

Global marketing plan of selco solar energy



**ASSIGN
BUSTER**

More planning shall give greater possibility of victory, while less planning, lesser possibility of victory, so how about without planning?" (Tzu, 2010)

People who are getting ready to fight a battle or go into war do not do so without being prepared. There is strategic planning before the soldiers even enter into the field of combat. The same goes with marketing. Marketing takes planning and evaluating so that when the time comes, the plan can be implemented with great success. The plan must be organized and well thought out so that it can be " forecasted into the future with some measure of accuracy," (Tzu, 2010).

Executive Summary

The SELCO Solar Energy is an innovative concept that has been introduced in the Indian market because of the rising fuel price in the country. The idea behind its conception is to provide a sustainable energy that is eco-friendly and a small energy that would be suitable for India. The company introduced its plan not only to target the Indian market but also cater to the growing demand for such energies in the international market. In order to understand the competitiveness of the company and its position, a series of analysis is energiyed out like Porter's Five Forces and SWOT as well as the Value Chain under the McKinsey Business System. Following this analysis, it can be seen that REEA is well placed to perform in a good way in the EE market. Even though there are various challenges that the company could face, it can be overcome by adopting certain strategies. The company's key strength is that it provides high technology energy, in fact way ahead of others in terms of technology; the added point is that this high tech energy is made possible at a lower cost. The cost compared to other manufacturers in the same industry

is three to four times lower. The pull down factor for the company is that it does not offer a wide range of options. It should be noted that in the future, the range of energies offered should be broadened so as that it satisfies various kinds of customers. Despite all this, SELCO energy is making headway into many countries and in the future it would turn out to be one of the major players in the eco-friendly energy industry.

Introduction

In this assignment, the company taken into study is Solar Electric Light Company (SELCO) which is offering its services in India. The company would be analyzed on its competitiveness by doing an industry analysis based on Porter's Five Forces; a situation analysis is done using SWOT and is followed up with McKinsey Business System to analyze the value chain in SELCO. Based on this analysis, it can be understood whether the company is competitively placed to face other companies in the industry. The company strategy undertaken and also the ones to be taken are described so as to understand its future prospects of performance. The challenges to be faced ahead are listed down with recommendations to be considered in order to improve its standing.

Company Profile

SELCO is the first sustainable electric company to operate in India. It is the result of a joint venture between Maini Group and Amerigon Electric Technologies (AEET Inc.) of USA. The Maini Group holds 70% equity while the rest is with AEET. SELCO was formed in 1995 by an entrepreneur named Harish Hande who got the inspiration to start this company while studying energy engineering at the University of Massachusetts at Lowell. Harish

<https://assignbuster.com/global-marketing-plan-of-selco-solar-energy/>

Hande has an undergraduate degree in Energy Engineering from Indian Institute of Technology Kharagpur. The reason for the SELCO project is to be able to provide reliable, cost effective, and environmentally sustainable energy services to homes and businesses, especially in the rural areas.

This plan was introduced in the Indian market in 2001 to symbolize a new beginning after four years of research and design. With depletion of all kinds of reserves and a world characterized by smog, noise, and all kinds of pollutants, the governments are awakening to the several benefits of sustainable energy technology. Sustainable energy has vast potential in India and around the globe. Governments around the world are already advocating the use of eco-friendly energies as steps to control pollution in the environment.

Analysis of SELCO

In order to examine the competitive market that SELCO is engaged in, it is vital to do an industry analysis based on Porter's Five Forces. Then a situation analysis should be done by assessing the internal capabilities and external possibilities using SWOT Analysis. This is followed up by doing a Value Chain Analysis which is a method used to identify potential sources of economic advantage by suggesting how the firm's internal core competencies can be integrated with its external competitive environment to direct optimal resource allocation. The McKinsey Business System is used to analyze the value chain in SELCO.

Porter's Five Forces Analysis

Michael Porter provided this famous industry analysis that states that an industry is influenced by five forces. It is very important for SELCO to develop a strategic edge over competitors by better understanding the industry context in which the company operates.

The purpose of the Five Forces model is to analyze major economic and technological forces that will ultimately influence an industry's profit potential. Identifying the profit potential otherwise known as attractiveness of an industry provides the foundation for bridging the strategic gap between the firm's external environment and its resources.

