

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

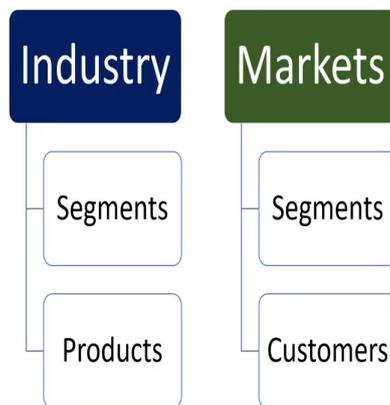
Week - 02
Business Development Strategies
Lecture - 07
Industry and Market

Hi friends, welcome to the NPTEL course Business Development: From Start to Scale. We are in week 2, the theme this week is Business Development Strategies. We are in lecture 7 which focuses on Industry and Market. Over the last two lectures we have focused a lot on examples of successful business development Indian as well as global. In this lecture we will focus on a theory of business development, marketing along with some practical examples.

(Refer Slide Time: 00:43)

Scope

The scope for a firm is related to the industry, domain, product lines, markets, and other areas of growth/competition



One of the important aspects of strategic decision making is the breadth of product range for market maximisation.



The scope for a firm is related to the industry domain, product lines, markets and other areas of growth and competition. Industry itself has got several segments and each segment has several products typically. Similarly, markets have their own segments and each segment will have its own customers. So, this combination of industry in its segments and products as well as markets in their segments and customers offer a great canvas for business development based on appropriate permutations and combinations that are relevant to the company.

So, one of the important aspects of strategic decision making for any firm is the breadth of product range for market maximization and of course, it is dependent on the values and the strategies of the company as well as the financial resources of the company. So, in this puzzle or the game of strategic business development, there is no one factor which is common standard or consistent it is a kind of moving puzzle.

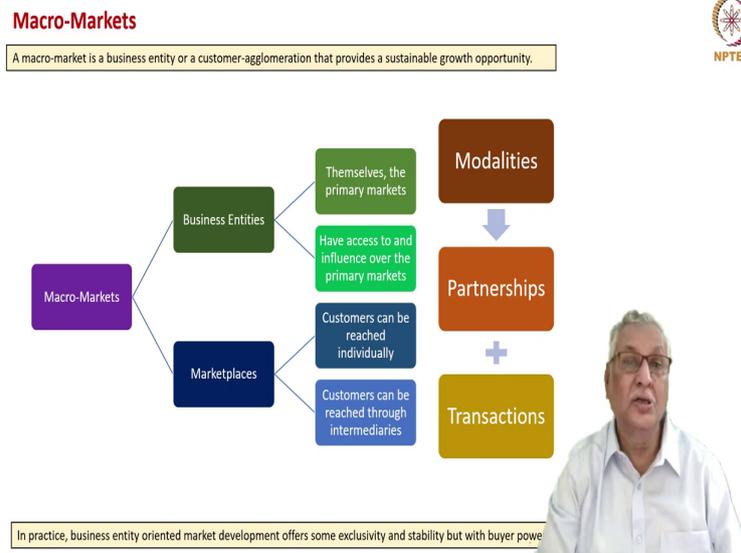
Each development undertakes us to think of other factors which need to be moderated. Let us think of an example where a particular product line is non-profitable that is it is having negative EBITDA or negative net profit margin. So, the first question you have is how do I make this product break even or be viable without any loss? That means, you have to improve the revenue reduce the cost.

So, you arrive based on the financial calculations at a certain volume which is required for the product to be viable, but immediately you will have certain representations from the marketing division or other supporting functions that certain investments have to be made if the revenue level has to be bumped up. Which means that it would again pull down the breakeven level that has already been thought about that is the volumes will need to be even higher for the break even to be sustained. So, it is an iterative process that takes place in the definition of business.

So, when you extrapolate this to several industrial segments, several products and also several market segments and customers you will understand it is not a simple exercise, but it is a complex analytical exercise with some kind of conceptual clarity that must determine to

distill certain common factors and synthesize certain common approaches amongst the multitudes of data points related to the industry competition and the markets.

(Refer Slide Time: 03:38)



So, when we talk about markets, there are two types of markets the macro market and the micro market. A macro market is a business entity or a customer agglomeration that is combination of customers that provides a sustainable growth opportunity. So, you can think of macro markets in two ways one macro markets that are business entities and macro markets which are marketplaces you will recall that we discussed marketplaces in an earlier lecture.

The business entities by themselves are the primary markets they produce goods, but they also consume goods. If you are an automobile manufacturer you produce automobiles to provide

to the customers at the same time you act as the consumer for several of the components and systems that are manufactured by the automotive accessory industry.

And in turn automotive accessory companies are the providers of the goods to the automobile company, but at the same time they are consumers of the raw materials that are supplied by various material vendors. So, these business entities have access to and (Refer Time: 04:48) lot of influence over the primary markets.

When you look at the marketplaces these are agglomeration of individuals these are not agglomeration of business entities, they are more clearly customer groups that can be reached individually and they can also be reached through intermediaries. So, in this process of handling macro markets, we have to decide on the appropriate modalities, the appropriate partnerships and the appropriate transactions that will do us good in terms of business development.

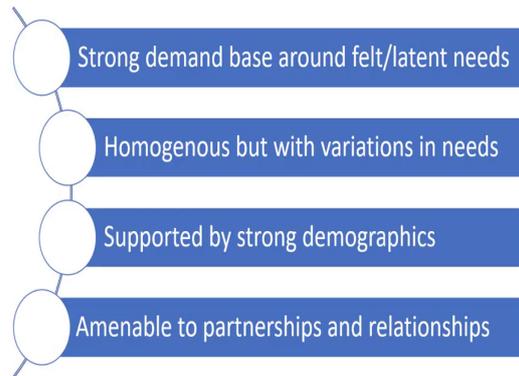
In practice business entity oriented market development offers some exclusivity and stability, but with buyer power why is it so? Business entities have got a standardized demand pattern. They got their systems and procedures to evaluate and finally, select on the vendors they would like to have once they find that the vendors have fulfilled the supply criteria and their quality is impeccable they tend to stay with the relationship.

Whereas, the individual customers are relatively more prone to switching between brands and between products the demand from the individualized marketplace is hard to predict relative to the demand from business entities, but at the same time business entities have got stronger buying power whereas, individuals buying power those strong can be tackled through communication, advertising and sales promotion it can be moderated. So, there are important differences in this manner between different types of macro markets.

