

Fahrenheit

Consulting Group

Case Study – New Customer Acquisition

A energy services client wanted to determine the market opportunity for co-generation within the target market they identified

KEY ISSUES

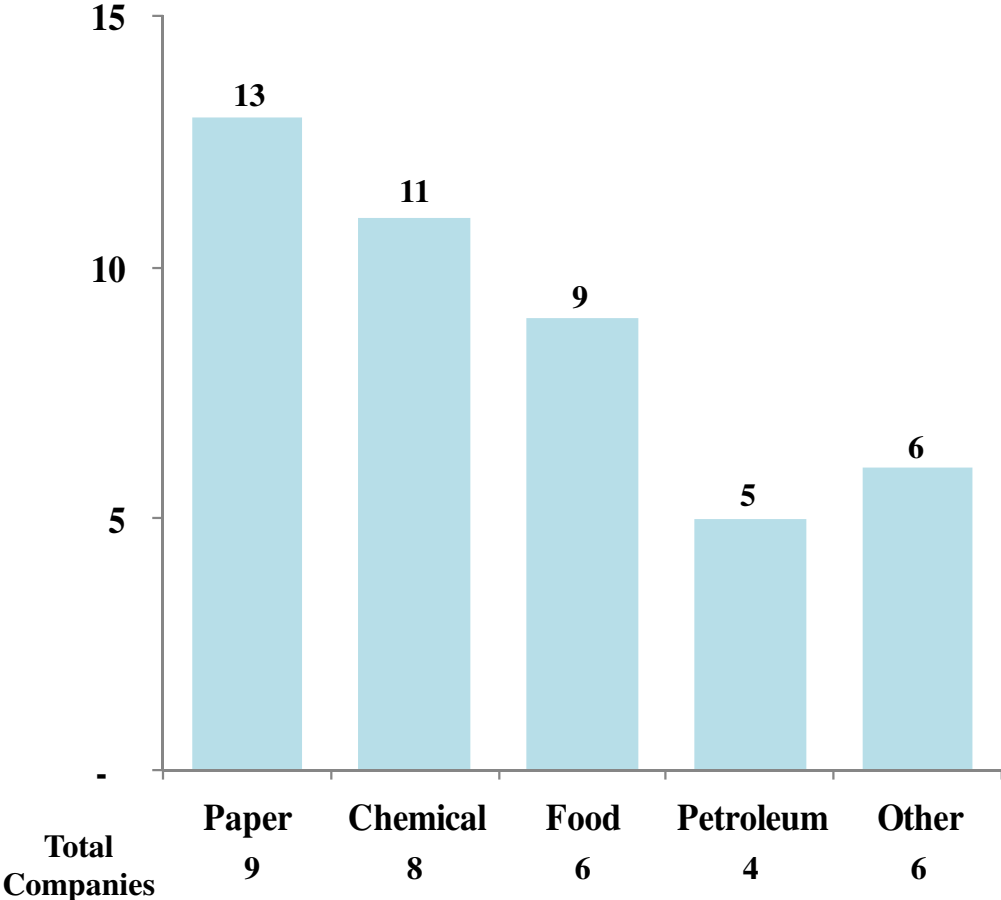
- What co-generation opportunities in the identified target market exist?
- Which industries and regions are most attractive for 3rd party operation of generation assets?
- What are the most important drivers to improve Client's strategic positioning and the value proposition in the co-generation space?
- Who would be the key decision makers and influencers regarding potential decisions?
- What are the primary benefits that companies see with cogeneration?
- What are the near-term cogeneration opportunities in the market?

APPROACH

- Completed one-on-one interviews to understand management's view of the market
- Conducted 52 external interviews with potential customers and industry experts
- Synthesized primary and secondary research, creating a report of findings for management
- Generated near-term market leads for immediate action from sales team
- Obtained market insights to help improve Client's strategic positioning and the value proposition in the co-generation space

A total of 44 customer interviews were conducted across 33 different companies and identified several important customer characteristics

