

# [The introduction to rotary renewables marketing essay](https://assignbuster.com/the-introduction-to-rotary-renewables-marketing-essay/)

Established in 2003, Rotary Renewables is the energy division of Rotary Engineering UK Limited. This company brings its engineering skills to renewable sectors which have been developed over the last 30 years. They expanded its renewable business in 2007 which has grown steadily and now includes wind turbines and solar photovoltaic. Nowadays, usage of renewable energy sources became critical as the energy costs increase every year and there is a need to reduce the impacts of carbon-dioxide outputs. Rotary Renewable provides renewable energy solutions which helps in finding energy saving solutions and generation of long term income from renewable energy. Their core business expertise includes workshop equipment, electromagnets and commercial renewable installations. They have a reputation over customers that are reflected in their business to meet the customer needs and these facilities indicates that they are no small player in market and can rise to high extent and can aim for becoming a market leader. This paper discusses the various aspects of renewable energy sources as well as solar photovoltaics within the market which are to be considered and would help in making a decision whether to move forward with solar installations. As the report progresses, it would be made clear whether this would be a good idea to implement or not.

Market Research

Rotary Engineering is aiming to exploit the renewable energy market by using these solar photovoltaics. There are over 100, 000 small solar heating systems in UK but very few houses have PV (photovoltaic) panels. Solar energy supplies less than 0. 1% of the UK’s electricity. The figure below represents that there has been a considerable growth in solar photovoltaic all around the world in the following years:

(www. solarcellcentral. com)

From the graph, the solar industry had seen a remarkable growth in a rebound from 2009 recession and the five year growth rate from 2007 to 2011 can be estimated to be 70% per year. The gradual decrease to 10% in 2012 is due to the reduction in incentives in several European countries.

From recent research in renewable energy sources in UK, only 12% of the renewable energy accounts for total energy consumption in UK comprising bio energy (77. 1%), wind power (15. 4%), hydro-electric (4. 9%) and other sources such as geo-thermal and solar sources (1. 5%).

Current UK solar market

Following the introduction of Feed-in-Tariff (FIT) cuts in the UK from 43 pence to 21 pence (March 2012) and 16 pence (August 2012), UK solar market is gradually showing some improvements. The chart below shows the effect of changes to FIT on installation rates of solar PV in UK:

(comparemysolaar. co. uk)

The above chart shows the weekly installations below 4kWp in the UK after the introduction of FIT from April 2010. It can be inferred that from 2010 to 2011, there had been 4% growth in every week (FIT of 43 pence); from April 2012 to June 2012, 12 % growth every week with FIT of 21 pence and from August 2012 to October 2012, there had been 10% growth every week with FIT of 16 pence. This growth pattern illustrates the demand of solar panels in UK as the people began to realize that financial return is moreover same or better on the new Feed-in-Tariff due to decrease in price in solar panels.

After each cut, the demand for solar panels had been reduced by about 90-95% and still the number of installations of solar panels has been considerably growing since August cuts that shows that people have realized to move forward financially with solar.

PEST Analysis

The external environment of any organisation/company can be analysed by conducting PEST analysis. It examines Political, Economic, Social and Technological environments that affect companies.

The PEST factors mentioned in the table below plays a significant role in creating an amount of opportunities for the company in developing strategy. Prices can also be increased during economy thus increasing profitability and alternatively changing social attitudes that force the company to be more environmentally aware, thereby increasing costs and cut profits. The following table lists out the PEST factors:

Political

Trading Policies

Changing Legislation

Government Stability

Funds, grants and initiatives

Economical

Recession

Decline in Feed-in-Tariffs

Inflation

Industrial factors

Social

Advertising and Publicity

Environmental Awareness

Buying access and trends

Brand, company and technology image

Technological

Rapid changes in Technology

Impact of rise in internet marketing

Materials and Manufacturing Processes

Information and communication

SWOT Analysis

SWOT Analysis has been examined and determined in order to analyse the company’s current position in the market. It stands for strengths, weaknesses, opportunities and threats and summarizes the current state of Rotary engineering Ltd., helping them to construct a future plan by applying existing strengths, compensating existing weaknesses, accomplishing threats and preventing threats. By analysing all these aspects mentioned below, it would provide stability in the market.

Strengths

Strong Technical and Management Team

Expertise and passion for diversification

Good relation with customers and employees

ISO accredited

Business enhancement through improved facilities

Weaknesses

Low budget for marketing

Lack of employees for sales and marketing

Inexperience in PV market

No information of experience on renewable projects in website

Opportunities

Expansion of renewable energy business

Merging recognised brands for partnership

Awareness and advertising fairs for renewable energy

Stabilising market after the fallen state

Government goals and activities for renewable energy sources

Threats

Established competitors

Frequent legislative changes in Feed-in Tariffs

Climatic conditions (less sunlight in winter)

Optimistic market

Competitive quotations by competitors

The company being developing over the last 30 years would indicate the expertise in the market and the aware of all aspects of business would help in making better decisions. The existing competitors would make it difficult for Rotary Renewables to compete in the solar panels and this company should be considered as a threat to all other competitors. There is an opportunity for the company to exploit the renewable energy market as market research indicates a growing demand for solar panels.

Segmentation, Targeting and Positioning (STP)

Market segmentation is necessary in the company’s campaign as it provides a better understanding of the needs of the customer. It is because customer needs differ in many ways and creating each segment provides customer a better solution. Also, income of each customer varies and sensitive to price, so by segmenting markets the business can raise average prices and finally enhance profits. The market segmentation can maintain more customers by marketing products that addresses to customers at their different stages of life. It also helps in targeting the relevant customers and at lower cost. So with careful segmentation and targeting, the company can achieve competitive production and specific choice of customers and distributors.

