Strategic Management - The Competitive Edge

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Module No. # 03

Lecture No. # 14

Synthesis of Internal Factors- 1

In the last class, we were discussing the firm's value chain.

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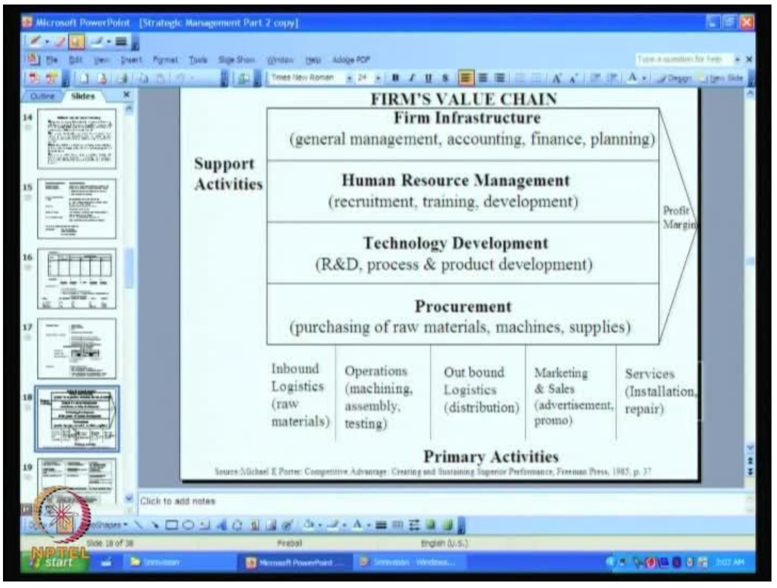

We discussed the value chain diagram given by Porter. Just to have a brief recap, what is value? Value is the price that a buyer is prepared to give for a product produced by the firm.

As long as the price that he is prepared to give is more than the cost that is incurred by the firm, then the firm makes a profit that is, it makes a profit margin; otherwise it makes a loss.

According to the diagram which is given by Porter, the key components of the firm's value chain are the primary activities. The primary activities has got five important components: one is the inbound logistics, second is the operations, third is the outbound logistics, fourth is the marketing and sales, fifth is the services.

These support activities which are four in number, namely, the firm infrastructure, the human resource management, technology development and the procurement, all these leading you to draw the firm's value chain.

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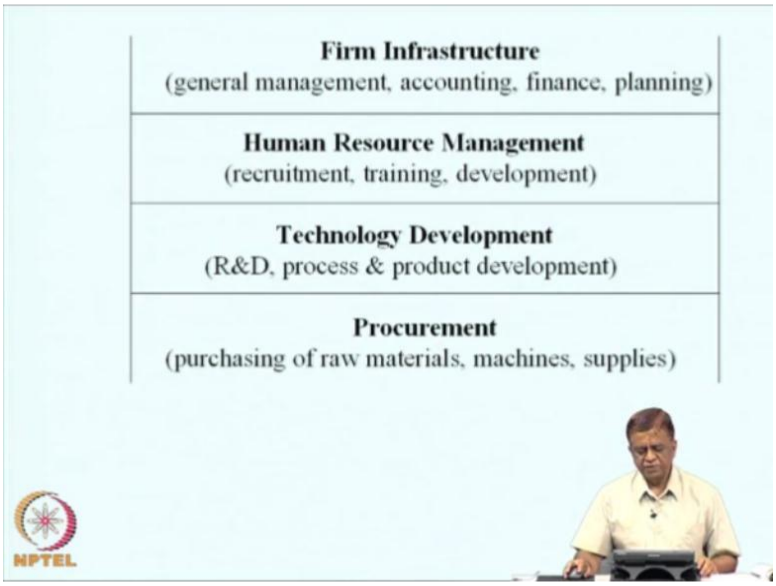

So, this is how the firm's value chain looks like; you have the primary activities, you have the support activities, and depending on the value that the firm is able to create, the firm makes a profit or a loss.

So, this is the way a firm operates as per the value chain given by Porter; so this is a very important concept in strategic management and also for a firm. A firm should know where it can maximize its value, those components where it can maximize its value, decisions taken in those particular areas will help the firm to make or realize higher profit margins.

Now, let me read for you a few small things given by Porter in his book. According to him, differences among the competitor value chains are a key source of competitive advantage. Corporate value chain analysis goes through the following steps: one is examining each product's value chain, product's lines value chain, then determining which of the activities can be considered a strength or a weakness, then the second step is to find out the linkages with each product lines value chain, that is connections between the way one value activity is performed and the cost of performing differently, that is, an example can be quality control.

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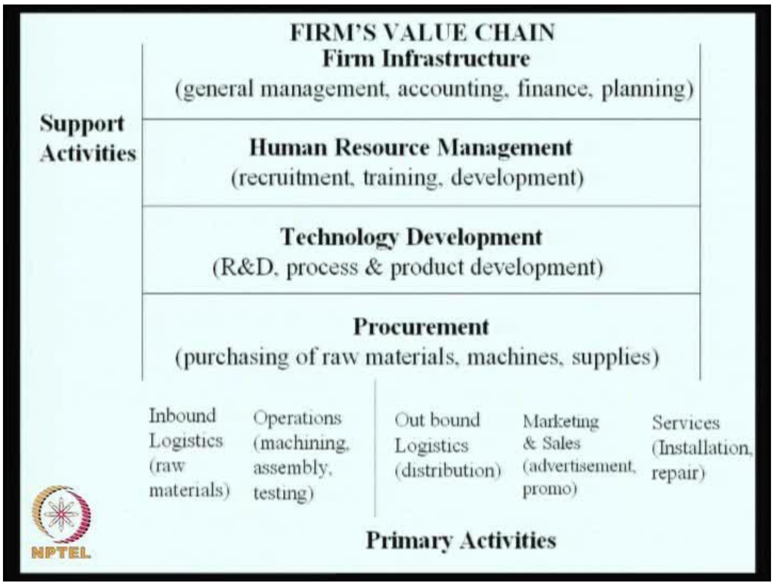

To gain competitive advantage in a market, a function may be performed in a different way with different results. For example, total quality inspection may add value to the production cost, but this may be offset by savings that accrued from repairs not being done for the defective parts. Examining potential synergies among value chains of different product lines or business units, this is the third step. Each of these value elements has an inherent economy of scale, where lowest possible costs are incurred per unit of output. If a product is produced at a level not good enough to reach economies of scale in distribution, it can be substituted by another product in the same distribution channel.

