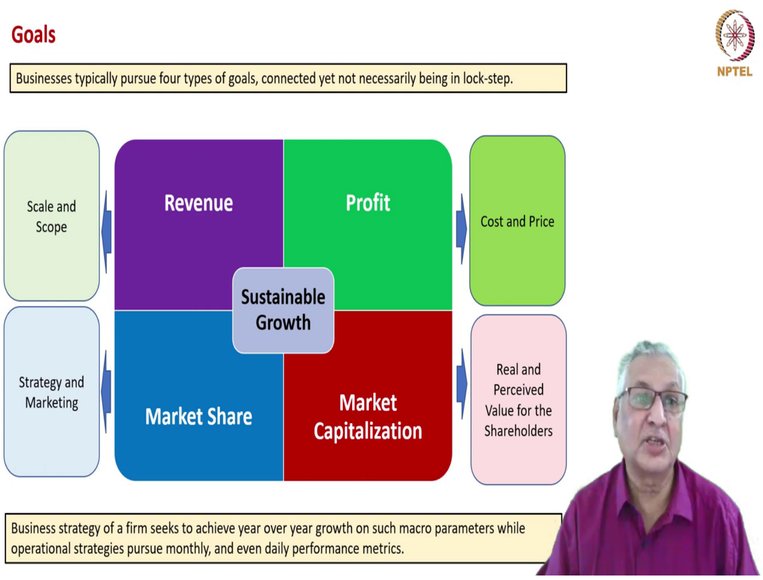
Business Development From Start to Scale
Prof. C Bhaktavatsala Rao
Department of Management Studies
Indian Institute of Technology, Madras

Week - 02
Business Development Strategies
Lecture - 09
Goals

Hi, friends. Welcome to the NPTEL course Business Development from Start to Scale. We are in week 2, considering the topic of Business Development Strategies. In this lecture, the 19th the series, we focus on the topic of Goals.

(Refer Slide Time: 00:26)



Every business must have goals and these businesses tend to be of different types, but from a leadership perspective four goals are very important. The first is the revenue goal, the second is the profit growth, the third is the market share and the fourth is market capitalization. Revenue for a company steps up based on the scale and scope increasing.

So, the higher the revenue as a goal, the higher must be the scale of operation and the scope of operation of a company. Profit for a company is a very important goal, but that occurs based on the cost of production of the product or cost of delivery of the service and the price the company can charge for that product and the service.

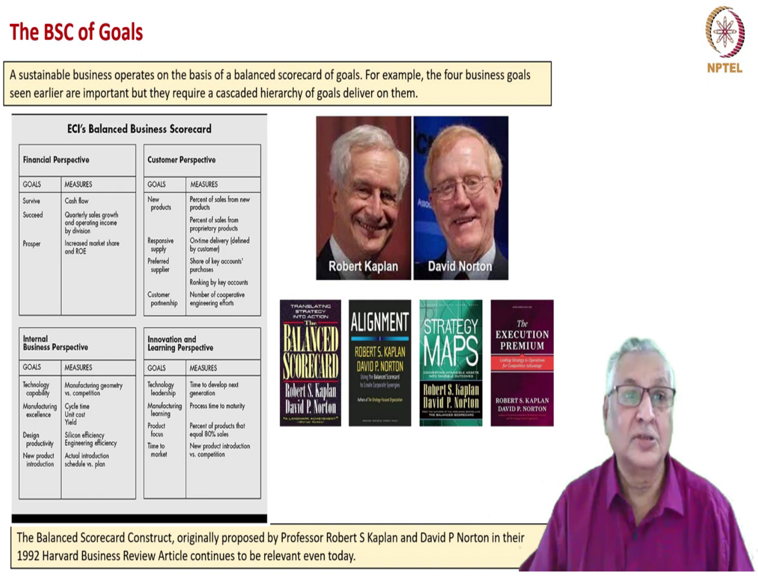
Market share is a function of the strategy as well as marketing. Market share reflects the standing of the company in the physical marketplace. For example, if we have five manufacturers selling their goods in a marketplace with equal market shares and with equal production volumes, then we may say that the industry is in an equilibrium.

On the other hand, if a company has got dominant market share of 60 to 70 percent and the rest of the four manufacturers share the balance smaller market availability, then we can say that the market share of the company is on a healthy mode. Market capitalization is the value of the stock of the company as listed on the public process or as valued by the investors.

At one level the market capitalization is real because it guides the investors on the profitability and sustainability of the company with a long-term view. On the other hand, it is unreal or perceived because the market capitalization it can vary due to a number of factors. Some of these will be within the control of the company such as revenue, market share and profit as we have discussed.

But some others will not be within the control of the company such as geopolitical considerations, economic considerations and so on. The business strategy of a firm seeks to achieve year over year growth on such macro parameters while operational strategies pursue monthly and even daily performance metrics.

(Refer Slide Time: 02:49)



The balance scorecard of goals a sustainable business operates on the basis of a balanced scorecard of goals. For example, the four business goals that I have outlined earlier are important, but they require the goals to be cascaded down to the lowest level of operation, but also spread across the horizontal expanse of the organization.

The concept of balanced scorecard has been originally proposed by Professor Robert S Kapler and David P Norton in their famous 1992 Harvard Business Review Article. This concept continues to be relevant even today, 30 years it has been propounded. Here is the first concept of the balance scorecard as proposed by the authors. The authors say that there are four essential perspectives in the operation and growth of a company.

The first is the financial perspective, the second is the customer perspective, the third is the internal business perspective and the fourth is the innovation and learning perspective. This scorecard is called balanced scorecard because it focuses the attention of the leaders, managers and the employees on all of the things which are required to be done for a company to have not only performance, but also growth.

It says that the operations of the company must be financially viable; it says that the requirements of the company must be essentially in terms of the requirements of the customer. So, customer centricity is also proposed as the second part of the scorecard. The third is that we should understand our own capabilities and competencies. Therefore, we must have internal business perspective.

And, the fourth one is that a company should not stay in operation or business only for today it also cannot stay fixated on the kinds of competencies that exist as of today. The company must always innovate and learn for the future. So, if you take further deep dive into these goals the financial perspective may say survive in which case the measure will be cash flow.

The financial goal could be succeed in which quarterly, monthly and yearly sales and income growth by division. The goal could be prosper in which case there must be increased market share and return on equity. From the point of view of customer, the company should be able to introduce new products, ensures responsive supply to be a preferred supplier and have lasting customer partnerships.

All of this set of goals can be matricides. For example, new products can be measured in terms of percentage of sales from new products. Please note new products are not measured by the product count or the number of products that have been introduced by the company. New product effectiveness is measured by the percent of sales that has been derived from new products.

Similarly, the percent of sales derived from proprietary products that is products in which the company has got an intellectual property position or an established brand position, that could be the measure. Responsive supply is measured by the on-time delivery as defined by the customer not necessarily by the company.

Preferred supplier; that means, the key accounts management becomes very important how do you rank your key accounts and how do you rank the repeat purchases from the key accounts. Customer partnership is ranked or assessed by the number of cooperative engineering efforts between yourself as the company and the clients.

Internal business perspective also could have several cause. Technology compatibility could be in terms of manufacturing geometry versus competition, that is, how our manufacturing profile and manufacturing infrastructure is positioned with reference to what the competition has. Manufacturing excellence based on cycle time, unit cost, yield, throughput idle time, OEE etcetera.

Design productivity is in terms of efficiency at the level of the chips, at the level of engineering of the product in the case of a hardware company. New product introduction it could be in terms of the actual introduction schedule vis-a-vis the plan. The innovation and learning perspective would have similar goals and measures. Technology leadership based on the time taken to develop the next generation of products.

