

# Hydrogen Production & Storage Conference

## Achieving Hydrogen Market Leadership

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### Goals

- Speed transition from prototypes to mass commercialization
- Achieving leadership in a market segment
- Leapfrogging from segment leadership to broad market leadership
- Faster time-to-market leadership
- Channel partner and alliance success

## Agenda

- Market Leadership
- Teams: Marketing Case Study
- Real Marketing Strategy

## Discipline of Market Leaders

Michael Treacy & Fred Wiersema

- **Cost Leader** (*Operational Efficiency*)
- **Creative Leader** (*Product Leadership*)
- **Customer Intimate** (*Customer Intimacy*)  
*or Confused*

## Optimize to One Value Discipline

- **Cost Leader**
  - *Air Products*
  - *Ingram Micro*
  - *Wal-Mart*
- **Creative Leader**
  - *Ballard*
  - *CISCO*
  - *Disney*
- **Customer Intimate**
  - *ISE Corporation*
  - *IBM*
  - *Nordstrom*

## Cost Leader

*"We run the tightest ship in the business." - UPS*

- Operational Efficiency
- Product Revenue > Service Revenue
- Seamless Supply-Chain
- SGA Costs < 5%
- Inside Sales > Outside Sales
- Innovative with cost and process improvements
- #1 Internet Priority = eCommerce

## Creative Leader

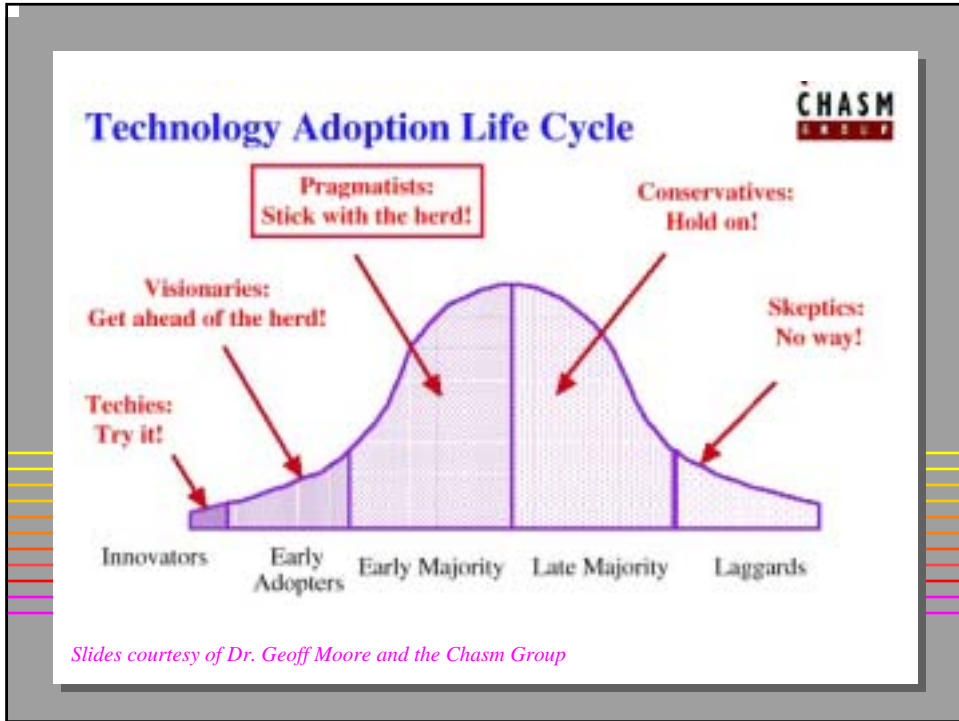
*“Always remember that this whole thing was started by a mouse.” – Walt Disney*

- Innovate with disruptive technology
- Free-spirited culture
- Brilliant developers
- R&D > 10%
- #1 Internet Priority = 1<sup>st</sup> to Market, 1<sup>st</sup> to Segment Leader

