importantly, Bigfoot will offer UBC's own green building standard, REAP, for the first time to the off-campus development market.

Bigfoot will require a \$50,000 budget from UBC in order to cover short-term costs and the addition of one salaried consultant to operate under this business plan. Based on the economic forecast and estimated market share, Bigfoot can expect to certify 18 projects to the REAP standard in the first year and generate net income before taxes of \$122,025. This represents a profit margin of 40% in Bigfoot's first year of operations.

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1 The Green Building Industry and the Bigfoot Concept

1.1 Industry

In 2006, the green building market in Canada was valued at \$70 billion. That figure is expected to exceed \$74 billion by 2009ⁱⁱⁱ. The non-residential sector accounts for approximately \$20 billion with residential accounting for \$50 billion. In total, the environmental impact of all of the buildings in Canada is quite substantial. Buildings account for: 38% of total Canadian energy usage; 30% of total Canadian greenhouse gas emissions; and 40% of raw material usage globally.^{iv}

As a result, people have become more concerned about the environment and have increasingly focused their disposable income on more environment friendly products, such as hybrid cars and green buildings. In North America, the importance of green building has been one of the fastest growing markets – especially so after the U.S. and Canada Green Building councils established the LEED™ Certification program in 2001^v. So far, government buying has been the major driver of increased green building activity, followed by commercial use buildings (refer to exhibit 1.1); however, government has also been creating incentives for sustainable building practices in the private sector.

The Vancouver City Council approved a requirement that LEED™ Gold level be achieved in all new civic buildings. This means that new buildings must show 30% energy consumption improvement^{vi}. It is not surprising, then, that B.C. is the center of the green building market in Canada. For example, 26 out of 40 Canadian LEED™ registered buildings are in British Columbia, and the University of British Columbia has developed a new green building rating system called REAP^{vii}.

1.2 The Company and the Concept

Bigfoot Consulting is targeting the growing green building industry in British Columbia by providing consulting expertise in designing and implementing green building best practices. Bigfoot will be formed by a group of professionals with proven experience in successful green building projects and with accredited credentials on LEED™ and REAP green building rating systems. As a green building consulting firm, Bigfoot's mission is to provide cost-effective green solutions to homeowners and property development firms. Bigfoot will provide both the LEED™ system, which is already well known and established, as well as the REAP green building system, which is applicable to residential buildings of all sizes and was initially introduced to meet the gap in standards for standard to residential buildings under four stories.

The name Bigfoot Consulting Services is a derivation designed to invoke curiosity at first glance. Ecological footprint is a concept that refers to the total environmental impact a human contributes during his or her normal activities. Thus, Bigfoot Consulting aims to reduce the environmental impact of buildings by making them greener, healthier, and more energy efficient. This name also lends itself to marketing campaigns given that the mythical creature 'Bigfoot' is supposed to exist in the Pacific Northwest. *"Does your house have a Bigfoot? We can help."*

1.3 The Services Offered

Bigfoot will offer mainly three kinds of services: non-technical consulting and workshops on green building practices for homeowners; technical consultancy in green building rating systems such as LEED™ and REAP systems for property developers and the construction industry; residential green buildings certifications based on the REAP system. Services on green building consulting offered by Bigfoot would address the whole life cycle of the building project. Bigfoot's professionals will collaborate with their expertise to provide specification reviews and design assessments; set feasible green goals to attain specific REAP or LEED™ level of

certifications; prepare, coordinate and submit documentation to the green building rating systems; energy assessment and modeling to determine the impact of green building initiatives before implementing those ones; and finally, consulting services on issues in water and energy efficiency, indoor air quality, materials and resources (see exhibit 1.3)

1.3.1 REAP™ (Residential Environmental Assessment Program)

The majority of the green building rating systems available in the market which are used to certificate the overall green performance of a residential or institutional building, are challenging and costly to adopt. REAP is an inexpensive, simple and practical environmental assessment method designed to fill the framework gap left by LEED™, and represents an alternative option to the architect and developer.

2 Market Research and Analysis

2.1 Market Size and Trends

Green building has been the most important environmental issue in the North America for the last ten years. According to the Canadian Green Building Council, registered LEED™ projects doubled from 2005 to 2006, from 171 buildings to 333 buildings^{viii}. In Canada there are 437 registered and 60 certified LEED™ projects as of February 2007^{ix}. Most of those buildings are governmental (institutional); however CaGBC has been trying to increase the number of residential green buildings. By 2012 CaGBC expects to have certified 100,000 commercial and 1 million residential homes^x. More locally, in 2005, the total value of GVRD green building permits was \$120 million (representing approximately 2 percent of all of the building permits by value)^{xi}. By 2010, this figure is expected to increase to 5 to 10% of total permit values^{xii}.

A recent survey shows that a majority of the architects, engineers and contractors who serve the green building market do so because they claimed that they expected an increase in their income from green building^{xiii}. Consulting services range from 2-4% percent of the overall construction costs. In Vancouver there are 12 green building consulting companies that serve the development teams in the design and construction of green buildings.

2.2 Economic Forecast and Estimated Market Share

The number of building permits issued in a city is a leading indicator of its construction activity (see exhibit 2.2). Since 2004, permits obtained in the Greater Vancouver Regional District have been climbing year-over-year. In 2004, the number of permits grew by 32% from \$3.7 billion to \$4.8 billion. In 2005 and 2006, growth slowed to 17%. For the first seven months of 2007, growth kept pace at 16% year-over-year. Building permits declined in August due to the civic workers strike in Vancouver, and because of the one-time nature of this event, the months affected by the strike are not included in this forecast.

Bigfoot's future sales depend on four variables: total construction activity, percentage of buildings using green practices, percentage of development expenses that go to green consultancy and certifications, and Bigfoot's market share. In order to assess the firm's viability in different scenarios, a sensitivity analysis shows three different outcomes based on different assumptions for each of these variables.

For all the scenarios it is assumed that the total expense for green certifications and consultancies is around 1% of the development expenses.^{xiv} All scenarios are based on the premise that a 5% of market share is achievable on the first year based on the fact that this is an underserved market and that the consultant hours the firm will have available will allow it to serve that market share.

The worst-case scenario assumes that the total level of building activity is going to stabilize for the next three years, that the percentage of buildings that take environmental impact into account stays constant at 6% (2006 level), and that the firm's market share stays constant during the period at 6%. The moderate scenario assumes that the total level of building activity is going to increase by 5% per annum for the next three years, that the percentage of buildings that take environmental impact into account grows by 1% per year (starting with 6% in 2008), and that the firm's market share grows by 1% per year during the period starting at 6% in 2008. The best-case scenario assumes that that the total level of building activity is going to increase by 10% per annum for the next three years, that the percentage of buildings that take environmental impact into account grows by 2% per year (starting with 6% in 2008), and that the firm's market share grows by 2% per year during the period starting at 6% in 2008.

2.3 Secondary Market Research

A recently conducted survey shows that 53% of Canadians have never heard of the term "sustainability"^{xv}. Moreover, 70% of the respondents were not able to define sustainability. Different people inferred different meanings, showing that the market is not yet well defined in terms of a global consciousness as to what sustainability really means. However, after defining the meaning of sustainability for respondents, 80% claimed that sustainability must be the top priority for Canada as a nation. Additionally, 90% of Canadians were afraid of the increasing consumption of natural resources and an increasing output of greenhouse gases and waste products are threatening the future welfare of their children^{xvi}.

