

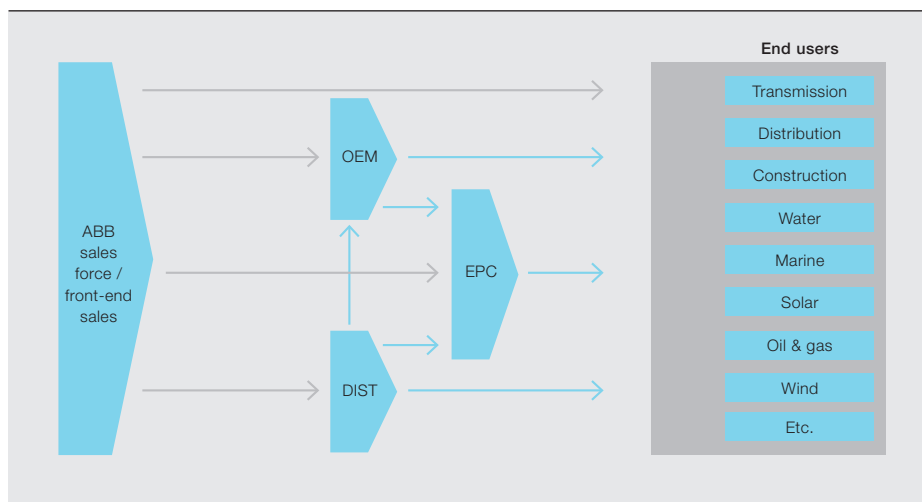


Pulling together

OEM partnerships are a vital element of ABB's customer value chain

NICOLE KOEPPEN – ABB sells a good number of its products directly to the end user. But this is not the only strategy to sell products: It can be very effective to build tight partnerships with third parties, especially OEMs (original equipment manufacturers) in order to create additional channels to bring goods to market. The combination of ABB's product expertise and the OEM's detailed knowledge of segments, application sectors, experience and local conditions can be very effective. ABB is creating high-value customer partnerships with OEMs that provide a comprehensive product portfolio, partner programs and cooperation models that embrace MV products and systems.

1 A multichannel approach maximizes market coverage.



– Distributors (electrical wholesalers/ distributors, technical distributors and resellers) → 1

The path an ABB product will follow to reach the end customer will vary according to the end customer’s requirements or even the nature of the third party itself. In essence, the third-party channels allow ABB products to become available or be assembled, engineered or serviced. OEMs, in particular, are a vital element in building and developing ABB’s customer value chain.

OEM channel strategy

ABB’s engineering, manufacturing and logistics capabilities combine with the detailed local market knowledge and exper-

example, the demand for local solutions is being driven by the need for flexibility and speed. Local manufacturers are, therefore, expected to grow in number. Further, many of these are supported by the government’s preferential treatment aimed at boosting the local economy.

Given these market trends, ABB defined three strategies:

- Extend market reach and grow the number of OEM channel partners
- Leverage the complete ABB portfolio
- Develop OEM programs

ABB is committed to helping OEMs create high-value customer partnerships by providing a comprehensive product portfolio, partner programs and cooperation models that embrace MV products and systems.

Traditionally, ABB has a good standing in the OEM channel business and one of ABB’s key strengths is the ABB brand itself. This comes with a reputation for technical leadership, quality and reliability. By incorporating ABB products as core components of OEM solutions, a pull effect is generated that is highly valued by partners and leveraged by them.

Over the last 12 years, ABB has made progress with the OEM channel business. For instance, ABB is now the leading supplier of MV circuit breakers to OEMs – and this represents only one product category in a portfolio that con-

ABB’s medium-voltage (MV) power products business has a long history of working with OEMs. This type of cooperation started in the early 1990s with the supply of MV circuit breakers to MV switchgear manufacturers and has subsequently expanded significantly. The OEM channel has become a key element within ABB and is embedded in its multichannel sales strategy.

Multichannel strategy

ABB’s market strategy is based on customer needs and buying behavior. Depending on the particular market segment and application, end users have different demands with respect to integration, engineering, availability and competencies, so different channels are utilized to meet their individual needs. This is called a multichannel marketing strategy.

The various sales channels can be categorized into direct and indirect (third-party) sales channels. The latter include:

- OEMs
- EPC (engineering, procurement and construction) entities

Title picture

ABB places great emphasis on creating high-value relationships with OEMs as channel partners. How does this work for MV products and what are the mutual benefits?

