Business Development From Start to Scale
Prof. C Bhaktavatsala Rao
Department of Management Studies
Indian Institute of Technology, Madras

Week - 04
Market and Competitor Analysis
Lecture - 16
Industry, Market and Business

Hi, friends. Welcome to the NPTEL course Business Development: From Start to Scale. We are in week 4 with the theme of Market and Competitor Analysis. In this lecture, the 16th in the series we focus on the topic of Industry, Market and Business.

(Refer Slide Time: 00:28)

Industries serve markets through the products that the companies in the industry provide. Markets enable the industries through the demand markets provide for the individual companies in the industry. Thus, industries work to grow the markets, while the markets stimulate or constrain industries depending upon whether the industry is faced with increasing demand or decreasing demand.

A market is an aggregation of individuals or organisations. They are interested and willing to buy a product or a service to obtain benefits that will fulfil a particular want or need and these individuals or organisations have the resources to buy. So, there are three, four underlying concepts here.

First, any market is an aggregation of individuals or organisations and these individuals and organisations are interested in a particular product or a service. And, they are also willing to buy the product or service, paying certain consideration usually cash and the intention of doing that is to secure some benefits that will fulfil a particular want or need of the individuals or organisations.

And, the individuals or organisations must have the resources to buy to qualify as a working market. Generally, markets are composed of bias. Depending upon how a market is defined, one market may be served by several industries. It is important to remember this, one market can be served by several industries.

For example, a market may be made up of college students, but they may be patronizing or they may be requiring goods from different industries. It could be the pen industry, the textbook industry, the stationery industry, the apparel industry, the accessories industry, the movie industry and so on. So, one market can be served by many industries. These are interesting principle that you must remember.

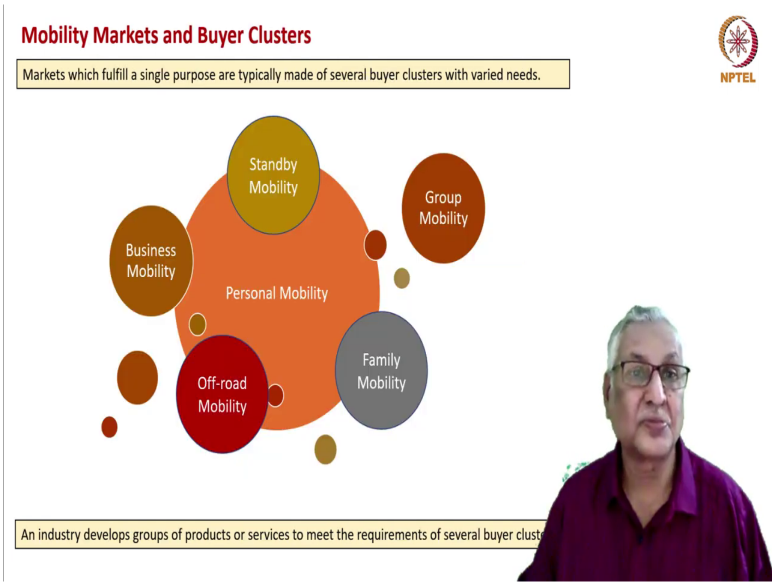
To compare in contrast an industry is a group of companies that conduct the same or similar businesses. Meaning also that, the industry is characterized by same or similar products, services and activities; that is how we have renewable energy industry, that is how we have the apparel industry, that is how we have the paint industry, that is how we have the cement industry as examples.

All of these are products which are similar to each other, in some cases the same as the other. So, companies which manufacture the same or similar products are grouped together as an industry. Typically, an industry would serve many markets. Just as a single market is served by many industries, a single industry would also serve many markets and this depends upon how the markets are defined.

For example, power industry serves all the industries as well as all infrastructure. That is the electricity producing industry serves all the industries in the manufacturing space, in the service space as well as infrastructure and that covers residential to working. Rarely, we have an industry that will serve and grow based on only one market.

Even, a product as simple as energy meter industry serves not only the oil industry, but also the gas industry, but also the fluids industry. Good strategists and marketers understand and appreciate the above differences as well as overlaps. And, by appreciating this, the strategies can optimize the industry market mix for aggressive business development, for thoughtful business development.

(Refer Slide Time: 04:41)



Let us look at how the industry definition is impacting the types of markets and buyer clusters. Markets which fulfil a single purpose are typically made up of several buyer clusters with varied needs. We have seen in the previous lecture also that mobility is one macro market that is moving people or goods.

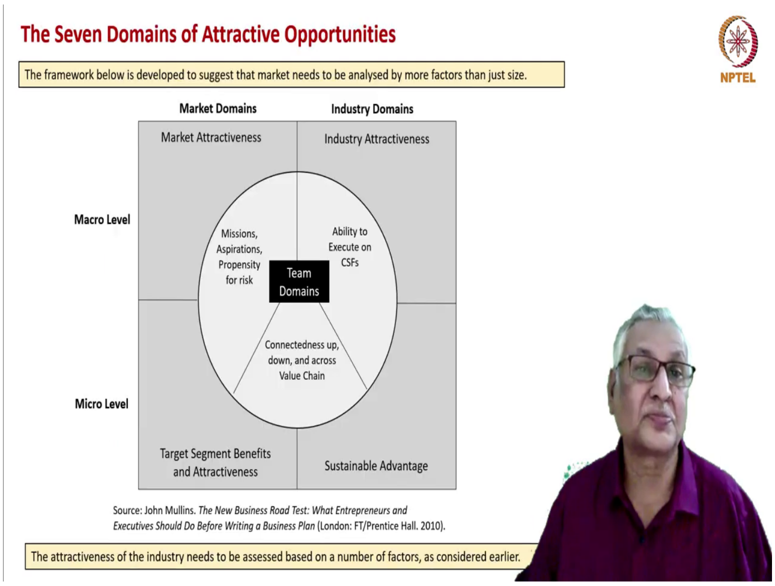
But, when we look at mobility, there is personal mobility, there is business mobility, there is off road mobility, there is family mobility, there is group mobility, there is standby mobility and various other mobility needs. An industry develops groups of products or services to meet the requirements of several buyer clusters.