Interviews by Sector

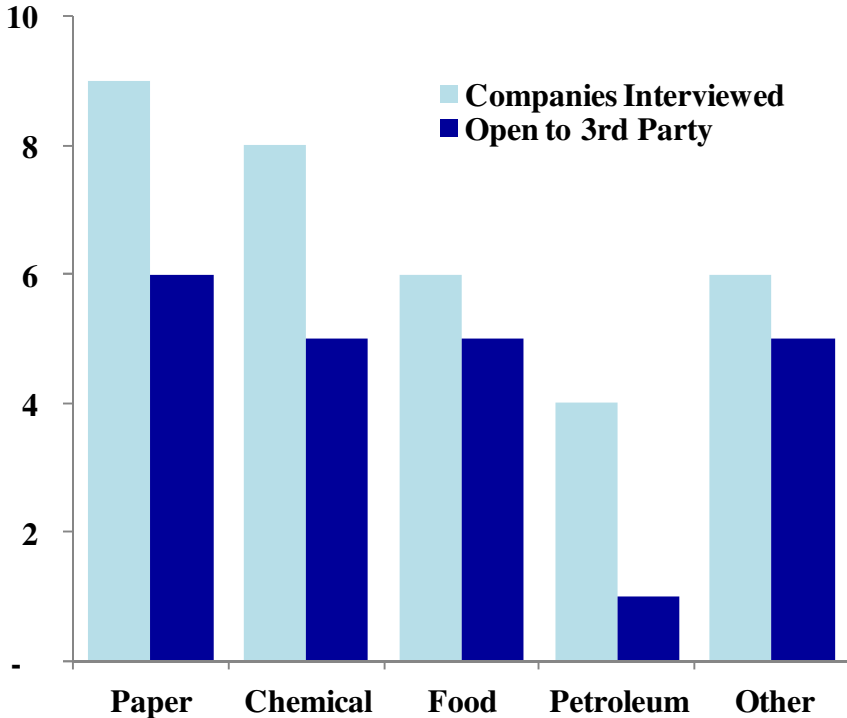


- No clear industrial on-site cogen market leader identified by potential customers
- No one mentioned Client as a player
- Limited customer knowledge about cogen and few people “in the know”
- Level of sophistication varies widely – may not be the case that the totally uninformed are the best potential customers
- Every customer situation is different; therefore having a customer relationship and understanding their particular circumstances is valuable

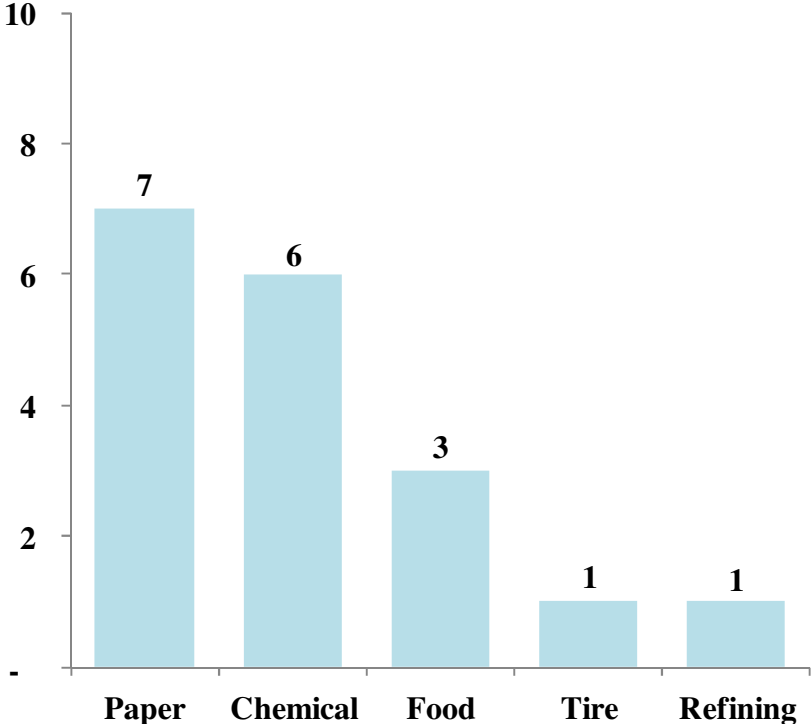
Source: Fahrenheit Consulting Interviews

A significant number of companies were open to using a 3rd party for operating on-site cogeneration assets and several leads were generated