## Customer Intimate Leader

*“The customer is always right.”*

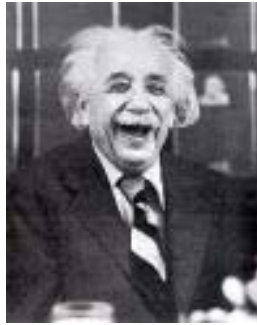
- Total customer responsiveness culture
- 80% Revenues from a few customers
- Service Revenue > Product Revenue
- 24x7 Support
- Market segment focused
- Innovate with improved services
- #1 Internet Priority = 24x7 support



# Innovation

<b>Disruptive</b>	<b>Sustaining</b>
<ul style="list-style-type: none"> <li>■ 3G video phone</li> <li>■ Portable MP3 player</li> <li>■ Fuel cell</li> </ul>	<ul style="list-style-type: none"> <li>■ Better service</li> <li>■ CD-player for less</li> <li>■ Battery last longer</li> </ul>

# Disruptive technology's difficult customer transition



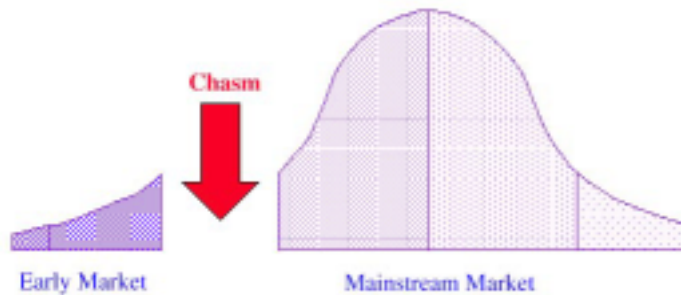
**Visionaries**

“Change the world!”



**Pragmatists**

“Don't rock the boat!”

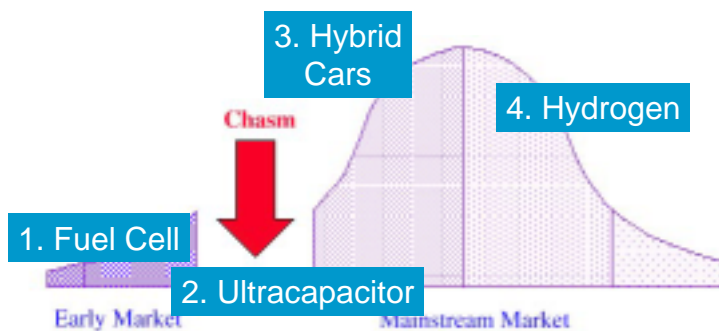


*Slides courtesy of Dr. Geoff Moore and the Chasm Group*

## Unique Product Development and Marketing Strategy



## Energy Examples



## Market Development

- Target customer?
- Compelling underserved reason to buy?
- 100% customer solution?
- Strategic alliances and channel partners?
- Sales and marketing strategy?

## Customer Communities to Market Leadership

	Phonics	Reading	Math	Music
Early Elementary	1	2	4	7
Pre-school & Toddler	3	5	8	
Higher Elementary	6	9		
Middle School	10			

## 100,000 H2 Vehicles

	Bus	Sedan	Light Trucks	Heavy Vehicles
Universities	1	2	6	10
Transit Fleets	3	5	9	
Government Fleets	4	7		
Commercial Fleets	8			

## Market Development

- Target visionary leader in segment
- Compelling underserved reason to buy
- 100% customer solution
- Strategic alliances to complete value chain
- In-service success
- Expand leadership in customer community

## Compelling reason to buy?

### Visionary

- Transit Executive
- University Chancellor
- Army General
- Mayor
- Delivery Fleet Exec

### Reason

- Air Resource ZEV mandate
- Research leadership
- Silent vehicle necessity
- Jobs for clean cities
- Green investors (e.g. CALpers)

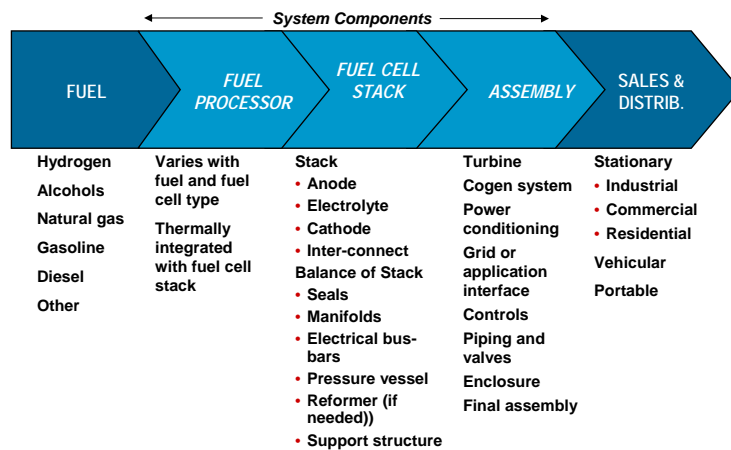
## 100% customer solution?

