Business Development From Start to Scale
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Week - 02
Business Development Strategies
Lecture - 08
Vision, Mission and Strategy

Hi friends, welcome to the NPTEL course Business Development from Start to Scale, we are in week 2 discussing the theme of Business Development Strategies. In this lecture the 8th in this series we discuss Vision, Mission and Strategy of a company.

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There can be a cascade for developing vision, mission and strategy I explained this against the perspective of a global pharmaceutical company. I would urge the participants to discuss debate and focus on alternative statements of vision, mission and strategy for the pharmaceutical industry taking off from what I have presented here.

Vision for a global pharmaceutical company can be developed as follows. Contribute to a world free of infectious diseases with the therapeutics we develop, manufacture and provide. Please note that, this is a very broad statement and particularly when we say therapeutics it could mean many ingredients or many agents which can cure certain diseases therefore, therapeutics is a very broad word.

Mission can be little more focused, the mission for the global pharmaceutical industry could be defined as become a 'one stop shop' for medicines and vaccines that cure and prevent any infectious diseases. As you can see here therapeutics has been kind of narrow down to medicines and vaccines there could be other therapeutics as well, but they are not included in the mission.

This strategy could be focus on development, manufacturing and marketing of the medicines and vaccines end to end from active pharmaceutical ingredients to finish dosage form that is more specificity has been provided to the mission. And in the case of another company the strategy could be only medicines related and not vaccines related.

So, when you look at vision, mission and strategy you will find that mission could be a subset of the vision and in a more understandable, more foreseeable time span. Strategy would be a set of actions and set of plans which will define several ingredients that are required for making a mission possible, but once the overall strategy of the company is defined, we need to further cascade it down to the functional strategies.

An R and D strategy for the global pharmaceutical industry could be focus on green chemistry for APIs and nanotechnology, prefilled syringes for finish dosage forms. Note the important aspect here green chemistry for APIs that is active pharmaceutical ingredients which traditionally involve lot of chemical synthesis.

Similarly, nanotechnology to ensure that the potency of the active pharmaceutical molecules is further enhanced. Similarly, for finished dosage forms rather than have a separate vial and separate injection the idea could be to have a combined pre filled syringes with the medicine inside the syringe.

Similarly, the R and D strategy could be focus on biologics and vaccines as a preferred product group driven by genomics. Please note that when we say medicines it could be small molecule medicines or large molecule medicines that is biologics. So, when it comes to the R and D strategy the focus could therefore, be much sharper in terms of the typical product to that is being developed.

When you come to the manufacturing strategy this strategy could look at complete integration or complete outsourcing. So, one option could be to stay technologically modern, but also asset-light by building a global network of in house and outsourcing facilities, both offshored and on shored. This is a protein of definition, but also helpful for developing a capital expenditure plan in an appropriate manner for the company.

Then the marketing strategy would kick in focus on clinical integration of all stakeholders genomic profiling of all customers to provide personalized medicine to make sure that the medicines that are being offered or offered in a very unique manner compared to the competitors.

So, the marketing strategy has focused in a clinical way for better patient service, it also might talk about collaborating on an individual Genomic ID initiative. So, you can see that for a company which is in the pharmaceutical industry vision is very broad, mission is much more specific and strategy compliance of several actionable sets of activities to achieve the mission.

Then various functional strategies provide greater content and greater color to the overall business strategy energy in terms of what each function could deliver to be able to satisfy the mission and accomplish the vision, that is how the vision and strategy along with the mission or crafted for a pharmaceutical company.

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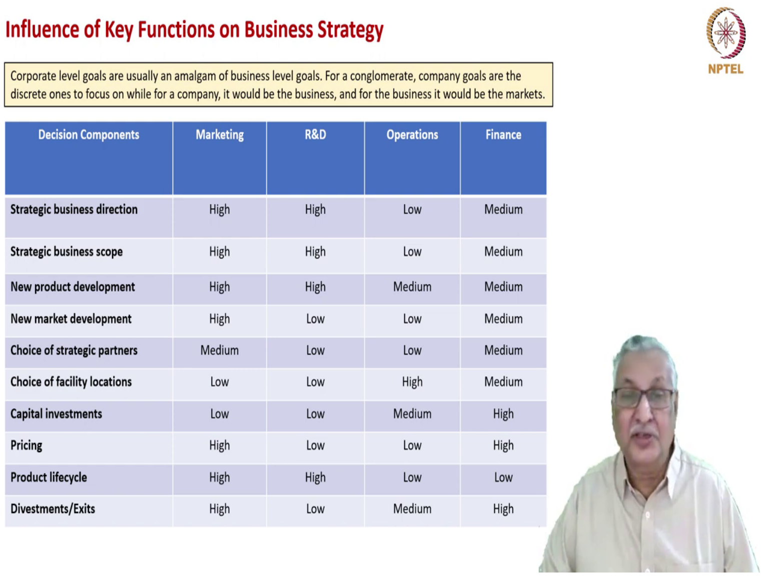

Decision Components	Marketing	R&D	Operations	Finance
Strategic business direction	High	High	Low	Medium
Strategic business scope	High	High	Low	Medium
New product development	High	High	Medium	Medium
New market development	High	Low	Low	Medium
Choice of strategic partners	Medium	Low	Low	Medium
Choice of facility locations	Low	Low	High	Medium
Capital investments	Low	Low	Medium	High
Pricing	High	Low	Low	High
Product lifecycle	High	High	Low	Low
Divestments/Exits	High	Low	Medium	High

Several functions are involved in developing the business strategy and more importantly in executing the business strategy, at the very corporate level the corporate level goals are an amalgamation of business level goals for a conglomerate company goals are the discrete ones which are to be focused on, while for a company the business goals are the discrete ones which will be focused on.

And for a business it would be the market goals that are going to be the discrete ones, again here you can see a cascade of how the goals are moving towards more specificity. When you look at the business strategy it has got several contexts and contextual activities for example, strategic business direction is one very important facet of business strategy.

The scope of this strategy is another important facet of business strategy, the emphasis that is to be put on new product development or on new market development or other important drivers of the business strategy. Similarly, when we talk about offshoring when you talk about outsourcing or when you talk about new vendor development choice of strategic partners becomes extremely important.

Then equally important where do you locate your facilities be it the R and D facilities or the manufacturing facilities, the capital investments that are required, the pricing that could be adopted by the company in the marketplace, the product life cycle that is envisaged and finally, whether we should divest or exit.

So, when you look at the key functions that is the marketing function, the R and D function, the operations function and the finance function and look at these decision components of a strategy you will find that each function has got different levels of weightage or influence in respect of those decision components of the strategy.

As far as strategic business direction is concerned marketing has got a high emphasis, R and D also has got a high emphasis, because new markets have to be developed and new products have to be developed respectively, operations relatively has a low emphasis because the overall business direction alone is being considered and not specific production strategy and finance has got a medium term implication because ultimately the marketing and R and D investments have to be funded by finance.

When you look at strategic business scope marketing again has got high emphasis, R and D also has got high emphasis, because without product innovation without broad spectrum product development you cannot have wider business scope. Operations continues to have a low emphasis and finance will have medium emphasis.