This is referred to in as an economy sub scope resulting when the value chains of two separate products stroke services share the same activities, that is marketing channels or manufacturing facilities. It is possible that the cost of joint production of multiple products will turn out to be less. So, sometimes people will ask you about these economies of scope. When does this economies of scope really come in?

So, if you are really reading it back again, if a product is produced at a level not good enough to reach economies of scale in distribution, it can be substituted by another product in the same distribution channel. This is referred to as economies of scope, resulting when the value chains of two separate products stroke services, share the same activity. It can be marketing channels or manufacturing facilities or both. It is possible that the cost of joint production of multiple products will turn out to be less.

So, these are the differences among the competitor value chains, which a firm can use as a key source of competitive advantage.

So, this gives you an idea of how a value chain is extremely important for the working of a firm. Similarly, one other important aspect of the firm is its culture, the corporate culture. Just giving you some idea of what a corporate culture means, I will just read for you from my book, the exhibit 6.4 on corporate cultures as competitive advantage at ABB. ABB stands for Asea Brown Boveri. This is available to you on page number 98 of the book, the third edition on strategic management.

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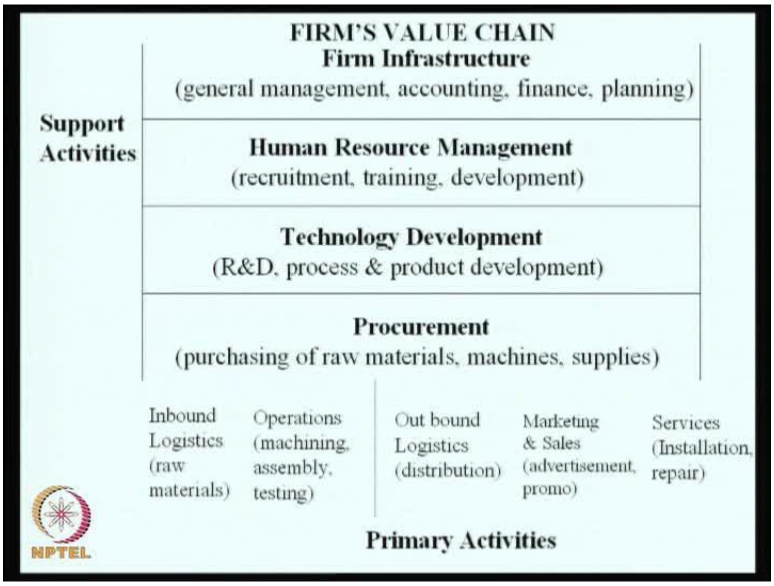

The Zurich based ABB, Asea Brown Boveri AG, is a worldwide builder of power plants, electrical equipment, and industrial factories in 140 countries. By establishing one set of values throughout its global operations, ABB's management believes that it can gain a competitive advantage over its rivals, Siemens AG of Germany and France's Alcatel

Alsthom NV and GE of the US. Percy Barnevik, a Swedish chairman of ABB managed the 1988 merger that formed ABB from Sweden's Asea AB and Switzerland's BBC Brown Boveri limited. At that time, both companies were far behind the world leaders in electrical equipment and engineering. Barnevik introduced his concept of a company with no geographic base; one that had many home markets that could draw the expertise throughout the globe. To do this, he brought in a set of 500 global managers, who could adapt to local cultures while executing ABB's global strategies.

These people are multilingual and move around each of ABBs, 5000 profit centers in 140 countries. Their assignment is to cut cost, improve efficiency, and integrate local businesses with ABB's world view. ABB requires local business unit such as Mexico's motor factory to report both to one of ABB's traveling managers and to a business area manager who sets the global motor strategy for ABB. When the goals of the local factory conflict with the world wide priorities, it is up to the global manager to resolve it. Few multinational corporations are as successful as ABB in getting global strategies to work with local operations.

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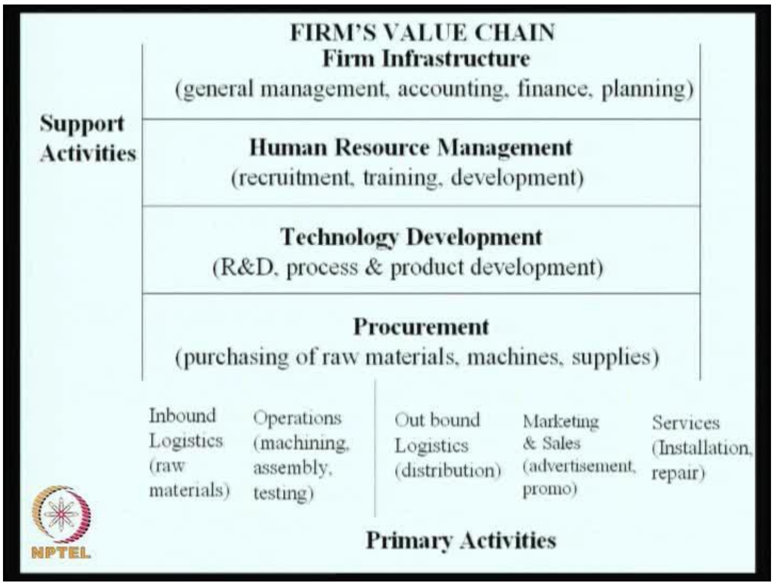

In agreement with a resource based view of the firm, Barnevik states that our strength comes from pulling together, if you can make this work real well, then you get a competitive advantage, competitive edge out of the organization, which is very difficult to copy. See, this is what I just wanted to tell you via which I have emphasized in the earlier classes also. So, if it is difficult for a competitor to imitate or copy your competitive advantage, then the product is going to have a longer life time.

So, I am presenting to you a one more table. This table gives you with respect to the generic strategies of Porter that is the cost leadership, the differentiation, and the focus.

