

## Arvind Singhal: Take a breather, map the value chain

As the first decade of this new millennium ends, there is no doubt that India and Indian business have made a dramatic progress



Arvind Singhal / New Delhi December 31, 2009, 0:49 IST

As the first decade of this new millennium ends, there is no doubt that India and Indian business have made a dramatic progress. The economy has nearly doubled to about \$1.2 trillion in the last 10 years, and another doubling is likely to happen in the next 10. The market capitalisation of the BSE is already over \$1.2 trillion, up from \$184 billion in 2000. The domestic retail market is now over \$435 billion, up from about \$200 billion in 2000, and poised to cross \$1 trillion mark by 2020.

In this heady background of growth, notwithstanding a few hiccup years now and then, it is not surprising that most businesses and the top managers are readying themselves for further, steady growth in the coming decade and beyond. Most would be tempted to continue with a "more of the same but do it better" strategy. Indeed, for some, this may well be the most pragmatic strategy to adopt. However, for many businesses and their management leadership, the holiday/calendar year-ending-induced slowdown of routine business activity may be a good time to take a breather not only in an individual sense but indeed, to conduct a reality check/health check for their businesses too. This is simply because a \$2 trillion economy will throw up more, and perhaps different, opportunities in India than what has been the case in the current and preceding decades.

A good starting point should be to map out the complete value chain from the very first link through the end customer or the consumer. With this mapping out, the value added at each link in this chain should be very carefully measured along with the potential for reducing any losses at different points in the chain. For example, the textile value chain encompasses fibre, spinning, weaving or knitting, garment making, garment processing, distribution, branding, and retailing. A kilogram of raw cotton fibre, which may cost about Rs 70, could potentially deliver three or more men's shirts which, if branded, say, as Arrow or Louis Philippe, could retail for a total of more than Rs 6,000. A kilogram of raw potato, costing about Rs 15, when converted into processed chips and branded, say, as Lays, could retail for Rs 200 or more to the end consumer.

Once the value chain mapping has been completed, not only on today's parameters but on the basis of a qualitative assessment of the business conditions in the coming years, it is likely that for some, the strategic answer could be make a conscious effort to shift from one element of the value chain to another.

The next step could be assess and then reassess in which segment of the market should the business compete. As the size of the economy expands, and consumer spending goes from need-based to a combination of need, want and aspiration-based, for many product categories, the market segments available to focus on could range from luxury, bridge-to-luxury, premium, mass-premium, mid-price, mass, to deep discount.

Thereafter, the next reflection could be on which markets to focus on (globally and then in India, where and how) since there is a tectonic shift in the relative attractiveness of different markets (and different geographies within India) based on a number of factors, and hence some of the traditionally attractive markets may become less attractive relative to some emerging ones.

This introspection should lead to a fresh assessment of the financial and organisational resource needs, and product innovation, marketing and branding/rebranding efforts. And finally, a fresh reality check on the public image of the company (or the group) and corporate governance systems in place should be very objectively undertaken.

This pause, if taken and then used intelligently and diligently to conduct the assessment/reassessment exercise as elaborated above, may throw up some interesting outcomes for many, leading to a strategic refinement for some, and

perhaps a completely different strategic direction for others. What is very likely is, at the end of 2019, the winners of that decade will be largely those who chose to see the coming decade as a fundamentally different one from any of the previous that India has seen.

[arvind.singhal@technopak.com](mailto:arvind.singhal@technopak.com)