Same applies to new product development in respect of marketing and R and D because marketing drives new product development R and D makes it possible. However, when it comes to operations it starts assuming a medium level of emphasis because new products have to be transferred to the shop floor and that is where the media level emphasis of operations comes up and finance has medium emphasis as usual.

When you come to new market development marketing obviously, will have very high influence and very high weightage, R and D has low weightage because the products are already conceptualized and developed, operations again has got low weightage, but finance continues to have medium weightage.

When you come to choice of marketing partners or strategic partners marketing has to have lower weightage compared to the previous decision control systems, you should have a medium emphasis in terms of marketing, low emphasis in terms of R and D, low emphasis in terms of operations and medium emphasis on finance, because strategic partners decide how much investment you need to make in manufacturing or marketing or R and D whatever be the domain of the strategic partner.

When it comes to choice of facility locations marketing has very low impact, R and D has got low impact operations; however, has very high impact and influence and finance continues to have medium impact. In respect of capital investments marketing will have low influence, R and D will also have low influence, operations has medium influence.

But finance has got the dictating say in terms of what can be afforded or what needs to be martial in terms of new funding. In respect of pricing marketing has got high influence, similarly finance has got high influence, but R and D and operations have low influence.

In respect to the product life cycle marketing and R and D have got high influence because R and D can extend the product life cycle and marketing also can help extend the product life cycle with appropriate marketing inputs and also by providing appropriate inputs to the R and D organization, but operations and finance have no influence.

In so far as divestments and exits are concerned marketing based on the marketability of the product based on the product life cycle of the product can have high influence whereas, R and

D has low influence, operations has medium influence and finance has high influence, because divestments.

And exists determine whether there would be continuous continuing cash bleed on the company of a non-profitable line or the product line can be monetized to provide better opportunities for investment in future in other lines, operations has got medium influence because the kind of facilities you have dictates the scope of divestment and the monetization that is possible with divestment or exit.

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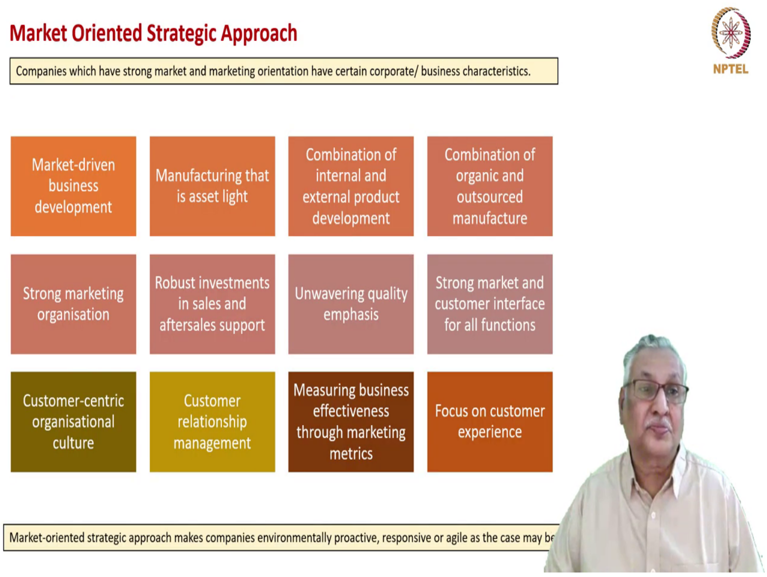

So, you can see from this that different functions have got different influences on the direction and the content of strategy, but you would have seen also that strategy is (Refer Time: 11:40) aligned to the market orientation of a company. Companies which have got strong market and marketing orientation have certain corporate or business characteristics.

These are as follows; 1 market driven business development, manufacturing that is asset light, combination of internal and external product development, combination of organic and outsourced manufacture, strong marketing organization, robust investments in sales. And after sales support, unwavering quality emphasis, strong market and customer interface for all functions.

Customer centric organizational culture, customer relationship management, measuring business effectiveness through marketing metrics and finally, focus on customer experience. You can see the whiff of marketing in whatever the facet of business strategy you may consider in a market oriented firm.

Market oriented strategic approach makes companies environmentally proactive because they are always thinking of the future developments in the marketplace, future mega trades and the customer experiences. This approach also makes companies more responsive, at times more proactive and definitely more agile as the case may be.

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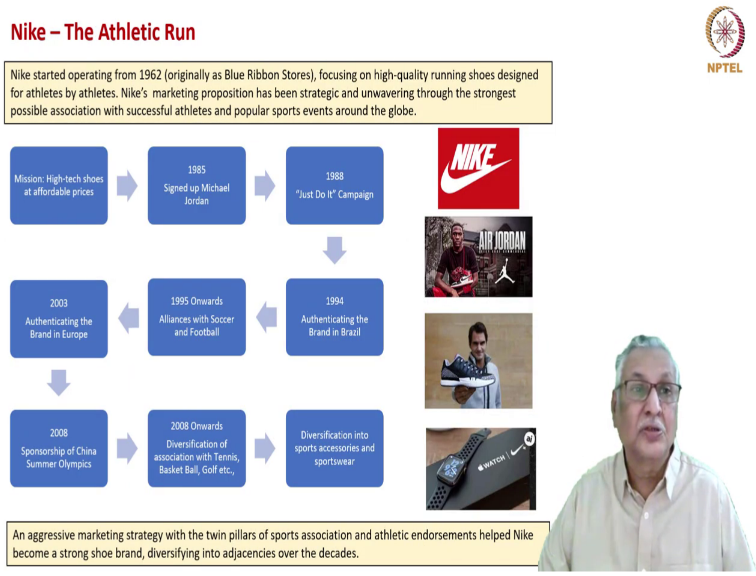

Let us look at Nike as an example of how marketing orientation helps a company develop its business successfully. Nike started operating from 1962 it was originally called the Blue-Ribbon Stores; it focused on high-quality running shoes designed for athletes by athletes. Nike's marketing proposition has been strategic and unwavering through the strongest possible association with successful athletes and popular sports events across the globe.

So, it was very completely focused on sports and athletes, mission when it started its business was high tech shoes at affordable prices. In 1985 it signed up Michael Jordan and launched, in 1988 they ''just do it'' camping, in 1994 authenticating the brand in Brazil, 1995 onwards it started having widespread alliances with Soccer and Football.

Again in 2003 replicating the Brazilian journey it authenticated the brand in Europe, in 2008 it sponsored China's Summer Olympics and 2008 onwards it started diversification of its association, it extended from soccer and football to tennis basketball golf etcetera and finally, diversified into sports accessories and sportswear.

You can see how from a core of football and soccer it moved on to cover various sports categories and therefore, started developing shoes which are more aligned to those sporting activities and remained focused all through this journey on sports and athletes. An aggressive marketing strategy with the twin pillars of sports association and athletic endorsements helped Nike become a strong shoe brand and diversifying into adjacencies over the next decades.