- Best meets compelling reason
- Vehicle performance & reliability
- Complete value chain
- Fueling infrastructure
- Life of vehicle services
- Compliance, codes, permits
- Insurance

## Government helps Cross Chasm

- Research grants
- Purchase vehicles
- Purchase infrastructure
- FTA funding
- Tax credits
- Subsidize ZEV or tax emissions
- CARB regulation
- Government pension plan investments
- Replace 40,000 code group confusion

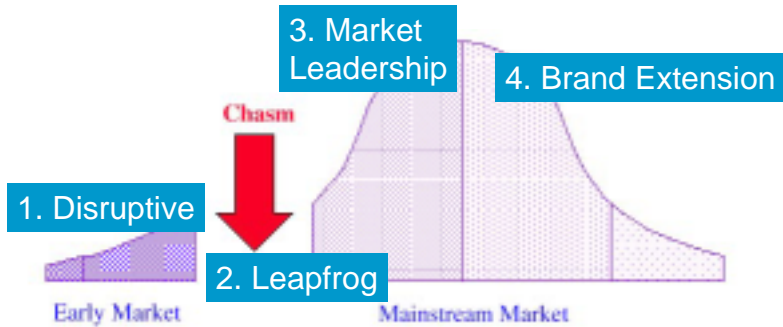
## Fuel Cell Value Chain



**Stack costs can be <50% of system costs  
Many entry points are viable for new players**

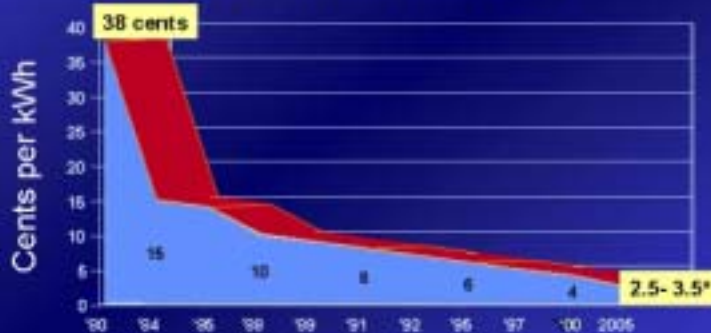
*Courtesy Barbara Heydorn, SRI Consulting Business Intelligence*

## Drive Cost Learning Curve to Leapfrog to Market Leadership



## Wind Energy Cost

Cost of Wind-Generated Electricity 1980 to 2005,  
Levelized cents/kWh



Assumptions: Levelized cost at "excellent" wind sites, large project size, not including PTC (post 1994), costs in nominal cents/kWh