The business community is getting behind green building. A recent survey shows that 60% of managers believe that green buildings provide benefits for their firms, such as increased productivity, employee satisfaction and less absenteeism^{xvii}. 67% of the surveyed CEOs can

identify cost benefits of green buildings and 75% of respondents claimed that increasing energy costs will increase the popularity of green buildings among corporations. Furthermore, 15% of the respondents believe that sustainability is a competitive advantage for their firm, therefore it follows that a green building could, in and of itself, represent a competitive advantage for a corporation, other things being equal^{xviii}.

2.4 Primary Market Research

2.4.1 Green Attitude and green intentions

Our survey shows that 51% of respondents believe that living a green life as a consumer is 'somewhat important' while 40% believe it is 'very important' (n=72, for all figures, see exhibit 2.4). This varies somewhat with regard to actual green intentions, a question designed to measure willingness to pay in general for a greener product or service. 58% are willing to give up a small amount of money to be green (undefined) and 15% are willing to give up a significant portion of time and money to live greener.

2.4.2 Home ownership and green renovations

43% of respondents owned their own residence and 34% of that group are planning a major renovation in the next 2 years. Of the 57% who rent their residence, 52% are planning to purchase a residence in the next 2 years. In a purchasing or renovation decision, 26% of respondents cite green features to be very important, while 58% say they are somewhat important. Given identical houses or renovation projects, only 4% of respondents show no willingness to pay more for the greener option. 4% are willing to spend less than 1% more, 36% are willing to spend between 1 and 3% more, 22% are willing to spend between 3 and 5% more, and 22% are willing to spend between 5 and 10% more, and 10% of respondents would spend more than 10% of the purchase price of the home or renovation. Overall, this shows a high

willingness to pay for greener features, whether in a purchasing or renovation decision.

Therefore, green features represent high marketability.

Similarly, when considering the length of time for energy savings to pay back a project, results were surprisingly positive. In aggregate, 93% of respondents expect that the project pay for itself in 1 – 6 + years (27% 1-2 years, 31% 2-4, 21% 4-6, 15% 6 + years). The two most important features in evaluating any purchasing decision were energy and water efficiency.

On the actual expenditure side, respondents are willing to pay a significant amount in order to achieve 30% energy savings annually (14% would spend less than \$1,000; 42% between \$1,001 and \$2,500; 28% \$2,501 and \$5,000; 17% between \$5,001 and \$10,000). While respondents show a need to pay for this expertise, they are less generous in the service fees they would pay for that advice, showing that 49% would part with up to \$100, 21% up to \$250, and 14% up to \$500. This indicates support at Bigfoot's recommended rate of \$120/hr.

2.4.3 UBC: Sustainable or Green?

The purpose of these questions was to measure whether a name including UBC would add value to the branding of the green consulting firm. The survey shows that the Vancouver public does not particularly associate UBC with green standards and sustainability. 38% agree that UBC is known for these values while 62% disagree (refer to exhibit 2.4 for reasons given).

The survey also shows that the Vancouver public is not more likely to purchase a product or service if UBC was involved in its creation. Here we see evenly split results (50-50), and so again there is a question of whether using the UBC name and image would add any value to the green consulting firm.

2.5 Customers

Bigfoot Consulting will offer its services to two different market segments: the first is the establishments contained in the Construction of Buildings (NAICS 236) category according to the North American Industry Classification year 2002^{xix}. Thus, customers belonging to this group would be real estate developers, architects, and general contractors. Due to the volume of business and revenue expected from this group, this will be the most important customer base.

The second group of targeted customers, which will be engaged in phase I of the implementation strategy and fully targeted in phase II, are homeowners undertaking renovations and who want to apply green building principles and techniques in an effort to pollute less and to enjoy energy savings in the long term (see exhibit 2.5)

2.5.1 Targeted Market Segments

Geographic Segmentation: Bigfoot Consulting will provide its services primarily to customers and their construction/renovation projects located within Greater Vancouver Regional District (GVRD) which consists of 21 municipalities.

Demographic segmentation: Bigfoot's customers are homeowners or are in the market to buy a residence and are generally family-oriented. Also, customers include developers that are looking to differentiate their products by appearing greener and environmentally concerned.

Psychographic segmentation: There is a strong appetite for living more greenly in Vancouver. Customers and end-users of green building are willing to pay more for greener products and services, including primary residences and renovations.

Behavioural segmentation: Bigfoot targets customers and end-users who seek energy cost savings and healthier living styles. This includes the government and institutional users, who may enjoy economies of scale in introducing energy savings.

3 Business Strategy

3.1 Competitor Analysis

The Vancouver market for green consulting services is highly fragmented, with many players vying for market dominance (see exhibit 3.1). The market segments naturally into two groups – larger project design and consultation (commercial and large residential buildings) and smaller projects (single-family homes, smaller apartment complexes). In the first category, two architectural heavyweights dominate the market: Morrison Hershfield and Busby Perkins + Will. As such, neither firm is significantly involved in our primary target market.

In the residential green consulting sector, the market segments naturally into two clusters: those firms offering comprehensive services and those that fit a niche sector. In the former group, Recollective, Lighthouse Sustainable Building Centre and eKos offer the greatest array of services while reSource Rethinking Building Inc. also offers help to clients with REAP. All four firms in this sector have LEED™ accredited professionals.

In the niche sector, the competition is varied and each firm appears satisfied to avoid competing with each other as much as possible – however, they are competing on the fringe with some of the comprehensive firms above.

The least offered services across the entire sector are REAP consulting, full feasibility studies and costing, green marketing and promotion of existing or new projects, and energy audits of new or existing residences. This under-serviced cross-section of services appears to offer the greatest opportunity to a potential entrant.

3.2 Competitive Advantages

The competitive advantage of Bigfoot Environmental Solutions is three-fold: first, we have a unique intellectual asset in the form of the REAP green building rating system. The

certification process is owned by UBC and while other firms can help consult to its requirements, only UBC can certify a building to REAP standards. REAP is also more user (designer) friendly and cost efficient.

Second, while Bigfoot is the front-end of the consulting firm, UBC is its backbone, and the UBC name stands for trust, openness, and honesty – three virtues that do not coexist in Bigfoot’s primary competition.

Last, Bigfoot Consulting can draw on 11 years of experience in green building and sustainable community planning that the UBC Sustainability has acquired. This is a substantial resource to draw in with respect to the competition at market (see Exhibit 3.2)

3.3 Overall Marketing Strategy

Bigfoot Consulting will initially position itself as a UBC-certified, green consulting firm that offers both REAP and LEED™ consulting assistance to GVRD property development. In this way, the team hopes to leverage the UBC name as a source of trust for Bigfoot Consulting while limiting some of the negative association of academia as Bigfoot Consulting is positioned as an efficient, fast-moving, professional green consulting service. Maintaining the primacy of the Bigfoot logo over the UBC logo in advertising demonstrates the positioning advantage as it relates to both brands. As the growth strategy progresses through phase III, the UBC logo is reduced in size and positioned toward the by-line as a stamp of approval.

By offering consulting support for the LEED™ standard, Bigfoot establishes a point of parity with its competition. The REAP green building system establishes a point of difference between Bigfoot and the competition.

3.3.1 Value Proposition

Drawing on 11 years of green building experience, our solutions provide our customers with energy savings while reducing their ecological footprint. Bigfoot offers the convenience of one-stop shopping, including REAP, a cost effective, proven certification process that provides better value and a truer environmental standard than other residential green building rating systems.