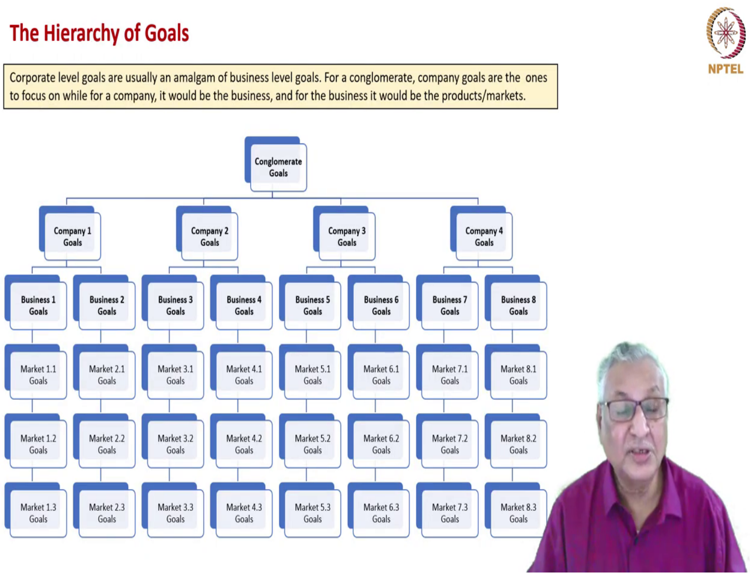
Manufacturing learning could be in terms of the process time to maturity or in today's context the time that is going to be taken to convert a manual factory into a digital factory. Product focus could be in terms of the percentage of products that equal 80 percentage of sales that is how concentrated you are in terms of your attention to top ranking products.

One may argue against this as well that it is a kind of risk, if you have products that are occupying 80 percent of sales which are few in number. So, product focus has to be broad enough, but at the same time each product must have certain viable levels of production and sales. Another innovation and lending perspective is time to market.

Why is this an innovational learning perspective? Because time to market can be measured in terms of years taken to develop a product and launch in the marketplace, but the underlying capability of design thinking, concurrent manufacturing or developing new materials, developing new processes or internal competencies they must be developed, they must be always learnt to exceed the competitions capabilities as well as our own past capabilities.

That is why time to market is actually a reflection of the new product introduction capability in terms of the core competencies. This is the way the balance scorecard of goals operates.

(Refer Slide Time: 08:56)



Typically, every company will have a hierarchy of goals corporate level goals are usually an assembly of business level goals and for a conglomerate company goals are the ones to focus on while for a company it would be business goals, that would be in under focus. This hierarchy demonstrates a conglomerate such as Tata Group has got goals for Tata Motors, Tata Steel, Tata Elxsi and Tata Consultancy Services.

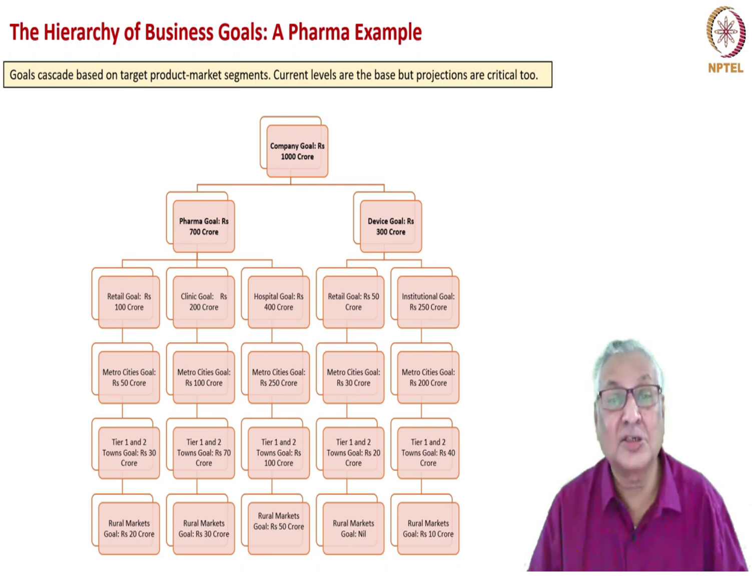
Each of these companies have got different business goals. Tata Motors has got goals for its passenger car division and within passenger car electric vehicle division as well as the internal combustion division. It also has got goals for its commercial vehicle division. It may also have goals for its earth moving equipment division and so on. And, each of these business goals are further granulated in terms of the markets that are served. Southern market could be one set of goals; northern market could have one set of goals and so on.

The company too could have a completely different types of businesses and completely different type of goals. A Tata Consultancy Services would have goals which are related to the type of services you are rendering. Software services could be one type of business, artificial intelligence and machine learning and other business developments related to new technologies could be other set of goals.

When you look at a company such as Tata Steel, the business goals are again different. Domestic versus international could represent two different sets of goals within domestic value-added products versus plain vanilla steel products could be different markets that are being served.

So, every company has got its own businesses and its own markets and when the companies are under a conglomerate the goals becomes a big canopy of conglomerate goals cascading to the company goals and the company goals cascading into multiple business goals.

(Refer Slide Time: 11:14)



I take an example of a pharmaceutical company how the company can cascade its goals. The company's goal in this case is a turnover of 1000 crore. The company splits its goals in terms of two: one, the pharmaceutical products would have a turnover of 700 crores and the devices it manufactures could have a turnover of 300 crores.

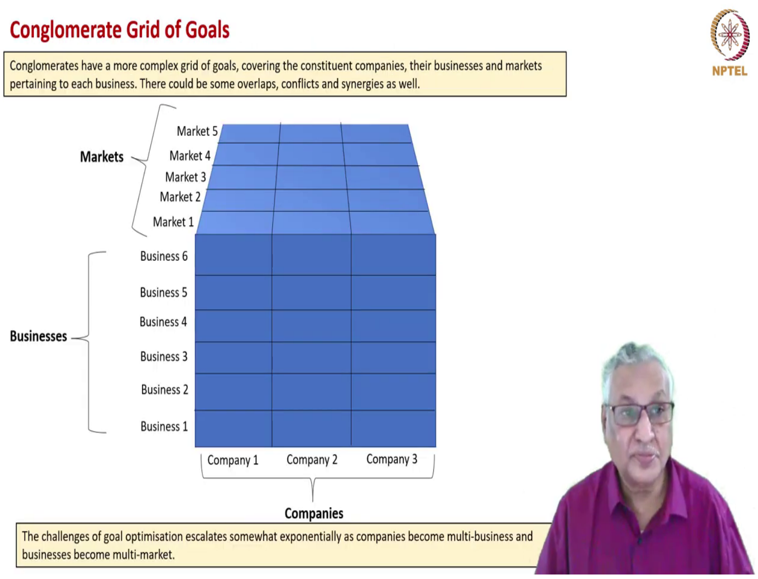
And, within the pharmaceutical business there would be a goal for the sales in the retail segment that is at the chemist shops; within the clinics do 200 crores and in the hospitals 400 crores. And, within the retail there could be sub classification so much in the metro cities so much in tier 1 and tier 2 towns and so much in the rural markets within the clinic again similar kind of classification based on the positioning in the geography.

Medical devices that are manufactured by the company could have a goal of retail sales and institutional sales and there would be classifications related to the geography. This kind of hierarchy of goals would apply for every company. Even an ice-cream company would have a hierarchy of goals that function like this example.

Ice creams could be sold within the ice cream parlors. They could be sold through franchising to the restaurants or they could be sold through mobile vans. So, you can have three different classification of goals and within each of those things you can look at cone type of ice cream, a biscuit type of ice cream or a party pack and so on.

So, the hierarchy of goals is going to be as important as setting the overall goal itself and unless the hierarchy of goals is properly, set the ultimate goal set of the company would not be achieved.

(Refer Slide Time: 13:07)



For a conglomerate the grid of goals would be very complex. In this case as I have illustrated the conglomerate has got three companies and each company has got six businesses and each business has got five markets. When you look at this you can see the complexity of 3 into 6 into 5.

The challenges of goal optimization escalates somewhat exponentially as companies become multi business and businesses become multi market, but having all these goals and making sure that all the goal vision goals are properly filled with continuing revenues and continuing profits is the task of the leadership team of the conglomerate.