(Fleisher & Bensoussan, 2003)

Porter's Five Forces can be classified as follows:

- a) Threat of new entrants
- b) Bargaining power of suppliers
- c) Bargaining power of buyers
- d) Threat of substitutes
- e) Rivalry

They are elaborated in detail in order to further understand and relate its importance to the competitive performance of SELCO.

- a) Threat of new entrants

The entry barriers are related to the level of difficulty facing new entrants to compete in the industry. If entry is easier, it would result in lower industry profitability.

The entry into the market of electric energies is quite difficult because of the level of investment required. SELCO was able to develop the energy in collaboration with a number of companies; the project took four years of designing and development that involved high investment. The funds were raised in India from ICICI Bank, Technology Development Bank and the Karnataka State Finance Corporation in the form of debt. Further investment is sought from International Finance Corporation (IFC), the World Bank's private sector lending arm, expected to pick up a stake in SELCO at a substantial premium. This attraction of investors is because of the fact that it is SELCO found a way to create the required technology cheaper than those of other companies. Certain international energy majors have bought electric energy companies at a lower valuation, but the cheaper buying price did not outweigh the amount of money that had to go into the acquisition to make it a viable proposal. But what SELCO enjoys over new entrants into the market is proven technology at low cost, a ready market, and a good response to its product. The company has at least 10 patents and has capabilities to expand with inclusion of several new models, a bigger version of SELCO, and a vehicle for public transport. Further investment of around \$20 million has been put into the future projects. For new entrants, it involves high investment costs and to achieve the economies of scale is too difficult. It would be hard for the new competitors to compete price wise as SELCO has already achieved the development of the electric energy at a low cost. To

add to woes of new competitors, commercial Electric Energy (EE) initiatives in India have received little governmental support – and most such initiatives have failed to take off because of two reasons: one, they cannot compete price-wise with the well entrenched petrol and generator technology and two, battery technology is as yet inadequate to provide the complete solution, endurance and speed-wise, for an all- electric passenger energy. As a result such initiatives have been limited to applications like golf energies or airport and factory floor service energies. (Murali, J., 2000, IT sparks a revolution in electric energy's, 2001 & Giriprakash, K., 2003)

The new entrants would face high costs, achieving economies of scale, pricing and patent rights because of SELCO holding 10 patents. It is further to be noted that SELCO already has a well knit network of dealers all over the country as well as abroad. This can hinder the new entrant's distribution capability and penetration into the market.

b) Bargaining power of suppliers

This is a major force that refers to the ability of the suppliers to influence the cost, availability and quality of input materials to firms in the industry. The company can face cost and price problems if the suppliers have an upper hand in the end result of the product.

In the case of SELCO, the running chassis, integrated power system, energy management system and climate control seats for SELCO energy are imported. The Prestolite batteries, forming the power pack developed in the US, will now be manufactured through Tudor India, an Exide subsidiary. The

charger has been developed in conjunction with Modular Power System of the US and the controller is manufactured by Curtis. (Murali, J., 2000)

The pricing of SELCO can be influenced by the suppliers of these key elements of the energy. This can be risky for SELCO and has to look into future plans to find other prospective suppliers in the industry. The availability of substitute inputs can help in offsetting this influence. The ability to switch supplier costs can also help in decreasing supplier influence.

c) Bargaining power of buyers

The influence of the firm's customers plays an important role in defining industry structure by virtue of their ability to force prices down by comparison shopping or by raising quality expectations. In the case of SELCO, the price competition comes from conventional technology energies running on petrol and generators. The SELCO's initial cost vis-à-vis the Regular supply is a major inhibiting factor. Regular supply is a low priced energy which has the largest customer base in India. To influence the customer to purchase SELCO over Regular supply involves not just marketing the eco-friendly concept but also to target the price in par or below regular supply. Since price is a driving force in the purchasing power of the consumer in India, the bargaining power of the buyer has great importance. But when it comes to pricing with other EE energy the buyer would be influenced by the pricing of SELCO.

