CUSTOMER SEGMENTS IN SHIP POWER

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Why Customer segments?

Background and objectives

- Wärtsilä Ship Power has been very successful in applying product area based business model
- To guarantee the success tomorrow we need even stronger and more intense customer focus with more attractive value proposition
  - from “CUSTOMERS FOR PRODUCTS” to “PRODUCTS FOR CUSTOMERS”
- Attractive value proposition implies deep knowledge about both customer’s and customer’s customer businesses and ability to generate solutions which help them to obtain their business goals

Package sales of Total sales

- 2003: 28%
- 2004: 41%
- 2005: 51%
- 2006: 54%
- 2007: 61%
Products for Customers

Merchant
- Wärtsilä Components
- R&D
- Ship design
- Product Engineering
- Strategic Purchasing
- Seals & Bearings
- Merchant Offshore
- Navy
- Cruise & Ferry
- Special vessels

Offshore
- Wärtsilä Engine Services
- Operations & Management
- Automation Services
- Propulsion Services

Cruise & Ferry
- Customer Relationship Management
- Training Services
- Reconditioning Services
- Ship Services

Navy
- Power Distribution
- Power Drives

Special vessels
- Project Execution Models
- System Integration Capabilities
- Engineering Services
- Third party supplies
Value chain entry point and value proposition

Preferred Value chain entry

Traditional Value chain entry

Ship Owner

Design

Yard

Operate

Build

Our value proposition shall address all the phases

Focus points;

• Customer specific offering
• Lifecycle support – O&M
• Ship design
Ship Power Customer segments

- Merchant
- Offshore
- Cruise and ferry
- Navy
- Special vessels
Merchant

• Market drivers:
  – World economy, globalization - demand for transportation, China
  – Need for energy; tankers, LNG carriers
  – Earnings in shipping industry
• Wärtsilä’s main interest in:
  – Small and mid size vessels, LNG
• Value proposition: Unique portfolio and network, ship design
• 41% of the 1-9/2007 order intake
• Market trends: new emerging builder countries, bigger vessels
Offshore

- **Market drivers:**
  - Oil & gas price and availability
  - New reservoirs in deeper waters
  - Amount and utilization of production capacity
- **Wärtsilä’s main interest in:**
  - Offshore support
  - Production
  - Drilling
- **Value proposition:** The most extensive single source offering and network
- **39% of the 1-9/2007 order intake**
- **Market trends:** Emphasis on energy-, operational- and environmental efficiency
Cruise & Ferry

- Market drivers:
  - Population growth, increased wealth, international safety
  - Increased trade - need for alternatives in transportation
  - Earnings in the industry

- Wärtsilä’s main interest in:
  - Cruise and passenger vessels, Ferries and RoPax vessels

- Value proposition: The most extensive offering and network in the market, customer care

- 7% of the 1-9/2007 order intake

- Market trends: environmental aspects and life cycle cost approach increasingly important
Navy

- **Market drivers:**
  - Security concerns, trade protection, disaster recovery, budgetary resources
- **Wärtsilä’s interest in:**
  - In selected vessel types with selected components and life cycle services
- **Value proposition:** strong engineering with extensive life cycle services
- **7% of the 1-9/2007 order intake**
- **Market trends:** Blue-water navy reducing due to budget constraints, focus on smaller ships – littoral patrolling
Special vessels

- Market drivers:
  - Trade growth; port operations and facilities
  - Environmental issues
  - Need for alternatives in transportation
- Wärtsilä’s main interest in:
  - Wärtsilä strongly present on broad basis
- Value proposition: Extensive offering
- 6% of the 1-9/2007 order intake
- Market trends: lifecycle services, environmental aspects

1-9/2007 Order intake
- Fishing vessels
- Tugs
- Dredgers
- Ice Breakers
- Research vessels
- Service vessels
- Work boats
- Inland Water ways
Market share reporting from 1.1.2008

The Methodology

- **Vessel Equipment**: based on market data. All the vessels we monitor will be populated with main engine, auxiliary engine, propulsion systems as well as other components in Wärtsilä offering.
- **Financial Figures**: all equipment (Wärtsilä and competitors’) will be linked with an average sales value (e.g. Euro/kW)
- **Calculation and reporting of Market Shares**: will be made for the Merchant, Offshore, Cruise & Ferry segment, Navy and Special Vessels segments
Merchant Vessels – LNG Tanker

155000 cbm LNG Tanker:
- Wärtsilä is providing four 4-stroke medium speed diesel/generators for the diesel electric installation;
- Another supplier is providing the single propeller
- Wärtsilä’s share of the market = 90%
Merchant Vessels – Bulk Carrier

56000 DWT Bulk Carrier:

• Wärtsilä is providing the 2-stroke main engine (licensee manufactured);
• Other companies are supplying the auxiliary engines and the propulsion system
• Wärtsilä’s share of the market = 5%
AHTS (Anchor Handling Tug Supply):

- Wärtsilä is the supplier of two 4-stroke medium speed main engines, two propellers with nozzle, complete shaft-line and gearbox;
- Other companies are providing the auxiliary machinery and auxiliary propulsion system for the dynamic positioning;
- Wärtsilä’s share of the market = 78%
23000 GRT Passenger & Cargo Vessel:

- Wärtsilä is the supplier of 4-stroke medium speed main engines and 4-stroke medium-speed auxiliary machinery;
- Another company is supplying the propulsion system (propellers and thrusters for maneuvering);
- Wärtsilä’s share of the market = 59%
Special Vessels – Tug

Tug Boat:
• Wärtsilä is the supplier of two 4-stroke medium speed main engines and the complete twin propulsion unit (Steerable Thrusters)
• Another company is supplying the auxiliary engines
• Wärtsilä’s share of the market = 89%