

Relationship Marketing for Energy Contract Management

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Abstract: Energy Contract Management is to pay for the cost of energy-saving projects by saving energy costs. It is a new energy-saving investment, mainly for professional energy services companies. Through this way, companies can take advantage of future energy-saving benefits of equipment upgrading and lower operating costs. Based on the status developed energy industry and combining with China's actual energy industry, Energy Contract Management for our current situation is of significant importance. This paper studies the impact of various factors of domestic Contract Energy Management development, and take the marketing advantages, potential problems and coping strategies in energy services companies as objects, then proposes measures to promote the development of domestic energy services industry.

Key word: Energy Contract Management; Corporate strategy; Relationship management

1 Introduction

Most energy service company with established technology shares generally have good skills and rich experience in energy saving. However, such a partner lacks experience in business management, and risk control awareness other issues. So good technology and products lacking effective marketing can not find a market. With the gradual improvement of domestic market economy, the traditional energy management systems and energy-saving mechanism can not meet the development needs of the energy industry. In order to overcome existing obstacles of energy efficiency investments and promote the development of energy-saving emission reduction work, we need to introduce new energy-saving mechanisms for investment in advanced countries and accelerate the transformation of energy-saving mechanisms and technically feasible and economically reasonable to implement energy-saving projects. Therefore, the current situation of the energy industry, with specific industry practice, to establish the appropriate contract energy management marketing strategies has important practical significance.

2 Domestic and abroad development of Contract Energy Management

In the 1970s, the world was into energy crisis and in the United States, Canada and other developed countries, governments, businesses began to study new ways to reform production facilities, office buildings for energy saving in order to reduce costs due to increased energy prices. In this large economic background, contract energy management (Energy Management Contract), referred to as EMC born. Contract energy management refers to the ESCO (Energy Service Corporation, referred to in foreign ESCO, Energy Management Corporation, in the country referred to EMCO) signed a technology and energy management services contract with the customer and then they are responsible for the financing and bearing technical and financial risk, making implementation and management of energy-saving renovation project for the customer, having the ownership

of the equipment that the project adopts for a period of time and sharing the energy-saving benefit as stipulated in the contract. Under contract energy management system, customers do not need to invest or to take any risks and finally they can obtain high efficiency equipment and enjoy all energy saving benefits. The essence of the contract energy management is a kind of energy-saving renovation investment way of saving energy costs to pay the full cost of energy-saving projects .

2.1 Development of foreign contract energy management

In western energy industry advanced countries, the United States is the most developed country. In the United States, the federal government, state governments are very supportive of the promotion of energy management contract. The federal government also passed a motion requesting government agencies and energy-saving service companies cooperate in the implementation of energy management contract, to meet the goal of not increasing the government budget and at the same time achieving energy-saving effects. In 50 states of the United States , 46 states have passed legislation on energy management contract and they all mentioned that all state government buildings must be reformed for energy saving within the use of contract energy management . To protect energy service company's investment income, the maximum contract term of contract energy management projects is 10 years by law , the individual is 15 years. Under the energetic push of government, the United States energy conservation service company average annual revenue growth rate was as high as 24%, reaching \$ 3.6 billion.

2.2 The development of domestic energy management contract

China began to import contract energy management and established some pilot cities in 1998. In the same year, the Chinese government signed a cooperation agreement with the World Bank in order to fulfill 《Global Framework Convention on Climate Change》 and carried out "China Energy Conservation Promotion Project" in December. The project aims to introduce, demonstrate and promote "energy management contract" model and establish a new energy-saving mechanism based on the market . Through 10 years of development, at present, the energy conservation service industry in China has made certain achievements. At present, energy efficient services in Beijing, Shanghai, Shandong, Tianjin, Guangdong develop rapidly. The details is as follow

Table 1 ESCO company amounts in China

Region	Beijing	Shandong	Shanghai	Tianjin	Guangdong	Guangzhou
ESCO company amounts	72	42	31	24	21	8

3 Marketing status and existing problems of contract energy management in domestic energy services company

3.1 Current situation

At present, energy saving services of domestic energy service companies involves industries including power plants, petrification and other industries. Based on strong support in the energy management contract, coupled with the rapid development of the energy services industry, China seizes the development trend of our country and industry and puts investment and manpower to carry out the contract energy management projects.

Although in terms of the expansion of the contract energy market and energy-saving technology, we have made some breakthroughs and achievements, but there are still many problems, such as the lack of marketing mechanism innovation, screening of customer information is not enough, the lack of high-quality marketing staff and so on. In view of the new contract energy management, energy service companies still use the electricity products marketing mechanism. Contract energy management is a new business which involves many links and the original marketing management mode can not adapt the demand of new business. Existing marketing staff have a lack of understanding when it comes to contract energy management technology and mode of operation. There are many deficiencies in recruitment, training and management etc of existing marketing staff which leads to a serious loss of marketers.

