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ENTRY INTO SOUTH AFRICA

Group Market Proposal

Contents

Company Introduction.....	3
Market Introduction.....	3
Market Expansion into South Africa.....	4
Economic Analysis.....	5
Cultural Analysis.....	6
Marketing Plan in Foreign Country.....	7
Marketing Objectives.....	7
SWOT Analysis.....	8
Marketing Mix.....	11
Product Plan.....	11
Distribution Plan.....	11
Promotion Plan.....	12
Pricing Plan.....	12
Conclusion.....	13
Works Cited.....	14

First Solar Market Entry into South Africa

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Company Introduction

First Solar is an American manufacturing company that specializes in the production, and recycling of thin-film utility-scale photovoltaic solar panels, known as 'PV Power Plants' for the alternative energy market. First Solar was founded in 1990 by an inventor named Harold McMaster and was originally named Solar Cells Inc, however, in 1999 ownership changed when the company was bought by True North Partners LLC and renamed First Solar. First Solar is headquartered in Tempe, Arizona, however, it also maintains offices and manufacturing facilities around the world in Europe, Asia, and South America. In 2016 First Solar promoted their Chief Financial Officer, Mark Widmer to the role of CEO, succeeding the former CEO James Hughes. First Solar went public in 2006 and is traded on the NASDAQ under the ticker FSLR. (Wikipedia, 2021)

Market Introduction - Global Solar Power

Over the past 20 years, the market for worldwide photovoltaic (PV) solar energy has been growing and is expected to boom in the future. In 2019 the global market size of solar power was valued at over \$167 billion, and by 2027 that value is expected to see an annual compounding growth rate of 5.9% and reach a value of \$194 billion. (FinancialNewsMedia.com, 2021) Although the market for photovoltaic solar panels is a

subsection of the global solar energy market, the evidence of its growth in both value and output is noteworthy. In 2019, before the pandemic, the value of the global solar PV market segment was estimated to be just over \$115 billion and was projected to exceed \$131 billion in 2020, however, the solar energy market suffered a decrease in demand from the effects of Covid-19, resulting in a constricted growth rate of only 4.18% in 2020. (Fortune Business Insights, 2021) Although the solar energy market faced setbacks from the pandemic, it is considered by some nations to be a key driver in their efforts to jumpstart their economies in the post-pandemic recovery. The evidence of this is reflected in the changes in the electricity production mix of various countries during their lockdowns at the height of the pandemic. During that period countries such as China, India, and the European Union as a whole all recorded increases in their use of renewable energy as a source of electricity generation. Looking beyond the economic instability of 2020, the solar PV panel market is expected to grow at a compounded annual rate of 4.3% and exceed a valuation of \$176 billion by 2027. Two main factors will continue to positively affect the growth of the utility solar PV market in the future - even when the market is exposed to economic contractions such as a global pandemic. Those two factors are continued cost reduction of PV technology, and continued support from government policies towards green energy.

Market Expansion into South Africa

Economic Analysis

South Africa is a newly industrialized country with a population of roughly 59 million people and a workforce of just over 29 million. Despite its title as newly industrialized,

South Africa happens to be the most heavily industrialized of all the countries in Africa and boasts the second-largest economy. After enduring more than 12 years of international sanctions stemming from Apartheid, South Africa's gross domestic product reached a peak of \$400 billion in 2011, however, since then the valuation has been on the decline, settling at roughly \$280 billion in 2020. Nevertheless, South Africa boasts a diversified economy with a wide variety of sectors such as mining, automobile production, textiles, and machinery, as well as IT and chemical production. Although agriculture is South Africa's primary economic sector it only employs 4.6% of its labor force, but its secondary sector, industry, employs 23.5% of its workforce which would prove to be beneficial to First Solar and any other industrial enterprise planning to invest in the country. (Wikipedia, Economy of South Africa, 2021) Although foreign investment in solar energy in South Africa will pay off in the future, presently there is cause for concern as the global pandemic has deteriorated the economic climate there. South Africa's economy suffered a deep recession after the coronavirus took hold in the country in 2020; between restrictions on mobility and lockdown measures, the GDP was expected to shrink by 8.2% and leave millions unemployed. Recent employment data from this year reports that only 15 million people of the 39 million who are categorized as working age are employed. (Naidoo, 2021) Although unemployment in South Africa has been an issue since before the pandemic hit, the 2021 employment data suggests that there are 1.4 million fewer people presently employed than pre-2020. South Africa is mired in what has been deemed the worst recession in a century and there is fear of another wave of covid infections on the horizon, nevertheless, its GDP is still projected

to grow in 2021. Despite the economic woes brought on by the global pandemic South Africa continues to focus efforts on reducing its carbon footprint. In 2016 South Africa joined 193 other states and countries in the global pledge to reduce carbon emissions by officially signing the Paris Climate Agreement.

