



# Go-to-Market Strategies for Rapidly Changing Markets –

Renewable Energy Paves the Way

By Christian Schlenker

**“The secret behind major, groundbreaking events is to find that first small strategic stepping stone which then leads the way towards a better future.”** *Gustav Heinemann, former President of Germany*

## Renewable energy – a high potential market

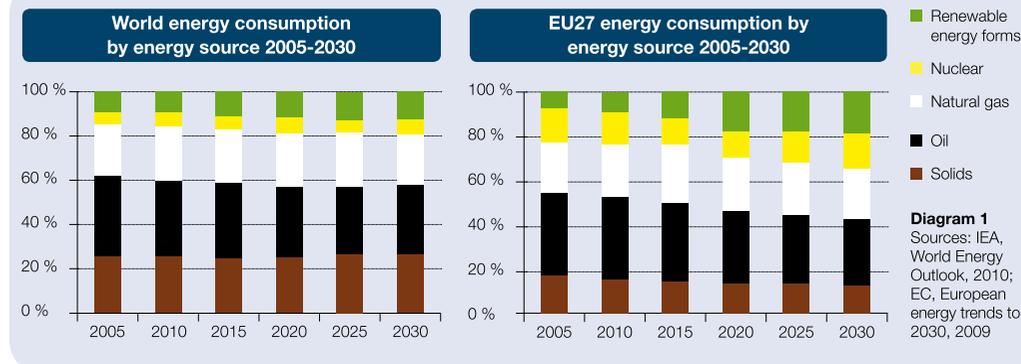
As public awareness of the environment and the need for its conservation increases, the demand for renewable energy sources also rises and the market is now experiencing significant growth. This trend is reinforced by the United Nation’s Millennium Goal Number 7, which pursues ecological sustainability through the global reduction of CO<sub>2</sub>, specifically regulated in the Kyoto Protocol guidelines for reduction of emissions by the industrial states.

As a result of this call for lower greenhouse gas emissions, the market for renewable energy is currently undergoing a revolution, most notably throughout Europe, where member states are experiencing the ambitious and mandatory targets imposed on them in the “EU Directive on Renewable Energy”. By 2020 20% of energy consumed must be generated from renewable sources. The transportation sector must reach a staggering 10%! This directive makes allowances for the different

rates of development throughout the member states by specifying individual targets for each nation, ranging from 10% in Malta to 49% in Sweden. The member states aim to achieve these targets through incentive programs, coupled with financial benefits in the form of grants. While Germany, for example, focuses on a feed-in tariff, Sweden has opted for tradable environment certificates.

The rapidly rising crude oil and gas prices provide a further incentive for local authorities, businesses and private individuals to turn to renewable energy sources. It is not only the lower prices which appear attractive but also the perceived independence from major suppliers and the market forces behind those frequent price fluctuations.

The obvious consequence from the above regulations and targets is high potential for growth on the renewable energy stage. The share of total energy consumption attributed to renewable sources is therefore expected to rise considerably throughout the world over the coming years:



Scientists from the universities of Stanford and Davis have drawn up a schedule for an emission-free world by 2030, in which they estimate that the global change to renewable energy will cost around 100.000 billion US \$.<sup>1</sup>

## Market entry – a crucial step for any successful business

Although the potential of this market offers companies immense scope for success, it is not without its numerous risks. The seemingly inexhaustible capacity of the renewable energy playing field has attracted a myriad of companies, thus continually increasing the competitive pressure on this market. It is therefore essential that new players gain an edge over the competition with innovative and high-performance products, plus a sophisticated and stringent marketing strategy.

The Bavarian company agnion Technologies GmbH aims to carve out a long-term niche for itself in this market. As the agnion CEO Dr. Mey explains: “The trailblazing agnion technology stands for a breakthrough in energy market decentralization!” agnion Technologies develops and produces cutting-edge systems for generation of decentralized regenerative energy from bio mass sources. Established in 2007, the company has taken the innovative *Heatpipe-Reformer* designed by the Munich Technical University and developed it to market maturity. The company enjoys the support of renowned national and international investors, including Kleiner Perkins Caufield & Byers, Wellington Partners Venture Capital and Munich Venture