(Refer Slide Time: 06:27)

Considerations in Choosing Macro-Markets

Choosing a macro-market is almost like entry into a new business – a topic that will be considered later. However, it is apt to summarise here the many considerations that exist in choosing a macro-market.



Understanding the market in all its characteristics helps companies achieve meaningful business development.



So, what are the considerations in choosing macro markets? Because whenever you start a business you have this option whether should I go for the macro market or should I go for the smaller local market. Choosing a macro market is almost like an entry into a new business and that entry into new business is a topic by itself which we will consider at a later stage. However, it is apt to summarize that there are many considerations that exist in choosing a macro market.

Why should you into let us say construction market? Why should you get it into a transportation market? Why should you get into your logistics market? Why should you get into a pharmaceutical market? These are all the questions that could be there when you try to choose a macro market. There are four considerations one there must be strong demand base

around felt or latent needs when you talk about pharmaceuticals healthcare is going to remain as one of the most primary requirements of the population.

And as the population grows as the diagnostics improve as the diseases are understood in greater detail they will only be higher demand base for pharmaceuticals therefore, strong demand base is there, but strong demand base may alter depending upon the technological trends within the products.

The demand base for conventional small molecule based pharmaceuticals may reduce and the demand for biological molecules may increase. Similarly, in the oil and gas industry demand for petroleum products may reduce, but the demand for battery drive and hydrogen driven options could increase.

Second the macro market must be homogeneous and it should also provide for variations in needs. If the macro market is completely homogeneous competitors would not be able to segment the markets and everybody would be fighting for the same share in the same market therefore, there must be variations in needs within the overall homogeneous market.

What is a homogeneous market? Income groups or certain homogeneous markets, student population is one homogeneous market, housewives are one homogeneous market like that, states are certain homogeneous markets. Thirdly macro markets need to be supported by strong demographics.

We will discuss the topic of demographics later date, but it is something to do with population their characteristics and attributes the income levels all considerations which influence thinking about purchasing and the actual purchasing capability and the macro markets must be amenable to partnerships and relationships.

Understanding the market in all its characteristics helps companies achieve meaningful business development no business should enter a macro market just by the hard instinct or by the fancy terms that are used or the description of you know concepts such as meta verse or

artificial intelligence etcetera. The macro market for each of such developments must be understood in totality and then the decision must be taken.

(Refer Slide Time: 09:45)

Product Concept

Product concept is an important foundation in the strategic management domain. It helps position pioneering ideas.



Companies with multiple products are always willing to experiment with raw product concepts to elicit feedback and understand the likely issues from design through manufacturing to commercialisation.



While thinking of markets, market segments, the product concept is an important foundational concept it is in fact, the foundation of all strategic management, it helps position in pioneering ideas. When you had a candy bar smartphone as the only option having a foldable phone is a product concept whose time is innovated pioneered by a company and thereafter it develops as a new segment.

Similarly, a foldable computer is a concept in laptops, a trolley, that is a suitcase with wheels is a product concept, a insulin pen is a product concept that challenges and probably display the vial syringe combination for dispensation of incident, a drone is a product concept.

In several cases these product concepts are fundamental to the transformation of the markets and even the transformation of the industries. Companies with multiple products are always willing to experiment with raw and new product concepts to elicit feedback and to understand the likely issues from design through manufacturing to commercialization.

If you are a solo product company unless you are a start-up you will not be able to innovate the way you would like to innovate; however, if you have multiple products it becomes that much easier to innovate and see whether the product concepts click, that is why companies such as Apple and Samsung are able to innovate on novel concepts and they are willing to experiment and risk their top pi on the results of those experiments.

(Refer Slide Time: 11:36)

Market Definition

A product concept will be viable only when a market gets defined around it. A construct based on the flip phone:



Every product will have its potentially dedicated market followers who could be the early anchors and influencers.



How do you define a market? A product will concept will be viable only when a market gets defined around it is good to have a product concept, but if there is no market for the foldable

phone, then there is no use of developing the product concept, but a market does not get developed on its own the market has to be developed with demonstration of the product features and some bit of innovative communication by the manufacturer or the developer.

Now if you look at the same example of foldable phones what kind of market can we define for this? We can think of female users because they always carry a hand bag and they would like to have a phone that is discreet and which can be easily tucked into the handbag.

Millennials who are always looking for a fashion statement are likely to patronise a foldable phone concept. People would not like to be very explicit very flamboyant in terms of the use of big phones would be happy to have a small compact foldable phone which when expanded could offer the appropriate screen size as well.

Fashion seekers who want to change the way they handle their accessories would be another market segment. Multi-taskers would be suitable for the bigger foldable phones that is they can expand the phone into almost like a tablet shape and do multitasking through such phones.

Mini phone user's people who have been very used to Apple SE kind of phones will be very happy with Mini Phones which are foldable. So, these are the markets which can be woven around these kinds of normal product concepts we have seen that a simple product concept which is actually performed has got as many as six distinctive user segments. So, market gets defined around the new product concept. Each product that is innovatively delivered defined will have its own potentially dedicated market followers and these market followers could be early anchors and influences to the development of a larger market.

(Refer Slide Time: 13:57)

Market Segmentation

Not all interested customers can be the potential customers. Logical market segmentation helps in broadening and deepening product appeal based on the variants of the basic product concept.

Demographic factors such as population, income, language, gender, education, religion, family size, household nature etc.,

International, continental, regional, national, zonal, state, city, town, village etc.,

Instinctive, impulsive, cautious, conservative, adventurous, flamboyant, luxurious, basic, loyal, seasonal, essential etc.,

Personality, lifestyle, values, associations, activism, opinions etc.,

Companies with multiple products must be always willing to experiment with raw product concepts to elicit feedback and understand the likely issues from design through manufacturing to commercialisation.



And in this kind of development of needs market segmentation emerges as an important theory of marketing and business development. We should note that not all interested customers can be the potential customers just as all visitors to a retail store are not actual buyers, all interested customers of a new product need not necessarily be the potential customers therefore, logical market segmentation helps in broadening and deepening the product appeal based on the variants of the basic product concepts.

I spoke earlier about the demographics. Along with demographics we have got three other factors as well which are extremely important in segmenting a market. The demographic factors are none other than population, income, language gender, education, religion, family size, household nature etcetera. These have to do with the socio economic profile of

individuals and the household's; geographic indicators of market segmentation or regional that is international, continental, regional, national, zonal, state, city, town, village etcetera.