Open to 3rd Party Cogeneration



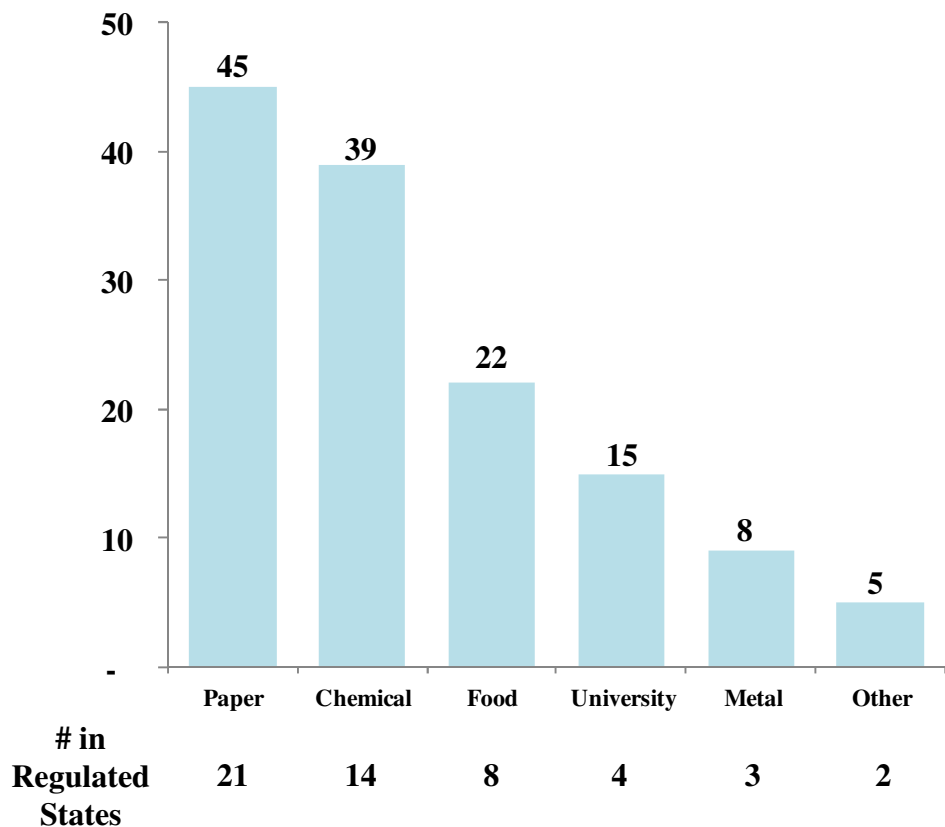
Leads by Sector



Source: Fahrenheit Consulting Interviews

There are over 130, non-utility, coal fired generating units that were installed before 1970. These locations may be interested in cogeneration as they retire their old units