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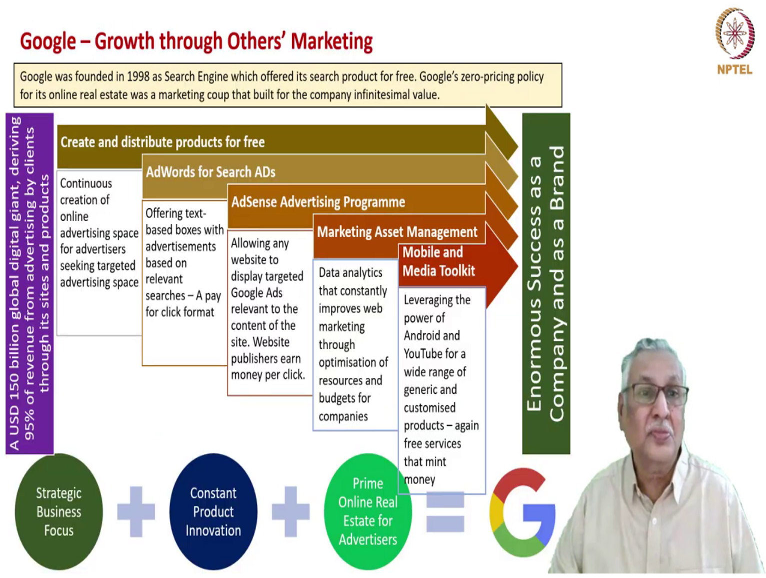

Let us look at Google it has achieved growth not by its marketing, but through others marketing. It was founded in 1998 as a search engine which offered its search product for free, even today it offers search product for free. Google's zero-pricing policy for its online real estate was a marketing coup that built for the company in infinitesimal value that is extended boundary less value has been created for Google.

Because of the marketing coup that it has stumbled upon in the beginning of its journey. So, there are 4 facets of Google, one create and distribute products for free; continuous creation of online advertising space for advertisers seeking targeted advertising space. Second, AdWords as a platform for such Ads.

Offering text-based boxes with advertisement based on relevant searches- a pay per click format has been devised which provided for seemingly attractive payment rates a huge payment estate for Google. AdSense advertising program allowing any website to display targeted blue Google ADs relevant to the content of the site website publishers and money per click.

Then marketing asset management; data analytics that constantly improves web marketing through optimization of resources and budgets for companies. Finally, mobile and media toolkit leveraging the power of Android and YouTube for a wide range of generic and customized products again free services that mint money.

So, strategic business focus together with constant product innovation supported by prime online real estate for advertisers is what Google is about. It is a USD 150 billion global digital giant deriving 95 percent of revenue from its advertising from the clients through its sites and products. It has become an enormous success as a company and as a brand and that has been possible through the universal online estate that it has been able to create over the last few decades.

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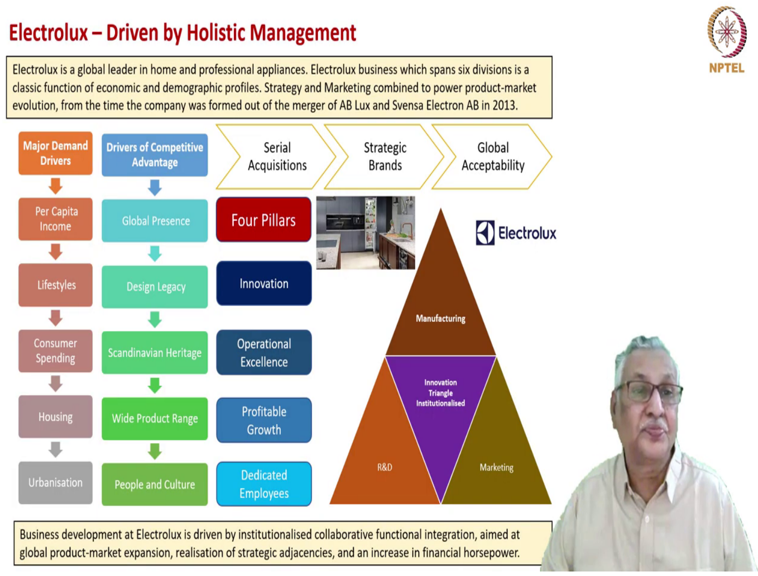

We have another example from the white goods industry. Electrolux is a global leader in home and professional appliances. Electrolux business spans six divisions; it is a classic function of economic and demographic profiles. Strategy and marketing combined to power product market evaluation, from the time the company was formed out of the merger of AB Lux and Svensa Electron AB in 2013.

Major demand drivers for a white goods product are the following, per capita income, lifestyles, consumer spending, housing, urbanisation, but for a firm operating in the industry drivers of competitive advantage are global presence, design legacy, Scandinavian heritage, white product range, people and culture, these have been demonstrated by Electrolux as Scandinavia based company.

So, how did it grow? It did several serial acquisitions it acquired as well as developed strategic brands and achieved a level of global acceptability that helped globalization of its business. There are four pillars in electronic strategy; innovation, operational excellence, profitable growth and dedicated employees.

Electrolux proudly talks about its innovation triangle it combines R and D, manufacturing and marketing and it has sought year after year to institutionalize the innovation triangle ever deeper into the DNA of the company. Business development at Electrolux is driven by institutionalized collaborative functional integration and that has helped in global product market expansion.

It also helped in the company's adjacencies being developed over a period of time it has also resulted in higher financial horsepower for the company to acquire as well as to grow by itself.

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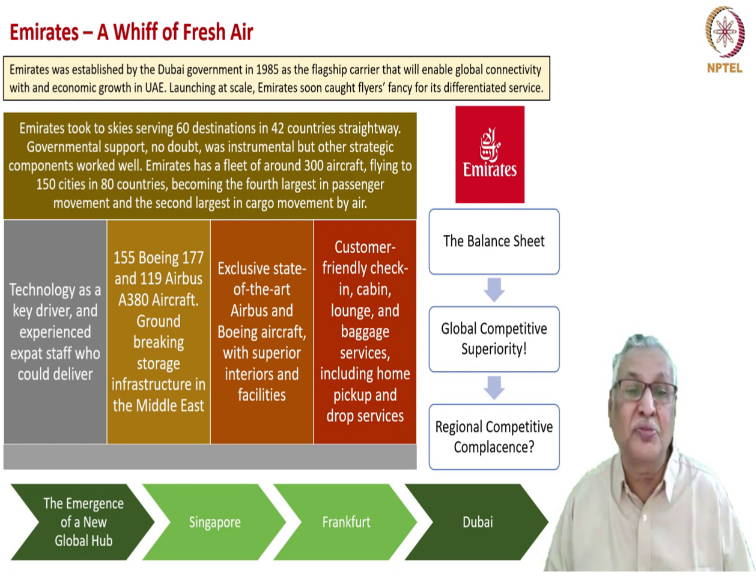

The other example is the tough Emirates from the airline industry I would say that it was like a whiff of fresh air in an airlines industry that was nominated by Western airline companies. It was established by the Dubai government in 1985 as the flagship carrier that it will enable global connectivity with and economic growth in UAE.

It launched at scale from the inception and therefore, it caught flyers fancy for its coverage as well as for its differentiated service. Emirates took to skies serving 60 destinations in 42 countries straight away. Governmental support of course, helped the company, but it also deployed modern up to date air lines management systems and technological progress to make sure that it sees itself as a differentiated airliner in the eyes of the customer.

Emirates has a fleet of around 300 aircraft, flying to 150 cities in 80 countries and it has therefore, become the fourth largest passenger movement and the second largest in cargo movement by air. Technology has been a key driver and experienced expat staff delivered the service for the customers. Emirates had 155 Boeing 777 aircraft and 119 Airbus A 380 aircraft and it has ground breaking storage infrastructure in the Middle East.