Starting from the world as one universal market you can drill down to several parts of the world to arrive at your GE Geographic Segmentation then we have psycho graphic determinants of market segmentation these are personality lifestyle, values, associations, activism, opinions etcetera. Some people like glasses which have UV protection some people like glasses which turn dark in sunlight, some people like rimless spectacles although the product characteristic is the same that is providing vision correction the way these products are developed and provided varies.

Depending upon the psycho graphic analysis of the customers then there are behavioral considerations as well people are instinctive impulsive they are also cautious and conservative in reference to the purchase decisions. Some customers tend to be adventurous, flamboyant, luxurious, basic, loyal, seasonal, essential or the other descriptors of the behavioral tendency of individuals that is why you have luxury hatches being sold that is why you have private jets getting sold that is why also you have bare functional products also being sold.

That is why you have the range within the product portfolio of a company from let us say a 4 lakh automobile to a 1 crore automobile and that is the range that describes its answer the companies answer to the varied behavioral needs which are also supported by the demographic factors, the geographic factors as well as psycho graphic factors.

Let us say you are in a village which has got very poorly developed income structure that geography cannot afford or support a passenger car which has got the higher price tag it is completely out of the world for that kind of geography. So, geography also plays a big role a very well developed western road system supports a low floor bus whereas, an Indian or emerging market road system may not support an extremely low floor bus.

Therefore, geography also has a role in how the markets are segmented. Companies with multiple products must be always willing to experiment with raw product concepts to elicit

feedback and understand the likely issues from design through manufacturing to commercialization that is an essential part of market segmentation.

(Refer Slide Time: 18:00)

Examples of Different Industries

Given below are some examples of different types of industries, based on Indian industrial perspective.



 Emerging Industries <ul style="list-style-type: none">• Biotechnology, Genetics, Semiconductors• AI/ML/DL, AR/VR/MR, Robotics, Autonomy	 Cyclical Industries <ul style="list-style-type: none">• Steel, Commodities• Sugar, Agricultural Products
 Growth Industries <ul style="list-style-type: none">• Information Technology, Pharmaceuticals• Consumer Electronics, Renewables	 National Industries <ul style="list-style-type: none">• Railways, Road Transportation, Utilities• Airports, Seaports
 Mature Industries <ul style="list-style-type: none">• Hotels and Hospitality, Retail, Movies• Automobiles, Oil and Gas	 Regional Industries <ul style="list-style-type: none">• Iron and Other Ores• Steel and Engineering
 Declining Industries <ul style="list-style-type: none">• Printers and Copiers, Land Phones• Cable Programming, Tobacco	 Clustered Industries <ul style="list-style-type: none">• Chemicals, Aerospace• AI/ML/DL, AR/VR/MR, Robotics, Autonomy
 Monopoly Industries <ul style="list-style-type: none">• Rare earth extraction, mRNA Vaccines• Google, Chips	 Global Industries <ul style="list-style-type: none">• Consumer Goods, Financials• Consumer Electronics, Automobiles

There are no standard rules which are applicable to the industries. Each industry has its own structural drivers. The strategic attractiveness of industries varies over time in each case.



We have talked about industry earlier as talked about industry segment and also the products, but industries themselves can be classified in different manners. There are ten types of industries that I have given here they are industries which can be classified as emerging industries, biotechnology, genetics, semiconductors, artificial intelligence, machine learning, deep learning augmented reality, virtual reality, robotics, mixed reality, autonomy are all emerging industries.

Growth industries are those industries which continue to grow because of the nature of the businesses evolving more towards digitization, more towards entertainment more towards

clean energy etcetera, information technology pharmaceuticals consumer electronics, renewables etcetera.

Growth industries are typically those industries which have already established themselves and are going to see growth in proportion to population and changes in the demographics and also certain other factors such as climate protection and things like that.

Then there are mature industries that is industries which cannot be developed in a disruptive way hotels, hospitality, retail, movies the scale and scope can go the glitter and the glitz can increase, but the basic maturity level of the industry is stable. Similarly, automobile industry is a mature industry as far as the internal combustion engine industry is concerned, but as far as the electric vehicle industry or hydrogen vehicle industry is concerned it must be classified as an emerging industry.

Oil and gas is a mature industry there are also declining industries printers and copiers, land phones, cable programming tobacco these are all declining industries there tend to be monopoly industries. Exploration of rare earths extraction and refining of rare earths precious metals industries MRNA vaccines Google chips these are all monopoly industries.

Nobody does better than companies which have achieved a leading position in such industries cyclical industries are those industries which go up and down based on the economic movement or the other parameters such as interest rates or geopolitical developments steel, commodities, sugar, agricultural products all examples of cyclical industries.

2 years ago we had a super cycle in the iron and steel industry as well as the metals industry after 10 years of stagnation of those sectors. Now we have got plattering of those cyclical industries and this cyclicity is related to the way the economies behave if the Chinese economy becomes sluggish or if high inflation bites into the vitals of an economy and therefore, jobs are lost. Then housing boom red reduces or housing becomes recessionary then the demand for those kinds of products reduces.

So, these are cyclical industries whose growth cycles are related to the economic cycles. There are some national industries in every nation and those industries cannot be operated across borders easily railways, road transportation, power utilities and other utilities are examples. Similarly, airports seaports which have got geographic locations and geographic fixation or national industries there are regional industries depending upon the specialization of certain segments of industries in certain regions or certain nations.

For example, iron and other ores or specialized in certain parts of the country Jharkhand, Bihar and certain other areas similarly Pittsburgh was the home to the automobile manufacturer in the United States. Steel and engineering are specialized and focused on to the word making areas. Clustered industries are those industries where grouping of companies helps companies achieve competitive advantage. The competitive advantage of firms becomes a national comparative advantage.

Defense industries which are tested in and around Bangalore is a great example. Hindustan Aeronautics, Bharath Electronics Limited those are the companies which clustered themselves in the Bangalore area and became very effective BML also is in the Karnataka state. Similarly chemical industries are clustered in Ahmedabad in the Western Part of the India and they are having competitive advantage because of such clustering.

Aerospace is one industry which is clustered in certain geographies of Europe and United States. Similarly, depending upon the startup activity the newer technologies such as artificial intelligence machine learning, deep learning augmented reality, mixed reality virtual reality, robotics and autonomy are all clustered where innovation levels are very high. Then we have global industries which can flow across borders very seamlessly with some minor modifications consumer goods, financials, consumer electronics automobiles are examples of different industries.

