Case study of Didier Douziech

Strategy in the Age of Digital Disruption

Online Programme - February–April 2017

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Digital disruption in the energy industry

Business Context

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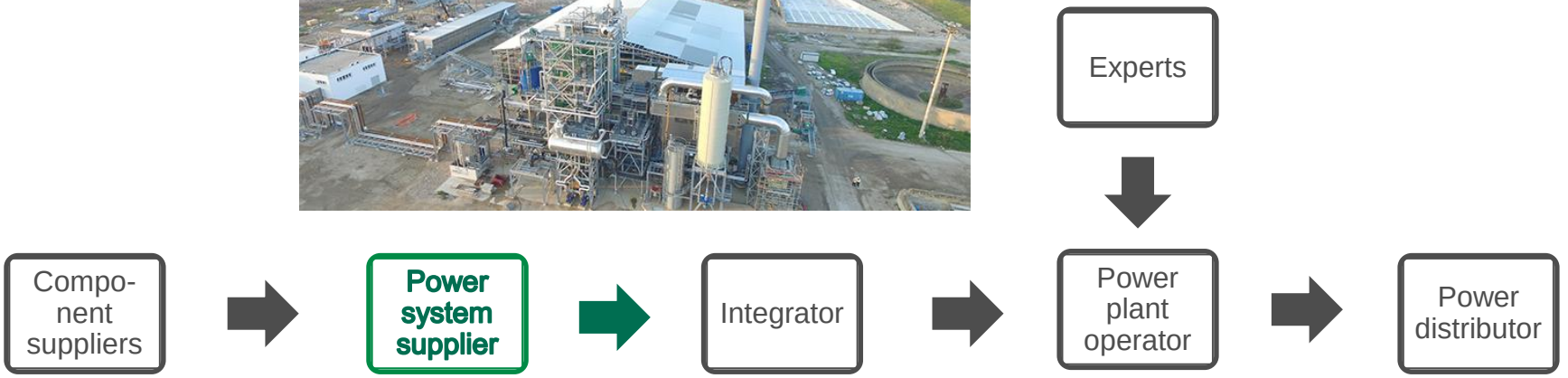

- My company is a **Power system supplier**. We design and manufacture the core systems of power plants.
- We deliver them to **Integrators** which build-up power plants and deliver them to **Power plant operators**.
- The **Power plant operators** get services from **Experts** helping them to monitor and optimize their process.
- Power plant operations are influenced by the requirements of the **Power distributors**, changes of government regulations, evolutions of the fuel quality used in the power systems, …

Executive Summary

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- Most promising value creation trends in the market.
- Develop value creation.
- Move up in the value chain to capture value.
- Transform an equipment supplier in a service and solution provider.

Situation: Perspective on digital disruptions facing the company

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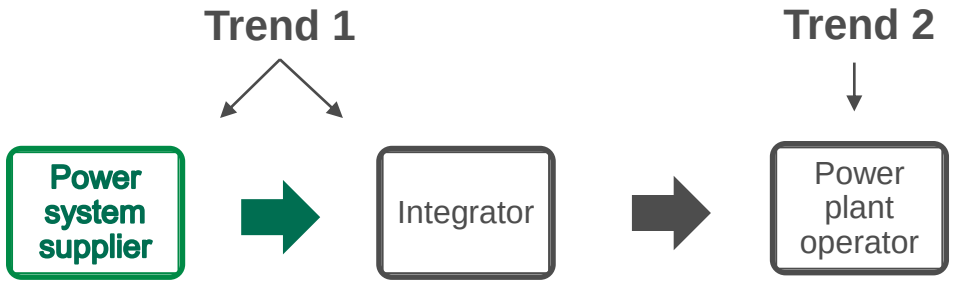
- We have to take into account 2 digital trends :
  1. The one which changes the way we and the **Integrators** design and manufacture power systems and power plants : Building Information Modeling, Product Performance Management, 3D printing, …
  2. The development of the use of data coming from the power systems and new digital services monitoring and improving the efficiency of the power plants.