3.3.2 Pricing

Part of Bigfoot's strategy is to keep pricing simple. While primary market research shows that there is support for \$80 - \$200 per hour on the B2C side pricing of green building consulting, Bigfoot will charge a flat rate of \$120 per hour (measured in 15 min portions). This is based on the idea that enough useful energy efficiency advice can be dispensed to a homeowner in one to two hours to reduce his or her energy spend by a significant percentage annually. The Lighthouse Sustainable Building Centre demonstrates support for this price level by offering its Home Spa Treatment, which includes a home visit for \$200 plus an hourly charge.

On the B2B side, the market shows support for green technical consulting fees of up to \$150 per hour. LEED™ certification shows that a rule of thumb for design of a green building is in the \$1,500 to \$2,000 range, per LEED™ point required. That means that a LEED™ silver rating would cost approximately \$75,000^{xx}. By contrast, most REAP projects require far fewer consulting hours. REAP certification will be offered for all new residential buildings for \$5,000 without any performance levels.

3.3.3 Advertising and the Marketing Calendar

By designing advertising campaigns in-house the consultants will fill non-consulting support, non-revenue generating hours. It will be a primary function of the consultants to

improve the marketed message to both the B2B and B2C markets continuously. In this way Bigfoot will avoid costly advertising design expenditures.

Highlights of the marketing calendar include a January press release (please refer to exhibit 3.3.3) to be sent to all development professionals in the Lower Mainland, detailing the new name and product offering of Bigfoot Consulting, along with available promotional material. In February, Bigfoot will attend the BC Construction and Home Reno Show in Vancouver and offer an information booth detailing the benefits of REAP and greening your own home. To follow this up, Bigfoot will sponsor and largely produce a Greening Your Home guide insert in a weekend edition of *The Vancouver Sun* during March. In April, Bigfoot deploys an internet ad campaign featuring Google AdSense, following this with medium magazine advertising (see appendix 5) in the months of May and June. July and August are dedicated to due diligence for a Bigfoot Green Supplier Network that gathers all available information pertaining to suppliers in one resource. Distribution follows bi-annually to the subscribers of the *Bigfoot Solutions* free quarterly newsletter, which itself offers syndicated green news. Eventually, the newsletter will become a source of advertising revenue to Bigfoot Consulting. “*Are you a Bigfoot?*” launches in selected VSB schools in September, followed by a guest lecture series in October in conjunction with the SO. Last, in November Bigfoot will attend the Construct Canada conference and offer a REAP booth to spread news of its GVRD successes with the certifications in 2008. Year-end marketing review and strategic planning occurs in December, where Bigfoot will review its core positioning strategy to be synonymous in people’s minds with green building practices.

3.4 Entry and Growth Strategy

Bigfoot Consulting will enter the green building market in three phases in order to limit financial risks early in its existence and to prove up the market depth and potential for

profitability (see exhibit 3.4). In phase I, the target market for Bigfoot is primarily REAP certification for off-campus, residential development, with green building consulting services as a secondary offering to both large and small potential customers. Alison Alosio, currently the advisor of Sustainable Buildings for the UBC Sustainability Office, will run the day-to-day operations as manager of Bigfoot, in addition to offering both REAP and LEED™ consulting services. Bigfoot will add one green consulting professional in order to meet anticipated demand and for future growth potential, particularly in home green consulting services. Advertising and promotion in this phase is limited to important trade and convention shows as well as limited internet and print deployment. Bigfoot will operate under the Sustainability Office in the University Building Services building during phase I.

Phase II is triggered when both phase I professionals achieve 60% revenue-generating consulting hours by capacity over any one month period, and as long as Bigfoot is profitable after one year. In phase II, the strategy calls for Bigfoot to relocate off campus in order to brand position itself as distinct from UBC. The B2B and B2C markets are targeted equally at this juncture, and another LEED™ professional is hired to meet increased demand. Alison will train this new hire in REAP assessment in order to increase B2B potential customers. Advertising and promotional budget is increased in order to generate requisite growth targets for Phase III. In this stage, the REAP certification process and REAP green consulting are separated, with the actual certification process routing through the SO and consulting work done entirely by Bigfoot. This step is required in order to ensure the quality and independence of the REAP certification and governing body from the consulting revenue generating arm of UBC, now Bigfoot Consulting.

Phase III is implemented when all phase II professionals achieve 60% revenue-generating consulting hours by capacity over any one month period, and as long as Bigfoot remains

profitable. Phase III of growth requires adding a fourth green consulting professional as anticipated demand is exceeded in the B2C offering of services. Full marketing deployment occurs in Phase III and Bigfoot is operated as a distinct, for-profit entity under the purview of the SO at UBC.

4 Implementation

4.1 Development Status and Tasks

Bigfoot's products that are aimed to the construction industry (green consulting expertise, LEED™ support, and REAP certification) are fully developed and are therefore available to potential off-campus customers immediately. However, a product that will need to be developed, and in which Bigfoot's proposed personnel have not had any experience, is green consulting targeted to homeowners. Expertise on this matter will have to be acquired before launching the company (if this segment market wants to be pursued.) Thus, it would be ideal if the new hire in phase I possesses experience or knowledge on this field; otherwise extensive training will be required with the subsequent potential delay on the offer of this service.

4.2 Difficulties and Risks

There are some potential problems that might arise in certain phases of the implementation:

Phase I – First, the current LEED™ certified consultant is overloaded with in-campus projects (or previous commitments) and thus is unable to commit consulting time to Bigfoot off-campus customers. Second, due to a restricted budget, the Sustainability Office at UBC cannot allocate the required resources for the new hire and therefore Bigfoot cannot formally be launched to compete in the green building consulting industry.

Phase II – Due to a shortage of LEED™ certified experts, Bigfoot is unable to hire an appropriate candidate. BC has the second largest number of LEED™ certified people (641) in

Canada^{xxi}; however if the trend on demand for green building expertise continues to grow at the current rates we could soon see an even greater shortage of qualified consultants. This would imply that Bigfoot would have to hire an uncertified individual pursuing his LEED™ certification as a career path. In this case, our projected financial analysis would be materially different as Bigfoot would have to incur the extra cost of professional development until the new hire becomes LEED™ certified.

4.3 Product Improvement and New Products

We are going to provide consulting for both LEED™ and REAP. LEED™ is currently the market leader and well-known green building rating system for mostly commercial buildings and residential buildings over four floors. However, recently there is a plot rating system for homes called LEED™ for Homes^{xxii}. In the future we may adopt this rating system depending on the demand. So far REAP can meet the demand for homes from one floor to skyscrapers and commercial buildings. Because REAP has smoother process to apply and get the certification than LEED™, we will focus on REAP for the residential market.

5 Operations

5.1 The Consultant-Client Relationship

Whenever possible, Bigfoot will assign one consultant only to a client to work with through the consulting process. Project specifications and optimal output are discussed and agreed upon before the relationship is formalized. All consultants will be rigorously trained in communication policies to ensure that Bigfoot's output matches the client's expectations of the green building consulting.

Bigfoot Consulting will strengthen its competitive advantage through relationship building. Once a project has been completed, the consultant will keep in contact with the

developer and will periodically review city files in order to find which new developments permits has been granted to existing clients.

5.2 Corporate Social Responsibility

Besides the environmental benefits that Bigfoot Consulting will bring through its consulting business, we will attempt to grow the green services market through promotional strategies that help all participants in the market as well as the community at large. To achieve this, Bigfoot will carry out marketing campaigns that educate Vancouver's youth in the need to live greener lives and reduce their ecological footprint.