In this case, the automobile industry develops certain groups of products to serve each of these needs. The personal mobility is served by passenger cars at one end and two-wheelers and three-wheelers at the other end. The family mobility is served by the three-wheelers as well as the passenger cars and also smaller buses.

Off road mobility is served by off road 4 by 4 vehicles and in some cases vehicles which serve construction purposes. Group mobility is served by bigger buses, business mobility is served by products which are designed for moving officers and staff from place to place. Standby mobility is something which enables owners to keep their vehicles on standby, should they require movement of people.

An industry typically therefore, develops groups of products or services to meet the requirements of several buyer clusters even within one macro market that is defined.

(Refer Slide Time: 06:29)



When you have so many domains, when you have so many types of industries, so many types of markets, so many types of businesses; we need to find out the attractive opportunities. There are 7 domains by which industries and markets interact with each other. Here is a template that has been derived from the work by John Mullins.

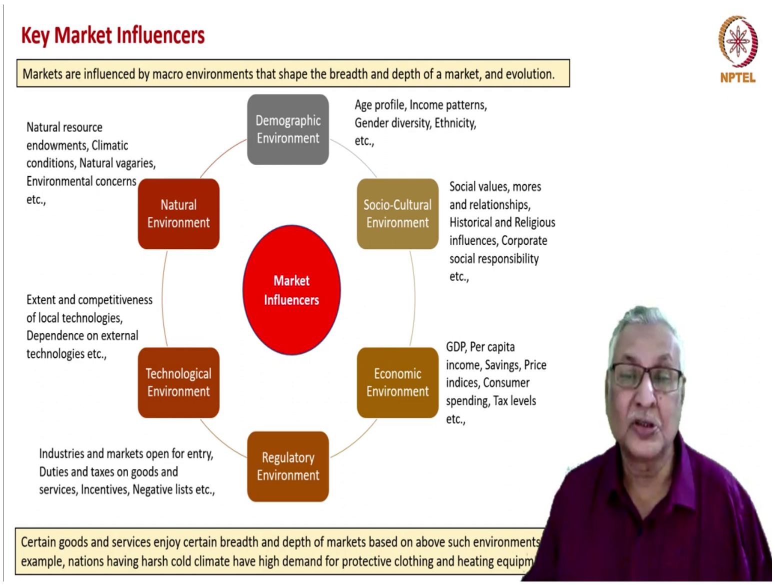
There are two types of domains; market domains and industry domains, this is what we have seen. And, this could occur at micro level and at macro level. At the macro level, you determine the market attractiveness, similarly at the macro level you look at the industry attractiveness.

At the micro level, you determine the target segment benefits and attractiveness and at the industry level you look at the sustainable advantage. And, all of these things are catered to by the team domains and the team domains are nothing, but organisational domains. They comprise missions, aspirations and propensity for risk to quote a few. They also have the ability to execute on key success factors.

They also are connected up and down, the hierarchy as well as across the value chain. So, when you look at the industry and within the industry the companies at the core and when you have the market domains that are served by the industry, the industry domains that are attractive and when we look at the segmentation based on micro level and macro level analysis; you understand where you should aim at.

You should aim at target segmenting; you should aim at also sustainable advantage. And, you should be able to understand the attractiveness of individual markets and the attractiveness of the core industry. The attractiveness of the industry needs to be assessed based on a number of factors as considered earlier.

(Refer Slide Time: 08:29)



What are the key market influences for any company? Markets are influenced by macro environments that shape the breadth and depth of the market and determine its evolution. There are 6 types of environmental variables that influence the market. The first is the demographic environment; age profile, income patterns, gender diversity, ethnicity etcetera.

These are characteristics of the population of a nation. Then, there is the socio-cultural environment; the social values, mores and relationships, historical and religious influences, corporate social responsibility etcetera. There is specific and economic environment; GDP, per capita income, savings, price indices, consumer spending, tax levels and so on.

There is a regulatory environment which keeps the nation open for industries and markets, duties and taxes are levied on goods and services, incentives are provided for better industrial production. There are also negative lists to ensure that the interests of the country are protected.

For example: recently the export of sugar has been banned, the export of wheat products has been banned to enable the prices to cool off in the domestic market, to ensure adequate supply of these commodity products. Then, there is the technological environment; extent and competitiveness of local technologies, dependence on external technologies etcetera.

Natural environment such as natural resource endowments, the land area, the seasonality of rains, natural vagaries, environmental concerns etcetera. Africa for example, is very well endowed in terms of these natural environmental factors which makes it a great producer of agricultural products. Parts of our India are also capable of producing strong agricultural products.

Kerala is known for its coconut farming. Similarly, certain other regions are known for their rice and wheat crops. The dispersion of these factors within an economy, within an society determine how the demand environment shapes up in the country. Certain goods and services enjoy certain breadth and depth of markets based on a above such environments.

For example, nations which have harsh cold climate have high demand for protective clothing and heating equipment. And, those countries which have got high hot, humid environments have high demand for air conditioners and other cooling equipment. So, the development of goods and services is also dependent on the environmental factors that are existent in a country.