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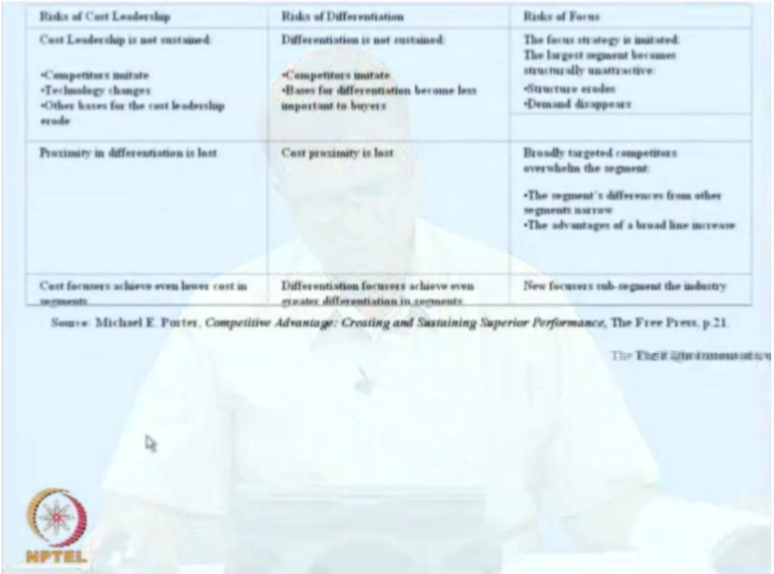

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Source: Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, p.21.

What are the risks that are involved? What is the risk of cost leadership? Cost leadership is not sustained. When is it not sustained, when competitors imitate. This is what I have been trying to impress upon you in the earlier classes also.

Suppose, you have the technology changes, the attribute changes that you have made with respect to a product are such that it can be easily copied by the competitor. As long as your product does not hit the market, whatever attributes that you have chosen to incorporate in a product are withheld within wraps.

As soon as it comes out into the market, everything is open. When everything is open, your competitor will be able to know what the type of attribute changes that you have done viz product is.

What is going to happen in such a type of a scenario? The competitor would like to find out whether if your attributes are better than his attributes, whether his product could be modified to incorporate the changes that you have made.

Now, suppose he finds that incorporating the attributes that you have made into his product are difficult, then your product is going to have a sustainable competitive advantage. It will sustain for that much of time as long as it is not imitated.

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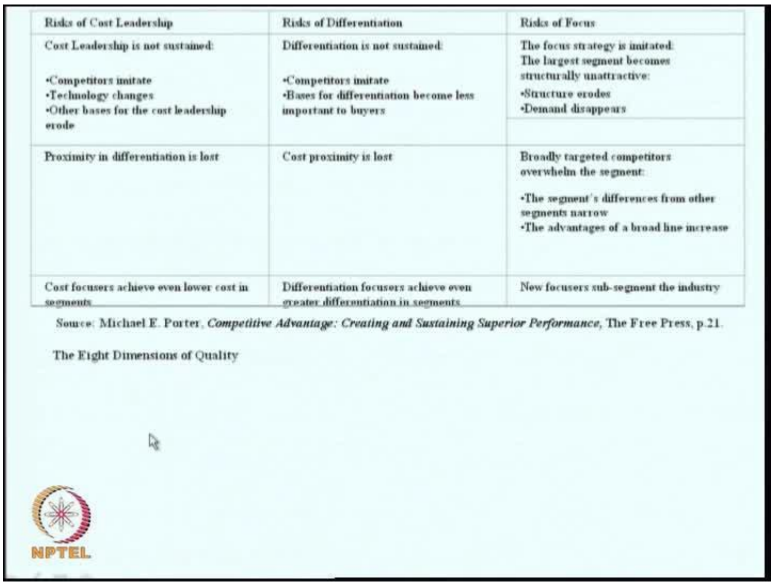

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The Eight Dimensions of Quality

Suppose, it is very easy to imitate the type of changes that you have made - attribute changes that you have made, then the competitive edge that you got is lost; the life of the competitive edge you got is very less, very short. It will be lost very soon.

So, this is what normally happens, when you have a number of players in a competitive market scenario in oligopolistic market. Even a small player can disturb the equilibrium of the market by making some changes which may be difficult for others to copy.

Now, suppose competitors imitate, then that competitive cost leadership is lost. Second is, suppose you incorporated a few things in your products based on the current state of technology- that is based on a current state of technology, your product had let us say 1 to 10 attributes.

Now, for your luck or ill luck, the technology changes, then what is going to happen? Then, the person who is a next mover in a market, will come out with a product, which is a newer technology. This is what is happening with respect to most of the electronic products you are seeing.

So, what you thought was current just about three months back, has got displaced or has got replaced by a newer version. This is happening to your mobile phones, happening to your TVs, happening to so many of the electronic products.

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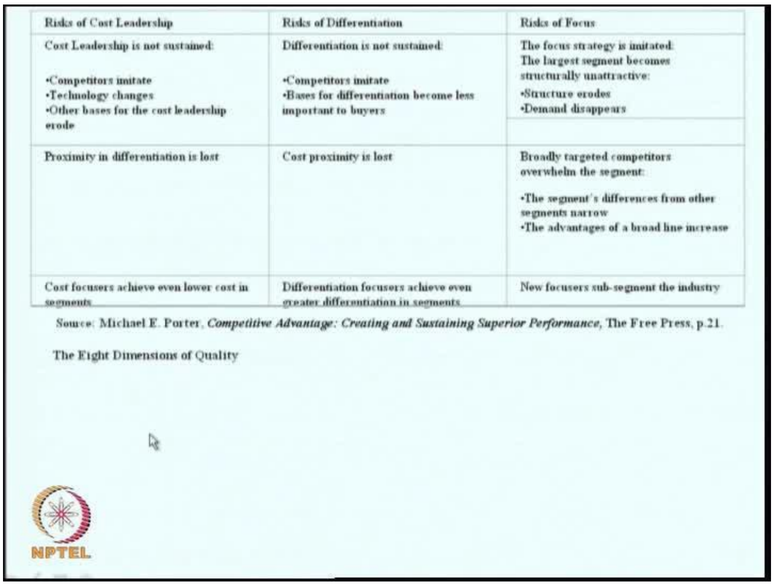

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The result is, what you thought was the state of the art thing just about three months back, to your great strain surprise find that so many new features added in a new product and it has replaced the old one. Many times, for your ill luck, let us say, the product that you have you bought hardly six month back goes wrong for whatever reason, then you may not be having the parts to repair it back also.

Because the spares also will be phased out very fast by the companies concerned. This is the type of scenario which you are seeing in the present day competitive market. Then what is going to happen? Then that will eat into the cost leadership. So, this is happening with respect to most of the mobile markets. .