5.3 Regulatory and Legal Issues

Green building is one of most important subjects for the City of Vancouver. The City of Vancouver has been trying to create incentives for green housing construction and in 2005 published a report discussing the environmental impact created by non-green buildings. In July 2004, the city of Vancouver council created a policy that new civic buildings greater than 500 square meters are required to have LEED™ Gold certification. In 2005, The City of Vancouver Council approved that Southeast False Creek Athlete's Village is required LEED™ Gold and LEED™ Silver for the any other buildings in the area^{xxiii}. The City of Vancouver has a long-term commitment to improve the environmental quality in the new buildings which will affect a huge amount of new buildings in the future. This bodes well for Bigfoot Consulting.

6 Management Team

6.1 Organization

The organization of the new consulting firm will be similar to a model usually used for business consulting firms. The consulting title: Business Consulting: A Guide to How it Works and How to Make it Work, provides a framework for the Bigfoot consulting model.^{xxiv}

When implementing the working policies in a consulting firm, it is vital to achieve a high utilization rate of the consultants working hours, ensuring that 60% of the consultants' salaried time is revenue generating. In order to achieve this, a base of full time consultants will be required. These consultants will be compensated on a full-time basis. The required compensation for consulting professionals with LEED™ certification is between \$70,000 and \$100,000. Most have a background in engineering^{xxv}.

Bigfoot will have a core of 3-4 salaried consultants. In addition to the full-time consultants, Bigfoot will also need a set of part-time consultants. These part-time consultants can be final-year electrical engineering students, some of whom may have LEED™ certification, and all of whom will be trained at UBC on the REAP evaluation system.

6.2 Key Management Personnel and Compensation

Alison Alosio will start as the manager of Bigfoot. In phase II or III, Bigfoot will appoint a Manager with previous experience in managing consulting firms. The Manager will report on a bi-weekly basis to the Sustainability Office (refer to exhibit 6.2 for organizational chart.)

In order to attract new hires without stressing the initial budget, we will use financial incentives for consultants based on three aspects: the firm's earnings; the amount of business they bring into the firm; and customer satisfaction. These incentives effectively align the consultants' objectives with the firms' objectives. The efficacy of this compensation scheme is based on the fact that the consultants have a high level of control over the outcomes that determine the firm's overall performance.

Earnings are included in the calculation because, being a small firm, each consultant results will have a big impact on the firm's result. Also, this compensation will foster teamwork

and will generate appreciation for the highest achievers (by creating a larger pay increase for everyone) instead of envy.

The bonus is based on the amount of business brought to the firm is perfectly aligned with the firm's interest as long as the consultants do not become push-sellers. The balance between selling the required services and not overselling the client will be achieved through the client satisfaction bonus, which will depend on the results of the satisfaction surveys regularly sent to clients. (Clients will be encouraged to fill the small surveys by receiving firm's items like pens, calculators, etc)

7 The Economics of the Business

7.1 Revenue Structure

Bigfoot's revenues will be generated from the sale of consulting hours and REAP certifications. The main source of revenues is going to be the green building consulting services, which is currently underserved, and REAP will offer a secondary revenue stream. The sales volume from the certification stream will not determine the firm's survival. However, if REAP gains traction in the market, can outgrow the consulting operation and eventually become the company main business. (See all financial statements in exhibit 7.1).

Consultants working hours will be of three types: billable hours, non-billable hours (hours dedicated to support services and professional development), and hours dedicated to actual REAP certification. Even though REAP projects are not charged by the hour, it takes approximately twelve hours to complete a REAP certification.^{xxvi}

For the first quarter, consulting billable hours and REAP hours are expected to start at a level of 35% of the consultants working time. Based on consulting industry standards an efficient level of billable hours is 60%, as the remaining time is usually required in non-billable

work. Given that the company is serving an underserved market, it is reasonable to assume that the company will operate close to full capacity (60% of hours are billable) after a few months. Serving an underserved market should reduce the effect of seasonality on demand.

7.2 Expenses

Bigfoot's main expenses are personnel salaries and benefits, which represent 78% of first year expenses. REAP and LEED™ professionals receive a salary including benefits of \$80,000 annually, whereas green building consultants receive remuneration of \$60,000^{xxvii}. Salary expenses increase as personnel is added in each growth phase.

7.3 Investments

Bigfoot will require \$50,000 capital for start-up from UBC in order to cover short-term costs and the addition of one salaried consultant to operate under this business plan. An initial investment of \$15,000 on computer and equipment is required in 2008. During 2008 and 2009, the company will invest an additional \$3,000 on computers. The expected life of the computers is three years. Profits will be disgorged to UBC as dividends annually.

7.4 Financial performance

Bigfoot will be able to reach its breakeven point in the first quarter and should realize a profit of \$5,555. This will be possible because of the extremely low fixed cost structure and the high demand for its services. The company will be able to payback the original loan of \$50,000 in the third quarter.

Bigfoot's quality of earnings should be extremely high since there will not likely be accounts receivable nor accounts payable as a large percentage of business will be conducted in cash. The net income before taxes for the first, second and third years are \$122,025, \$160,383 and \$237,601 generating a profit margin of 40%, 37% and 40% respectively.

8 Critical Risks, Problems, and Assumptions

1. Construction and/or green building industry slow down. Thus, the numbers provided and projected does not reflect the reality (way off). Sales projection not achieved. Depending at what stage of the project this happens, we'll experience losses. However; being a consulting firm most of the cost are variable (consulting wages), thus the highest fixed cost we could incur would be the lease agreement for the office space.
2. The residential construction industry, one of the targeted segments, is not engaged in green building practices as expected. Market is not ready for this kind of services yet. Even though the number of construction projects increases, the number of green building projects stays the same or even decreases.
3. Association with UBC makes it more difficult to initially attract and retain top consulting talent. Public sector corporations are viewed as large and lethargic, very bureaucratic. Also, salaries appear lower and less competitive, despite public-sector benefits including many holidays, etc. We mitigate the risk by positioning Bigfoot as a private, sleek, and efficient for-profit arm of UBC.
4. New green building certifications arrive on the Canadian market in force and shrink expected market share for REAP certifications to off-campus development. The potential risk is mitigated by immediately offering REAP to off campus customers.
5. Eventually, the REAP certification body and Bigfoot must be separated to ensure good optics and the independence of the certification and the consulting support. While revenue generated from certification is accounted for in Bigfoot's income statements, this might change if the separation permeates accounting policies, though the point is moot to UBC's bottom line as the sole investor.

