

Marketing: a Tour de France



Like the epic bicycle journey, marketing requires a long-term strategy that plays to a particular competitor's strengths.

By Reg Renner

Marketing your finished product is a critical step in obtaining bioenergy project financing. Compiling a 20-page marketing study or speaking in generalities about potential customers is not enough. Just as you need to have signed fibre supply agreements, you need to show investors that you have tangible, written contracts for your product, with fixed prices, quantities, and cash flow projections.

The marketing process will continue throughout the life of your bioenergy project. Marketing is not a 100-yard sprint, with the first signed contract the ultimate

a cargo ship and the facility was on an island with no deep-sea port.

Once the volume is defined, there is a tendency to rush out and look for a market. Avoid this trap and do your research first. Are you going to sell locally, regionally, or internationally; in bags or bulk; a residential- or industrial-grade product? Make sure you know the price points and production costs at your factory gate prior to transport. You might find there is more profit in shipping loose chips to a local greenhouse than shipping high-cost, bagged pellets to the United States. Once you know your volumes and

your production and transportation costs, you can focus on the correct market and sales price.

The businessman who wanted to ship 5,000 tonnes of pellets to Europe found that his entire island is heated

and powered by propane and diesel imported by barge. His market is right in his backyard! He will have to convince the islanders that homegrown, sustainable fuels make economic sense. Thus, marketing is an ongoing challenge that requires long-term strategy and professional support.

As a former greenhouse manager, I know that you need to understand local fossil fuel costs in looking for a local market. A small greenhouse using propane or heating oil may be very interested in pellets, but a large greenhouse using natural gas may only be interested in chips, depending on the cost delivered. Just because one greenhouse says that wood pellets are too expensive does not mean the whole industry shares that opinion. Don't be afraid to ask your prospective

client about his/her current heating bill per gigajoule delivered. Your product must be price competitive, and both parties require a fair price. Be prepared for negotiations.

As you prepare for the marketing Tour de France, map out your volumes, production costs, and designated focus. Also allow for creative thinking; your product might suit a niche market that you never contemplated, e.g., wood pellets for kitty litter, horse bedding, or waste water absorbent. It is also important to review local fuel quality standards to determine whether your product is suitable for both industrial and residential use. For example, greenhouses can burn recycled wood in Ontario, but not in British Columbia. Local regulations and standards must be factored into the marketing strategy.

In the Tour de France, individual riders work together as teams, and the pack often travels together for mutual benefit. So too in industry. Join bioenergy associations, attend conferences, and network with suppliers and competitors. The goal of crossing the finish line will require the support of a professional, like-minded team.

Continue exploring marketing options. Having multiple buyers will support your case for bioenergy project financing. Nothing spells security and risk mitigation like a signed, five-year purchase agreement with a reputable client. This is an attainable goal, but only with a lot of market research and a professional sales approach.

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goal. Marketing is more like the Tour de France bicycle race, covering thousands of kilometres over several weeks with other professional riders and support staff. Each day is a new challenge with individual and team strategies. As you start to explore market opportunities for your product, keep in mind that you will need a realistic long-term strategy that plays to your company's strengths.

First, define the volume of finished product: Are you planning on producing 5,000 tonnes of briquettes, 20,000 tonnes of wood chips, or 60,000 tonnes of white-wood pellets? Then, focus on specific markets. One potential client told me that he planned to make 5,000 tonnes of wood pellets to ship to Europe. That project was doomed because 5,000 tonnes is small for