As you can see from this listing one industry can figure in more than one classification there could be an industry which is mature, but at the same time is also global. So, we can classify industries in multiple ways usually two or three dimensions govern an industry. There are no

standard rules of course, which are applicable to the classification of the industry in the above manner.

These classifications change over time what is emerging today will be growth tomorrow and mature day after tomorrow and something else comes up as an emerging industry in its place. So, each industry will have its own structural drivers and the strategic attractiveness of industries will varies over time in each case.

(Refer Slide Time: 24:22)

Strategic Marketing and Industrial Transformations

How would the team drive Strategic Marketing in a firm that is in the midst of an industrial transformation, balancing the established industry's growth with the market-driven and/or mandated need to phase in dramatically new products? Industries and Mega Trends are indicated.



Now, strategic marketing business development and industrial transformations are interlinked because strategic marketing is driven by business development. Business development identifies mega trends that are going to occur in the environment or recommends to the firm that it itself should shape the mega trends. And once these mega trends are captured by

business development it is the role of strategic marketing to go beyond the vision of normal marketing look at a 3 or 5 year horizon and prepare the firm.

To be successful in this industrial transformation and this process involves balancing of the established industries growth with the market driven and not mandated need to face a new products and those products will be dramatically new and disruptive. How do we do that? For doing that effectively we need to understand each industry and the respective mega trends as an example.

I have stated here ten types of industries very specific not in the generic way which I have described earlier, but in terms of the specific product based definition of the industry or service based definition of the industry. We have automobile industry, energy industry, global airline industry, hospitality industry, biologics and vaccines industry as the first tyra of five industries let us see the mega trends which are shaping each of these five industries.

Automobile industry is shaped by zero emission vehicles not necessarily by only electric vehicle industry. The mega trend is of zero emission. Energy industry is shaped by renewable energy and clean energy global airline industry is shaped by the theme whether the airline has to be nationally pride providing industry or it should be a industry which is globally viable that is the way in which the airlines industry is shaping up. Hospitality industry home away from home is the underlying thesis, biologics and vaccines industry is shaped by antibody and mRNA technologies.

When you look at the steel industry, the new growth drivers are the industries which are going to take this steel for example, when you look at an electric vehicle or clean emission vehicle the whole configuration is designed what you need is a lightweight high strength steel rather than the current type of steel. And the design of the electric vehicle is likely to be far more commonized across manufacturers than the current designs of automobiles at least in the first 5 to 10 years of the electric vehicle or keen energy vehicle transformation.

So, steels have to be done differently. Similarly, specialty chemical industry has to reshape itself to deploy green chemistry the conventional method of chemical based chemical

engineering based specialty chemical production is not likely to be accepted and supported. Then digital services industry is no longer about software it is about various new digital products including platform technologies related to all these artificial intelligence and robotics.

FMCG industry is going to be dictated more by customer centricity than by the products. You may have a soap of a distinctive nature, but it will not sell unless it offers something very special for the consumer in the coming times and that could be protection of the skin or customization for different textures of the skin and different season some soaps may be designed to act and sell better in certain seasons as opposed to today's trend of trying to push the soaps equally in all the reasons for all the people.

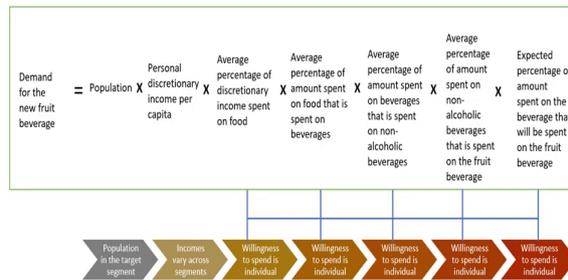
Healthcare industry will definitely gravitate towards personalized preventive and regenerative medicine. So, for the ten industries I have identified here, I have also identified ten mega trends. Now, whether the firms take the initiative to develop those megatrends by themselves or we will be proactively looking at the mega trends that are being shaped elsewhere or they will be just reactive or non reactive is a matter of differentiated business development across in industries and companies.

(Refer Slide Time: 29:02)

Understanding the Demand Cascade



The marketing strategists would be delighted if the product or service can be patronised by as large a base of population as possible. However, many economic factors act to funnel the interest down as shown below.



The cascade will be meaningful when the demand in the aggregate is considered for the industry. However the cascade can be rendered complex when the market is segmented with competitor actions also in the fray.



Let us understand the demand cascade. When you have demand we need to understand how the demand gets actually translated into the purchasing power and finally, the purchase of product the marketing strategies in a company would be delighted if the product or service can be patternized by as large a base of population as possible; however, many economic factors act to funnel the interest down as shown below.

Suppose you introduce a new food beverage entire population could be having demand for the new food beverage. However, the personal discretionary income per capita is going to reduce the demand. Then of this the average percentage of discretionary income spent on food that is you have certain discretionary income per capita, which can be spent, but within that only a certain proportion can be spent on food, but even within that another little proportion only can

be spent on beverages and within that only another smaller proportion can be spent on non-alcoholic beverages.

And it is again multiplied by the average percentage of amounts spent on all alcoholic beverages that is spent on the fruit beverages. So, there is going to be further reduction and finally, expected percentage of amount that is spent on the beverage that will be spent on the food beverage that is you have arrived at a place where, you are clear about the amount that will be spent on or that can be spent on non alcoholic beverages within the overall beverages; however, even after taking the decision only certain percentage will be spent not the entire amount as far as the fruit beverage is concerned.

Similarly, in the final stage although the amount of money that can be spent on the food beverage is funneled down to a particular level only certain percentage will be spent on the food beverage that you have designed developed and offered in the marketplace. So, you can see the funneling down of the demand through a number of factors that happen.

So, to be able to study this you have a construct in the marketing stage one corresponding to these formulae steps, there is a population in the target segment, then we have incomes that vary across the segments, then there is a willingness to spend which is individualized and there is willingness to spend, which is again individualized in terms of choosing whether it is to be food or beverages.

Again for the individual decision whether the beverage will be alcoholic or non alcoholic, again a willingness to spend depending on whether food beverage or other non alcoholic beverage and finally, the clinching willingness to spend on this particular food beverage that you have developed vis-a-vis the other food beverage total.

So, this cascade will be meaningful when the demand is considered in the aggregate for the industry, but this cascade can be very complex when the market is segmented with also competitors jumping into the fray and trying to alter these multipliers. And this multipliers as we have seen tend to reduce the demand rather than increasing the demand. So, there is

always jockeying of position between various competitors that is competitors who are trying to toggle between the food and the beverage.