So, as of now if you really see, Nokia is having leadership in the Indian mobile market; but being threatened very fast. So many companies, are coming out with new products, with the Apple's new mobile phone setting the market and BlackBerry's saying that so many new features we are able to give.

So Nokia is almost on the toes, to match each of these attributes in the products in order to hold on to its market share and the changes that is taking place in technology. Nothing more amplifies this, than this telecommunication market, where this 3G is making a fast entry or has even made and entry into India itself.

Now, the other thing, cost leadership is not sustained when other bases for cost leadership payroll. That is where I said, look at the other factors or the other aspects of the value chain; suppose, you lose out on any of the other aspects of the value chain also, the cost leadership payrolls.

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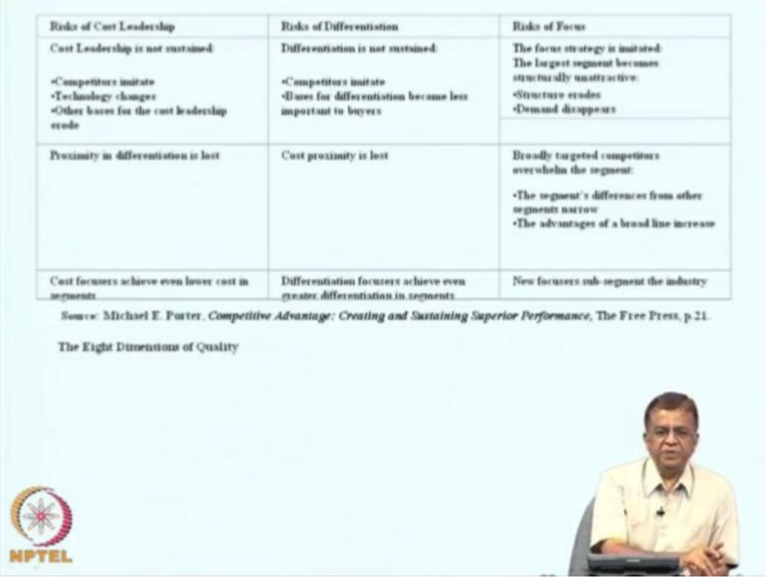

So, maintaining this cost leadership is a very important generic strategy; but is not sustained when such things happen. Then what is going to happen when you are not able to sustain this cost leadership? What might happen is, you may lose the cost edge; that is the competitive cost edge in the market.

Suppose you are also not able to differentiate your product from the competitor’s product, what is going to happen? The proximity in differentiation is going to be lost. Then what can your competitor do? Suppose, for the competitor that is the time to move into the market, he may come with even lower cost in the product. So, cost focuses achieve even lower cost in segment; so, this is what is likely to happen. This is the risks of cost leadership; the first generic strategy that was given by Porter.

What are the risks of differentiation? When is differentiation not sustained? Again, differentiation is not sustained when competitors imitate. (Refer Slide Time: 11:35)

So, if competitor starts imitating your product, you really have a very bad time. Second thing is, bases for differentiation become less important to buyers. What do you mean by this? You take the example of so many toilet soaps in the market, each soap gives an advertisement; for example, you have the Santoor, you have Lux, and so many soaps coming out with different ads saying, if you use Santoor or if you use Lux , your skin will be bright and all those types of things.

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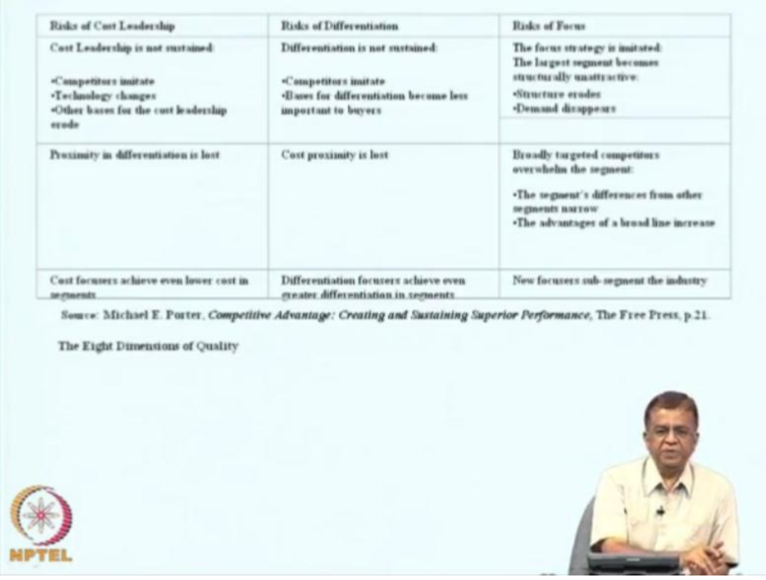

Now, the next question is, here is another soap which comes out again with regular ads. Which is this soap? This soap is the Dove. What does it tell you? It tells you, use this soap once that is this Dove soap once, you will not go in for any other soap at all. That is you will leave all other soaps, Santoor, Lux or whichever you want to name it. All the other soaps are gone or the whether a Cinthol. So, you will never use any other soap other than Dove.

Why does he claim that? He demonstrates it with the test. He says that if you use any other soap, you touch your skin it will be rough. If you use this Dove soap, touch your skin after the use of this Dove soap, it is so smooth; it is having this moisturizing content and the effect of keeping your skin smooth, which no other soap in the market can give.

So, this is the type of competitive advantage which the differentiation with respect to the product, which soap is claiming over the other soaps in the market. When the people use it, they do subscribe to that view. That is, when the consumer uses it, they say yes, I find that after using this Dove soap, my skin has really become smooth compared to other soaps which I was using, may be the Lux or whatever.

So, he may try to shift to Dove. What is it likely to happen? You are having a user shift taking place from other soaps to Dove; that is because you are able to sustain the differentiation between your product and the other competing product.

Suppose you are not able to sustain this, and then there is no base for differentiation. What is going to happen? Your differentiation in the market place, that is the product differentiation, the edge that you are gaining, the competitive edge that you are gaining is lost.

Similarly, differentiation is not sustained, when cost proximity is lost. So, suppose you say my product is priced at x, the competitor's product is let us say 0.98. That is, instead of x is 0.98 x, for the normal buyer, both may mean x only. You may say, what after all a 0.02 difference is - a difference of 0.02 to x. There is really not much of a difference between this product and the competitor's product and then you are likely to lose that.