Appendices

Exhibit 1.1 – LEED™ Canada by building types^{xxviii}

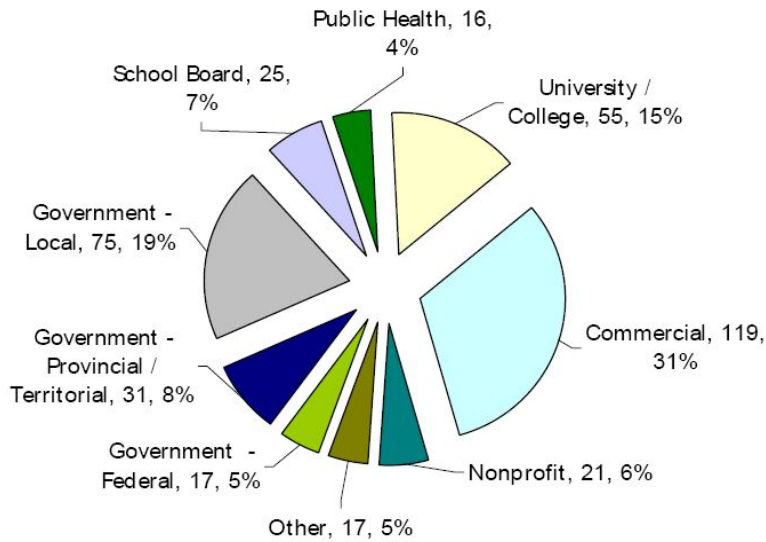


Exhibit 1.3 – Segmentation of Services by Customer Category

Services	Customers	Construction Industry	
	Homeowners (undertaking renovations)	Residential Projects	Non-Residential Projects
Green Consulting Expertise	X	X	X
LEED™ Support		X	X
REAP Certification		X	

Exhibit 2.3 – Construction Permits for GVRD

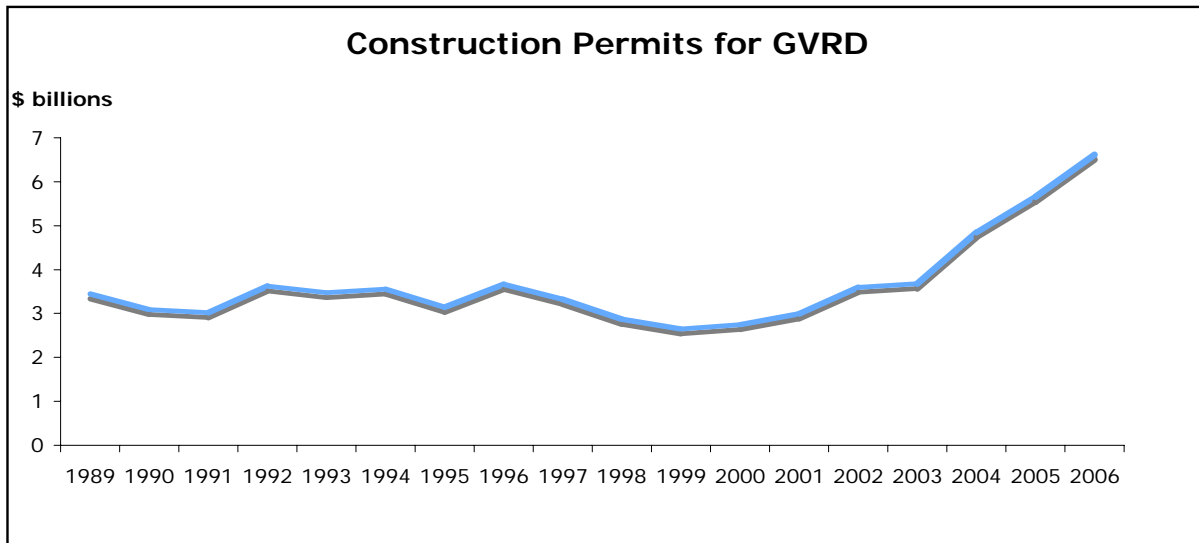


Exhibit 2.4 – Primary Market Research

Welcome to our survey. We are interested in your opinions. The survey is designed to take approximately 5 minutes (there are 17 questions in total). We really appreciate your time and thank you for your input.

1. Please click on the category that includes your age.

17 or younger		0	0%
18 to 24		4	6%
25 to 34		42	58%
35 to 44		13	18%
45 to 54		7	10%
55 to 64		5	7%
65 or older		1	1%
Total		72	100%

2. Please indicate your gender.

Male		39	54%
Female		33	46%
Total		72	100%

3. For the purposes of this survey, assume that green and sustainable and environmental are interchangeable terms. How important is being green to you as a consumer?



Very important		29	40%
Somewhat important		37	51%
Not that important		5	7%
Not important at all		1	1%
Total		72	100%

4. How would you describe your 'green intentions'?



I will opt for green when there is no associated cost		11	15%
I am ok with giving up a small amount of money/time to be green		42	58%
I am willing to use a significant chunk of money/time to be greener than the average		14	19%
I will do anything in my power to live as green as possible		5	7%
Total		72	100%





5. Have you heard about "green building" construction practices?








Yes		49	70%
No		21	30%
Total		70	100%





6. Do you own your own house, townhouse, or condo unit?			
Yes		31	43%
No		41	57%
Total		72	100%

7. If you answered "yes" to question 6, are you considering any major renovations to your residence in the next 2 years?			
Yes		13	34%
No		25	66%
Total		38	100%

8. If you answered "no" to question 6, are you considering buying a house, townhouse or condo unit in the next 2 years?			
Yes		29	52%
No		27	48%
Total		56	100%

9. How important are the environmental, or green attributes of a house, townhouse or condominium unit in a purchasing or renovation decision?			
Very important		19	26%
Somewhat important		42	58%
Not that important		9	12%
Not important at all		2	3%
Total		72	100%





10. Two houses (or renovation projects) are exactly the same, except that one has included in its design many green building attributes and energy saving features. How much more would you be willing to pay (as a percentage of total price) for the greener home (or renovation project)?			
I would not be willing to pay more for a green home		3	4%
Less than 1%		3	4%
Between 1 and 3%		26	36%
Between 3 and 5%		16	22%
Between 5 and 10%		16	22%
10% or more		7	10%
Cost is not important - I want to be green		1	1%
Total		72	100%

11. In what time frame would you expect the initial cost of a green project to be recovered through reduced energy costs?			
0 - 6 months		0	0%
6 - 12 months		5	7%
1 - 2 years		19	27%
2 - 4 years		22	31%
4 - 6 years		14	20%
6 or more		11	15%
Total		71	100%



12. Rank these green housing attributes by preference. 4 is most important, 1 is least important.

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	1	2	3	4
Energy efficiency (i.e. double-pane windows, geothermal heating)	3 4%	1 1%	9 12%	59 82%
Eco-friendly building materials (i.e. FSC wood)	4 6%	18 25%	34 47%	16 22%
Innovative Design (i.e. directionality of windows for better lighting etc)	3 4%	10 14%	31 43%	28 39%
Sustainable landscaping (i.e. native plants, ground cover that requires less irrigation)	6 8%	20 28%	24 34%	21 30%
Water use/efficiency (i.e. toilets that use less water or have two flush settings)	5 7%	7 10%	12 17%	47 66%
Indoor air quality (i.e. non-toxic glue for floor boards, low emission carpets)	4 6%	8 11%	22 31%	38 53%


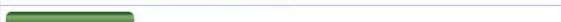




13. Other things being equal, how much would you be willing to spend (on one-time renovations, i.e. energy efficient appliances, solar panels, double-pane windows, etc) in order to have your annual energy bills reduced by 30%?

Less than \$1000		10	14%
\$1001 to \$2500		30	42%
\$2501 to \$5000		20	28%
\$5000 to \$10000		12	17%
Total		72	100%



14. Do you feel you are well-enough informed about energy saving measures in order to reduce your annual energy spend without assistance?

Yes		20	28%
No		52	72%
Total		72	100%

15. How much would you be willing to pay to gain this green expertise?



Less than \$100		35	49%
\$101 to \$250		15	21%
\$251 to \$500		10	14%
\$501 to \$1000		5	7%
More than \$1000		1	1%
I already have the expertise		6	8%
Total		72	100%

16. Do you agree with the following statement: The University of British Columbia is well-known for its use of sustainable technology and green standards.