It also has exclusive state-of-the-art Airbus and Boeing aircraft, with superior interiors and facilities. Customer friendly check in, cabin, lounge and baggage services, including home pickup and drop services are offered by Emirates. It has got a strong balance sheet with good profit and loss as a result it has become a globally competitive company and it has achieved superiority almost on par with established airliners like Singapore Airlines and Lufthansa.

However, that has probably led to some smugness in the regional airline industry as a result competitors from other Gulf countries or other Middle East countries emerged, but Dubai and Emirates have been instrumental in creating the third largest Global Hub for air transportation after Singapore and Frankfurt.

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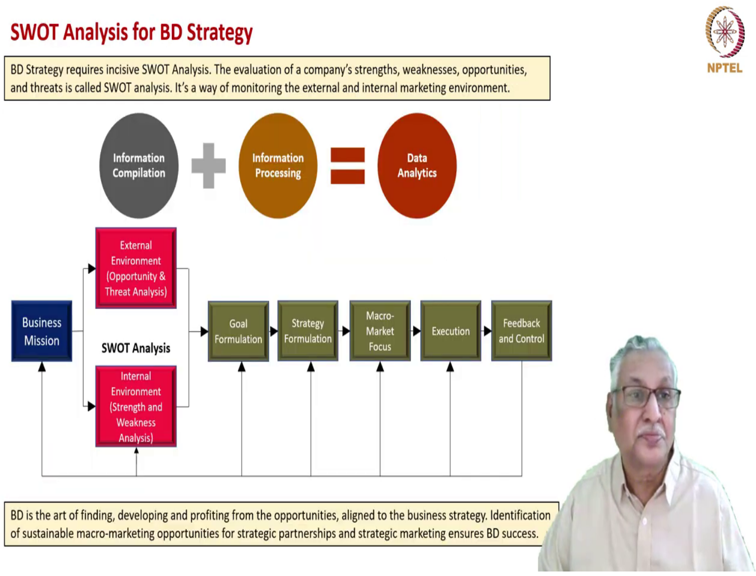

So, when you look at these kinds of developments you clearly will understand that vision, mission strategy and the actual steps taken and the functional strategies have to be based on some kind of template which defines what the company is in terms of its strengths, weaknesses, opportunities and threats.

Therefore, to develop a good business development strategy we require an incisive SWOT analysis. The evaluation of a company's strengths, weaknesses, opportunities and threats is called SWOT analysis. It is a way of monitoring the external and internal marketing environment or more broadly the business and economic environment and the ability of the company to grow in that environment.

This SWOT analysis has two parts one information compilation, second information processing and these two are to be combined into data analytics. And the business mission itself is seen in terms of external environment which is going to lead to opportunity and threat analysis and the internal environment analysis which will lead to strength and weakness analysis.

And this process of moving on from the business mission through this SWOT leads to appropriate formulation of goals then appropriate formulation of strategy, understanding the macro markets to operate on and the actual execution in the micro markets that are covered by the macro markets and finally, feedback and control based on the performance.

BD is the art of finding, developing and profiting from the opportunities in the environment, aligned to the business strategy. Identification of sustainable macro marketing opportunities for strategic partnerships and strategic marketing ensures business development success.

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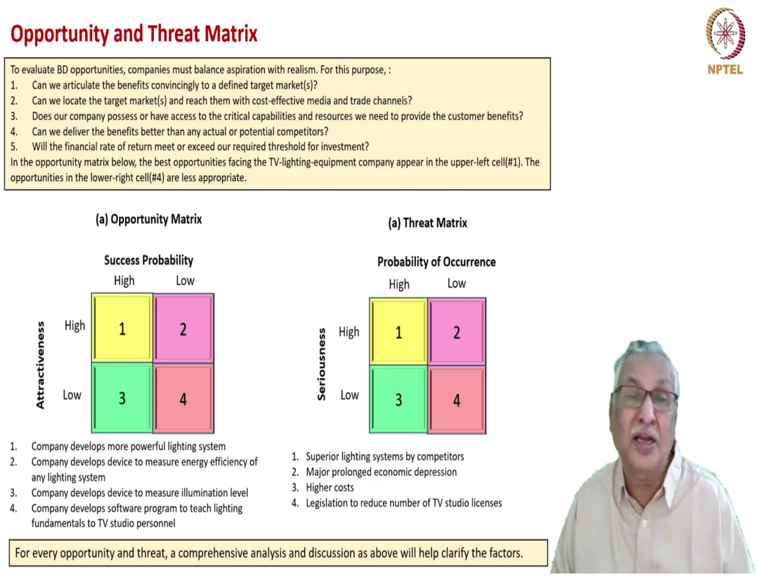

When you analyze the business, you got to understand as I said the opportunities and threats. So, what you need to have is to understand the industry in which you would like to operate and if you operate in that industry with the kind of technology you have would you have threats or opportunities. Now, let us look at an opportunity matrix and let us also look at a threat matrix.

In respect of the opportunity matrix the kind of technology which you are wanting to develop could have high success probability or low success probability. The attractiveness of the technology could be high or low. So, depending upon this combination high success probability and high attractiveness or low success probability and high attractiveness you could choose to deploy different types of technologies for the grid which is marked 1.

Company could develop very powerful lighting system which could have high success probability as well as high attractiveness. If you develop as a company a device to measure the energy efficiency of any lighting system it may not be all that is required in the marketplace therefore, the probability of success could be low, but it could be seen as an attractive proposition.

If you develop a device to measure illumination level it is going to be a common place development its attractiveness is low, but success probability could be high because it is going to be accepted easily in the marketplace. If you develop a software program to teach lighting fundamentals to the TV studio personnel it is a very evolved method of influencing the key stakeholders in the television industry.

But would it be successful because people would still rely on intuition and judgment rather than undertaking sensor-based control of their activities therefore, the success probability could be low. The attractiveness in terms of the demand size, demand scale could also be low. Therefore, you can categorize each of these technologies or ideas that you have in terms of science and technology in terms of these four grids related to success probability and attractiveness of the idea.

Now, let us come to the threat matrix whenever you want to take a new activity there could be a threat to the activity and the threat could be probable to occur or improbable to occur, we could define that as high probability of occurrence or low probability of occurrence. The seriousness of the threat that is whether it could be quite threatening to the business or non-threatening to the business also could vary.

So, the seriousness could be low or high depending on that corresponding to the success grid you also have this threat grid. If you develop superior lighting systems and competitors also develop superior lighting systems there is a good probability of occurrence of a highly serious threat for you.

On the other hand, if you have a major prolonged economic depression, it is not going to be every day every year experience, but if it occurs it will be of high seriousness, but the probability of occurrence can be predicted to be low or high. The higher cost you incur when you develop a new technology would have high probability of occurrence as a threat.

But its seriousness could be low because it could be an industry wide phenomenon. The legislation to reduce the number of TV studio licenses could be low in terms of the probability and also low in terms of this seriousness therefore, this opportunity and threat matrix is a methodology that can help you analyze the new ideas that you have in terms of your company's business development.