From the research drawn, the solar market can be divided into five distinct segments which are shown in the following table:

Sl No

Segment

Specification

Total Generation (MW)

1

Residential

4 KW

163

2

Building Mounted (Non-Residential)

<100 KW

247

3

Building Mounted (Non-Residential)

> 100 KW

245

4

Ground Mounted

Different sizes

291

5

Off Grid

Different sizes

2. 66

Total energy generated in UK

948. 66

From the segmentation, the two segments are chosen as targets in order to make the company more profitable. The target focussed should be domestic market (4 KW> Power output <100 KW) comprising residential and building mounted solar photovoltaic. From the above chart, it can be clearly seen that domestic market constitutes 43% of the total market. In UK, there are about 4. 4 million residential properties to focus, thus providing maximum business possibilities. Also, the company has already been established in these segments thereby providing better understanding of the customer needs.

Based on the segmentation and targeting of the product, the position of the product in the market should be in terms of power output that is greater than 4 KW or less than 100 KW, price, promotion and distribution. This positioning is required to differentiate the product in minds of segmented and targeted customers. There are many key competitors such as Sharp Solar, EvoEnergy, Sanyo, Heatwise Southwest Renewables in this market that makes this company difficult to position their products in the market. This indicates that the company is going to struggle in positioning in this product.

Financial Analysis

Assumptions

As the available data was insufficient, series of assumptions has to be made under consideration.

Calculations

The total production cost for the next 5 years is being evaluated and tabulated below:

## SlNo

## Year

## Solar Panels Cost (£)

## Equipments cost (£)

## Labour charges (£)

## Overhead (£)

## Total Amt/System (£)

## Profit Margin of 5%

0

2012

## £ –

## £ –

## £ –

## £ –

## £ –

1

2013

£ 29, 400. 00

£ 16, 500. 00

£ 8, 000. 00

£ 11, 475. 00

£ 65, 375. 00

£ 71, 912. 50

2

2014

£ 30, 282. 00

£ 16, 995. 00

£ 8, 240. 00

£ 11, 819. 25

£ 67, 336. 25

£ 74, 069. 88

3

2015

£ 31, 190. 46

£ 17, 504. 85

£ 8, 487. 20

£ 12, 173. 83

£ 69, 356. 34

£ 76, 291. 97

4

2016

£ 32, 126. 17

£ 18, 030. 00

£ 8, 741. 82

£ 12, 539. 04

£ 71, 437. 03

£ 78, 580. 73

5

2017

£ 33, 089. 96

£ 18, 570. 90

£ 9, 004. 07

£ 12, 915. 21

£ 73, 580. 14

£ 80, 938. 15

## Total Production Cost for 5 Years

## £ 347, 084. 75

## £ 364, 438. 99

Finally, the net present value is calculated and tabulated below:

## SlNo

## Total Amt/System (£)

## Profit Margin of 5%

## No of Systems installed/yr

## Total production cost

## Total Cash In

## Total cash out

## Net amount

## Discount Rate of 5%

## Net Present Value

0

## £ –

£ 20, 000. 00

1. 0000

-£20, 000. 00

1

£ 65, 375. 00

£ 71, 912. 50

5. 00

£ 326, 875. 00

£ 359, 562. 50

£ 20, 000. 00

£32, 687. 50

0. 9524

£12, 083. 33

2

£ 67, 336. 25

£ 74, 069. 88

7. 00

£ 471, 353. 75

£ 518, 489. 13

£ 20, 000. 00

£47, 135. 38

0. 9070

£24, 612. 59

3

£ 69, 356. 34

£ 76, 291. 97

10. 00

£ 693, 563. 38

£ 762, 919. 71

£ 20, 000. 00

£69, 356. 34

0. 8638

£42, 635. 86

4

£ 71, 437. 03

£ 78, 580. 73

10. 00

£ 714, 370. 28

£ 785, 807. 30

£ 20, 000. 00

£71, 437. 03

0. 8227

£42, 317. 37

5

£ 73, 580. 14

£ 80, 938. 15

10. 00

£ 735, 801. 38

£ 809, 381. 52

£73, 580. 14

0. 7835

£57, 651. 96

## £ 347, 084. 75

## £ 364, 438. 99

## £159, 301. 11

Recommendations

Considering financial and marketing analysis, it does give a clear picture of Rotary engineering in this market. Financially it shows that it is viable for the next five years as the net present value of £ 159, 000 is evaluated as shown in the previous section. From the marketing analysis, it indicates that there will be a conflict in the positioning the product as there will be heavy competition among other competitors (many DECC registered installers) and involvement of risks in other marketing aspects. It can be recommended for the company to examine other segments such as products with output greater than 100 KW (commercial/off grid). These segments are the most potential areas in the market where Rotary Engineering Ltd. can exploit with their primary products and other resources.

The competitive prices should be set to meet the expected profits or goals of the company in order to stabilize the current company position in the market. The financial support could also be provided to domestic customers through related financial institutions and attractive schemes should be set for 50 KW and above projects.

Reflection

Considering myself as a Rotary Engineering, I am happy with these above analysis as it clearly shows that the profit of this market for next five years is acceptable i. e. financially viable. Also it has been clearly defined that the company would not be easy to position itself in the market as it is very competitive.