Similarly, what is going to happen means, such a type of thing starts happening in a market place - differentiation focuses achieve even greater differentiation is segments. So, what is going to happen is the people who focus on differentiation, they will come very hard on your product and they are likely to say there is not much of a differentiation between this product and our product, so it is as good as buying the same product.

So, this can happen into any product, in any market, whether it is a simple consumer product or a consumer durable or it can be a costly product also. This is happening now in all types of markets. Similarly, what is the type of risk that this third generic strategy focuses? It is likely to have risks of focus. The focus strategy, what is going, suppose again it is imitated, there is no escape at all. So, where will you focus? You are focusing on particular market segment; your competitor also keeps on focusing on the same segment and he is able to match every move of yours.

Then whatever edge that you had is getting slowly eroded, and then the largest segment becomes structurally unattractive. That was your niche market for you, that niche market itself is becoming structurally unattractive, then what is going to happen? This structure erodes, so that the market structure itself erodes for the firm. Then what is going to happen in the market that is in that particular market segment? Demand disappears.

So, you have no takers for the product. This is the type of risk that this focus strategy can have, that is when it will not get sustained. (Refer Slide Time: 11:35)

Similarly, basically, broadly targeted competitors overwhelm the segment- what is going to happen? Suppose the competitor starts overwhelming the segment; that is more and more player start coming into the segment, the segment's difference from other segments narrow. So, your segment matter. Segment what you claimed as niche no longer being niche. Then the other the advantages of a broad line increase.

So, what will happen in such a type of situation? A new player focuses sub segment the industry, so a new player, a new person who comes in to this whole scenario will sub segment the industry.

So, these are some of the things which can happen to you with respect to the generic strategies, these are the risks that are associated with the generic strategies. I mentioned to you about this quality, so you may do a product, you may come out with a better quality product in a market.

So, what are the dimensions of this quality? I am giving below for you the eight dimensions of quality. This is applicable to every product, which is out in a market place. These are the normally the eight dimensions of quality.

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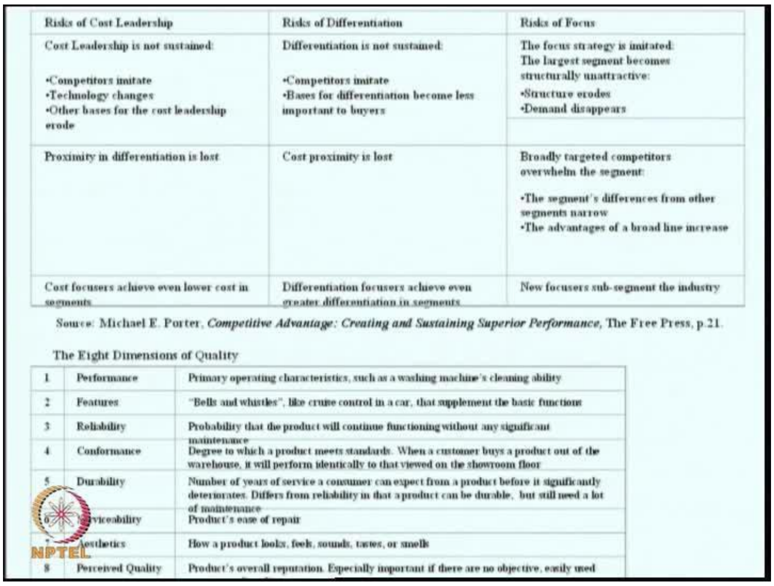

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The Eight Dimensions of Quality

1	Performance	Primary operating characteristics, such as a washing machine's cleaning ability
2	Features	"Bells and whistles", like cruise control in a car, that supplement the basic functions
3	Reliability	Probability that the product will continue functioning without any significant maintenance
4	Conformance	Degree to which a product meets standards. When a customer buys a product out of the warehouse, it will perform identically to that viewed on the showroom floor
5	Durability	Number of years of service a consumer can expect from a product before it significantly deteriorates. Differs from reliability in that a product can be durable, but still need a lot of maintenance
6	Serviceability	Product's ease of repair
7	Aesthetics	How a product looks, feels, sounds, tastes, or smells
8	Perceived Quality	Product's overall reputation. Especially important if there are no objective, easily used

First one is performance. What is performance? Performance refers to primary operating characteristics, such as a washing machine's cleaning ability - you take a simple washing machine, why do you put your clothes to your washing machine?

In the present day Indian context, let us say, why do you want to use a washing machine? When I say no time for hand washing, the other reason which normally is given is that finding a maid servant has become very hard. Then the third reason which the house wife is fond of giving is, the neighbors are having washing machines, why I should not have this washing machine?

So, normally you tend to agree with all this; then what is going to happen? So, you buy a washing machine. When you buy this washing machine, you want buy a washing machine which is very close to a hand wash, which is able to replace a hand wash.

So, it should give you as clean a wash as possible, very close to your hand wash. That is its primary operating characteristic for a washing machine. That is an example. Then the second one - that is an example of quality characteristic, the dimension of quality. Second one is the features.

What is this feature? These are referred to as belts and vessels like cruise control in a car that supplements the basic functions. What is this cruise control in a car? (Refer Slide Time: 27:30)

So, you normally have four gears in a car. There is also an over drive gear- that is the fifth gear. When do you go in for this fifth gear? You go in for this fifth gear, when you have reached a certain level of speed and that you find that the road conditions are such that you can go in for the overdrive - that is you go beyond that 50 mark, which is normally stipulated. They say you should be able to cross at least 45 kilo meters per hour when you can go into this fifth gear; otherwise do not go into the fifth gear, you are really pressurizing the engine. The engine is put to lot of undo pressure. So, these are some of features that you have in the automotive segments. These are called some belts and visuals which have come to cars, which are now in the Indian market. It is available to you even in your Indica, which is one of the most common vehicles, which is used in the Indian market, whether it is for taxi or some or even for an individual use. So, you have this sometimes called as the middle class car in the Indian market.

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So, most of them use the Indica- for the simple reason it gives you that operational economy due to the difference in fuel prices between petrol and diesel. Most of these diesel, these indica cars run on diesel, so they give you this, even this Indica car has this over drive gear.

The third dimension of quality is what is called conformance. What is conformance? (Refer Slide Time: 27:30) Degree to which a product meets standards- what you mean by this? When a customer buys a product out of the warehouse, it will perform identically to what to that viewed on the show room floor.