(Jagannathan, V., 2003)

It can be noted that in the domestic Indian market the buyer has tremendous influence in the purchase of SELCO over other brands. But at the same time there are no other EE competitors in the domestic market to influence the buyer. In the global market, price would surely influence the consumer to buy SELCO over other brands. This owes to the fact that SELCO offers at par with the noted brands in terms of quality and technology.

d) Threat of substitutes

The threat of substitute products can actually influence SELCO's market. If other substitute products can be offered at a lower price, it can cause problems for the company. The substitutes available to compete with EE energies are solar powered or hydrogen energies. If these new technology energies enter into the market offering lower price, it can hinder the sales of SELCO. But the fact remains that solar powered energy are highly priced and so it doesn't attract customers. The cost of a solar energy is prohibitively high and recovery will be over a long period of time. As far as hydrogen run energies are concerned, it's still in the infant stage of designing and its full scale introduction into the market would take a longer period of time than expected. It can be seen that there is no threat of substitute products coming into the energy industry offering low price and hindering the sales performance of SELCO.

e) Rivalry

In the traditional economic model, competition among rival firms drives profits to zero. However, competition is not perfect and firms are not

unsophisticated passive price takers. Rather, firms strive for a competitive advantage over their rivals.

As far as rivalry is concerned to SELCO in the domestic Indian market, there is none. SELCO dominates the Indian market. There have been other manufacturers of India.

Some of them being, Mahindra & Mahindra who launched a battery operated three wheeler “ Bijlee” in Delhi and the Chalakudi, Kerala-based Eddy Current Controls (India) Ltd, put on road its own pioneering chopper controller, DC motor- driven electric passenger energy the “ Lovebird”. The public sector Bharat Heavy Electricals Ltd (BHEL) and the Central Electronic Engineering Research Institute (CEERI) and the Indian Institute of Technology (IIT) Mumbai, have also developed all-electric energies . But all of these projects didn't make it big because the national policy on non conventional energy alternatives was not encouraging; initiatives in India have received little governmental support and financial support by banks or financial institutions have been negligent. (IT sparks a revolution in electric energy's, 2001)

In the global market, SELCO will face tough competition from other competitors But SELCO can compete with these titans over time by strengthening its sales promotion, marketing and highlighting the price advantage it enjoys.

SWOT Analysis

Ken Andrews is considered to be the pioneer of SWOT analysis. A SWOT analysis is a subset of the broader situation analysis that is used to assess

<https://assignbuster.com/global-marketing-plan-of-selco-solar-energy/>

the strategic fit between the firm's resources and capabilities with the external environment. Using this methodology, it is the right approach to determine a niche strategy - the best way for a firm to use its strengths to exploit opportunities and to defend both the firm's weaknesses and strengths against threats.

(Fleisher & Bensoussan, 2003, p92)

The SWOT Analysis shows the internal strengths and weaknesses of the company as well as the external opportunities and threats to the company. In the case of SELCO they can be highlighted in the following manner:

a) Strengths

- * Financially strong with backing from banks and financial institutions.
- * Competitive pricing.
- * High technology in par with other global brands.
- * Strong leadership and management
- * Low cost of production.

b) Weaknesses

- *No brand name to compete globally.
- *No wide range of energy's compared to other global competitors.

c) Opportunities

*Worldwide awareness and government support for eco-friendly energys.

*To expand into other countries with partnerships.

*Demand for low priced eco-friendly energy's.

*Small energy's more preferred in traffic infested cities.

d) Threats

*Lack of government support in India to avail tax cut or subsidy in order to compete with similar priced Regular supply energies.

*Entry of other competitors into India to utilize the opportunity to manufacture at low cost.

McKinsey Business System

Value Chain Analysis is a method by which the firm's internal core competencies can be integrated with its external competitive environment to direct optimal resource allocation. Using the McKinsey Business System, the key idea here would be to identify which part of the value chain is vital to add more value to the company's end product. The McKinsey Business System has the following categories in its value chain analysis. They are:

Technology

Product Design

Manufacturing

Marketing

Distribution

Service

Though all of these are important in SELCO's case, it is to be noted that more priority should be given to technology and product design. In an EE market, technology plays a key factor in order to compete with other EE manufacturers. Since technology keeps changing day by day, it is imminent that the company improves its energy models by adding more sophisticated gadgets. The design of the energy is very crucial to attract the interest of potential buyers so as to increase its customer base.

Technology has been given due importance and steps taken to improve on it. For instance, the energy's battery-charging unit is 15 per cent more efficient than others are. The energy is controlled by two onboard computers and furthermore it has been Internet enabled. Due to the technology driven concept, SELCO is the world's first energy to have a remote-controlled pre-cooling air-conditioning system, and with climate-controlled seats.