For every opportunity and threat a comprehensive analysis and discretion as above will help clarify the factors.

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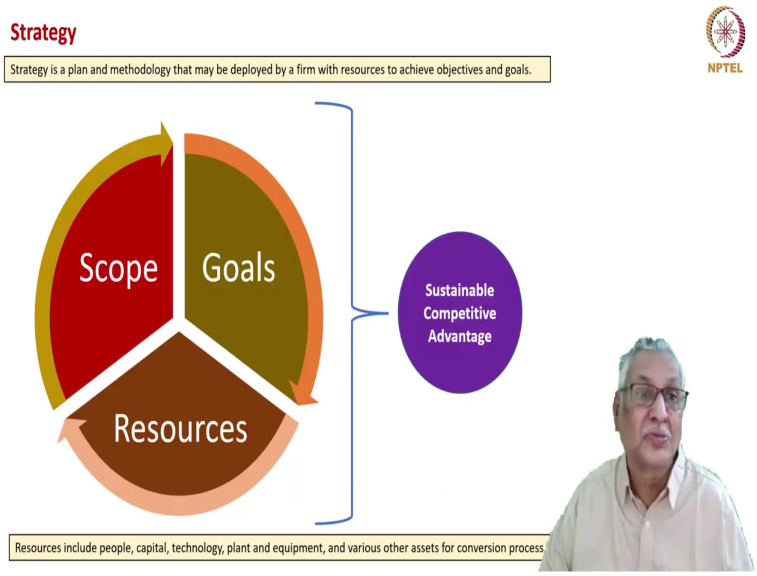

We have seen earlier that strategy is a plan and methodology that may be deployed by a firm with resources to achieve objectives and goals. Scope, goals and resources and this leads to sustainable competitive advantage we have seen in respect of the four examples that I have talked about earlier which is Electrolux, Emirates, Nike and Google that this strategy.

In each case had a clear scope, had a clear set of goals and utilize the resources and Emirates a classic example of injecting resources early on in the business to attain a scale that will attract global attention. So, resources in this case include people, capital, technology, plant and equipment as well as various other assets for the conversion process of idea to delivery.

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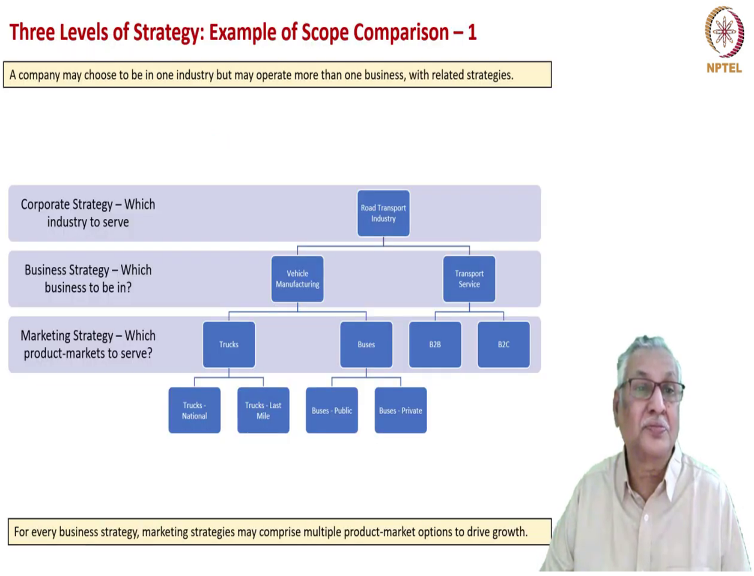

When you talk about a strategy you have to also remember that there are three ways in which you can look at strategy in terms of three levels. A company may choose to be in one industry but may operate more than one business, with related strategy. So, when you look at road transport industry it comes into the limelight for a company based on the corporate strategy.

If I am wanting to be in transport industry which industry segment, should I serve so, road transport industry that is one, somebody else may choose rail transport industry, somebody would could choose maritime industry that is this ocean shipping industry, somebody could choose the airline industry out of these four broad sectors a company could choose one sector such as road transport industry.

But once you have chosen that corporate level strategy you got to focus on the business you needed to be in or you would need to be in, you could be a vehicle manufacturer or you could be a transport service provider that is someone like Ashok Leyland and Tata Motors manufacturing trucks and buses or someone like bus travel services, offering coaches for passenger transportation and trucking services like delivery.

Once you do that you have got to understand in which product market combination you should serve that is the core marketing strategy should I be in trucks if so, I should be in the business of national level truck profiles or should be in the last mile truck delivery respectively it translates to big trucks and these small trucks.

In respect of buses should I be in the publicly owned buses which are the ones taken by state transport undertakings or should I be in the buses, you can also define yourself whether you should be in the intercity coach service or should be in the intra city public transport service.

And when you come to transport service as your business you need to think of you are being either B2B or B2C or both. For every business strategy marketing strategies may compress multiple product market options to drive growth therefore, in the same industry which we call transportation industry you have road transport industries as one of the force top segments.

And within that you got several options of conducting your business. So, this is the three-level strategy framework which must be looked at.

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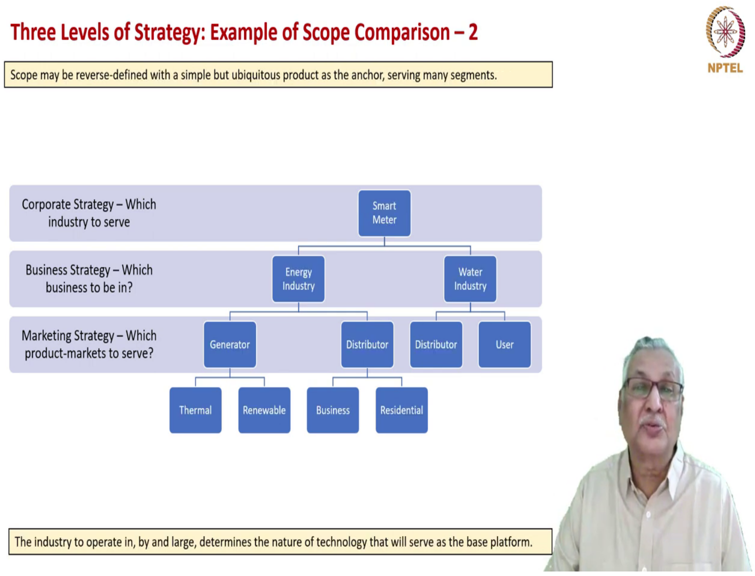

You can also define the same corporate business and marketing strategy in a different way scope, may be reverse defined with a simple and ubiquitous product as the anchor that serves many segments. Let us look at smart meter as an example a smart meter which measures the flow of something and that flow could be electricity or it could be water or fluid air gas anything.

So, if you decide that you are going to be in the business of smart meters you can choose the business strategy that is focused on energy industry or on the water industry the flow meters; obviously, will vary. And depending upon whether you have chosen the energy industry or the water industry the subsequent marketing actions also change.

If you are in the energy industry you got to focus on the power generators, you also have to focus on the power distributors and when you talk about power generators you got to think of thermal generators or renewable generators and distributors in terms of business or residential. And when comes to the water industry the split is a little more simpler straight away in terms of distributor or user.

So, the industry to operate in by and large determines the nature of technology that will serve as the base platform for a strategist.