Yes		30	43%
No		40	57%
Total		70	100%

[View 15 Responses](#)

17. Do you agree with the following statement: Given two identical products or services, I am more likely to purchase a product or service if I know that the University of British Columbia was involved in its creation.

Yes		35	49%
No		36	51%
Total		71	100%

[View 32 Responses](#)

16. Do you agree with the following statement: The University of British Columbia is well-known for its use of sustainable technology and green standards.	
#	Response
1	But it could do better.
2	As far as I can see they are interested in making money from development, not putting money into sustainability or green standards.
3	I said no since I am not well informed about UBC current sustainable technology and green standards.
4	I have never heard that before.Maybe they should do more advertising on that.
5	I've not heard much about specifics
6	UBC is a bunch of Hypocrits.
7	I have not heard anything about UBC sustainability projects
8	recycling
9	I know about a natural waste water treatment done by UBC afor Freybe Gourmet Foods Ltd. on its new Production Plant in Langley.
10	I really have no idea...how about "maybe". If anyone should have the means and the way, it would be UBC so I would hope so.
11	I wouldn't have said it is well known for that.
12	stop stealing U.B.C. land & building condos on it.
13	I am curious about the extent to which green knowledge is built in UBC's curriculum. For example, how green is UBC's MBA? Or is it more similar to a traditional MBA?
14	I,m not sure
17. Do you agree with the following statement: Given two identical products or services, I am more likely to purchase a product or service if I know that the University of British Columbia was involved in its creation.	
#	Response
1	I went to UBC. I respect their research. I am biased toward academics.
2	Assuming Real Estate Developments - I believe most purchasers / investors have more faith in UBC than they do in a private Developer.
3	Because of the reputation. I would know is serious or for students to develop more options for the public in whatever they are investigating about.
4	UBC involvement has no bearing on my decision to purchase anything.
5	I dont feel any particular affinity for universities, whether I've attended them or not. I'll buy a product on its merits, not on the merits of its creators.
6	I'm bitter about UBC, and don't have that much faith that academics are very good at transferring expertise to real world applications
7	UBC is known for its sustainable commitment - for example, the campus is not extremely vehicle friendly, which is done by design. This is great!
8	My perception of UBC as a promoter of green technology is mainly based on my experience on campus. There hasn't been a strong enough push for me to associate UBC with sustainability beyond the campus itself (which extends to products/services marketed to the general public).
9	In connection with their building standards, I have been very concerned with the amount of green space that has been destroyed in the expansion of saleable housing and building of a new "community" at the South end of campus. I have not seen any examples of "green" buildings so far - in materials or in method (though I must admit I have not researched fully what is being built). If the way they have developed housing on campus is any indication of the way UBC would conduct a service or create a product, I would be inclined to look elsewhere to contract and/or purchase the service/product (ie: a truly "green" company).
10	I want to use as many products and services as possible that are Canadian.
11	I like to buy local, and support schools.
12	UBC is not the best university in Canada.its credibility is been compromised several times in mediocre documents or articles
13	I went to UBC
14	I dont see a relationship between a product and UBC, it is irrelevant on my purchasing decision that UBC was involved in its creation, unless I would pay less for the product.
15	It would have no effect, neither positive nor negative in my decision.
16	If it's a good product , I am not too concerned with who made it - Canadian is good and I like to support that, but whether it's UBC or U of T, I am not concerned
17	having a university involved proves very little about the product
18	It is really irrelevant.
19	UBC has a reputation as a good school, but not a good product development or service company
20	I'm a UBC Alumni.
21	I buy only if Im sure that it is of green standars
22	I like UBC and I like locally designed technologies. Plus, I know that I can trust the products that are coming out of UBC's department.
23	Name behind it.
24	I trust UBC
25	reputation of UBC, expertise in building a wide campus area, social responsibility
17. Do you agree with the following statement: Given two identical products or services, I am more likely to purchase a product or service if I know that the University of British Columbia was involved in its creation.	
#	Response
26	Given two identical products I would prefer the one that was made by or in cooperation with UBC due to the trust I have in an University and UBC's previous track record in this field.
27	If my other choice was foreign, I would choose Canadian/BC products/services...if not, I would have to do more research.
28	I have a bit of a negative association with UBC, even though I am a new student, because of the press the President Martha Piper had regarding building condos on campus rather than student housing. I dont remember all of the details of the debate but I do have a somewhat negative association with things associated with UBC. It would not be a good marketing campaign unless you clearly explained how the campus was involved.
29	there's no guarantee that U.B.C. has more integrity or knowledge than any other institution
30	I would require the particular details of these products in order to base my decision on those factors, and not just the reputation of a particular school.
31	I haven't really seen much information regarding UBC and its use of sustainable technology and green standards
32	I know UBC's reputation and quality, and that would be the reason.

Exhibit 2.5 – Customer Segmentation

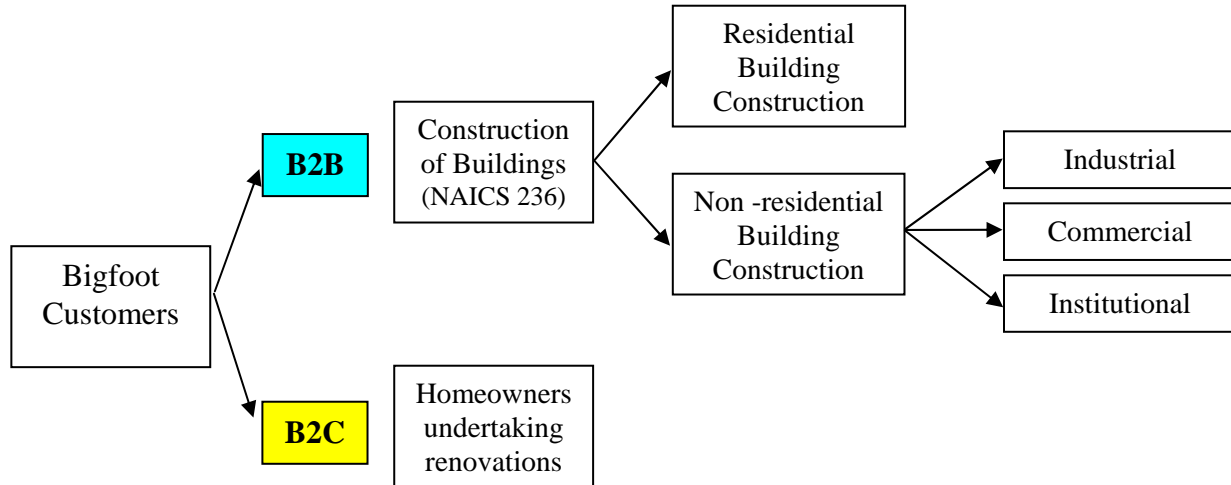


Exhibit 3.1 – Green Building Consulting Services, Vancouver, 2007

Sector/ Competitor	Architect	Energy Audit	LEED	REAP	Green Building Tours	Home Environ- mental Assessment	Full Feasi- bility Study	New Project	Renov- ation
Comprehensive Residential									
Brantwood Design and Consulting	X		X					X	X
Resource Rethinking Building	X		X	X				X	X
eKos Building Solutions	X	X	X			X		X	X
Recollective	X	X	X		X		X	X	X
Lighthouse Sustainable Building Centre		X	X			X		X	X
Niche Residential									
EcoTek Ecological Technological Technologies								X	
Eco-Integration			X					X	X
Oasis Indoor Environmental Testing and Consulting						X			X
JMH Home Environmental Solutions						X			
Large Commercial									
Morrison Hershfield Ltd	X		X					X	X
Busby Perkins and Will	X		X						