Some people try to say that my beverage is as nutritious as food, some people will say that my non alcoholic beverage is more nutritious and more helpful than alcoholic beverage and some people will say that fruit beverage is better than non alcoholic beverages of the other type whereas, some others may talk about other kind of energy drinks being more relevant for different market segments.

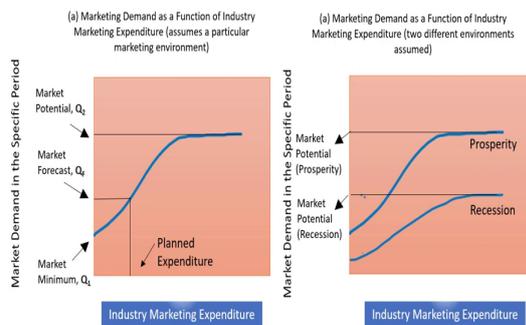
So, when you look at this proposition in terms of market segments and the influence capability of different firms, then the cascade becomes extremely complex and therefore, we need significant amount of data analytics to understand the demand cascade and come up with solutions which suit your company and your products.

(Refer Slide Time: 33:39)

Market Demand Functions



Marketing strategy sees a correlation between marketing expenditure and creation of market demand as below.



In steady state market environments, there could be different ways of looking at the relationship. In boom times, even small increases in marketing expenditure may bring in big demand hikes. In recessionary times, no level of increase in marketing expenditure may be able to stimulate demand beyond a level.



And to be able to identify this, we have seen that marketing expenditure is extremely important for you to influence how this demand equation changes. So, you have a level of expenditure that you are willing to commit, but you also have a market forecast as to what the natural demand is in the market and what the natural demand or influence demand could be in the market depending upon the marketing expenditure. So, as you increase your expenditure, the market demand could increase, but after a certain time more and more investments in marketing will lead to less and less increases in the market demand.

Ultimately, even if you super saturate all marketing through all communication media the demand may just plateau. So, there is a marketing demand function which you need to be cognizant of and this is relevant to each marketing environment. Similarly, depending upon the way there the economic trends are shaping up that is whether we have recession or prosperity in the market the industry, marketing expenditure also has got a relevance.

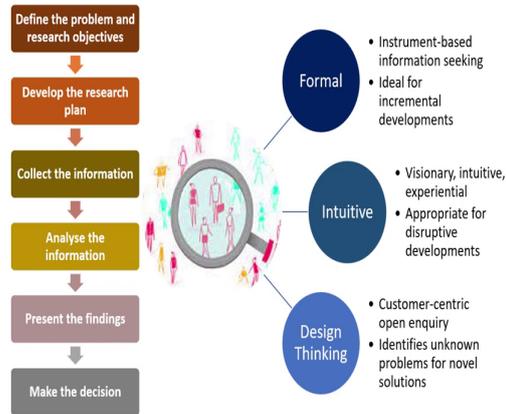
Industry marketing expenditure boosts market demand when the prosperity cycle is very much there the peak is much higher and the plateau is for much longer. Whereas, in the case of recession the boost is much slower and the plateau is also smaller; that means, that you have to keep on increasing marketing expenditure in a recessionary environment to be able to hold on to your demand gains whereas, in the area of prosperity or in the zone of economic prosperity, we are able to get better bang for the marketing expenditure you are making.

So, in steady state market environments there could be different ways of looking at the relationship in boom times even small increases in marketing expenditure will bring in big demand hikes. And in recessionary times small level of increase in marketing expenditure may be able to stimulate demand beyond a level that does not mean that you do not incur any marketing expenditure during the recessionary period whether the period is recessionary or prosperous, you do need marketing expenditure to stay in the consumers mind and to have mind share as far as the overall industry competitors are concerned.

(Refer Slide Time: 36:22)

The Marketing Research Process

To understand the demand cascade, marketing research departments are constituted to research and guide.



The market research process is fundamental to refining or developing product and marketing strategies by firms.



So, to be able to understand what is the right way you develop your products, what is the right way to conduct your marketing activities, the right way to strategize for the future you have a tool called market research or marketing research. Market research departments are an essential constituents of all good marketing departments their task is as follows.

You define the problem and research objectives suppose you are a manufacturer and marketer of soaps. If one soap sells very well and the other soap does not sell you have to understand what is the problem and therefore, formulate your research objectives around that market research can go even deeper.

Does the color of soap influence consumer preference, does the shape of the soap influence consumer preference, does the weight of the soap influence consumer preference, does the frothiness of the soap or the fragrance of the soap influence consumer reference. So, you

develop a research plan depending upon the number of questions for which you need to answer so, that you can develop the product in an innovative way you collect all the information you analyze the information you present the findings and make the decision.

And to be able to do that you must understand the universe which you are tackling as part of your marketing strategy. The sample which will be representative of the users and the stratification of sample in such a manner that it is representative of the universe and lot of statistical analysis is called for in designing of the market research experiment as well as in the analysis of the results of the market research activity.

There are basically three types of market research one type of market research is formal which is instrument based you have number of questions and you seek information and its ideal for incremental developments. There is another type of market research which is intuitive visionary intuitive experiential and it is appropriate for disruptive developments.

A leader like Steve Jobs has been famous for the intuitive market research he never conducted a formal market research in the marketplace rather he was visionary and intuitive about customer experiences and design the products around those features which he intuitively and in a creative way thought about.

Design thinking is the third way we which you bring together intuition and formality. You live with the customer and identify the known and unknown problems develop the solutions present the solutions brainstorm with the consumer and identify unknown problems for novel solutions or take up the known problems for better solutions. So, whichever way you look at it the market research process is fundamental to refining or developing product and marketing strategies by firms. It could be for enhanced products new products enhanced experiences in the marketplace or for turnaround of products when they are faced with difficulties.

(Refer Slide Time: 39:35)

Product Planning

Product planning can be likened to strategic planning for a product, bringing together all the elements that are required for making a product successful in the marketplace. Some important elements are as below.

Product Rationale	Demand Potential	Product Features	Pre-Launch Plan ↓ Launch Plan ↓ Post-Launch Plan
Competitor Products	Product Pricing	Product Positioning	
Channel Positioning	Sales Plan	Promotion Plan	
Sales Budget	Distribution Plan	Aftermarket Plan	

Product planning is the heart of progressive marketing. Once a product plan is approved, it will be rolled on into execution and managed as a product management process by the department.