(Murali, J., 2000, Jagannathan, V., 2003, & SELCO showcases new electric energy, 2005)

The energy also features a high-resolution single touch-screen display system featuring all energy dashboard functions as well as personal communication tools such as a GPS navigation system, a GPRS modem for internet and email access and an MP3 music player.

(SELCO Introduces NXG Electric City Energy, 2005)

Product design is top priority in the eyes of SELCO's design team. Due to this, they adopted "Pro/Engineer" a 3-D product development solution from Parametric Technology (India) Pvt Ltd, Indian end of the US-based company that is a market leader in high end Computer- aided design and manufacturing (CAD/CAM) tools. Complementing Pro/Engineer is Parametric's solution for collaborative product commerce, "Windchill", which enables dozens of engineers to use the Internet to bring together designers, parts suppliers, customers and manufacturers into a single environment. The SELCO energy design was achieved across 10 SGI work stations equipped with Pro/E. A complete model of the energy was created in 3D and the structural and motion analysis was done using Pro/Mechanica.

(IT sparks a revolution in electric energys, 2001) The design team thus analyzed critical components like the chassis and the suspension and ironed out all foreseeable mechanical problems before the actual prototyping began.

The joint venture with California-based AevT group which specializes in aerospace technologies for the energy motive industry has ensured that the SELCO has its heart, an Intelligent Energy Management System (EMS) that interfaces with all on-board electronics and optimizes the battery charging process.

(IT sparks a revolution in electric energys, 2001)

The company hopes to make progress in the technology of the energy. By 2006, SELCO will be powered with lithium ion battery, the next step will be fuel cell (2009-13) and finally a energy powered by solar/fuel cell (2015-20).

<https://assignbuster.com/global-marketing-plan-of-selco-solar-energy/>

Next-generation motors, electronics and battery will bring down the price and increase the energy performance. (Jagannathan, V., 2003)

All this was done with cost control and is why SELCO is way ahead of others in technology. In the future as well, the same resilience should be shown in technology and product design as these two can tilt the odds in favor of SELCO by adding more value to its products.

Company Strategy

As the design and production of the energy was important, SELCO formed partnerships with key component manufacturers like Curtis Instruments Inc (motor controller), Tudor India (batteries) and Modular Power Systems (charger unit) were also developed. In addition, group companies (Maini Precision Products, Maini Material Movement and Maini Info Solutions) also contributed their share in supplying components and software. Conventional fuel energy has around 5, 000 parts, the SELCO has little less than 1, 000 parts and not many are moving components. Nearly 900 components have been localized by SELCO Electric.

(Jagannathan, V., 2003)

The advanced technological innovations helped SELCO to keep the project cost low. For instance, the SELCO plant does not have the high investment sheet metal press shop and paint booth as in the case of a conventional energy project. The SELCO's body is made of strong and colored polymer plastic. The plant does not have a conveyor line as the shell is first fixed with wheels fitted with tubeless tires and rolled from one workstation to another.

(Jagannathan, V., 2003)

After SELCO had finished its prototype of the SELCO energy, it had to face the challenge of penetrating the market. In order for the product to be popular good marketing and distribution plans has to be in place. In preparation for its launch in January 2001, SELCO appointed 90 dealers country wide, 40 of whom are around Bangalore. Then it was followed up with talks with Karnataka Power Transmission Corporation (KPTC) to get the necessary clearances. This is to enable recharging of the energy at houses and apartment blocks. Further talks were energyried out with Bangalore City Corporation (BCC) to install recharging points at airports and shopping complexes. The company's goal was to cater to a niche market, aimed at those switching from two-wheelers to four-wheelers, housewives, retired persons, college-goers and corporate users. The company is expanding its distribution network by entering new markets. The plan is to appoint two new dealers every month. In next six months the company plans to have dealers in 14 new cities. (Murali, J., 2000 & Jagannathan, V., 2003)

Pricing of the energy was part of the driving force in the company's strategy. As far as electric energies go, SELCO is possibly the cheapest in the world. Energies like the Richmond Australia, which are just a bit larger and have similar range, cost three to four times the SELCO's price in Europe. (Energy Energy, 2002)

SELCO understood the fact that it would face a lot of competition as it goes global with its electric energy. SELCO energy have various niche market applications with tremendous potential for use in island countries like

<https://assignbuster.com/global-marketing-plan-of-selco-solar-energy/>

Mauritius, Maldives, Seychelles, New Zealand, Cayman Islands, Channel Island, Fiji, Trinidad & Tobago, St. Kitts to name just a few. SELCO has been able to market its concept of protecting and preserving the beauty and the ecology of such spots. Attractive sales and service packages are available for bulk buyers from the tourism & hospitality industry, fleet operators, and large organizations besides local residents.

