



ISSUE 07

JANUARY 2018



CUSTOMER ACUMEN

INSIGHTS TO BUILD CLIENTS FOR LIFE



EMPOWERED[®]

LEARNING
SYSTEMS
PVT. LTD.



EDITORIAL



Dear Reader,

Leading firms in a competitive business environment and in international waters is a risky affair. With Globalisation, companies have acknowledged that serving customers worldwide under various economic and market conditions can be a challenge. As the economic spotlight shifted from developing and emerging markets, companies looked at new ways to manage their businesses by constantly re-inventing strategies. Customer Acumen this quarter takes a look at **Leading Business in Multinational Markets**.

In this issue, **Jay** examines various examples of firms that have managed to capture a wallet share of the competition through successful collaborative strategies. Since B2B markets are complex compared to standard markets, we have **Rakesh Mohan**, who shares his experience from his former company, Unilever. He throws light on how to connect with customers across borders to ensure a relationship that is built for the long run. We review Tim Harford's book **Fifty Things that made the Economy** which presents the various inventions that had far-reaching and unexpected consequences for the global economy. In-house Cartoonist, **Vikram Nandwani's** toon certainly knows how to attract his customers!

We value your relationship with us and look forward to your feedback and comments on how best we can serve you through our e-zine, **Customer Acumen**. We wish our readers the very best of 2018!





MUSINGS



Collaborating For Business Success

- Jay

The language of marketing has drawn much from the Army. We talk in terms of 'vantage' positioning, 'marketing warfare', 'wiping out competition', etc. - all indicative of a 'kill or be killed' mentality for winning the race to grab the customer's wallet. In this quest to win, everyone else is the enemy who needs to be defeated.

In the midst of such hostility expecting competitors to collaborate seems far-fetched. Such events (euphemistically called 'Co-opetition'), therefore are not very common. What factors, if any, would cause competitors to bring down barriers and extend a hand of friendship?

The chief reason is the recognition that market place reality dictates a change in the norm. When a customer (or customers) cannot be won individually, then a change in strategy is advisable. Perhaps a classic win-win of this nature is the successful partnership between Microsoft & Intel that conquered the PC industry for decades. While they have been unable to replicate this success in the mobile industry, both rode the good times and are still living off the war chest that they earned.

Many other cases exist. To name a few more: the consumer electronics industry has seen the many collaboration between LCD TV makers and a powerful example was when Samsung made Flat screen panels for Sony (sold as the Bravia) while continuing to offer its product (as Bordeaux). In fact, given Samsung's strength in manufacturing, they have been a key supplier to almost all other electronics firms.

Similar collaboration has been common in the automobile sector too. Creating common standards for enlarging customer base and reducing confusion in the customer's mind (which is detrimental to all manufacturers) has often led to different players coming together. The emergence of Google (with its Android Auto) and Apple (with its Apple Play) has led to realignment amongst famed competitors - Ford, Toyota & Suzuki joined hands last year to create in-vehicle telematics to block the rise of Google & Apple.

The rising costs of R&D in cutting edge technology fields is a key factor in compelling competitors to come together. Not everyone can sink billions of dollars in the quest for a shiny new item that can wow the customer. Therefore, joining forces to either cut development costs or alternatively co-marketing to recover costs has been witnessed a lot in the pharmaceutical sector over the last decade. Two instances are the co-marketing deal between Merck & Astra Zeneca for the molecule called Lisinopril, sold as Prinivil by Merck & branded as Zestril by Zeneca. Similarly, the co-promotion deal that made headlines some decades ago was the understanding between Glaxo & Roche to launch the new molecule Ranitidine (branded as Zantac). The fortunes of both the firms rose with the drug's success as the massive push by two pharmaceutical giants created a joint impact which could not have been achieved singularly. This has been a much-replicated model in the pharmaceutical world where it is incumbent to recover extremely heavy research costs as quickly as possible during the period of patent protection.

A more formal structure of collaboration is a Joint Venture, which goes beyond strategic partnerships as in the Wintel example. Take the case of Mahanagar Gas Limited. Emerging from a partnership between BG Group of UK & GAIL (India) Ltd., the venture's success has been unparalleled in the Natural Gas industry. Similarly, there are many other examples of successful Joint Ventures (JVs) globally, some having existed for decades going against conventional notions that most JVs are nothing but the 'walking dead' - doomed to failure when partners fall-out through messy divorces. Interesting, a recent Bain study revealed JVs did better than M&A deals with 'the value of joint ventures growing 20% annually from 1995 to 2015 - that's twice the rate of M&A deals'.

