

# **Agenda**

- World sector information
- Five competitive forces
- Puebla energy sector diamond
- Value chain
- Sector map
- Sector strategy
- Strategic projects and shared value



# **World sector information**

Utility company in Mexico is called "CFE"

Source: CFE

Mexico has a competitive position in energy

INDICATOR COUNTR	Y	Unit	PUEBLA	Mexico	France	Spain
Operation			CFE	9		1005 1005
Average annual-interruption time per user	1	minutes	32.213	46.03		52.50
Average time to install a new contract	1	days	0.57	0.83		
Price						
Household rate under 500 KWH	1	Cents \$/Kwh	1.0247	1.0920	2.68	3.90
OM rate	1	Cents \$/Kwh	1.8547	1.8419	2.41	3.57
Financial						
EBITDA	1	%	40.18		61.5	
Workforce						
Frequency of accidents	1	%	2.72	2.59		
Number of death accidents	1	#	0	9.00		
Satisfaction and company environment	1	%	85.9	83.30		

# Five competitive forces analysis

## Weak

### **Threat of New Entrants**

Mexican Constitution and regulations limit entrants.

## Weak

## **Bargaining power of suppliers**

- Purchases by bid procurement and internet
- Products must meet standard

# Rivalry among existing competitors

- Internal CFE competition, even it is a monopoly.
- Firms under licenses compete among each other

## **Bargaining power of buyers**

Limited negotiation with non CFE companies

Weak

• Household buyers - no power

# Threat of substitute products or services

- New technologies (lithium batteries, solar energy, wind turbines)
- Investments in green technologies

## Weak

Source: own elaboration

# Puebla energy sector diamond

#### Chance

- Natural disasters: seismic area, volcanoes
- **Geographic location**
- Transportation (roads and airport)
- Electrification reaches 97.81% (2010)
- Main sector: manufacturing.

**Factor conditions** 

#### Government

- **Effective government**
- State ranks 2 in business environment in Mexico
- CFE without autonomy

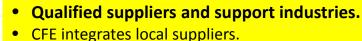
**Context for firm** strategy and rivalry

- **Competition by legal means**
- Power generation coming from southeast.
- Private firms involved in production.
- Industry (manufacturing, retail and services)

**Demand** conditions

- 20,207 firms demanding energy
- Ranks 5 as population in Mexico.
- High-quality energy
- Annual growth of 3.6%
- **Energy Efficiency**

Related and supporting industries



- Relevant universities and related degrees



## **Value Chain**

Annual operating plan (Centro-Oriente Division)

• Infrastructure investment in the CFE by Federal Government.

**Human Resource Management** 

**Technology Development** 

Firm Infrastructure

- Corporative human resource recruitment
- Staff motivation, incentives
- Training

Research agreements with INAOE

- Industrial CFECTIVA
- National center for software development

• Local purchases to specific needs of the region

• By bid

## Inbound Logistics

- High value products: wires, energy meters, poles.
- Work teams: maintenance, plants, transmission lines
- 60,187 distribution transformers

### **Operations**

- Puebla, Tlaxcala and Hidalgo.
- Energy generated in Chiapas and Veracruz.
- Nine power plants in Puebla



## **Outbound Logistics**

- Transmission exclusive CFE.
- Licensees pay fees for transmission.
- 1790 km of transmission lines



## Marketing & Sales

- "CFE is a world class company"
  CFE Telecom ® advertising for energy savings
  88% of clients are
- 88% of clients household.
- Energy export.



## **After-Sales Service**

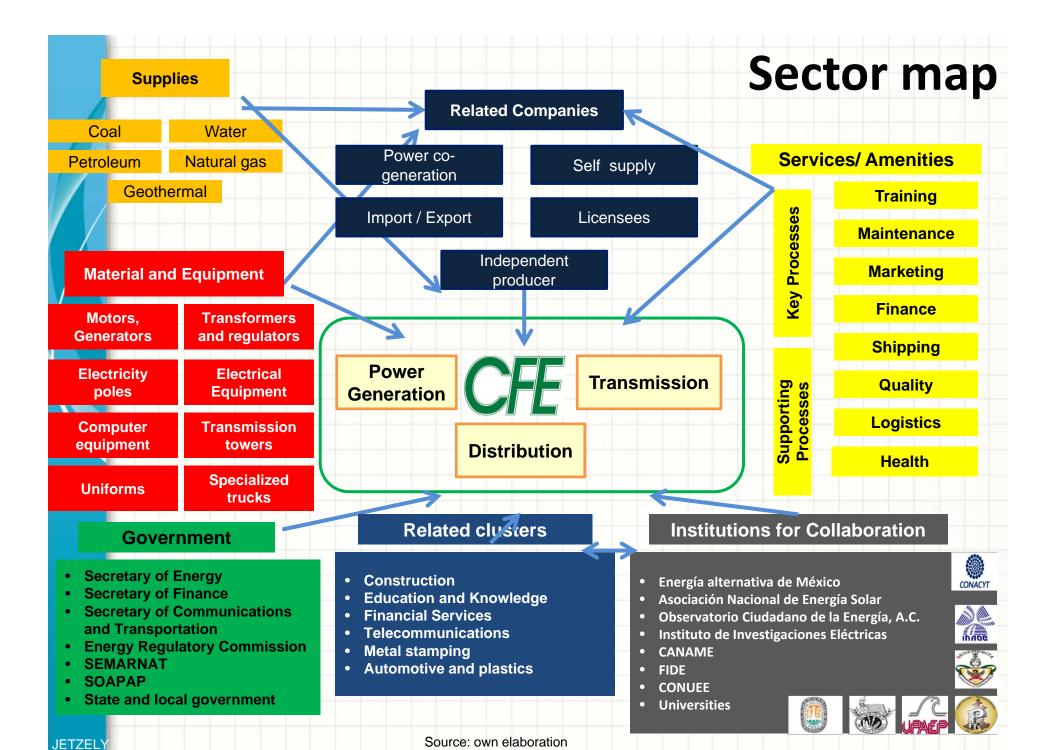
**Procurement** 

- In person, phone (071) or online
- Customer service centers (25) and one regional callcenter.

SERVICIO LAS 24 HORAS

Source: own elaboration

**MANUE** 



# Sector strategy

Sector is focused on generation, transmission and distribution of electricity

**Justification** 

- Presence of a world-class company, Comisión Federal de Electricidad (CFE).
- Specific advantages in the diamond cluster (energy sources, sophisticated clients).

## Unique Value ropositio

- CFE is a government owned company as efficient as any private firm, surpassing international standards.
- Internal competition among CFE business units.
- Division Centro-Oriente (Puebla) ranks first among CFE units.
- Local universities provide technical, undergraduate and graduate programs supporting energy cluster.

**JETZELY** 

Source: own elaboration

# Strategic projects and share value proposition









# Premium Industrial Park.

Focused on specialized firms requiring high quality energy service

# National Training Institute.

Promoted and certified by CFE

# Power Supply Plant.

Providing energy for hybrid-cars

# Wind Power Park.

Joint project with State government.



## **Shared value**

Solar farms in extreme-low-income and/or suburban areas with at least 100 inhabitants (LUZ PLENA project)

# Feedback by Michael Porter



- Currently, There is not an Energy Cluster
- Analyze to export energy from this region