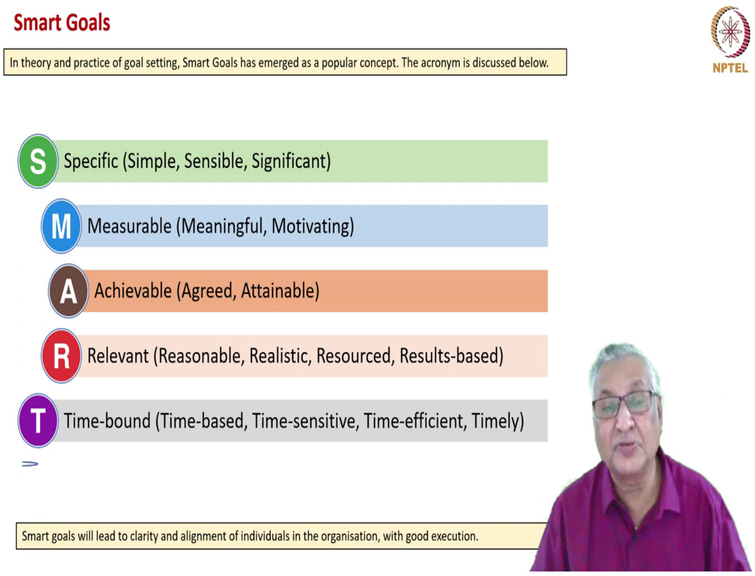
(Refer Slide Time: 13:57)

Now, you might have heard frequently the term objective. What is the difference between a goal and an objective? Both are almost the same, but there is seems to be a fine distinction that we can make. Goals typically emanate from the mission of the company they set our metrics of performance.

As an example, our goal as a chemical company could be to become a top 5 specialty chemicals manufacturer globally. But the objective is that along with the goals we set a direction because without setting a direction there could be some wavering in the pursuit of goals. So, the purpose of objective is to provide little more specificity to the goals and in the objective the purpose is also integrated with the goals.

For the same specialty chemicals company, the objective would be to become a top-5 specialty chemicals manufacturer globally of Indian origin. So, the goal is somewhat narrowed down to something which is within the ambit of the company's framework of overall vision and overall resource deployment. Business objective has goals apart from a flair for business strategy or business model that is an important restriction that we must not.

(Refer Slide Time: 15:22)



Another important concept in goal theory is that smart goals are important. It is not just any goal, but a smart goal. What are smart goals? It is an acronym standing for S M A R and T. S stands for something specific in terms of the goals, that is the goals must be simple, they should make sense and they should be significant when we say that I needed to be the top-5 commercial vehicle manufacturer in India.

The goal is very simple, it is sensible because it is a market you know and that is where you can rank yourself high and it must be significant because if you are in top-10 becoming a top-5 is a significant growth in your ranking. It must be measurable. There is no point in having a goal which is completely qualitative.

The goal must be measurable and it should be meaningful and motivating. Even a goal such as I should have the best possible culture for customer centricity, it seems to be a very qualitative goal. However, even that can be measured by administering the questionnaire by understanding the customer feedback and by various other focus group discussions.

So, it should be measurable and what cannot be measured it cannot be monitored. The third aspect of smart goals is A that is achievable. It should be achievable through agreement and it should be attainable because of the competencies. Let us take the example of a company which already have 80 percentage market share and there are about 20 manufacturers.

If the company says that I need to have 99 percentage of the market, then the question arises whether such a goal is achievable because every company would be endeavoring to stay in the marketplace. So, you should set goals which are achievable. You might in such a context set a goal such that the revenue from this product line will be over a period of time reduced.

So that the dependence on this product group is reduced and newer product groups take over that is the way you look at the overall achievability of the goal set. The next letter R stands for the goals being relevant. The goals must be reasonable, realistic, resourced and results based. Typically, the goals are achieved through people.

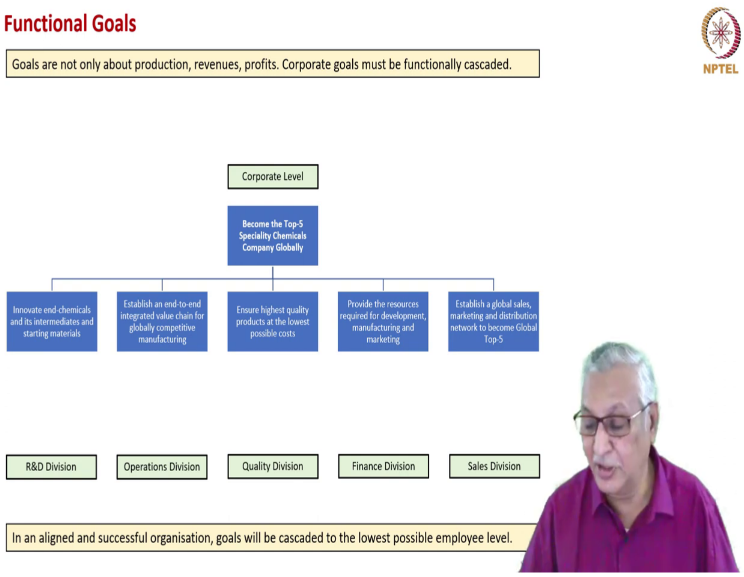
The goals are set for the people, but more importantly the goals must be owned by the people and that will happen when you set goals which are relevant for the people. You cannot set a goal which is relevant for the production people, for the marketing people. You cannot ask the supply chain department to set the SKUs because it is a marketing call. So, the goals must be relevant reasonable realistic resource and results based.

The goals must be time bound that is without a timeline a goal cannot be clearly understood or clearly followed. There must be time based they must be sensitive to time and they must be efficient and also the prescription of the goal as well as the performance of the goal must be timely.

You cannot say that I will take one year for planning the project when all the competitors are trying to get into the project as soon as possible. So, you got to be time bound planning is extremely important, but you must have a measure of urgency when the competition is sniping at your coattails.

Smart goals as defined herein will lead to clarity and alignment of individuals in the organization with good execution. This is important for the goals being effective.

(Refer Slide Time: 19:23)



Not only the goals are set in terms of the metrics, but the goals have to be set in terms of the function's goals are not only about production revenues and profits at the corporate level there must be goals at the functional level. So, when you want to become the top-5 specialty chemicals company globally for the R and D division.

You set a target that we must innovate end chemicals and its intermediates and starting materials such that the products offered by the company are highly innovative and highly competitive. For the operations division, the goal will be to establish an end-to-end integrated value chain for globally competitive manufacturing.

For the quality division the goal will be to ensure highest quality products at the lowest possible cost and for the finance division the goal will be to provide the resources required for the development, manufacturing and marketing of the specialty chemicals. And, for the sales division establish a global sales marketing and distribution network to become global top-5.

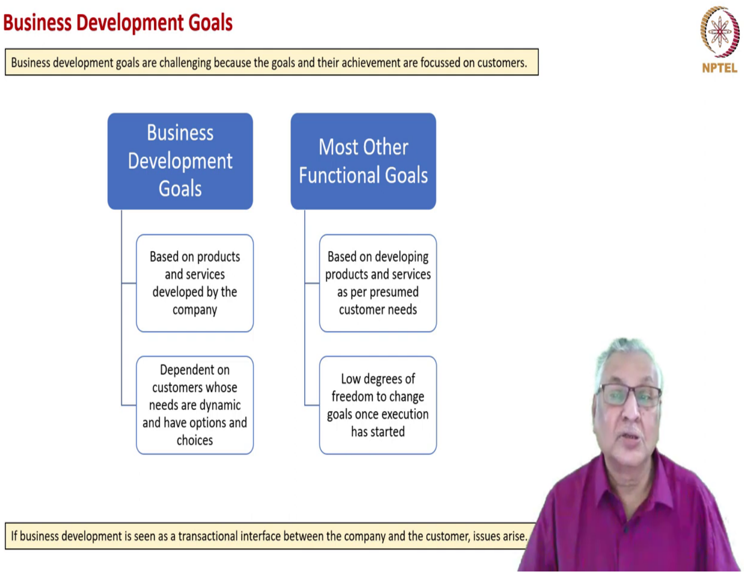
There would be similar goals for any number of functions that may exist in the company. For example, for a company which has got global operations as the specialty chemicals company globally, you cannot afford to have forgotten about the global regulatory affairs. Global regulatory affairs is an extremely important aspect of business for a global company.