Clearly, there is much that can be gained through collaboration in the business world. In fact, if business battles are war in another form, perhaps we need not look far but can draw from the playbook of warriors. Look at history, from ancient times successful rulers have always created consortium of allies either when they went to battle or stitched one together

soon after to consolidate their gains and reign peacefully over the conquered lands. While cartels are frowned upon and attract anti-trust and anti-monopoly retaliation from regulators there is still much success that can be gained by collaboration as against a bloody price battle that creates a red balance sheet which bleeds everyone to perpetual losses. India's telecom sector is the latest to learn this hard lesson and now the players have declared a ceasefire to attempt collaborative overtures to rebuild the sector.

[back to top ^](#)



SPOTLIGHT



Rakesh Mohan

Former Chairman - Unilever (Malaysia, Singapore, Myanmar, Cambodia, Laos)



***Rakesh Mohan** has a strong track record of successfully leading Unilever companies in numerous countries. After his initial years in Hindustan Unilever, he has led Unilever businesses in Malaysia, Singapore, Myanmar, Cambodia, Laos, Bangladesh and Nepal. He has extensive experience in Business Strategy, Digital Marketing, Modern Trade and Business Development. After a 27 year career with Unilever, Rakesh has returned to India and is a Non-Executive Director and Business Advisor.*

CA: As a senior business professional who has worked in different markets, please tell us what are the key differences in marketing products to retail consumers vs B2B customers?

RM: In India, some of the traditional consumer marketing practices and principles are still working well. Having products which satisfy emerging consumer needs, pricing competitively and effective mass communication with deep distribution are keys to the success of a mass brand. Driving trials and ensuring continually improved penetration month after month are critical to drive market share. Now products are getting less differentiated and consumers, who switch brands frequently, are open to trying new choices. Hence, consumer marketing strategies tend to focus more on penetration and less on building loyalty. However, with the trend of shopping online and the exponential growth of e-commerce, there is a shift happening in the way consumers will make their purchase decisions. Hence, B2C marketers need to shift gears and start building capabilities around digital marketing, contextual targeting, and applying big data analytics to drive market share.

On the other hand, B2B marketing tends to be more solution oriented, relationship building and service led. Prolonged relationships with customers, building loyalty, continually offering better solutions, ensuring competitive pricing to block competitors from entering, are keys to growing the business. Getting new customers through referrals, competitive bidding, engaging with multiple stakeholders across functions within a customer's organisation is needed to penetrate new accounts. An experienced, persuasive and technically competent sales force helps build competitive advantage. In this area too, change is happening fast. With the proliferation of B2B e-commerce sites, customers can easily get competitive bids, do reverse auctions and access to global suppliers very easily. Here also, B2B marketers need to ensure that they are strongly present in this channel and make necessary investments in e-commerce to stay ahead in the game.

CA: B2B markets are complex compared to standard markets. In your view, what are the challenges companies face while serving B2B clients?

RM: Acquiring new customers and retaining existing customers are the key challenges in a B2B business. Offering a superior differentiated product which others cannot replicate would be a B2B sales manager's dream! Alas, any innovation is quickly replicated by competitors and a high innovation pace simply helps to stay abreast. Offering superior differentiated solutions to customers is a necessity to succeed. As customers, themselves face competitive price pressures, the pressure is passed on to suppliers. Hence, it is a challenge for companies to continually search solutions which help their customers to save costs and yet improve their own margins. There is an increase in the use of

e-commerce and easy access to global sourcing. The challenge now is to be globally price competitive, manage forex implications and export subsidies which some suppliers enjoy.

The traditional sources of competitive advantage i.e., customer relationships, strong sales force, local sourcing, just in time delivery and vendor managed inventories are now diminishing. Technology can make remote suppliers with no direct customer interface offer the same services using low cost technologies and remote solutions.

CA: In your experience, how do you connect with customers across countries with varied market conditions?

RM: In the portfolio of countries I have handled, there were developed markets like Singapore and Malaysia and on the other hand new emerging markets like Myanmar. Consumer needs and cultures are very different across countries. Hence, it is necessary to ensure that each country has operating freedom to decide the product offering, relevant pack sizes and communication customized to the local culture. Based on consumer needs, frequently formulations must be tweaked to meet local tastes. Each country had different media habits. In a developed market like Singapore, TV viewing has dropped dramatically with consumers spending most of their time on their mobiles. Hence, digital marketing is the key to success in this country. On the other hand, emerging markets like Myanmar have high viewership of TV. Hence, we have local communication and local media planning. To be successful in each country where we operate, Unilever ensures that there is adequate local resources to customize products and address local needs. Think global, act local is the key to succeed in each market.

CA: Please share what is the key to building client relationships for the long run in your sector?

RM: In the FMCG business, we need to build relations with our customers (distributors, retailers and wholesalers) and our end consumers. To build sustainable relationships with our customers, a company needs to offer a profitable business model for distributors and competitive terms to retailers. Transparency in dealings, being ethical and consistent builds trust with business partners. For successful FMCG companies, many distributors have been associated with the company since decades. Delighting customers with products and communication which results in a fast offtake and outstanding services through the sales team keeps the partnership healthy.