(Refer Slide Time: 11:37)

We have talked about industry forces and market evolution in the previous lectures. I have also illustrated how the five forces theory gets expressed in terms of various industrial settings. Here, I wish to take one more industry, the Indian telecommunication industry and that industry has proved its metal during the COVID-19 time, when the whole country has to move into virtual state of communication with the individual constituents as well as with the individual businesses.

India needed to connect with within itself and also with the globe through the telecommunication network. It was such an industry that its importance was not recognized adequately until COVID-19 hit us. But, why did the industry come to the kind of tough pass it came to in 2020? The reason is that the five forces operated in them in then in the industry in a very very peculiar, but stringent manner.

So, if you look at industry rivalry, there was very high rivalry within the telecommunication industry leading to low tariffs and customer migration towards low tariffs of service provider. And, it has come that way because the new entrant decided to take away the share of the existing incumbents by offering very attractive plans.

The second is that as technology comes in lumps that is 2G, 3G, 4G and 5G and also with high sunk cost, pricing is oft resorted to option to secure and retain share, that is without pricing capability or without pricing action, a new entrant would find it difficult to secure market share in quick time; therefore, that is used as a tool. And, when that happens there is going to be high level of industry rivalry.

The second threat of new entrants. Many smaller players entered in the 1990s and 2000s into the Indian telecommunication industry without understanding the kind of capital investments that are required to keep them up to date in technologies. The one giant player who entered in 2010s, that is Reliance Jio was very conscious of what technology could do and what investments could do in terms of dominating the industry.

As a result of this peculiar features of many smaller players fragmenting the market and one giant player trying to consolidate the market, the industry faced low viability, technological obsolescence's of smaller players and the mega force of one aggressive player. Supplier power, the government controlled the sale of spectrum because it is a natural resources and is owned by the government and the government did that through auctions and telecom manufacturers were also few.

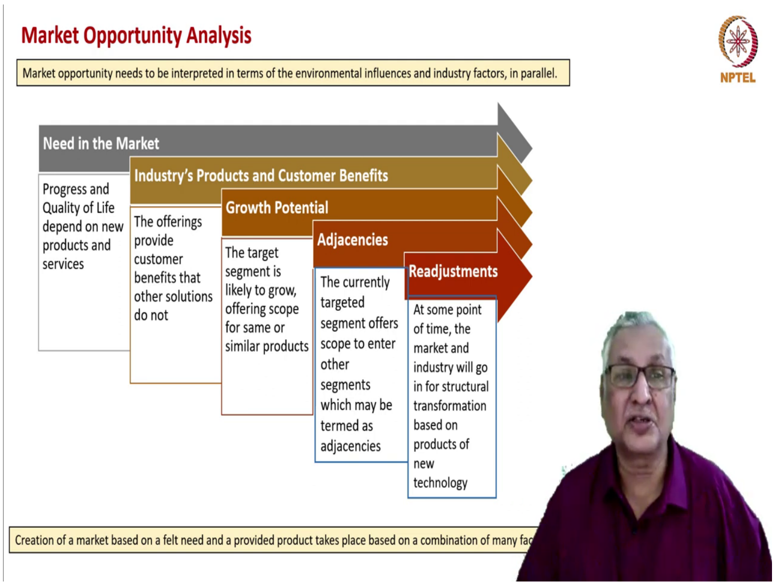
Therefore, the supplier power was inexorably high both from the point of view of the spectrum and from the point of view of telecom gear. This increased supplier power pushed up investment requirements and enhancing unviability of operations. The auctions required the companies to bid increasingly higher amounts. At the same time, as we have seen earlier the pricing pressures were such that the prices were uneconomical for the elevated investment levels.

Therefore, there was viability that was forced upon the industry. Buyer power, the Indian buyers were preferably disposed towards mobile phone usage, but they demonstrated huge elasticity of demand; whoever offered the lowest prices got the best demand migration. Low prices resulted in a huge expansion of the Indian telecom market without doubt, more importantly the bottom of the pyramid population took to cellular phone usage overwhelmingly.

Next threat of substitutes, as the technology moved from 2G to 4G and data started coming in a big way, companies which did not keep pace with the technological leaps withered; Reliance Communication as an example. Some players became less competitive; Vodaphone, Idea for example. As a result of their technological obduracy and financial insufficiency, they did too little too late.

The Indian telecom model underlines the impact of competitive forces on industry structure and sustainability, this is an example. You take any other industry; you will find that factors such as these operate.

(Refer Slide Time: 16:27)



Market opportunity analysis, we need to understand the market opportunity in great depth along with the environmental influences and industry factors being analyzed in parallel. There are five aspects of market opportunity analysis. First, the need in the market whether market is moving towards progress and how the quality of life would depend upon new products and services, that is the overall the framework for the definition of market.

Second, specific industry products and customer benefits. In this evolving quality of life syndrome, what are the offerings that will provide the customers the benefits that the society is seeking and what are the solutions which have lived their day and no longer are useful.