So, what you exhibited in the showroom and what is the performance of the product outside, both should be the identical. It should not be that your show room washing machine is having better cleaning ability compared to the when one which is sold to the customer, then it will boomerang on the wholesales.

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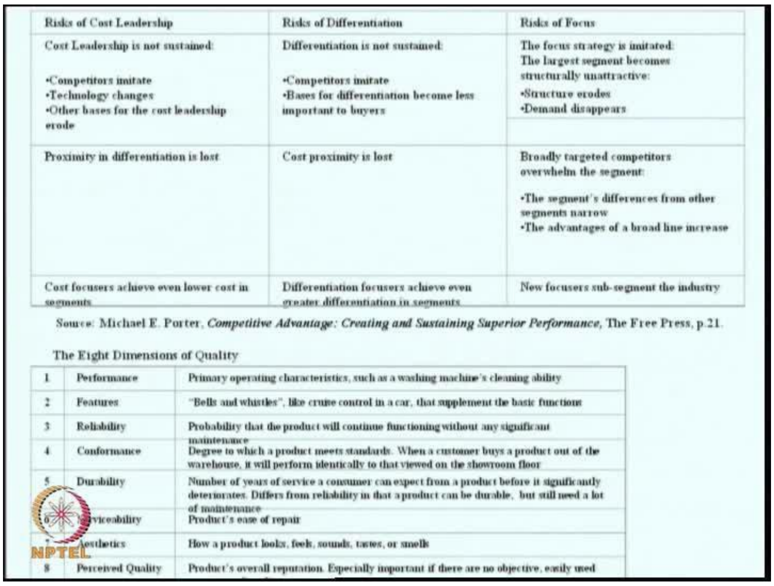

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The fourth one is durability. What is durability? (Refer Slide Time: 27:30) Number of years of service, a consumer can expect from a product before it significantly deteriorates. There is a second line in this, differs from reliability in that- a product can be durable, but still needs a lot of maintenance that is not reliable. When your product keeps on wanting maintenance every month - suppose you are forced to take your car to the service station or the garage, then you get fed up with the car. Use the car only. So, this is the difference between durability and reliability of the product. Then the sixth dimension of quality is what is called serviceability - that is the product's ease of repair. (Refer Slide Time: 27:30)

Now, suppose you take a number of different types of automotives there in Indian market- take some of the cars which are there, like the Fiat Uno, which was a rave when it was introduced saying that so many people wanted to take this Fiat Uno, but unfortunately the company could not keep to its delivery schedules. Many of the consumers got cheesed off. They took away the deposits.

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2	Features	"Bells and whistles", like cruise control in a car, that supplement the basic functions
3	Reliability	Probability that the product will continue functioning without any significant maintenance
4	Conformance	Degree to which a product meets standards. When a customer buys a product out of the warehouse, it will perform identically to that viewed on the showroom floor
5	Durability	Number of years of service a consumer can expect from a product before it significantly deteriorates. Differs from reliability in that a product can be durable, but still need a lot of maintenance
6	rviceability	Product's ease of repair
[illegible]	Aesthetics	How a product looks, feels, sounds, tastes, or smells
8	Perceived Quality	Product's overall reputation. Especially important if there are no objective, easily used

But some of them stuck to this Uno. Now, what is the state of affairs with reference to this Fiat Uno, for the people who have bought this car? Suppose your car goes for repair, getting the proper garage for repair is a first question, then the next question is after entering that proper garage whether the part that you want for the car is available or not, so, even the spare parts are not so easily available.

The third one is the exorbitantly high price of this spares. Suppose, your spares are not easily available, then the company charges you more for the replacement of the spares. So, the serviceability- the ease of repairing this whole thing itself is not there. Then it is lost then it loses on this dimension of quality.

Then esthetics, that is how a product looks, feels, sounds or tastes or smells depending on a type of product. So, a car how it looks, many times you just see a car and you say how cute this car is, fall in love with that all those types of things.

Suppose you look at a diamond, what is going to happen to your diamond so characterized by the forces of and you find that higher the caret, the cost of the diamond is going up, so then you go to a diamond merchant to find out about the purity of the diamond that is the clarity or whatever. Then he is likely to say, if you go to a very good diamond merchant in your city, he may put the diamond under a microscope and ask you to see that diamond, saying that this is the diamond which I am giving you - examine this for its purity, and you just looked at that diamond in that microscope. What are you likely to see? You are likely to see the bottom of the diamond. The bottom of the diamond is visible to you in the microscope and he will say this is the level of purity which I am able to offer, so that is why my price for the diamond is also higher compared to the competitors.

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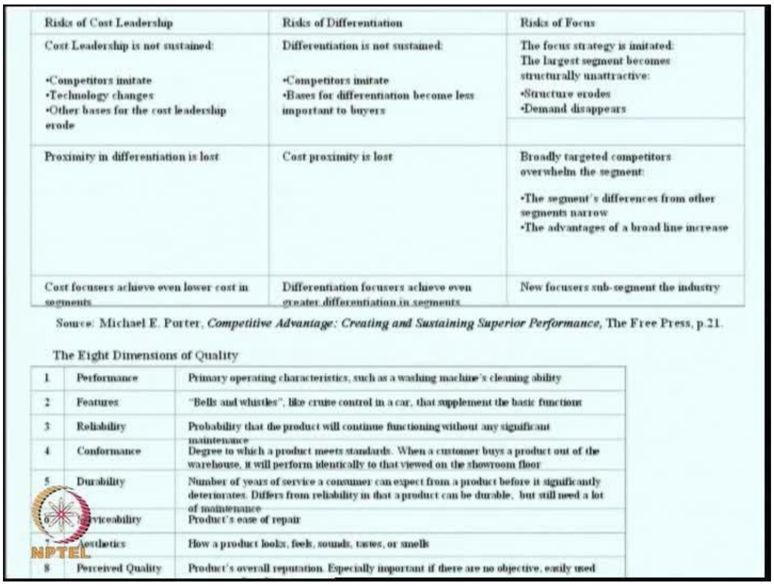

Risks of Cost Leadership	Risks of Differentiation	Risks of Focus
Cost Leadership is not sustained: •Competitors imitate •Technology changes •Other bases for the cost leadership erode	Differentiation is not sustained: •Competitors imitate •Bases for differentiation become less important to buyers	The focus strategy is imitated: The largest segment becomes structurally unattractive: •Structure erodes •Demand disappears
Proximity in differentiation is lost	Cost proximity is lost	Broadly targeted competitors overwhelm the segment: •The segment's differences from other segments narrow •The advantages of a broad line increase
Cost focusers achieve even lower cost in segments	Differentiation focusers achieve even greater differentiation in segments	New focusers sub-segment the industry

Source: Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, p.21.