Situation: Perspective on digital disruptions facing the company

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- The first trend (new ways to design and manufacture) provides opportunities to create value :
  - cost decrease,
  - shorter delivery time,
  - better service provided to customers.

Situation: Perspective on digital disruptions facing the company

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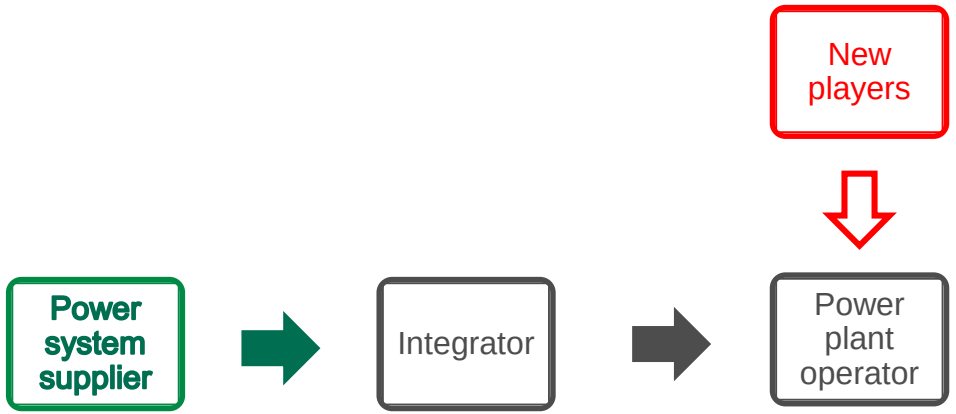
- The second trend (new digital services to monitor and improve the efficiency of the power plants) is already present in our market.
- **New players** are proposing new services to our final customers, based on digital technologies and using data provided by our own systems.
- These new services require a mix of knowhow in digital technologies and expertise in the power plant process.



Recommendation: Proposed value proposition

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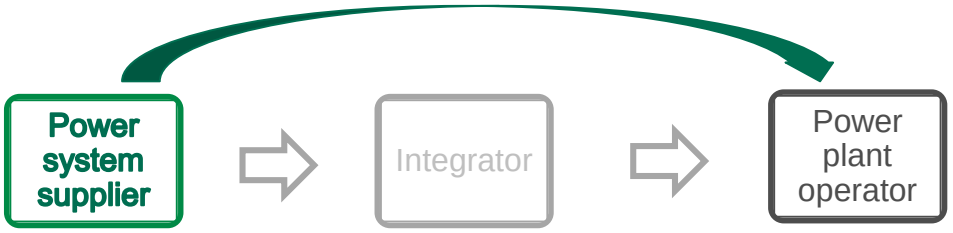
- The value propositions presented here focus on the second trend described before.
- I propose then the following value creations :

1. **Decrease of the maintenance costs of the power plants**
   - Use of the data provided by our power systems through our control command system and our expertise to follow-up the wear of the equipments, forecast the potential breakdowns and improve the maintenance of the plant.
   - We can either sell the results of our data analysis to the **Power plant operators**, or offer maintenance contracts.



Recommendation: Proposed value proposition

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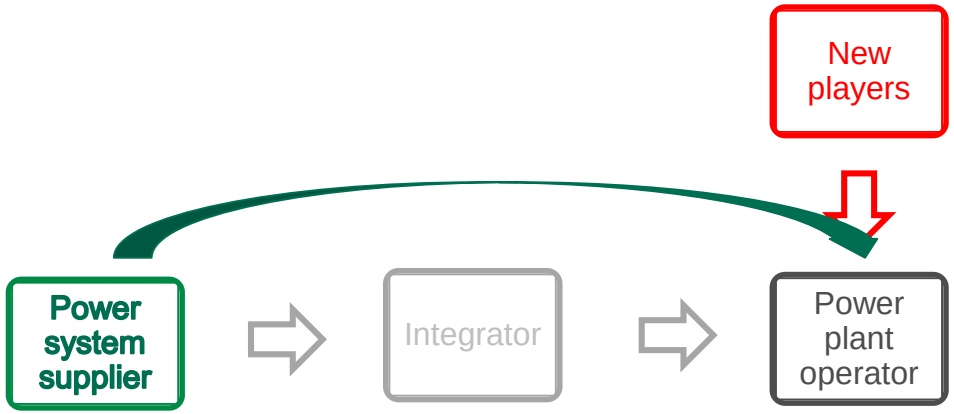
2. Improvment of the monitoring and the efficiency of the power plants :