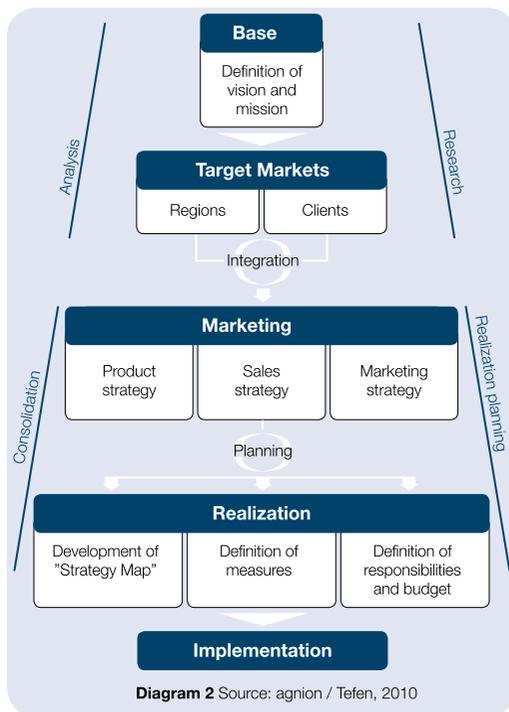
Partners, who feature in companies such as Google and Amazon or support the Fraunhofer Institut with venture capital.

“The confidence of these prestigious investors reassures us of the unique nature of our technology”, Dr. Kröner, COO of agnion, explains. “Our patented liquid metal heat pipe achieves more effective and efficient combustion than comparable systems. Indeed, the *Heatpipe-Reformer* is the only combustion solution world-wide that can produce heat, electricity and BioSNG (substitute for natural gas) on a small scale (0.5 – 5 MW). This gives us a significant edge over the competition.”

However, since the management at agnion know that unique technology alone is not enough to automatically earn hard cash, the time had come in summer 2010 to compile a smart market entry strategy which would successful launch their product on the market. The joint mission of the project team was to identify the best means by which to position the *Heatpipe-Reformer* so that it could establish itself on the market as rapidly and successfully as possible. To this purpose, agnion pursued a clearly structured market entry strategy:

1. Definition of overall target – vision and mission
2. Definition of target markets – markets with the most potential for product

3. Development of product, sales and marketing strategy – tackling the target markets
4. Compilation of action plan – measures for strategy implementation



ganization, processes, systems. agnion Technologies defines its vision and mission as follows:

**Vision**

“agnion Technologies will bring about a breakthrough energy market decentralization!”

**Mission**

“We will achieve our vision as follows:

- A clearly structured market entry strategy for target markets, products, sales and marketing,
- A market-oriented product in relation to costs, performance, service and financing,
- A high-performance and well-functioning value chain and
- An effective organization in relation to structures, processes and competencies.”

**Target markets – pinpointing potential**

After the agnion management had defined the strategy framework, the next step was to level the path towards realization of the goal. “Before we plan specific measures, we consider which markets we want to address. Our aim is to align our activities as precisely as possible to these markets”, Dr. Kröner explains. At agnion, the selection of target markets depends on two main factors: the activity on the market, meaning its attractiveness for the company, and how the company itself fits into the market. This leads to four evaluation parameters:

	Target market region	Target market customer group
Market attractiveness	Market volume, market growth, price levels, market entry barriers, competitive situation	Market volume, market growth, market entry barriers, competitive situation
Fit for market	Distance, language, current corporate status (reputation, presence, references, turnover)	Needs of individual customer group vs. Fulfillment of needs through the product / company

**Table 1**  
Source: Tefen, 2010

**Vision and mission – a clear focus**

Vision gives our lives and our businesses meaning and value! Companies need clearly defined targets to focus on, to motivate staff and give their work a sense of value. The corporate vision can therefore be defined as the company’s general principle or the driving force behind any entrepreneurial activities. It should form the foundation for any strategies or activities and must always be clarified before strategies are developed. John Naisbitt, an American forecaster, defined the corporate vision as “a clear image of what you want to achieve.”

The vision drives the mission, which forms the global task that a company sets itself and which permeates all its activities: market, products, or-

To save time and effort, a quality-based preselection of the markets was made. The relevant data was then collected for these. As Dr. Mey reports, “We probably needed the most time for this stage. Although we frequently experienced trouble accessing the required data, we persevered because we knew how strategically important the market selection was for our company.” The data was analyzed and evaluated using agnion’s specially developed scoring model. Market attractiveness was measured by more than 10 parameters, including:

- Market potential of bio mass power plants by 2013
- Grant options for renewable energy sources, etc.
- Economic and biogeographic conditions
- Proportion of forest in country
- Bio mass prices in relevant country
- etc.

Conditions facilitating renewable energy

- Degree to which “EU Directive on Renewable Energy” is fulfilled

The “fit for market” factor in the individual regions relied on other criteria, including:

- Average output of biomass power plants
- Geographic location
- Language barriers
- etc.

