



# **Sustaining business in a disruptive environment**

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# Disruptive Business Models



Hospitality	Education	Customer Service	Shopping	Banking
<p>Airbnb</p> <p><b>Private homeowners</b> use its <b>cloud-based platform</b> to list and collect payments for their rooms and houses, with mobile apps and social integrations</p>	<p>Skillshare (VLE)</p> <p><b>A la carte education marketplace</b> — experts could teach a class on any subject, and anyone could attend. Leverages the intelligence and expertise of normal to create a massive intellectual marketplace</p>	<p>Uber</p> <p>Transportation company whose <b>mobile application</b> connects consumers who need rides with drivers who are willing to provide them. Payment done through <b>apps</b>.</p>	<p>Snapdeal</p> <p>Negotiates a deal with the merchant and its revenue share in the discounted value. Charges only its revenue share to the customer for issuing a coupon and customer pays the merchant's share directly on exercising the coupon.</p>	<p>Digital Banking</p> <ul style="list-style-type: none"> <li>• Online notifications</li> <li>• Net based banking and funds transfer</li> <li>• SMS and email notifications</li> <li>• Insurance cover</li> <li>• Wealth management</li> </ul>
<p>Oyo Rooms</p> <p>Build a <b>credible chain of budget hotels</b> from the existing supply of low-end, <b>unprofessionally run guesthouses</b> that dot India Markets. Lists these small hotels online under the OYO brand and works with them to offer basic quality at <b>one-third</b> the market price</p>	<p>MOOC</p> <p><b>Online course</b> aimed at unlimited participation and open access via the web. In addition to filmed lectures, readings, and problem sets, many MOOCs provide <b>interactive user forums</b> to support community interactions among students, professors, and teaching assistants. MOOCs are a recent and widely researched development in distance education</p>	<p>Foodpanda</p> <p><b>Aggregates</b> the supply side of customers' requirements all at one place. Offers customers options to compare the features of various offers. Charges certain amount of <b>commission</b> from the restaurants affiliated to it usually a % of the total bill.</p>	<p>Flipkart</p> <p><b>Business model is based on marketplace system.</b> It brings the vendors and buyers together. Based on controlling end to end value chain, right from procurement to delivery everything is controlled by service provider.</p>	<p>Mobile Wallet (Paytm)</p> <p><b>Contactless payment</b> technologies allow banks and other providers to launch digital wallets that can potentially replace physical wallets and also provide a number of add-on services like ticketing, couponing, loyalty offers, payments and banking.</p>



# Other disruptive business models

- Autonomous vehicles – Self-driving cars
  - Google has formed a company to manufacture self-driving cars wherein the driver will speak in to the car giving instructions. It will be electrically charged.
- Manufacturing – 3D printing
  - 3D printing pioneer MakerBot announced the availability of filaments (the basic plastic media used by the printers) that have integrated real-world materials including iron, bronze, maple and limestone. Printing objects with these new media can produce much more realistic looking and acting output, moving the technology closer to printing “real” items rather than plastic simulacra.
- Social business Model
  - Grameen Bank



# Disrupting Business models – common threads across

- Cutting out the middle man – Make my trip.com
- Challenge the existing rules – AirBnB, Uber
- Dramatically reduce complexity
- Value Added product : Remove one element of your product: Waterless Toilet, Filter less Vacuum cleaner
- Be the first to go Digital: Amazon, Ebay
- Cut prices : Skype
- Learn from other industries : IDrive system of BMW, Nike Shox Shoes from shock absorbers
- Develop closed eco-systems – Google, Apple
- Unconventional target groups : Nintendo
- Do impossible things : Ice Hotel in Dubai.



But it has happened before:

- The Auto industry in UK and USA by Japanese Car manufacturers in the '70s
- BM - from hardware to services
- Ericson turnaround in 2012.
- BMW's near death experience in the 1950s



# Other causes of Disruption

- Globalisation
- Pace of change @ emerging markets
- De/ Re Regulation of a number of industries
- Political Turbulence
- Obsolescence of technology ; innovation
- Consumer Behaviour
- Cost structures

# Response to Disruption – the unconventional element



Disruptive innovation – start small at a place where no one expects you to start, create a market opportunity where one did not exist and then push aside many of the incumbents



# Managing Disruption

## □ Anticipate and Prepare

You cannot anticipate all possible future challenges. But you can mitigate the impact of at-least some of the risks

### ❖ Provide for a robust Risk Evaluation and mitigation Strategy (REMS)

Collate all risks in various buckets and anticipate the

- Probability of the risk
- The Velocity of the impact
- The likely loss because of the impact
- Potential risk mitigating solutions
- Communication of the REMS to appropriate levels.

Key to success is the anticipation – using data to crystal gaze into the future





# Plan and Respond

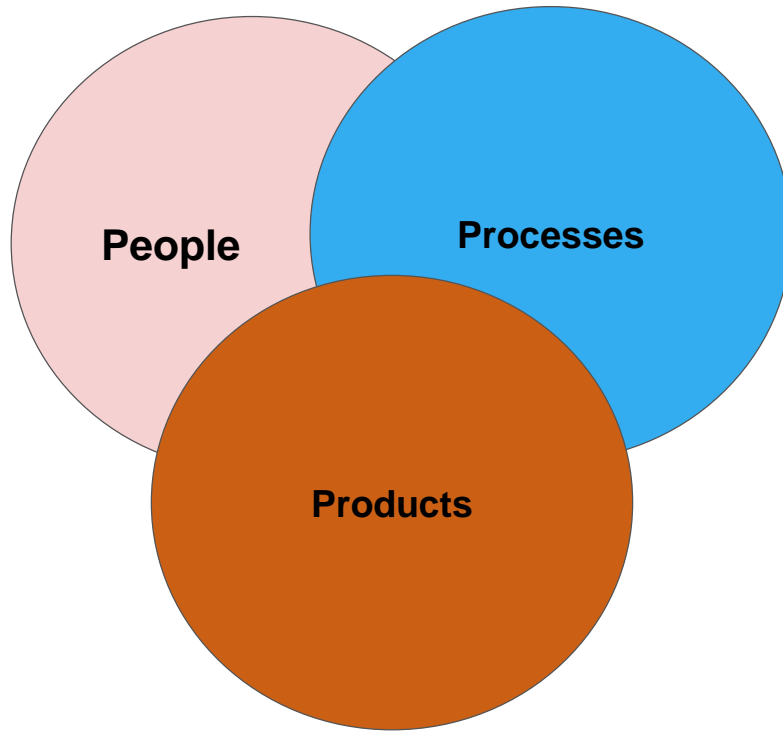
- This can happen in two ways
  - Response to a unexpected disruption
  - Realize vulnerability Proactively

**Standard Chartered Bank's response to the Securities Scam** in the early nineties. Response embraces

- Teams to deal with the situation and teams to carry on BAU – business as usual
- Response plans – critical to bear down human inertia
- Effective communication
- Cogent decisions about the team of top executives
- Craft effective turnaround strategy

The **Pharma move** into Specialty business including Bio Similar

- Systematically moving up the value chain
- Risk evaluation and Capital allocation
- Systematically building the 'building blocks'
- Aligning operating strategy and M&A



Organisational redesign to be nimble footed- power to the people on the ground level

## **People**

- Foster a culture of change
- Create a thriving meritocracy

## **Products**

- Continuous innovation

## **Processes**

- Cost optimization
- Cutting down complexity



**LUPIN**

**Thank you**