The division understands the requirements of the products in different geographies the requirements of the regulatory agencies and the methodologies for getting the products approved in the various regions of the world where the company wants to operate. Therefore, regulatory efforts becomes an important function for a global company.

Similarly, for a company which is looking at outsourcing as a business for itself an ability to understand the entire vendor network and have a lasting relationship with the vendors and having a quality division which is tuned towards vendor qualification becomes very important.

So, the goals vary depending upon the nature of the corporation and the nature of the business. In an aligned and successful organization goals will be cascaded to the lowest possible employee level.

(Refer Slide Time: 21:51)



What are the differences between business development goals and other functions? We ask this question because after all business development is also a function. So, what is so great and unique about business development goals that we must discuss in such detail. The reason we do that is because business develop goals are more challenging than the other goals.

The business development goals are focused on the customers whereas, most other functional goals emanate from the customer directions or customer feedback and the sales planning that happens because of that. Most of the functional goals are within the control of the company in one manner or the other.

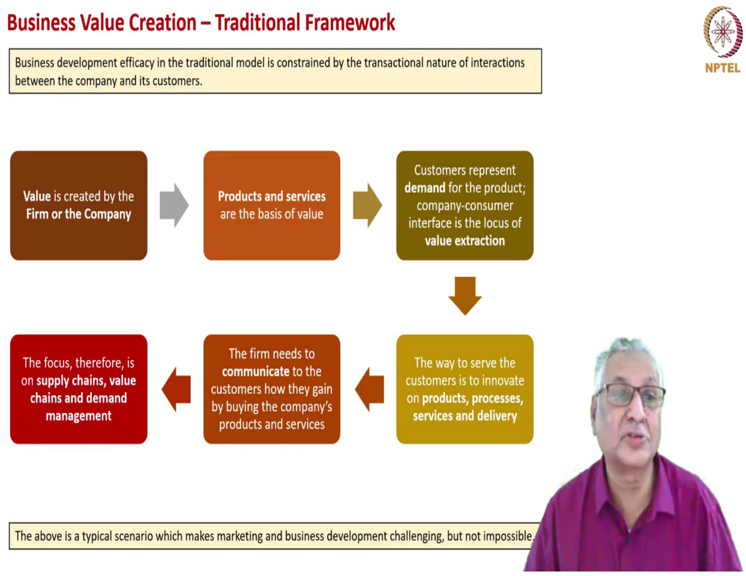
Whereas, business development goals or evolutionary goals it depends upon how well the company interacts with the customers. So, to bring out the essential features business development goals are based on products and services developed by the company and the goals are dependent on customers whose needs are dynamic and have options and choices.

The customer for business development is not existing to patronize you as a company the customer is existing because the customer needs certain products and services. And, the customer can approach the entire universe of vendors and select those options which are useful for the company.

Most other functional goals are based on developing products and services as per presumed customer needs that is customer needs are predefined and then R and D sets out to develop products for those needs. And, there are low degrees of freedom amongst the functions to change goals once execution has started because the goals are set by the marketplace through business development department or the strategic marketing department.

If business development is seen as a transactional interface between the company and the customer, there would be many issues in handling the subtle differences between business development and other functional goals.

(Refer Slide Time: 23:59)



So, what is the traditional framework in the sales and marketing paradigm or in the overall business paradigm? We have a transactional approach because of that the business development efficacy is sub-optimized or constrained. So, in the traditional framework the firm of the company believes that the value is being created by the company or not by the customer.

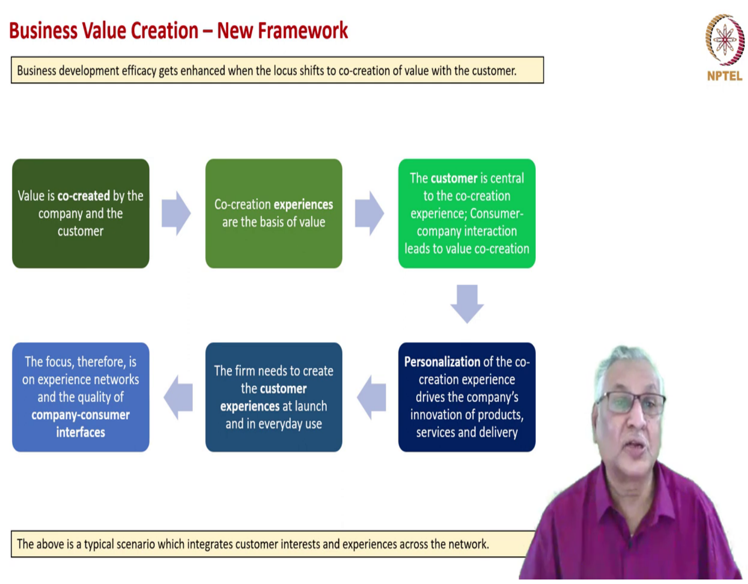
And, the company firmly believes that the products and services it makes and delivers are the basis of value for the relationship and according to the company in the traditional framework. Customers just represent the demand for the product and company consumer interface is the locus of value extraction.

The more transactional the more interlocked we are with the customer the better will be our revenue development and hopefully better will be the product satisfaction that the customer enjoys. And, the traditional framework therefore, keeps on emphasizing that the way to serve the customers is to innovate on products, processes, services and delivery and in some cases after sales service as well.

Given this set of assumptions the firm believes that it is the responsibility of the company to communicate to the customers how they gain value by buying the company's products and services. The focus, therefore, is on supply chains, value chains and demand management.

The above is a typical scenario which is available all across product market categories. This makes the task of strategic marketing and business development challenging, but certainly not impossible; not impossible, if you adopt a new style of company client interaction.

(Refer Slide Time: 25:57)



So, let us look at this new framework. Business development efficacy gets enhanced when the locus of value creation shifts and the focus will be on co-creation of value with the customer. So, value is co-created by the company and the customer. Co-creation experiences are the basis of value in this paradigm the customer is considered to be the central point for the co-creation experience.

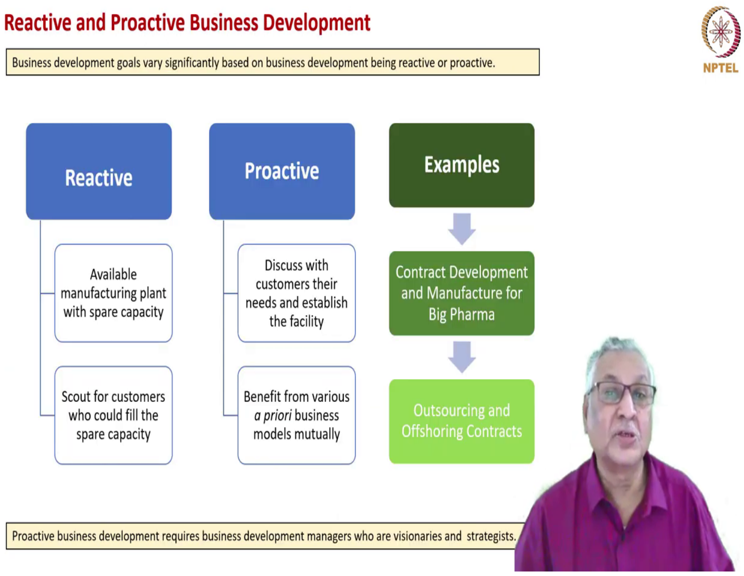
Consumer company interaction leads to value co creation that is the assumption. And what does co-creation mean it means personalization of the experience and it drives the company's innovation of products, services and delivery. The firm needs to create the customer experiences at launch and in everyday use in the FMCG product carton.

If you have a method of utilizing the FMCG product that is supplied, then you are creating a customer experience for the product. Similarly, if you walk into a store and in the store, you are allowed to experiment and experience the various products that are offered, you are creating the customer experience.

Not only that, in this process the company representatives understand how the customers are responding to and what the customers would like to have in terms of betterment of features. So, that is the co-creation of experience and therefore, co-creation of new products.

In this new framework, the focus is on experience networks and the quality of company consumer interfaces and this scenario integrates customer interests and experiences across the network. This is about business value creation.