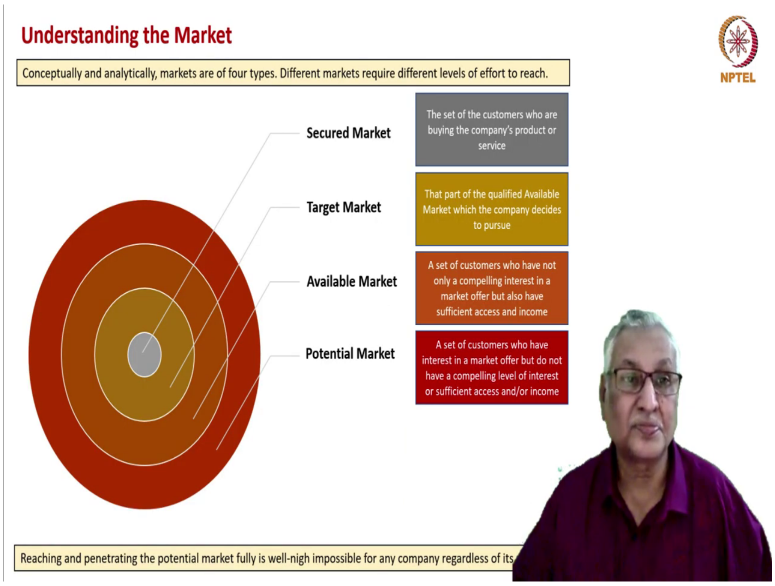
Then, the third factor is the growth potential. The target segment is likely to grow offering scope for same or similar products. Adjacencies, the currently targeted segment offers scope to enter other segments which may be termed as adjacencies, that is if you are in the watch industry you can enter the smart watch industry or smart wearable industry.

If you are in the cement industry, you can enter into the readymade cement category. If you are in the cement industry, you can also get into the batching industry, you can also forward integrate into the construction industry. So, there are several ways in which adjacencies could occur. A construction [FL] may like to get into the cement industry because it provides a strategic advantage, then there would be readjustments.

At some point of time, the market and the industry will go in for structural transformation based on products of new technology. If 3D printing were to become very popular, at least the low-cost affordable housing segment will go in for 3D printed houses. Similarly, if 3D printing is successful in terms of biological parts, the bio biomedical market will undergo significant change.

The implants will be manufactured through 3D printing, hot walls may be manufactured through 3D printing and so on. So, readjustment of the known industry market configuration will occur when new technologies come into play. Creation of a market based on a felt need and a provided product takes place based on the combination of many factors.

(Refer Slide Time: 18:57)



How do we understand the market? Market may be singular for a company, but the market is multi layered. Always the market that is available for a company is far larger than the company would recognize. There is a potential market; if you talk about apparel, the entire population of the country is the potential market.

If you talk about a fountain pen, the entire school going and college going and working population as well as people at home constitute the potential market for that. If you talk about passenger car, the potential market is not only the passenger car users, but also all the people including two-wheeler users, three-wheeler users who would like to travel. Therefore, the potential market is far-far larger that we imagine.

Potential market can be defined as a set of customers who have interest in a market offer that is a product or a service, but do not have a compelling level of interest or sufficient access and our income to buy that product. Take the example of stock markets, the entire market of financially savvy individuals is a market that could play in the stock market.

But not all people have the resources to do that, not all people will have the interest to do that. Therefore, people who play in the stock market is far smaller in number than the total number of financially savvy people. So, that is the definition of the potential market.

The next is the available market, within the potential market certain market will be available for a company to be exploited that is a set of customers who have not only a compelling interest in a market offer, but also have the sufficient access and income; that is the available market. Although, there is an available market, the company may not want to pursue the entire available market.

Therefore, a concept of target market arises, that is that part of the qualified available market which the company decides to pursue. For a pharmaceutical company in the west, all the western countries could be a market to pursue. But, countries such as Russia and Sayes may not be the countries to pursue.

Similarly, countries such as Thailand and Malaysia may also not be the countries to pursue for different reasons of scale economics. Therefore, the target market could well be very much smaller than the available market. Even though there is a target market, it is not necessary that the company is operating in the entire target market, it could operate just in the secured market.

Secured market is nothing, but the set of customers who are buying the company's product or service. Therefore, the market availability is a subset of the potential market, the target market is a subset of the available market and the secured market is just a fraction of the target market.

Reaching and penetrating the potential market fully is well-nigh impossible for any company regardless of its resources. However, every company which has its core secured market should always try to expand its market coverage to the target market and then the available market. And, the target market itself could be said to be in an expanding mode as the company enhances its resources and its ambitions, that is how you try to understand the market.

(Refer Slide Time: 22:37)

In respect of Hospira, the global generics major where I worked; this concept has been put into use very effectively by the company. Hospira had a secured market, that is the United States of America, the home turf; 100 plus generic drug filings were made in the United States of America and the company was having approximately 3 billion dollar turnover from that market.

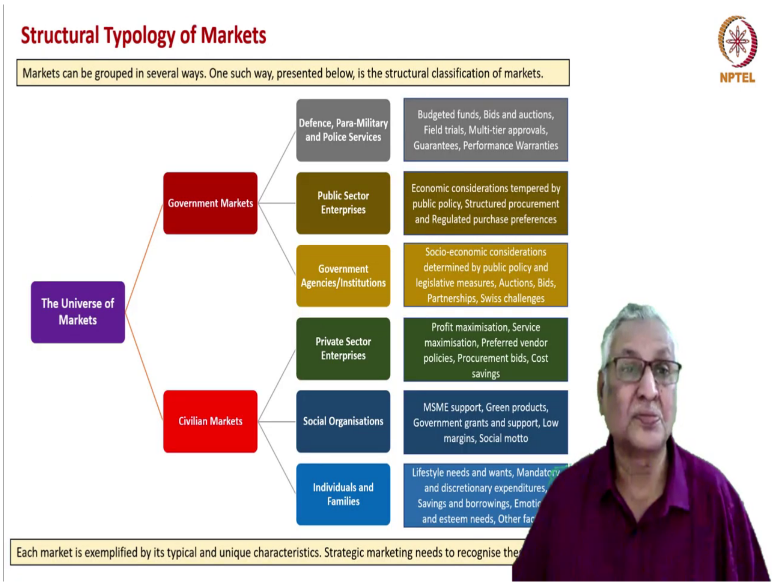
Now, the company wanted to expand its business and it did it through three concentric circles. The first concentric circles which encapsulated the secured market was the target market. All countries except some that were deliberately excluded that is the countries such as Russia and CAS and certain Middle East countries and so on.