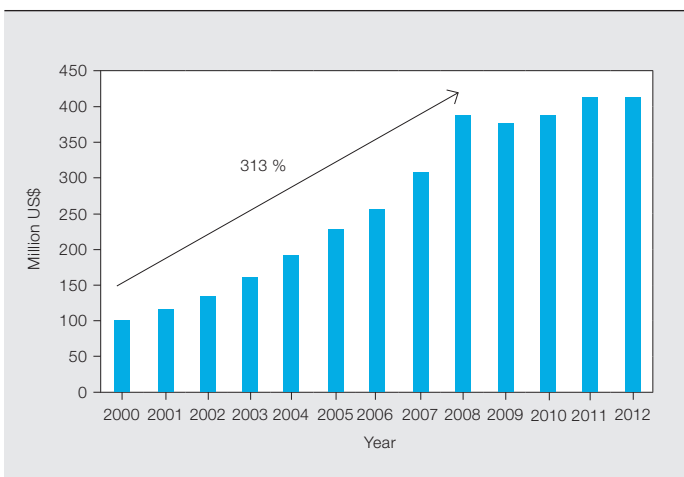
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tise provided by OEMs and panel builders to help drive sales across the world.

OEMs are active in various market segments and application sectors, so they differ significantly in terms of their scope and the value they add. ABB’s OEM customers include electrical panel builders and compact secondary substation (CSS) manufacturers, for instance.

Also, in recent years, the market has become more fragmented, with requirements varying by market segment. For

2 The growth path: development of MV-related business with OEMs and distributors



The strategic intent is to position ABB as a reliable and consistent partner for OEM channel partners and to build long-term commitment based on a win-win relationship.

stitutes the most complete offering available on the market. ABB shares the latest products and offerings with OEMs to enable them to offer state-of-the-art technologies and gain a competitive advantage over local rivals.

The focus on channel business is a motor for ABB's success and growth – ABB grew the MV-related channel business for OEMs and distributors by 313 percent over the last 12 years, for example → 2.

The strategic intent is to position ABB as a reliable and consistent partner for OEM channel partners and to build long-term commitment based on a win-win relationship. The implementation of a dedicated regional OEM development and OEM product support organization has been part of this endeavor and it is planned to further strengthen the local OEM channel organization in the coming years. Further, ABB offers engineering and technical support, as well as extensive training programs and tools designed to assist channel partners. ABB develops OEM programs to meet partners' demands and aims to establish simple and effective processes to ease cooperation.

ABB's strict adherence to safety and reliability extends to its OEM partners, and sustainable and energy-efficient solutions enable partners to offer end users improved performance and lowered environmental impact.

OEM value chain business model

ABB's focus on OEMs aims to build on synergies between the breadth and quality of ABB's portfolio, and the particular strengths of OEMs in market sectors → 3.

3 The OEM value chain business model



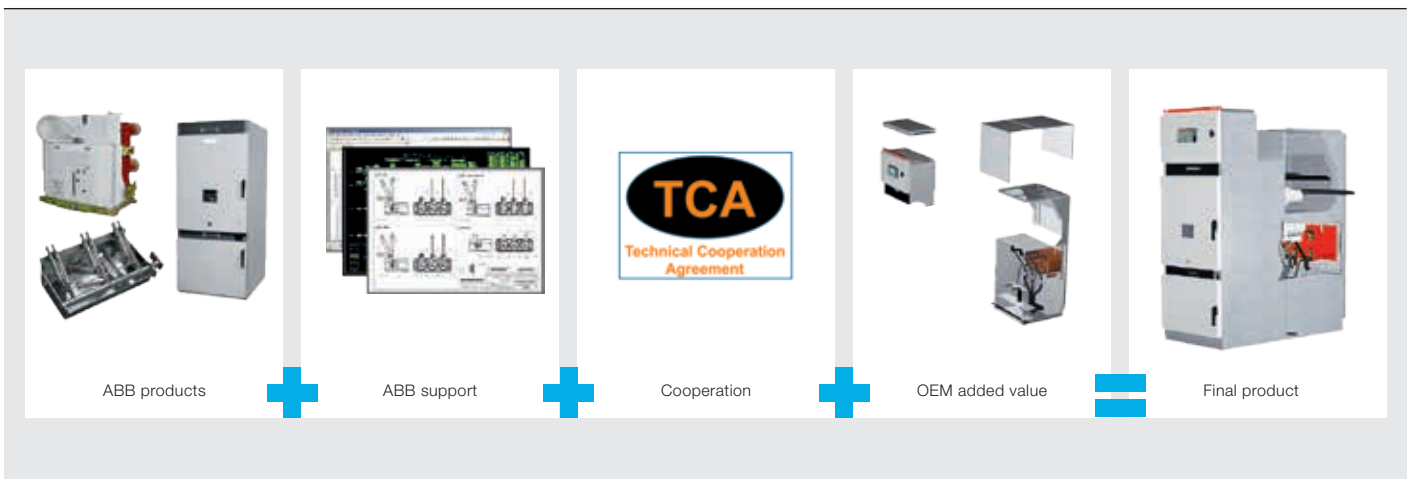
In addition to the brand and technology advantage, ABB also strives to provide strong support to OEM channels and this is becoming increasingly important as a differentiator. ABB has tailored a business model that provides flexibility for channel partners to choose where in the value chain they want to position themselves. Based on this model, ABB has developed a series of modular OEM partner programs in which ABB combines its product offering with a technical support program as part of a holistic approach that meets an OEM's requirements for different markets and segments → 4.