(Refer Slide Time: 27:40)



In doing this business development for these kinds of varied activities, we can be of two perspectives. One perspective is one of being reactive to the trends; the other is one of being proactive to the trends. In the reactive business development mode, you start with the philosophy that you already have certain product capability, you also have a manufacturing capability and it has some spare capacity.

In the reactive mode you also believe that there are customers who are willing to look at the kind of product portfolio and the manufacturing capability and the cost competitive that you have. Therefore, in reactive business development you scout for customers who could fill the spare capacity.

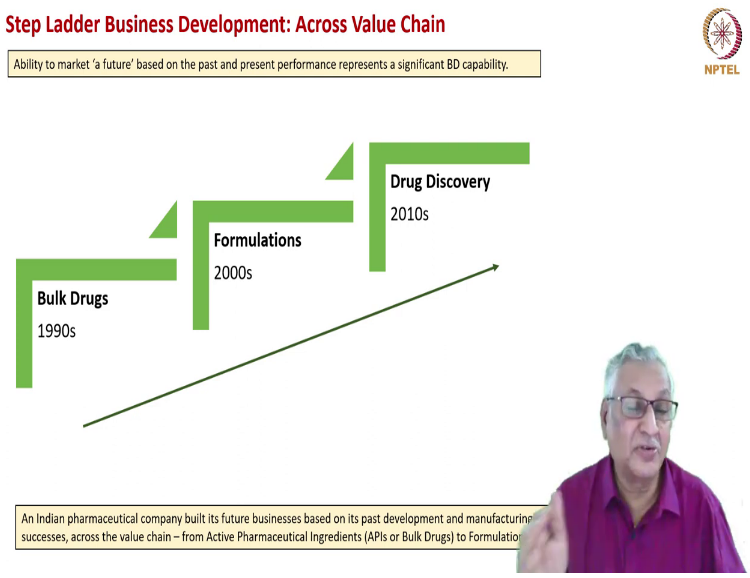
Whereas, in the proactive model you discuss with the customers their needs and establish the facility. You benefit from various a priori business models mutually for a company to prosper you may need reactive business development irrespective of certain product categories and certain manufacturing capacities.

But more essentially you will require proactive business development capabilities to guide and take the company on a path of higher trajectory. So, examples of this are contract development and manufacture for big pharma and outsourcing and off shoring contracts. In these two examples there is a whole lot of capacity and capability to alter your vision and mission.

You can be contract developing and manufacturing based on the capacity available with you or you can proactively meet the pharmaceutical company and say that I have currently this capacity. But in case your molecules are of different nature I can quickly rigid my capacities or rigid my capacities to be able to meet your new requirements.

Proactive business development requires business development managers who are visionaries and strategist; they are not peddling the current products. They got to be of a different breed.

(Refer Slide Time: 29:54)



Business development can be sequential or can be parallel and in most cases, it is step ladder. Step ladder is a method of business development where as you are taking one step you also move forward with another step, and you do it utilizing the fundamentals that you have established and catering to the future that is likely to pan out as you develop more product lines or in some cases as you integrate more.

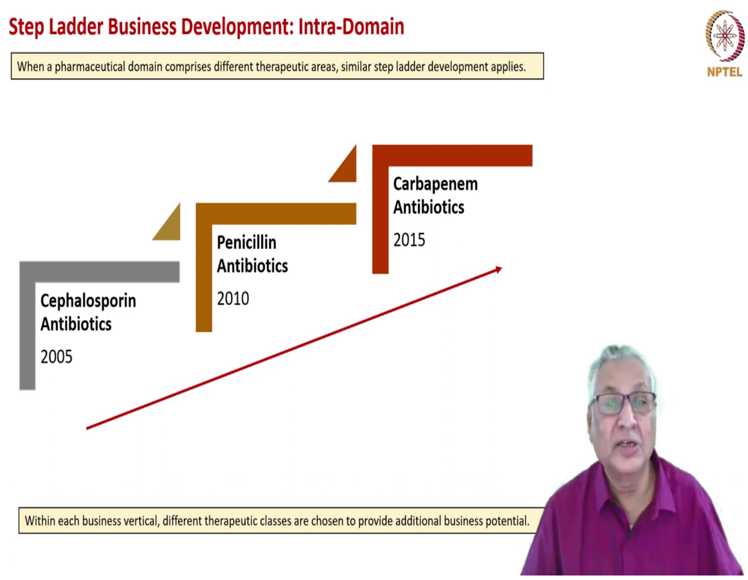
So, the Indian pharmaceutical company which I have cited here started with manufacture of bulk drugs in the 1990s. Then it saw value in capturing better revenue and profit possibility by getting into the formulations business. So, it contacted the customers it has already developed for bulk drugs and also pursued new customers to be able to understand the business for the formulations and accordingly set up a company for formulations.

And, these two divisions of business have brought the company in close contact with several hundred global businesses in the pharmaceutical space starting from the big pharma to the generic companies to contract development and manufacturing companies as well as certain R and D developers.

So, based on these experiences the company felt that getting into drug discovery is going to provide even greater value capture. So, bulk drugs formulations and then drug discovery. And, this illustrates that if an Indian pharmaceutical company can build its future businesses based on past development and manufacturing successes across the value chain.

As well as in discussions on a proactive basis with the clients, customers and businesses for future requirements the final business model will be top class and sustainable.

(Refer Slide Time: 31:48)



Let us take another example. Within the domain the company has already taken up antibiotics manufacture, should you stay on with the same antibiotics type or should you diversify? In the case of the pharmaceutical chain it has been able to develop three types of antibiotics in its manufacturing network.

Started with Cephalosporin antibiotics in 2005 entered the space of Penicillin antibiotics in 2010 and entered the latest generation of ICU antibiotics called Carbapenem antibiotics. Within each business vertical, you can choose or large sterile products you can choose the generation of products which you want to do and so on.

So, these granulations provide additional business potential for the company because through such granulation only you are able to segment the market and attach yourself to many more customers who are available in the universal market space.

(Refer Slide Time: 32:50)

When you compare market goals with business development goals, the difference is quite stark. Marketing goals typically address millions of heterogeneous customers. Marketing is all about creating a commonness or standardization or homogenization of the product concept in the widely diversified base of individuals which together constitute the marketplace.

And, therefore, marketing department must have the ability to handle heterogeneity through common messaging through common communication, but marketing also has to be prepared for the fact that customers are fickle minded. In case, appropriate new technology products come up from other manufacturers, they could switch the products. They could also be open to switching the products if there are enough inducement in terms of lower cost or better promotion.

On the other hand, business development goals attempt to develop relationships with fewer customers and each customer would be offering for higher value per customer than a typical retail customer. But the business development goals and the people who implement the goals must be able to handle the bargaining power of select customers through customization and personalization.

Things like advertising and communication do not swing the balance as far as the business development goals are concerned because the businesses have certain standard operating procedures for purchase of products the products must meet the specifications and also demonstrate success on the field and the after sales service must be to the satisfaction of not only the buyer, but also the satisfaction of the user.

Therefore, business development goals have to be handled with judgment and with some kind of fine capability of negotiation. Business development goals also must brace for the technology and market changes which could affect the customers' product lines. Therefore, would in turn affect the suppliers' technology and marketing trends.

So, you have to think of the technology and market requirements of the customer rather than just your technology and marketing capabilities or your technology and business needs. Successful business development happens when a company has products that are relevant for various channels in irrespective marketing goals as well as in terms of business development goals.

(Refer Slide Time: 35:33)

Let us take the example of edible oil industry. Edible oil industry exemplifies marketing goals and business development goals supplementing each other. Edible oils are consumer facing products they are sold to millions of customers and they are also sold through supermarkets and trade chains. So, the entire value chain of distribution is covered by edible oils.

The company which is manufacturing edible oils typically also manufactures bakery and food processing products because they are by products particularly if you are in Palm Oil Company and the products are used in bakeries, food processing companies. The purification of the crude refining oil into processed refined oil leads to certain byproducts or in the case of coconut oil crushing of the copra, de-oiling of the cake and such processes lead to other byproducts.