And, in those countries all the products that were already existent in the US have been moved in terms of fresh dossiers. Therefore, the 100 plus generic drug filings in the USA gave rise to a 1000 plus dossiers which were filed in EU, Middle East, Latin America, Canada and ANZ.

And, in that the available market of around 150 plus countries were taken up for importation of the generic drugs and they have the interest and the purchasing power and that was targeted. But the potential market remain as the full set of 195 countries in the world which the company did not want to consider.

Therefore, the potential market of 195 countries was drilled down to 150 plus countries that allow for importation of Hospira type of drugs and within that a target market was chosen and the dossiers were filed. This market outreach strategy has helped the company enhance the turnover from 3 billion dollars to 4 billion dollars per annum. So, 33 percent increase in sales turnover was achieved by redefining its market.

(Refer Slide Time: 24:46)



Let us look at the structural typology of markets. The universe of markets has two types of markets essentially. One, the government markets and two, the civilian markets. The government markets comprise defence, paramilitary and police services. And, these markets have budgeted funds, bits and auctions, field trials, multitier approvals, guarantees, performance warranties and so on.

The purchase method itself is very peculiar to government markets. Then, we have public sector enterprises where there are economic considerations of buying the best product by the most desirable product. But also, there is public policy that you must buy a particular percentage from small and medium enterprises. There are also structured procurement and regulated purchase preferences.

Then, we also have government agencies and institutions. These have socio economic considerations, that are determined by public policy and legislative measures. Auctions, bids, partnerships and Swiss challenges characterize how these government agencies and institutions work.

Then, there are civilian markets, while the governments through their purchases also serve the civilian markets, civilian markets are independent and they exist and grow by themselves. In that we have three types of classifications. One, the private sector enterprises where they buy anything and everything with the view of quality optimization, profit maximisation, service maximisation, preferred vendor policies, procurement bids, cost savings and so on.

Then, you have social organisations; MSME support, green products, government grants and support low margins social motto. These characteristics are exemplifying social organisations and the real general demand is from the individuals and families. Lifestyle needs and wants, mandatory and discretionary expenditures, savings and borrowings.

Emotional and esteem needs and various other factors determine how the individuals and families purchase. Therefore, there are different types of markets and all these markets are important for a firm. Because, each market is exemplified by its typical and unique characteristics, we need to have strategic marketing approaches or business development approaches that are very specific to each of the markets.

You cannot try to sell a soap in the same manner in individual markets as well as in the governmental markets. There have to be different kinds of considerations; individual markets, the units volumes are singularly low per person, but collectively huge. Whereas, in the government markets, the individual volumes are in terms of boxes, but the number of boxes could be low.

So, there are differences and the companies have to formulate their marketing, sales and supply chain policies to meet the individual market requirements.

(Refer Slide Time: 27:56)

Then, we have the pyramid of markets. Markets can be classified in terms of the physical volume, purchasing power and therefore, the market power index. However, it is not always the top of the pyramid that creates wealth or drives market progress or even ensures the national strength. So, what are the characteristics of these three pyramids?

The top of the pyramid typically enables high unit price, it is typically also low in unit volumes and it is low in market power index. It provides some kind of pole position, but not necessarily a driving position for the demand equation in the country. The second is the middle of the pyramid.

It is mid in unit price, mid in unit volumes, mid in market power index. It is in a way, the backbone of viable business that is conducted by most firms. Then, we have bottom of the pyramid which is low in unit price, high in unit volumes and high in market power index. If a company is able to manage and master the art of producing quality products at low affordable prices, it will capture the bottom of the pyramid.

By the sheer scale, it can gain cash reserves that can be reinvested in different types of products. Some of them could be for middle of the pyramid and top of the pyramid markets. India reaching the top 5 of the global economic order reflects the index of market power at the BoP and the MoP levels.

(Refer Slide Time: 29:35)

Are the markets specific? Yes, markets are specific. Markets are the prime drivers of economic prosperity and at times even collapse. They are also the prime drivers of social mobility, but at the same time also of isolation. It is therefore, necessary for marketers to develop strategies that are contextually appropriate for different markets.

Market is a place where two people or two organisations or a person in an organisation meet to engage in an economic transaction and those transactions need not necessarily have legal tender. A market transaction may involve goods, services, information, currency or any combination of these that pass from one party to another.

In short markets are arenas which buyers and sellers can gather and interact. There are physical markets, there are virtual markets and now there are hybrid markets as well. All the traditional markets that existed about which I talked about in an earlier lecture constitute the physical markets.

They have grown over the last several centuries from traditional mandis to modern malls. Virtual markets are the new age internet-based markets that commenced and grew exponentially over the last two decades. The Amazons of the world, the Flipkart's of the world and the digital source which various companies have.

Hybrid markets are those markets which are futuristic. They combine the physical and virtual markets and they will be powered by digital technologies AI and AR, VR and MR. There can be no virtual markets without the support of physical infrastructure and the physical infrastructure cannot gain the kind of reach without virtual markets to support them. Therefore, the supply and delivery chain is interlinking the virtual markets as well as the physical markets.

