Customers

Business, Marketing

Customers Vestas' target customers are identified as developers, independent power producers (IPPs) and utilities. Big clients seem to play a relatively large role, with 80% of the revenue coming from 15% of the customers. What is less clear is who the decision makers and relevant stakeholders at these companies are. The fact that direct mailing and even targeted company-wise advertising on traditional media is employed suggests that salespeople have difficulties reaching them directly with cold calls and sales pitches. Also, the data of the direct mailing list shows there are multiple decision makers at each company, 7-8 on average, and likely more at larger target customers. Analysis of Market The market has been slowing down in recent years. This in combination with the increased competition made it difficult for Vestas to sustain its margins and its market share. The competitive panorama can be subdivided into three categories: 1. Large corporations, such as Siemens and GE, that have a strong financial base and broad networks. These companies have an advantage in finance allowing more resources for R&D. However, big corporations tend to move slower compared with smaller companies and tend to be less flexible to customer requirements. 2. Smaller companies which have a strong local presence, especially in Europe. These companies compete directly against Vestas in local areas, although they lack the premium quality that Vestas is known for. 3. Chinese companies who make cheap turbines. These companies are only active in the regional market and are not direct competitors to Vestas. Planning Horizon Since turbine technology needs considerably long term R&D investments, 5 years is an appropriate planning horizon for Vestas, since this will be the minimum timeframe required to react to technological, economical, and political changes. Long Term Market Developments It is reasonable to expect that, despite the short term industry wide slowdown, the wind energy market will pick up again, due to governmental provision, technological evolution, and the global economic recovery. The technological development will likely enable Chinese players to catch up on quality and become a more credible threat on the global scenario. This will drive prices and margins further down, and make acquired competitive advantages difficult to maintain. Large players like GE and Siemens will find synergies with their other businesses to complement its products in a more compelling way for customers (e. g. financing from GE Capital). Their effort to augment their product line will impose a new dimension of competition to the rest of the industry. Vertical Forward Integration Based on the tough current market conditions and increasing competition, one of the strategies that Vestas can pursue to sustain and gain competitive advantage is to integrate vertically forward. One of the ways, Vestas could integrate forward is by having a share in the revenue generated from the electricity produced by its wind turbines. To accomplish this forward integration, the company could sell the wind turbines to the customers at reduced price and/or provide other services (maintenance, installation, planning) in exchange for a share in the revenue generated through the sales of electricity. Pursuing this strategy will allow Vestas to establish a constant and long-term revenue stream in the highly volatile renewable energy industry. One of the biggest hurdles facing the wind energy industry, particularly in the emerging nations like China and India is the lack of grid infrastructure that can efficiently handle the volatile nature of wind and transfer the power to the load centers. Vestas can fill this gap and integrate forward by partnering with utilities in developing the infrastructure of electricity generation such as grid and transmissions lines and generating revenue through sales of electricity. Doing this forward integration will allow Vestas to establish itself as a one-stop shop helping customers on all aspects of wind energy generation thereby increasing its customers. At the same time, it will allow Vestas to reduce its dependency on the insufficient grid infrastructure that often hurts the sales of its products. Augmented Product Using Data Vestas' new marketing focus under Morton Alaec has given it a deeper understanding of consumer preferences. Moving forward, Vestas should leverage consumer insights to augment the dimensions of its selling process, and subsequently add value to its main product. Pre Sale Knowing what its customers value the most gives Vestas a competitive advantage in marketing its turbines. Using this key information, Vestas' sales force can effectively address the buyers' concerns, lower the buyers' perceived risks and elevate the turbines' benefits. The sales force's increased ability to address client concerns will not only add value to the main product, but also allow Vestas to form more sustainable relationships with clients. Post Sale Vestas can tag on additional value to its turbines by expanding its post-sale strategies. As mentioned in the case, clients who purchase wind turbines are afraid of failed investment and safety issues. With knowledge of customer concerns, Vestas can provide tailored warranties and technical solutions that will alleviate these concerns. This creates a bundling effect that reduces risk and makes the purchase more cost-beneficial.

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