These byproducts could be utilized in veterinary fields, chemical fields, pharmaceutical fields, cosmetics and paints etcetera. Similarly, if you are doing a product such as biodiesel you will have glycerin as a byproduct with some additional steps. That would be an important portfolio addition for the company.

So, when you look at edible oils being sold in the retail markets and in the modern trade channels, you require strong sales and marketing, strong strategic marketing and direct consumer and digital marketplaces. When you look at bakery food and other processing food products you require sales and marketing and business development because institutions start coming into the play at that point of time.

If you want to set up your lines to take care of bakeries and food processing companies, you got to have institutional relationships with such companies. The third one of byproducts is again an industry based vertical. Byproducts can go to different product groups such as veterinary products, chemicals, pharmaceuticals, cosmetics, paints etcetera and business development has to take the stellar role in developing the relationships between the company and the various fields.

A company's top leadership should be clear and focused on where and how to apply sales, marketing, strategic, marketing and business development. There are four ways in which sales can happen – sales at the point of sales or through any channel; marketing which creates a communication about the product and therefore, prepares the customer to buy the product.

Strategic marketing which looks at slightly longer time frame and creates a brand or brand power for the product and finally, business development which ensures sustainable relationships between the company and the customer groups and probably also enables the company to co-create its experiences of product development along with the customers being present in that process. This is clearly illustrated by the above example of edible oil industry.

(Refer Slide Time: 38:56)

Now, having looked at let us also look at marketing goals versus business development goals. Marketing goals and business development goals are to be seen not merely in terms of marketing goals per se or business development goals per se, but in terms of whether they are goals pertaining to the direct consumers or direct businesses.

B2C goals like the marketing goals which we have seen earlier address millions of heterogeneous customers and they handle heterogeneity through common messaging. But, the cycle of business development is relatively short. For example, you have a season of festivals say Deepavali, a company which is in the sweet meats business or sweet and snacks business can heavily advertise its product availability.

The gift backs it develops and the pricing and then develop the business to go up based on the seasonality of the festival. But this short business cycle has to be repeated come another festival this business cycle has to be repeated, come another festival this has to be repeated. Not only that between the two festivals there must be other types of communication other types of messaging, other types of motivating the customers to buy the product.

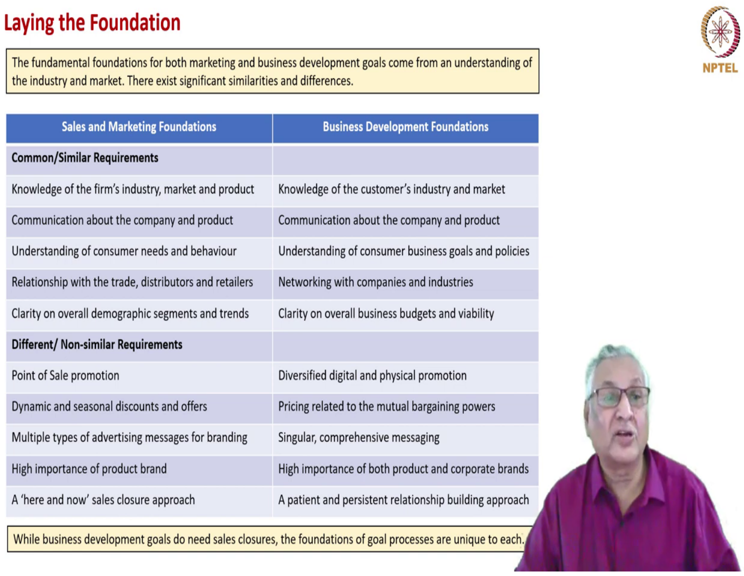
So, the business development cycle is of a different nature as far as the B2C goals are concerned. As far as B2B goals are concerned, while we address fewer customers who can provide greater unit value we have to also appreciate that the business development cycle is long, arduous and challenging, it is stage-gated.

If a company is trying to sell its products to a business there will be overall tender, there could be a special request for quotation, the proposals have to be evaluated, the proposals have to be discussed in person, seal tenders may be invited for the technical bids and later for the financial bids and there could be a bid process through which the companies have to go through.

Similarly, if an automobile manufacturer or an artillery manufacturer wants to participate in defense markets, then the stage-gates are far more extensive field trails are required at different stages of proving the product for various terrains and in various operating conditions. So, the development of business is so complex that it itself acts as an entry barriers for other companies.

A company which is able to invest, time, money and organizational effort in development of goals for businesses is likely to have higher entry barriers compared to other businesses, who are just in the retail segment of the business. So, there are different challenges involved for a company in setting B2C and B2B business development goals.

(Refer Slide Time: 41:55)



So, how do you lay the foundation for marketing and business development goals and the essential requirement is that the goals emanate from an understanding of the industry and the market. Therefore, there are significant similarities as well as significant differences. What are the common similar requirements?

In respect of sales and marketing we must know the firm's industry market and product whereas, in respect of business development foundations you have to have the knowledge of the customers industry and market, but you have to have certain common requirement in terms of ability to understand the industry, market and product, conduct structure analysis, draw some strategic conclusion.

You should have the common requirement of communication about the company and the product in both the cases. In respect of sales and marketing, you must understand consumer needs and businesses, but in respect of business development you should understand the goals and policies of the business of the consumer there is a slight difference.

Relationship with the trade distributor and retailers is very important for sales and marketing whereas, for proper business development you need to have networking with companies and industries. And, for sales and marketing you require clarity on the overall demographic segments and trends whereas, for business development you also need similar clarity, but based on overall business budgets and viability.

But there are very strong differences requirements which are not similar to each other. In respect of the previous set of requirements although they are different, but the underlying theoretical approach is the common approach. That is, understanding industry market and product is the common plan, whether you do it for your firms' requirement or the client firms' requirement is the difference.

Whereas, in terms of the other ones which I am going to lay before you the difference are even more fundamental. In respect of sales and marketing point of sale promotion is the one which is absolutely required whereas, in respect of business development you require very diversified digital and physical promotion.

You have to participate in events, exhibitions, intellectual property seminars, writing of blogs, articles in established papers, being present in Omni channel methodologies these are all important for business development. In respect of sales and marketing, dynamic and seasonal discounts and offers are required based on the evolving retail market situation; whereas, in business development pricing is related to mutual bargaining power.

Depending upon whether you are the proprietary product manufacturer or your generic product manufacturer, your bargaining power varies similarly. Depending upon the size of the business the company can offer the competitors who are trying to buy the share the bargaining power of the buyer varies therefore, the pricing is related to mutual bargaining powers.

In respect of sales and marketing, multiple types of advertising messages for branding can be achieved. You can position it as the lowest price product you can position it as an emotionally relevant product, you can focus it as a traditional product or as a nontraditional products and so on; whereas, in respect of business development the message must be singular consistent and comprehensive.

In respect of sales and marketing product brand is the one which sells. If you want to sell a soap it is not Hindustan Unilever that says this soap as a brand Lux is the brand that sells. Similarly, Cinthol is the brand that sells. Although we may recognize that these are manufactured respectively by Hindustan Unilever and Godrej what tells our preferences in terms of the brand to which we are attached.

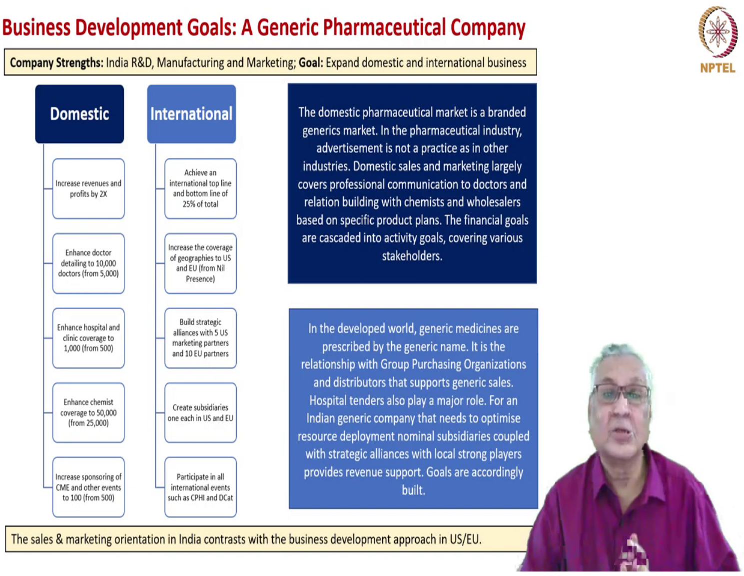
Whereas, in respect of business development, we need both product and corporate brand. You will buy a Bravia brand of TVS, but you also buy it because it is from Sony you will buy a particular series of automobiles for example, grand Vitara from Maruti, but you also buy it because you know that it is coming from Maruti Suzuki.