(SELCO Company Website, 2005)

SELCO as part of its expansion plan wanted to penetrate the global market effectively. It saw the immense scope in the export market and as a result it formulated plans to attract customers in the international market.

The company should probably tie up with Nepal, Israel, Malta and Japan for marketing, sales and service of the SELCO energy. It also finalized deals in UK and Sri Lanka with talks in the process for technology transfer to China and Malaysia for local production.

SELCO introduced the first electric energy in Sri Lanka christened 'Ceylinco SELCO'. It was launched in Colombo early part of 2007. Initially the energy would be imported from India and subsequently would be supplied in Sri Lanka. The SELCO energy would be the ideal energy to overcome the rising cost of fuel in Sri Lanka. The possibility of obtaining duty waivers and other concessions from the Sri Lankan government is being negotiated and would make the energy more affordable for the public. When the 'Ceylinco SELCO' is locally supplied by the end of the year, it would also bring down the cost of the energy. (Sirimane, S., 2005)

SELCO is already marketed in United Kingdom, Hong Kong, Japan and with the left hand drive version being introduced soon it would be sold in Europe as well. The focus has been to get acclaim from prospective customers around the globe. The energy did very well in the world famous Osaka Energy Show, Japan creating a lot of excitement among energy enthusiasts. The Japan Government in its bid to promote electric energies has provided a subsidy of \$2, 600 per energy to SELCO. The subsidy amount is given directly to the customer from the Japanese Government once he has purchased the energy.

(Japan provides subsidy for SELCO energy, 2005)

This was followed by introducing a new series of options in UK this year. GoinGreen, a retailer of electric energy in the UK, showcased the new SELCO NXG electric concept energy in London. GoinGreen has been marketing another SELCO EE-the G-Wiz-since May 2004. (SELCO Introduces NXG Electric City Energy, 2005)

The corporate plan now is to launch easier and more sustainable energy and scale up capacity to International markets even more than ever before.

Challenges Ahead

There are various challenges that the company would face in the domestic as well as international arena. The challenges can be listed as follows: competition from local Indian energy markets, SELCO. International energy markets from China, Czehekoslovakia, Malaysia, Japan and United States have a wider range of electric energy options. Support from governments in

Asian countries who lack the will to promote eco-friendly energies will be important as well.

The unavailability of electric charging facilities like the established network of petrol stations for conventional energies could cause for some potential problems. This could be alleviated if prior thought goes into the planning of these facilities.

Recommendation

Though there are many challenges which SELCO has to face; in order to be successful it can take up necessary steps with a vision to out beat competition. Some of these recommendations are listed below:

In many countries postal departments use sustainable energy as they offer ease of dispatch of mailing letters. The SELCO can be easily custom-made to suit the requirements of varied uses. At a phenomenally low cost, the SELCO will be a good initiative by any Government in promoting the use of clean energies by its departments. Negotiate and avail tax cuts & subsidies from the Indian Government in order to cut down price and thereby compete with conventional energy makers.

Target the European market with its left hand version as soon as possible with price being the plus factor of SELCO. Form partnerships with countries and look for localized production in target countries if price can be further reduced. Like tap the hardware industry of China to make the product more cost effective. More options need to be introduced to counter other international competitors.

Conclusion

On the basis of the analysis done in this assignment on the SELCO electric energy, it can be concluded that the company has the capabilities to perform well in the market. This is possible through the strength it enjoys over other competitors - high technology with cost effectiveness. The problem it can face is that it doesn't have a well known name globally but over time as technology is upgraded in SELCO and new options are introduced, it can surely take on the titans in the energy industry. But as of now it is critical to slowly build up on the strong platform that it enjoys and build partnerships to penetrate into international markets. In the long run, SELCO is most likely to make its mark in the EE market.