



“Business and marketing strategies”

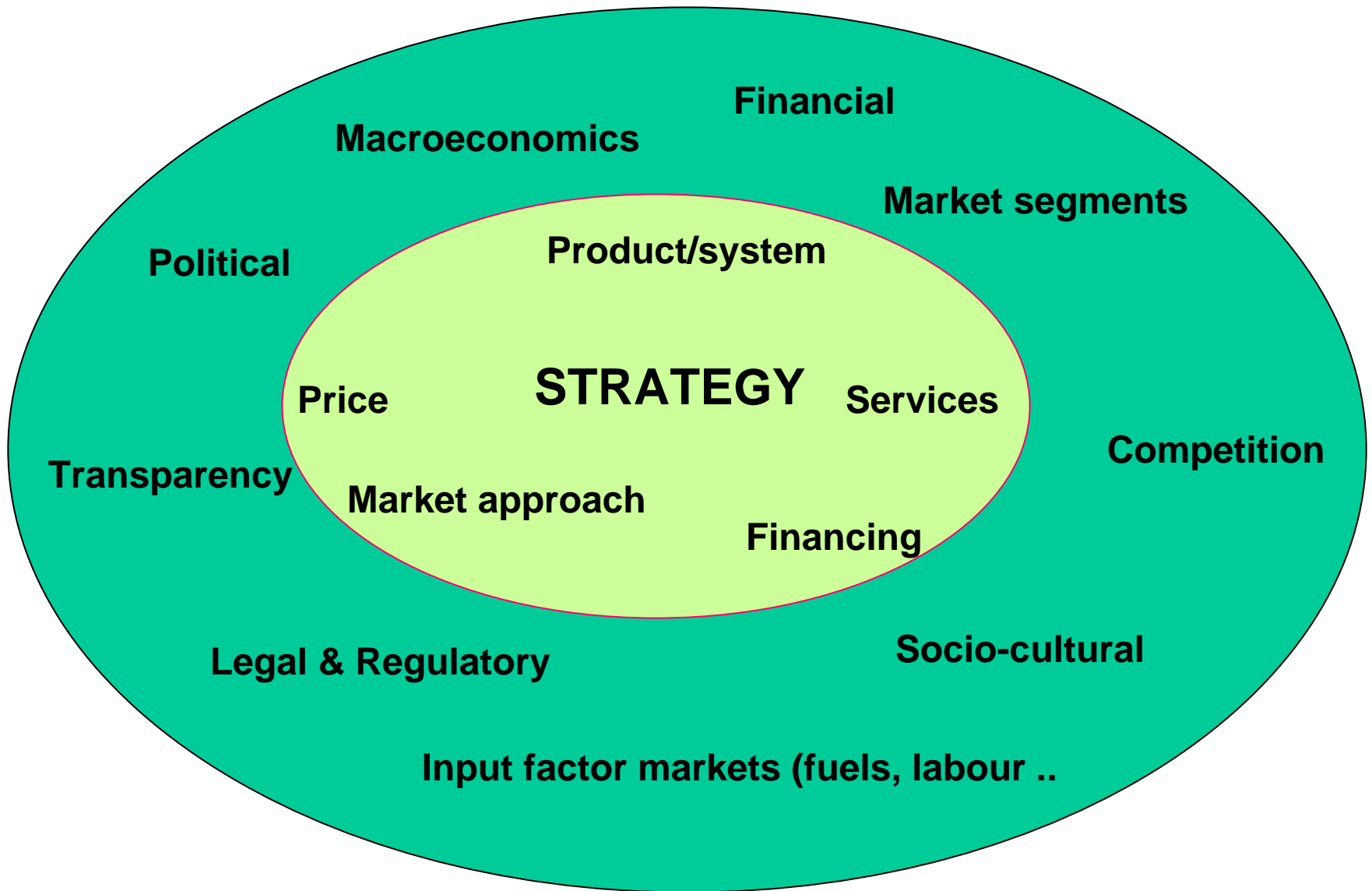
Krakow, Poland November 23, 2004

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THEMES

- **QUITE A DIFFERENT WORLD**
- **SHAPING STRATEGIES**
- **BUYER BEHAVIOUR DETERMINANTS**
- **MARKET SEGMENTS & COMPETITION**
- **CONCLUSIONS**



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**



SHAPING STRATEGIES



STRATEGY COMPONENTS

- **Product/system**
- **Price**
- **Services**
- **Financing**
- **Market 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")



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



MARKET APPROACH





MARKET 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



MARKET 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?



MARKET 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



MARKET APPROACH (cont.)

COMPANY IMAGE:

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



MARKET 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



MARKET APPROACH (cont.)

LOCAL PRESENCE:

- Use local partner OR
- Establish own unit



MARKET APPROACH (cont.)

TIME PERSPECTIVE:

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



MARKET 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



MARKET SEGMENTS & COMPETITION Thailand: boilers and steam turbines



BOILER market

- **Competitors:**
 - Europe, USA and Japan (leading in bagasse)
 - Malaysia, Indonesia, India, Taiwan, China
- **Rather low entry-to-market (technical) barriers**
- **Overall no market leader (though some Western manufacturers bet on fuel specialisation and local component production & assembly)**
- **Medium term certain market saturation expected (stiff competition – many suppliers tendering)**



STEAM TURBINE market

- **No manufacturer in ASEAN**
- **Competitors**
 - Europe (declining), USA (increasing) both dominating (~ 1/3 each) the 10-50 and >50 MW capacity segments
 - Japan (steady - market leaders (2/3 of market) in 1-10 MW capacity segment, strong with EGAT and “near monopoly” in e.g. sugar industry)
 - China and India in the 1-10 MW range
- **Small but growing market with stiff competition (require customized design)**



CONCLUSIONS



CONCLUSIONS

- **Heterogeneous markets may require customised approaches**
- **Identify buyer behaviour determinants - and comply**
- **Stress life cycle cost over procurement price**
- **Stress ecofriendliness of product/system**
- **Market packages (product + services + guarantees)**
- **Go for turn key (consortium)**
- **Enter market to stay - patience**
- **Local presence**
- **Stress your references (company image)**
- **Proactive search for deals – exploit non-competitive bidding**
- **Recognize importance of personal relationships**



For more information

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<http://www.cogen3.net>

Thank You !