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So, these are different markets, where the price loses its competitive advantage. So, higher the price, it may gain a competitive advantage - that is, you are not looking at price as the differentiator, when you are going in for a diamond purchase, you know that it is likely to be priced high and when you noted it is likely to be priced high, you may like to take that diamond which is perhaps the best in the market place- so, that price as the differentiator may lose its edge there.

So, this is aesthetics or whatever which is applicable not only to the normal products like this automobile or whatever, but it is also applicable to some of these high priced products like this diamonds. (Refer Slide Time: 27:30)

The last one is perceived quality - products overall reputation especially important if there are no objective easily used measures of quality. Suppose you take a product and you find that the competitor's product and this product, you are not able to quickly make out the differences, then what is going to happen?

The brand name of the competing products will try to tell you how you can make this product A, a quality comparison with product B. You say, this salt is coming from the house of TATA's, then it must be a quality salt.

This salt is a packaged salt from a local player. So, the quality of this salt cannot be compared with the salt coming from the house of TATA's. So, this is the perceived quality with respect to a product from the eyes of the customer or the consumer.

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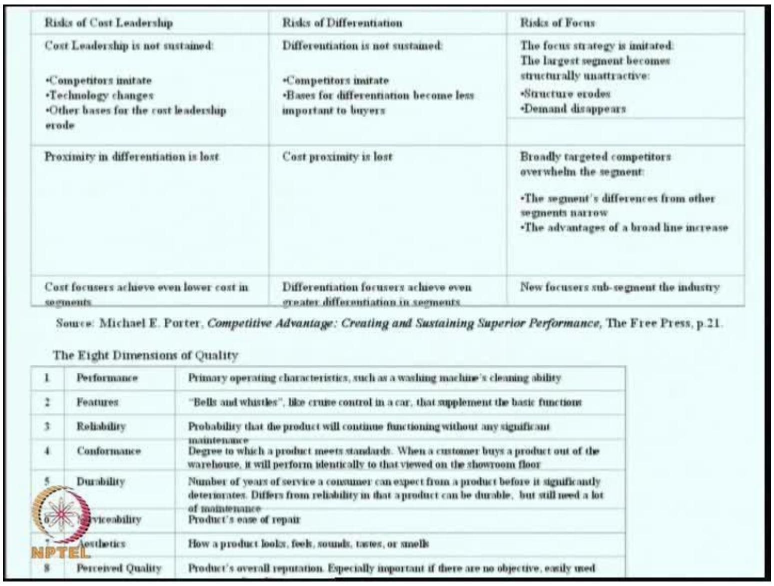

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So, he views this TATA's, the house of TATA's as always coming out with quality products. Anything coming out form the house of TATA's, he says that yes it is a quality product I am going in for this. These are the eight dimensions of quality. So this is a very important slide, wherein I have brought out for you what are the risks that are associated with the generic strategies given by Porter. The generic strategies given by Porter are three - one is cost leadership, second is differentiation and third is focus.

I have brought out to you when are these generic strategies not going to be sustained? What is the risk that is associated? I have also brought out to you what are these eight dimensions of quality.

So many times people ask this question, what are the dimensions of quality? Is quality having a dimension at all? Yes. Qualities have dimension - not just one dimension it is having eight dimensions of quality. So, it is having eight dimensions. The eight dimensions are performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality.

So, these are two important aspects which you may give a good reading. Then we go for- what is meant by key factors for success.

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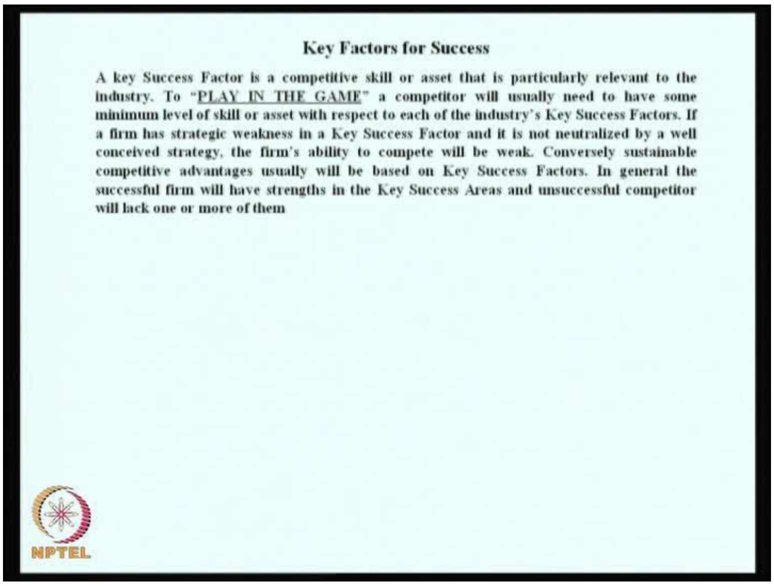

So, this is what I just told you. In order to gain competitive advantage, this can be one of the routes -that is, this KFS or this CFS. So, who was the person to give these key factors for success?

So, this KFS was coined by a gentleman from Japan. His name is Kenichi Ohmae. He said firms can use this KFS for gaining competitive advantage in the market place. When he gave this term, key factors for success - naturally the markets started getting enthused about this what is this.

A key success factor is a competitive skill or asset that is particularly relevant to the industry. He uses this term to play in the game. A competitor will usually need to have more minimum level of skill or asset with respect to each of the industry's key success factors.

If a firm has a strategic weakness in a key success factor and it is not neutralized by a well conceived strategy, the firm's ability to compete will be weak. Conversely, sustainable competitive advantages usually will be based on key success factors.

In general, the successful firm will have strengths in the key success areas and unsuccessful firms will lack one or more of them - that is the key for success in a market place.

