



“Business and marketing strategies”

Milan, Italy September 13, 2004

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THEMES

- **QUITE A DIFFERENT WORLD**
- **SHAPING STRATEGIES**
- **BUYER BEHAVIOUR DETERMINANTS (Thailand)**
- **MARKET SEGMENTS AND COMPETITION
(Thailand: steam turbines and boilers)**



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

European equipment/system perceived characteristics:

- High overall efficiency (energy savings)
- Highly automated (low labour costs)
- High availability and reliability (safe security of supply)
- High durability (long life)
- Low service demand (low maintenance costs)
- High flexibility in application (fit individual demands)
- Environmentally friendly



PRODUCT/SYSTEM (cont.)

European equipment/system perceived characteristics:

- Not superior to Japanese & US
- Complicated to operate
- Adapted to local situation & robust (fuels, climate, standards ...)?
- "Why Mercedes, not Toyota"? ("too sophisticated")



PRODUCT/SYSTEM (cont.)

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/interruptions**



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

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 (fulfill 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



**MARKET SEGMENTS &
COMPETITION**
**Thailand: steam turbines
and boilers**



STEAM TURBINES

- Not manufactured in ASEAN
- Import from Japan, USA, Europe, China and India
 - US increasing
 - EU declining
 - Japan rather steady
- Small but growing market
- Stiff competition
- Overall: Japanese are market leaders
 - very strong with EGAT
 - “near monopoly” in sugar sector



STEAM TURBINES (cont.)

- **Smaller capacity segment (1-10 MW)**
 - four Japanese have ~ 2/3 of market
- **Medium range segment (10-50 MW)**
 - dominated by American and EU with ~ 1/3 each
- **Above > 50 MW: few players only (EU and US)**
- **Project developers try enter projects in early design phase**
- **Customised design of equipment**



BOILERS

- **Competitors:**
 - **Europe, USA and Japan**
 - **Malaysia, Indonesia, India, Taiwan, China**
- **Many more seller than in steam turbine market & stiffer competition**
- **Rather low entry-to-market (technical) barriers**
- **Overall no market leader**



BOILERS (cont.)

- Japanese leading in bagasse
- Medium term market saturation expected
- Local component production & assembly popular among “Westerners”
- Some manufacturers bet on fuel specialisation



For more information

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<http://www.cogen3.net>

Thank You !