In sales and marketing there is a here and now sales closure approach, I need to close the sales. That is the way the company looks at the customer and the sales and marketing transaction. Whereas, in respect of business development the company is willing to and also the company must look at a patient and persistent relationship building approach between the company and the client.

While business development goals also require closure of sales, the foundations of closure processes are very unique to each of the sales and marketing as a vertical and business development as the other vertical. So, for us, to be successful business development people we should understand the importance of sales and marketing.

And the foundational aspects as well as the importance of business development and the slightly varied foundational requirements.

(Refer Slide Time: 47:25)



For a generic pharmaceutical company which has its strengths in R and D manufacturing and marketing based out of India and has the goal of expanding both domestic and international business. You can look at the goal hierarchy how it varies. In respect of the domestic business, it could say that I would like to increase revenues and profits by 2X.

Enhance the detailing to the doctors from 5000 to 10000 because that is the way it operates in India enhance hospital and clinic coverage from 500 to 1000; enhance also the chemist coverage to 50000 from 25000; increase the sponsoring of CME and other events to 100 from 50.

Now, this hierarchy is brought up because in India, you have to detail your pharmaceutical products with the doctors, you have to have your entry into the hospitals and clinics, but at the same time you have to make sure that the patients who may not belong to the same location at the hospital get this product if they go back to their home and go to the nearest chemist possible there.

So, the requirements are quite unique irrespective of domestic marketing. In respect of international you may have a goal quantitatively similar or challenging. Achieve an international top line and bottom line of 25 percent of total, but then you start defining the marketplace in a different manner.

I want to increase the geographies from emerging markets are from India to US and EU where I have nil presence. To do that, I will build strategic alliances with top 5 US marketing partners and top 10 EU partners. I would also create subsidiaries of my company in the United States and European Union to be able to supply the regulatory activities related to my products and my dossiers.

I will also participate in all international events such as CPHI and DCAT where various marketing companies as well as the manufacturing companies participate. And, what is the logic for this? The domestic pharmaceutical market is a branded generics market that is our product is known by the basic molecule, but we all give a particular brand.

The same Telmisartan is sold by the name Aritel by one company, Telismart by another company Telemar by another company as an example. So, in the pharmaceutical industry where advertisement is not a practice as in other industries you got to go and explain your product brochure to the doctors.

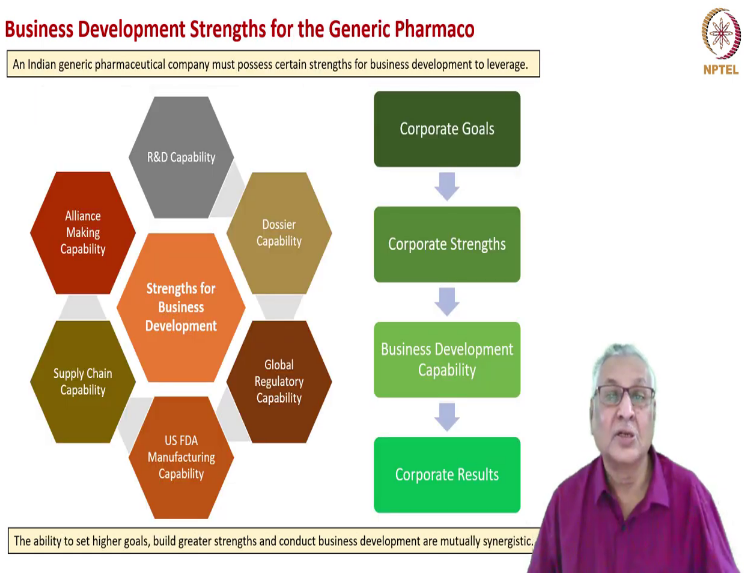
However, with the digitization certainly there have been improvements you can leave a short video which the doctor can play at his or her convenience. So, professional communication to doctors and relation building with chemists and wholesalers based on specific product plans is the bedrock of domestic marketing.

Therefore, the financial goals of the business are cascaded quickly into activity goals covering various stakeholders. In the international markets the approach has been different. Generic medicines are prescribed by the generic name; they are not prescribed by the brands. It is the relationship with the group purchasing organizations and distributors that supports generic product sales in the pharmaceutical industry of United States of America.

Tenders by hospitals play a major role. For an Indian generic company that needs to optimize resource deployment nominal subsidiaries have to be opened, so that they can undertake submission of dossiers and related work quickly and effectively. They also need strategic alliances, so that the local strong players can support marketing of those products and in fact, can take over marketing of those products.

They share the revenue; they share the profits and so on. Goals are accordingly built. The sales and marketing organization in India contrasts with the business development approach in the United States or European Union.

(Refer Slide Time: 51:40)



For a generic company to be strong in business development it has to be strong as a company. The strengths of business development are not necessarily only in the business development manager or the business development leader. The strengths of business development accrue from R and D capability of the company.

Dossier capability of the company, the global regulatory capability of the company the USFDA compliant manufacturing capability, the supply chain capability and alliance making capability. All of these things are important. Without developing products which meet the stringent US requirements and which tally with the expiry of patents in time, you cannot be appropriately timed for the market.

You do not have the ability to develop and submit the dossiers that is books which explain the active pharmaceutical ingredient and the finish dosage form and have the information related to the exhibit batches, manufacturing conditions and so many other things you will not be able to get approvals for the products.

So, dossier capability is extremely important and different regulatory agencies in different markets have got different regulatory requirements. So, understanding of the global regulatory requirements is required which is comes through global regulatory capability. Then you should have USFDA compliant manufacturing capability that is if inspectors come you should be in a position to prove that yours is as per the good manufacturing practices set up by the USFDA.

Then you should have supply chain capability to be able to have inventories, but at the same time have the ability to supply the inventories in a quick time with the lowest possible freight cost. Alliance making capability is essential because without alliances the business development strategy as outlined earlier cannot be executed.

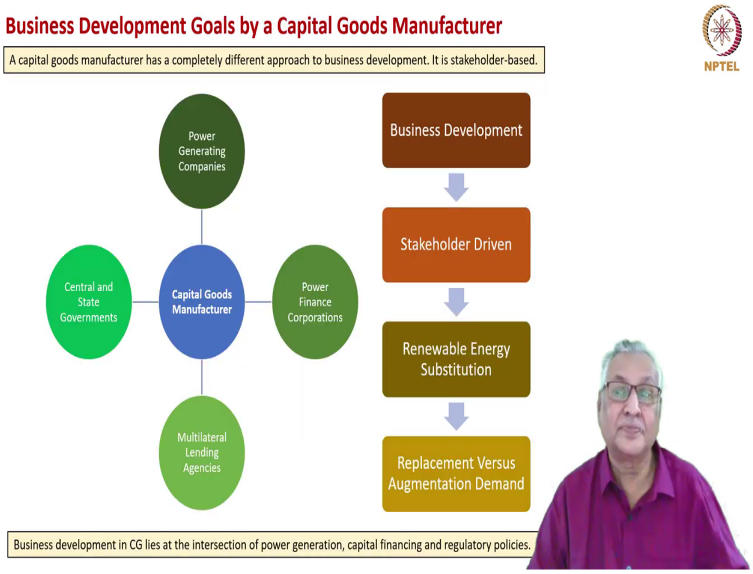
Even if you want to do the business development by yourself all of the capabilities such as R and D dossier, global regulatory manufacturing and supply chain are required. And, supply chain also plays a notable role in ensuring that the time given for shelf life is appropriately managed.