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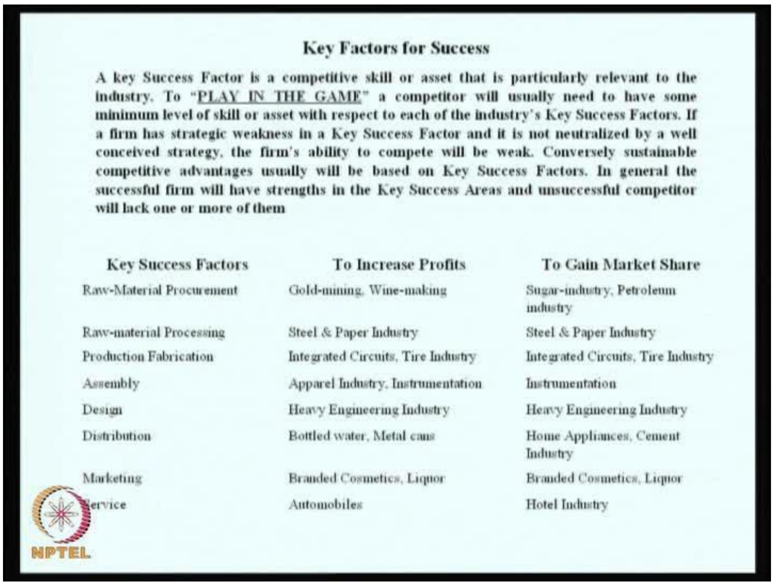

A small table is given to you. This table gives you the key success factors. Then the second column gives you to increase profits. The third column tells you to gain market share. Let us look at a few of these. Suppose, your key success factor is raw material procurement, where is this going to be the key success factor - to increase profits? You can look at gold mining, you can look at wine making, as the industries where this raw material procurement is a KSF. So, it is that area where you require to be an adapt to play in the game.

It also is the key factor to play in the game for some of these industries to gain market share. Which are the industries? Sugar industry and petroleum industry - so your raw material procurement for a sugar industry and petroleum industry is vital to stay put in a market place. Suppose you do not have the oil well at all, so where is the question of marketing petroleum products. It is not there.

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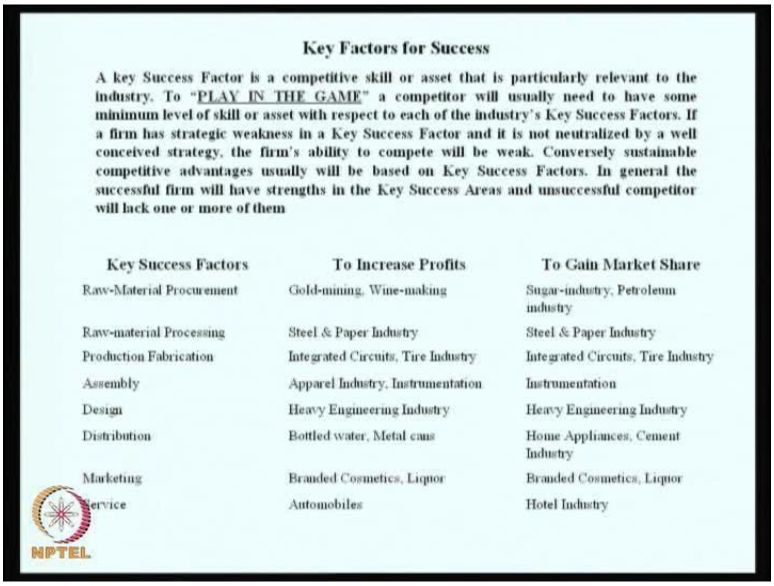

Now, this is what is happening in the world. If you really look at the world, the Middle East, it is the petrol economy. The petrol economy - that is this petroleum products which are coming out of these countries have made these countries cash rich. That is only the main sustaining product of these economies.

Now, what is happening? They have formed a block. What is this block? This block of countries is known as OPEC, oil producing and exporting countries. So, this OPEC block keeps on deciding on the price of the oil per barrel.

So, when the price of oil per barrel should go up, what is going to happen? All the countries in the world feel the shock, because whether a country likes it or not, it is dependent on petroleum products and when these oil producing countries raise the price of oil, automatically, the oil bill of these importing countries grows up, then what is going to happen? It is going to really affect their balance payments with respect to these countries.

So, even the world's super power, that is the United States, is getting constantly ruffled about this oil price increase. So, this oil price increase by these OPEC countries keeps on affecting the economy of a supper power like the United States. So, it wants to keep it or hold it in check as far as possible by putting all sorts of pressure, some things like that. That is a different area all together. (Refer Slide Time: 44:03)

So, this is the next one. You just look at the next thing, which is listed out there. That is raw material processing can be vital to increase its profits for steel and paper industry and again to gain market share for the same industries. So, the raw material processing that you go through can be extremely vital.

Similarly, production fabrication is extremely vital for this IC industry, integrated chip. It is coming in bulk volume. So, countries like Taiwan or China, now this IC chips are diamond, and you are not forget about Japan where we you earlier used to go. Name the chip 8086 - this is available to you off the shelf in such large numbers in these countries. Then the tyre industry - so both these becomes a KSF, both to increase profits and to gain market share. Similarly, assembly becomes extremely important or a key success factor for the apparel industry and instrumentation and also to gain market share. Similarly, then design becomes a KSF to increase profits for heavy engineering industry and also to gain market share.

Distribution becomes KSF for bottled waters or metal cans, then to gain market share for home appliances, cement industry - distribution holds the key. So, many of these cement companies especially the construction industry, they want to wait till they get that particular brand of cement, whether it is Birla super or ACC.

The construction industry, the contractor or the individual builder also is prepared to wait for sometime till this brand of cement is made available. You might say this other brand of cements is there. Why do not you go in for this? You say this is not suitable for the main foundation, it is ok for putting a compound wall, he may say that or he may hold that view, that is the individual consumer view.

So, the quality of the Birla super or ACC holding this way for that. Similarly, that is the distribution holding, to gain this market share. Then, similarly, look at marketing itself as a key success factor for all these branded cosmetics. Hindustan Lever having that extraordinary advantage of the marketing network for the liquor industry, so both to increase profits and to gain market share - it is a KSF.

So, service is a case of automobiles for hotel industry. No need to emphasis. Suppose, for an automobile you give a good service, your profits will zoom. Similarly, for the hotel industry, you give a very good service, you can gain market share. So, this is the way a

KSF works in the market place to gain competitive advantage. So, I have given you some examples of the key success factors, the different types of industries where these key success factors can help to increase profits and to gain market share. We will continue in the next class. Thank you!