When you do market research in the manner I have outlined, you are now ready for product planning. Product planning is within the cascade of strategic planning from strategic planning you get to business planning, from business planning you get to product planning. And when you do the product planning it is almost like doing a strategic plan at the product level. You bring together all the elements that are required for making a product successful in the marketplace.

Some important elements of product plan are as below the rationale for the product why are we making this product, not because we have design and manufacturing infrastructure, but essentially because the market needs it or the consumer feels the need for it. The demand potential the features of the product that are likely to be accepted by the marketplace the other features which are going to excite the customer to take incremental demand.

The competitor products that are existing and therefore, the superiority of your products compared to the competitor products the product pricing the positioning of the product or you position the product for its value for its features or for its cost attractiveness how are you positioning? Are you positioning the product for a broad spectrum of uses or are you positioning the product only for certain specific segments?

And how do you position in the channels that you have will you sell it only in the brick and market stores or will you sell in the digital stores and will you sell it in the universal commerce stores or a combination all of these things and what is the sales plan? For each of these product channel configurations and how you are going to promote your product is it going to be seasonal promotion or a constant steady state all through the year is it going to be ATLO based above the line or below the line or will you be very digitally savvy or will you be very television savvy what is the kind of sales budget you can afford?

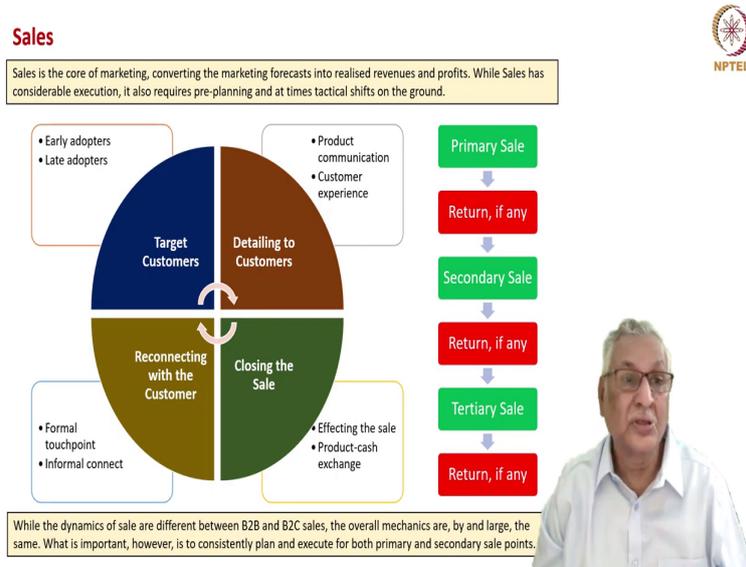
There are companies in the west which dedicate probably more than what they dedicate on R and D for sales and marketing that is the philosophy there what is the distribution plan you have and what is the aftermarket plan? When we talk about distribution plan is it because you want to trust the wholesalers or is it because you trust the distributors who directly sell to the retailers. Wholesalers adopt a push strategy whereas; distributors tend to have a more scientific actual consumption based demand cycle.

So, which kind of distribution model would you follow and finally, the aftermarket plan to make sure that the product remains satisfactory to the customer. And product planning includes pre-launch plan launch plan and post launch plan product planning is the heart and soul of progressive marketing. Once a product plan is approved it will be rolled into execution and managed as a product management process by the department.

Pharmaceutical industry excels in product management. Usually pharmaceutical marketing is divided in terms of the therapies cardiac products gastrointestinal products oncology products etcetera they appoint the product managers to look after the brand from the beginning to the end and to the post exit strategy as well. Because at some point of the time the competitors

will come there will be better therapies, but yet the existing product must be supported. So, those are the kinds of considerations that exist in pharmaceutical industry automobile industry has different set of factors with reference to the product planning paradigm.

(Refer Slide Time: 43:25)



Now, let us look at sales that is the next part of the cascade. Sales is the core of marketing because it converts the marketing focus into realized and realizable revenues and profits while sales has got considerable execution, it also requires pre-planning and at times tactical shifts on the ground.

There are four aspects to successful sales one identifying your target customers very clearly and you should know who are going to be the early adopters, who are going to be the late adopters some customers prefer to watch and then adapt. Taking the example of the foldable

phone not all who are interested in the phone of that type will buy they would watch how the product is performing and then adopt the concept later.

Then the way you detail to the customer that is why point of sale promotion is extremely important. Many companies besides displaying their products in supermarkets and malls are now employing promoters to detail the product to the customers and communicate to the customers the experience they would get out of the product. Then you have the third aspect of closing the sale once you understand your target customers you detail the product well to the customer make them feel the experience or visualize the experience then you got to close the sale.

And this process of affecting the sale results in the exchange of product and cash in whichever marketplace you have chosen to deploy that is the digital marketplace E-commerce marketplace or a Kirana shop or a retail mall and so on. But your job does not end as a sales person at that stage it also involves reconnecting with the customer through a formal touch points informal connect.

Let us say you sold a particular product in a store and your job is done and you know that that customer is not going to again buy the same product with you next time he visits; however, your ability to connect with him smile along with him and enquire how the product has been performing is the process of reconnecting with the customer.

And in case you got better products that have come in the meanwhile you can also offer those products to them. So, the way of sales transaction is as follows you have the primary sale which is made to the distributor and if the distributor has any quality issues or any over supply issues the distributor is free to return those products. Net of such returns which tend to be minimal you have the secondary sale that is the sale that takes place from the distributor or the wholesaler to the retailer.

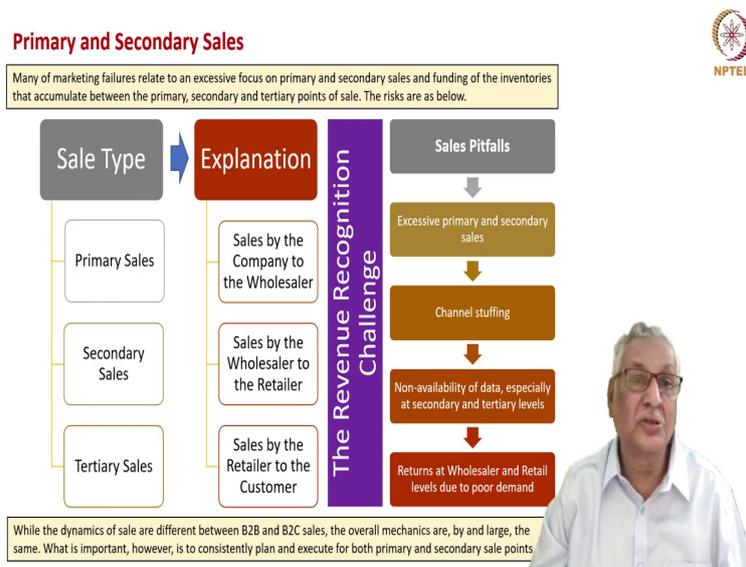
Even at that stage there could be return if it is the if it is the transportation issue or some other excess supply issue or low demand issue there could be return then finally, the products at the

retailer end could be sold to the customers that is the tertiary sale and even after that there could be returns.