3.2 Existing problems

In the marketing process, marketers are still using the traditional marketing model, they have a lack of adequate understanding of the customer information, such as customer credit, customer operations status and etc. In the market expansion process of contract energy management, marketing personnel often has the following disadvantages: they have a lack of comprehensive understanding on the status of customers and sales of products; they lack depth study on the national energy policy and industry energy policy. Contract energy management involves many links, there are many uncertainties on its income. Through the analysis of actually operations of contract energy management, we can sum up the factors that effect income of contract energy management are main energy prices, changes in working conditions, project selection and project implementation issues. For example, when working conditions change, the strength of the project running and running practice of staff may change as well. Customer credibility is the key to realistic contract energy management. When a customer does not endorse energy-saving effect or bilks maliciously, the energy service company will not be able to get energy-saving benefits.

4 Strategy recommendations

4.1 strategic relationship promotion strategy

Through the classification of the customers of companies, the customers of companies mainly include three categories, namely, high-value customers, middle-value customers and low-value customers. For different types of customer groups, in order to achieve the best marketing results, the companies have taken different measures of enhancing relationship.

For high-value customers, the companies provide the best products, the best service and the best marketing programs, the products also have higher value, laying the foundation for company to take a high price strategy. During the process of communication with the high-value customers, staffs in different layers in the companies should maintain a good relationship with customers. The senior level leader of the companies should pay more attention to it and take the personally follow-up strategy in the proper time.

On the basis of strengthening mutual exchange emotionally, the companies also give some loose policy, such as delaying in payment, extending capital utilization period and necessary financial support etc..

For this type of customer, the company takes the strategy of establishing partnership

strategy, and improving the relations at least once a week.

For the middle-value customers, the company adopts the policy pricing strategy. Companies not only provide customers with free new products, but also provide good service.

For this type of customer, the customer shall fulfill payment obligations on time in accordance with the contract energy management contract.

During the process of maintaining customer relationship, the low and middle layers of companies are responsible for the specific follow-up work, improving relations about fortnight once.

For low-value of customers, under the conditions of limited resources of companies, the companies provide products conforming to the standards of product quality and service without causing complaints, and take market-based pricing strategy. For this type of customer, it is general staffs who mainly follow up, improving relations once a month.

4.2 The relationship marketing strategy to improve organizational loyalty

It builds trust among companies, under the foundation of customer preference, the companies strengthen customer preferences.

Through the type of customer management, to make customers continue selecting company contract energy management services, and make them form a habit gradually, emerge emotional dependence, and become the loyal customers of companies finally. The friendship communication is in the market economy environment, and the relation between companies and customers have a tremendous change.

Therefore, the companies should gradually establish a long-term and stable relationship with customers, and change the traditional mode, such as turning transaction into responsibility, turning customers into the users, turning managing marketing into managing customer interaction.

Firstly, communicating sincerely. In order to strengthen bilateral cooperation, holding pragmatic communication forum to strengthen bilateral in-depth communication. Above of all, creating a harmonious and relaxed atmosphere of communication, frankly exchanging energy-saving cooperation and establishing a close win-win relationship.

Secondly, participating strategic development meeting or annual working conference to strengthen mutual understanding and genuinely know the development plan of counterpart, improving information sharing to avoid opportunism.

Finally, based on development strategy of counterpart, establishing cooperation and complementary win-win development plan, stabilizing existing relations and extending the time of stable bilateral relations.

Second, frequently exchanging visits. Regardless of market competition, adhering to visiting customers regularly. In different periods, taking multiform visits modes and constantly increasing the cooperation. When the market is tight, the leadership layer of companies should pay more attention to customer visits, and enhance customer trust to ensure long-term cooperation.

4.3 Establishing strategic cooperation alliance with related companies

In traditional marketing theory, cooperating with related companies and developing market together, there is always competitive and antagonistic relationship among companies forever. If companies want to win the competition, they must be unscrupulous.

In the related marketing theory, there exists possibility for companies to cooperate. Sometimes, it is easier for companies to achieve the prospective target by the means of

cooperating with related companies.

Firstly, company cooperation is conducive to consolidate existing market position.

With the increasing competition in the market, the tendency of market segmentation trend is more obvious.

For any companies who want to maintain a larger market share, there exist lots of difficulties.

Therefore, companies need to strengthen cooperation and enhance the ability to adapt to changes in the market.

Secondly, companies cooperation is advantageous to multi-angular operation. In order to expand the scale of operation, companies often need to enter a new area, which increases the risk of companies management. Through cooperating with related companies, companies can quickly be familiar with unfamiliar areas, quickly enter a new industry and reduce business risk.

Finally, companies cooperation is conducive to reducing unnecessary competition.

There are often many negative consequences of peer competition, such as loss and benefit descending, which is not beneficial to the social economic development in our country.

Through the companies cooperation, the negative consequences brought by unhealthy competition can be reduced effectively. Each company has its own core competitiveness, and digging companies external advantageous conditions is an important factor which can decide whether the company can be successful of companies marketing or not.

5 Conclusion

The whole process of energy services has a professional, systematic technical support and services. while overcoming the energy business due to possible risks in the implementation energy conservation projects. This research could help overcome the current Chinese presence market or non-market energy investment barriers, also promote technical and economic feasibility of energy-saving projects to accelerate in China and the universal implementation. Promoting the industrialization process of China's energy is conducive to guide and promote China's energy mechanism established for market economy transition and transformation to adapt to the era of China's national conditions, which is of great significance to promote energy management contract for the development of an effective energy-saving mode theory and practice .

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