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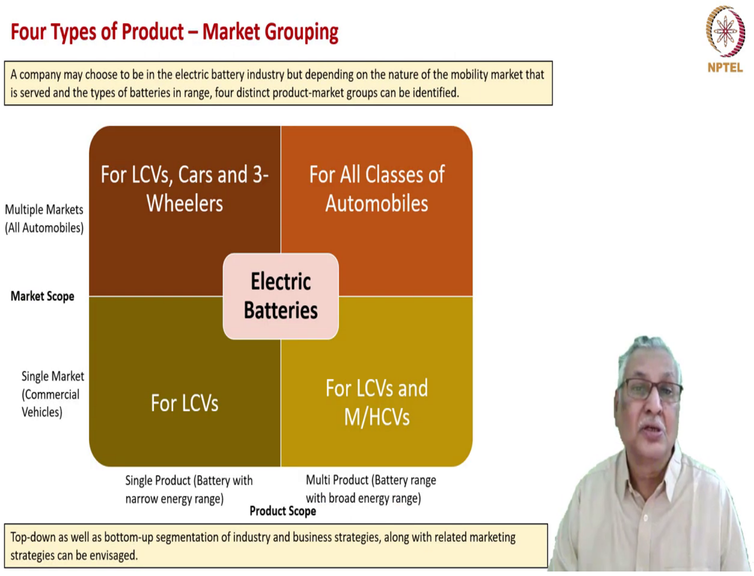

This theme will keep coming up throughout the business development course that we are running, there are four types of fundamental product - market grouping. The product scope could be single product or multi product and the market scope could be single market or multiple markets, this is slightly different from the variant which we have proposed earlier that is the existing products or the new products existing markets or the new markets.

This is a different way of looking at the product market segmentation, let us look at the electric battery industry a company may choose to be in the electric battery industry, but depending upon the mobility market it would like to serve and the type of batteries that are in the range of the company four district product market groups can be identified.

Suppose, you have only one type of battery that is a battery with very narrow energy range and you are going to serve only a single market for example, commercial vehicles you could be for light commercial vehicles on one.

However, if you have batteries of multiple capabilities the range varies the energy range varies; that means, you are a multi battery product manufacturer, but you choose to be in only commercial vehicle business then you can support light commercial vehicles as well as medium and heavy commercial vehicles.

Again let us come back to a single battery product with narrow energy range, but you want to be operating in multiple markets then you can serve with that kind of battery light commercial vehicles, cars and three wheelers that is those which have got lower gross vehicle weight and those which should not do national travel.

On the other hand you have multiple products in the battery range with multiple energy range levels and you want to be in multiple markets that is for all classes of automobiles then you would be the most diversified battery manufacturer supplying and supporting all kinds of mobility solutions.

Therefore, top down as well as bottom of segmentation of the industry and the business strategies, along with related marketing strategies is important for developing business development approach.

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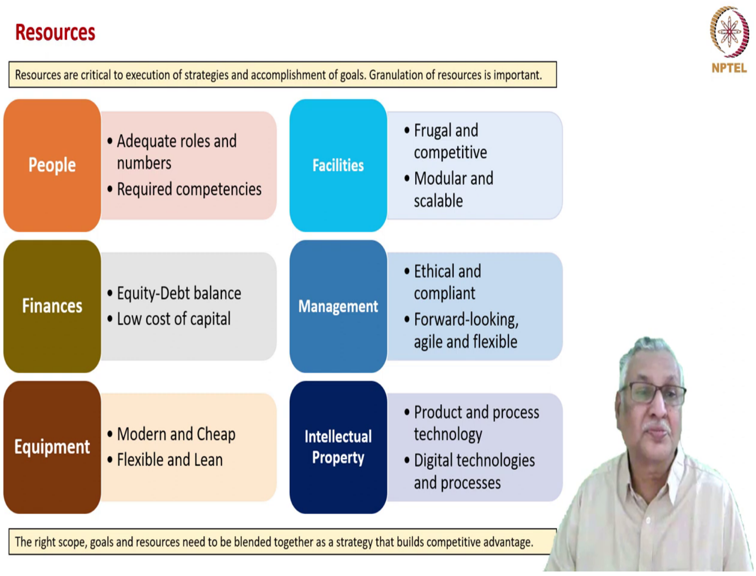

We have seen earlier that resources comprise not only the financial resources, but number of other resources these resources are critical to the execution of strategies and for accomplishment of goals, but granulation of resources is important, so that you understand what resources are required by what activity and what resources you need to raise when people resources are required it will be a facile to think of raising financial resources and vice versa.

So, there are six key types of resources the first is obviously, the people resources, in any organized activity people come first then only facilities come and after that only results can come, people facilities and results. So, it is important to focus on people as the most important resource that an organizers must have.

Adequate roles and numbers and required competencies, head count alone is not the judge of the people adequacy people should be competent and capable and the roles should be so structured that the operation in the chosen industry will be of competitive nature.

Second most important the finances, you should have proper equity debt balance and the cost of capital for the company should be as low as possible. Equipment should be modern, but affordable for a company, flexible and lean. Facilities must be frugal and competitive, they must be modular and scalable there is no point in setting up straight away a 10 million capacity plant you need to do it in steps of 1 million even if you are in a reasonably you know small products such as two wheelers.

Management must be ethical and compliant and it must be forward-looking, agile and flexible and in terms of the intellectual property product and process technology as well as digital technologies and processes are covered as the vital resources in today's IP driven era. So, the right scope goals and resources need to be blended together as a strategy that builds competitive advantage for a firm.

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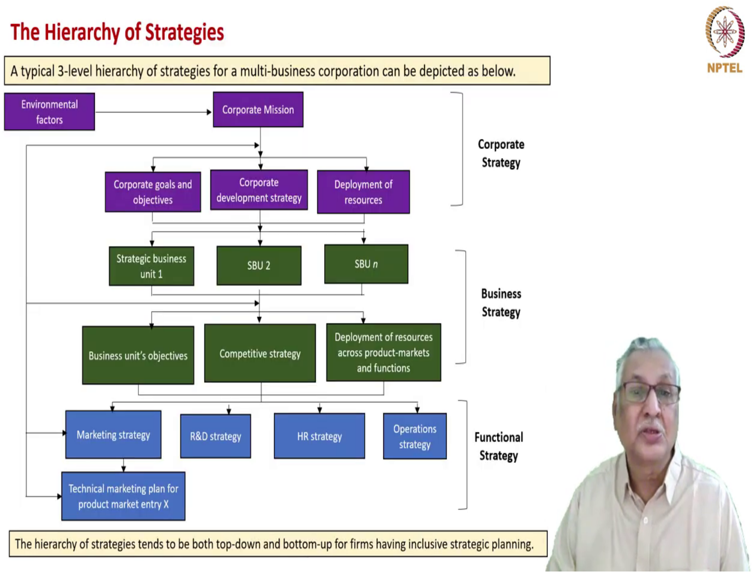

I talked about this strategy for a company at a conglomerate level, at a company level, at a business level at a marketing level. So, let us put all of this in one frame of reference. So, from a corporate mission you get corporate goals and objectives, a corporate development strategy and deployment of resources.