Old Coal Generators by Industry*

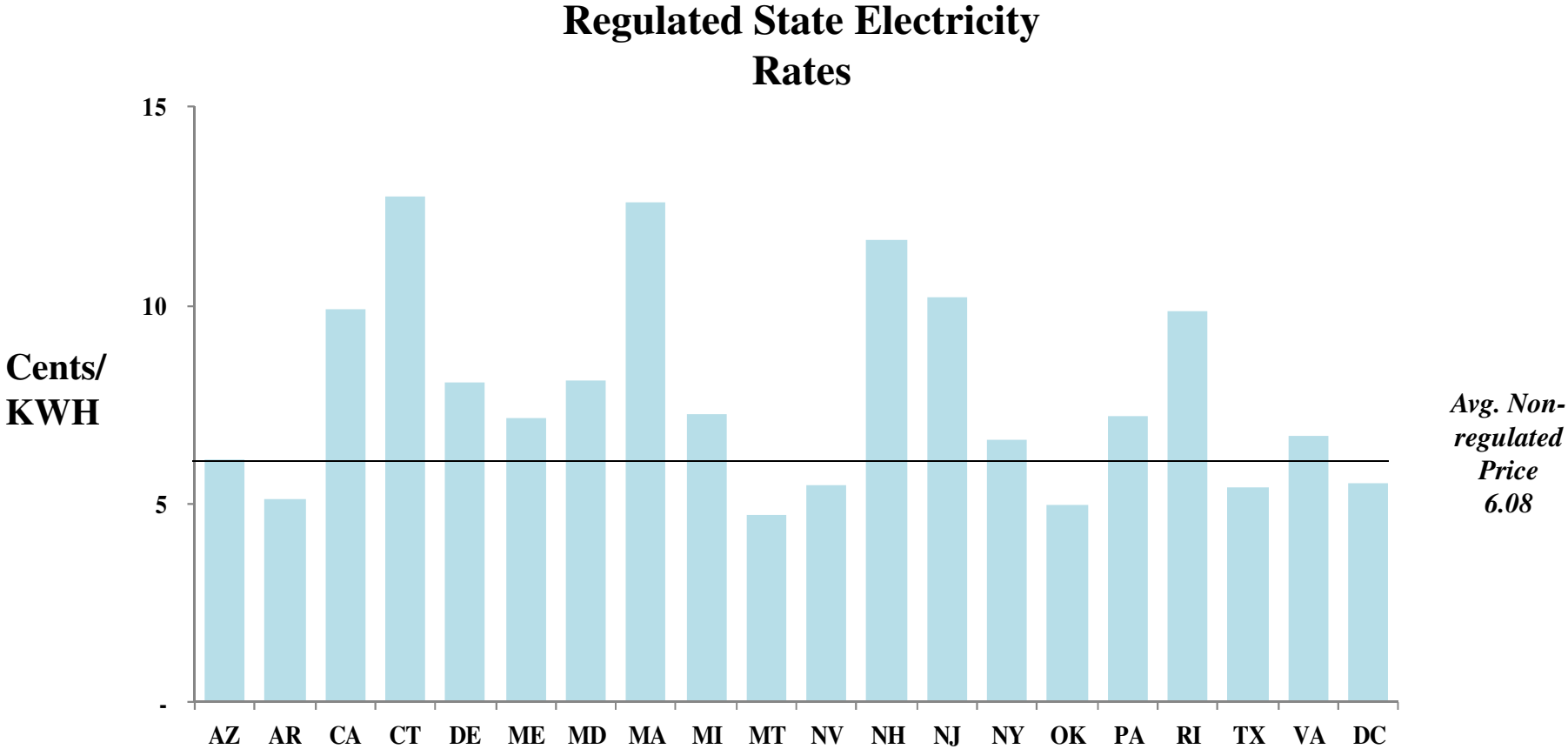


- “We don’t have any reliability issues with our power, but our boilers are old and we’re just starting to look into replacement and upgrade. Our oldest boiler was install in 1944 and our newest was installed in 1968.” *Tire Industry Customer*
- “Our boilers are old, and we're looking to put in a ‘peaker’ type boiler system. If there was an option that would provide us reliable steam without a 15 year contract and saves us the capital, I'd be interested in hearing about it.” *Paper Industry Customer*

Source: Department of Energy, Fahrenheit Consulting Analysis, Fahrenheit Consulting Interviews

Note: *Denotes coal boilers from 1969 and earlier

Twenty states in the continental U.S. have regulated electricity rates that are typically higher than states that are deregulated



Source: Department of Energy, EIA, Quantum Gas & Power Services, Fahrenheit Consulting Analysis, Fahrenheit Consulting Interviews
Note: *Cents per KWH in April 2012

Many opportunities exist within the co-generation market.

Specifically we recommended several actions:

- The identified leads suggest that the original target list was a good starting point, however it offers an incomplete basis for focusing Client’s business development activities. Some factors that could be added to the screening process include:
 - Some large companies with corporate energy procurement groups manage cogen on a centralized basis, therefore an exclusively “facility-based approach” to targeting could miss these opportunities
 - Some demand drivers identified in customer interviews should be added to the original screening criteria (e.g., old coal boilers and regulated electricity states)
 - Since every customer situation is different and so many variables are in play, customer intelligence obtained through customer relationships and on-going conversations should play a critical role in updating Client’s target market
- Position the business to serve large commercial entities which want to outsource the development, building and ownership of on-site cogeneration to increase efficiency and redeploy capital to core businesses
- Establish partnerships with firms serving target industries with trusted advisor relationships and on-site presence (e.g., ranging from industrial gases to mission critical operations software) to identify opportunities
- Become the recognized thought leader and solutions provider in power and steam related issues confronting companies in chemicals (particularly mid-size and smaller players), paper, food processing, and tire & rubber (also consider the government/DOD and university markets)
- Position the business to be highly customer-centric and extremely flexible in order to resolve power and steam related issues; establish strong relationships with corporate energy procurement and plant managers