(Refer Slide Time: 31:35)

Apart from that the characteristics of the markets themselves could be highly varied. There are many specialized markets that have evolved over the last several years. There are markets which are financial in nature, these are called financial markets. These are stock markets, bond markets, forex markets, crypto markets etcetera.

Then, you have commodity markets, bullion markets that is gold market, metals markets, energy markets, agri markets. Then, there are auction markets that is livestock markets, antiquities markets, used goods markets. We are all familiar with housing markets; new housing markets, but we have got newer varieties in that rates, foreclosed house markets and so on.

There are shadow markets which are not formal markets, but serve as semi-formal markets, they are unregulated or less regulated markets in formal markets. There are also markets which are not desirable such as black markets, these are illegal markets. Undocumented markets, tax evading markets and markets which try to skim consumer surplus by making use of operations under the radar and breeding the rules, those are black markets.

By understanding each of the markets and the sub markets, strategist and marketers create new successful businesses. A company may have developed as high feature high performance product; however, by making it available in very low quantities at very high prices, unwittingly the company may create a black pocket for that product and that would be inequal to the interests of the society and the economy.

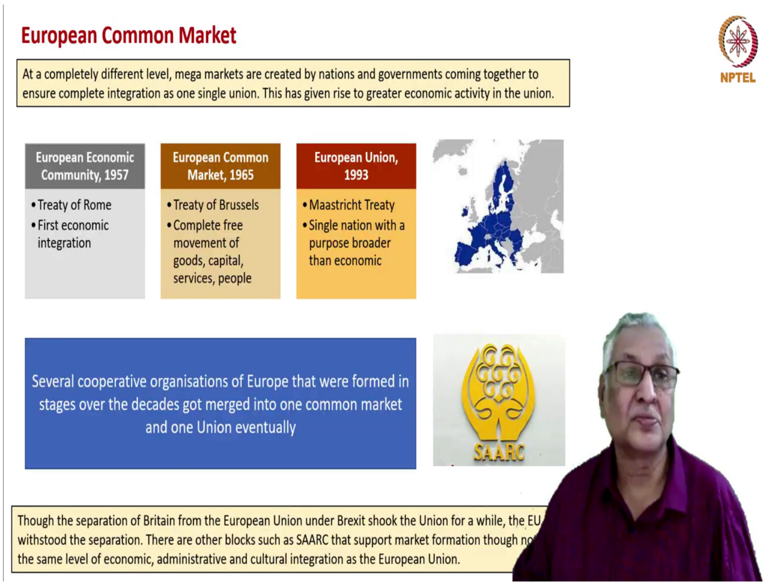
Therefore, a holistic understanding of all the markets is necessary for a company to be able to have good business development marketing and approach.

(Refer Slide Time: 33:38)

Some examples of specific markets. Zerodha is a financial market or stock markets, Brookfield is an Indian real estate trust, it comes into the housing market area, Coinbase is a crypto market. HDFC Asset Management Company, again a financial thing. Gift is a financial, IEX energy market, Christie's auctioning, Agri marketplace for social marketing and agricultural marketing, Lendingkart financial market.

The way the markets and institutions work together reflects how economic activities can progress in alignment at times in synergy as well.

(Refer Slide Time: 34:22)



Governments create markets, at a completely different level mega markets are created by nations and governments coming together to ensure complete integration as one single union. This has given rise to greater economic activity in the union. Let us talk about the European

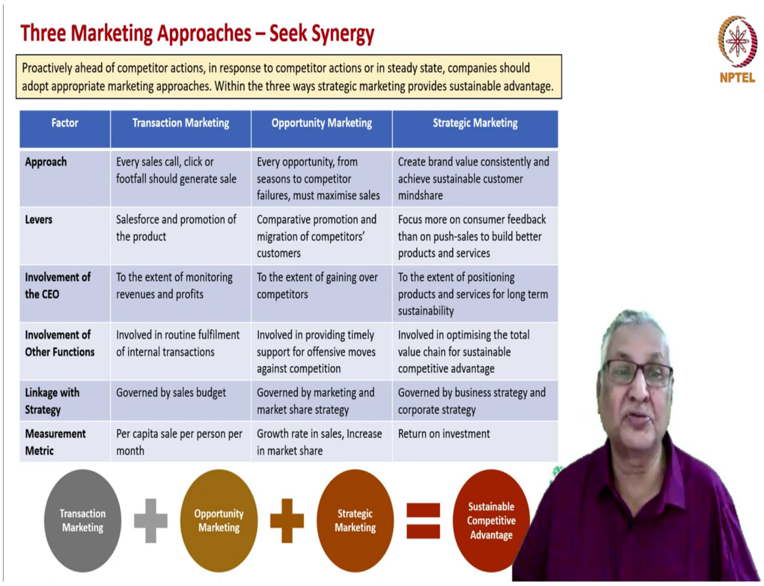
Union. It’s very first origins have been as European Economic Community established in 1957, under the Treaty of Rome.

And, it was the first economic integration of that nature adopted not only in Europe elsewhere in the world too. Then, the European Common Market came up in 1965. This was governed by the Treaty of Brussels and the idea was to enable complete free movement of goods, capital services and people within the European common market.

Then, came in 1993 the full-fledged European Union, it was under the Maastricht Treaty. It was a single nation that got formed with a purpose broader than economic. So, they created a nation of nations so to. Say several cooperative organisations of Europe that were formed in stages over the decades got merged into one common market and one union eventually. We also have closer to our country SAARC.