South Africa and the United States have had strong trade relations with one another; the U.S. is the third-largest trade partner by value. Additionally, South Africa has created a legal and business environment that facilitates market penetration for new to market businesses (NMT's) and they are friendly to all forms of market entry strategies including mergers and joint ventures; they have combined these factors to form a landscape that is attractive to firms desiring a low market entry threshold. Normally, First Solar might consider a joint venture or merger, however recent data on South Africa's economic health as it attempts to rebound from the global pandemic is cause for reconsideration. At this time, it would make more sense strategically if First Solar entered the South African market indirectly as a distributor and sold to a local importer based in the country. Through this method, First Solar can maintain a position of low-risk and low exposure and allow a knowledgeable, local importer to make strategic decisions on where and to whom they sell to in the country.

Cultural Analysis

The United States and South Africa share cultural similarities but also have their differences. According to Hofstede's dimensions of national culture, both countries

score similarly in masculinity, uncertainty avoidance, and indulgence, but score differently in

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individualism, power distance, and long-term orientation. (Hofstede Insights, n.d.) The similar score in masculinity is the most encouraging for First Solar because it suggests that the business landscape there is aligned with that of the U.S.; it is driven by competition and people believe that the better performers in business markets should be the winners. South Africa's score in uncertainty avoidance is 'middle of the road', suggesting that people there are somewhat indifferent about what the future may hold and are generally open to changes in way of life so long as those changes are reasonable. In the case of First Solar, this should not be viewed negatively. With effective marketing, there is no reason why their solar PV technology cannot gain a foothold in South Africa's market.

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Marketing Plan in Foreign Country

Marketing Objectives

South Africa has been in a serious battle with the government about their electricity provider Eskom. The country has been fighting for energy independence due to the failure of its electricity provider Eskom. According to an article by Joseph Dana, the energy provider Eskom had many years of mismanagement of state funds earmarked for critical infrastructure repairs and their plants have been regularly unable to operate

at full capacity. The cut of power in South Africa has been disastrous for the country's economy, with the cost estimated at between \$4 billion to \$8 billion in 2019. And recently the state announced that cities are no longer obligated to purchase the country's electricity provider Eskom and are now able to source their energy power after the energy ministry signed and agreed to let the country's biggest cities wean themselves off the state utility.

So based on this information, our marketing objective for First Solar in South Africa will be first targeting the country's biggest cities who have been fighting for energy independence and are now able to source their energy power. Cities like Johannesburg and Capetown which combined hold about 10 million people will be the cities where we will first enter because according to the article by Gemma Gatticchi and Monique Vanek, these two cities are planning to diversify away from the electricity produced mainly from coal by Eskom Holdings SOC Ltd. to more sustainable sources such as solar and power generated from landfill gas. We will have programs set in place to educate inhabitants of those cities on solar energy and its benefits and promote First Solar energy to be one of the top solar energy providers in the country.

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SWOT Analysis

First Solar was one of the first companies to arise in the solar panel industry, because of this they have set itself apart and several strengths as a leading company. First Solar prides themselves in having extremely reliable suppliers. Efficiency in the supply chain

is extremely necessary for a successful company and having built strong relations with good suppliers has allowed them to keep operations smooth. They have also automated several areas which have significantly helped speed the manufacturing process along. Entering new and foreign markets has also been an area First Solar focused on which will significantly help them when entering future endeavors as they continue to expand. Employees at first are a priority, especially when it comes to their training and job tasks. First Solar early on invested time and resources into training and acquiring highly skilled talent and that will only continue to be beneficial as time goes on.

Some weaknesses First Solar has acknowledged are the fact that they have a much higher inventory warehouse than other competing companies which is forcing the company to raise more capital when it may not be necessary. This can hurt their long-term growth if they run out. First Solar does not offer a wide variety of products and technology, because of this they may lose valuable business and ultimately will not be able to sustain if competitors can offer more. While research and development studies are crucial to this up-and-coming industry, First Solar has dedicated a significant amount of funds to it and has not been able to keep up with the innovation seen in other companies which are already hurting them.