Exhibit 3.2 – Strategic Cluster Map

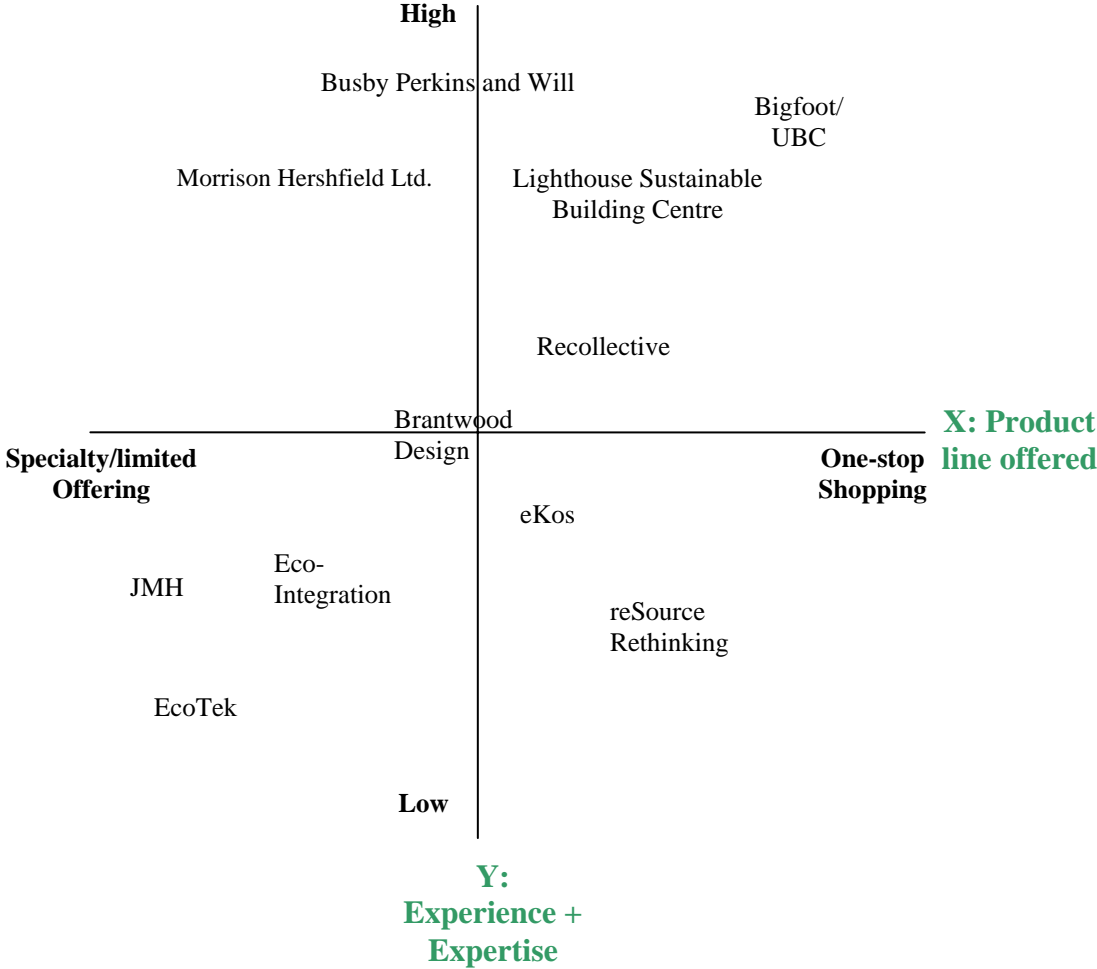


Exhibit 3.3.3 - Marketing Calendar for B2C and B2B or both

	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	D e c
Marketing Activity	Information packets to all developers, architects	BC Construction and Home Reno Show (Feb 13-14)	Greening your home guide, Vancouver Sun	Full internet ad campaign (runs all year)	Magazine ads in BC Business, Vancouver, BIV	Magazine ads in BC Business, Vancouver, BIV	Bigfoot Dealer Supplier Network Setup	Bigfoot Dealer Supplier Launch	Are you a Bigfoot? At Vancouver Schools	An Evening with Bigfoot at UBC	Construct Canada	Y e a r E n d P l a n n i n g
Marketing Material	Coffee mugs, promo magnets	REAP information, Greening your home reno booth	Articles, ads, promotion material	In house design of ads	In house design	In house design	DD	DD	Leaflet handouts for kids to take home to Mom and Dad	Distinguished Lecture Series, Guest Speakers TBA	REAP booth	
Expected Cost	1000	1500	2000	5000	2500	2500	1000	1500	1000	1000	2500	0

Exhibit 3.4 – Three-Phase Strategy

	Operations	Products/ Services	Marketing
<p>Phase I Entry</p> <p>Year one: profitable Capacity: 60%</p>	<p><u>Key Personnel</u> 1 LEED certified consultant 1 green building consultant</p> <p><u>Facilities</u> UBC Campus Office</p>	<ul style="list-style-type: none"> • REAP Certification • Green Building Consulting services (REAP, LEED, Municipalities, etc) 	<ul style="list-style-type: none"> • Low advertising (trade shows, industry magazines, workshops, etc) • Promotion of Bigfoot Consulting and its linkage to UBC
<p>Phase II Consolidation</p> <p>Year two: profitable Capacity: 60%</p>	<p><u>Key Personnel</u> 1 LEED certified consultant 2 green building consultant</p> <p><u>Facilities</u> Office off-campus</p>	<ul style="list-style-type: none"> • REAP Certification • Green Building Consulting services (REAP, LEED, Municipalities, etc) 	<ul style="list-style-type: none"> • Moderate advertising • Prioritize Bigfoot brand on promotions. Gradual dilution of linkage to UBC name
<p>Phase III Growth</p>	<p><u>Key Personnel</u> 2 LEED certified consultant 2 green building consultant</p> <p><u>Facilities</u> Office off-campus</p>	<ul style="list-style-type: none"> • REAP Certification • Green Building Consulting services (REAP, LEED, Municipalities, etc) 	<ul style="list-style-type: none"> • Moderate/high advertising • Bigfoot brand name full marketing deployment (linkage with UBC name not use anymore)