Though the separation of Britain from the European Union under Brexit shook the union for a while, the EU withstood the separation. There are other blocks such as SAARC that support market formation though not to the same level of economic, administrative and cultural integration as the European Union achieved.

(Refer Slide Time: 36:02)



I would also talk about three marketing approaches and we must seek synergy within these three approaches. Proactively ahead of competitor actions, in response to competitor actions or in steady state companies should adopt appropriate marketing approaches. We take marketing actions when competitor does something. So, you are reactive.

You tend to take marketing actions to be proactive and preempt competition or you take marketing actions, because all of us need to take marketing actions within an industry. There are three approaches and three contexts. Within these three ways strategic marketing provides sustainable advantage. Let us look at these three categories of transaction marketing, opportunity marketing and strategic marketing.

In the transaction marketing every sales call, click or footfall should generate sale, because the whole idea is to create sales out of the transaction out of the client company meeting.

Then, there is the opportunity marketing that is the company is ever watchful of what is happening in the marketplace.

So, if the competitors' shelves are dry or if the competitor has temporary production problems or if the seasonality is having strong demand, those opportunities will be seized by the company and a full-fledged marketing activity will be launched to maximize sales. This is opportunity marketing; these opportunities may not last forever.

In fact, festival linked, seasonality linked activities and opportunities last for only a few weeks or months. Then, the third is strategic marketing that is you create brand value consistently and achieve sustainable customer mindset. Just as you think of products newly introduced such as Zincovit or Acton in the pharmaceutical space or you think of an Alto or a Mahindra affordable house as your main recall, brand value is the one which is aiding that recall.

So, strategic marketing tries to create brand value that is sustainable over a period of time establishes the link between the product and the brand. Xerox is a brand, while it is also a product. So, when you want to have a photocopying machine, you think of Xerox as a brand. Similarly, when you think of a laptop, you think of HP as the brand that signifies the product.

The second factor is one of levers, what are the levers to make the marketing activity effective? For transaction marketing, it is sales force and promotion of the product, for opportunity marketing comparative promotion and also migration of competitors products and also the early movers advantage when there are seasonality impacts. Then, the strategic marketing there is focus more on consumer feedback, consumer loyalty and less focus on pushed sales.

And, the idea is to provide better products and services and experiences to the customers. What is the level of involvement of the CEO? The CEO is rarely involved in day-to-day affairs of transaction marketing. He just monitors the overall revenues and profits. In respect of opportunity marketing to the extent of gaining advantage over the competitors and therefore, an interest in the competitive game that is getting played out.

With respect of strategic marketing to the extent of positioning products and services for long term sustainability are rebuilding brands; am I getting a new brand besides the brands that exist. Involvement of other functions that is functions which are supportive in the value chain, to what extent they are involved in each of these three areas.

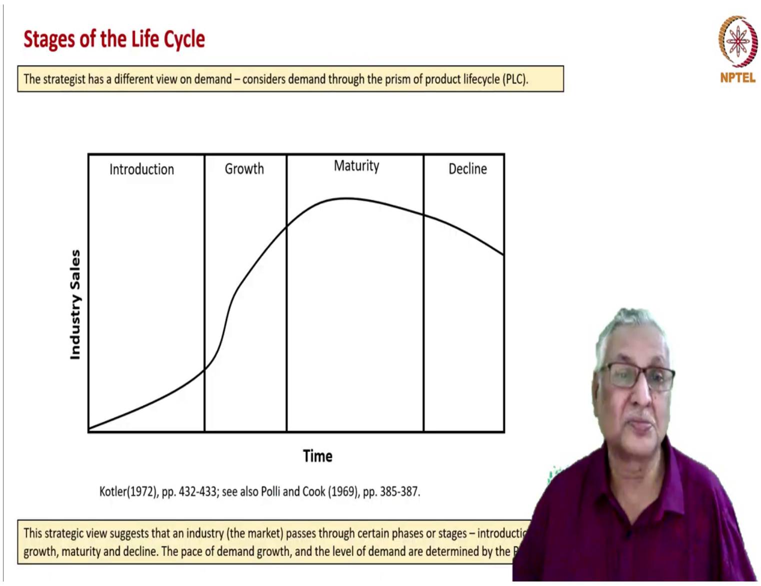
All functions are involved in routine fulfillment of internal transactions for the transaction marketing. In respect of opportunity marketing, they do all that they can to rise up to the occasion and provide support for either the offensive moves or for the opportunity moves against the competition.

In respect of strategic marketing all the functions will try to optimize the total value check; they provide differentiation, they provide higher quality, they provide good communication for sustainable competitive advantage in the marketplace. What is the linkage with strategy?

Transaction marketing is linked by the sales budget, opportunity marketing is linked by the marketing and market share strategy. Strategic marketing is linked by business strategy and corporate strategy. And, what is the measurement matrix? Per capita sales, per person per month for transaction marketing; growth rate in sales increase in market share.

And, for strategic marketing, it is return on investment because the investment do not see an immediate return. Brands do not get built overnight; it takes time to build brands. It this is not to say that one type of marketing is better than the other, all the three types of marketing are required by a company, they must coexist. Transaction marketing together with opportunity marketing with strategic marketing leads to sustainable competitive advantage.