If you look at the newspaper that is being sold on an everyday basis you will find that even after tertiary sale the retailers tend to have stocks or the customers themselves have stocks of papers which are written for whatever reason in a rare decision if it is wet it could be return.

So, while the dynamics of sale are different between B2B and B2C sales the overall mechanics are, by and large, the same. What is important is to have consistency in planning and executing for both primary and secondary sale points, which are extremely important in the overall sales cascade.

(Refer Slide Time: 47:06)



So, we talked about primary sales and we talked also about the secondary sales. We have to clearly understand most of the sales statistics which you see in the industry are the primary sales that is, the products which are sold by the company to the first level of distribution.

When an automobile company sells its products to dealers such as TVS that is regarded as the sale that has been done. Generally, a sale is done when the cash is received in some cases in an anticipatory manner the sale is resisted. So, there are three types of sale primary sales, secondary sales, tertiary sales. Primary sales is the sales by the company to the wholesaler.

Secondary sales is sales by the wholesaler to the retailer and the tertiary sale is the sales by the retailer to the customer. In this the challenge is the revenue recognition challenge if you do excessive primary and secondary sales if you do lot of channel stuffing, then you have problem because you can record sales data only at the distributor level and if you stretch yourself you can record at the retailer level.

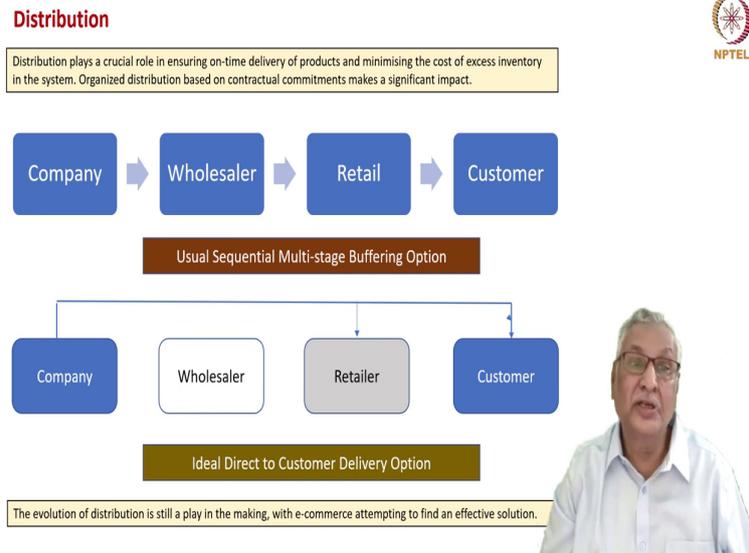
But the actual sales on the ground is not recorded and whatever nelson or some other company such as origin pharmaceuticals as an example is based on sampling study not on universal count of the sales that takes place to the customers. Therefore, there is an intrinsic problem of non-availability of data especially at secondary and tertiary levels.

There could also be returns at wholesaler and retail levels due to poor demand or because the price movements have been so, excessive that people do not want to buy suppose there is a product which is going to undergo an increase in prices consistently that is you have inflation you are import dependent. So, import the grains make the food products everybody knows that the prices are only going to go up.

So, there is a tendency to lap up the product and buy in advance of your requirement. On the other hand, you know that there is peace all over there is excess production of grains those prices are going to come down. Then the prices which are ruling earlier will only come down then the stocks which have been supplied at higher prices will never be taken. So, there are problems like this. So, how do you recognize the revenue that arises in terms of price

volatility in terms of price decline and the attendant sales pitfalls these all need to be taken as part of the sales planning process.

(Refer Slide Time: 49:45)



Then you come to the distribution. Distribution plays a very crucial role in ensuring on time delivery of products and minimizing the cost of excess inventory in the system. Organized distribution based on contractual commitments makes a significant impact company to wholesaler to retailer to customer.

And there is a usual sequential multi stage buffering option, but if you are able to supply products directly to the customer and probably at times through the retailer then you are able to reduce the inventory buffer that exists in the system. But at the same time you are subject to the whims and fancies of individual customers who are millions. So, how do you handle

this? Therefore, some kind of distribution logistics is necessary for you unless you have got such brand power that the products are accepted and absorbed on an automatic basis.

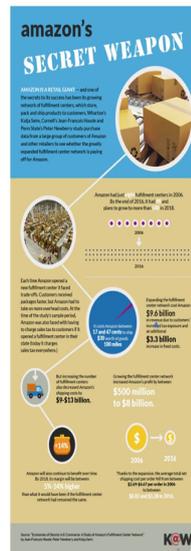
In the case of again pharmaceuticals it cough syrup like codex used to get sold even without any promotion, but a cough syrup by somebody else has to go through the channel to be able to be put on the shelves of the chemist and to be detailed to the doctors.

Zincovit as a multivit tablet gets sold without any more prescription; however, other multi vitamin tablet may require distribution support. So, the evaluation of distribution is again specific to the product the brand power and the that the customers are exerting on the brand.

The evolution of distributions is still a play in the making I would say because digitization is coming up in a big way and how the distribution dynamics will change over time is anybody's guess. And E-commerce has been attempting to find an effective solution we got to wait and watch how own stores of digital nature versus the universal E-commerce places are going to score in this conventional distribution paradigm.

(Refer Slide Time: 51:48)

Digital Still Needs Physical



But one thing is clear digital still needs physical even Amazon requires resellers, fulfillment centers, H and S delivery, last mile delivery to be able to fulfill the customers in fact, there is an article in knowledge at water which describes amazons secret weapon. Amazons secret weapon or the fulfillment centers. In 2006 Amazon had just 8 fulfillment centers by the end of 2016 it had 90 and it grew to more than 100 in 2018.