Exhibit 6.2 – Organizational Chart of Bigfoot Consulting

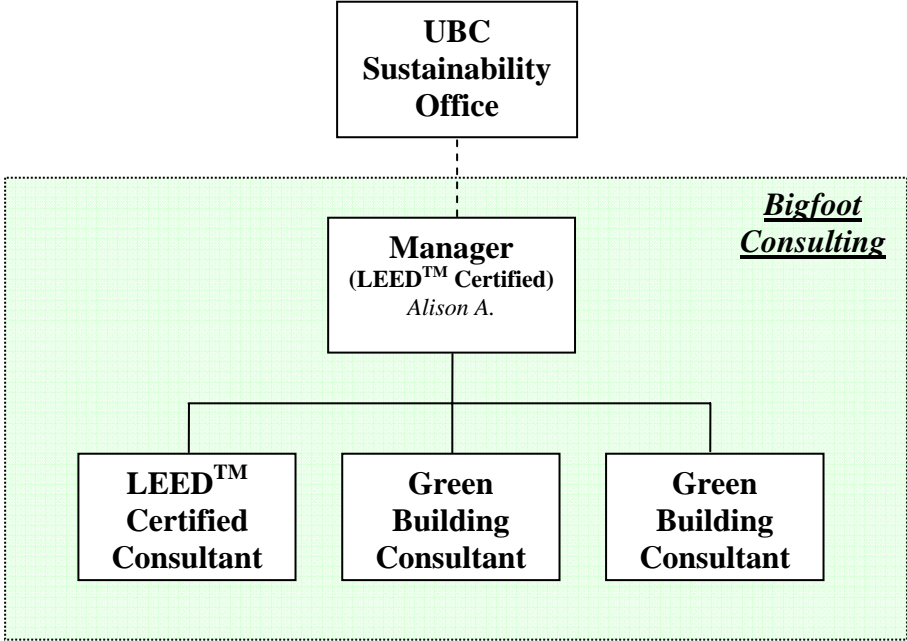


Exhibit 7.1 – Financial Statements for Bigfoot Consulting

Bigfoot Consulting					
<i>Forecasted Income Statement</i>					
<i>For the year ending Dec 31, 2008</i>					
	Jan-March 08	April-Jun 08	Jul-Sept 08	Oct-Dec 08	Accumulated
Revenues:					
Consulting	40,320	63,360	51,840	56,200	211,720
REAP	10,000	20,000	45,000	15,000	90,000
Total revenue	50,320	83,360	96,840	71,200	301,720
Expenses					
Salaries and benefits	35,000	35,000	35,000	35,000	140,000
Office rent	-	-	-	-	-
Utilities	-	-	-	-	-
Telephone, cell, internet, fax line	760	510	510	510	2,290
Insurance costs (liability)	600	600	600	600	2,400
Professional services	500	-	-	-	500
Offices supplies	300	300	300	300	1,200
Business Licenses and permits	205	-	-	-	205
Business membership expenses	300	300	300	300	1,200
Advertising and promotion	4,500	10,000	3,500	3,500	21,500
Travel expenses	450	450	450	450	1,800
Professional development	-	-	-	-	-
Miscellaneous	300	300	300	300	1,200
Other expenses	600	600	600	600	2,400
Depreciation	1,250	1,250	1,250	1,250	5,000
Total Expenses	44,765	49,310	42,810	42,810	179,695
Net operating income	5,555	34,050	54,030	28,390	122,025
Interest expenses	-	-	-	-	-
Net income	5,555	34,050	54,030	28,390	122,025
Paid dividends					50,000
Profit Margin	11%	41%	56%	40%	40%
Break-even sales					179,695

Bigfoot Consulting
Forecasted Income Statement
For the year ending Dec 31, 2009

	Jan-March 09	April-Jun 09	Jul-Sept 09	Oct-Dec 09	Accumulated
Revenues:					
Consulting	69,120	92,329	77,760	72,000	311,209
REAP	25,000	25,000	50,000	20,000	120,000
Total revenue	94,120	117,329	127,760	92,000	431,209
Expenses					
Salaries and benefits	50,000	50,000	50,000	50,000	200,000
Office rent	6,200	4,650	4,650	4,650	20,150
Utilities	450	450	450	450	1,800
Telephone, cell, internet, fax line	815	690	690	690	2,885
Insurance costs (liability)	900	900	900	900	3,600
Professional services	808	808	808	808	3,231
Offices supplies	300	300	300	300	1,200
Business Licenses and permits	110	-	-	-	110
Business membership expenses	300	300	300	300	1,200
Advertising and promotion	4,500	10,000	3,500	3,500	21,500
Travel expenses	788	788	788	788	3,150
Professional development	600	600	600	600	2,400
Miscellaneous	300	300	300	300	1,200
Other expenses	600	600	600	600	2,400
Depreciation	1,500	1,500	1,500	1,500	6,000
Total Expenses	68,170	71,885	65,385	65,385	270,826
Net operating income	25,950	45,444	62,375	26,615	160,383
Interest expenses	-	-	-	-	-
Net income	25,950	45,444	62,375	26,615	160,383
Profit Margin	28%	39%	49%	29%	37%
Break-even sales					270,826

Big foot Consulting
Forecasted Income Statement
For the year ending Dec 31, 2010

	Jan-March 2010	April-Jun 2010	Jul-Sept 2010	Oct-Dec 2010	Accumulated
Revenues:					
Consulting	101,140	116,352	109,440	109,440	436,372
REAP	35,000	30,000	60,000	30,000	155,000
Total revenue	136,140	146,352	169,440	139,440	591,372
Expenses					
Salaries and benefits	70,000	70,000	70,000	70,000	280,000
Office rent	4,650	4,650	4,650	4,650	18,600
Utilities	450	450	450	450	1,800
Telephone, cell, internet, fax line	995	870	870	870	3,605
Insurance costs (liability)	900	900	900	900	3,600
Professional services	808	808	808	808	3,231
Offices supplies	300	300	300	300	1,200
Business Licenses and permits	110	-	-	-	110
Business membership expenses	300	300	300	300	1,200
Advertising and promotion	4,500	10,000	3,500	3,500	21,500
Travel expenses	1,181	1,181	1,181	1,181	4,725
Professional development	900	900	900	900	3,600
Miscellaneous	300	300	300	300	1,200
Other expenses	600	600	600	600	2,400
Depreciation	1,750	1,750	1,750	1,750	7,000
Total Expenses	87,744	93,009	86,509	86,509	353,771
Net operating income	48,396	53,343	82,931	52,931	237,601
Interest expenses	-	-	-	-	-
Net income	48,396	53,343	82,931	52,931	237,601
Profit Margin	36%	36%	49%	38%	40%
Break-even sales					353,771

Bigfoot Consulting

Forecasted Balance Statement

As of	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Cash	35,000.00	109,025.0	272,408.2	517,009.2
Prepaid Expenses	-			
Equipment	15,000.0	18,000.0	21,000.0	21,000.0
Accumulated depreciation	-	5,000.0	11,000.0	18,000.0
Total Assets	50,000.00	122,025.00	304,408.23	556,009
Retained Earnings	-	122,025.00	304,408.2	556,009.2
Capital Contribution	50,000.00			
Total Equity	50,000.00	122,025.00	304,408.23	556,009

Bigfoot Consulting

Cash Flow Statement

For the Period Ending	December 31, 2008	December 31, 2009	December 31, 2010
Operating Activities:			
Net income	122,025	160,383	237,601
Depreciation fixed assets	5,000	6,000	7,000
Cash Flow from Op. act.	127,025	166,383	244,601
Investing activities:			
equipment	- 3,000	- 3,000.00	0
Financing activities:			
Dividens Paid	- 50,000	0	0
Net Cash Flow	74,025	163,383	244,601

Endnotes

- ⁱ www.sustainablebuildingcentre.com/event/green_building_codes_and_policies
- ⁱⁱ BC Green Building Code Initiative, Information Bulletin, No. B07-03 June 22, 2007
www.housing.gov.bc.ca/building/bulletins/B07_03_BC_Green_Building_Code.pdf
- ⁱⁱⁱ Green Building in Canada: Overview
- ^{iv} Green Building in Canada: Overview
<http://www.cted.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=1988&MId=877&wversion=Staging>
- ^v U.S Green Building Council <http://www.usgbc.org/DisplayPage.aspx?CategoryID=1306>
- ^{vi} 2004 Policy Report – Green Building Strategy for Vancouver
- ^{vii} Why Build Green? November 2003, <http://www.gvrd.bc.ca/buildsmart/building-green.htm>
- ^{viii} www.greenalberta.ca/trends.php
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