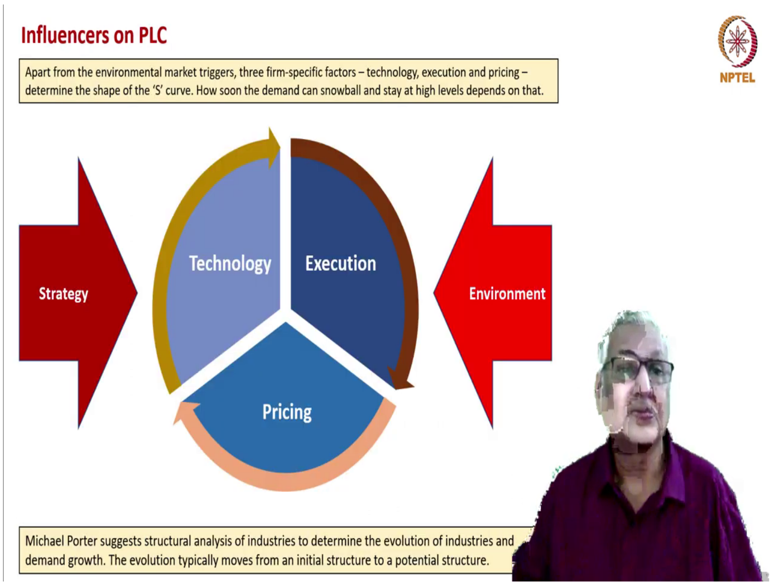
(Refer Slide Time: 41:34)



Let us look at also the stages of the life cycle. The strategist does not look at the sales profile or the brand profile of the product in isolation. The strategist believes that every product will go through a life cycle of its own. The industry sales goes through a kind of subdued introduction phase.

Then there will be a rapid growth phase, then there would be a very long maturity phase and potentially there could be a decline phase as well with time. This strategic view suggests that an industry or the market passes through certain phases or stages; introduction, growth, maturity and decline. The pace of demand growth and the level of demand are determined by the product life cycle.

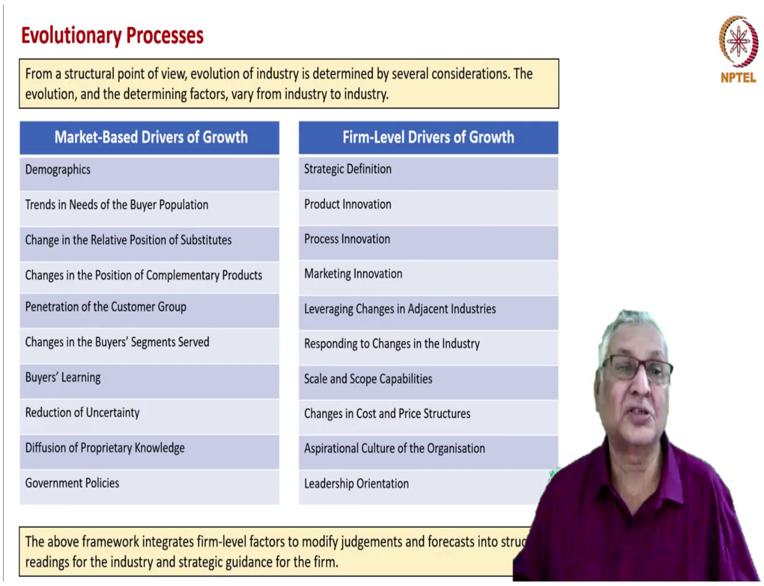
(Refer Slide Time: 42:27)



What are the influences on the product life cycle? At one level strategy influences, but strategy response to the environment as well. So, the most impactful determinant of product life cycle movement is the overall environment with all the variables that I have outlined earlier. There are three firm specific factors which a company can utilize to change the shape of the S curve which is the product life cycle curve.

These are technology, pricing and execution, these can help the companies stay at high levels of product life cycle for as long a time as possible. Structural analysis of the industries helps us determine the evolution of industries and demand growth. This evolution typically moves from an initial structure to a potential structure, that is what the product life cycle teaches us in terms of strategy development.

(Refer Slide Time: 43:25)



So, when you want to look at these evolutionary process from a structural point of view, there are several considerations and there are several determining factors. At a overall market level there are certain drivers of growth which have been discussed in part earlier. Demographics is one, trends in the needs of buyer population is the other, change in the relative position of substitutes is the third thing.

Changes in the position of complementary products, penetration of the customer group, changes in the buyer's segment served, buyer's learning, reduction of uncertainty, diffusion of proprietary knowledge and government policies. Let us say the government decides to provide a huge amount of dearness allowance to its employees on the eve of the festival.

Suddenly the buyers would move to the higher income group at least for the festival season. And, the seasonality of the festival demand would take a further leap into the higher range.

So, it is a market-based driver of growth that has happened. There are firm level drivers of growth that is strategic definition. How you have anticipated this and formulated your strategy.

What is the kind of product innovation you are looking at, the kind of process innovation, the marketing innovation, leveraging changes in adjacent industries, responding to changes in the industry, scale and scope capabilities, changes in cost and price structures, the aspirational culture of the organisation, leadership orientation.

Market based drivers of growth are immediate, medium term and long-term. Firm level of firm level drivers of growth for the short term are dependent on the infrastructure already created. And, the ways in which the infrastructure is being utilized through successful sales and marketing operational and delivery strategies.

But, most of the drivers of growth at the firm level are based on creating infrastructure for the future so, that can support market-based drivers of growth every year. So, if you have firm level drivers of growth which provides infrastructure for a defined time period, each year of the time period can be used to leverage the market-based drivers of growth.

This framework integrates firm level factors and it helps modify judgments and forecast into structural readings for the industry provide strategic guidance for the firm, that is how the evolutionary process work. With this we come to the end of this lecture. I will be seeing you in the next lecture.

Thank you very much for your attention.