These constitute the basic building blocks of corporate strategy and the corporate mission is influenced by the environmental factors. Then these are cascaded to different strategic business units that the company has SBU 1, SBU 2 and SBU n and each of these things again will have the business units objectives.

The competitive strategy that the business unit has to pursue and the deployment of resources across product market combinations and functions and each of the competitive strategies will have the functional strategy, marketing strategy, R and D strategy, HR strategy and operations strategy.

And from the corporate mission to the technical marketing plan for product market entry you need to have a connectivity and the connectivity covers the functional strategy, the business strategy and the corporate strategy as demonstrated in this scheme. The hierarchy of strategies tends to be both top down as well as bottom up for firms having inclusive strategic planning.

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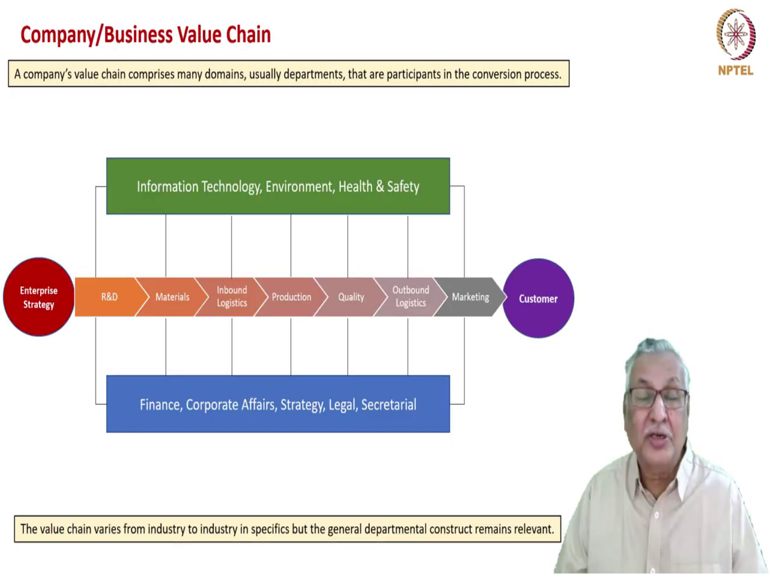

What do we try to accomplish through a company? We take an idea develop it to a product or service manufacturing it in a product environment, in a shop floor and then providing it to the customer through the channels. So, this is called the value chain of the company or the business.

So, it starts with the enterprise strategy converts the idea into a product through the R and D, assembles the materials required for making the product through the inbound logistics, produces the product of the required quality, delivers to the channels to through the outbound logistics and markets the product to the customer this is the total company value chain or business line.

And supporting this we have information technology, environment, health and safety, finance, corporate affairs, strategy, legal and secretarial to quote a few. This value chain the nature of it, the extent of it, the breadth of it, all vary from industry to industry in specifics, but the general departmental construct remains element and each of these functions will have their own value chain I will take an example of the marketing value chain.

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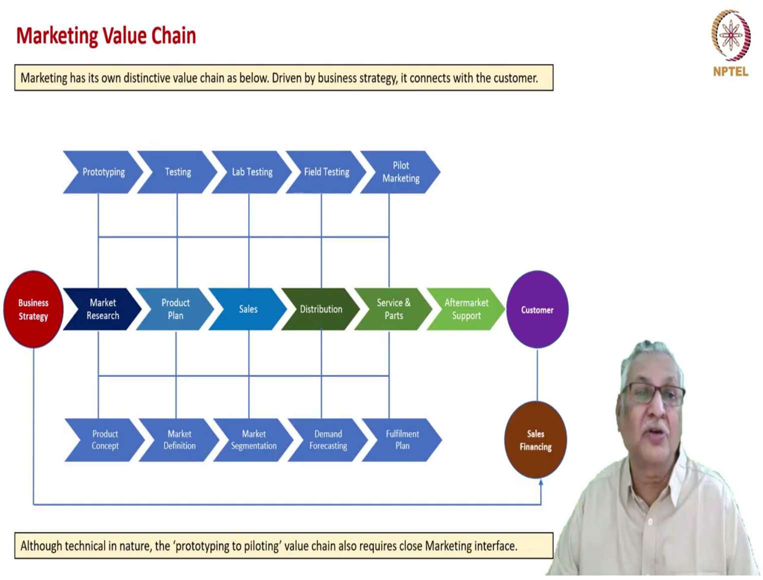

Marketing has its own district value chain as below it is driven by the business strategy and it connects with the customer. The business strategy is input and the customer is the recipient of the result from the customer focused marketing value chain.

The value chain comprises market research understand that is understanding the product or service needs of the customer, a product plan to fulfil that requirement, sales, distribution, service and parts and aftermarket support and supporting these things are the product concept and prototyping, market definition and testing market segmentation and lab testing demand forecasting and field testing and fulfilment plan and pilot marketing.

I am not saying that these are related to each other what I am trying to say is that there are so many factors that are supporting a functional value chain from prototyping, through testing, lab testing, field testing and pilot marketing, there is a prototyping and evaluation value chain for the marketing activity.

Similarly, from a product concept through market definition, segmentation, demand forecasting and final fulfilment you got a product management value chain and all of this when supported with sales financing leads to better customer acceptance and better demand for the product.

Although technical in nature the ‘prototyping to piloting’ value chain also requires close marketing interface, because the inputs given to this value chain as well as the outputs from the value chain act as valuable feedback mechanisms for perfecting the evaluation as well as for perfecting further product development.

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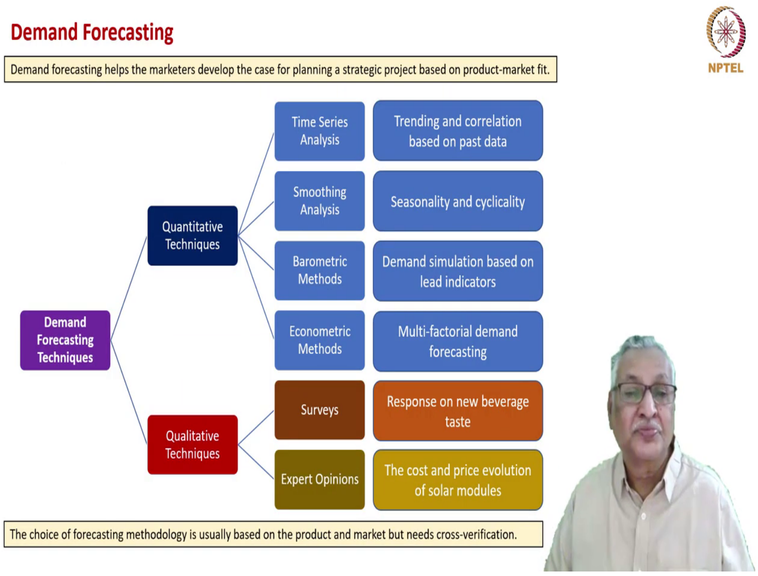

Having said that we need to look at the demand forecasting which is mentioned as one of the key aspects of the value chain. There are two types of forecasting techniques, one set is quantitative techniques second is the qualitative techniques.

In the quantitative techniques of demand forecasting we have time series analysis which is trending and correlation of data based on past data that is you analyze the data for the last 10 years and see how the demand for let us say ice creams varies over time, it may go up in summer, it may come down in winter.