To ensure that end consumers continue to use existing products and try new introductions, companies must ensure a steady stream of innovative offerings, exciting communication and appropriate pricing. Great product experience and true delivery of the promise are critical to building brand loyalty.

CA: From your long association with Unilever, could you please share the unique characteristics of your company and what makes it stand out from the competition?

RM: Having retired from Unilever, I can respond as an external observer. Unilever stands out for truly living its values: bias for action, customer and consumer centricity, growth mind set, building teams and talent, accountability and responsibility. These values are embedded in all employees which ensures consistent thinking across the organisation. Unilever wants to do well by doing good. Doing business in a sustainable way which is good for the community and the planet are the key pillars for success.

[back to top ^](#)

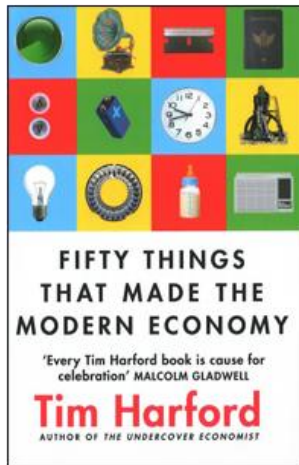


RESOURCES



Fifty Things that made the Economy

- Tim Harford



Harford's simple and insightful read is about the fifty things that helped shape the modern, sophisticated global economy that we live in.

The author interestingly asks readers as to how one would keep the embers of a civilisation alive after a catastrophe? His answer, a simple yet transformative technology, the plough! The plough, according to the author, is ultimately what kick started civilisation in the first place. From the idea of a plough, Harford has successfully traced back the history of the simplistic plough which was initially used as tool for foraging purposes, eventually underpinning the rise of different civilisations, and also which led to a shift of economic power. It was this simplistic plough which also led to the possibility of other inventions such as writing, property rights, chemical fertilisers and others!

As simple as the plough might be, the book is interspersed with inventions that were not only seen as solutions to problems but as something that caught on and shaped lives in unpredictable ways. While these inventions solved problems, they also often created a problem elsewhere!

Harford explains, through seven sections, that each invention had the ability to differentiate between who would win the most out of an invention and who would lose out the most. Take for example, the introduction of machines in England. Luddites (a term used by Economists to describe activists who did not understand the benefits of new technology), in this case traditional weavers and textile workers, smashed machines as they knew that these machines would not only make them poorer but also devalue their skills.

Moreover, real innovations have the ability to reshape experiences. The shopping experience, for instance, was taken to a different level after Harry Selfridge ensured that customers had a pleasant experience and swept away the previous shopkeeper's custom of stashing merchandise in places where sales assistants had to fetch it for you. He instead had open aisles where one could feel and inspect the product, which we take for granted today. Some inventions work only as part of a broader system. The most environment friendly 'mass transport' system, the elevator, is proof of this, where the challenges of tall sky scrapers are being met by super light lift ropes, air conditioning and computer controls.

Some of the most powerful inventions were those that allowed other inventions to flourish. Inventions such as the bar

code, shipping containers and cold chain technology combined to unleash the concept of globalisation. The book does not pinpoint a single person responsible for an invention, nor does it answer where inventions really came from, but one thing is for sure - all innovations came from an evolving world and changing needs. Inventions such as the iPhone and the radar, for example, took shape after the combined efforts of individual geniuses and the State/government funding.

An analysis of the various inventions will help in looking at these creations and discoveries in a different light; one might be able to draw lessons on how they should look at inventions today. What emerges strongly in the book is that inventions and discoveries have had their good and bad points. Despite the unintended consequences and unwelcomed effects of the various inventions, the overall impact of these discoveries has been positive.

Looking ahead, we are more hopeful of future inventions that will not only continue to solve current problems but will also make us richer and healthier. An underlining lesson that runs through the fifty inventions is that there has to be a constant need to encourage inventiveness, and with any new invention, one must constantly ask as to how these discoveries might maximise benefits and mitigate risks.

[back to top ^](#)

FEEDBACK

UNSUBSCRIBE

<http://www.empoweredindia.com>

Empowered Learning Systems Pvt. Ltd.

101, Lords Manor, 49, Sahaney Sujan Park, Lullanagar, Pune – 411040, Maharashtra, India

®The ELS Lotus logo is trademark of Empowered Learning Systems Pvt. Ltd.

© 2018 Copyright Empowered Learning Systems Pvt. Ltd. (ELS). For private circulation to clients and well-wishers of ELS. While ELS endeavors to ensure accuracy of information, we do not accept any responsibility for any loss or damage to any person resulting from it.