There are several opportunities First Solar should take advantage of as they present themselves. New technology being at the forefront, since they are investing so much into research and development it's clear that they're looking into advancing the panels' technology to maximize efficiency. This will allow the company to set itself apart from

others and rise to the top if done right. They also have been looking into how to lower the cost of shipping supplies and products which will help increase their profits and bottom line. A big opportunity presents itself simply due to the field that they are in. As solar energy becomes increasingly popular, new demand will help the company grow. They have been working on the opening of potential new markets alongside local governments as a way to get ahead of others. The introduction of an online channel is another opportunity arising for First Solar. Since the internet is so heavily used, it would be advantageous for First Solar to continue to invest in their platform to further support their consumer base and gauge what they are doing well or what they can improve on.

Some threats First Solar is currently facing and will face are first, the increase in the minimum wage in the U.S and potentially around the world. Having to pay entry-level employees more is ultimately going to hurt their overall profits and bottom line. Since Innovation is a weakness of the company, it also poses potential threats since some other companies are performing strongly in that area. To maintain competitiveness, First Solar will have to focus heavily on pushing out innovative new products. Otherwise, this will be an extreme threat to the company and its potential growth. Other companies as mentioned prior are probably the number one threat to First Solar, although the industry itself has a very rewarding outlook, it's clear that other companies see the opportunity too and will be working just as hard to be successful. There are also more and more companies arising because it is such a new industry so the competition will only increase as time goes on. Government policies, laws, etc may also pose a threat to First Solar and its success. Lawsuits can be extremely tricky and in some cases can tear a

company down completely so they have to ensure they understand whom they are dealing with and the circumstances surrounding their company.

Samuel Pinto

Marketing Mix

Product Plan

Product strategy for First Solar will be standardized in using their utility-scale photovoltaic solar panels in a variety of different sizes, and power efficiencies ranging from 16.2% to the most efficient currently available worldwide at an 18.4% capture rate. These panels also have proven their long-term reliability from the Atlas 25+ Certification to the Thresher test demonstrating its practical application in humidity, extreme heat, and extreme coastal environments. With time, First Solar plans to roll out new innovations as they are ready for market.

Distribution Plan

The distribution strategy is meant to sustain the inventory levels in local environments of South Africa while rolling out more infrastructure in tandem with the South Africa government to cities struggling to meet their electrical demands from traditional energy methods. First Solar plans to integrate into cities whose power needs are not being met by current electricity providers. The most pressing cities to set up infrastructure for and around first and foremost would be Johannesburg, Capetown, and Durban, as these locales are ripe for switching from Eskom due to recent legislation.

First Solar will operate, and install a variety of PV Solar Panel farms in low-cost areas with high solar exposure while redirecting this energy where necessary.

Promotion Plan

The promotional mix for First Solar is going to be relatively limited on the government side initially, and once established more comfortably in the country, hoping to expand into more consumer-centric promotions to increase brand awareness. Promotional mix initially will include public relations campaigns and publicity, and then likely will expand to include direct marketing, advertising, and trade shows to increase their presence in the private B2B industry, as well as the consumer side of the market.

To increase customer attraction to the product, advertising and direct marketing are going to highlight the high power efficiency of First Solar's PV panels, make the front and center the potential long term cost savings, and also attempt to work directly with the South African government to grant additional tax breaks and advantages to consumers who partake in this "greener" energy technology.

Creating desire for this technology in such a sunny locale is not going to be difficult, the main stressor comes with making the pricing accessible to the most amount of customers possible.

Pricing Plan

Pricing strategy is going to be relatively similar across the globe, however with quotes adjusted to account for local cost of inventory housing once warehouses have been established. Because of the lack of presence of strong a Solar Energy market in South Africa, an aggressive approach to individual unit pricing is not entirely necessary, however, First Solar will typically have special interest groups whose core focus is to work with local legislators to see if pricing can be accommodated more so through tax advantages for new customers, opting for greener technology.

Conclusion

First Solar clearly has a ton of opportunity when entering the South African market, however, the moves they decide to make in the next few years will determine their potential success. Although they have some areas they should improve on, the company has a positive outlook and is headed in the right direction. The emerging competition will be the hardest threat to overcome, especially when targeting an up and coming country such as South Africa but First Solar has the capability, resources, and knowledge necessary to implement a solid relationship with the South African government especially because the country is working towards reducing its carbon footprint as time goes on. First Solar has proved itself as a strong company here in the United States and is constantly looking for ways to improve and set themselves apart. If they continue to work on innovation the company is sure to be successful long term.

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