Most pharmaceutical companies are finding it challenging to get the appropriate freight bookings and also ensure that the products are provided with the maximum possible residual shelf life because one month will be lost in the storage of sterile products while this checking is going on and probably one more month in the transport of the product by ship.

So, these are the capabilities that are required for a generic pharmaceutical company. So, you can see that corporate goals translate to corporate strengths which translate to business development capability and finally, and only finally, you get the corporate results. The ability to set higher order goals build higher level of strengths and conduct business development in a wholesome manner are mutually synergistic.

Each has to exist in tandem with the other to be able to make the company effective in the business development marketplace.

(Refer Slide Time: 55:01)



Let us take the example of a capital goods manufacturer. Such a manufacturer will have a business development approach which is completely different. It is going to be stakeholder based. Capital goods manufacturer has got four principal stakeholders. 1 – power generating companies; 2 – power finance corporations; 3 – multilateral lending agencies and 4 – central and state governments.

Of these while the power generating companies are the principal ones to take the capital goods that transactions cannot be easily fulfilled or that relationship cannot be easily established and sustained unless there is finance for the power generating companies. And, the finance varies based on the stakeholder that is involved.

Why does it involve? All the finance is finance; money is money because certain stakeholders have got different considerations for supporting capital goods supply from certain companies.

And, a multilateral lending agency such as the World Bank or IMF or Asian Development Bank or the Bank of Japan or any other government to government multilateral agencies could look for certain standards of operation of the company.

Multilateral lending agencies will be the most strict in terms of ensuring environmental compliance, safe manufacturing practices and various issues related to ESG parameters good corporate governance and so on. Central and state governments will be at a different level wherein the integrity of operation, the serviceability of the supply all of those parameters would be very important.

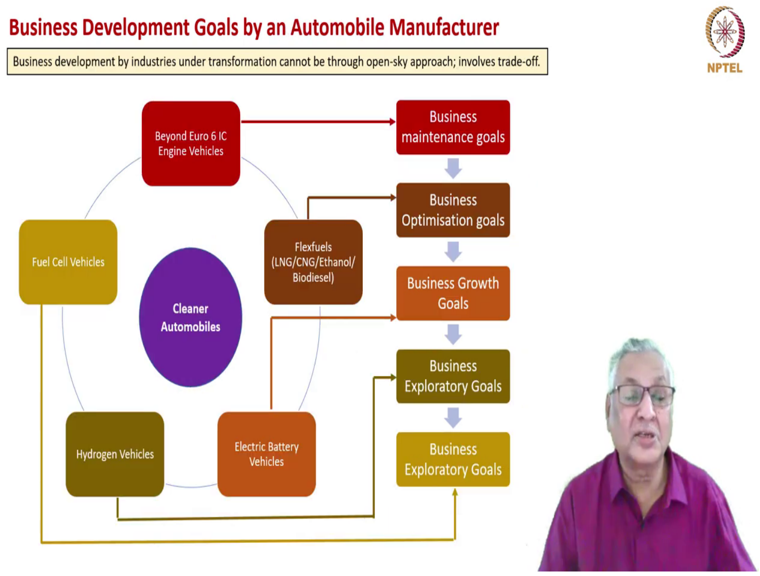
Power finance corporations may be looking at these transactions as just transactions of providing finance and getting the returns. But there again there will be some relationship between the power finance corporations and power generating companies and capital goods manufacturers which all bordered on business development networking.

So, in this case of capital goods manufacturer, business development is the key driver, but business itself is driven by the stakeholders and it is also subject to what could happen to this entire network if renewable energy comes in a big way and how do you cater to the industry, which is forgetting the conventional capital goods and moving on to the new generation of renewable energy production.

So, you must understand the replacement demand versus augmentation demand to be able to realign your production to requirements of the future. You will also realign your production to the requirements of the future by yourself getting into the renewable energy production.

So, business development in capital goods industry lies at the intersection of power generation, capital financing and regulatory policies because regulatory policies will have big impact on the nature, type and the cost of energy that is produced.

(Refer Slide Time: 58:16)



Let us look at the case of an automobile manufacturer. The goal of every automobile company is cleaner automobiles and you can achieve this goal through five essential means. One – all automobiles which are already of Euro 6 standard can be taken up even to higher standards Euro 6 plus or Euro 7.

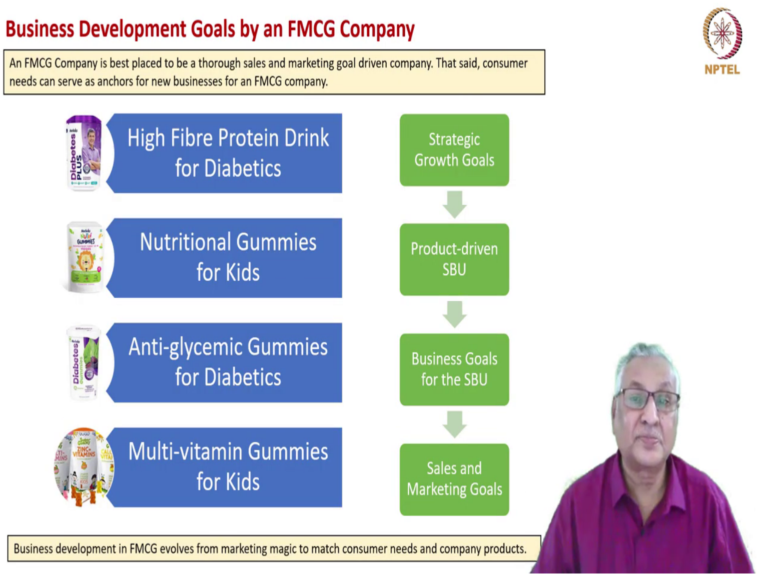
What would happen in such a approach? Business will be maintained. Even in internal combustion engines to be able to maintain your business you must have higher levels of fuel efficiency. The other route you could take is to have flexi fuel approach. You can use LNG, CNG, ethanol, biodiesel in which case you will be optimizing your business not necessarily growing your business.

The other three ways could be to have electric battery vehicles, hydrogen vehicles or fuel cell vehicles. Each of these things will add to certain level of capability in terms of managing your business for the future. Electric battery vehicles will have very clear business growth prospects based on the technology that is available and the rollout of battery vehicles that has already taken place.

Hydrogen vehicles will have lot of promise, but it would be business exploration because to have hydrogen vehicles you got to have green hydrogen development infrastructure, the storage and transportation for green hydrogen and so on. Similarly, for fuel cell vehicles you need business exploratory goals.

So, business development occurs at five different levels based on the five different types of clean mobility options that an automobile manufacturer may be able to marshal at this point of time.

(Refer Slide Time: 60:02)



Let us look at the business goals by an FMCG company that Fast Moving Consumer Goods Company. An FMCG company at its core is best placed to be a thorough sales and marketing gold driven company. However, consumer needs can serve as anchors for new businesses for an FMCG company.

Let us take these examples. Horlicks has introduced a range of products which are based on specific customer needs. It has introduced a high fiber protein drink for diabetics. It has introduced nutritional gummies for kids. It has also introduced anti glycine gummies for diabetics and it is also looking at very multi vitamin gummies for kids.

Now, the idea is to enter the (Refer Time: 60:52) space the over-the-counter wellness product space. And, the FMCG Company wants to enter that space in its own characteristic way of relating to the buyer in a very emotional, in a very strong and very innovative way.

Packaging plays a very big role; communication plays a very big role and in this the set of strategic growth goals which the company has leads to establishment of a product driven strategic business unit. And, this strategic business unit will have business goals for the SVU and from that only the sales and marketing goes come up.

So, the business development in FMCG industry evolves from marketing magic to matching consumer needs and company products and the marketing magic is not just confined to advertisement as in the past. The marketing magic covers matching of the consumer needs and company products. In fact, you are creating a new experience for the consumer when you offer these kinds of products for the consumer.

When you have gummies of different flavors individually packed and again repacked in an attractive jar or carton or pouch or container as you see in these visuals, definitely it is a higher order of business development that is being attempted by the FMCG companies these days. With this we will come to the end of this lecture. I hope to see you in the next lecture.

Thank you.