The final result produced the following diagram:



This diagram shows which regions are the most interesting for the company. In this case, the priority lies with Austria, Germany, Italy and Switzerland.

**Product, sales and marketing strategies – tackling target markets**

Austria and Germany show a high level of maturity in their legislation and regulation favoring renewable energies. Another important fact is that there is no language barrier. Switzerland comes up with the same agnion “fit for market” factor as Germany and Austria but with lower market attractiveness. Italy’s market attractiveness lies between Germany / Austria and Switzerland, the agnion “fit for market” factor is lower.

After defining the target markets, realization plans need to be drawn up in the form of a product, sales and marketing strategy.

Eike Liekweg, VP-sales explains: “When it comes to Italy, we will mainly focus on the South Tyrolean region for the initial sales phase. Due to the language and the distance to Munich, this part of Italy comes up with a high agnion “fit for market” factor.”

The product strategy focussed first on the design characteristics or features of the main product, this being the *Heatpipe-Reformer*. Two of the many attributes developed to ensure the best possible benefit for the customer included the optimum size of the *Heatpipe-Reformer* and the types of bio mass it can process. Attention was also paid to auxiliary products either requested by the customers or deemed by agnion to be ideal for boosting sales of the main product. One example of this was a financing concept. Funding is often the make or break criterion when it comes to striking a deal for major investment such as an energy generation system.

Eike Liekweg defined the main criteria for the sales strategy, “We first need to decide which markets we are approaching with direct and indirect methods and then align our organization to this.” The advantage of the direct channel for agnion is the customer proximity. Regular feedback enables products to be continually optimized, leading to greater customer satisfaction and higher turnover.

The indirect approach to other markets keeps the sales force streamlined and flexible, while reducing costs.

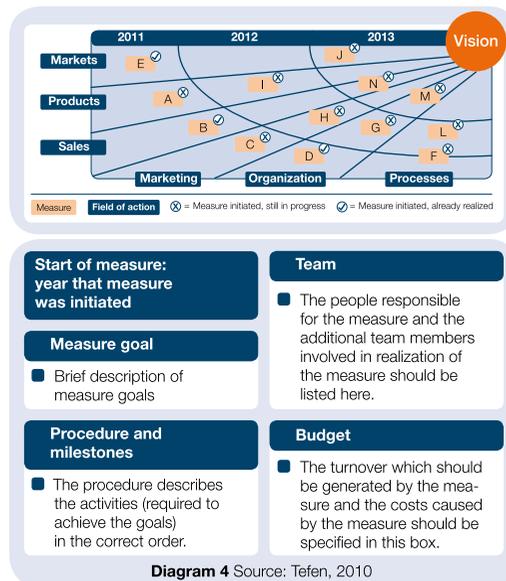
The challenge is to decide which method brings the most benefit for the company in each market. The following questions helped to align the sales organization:

- Which regions will have company sales offices?
- Where will we have our own sales representative but no fixed branch?
- Which sales partners support us in the regions without a physical presence there and what are the conditions that they require?

When defining its marketing strategy, agnion took advice and support from external specialists but contributed actively to the process itself. agnion staff ascertained the specific needs of its customers in 20 individual telephone interviews. The aim was to find out precisely what their customers wanted, in order to increase the chances of success that their product would have on the market. Marketing materials and activities must therefore reflect the customer’s own benefit arguments. The interviews also helped to define the overriding marketing messages that the company was to use.

### Strategy realization – ready for action

The last step in the market entry strategy is to plan the actual implementation. agnion translated its strategy into action using the “Strategy Map” tool:



The “Strategy Map” helps to integrate and organize the defined measures along a time line. As Dr. Mey explains, “We defined a total of 40 measures. However, to realize them, we needed to be more specific. We need to set a fixed target, procedure, milestones, responsibilities and budget for each measure. The staff involved in individual measures are then given a detailed measure sheet explaining their work.” Controlling process ensure continual monitoring of the measure realization.

Since a strategy defines a common goal and a joint journey towards this goal, agnion wanted to ensure that all its staff were informed about and understand the new market entry concept. A joint weekend in the idyllic Bavarian countryside provided the ideal backdrop for the company to step out of hectic day-to-day operations and reflect on the joint vision and their commitment towards it.

Christian Schlenker, Senior Consultant, Tefen Germany

<sup>1</sup> Source: Mark Z. Jacobson and Mark A. DeLucchi: Plan für eine emissionsfreie Welt bis 2030. In: Spektrum der Wissenschaft December 2009, p. 80-87