The OEM partner program is a foundation upon which to develop a strategic partnership with OEMs. It consists of four pillars:

- ABB know-how and technical support
- A comprehensive ABB product portfolio
- Cooperation models
- The value added by the OEM

ABB know-how and technical support enable the OEM to introduce a product based on an ABB design in a very short time and with minimal investment. The transfer of technology consists of technical drawings, training, tools, configurators as well as access to testing facilities that allow OEMs to share their experience and concerns with ABB product experts.

The ABB know-how transfer and technical support for the specific OEM partner programs are managed by dedicated OEM product support organizations.



The first strategic agreement based on the value chain business model was made in Europe in 1998 for air-insulated primary switchgear. The cooperation enabled ABB to increase its market coverage by approaching a previously inaccessible market segment, and this partnership is still operating successfully. In fact, it has recently been extended by adding OEM partner programs for gas-insulated primary switchgear, outdoor circuit breakers and secondary switchgear.

So far, in the MV area, ABB has developed OEM partner programs for:

- Primary switchgear (IEC and ANSI)
- Secondary switchgear
- Indoor and outdoor switches
- Outdoor MV circuit breakers

The selection and qualification process is a key element of a successful implementation of the OEM partner program. The selection process ensures the suitability of the OEM partner for the different OEM partner programs, while the qualification process guarantees a consistent product quality during the cooperation period.

OEM cooperation models

OEM partner programs are supported and regulated by specific cooperation models covering all the legal aspects of a strategic partnership like responsibility, liability, commercial conditions, etc.

- Supply and support agreement: ABB provides the products, from simple equipment to complete switchgear. ABB logos, names and type tests are applied to the supplied products.
- Channel cooperation agreement: ABB offers a commercial partnership for a specific business segment. This

agreement is applicable for any product and OEM.

- License cooperation agreement: ABB grants a license to a third party to produce ABB products. ABB provides the technology transfer and type tests for the product. The OEM will use its own logo and ABB's product brand.
- Technical cooperation agreement: ABB provides the technology to a third party to produce an ABB product. The OEM will use its own logo and product brand name. The type test needs to be repeated by the OEM.
- Authorized value provider: ABB authorizes the OEM to use the registered ABB branding "ABB authorized value provider" on collateral documentation such as catalogs, brochures and business cards.
- Powered by ABB: ABB authorizes the OEM to put the registered trademark "Powered by ABB" on their products, which means that the OEM product contains ABB equipment.

Since 1998, more than such 80 partnerships have been established worldwide. The target is to extend the OEM partner programs outside of MV power products to embrace the complete power product portfolio. This will further strengthen ABB's leading position as a first choice for a partnership.

Kuwaiti OEM

In 2012, ABB received a \$10 million order, via its OEM channel partner IEPC, from Kuwait's Ministry for Electricity and Water (MEW) for vacuum circuit breakers (VCBs type VD4) and panel accessories. This was a major inroad into the Kuwaiti market, which has traditionally

been almost completely closed to foreign manufacturers. Signed in September 2012, the contract is the culmination of more than four years of work spent establishing a strategy with IEPC, gaining experience, and optimizing costs and technical solutions.

IEPC is Kuwait's leading OEM for low- and medium-voltage power distribution equipment and its knowledge of the local market and technical requirements was combined with ABB's expertise in electrical distribution to win the order.

The order was Kuwait's largest ever for its distribution network and ABB's successful bid will see VD4 type vacuum circuit breakers installed in 500 distribution substations along with switchgear panels and other equipment provided by IEPC.

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