And this move of the graph which may have a secular upward movement in line with urbanization, with income levels, with population growth would show us a statistical trend and you can correlate this data based on number of variables as well. So, you can develop a regression function, you can develop a correlation function, you can conduct multivariate analysis to be able to forecast what the demand would be if there is there are changes in the independent variables.

The second one could be smoothing analysis that is it is very difficult to predict demand if it goes on like this, but you may adopt a smoothing analysis. So, that the demand variations are smooth and out and you take care of the seasonality and cyclicality impacts.

There could be barometric methods of quantitative analysis demand simulation based on lead indicators that is you simulate the entire economic system and the industrial system and say that if the variables change like this the demand profile would change like that. Then you have got hard-core econometric methods, wherein you do multi-factorial demand forecasting based on number of economic and industrial factors.

And when you come to the qualitative techniques you got surveys, you got expert opinions, you can have response on new beverage test, you can have the cost and price evolution of solar modules as two examples. The second one that is the solar module cost and price evolution is in field for experts whereas, response on a new ice cream or a new soap or a new hair oil or a new beverage or best brought out through surveys of the users.

So, that provides basis for consumer research as a discipline. The choice of forecasting methodology is usually based on the product and the market, but needs cross verification from time to time.

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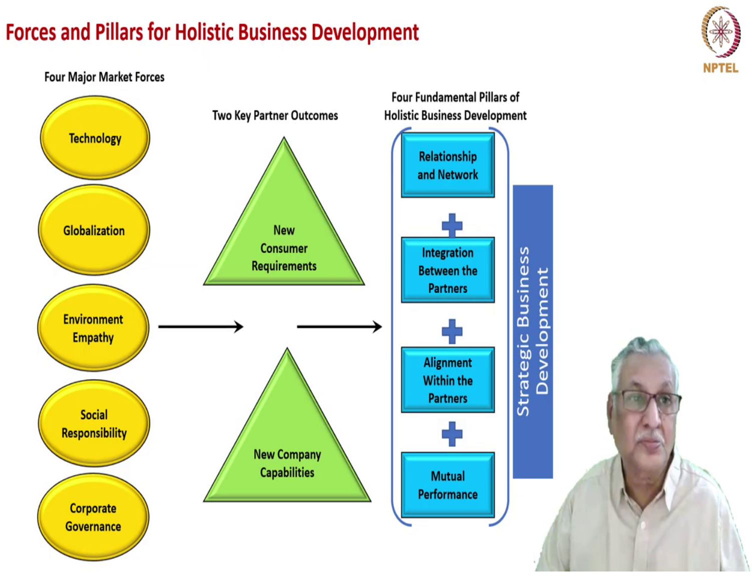

There are four ways to look at business development I have told in terms of the product market grouping, but a holistic business development must bring in other factors as well. For example, technology is a factor, globalization is a factor, you cannot undertake business development without environment empathy that is the concept of producer's responsibility.

I offer my products in plastic, but I also have responsibility to collect that plastic recycle, reuse it and that is your producer's responsibility and that is also getting over to extended producers responsibility covering even your vendors. Now, that is the environment empathy fact of business development, then you have social responsibility that is keeping your workplace need your operating field people in good health and good shape.

Making sure that you have got gender equality, gender diversity, equity and inclusion in the employee base and the standards to which you set yourself for in corporate governance. These are all market forces the image of the corporation is determined by these five factors while the brand can be built at a product level based on the product market choices and the advertising that is done for the product in the select markets.

The corporate brand gets built not only by the product brand, but also by these factors the level of technology, the extent of globalization, the environmental empathy, the social responsibility and the corporate governance. And these are required for you to achieve two things you must be able to understand the new consumer requirements on one hand and develop new company capabilities on the other hand.

When you have these two requirement sets and capabilities sets well in place then you can have holistic business development and that would include relationship and networking, integration between the partners, alignment within the partners and mutual performance these are the four fundamental pillars of holistic business development.

And when you have this paradigm which is inclusive of all these factors that you will have strategic business development that is occurring.

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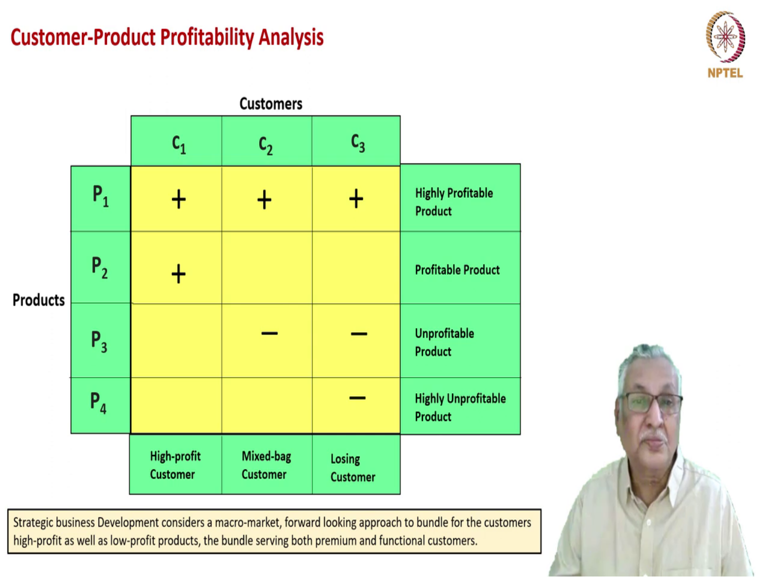

When you do business development you are essentially offering products for customers there could be consumer products for consumer markets, it could be consumer products for business uses or business type products for individuals, the combinations could be many.

But each customer product configuration will have a level of profitability because some customers are of low-income capability and some customers have high income capability, some products are of such technological nature that any premium is considered worthwhile and some products are so generalized or so commoditized that they do not have any margins.

So, when you put a matrix of customers and products customer group 1 2 3 and product group 1 2 3 4, you can also see these customers as high profit customers, mixed bag customers are losing customers. Similarly, the products can be seen as highly profitable products, profitable products, unprofitable products and highly unprofitable products.

For a quick analysis you may say that a company should be present in high profitable product and high profit customer area you should not be there in a losing customers area. You may say that I would be there in only one type of category of profitable product and high profit customer, but these kinds of analysis are facile analysis in the ultimate expression of demand customers can be of different types even with within one homogeneous marketplace.

Let us think of a hospital the hospital characterize to different types of patients some are poor and indigent, some are rich and capable of paying for premium medicines or intensive care medicines, the hospital has a pharmacy. You cannot say that I will supply only the ICU medicines, I do not supply the low-cost medicines which are unbranded which are generic, you got to provide them that is the bundling approach of strategic marketing.

When you look at a macro market the forward-looking approach must be to bundle all kinds of products in such a manner that the premium products take care of the low margin products and the low margin products ensures that the customers feel confident that any type of product can be taken from this company.

So, this bundling approach across the product profitability spectrum as well as the customer profitability spectrum is necessary companies must have more than arithmetic view of product profitability, they must have a strategic view or a business view of product profitability and customer profitability for them to have very effective strategic business development. With this we come to the end of this lecture.

Thank you for your attention, I hope to see you in the next lecture.