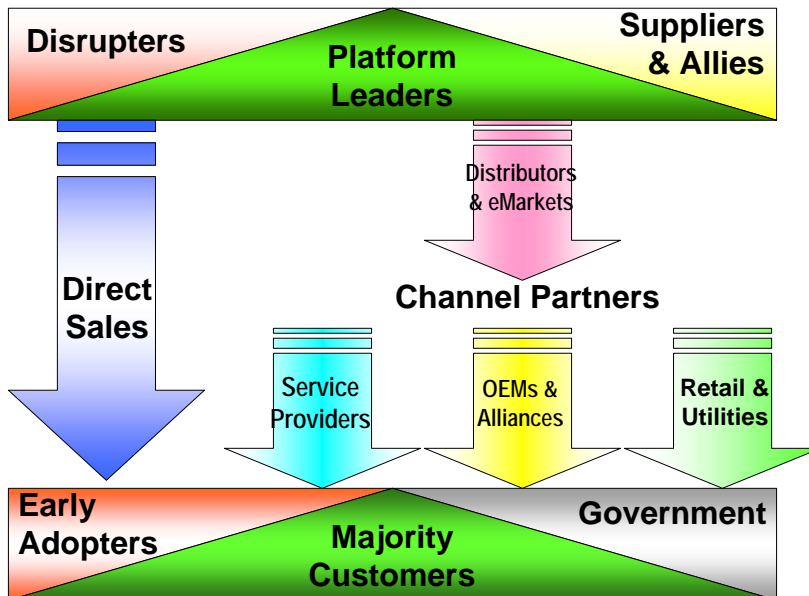
## Sales Coverage

1. Direct Sales
2. Alliance Partners
3. Government Integrator
4. Specialty SI & VAR for 100% solution
5. OEM
6. Volume service providers & utilities
7. Global 2-tier distribution

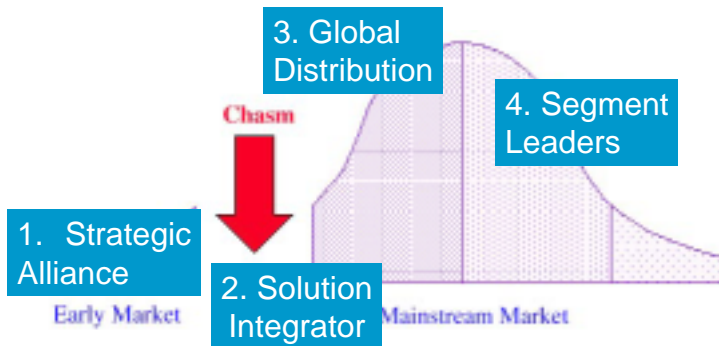
## REVENUE ROCKET

New Strategies  
For Selling  
With Partners

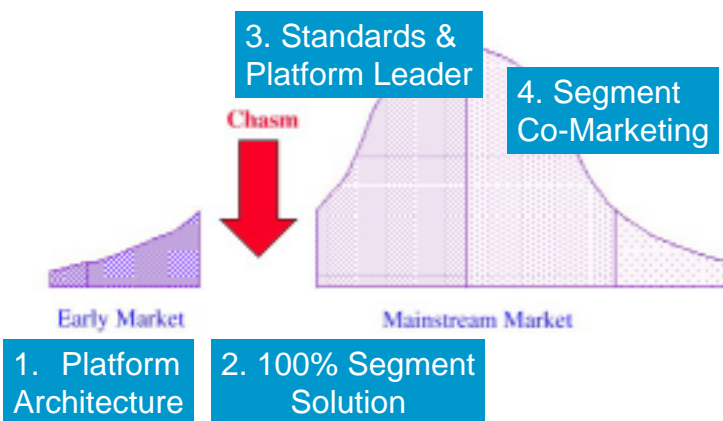
JOHN ADDISON



## Channel Partner Priorities



## Strategic Alliance Focus



# Strategic Alliances and Serial Polygamy

## Disruptive Innovator

- “Change the world”
- Develop IP
- Rapid prototype
- First to market
- Visionary
- Create new market
- Want new value-chain
- See leaders in conspiracy to stop all innovation

## Market Leader

- “Don’t rock the boat”
- Own IP
- Sigma Six
- Fast follower
- Survey customer base
- Protect market leadership
- Platform leadership
- Think visionaries are tree-huggers on drugs

# Unique Strategies

## ■ Disruptive Innovators

First to market, first to community leadership.

## ■ Defending Leaders

Embrace, integrate into existing platform, extend brand.

## ■ Channel Partners

Incremental service revenue and customers.

# Disruptive Alliances

Serial Polygamy	Win-Win	Strategic
Great Press	Great Press	Great Press
	Goal Alignment	Goal Alignment
	New Value-Chain	100% Value-Chain
	Customer Wins	Leapfrog
		Trust & Communicate
		Channel Engagement
		Revenue Rocket



## Achieving Hydrogen Market Leadership

- Disruptive innovation
- Target ideal customer community
- 100% solution to compelling underserved needs of 1<sup>st</sup> customer
- Leapfrog market segment expansion
- Strategic alliances and channel partners