



# **“Business and marketing strategies”**

**Budapest, Hungary September 27, 2004**  
**Bratislava, Slovakia September 30, 2004**

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# THEMES

- **QUITE A DIFFERENT WORLD**
- **SHAPING STRATEGIES**
- **BUYER BEHAVIOUR DETERMINANTS**



## QUITE A DIFFERENT WORLD

- Europe – Southeast Asia
- Within Southeast Asia



# EXTERNAL FACTORS

- **Transparency**
- **Political**
- **Macroeconomics**
- **Legal & regulatory**
- **Financial (currency and capital)**
- **Market segments & Competition**
- **Input factor markets (fuel, labour ...)**
- **Socio-cultural traits**



# TRANSPARENCY

## Information access:

- how easy?
- how speedy?
- how comprehensive?
- how reliable?



# POLITICO- ECONOMIC SITUATION

- **Stability – volatility**
- **Predictability**



# LEGAL FRAMEWORK & ENFORCEMENT

- Proper and comprehensive legislation
- Regional harmonisation
- Integrity in enforcement
- ADR methods at hand



# FINANCE

- **Access to capital markets**
- **Borrowing terms**
  - **Tenor**
  - **Interest rate**
  - **Collateral**
- **Risk hedging options**



# SHAPING STRATEGIES



# STRATEGY COMPONENTS

- **Product/system**
- **Price**
- **Services**
- **Financing**
- **Sales approach**



# PRODUCT/SYSTEM

## Actions to consider:

- Performance guarantee
- Test fuel samples
- Many (local) references to "prove" quality (country focus?)
- Training of operators
- Focus on projects where advanced/complex equipment is prioritised



# PRICE

## European equipment/system perceived characteristics:

- purchase price is too high

## SE Asians often

- prioritise deal price over life cycle cost
- apply payback instead of IRR/NPV
- play down alternative costs (impact of breakdowns)
- underestimate function to price tag
- regard environmental care as minimum obligation



## PRICE (cont.)

### Actions to consider:

- Argue for use of IRR/NPV instead of pay back
- Don't add market entry cost to first bid in country
- Assist in handling of currency exchange risk
- Add "extras" (training, financing ...)
- Increase locally produced contents
  - buy local
  - local manufacturing
- Manage corruption



## PRICE (cont.)

**Argue for use of IRR/NPV instead of pay back:**

- **A higher purchase price not = higher cost**
  - **length of useful life**
  - **annual operations costs (fuel consumption, labour ...)**
- **Costs for maintenance & repair**
- **Cost for breakdowns/intermissions**



# SERVICES

## Actions to consider:

- Offer solutions (systems) instead of equipment
- Organise after sales service
  - orderly, customised & personalised on spot
- Spare parts guarantee
- Training (as part of bid package)
- Financial services
- Turn key
- Facilitate second hand market



# FINANCING

## Actions to consider:

- Take active part in buyer's financing
- Define role: arrange financing OR finance
- What risk transfer to accept?
- Lobby for government incentives



# SALES APPROACH

- **Note: buyer risk attitude**
- **Bidding behaviour**
- **Company image**
- **Personal relations**
- **Local presence**
- **Time perspective**
- **”Do’s and Don’ts”**



## SALES APPROACH (cont.)

### BUYER RISK ATTITUDE = RISK DODGER

- Many references (demonstrate proven reliable technology + efficient operation)
- Get short-listed with major players
- Guarantees & after-sales service
- Assist buyer handle currency risk
- Interpret demand for quick pay-back



# SALES APPROACH (cont.)

## BIDDING BEHAVIOUR

- Awareness of cogeneration concept & benefits at times vague
- Competitive bidding is not always the rule
- Short-listing important filter
- Standard documents (Fidic ...) not always used
- Fairness in evaluation?



# SALES APPROACH (cont.)

## BIDDING BEHAVIOUR

### Actions to consider:

- "Sell" cogeneration concept basics
- Proactive search for deals
- Prepare for direct negotiations as single supplier
- Make price last item on agenda in negotiations



# SALES APPROACH (cont.)

## COMPANY IMAGE:

- Promote aggressively company
  - technology
  - products
  - brand
  - company name



## SALES APPROACH (cont.)

### PERSONAL RELATIONS – RELATIONSHIP INSTEAD OF DEAL FOCUS:

- Identify and acquaint with decision makers (business & government)
- Get to know people well before start "talk shop"
- Initial contact indirect via "brokers"
- Preference for long & stable relations based on trust & respect
- Frequent follow-up to maintain relations
- Role of contract
  - personal/impersonal
  - legalistic/situational



# SALES APPROACH (cont.)

## LOCAL PRESENCE:

- Use local partner OR
- Establish own unit



## SALES APPROACH (cont.)

### TIME PERSPECTIVE:

- Steep corporate hierarchy = top only decide = takes time
- Make long-term commitment
- Anticipate delays
- Patience!



## SALES APPROACH (cont.)

### DO'S AND DON'TS:

- Be accessible
- “When in Rome do like the Romans”
- Beware of secrecy tradition – don't ask too much
- Use local language / interpreter



# BUYER BEHAVIOUR DETERMINANTS (Thailand experiences)



# DETERMINANTS

- **Plant size**
- **Power generation core business?**
- **Electricity output captive or for grid sale?**
- **Fuel costs**
- **Role of sector organisations**



# PLANT SIZE

## CAPACITY > 50 MW

- buyer has own professional technical expertise
- chiefly interested in
  - high fuel efficiency (profit motive)
  - “advanced” technology = reliability
  - maintenance & other after sales service
- as he sells electricity to grid (fulfil contractual obligations)
- he wants to minimise risk



## PLANT SIZE (cont.)

### SMALLER CAPACITIES:

- chiefly interested in low purchase price (+ quick installation + easy-to-handle equipment + quick technical service)
- life cycle cost not considered (pay-back the rule)
- generation breakdowns/interruptions less important
- fuel efficiency sometimes important
- top investment motive = reduce electricity costs



## GRID OR CAPTIVE?

- EGAT very professional (technical & procurement)
- EGAT in very strong position
  - issues PPAs
  - big buyer
- EGAT "set standards" for equipment (proven, reliable)
- EGAT directly approaches short-listed developers
- EGAT applies competitive bidding



# SECTOR ORGANISATIONS

- **Assist in procurement? (Expertise + discount)**
- **Case: SUGAR industry**
  - **one sector organisation centralises purchase of industrial equipment**
  - **Japanese equipment completely dominates**
  - **Japanese presence > 20 years (many references + personal relations)**
  - **Japan biggest buyer of Thai sugar**



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**Thank You !**