That it is a kind of physical fulfillment centers that has served as the backbone of Amazon's E-commerce. It cost Amazon between 17 and 47 cents to ship 30 dollars' worth of goods over 100 miles. The expansion of the fulfillment center network cost Amazon 9.6 billion dollars and customers increased exposure cost another 3.3 billion in fixed cost, but increasing the number of fulfillment centers decreased Amazon shipping cost by 9 to 1 billion dollars.

So, you have the balance between establishing more fulfillment centers versus reducing the logistics cost not only that growing fulfillment center network increased Amazon's ability to serve more customers more rapidly and result in better customer satisfaction. Therefore, the profit that is realized by Amazon got boosted from 500 million dollars to 8 billion dollars. So, between 2016 to 2016 the settlement of fulfillment centers has made a positive impact on Amazon's universality as well as profitability. So, this is an article which you need to go through at your leisure in knowledge at what time.

(Refer Slide Time: 53:51)

Service and Parts

Service and Parts support is an essential strategic component for providing product assurance and customer loyalty.



Widest service network with 4,000+ touch-points

- Added over 200 new service touch-points in 2020-21, despite the pandemic
- Maruti Suzuki Service covers 1,989 towns and cities
- Service on Wheels: 200+ units strong across 124 locations
- Quick Response Team: 780+ emergency service vehicles; served over 1.14 Lakh customers this year



i-ALERT
Intelligent. Innovative. Intuitive.



Companies are attempting multiple formats to reinforce service and parts support, as evidenced with Ashok Leyland.



Then comes servicing and part support. You really need good service support and part support for a product to be effective that is more so, when the product is of mobile type or when the product has got delicate components. In the case of automobiles particularly Maruti we have seen that the widest service network with 4000 plus touch points has been at the core of Maruti's success it has been able to assure its customers when it came to India with this

most modern technology of that time with its 800 CC that it is going to be serviced in an appropriate manner.

Today it has 4000 plus touch points and in each year it has been adding new service touch points and today Maruti Suzuki covers as many as 2000 towns and cities there are 200 plus on wheel service vehicles and they cover 124 locations. There is also a quick response team of 780 plus emergency service vehicles and they serve 1.14 lakh customers in the year that has been the study in 2020-21.

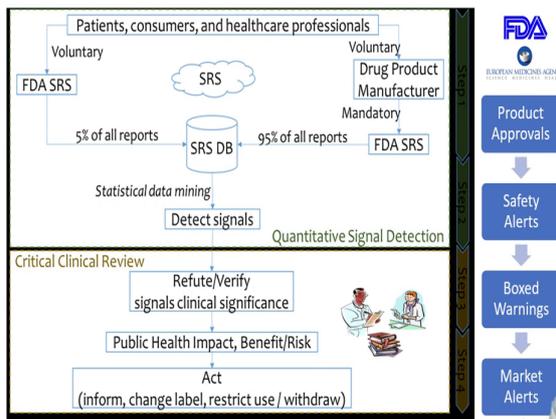
Not to be outdone commercial vehicle manufacturers also have up these sales and service game further. ServiceMandi, Ley Parts, LeyKart , i- Alert are the tools that are deployed by Ashok Leyland to make the truck manufacturer closer to the customers. ServiceMandi ensures prompt service prompt supply of spare parts anywhere in India. Genuine Ley Parts are offered through Ley Parts and they are serviced and supported through LeyKart mechanism.

i- Alert is a telematic solution that enables the driver fine-tuned the operation of the vehicle based on the driving conditions and operating conditions and all of these are made available on Google Play so, that every smartphone can be connected to these service endeavors and parts endeavors. So, companies are attempting multiple formats to reinforce service and part support as evidence with these examples.

(Refer Slide Time: 56:03)

Aftermarket Support

Different industries have different formats and templates of aftermarket support. Pharmaceutical industry sets a gold standard in monitoring the effectiveness and safety of the product and the patient.



The pharmacovigilance support enables regulators, clinicians and drug companies work together for patient care.



Then we have the importance of Aftermarket support different industries have different formats and templates of aftermarket support. Pharmaceutical industry sets a gold standard in monitoring the effectiveness and safety of product and the patient we call this pharma co-vigilance that is after a pharmaceutical product is put into the market you got to collect data on the efficacy of the product any recalls, any returns, any adverse effects, any side effects all of those things need to be collected. And they have to be fed into a global system, which ensures that there is improvement in the product as a result of it.

So, this is the statistical data mining that happens and which helps patients consumers and healthcare professionals use the data that is generated through from (Refer Time: 56:59) vigilance. So, there is a quantitative signal detection that occurs through the cloud architecture scanning all the reports, then there is a critical clinical review which refutes verifies the signals clinical significance, assesses the public impact effect benefits and risks of

containing the medicine as it is or imposing some black box warnings or stopping the medicine. And then do the actual act of either informing changing, label restricting use withdraw across the entire healthcare chain.

This kind of pharma co-vigilance support enables regulators clinicians and drug companies work together for enhanced patient care. So, whether it is FDA or European Medicines Agency they have got this system of product approvals, safety alerts, box warnings and market alerts to govern safe administration of products even after they are cleared and are being sold in the market.

(Refer Slide Time: 57:55)

Fulfilment Plan

Customer satisfaction emerges from the ability of a company to provide the ordered products promptly as promised.



Order to Cash cycle is important for the company too. A swift cycle enables tight working capital management.



Finally, the fulfillment plan is one of customer satisfaction; it emerges from the ability of a company to provide the ordered products promptly as promised. So, starting you have the

order from the customer, you schedule the production you receive the product you deliver to the customer you receive the consideration and you monitor customer satisfaction.

If the cycle happens in a productive and fulfilling way then you get the next order it is a virtuous cycle that keeps on going, but it cannot be sequential in real life therefore, you schedule production in anticipation of the demand you make product available on the shelves of the retailers in anticipation of the actual purchase.

You provide credit support mechanisms for the wholesalers and retailers to be able to buy to some extent and you undertake promotional activities to influence the retailers and the customers, you make the product sale and you monitor customer satisfaction through a variety of initiatives you undertake at the point of sale and order to cash cycle is important for the company. A swift and quick cycle enables tight working capital management which reduces the load on the finances of the company.

In days when cash is the king and when cash is very important tight working capital management is one of the important aspects of financial management as well as sales planning. So, with this we come to the end of this lecture I hope you have benefited from the theory and practice of marketing segmentation demand fulfillment various types of sales and marketing activities and the market research approaches that I have outlined in this lecture.

It is important to understand the macro markets the segments the influences and some of these things we will again take up in the subsequent lectures; I look forward to seeing you in the next lecture.

Thank you.