- Use the data provided by our power systems, through our control command systems, new digital technologies and our expertise acquired during the plant test and start-up periods, to develop a broad understanding of all the parameters and the insight to pilot these complex plants and to provide additional services.
- We can then compete against the **New players**, described before, with competitive advantages. Indeed, we have a better access to the data, the equipments and the process expertise necessary for such services.



Recommendation: Proposed value proposition

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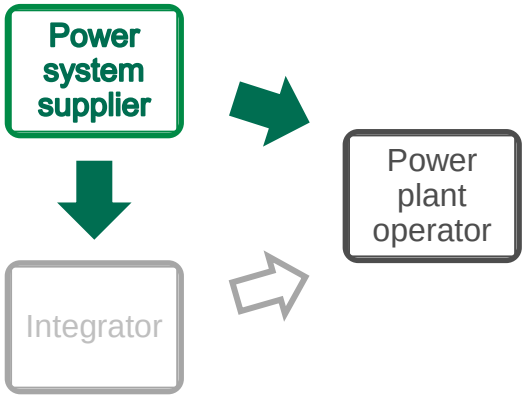
3. **Becoming a strategic supplier of the power plant operator :**
   - Use the services 1. and 2. described before and our research and development activities to move up in the supplier pyramid.
   - Offer solutions rather than just equipments.
   - Propose Performance Based Contracts to the **Power plant operators.**
   - Develop co-makership relationships with the **Plant operators**.



Strategy execution plan for the organisation

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1. **Resources** (1/2)

The company has to develop resources in order to adapt itself to this new activities.

- We have already expertise in power plant process.
  - ➢ **But, this expertise must no longer be only oriented towards development and start-up of power plants but also towards additional customer services.**
- Our IT knowhows are oriented towards control command of the power systems we sell and towards basic internal information system.
  - ➢ **We then need to acquire new technical knowhows.**

Strategy execution plan for the organisation

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1. **Resources** (2/2)
   - It is necessary to reinforce our resources through recruitment of IT experts or through partnerships with IT companies mastering specific digital technologies.
   - A specific sales force focusing of the new activities and new marketing tools must be developed.

Strategy execution plan for the organisation

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2. Organization

- We need to move from our spirit of equipment supplier to a spirit of service and solution provider.
- The process experts, the control command engineers, the information system team and the sales & marketing people must work together in order to develop our new services and solutions.

Strategy execution plan for the organisation

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3. Execution

1. Develop basic customer services to **Power plant operators**, based on our current knowhows : supply of spare parts, basic maintenance, supply of rough data produced by the power systems.
2. Thanks to these services and through our traditional connections to the market, get information about customer needs and existing services in the targeted fields : advanced maintenance services, improvement of the monitoring and the efficiency of the power plants, Performance Based Contracts, …
3. Set-up and offer new services according to opportunities appearing in our market.
4. Test these services, get feedbacks, then develop services according to the potential value captures we can get from them.

Appendix

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SWOT

Strengths

- **Image** : well introduced in the market and existing direct contacts with targeted customers.
- **Knowhows** : expertise in power system process, access to IT resources.

Weaknesses

- **Lack of expertise** in advanced IT technologies
- **Spirit** : lack of spirit of service and solution provider.

Opportunities

- **Market needs** : Power plant operators need to adapt their operations to a changing and demanding environment.
- **Potential business opportunities :** new players in the market show the way and we can offer better solutions.

Threats

- **Competition :** the new players could reinforce their ability to supply services.
- **Value chain** : Integrators or Power plant operators may not let us move up in the supplier pyramid.


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