

COMPETITIVE ADVANTAGE



GETTING AHEAD OF COMPETITION

The term competitive advantage means the positioning a firm takes in relation to other firms in its industry. According to Michael Porter, there are three different way to sustain a competitive advantage.

- ❖ Cost leadership,
- ❖ Differentiation, and
- ❖ Focus.

Cost leadership – It refers to a situation when a firm provides the same or similar services or products as other firms but does so at a lower price.

Differentiation – It refers to a situation where a firm offers a superior product at a similar cost to other firms' inferior products. This "superiority" is often just perceived by the consumer. This is also where positioning comes into play. For example, a company may choose to have their product smaller and sacrifice a quality such as durability. This may make their product different than other firms, and this difference may make consumers believe their product is superior to other similar products in the market.

Focus – It means a company or firm will focus on a narrow segment of the market. They will become specialized in this area and appeal to a niche consumer base.

In this edition, we attempt to focus some important business models, of some food-joints, being companies of international repute, with special reference to their business strategy in India.



Vision:

The vision of the company is as follows: "McDonald's vision is to be the world's best quick service restaurant experience."

Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile."

At McDonald's, a very specific set of activities to gain competitive advantages are attempted to be achieved. The strive is to be cost leaders and offer our food at prices that cannot be matched by its competitors.

Key to success:

- ❖ Efficient Stores management and hold operations cost at very low level
- ❖ Speedy delivery of food – simple process of cooking, which is easy to learn and execute with low rate of failure

Outcomes:

Allow stores to be superior to other fast food restaurants because we can serve our food at lower prices than any other fast food company.

Business Strategy in India:

Business Model

- ❖ Franchise Model – Only 15% of the total number of restaurants are owned by the Company. The remaining 85% is operated by franchisees. The company follows a comprehensive framework of training and monitoring of its franchises to ensure that they adhere to the Quality, Service, Cleanliness and Value propositions offered by the company to its customers.
- ❖ Product Consistency – By developing a sophisticated supplier networked operation and distribution system, the company has been able to achieve consistent product taste and quality across geographies.
- ❖ Act like a retailer and think like a brand – McDonald's focuses not only on delivering sales for the immediate present, but also protecting its long term brand reputation.

Challenges in Entering Indian Markets

- ❖ Regiocentricism: Re-engineering the menu – McDonald's has continually adapted to the customer's tastes, value systems, lifestyle, language and perception. Globally McDonald's was known for its hamburgers, beef and pork burgers. Most Indians are barred by religion not to consume beef or pork. To survive, the company had to be responsive to the Indian sensitivities. So McDonald's came up with chicken, lamb and fish burgers to suite the Indian palate.
- ❖ The vegetarian customer – India has a huge population of vegetarians. To cater to this customer segment, the company came up with a completely new line of vegetarian items like Mc Veggie burger and Mc Aloo



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Tikki. The separation of vegetarian and non-vegetarian sections is maintained throughout the various stages.

Product Positioning

"Mc Donald's mein hai kuch baat" projects McDonald's as a place for the whole family to enjoy. When McDonald's entered in India it was mainly perceived as targeting the urban upper class people. Today it positions itself as an affordable place to eat without compromising on the quality of food, service and hygiene. The outlet ambience and mild background music highlight the comfort that McDonald's promises in slogans like "You deserve a Break Today" & "Feed your inner child". This commitment of quality of food and service in a clean, hygienic and relaxing atmosphere has ensured that McDonald's maintains a positive relationship with the customers.

Just like any other firm, McDonald's competitive advantages are what make it stand out when compared to other companies. These aspects of McDonald's are what helped it become the number one fast food distributor in the world.



KFC

If you thought Kentucky Fried Chicken (KFC) largely boasted of chicken with a familiar American bland taste, you may be in for a surprise this year. With profit on its mind, it's putting curry among its flavours.

Keen to woo spice-loving Indians, the global restaurant chain that has had a chequered run in India since starting out more than 15 years ago is widening its menu for the Indian palate - while making it all more affordable. The Yum! Brands subsidiary plans to fire up its vegetarian offerings in 2013 with more veg burgers at value-for-money as well as premium ranges, in addition to rolls and twisters. This is part of an expansion plan under which the company is looking to more than double its store count to 500 by 2015 from the current 230.

IT'S NOT ALL CHICKEN

ON THE VEG PLATTER
More burgers at value-for-money and premium range

- VEG ROLLS
- TWISTERS

GROWTH PLANS

230 Number of KFC outlets across the country	500 Expected number of KFC outlets by 2015
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Small towns and cities such as Trivandrum, Asansol, Ranchi, Patna, Bhatinda, Bareilly, Rudrapur, Allahabad, Aligarh, Aurangabad, Belgaon, Hubli to be in focus

HT GRAPHIC

The Kentucky-headquartered firm is looking to use its strategy to counter the likes of McDonalds and Domino's to whom it has been losing out in the Rs.10,000-crore organised quick service restaurant space. "Consumer research showed that there is a larger need to introduce vegetarian offerings," said Tarun Lal, general manager, KFC India. "Our strategy in India is to introduce vegetarian offerings and make it affordable." The company hopes this will help it compete with McDonald's, but refused to give any numbers.

Introducing vegetarian options has been on KFC's radar for a sometime now. Infact, when the company entered the vegetarian heartland of Gujarat in November 2011 with its first restaurant, it reworked its menu to include vegetarian cuisine as well.

How Domino's Pizza is taking a bite out of India



50% of the entire menu is vegetarian. They clearly specify which menu items are vegetarian by showing you a green dot next to the item. 10% of India is completely vegetarian and 30% of India is vegetarian due to religious reasons at least 5 days out of the month.

Things that Domino's didn't change for India:

Home Delivery

It turns out people are lazy everywhere. Food at your door for no extra charge is a great service.

Self Service



Indians are accustomed to being waited on hand and foot at a restaurant, you just don't expect to have to clean up after yourself.

But Domino's Pizza India didn't have any servers or bus boys during my visit. All they had was a simple trash can with a "Use Me" sign. By educating and training their customers to clean up after themselves, Domino's India can employ less people and keep their prices low. It is interesting that Domino's decided to challenge Indian culture here even though they were willing to make a lot of other cultural changes that are outlined above.

The Domino's Pizza Brand Name



The Domino's brand name is strong. They have been featured in hundreds of movies and have run gazillions



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of TV ads. Even though Domino's was new to India a few years ago millions of Indians heard about it before hand allowing them to have a massive launch.

Domino's India is operated and managed by an Indian based company called Jubilant Foodworks. The best decision Domino's made in their India strategy is understanding that they are not an expert in India, so they partnered with a strong team that truly understands India to help grow their business there.

Here are 3 things can be learnt from Domino's India:

1. Tailor your business based on the countries' culture (I know obvious!)
2. Keep your brand identity
3. Don't do it yourself – Find someone amazing that knows the country to help you run and manage the business abroad.

Application of Cost & Management Accounting Techniques for improving efficiency and Cost Reduction for productive/effective Business Strategy

An analysis of these 3 food-joints of international repute reflects the following facts:

(A) Finance Factors:

- (i) Business Model – ownership structure –to reduce the fixed cost commitment as low as possible
- (ii) Plant/ Process Layout – for seamless movement of goods, reducing waste, increasing productivity
- (iii) Low Operational Cost – by administered stock holding and effective supply chain management.

(B) Non-finance factors:

- (i) Understanding and evaluation of culture and habits of the country in which the business is intended to be spread.
- (ii) Holding Brand Identity even in cross-border transactions – brand positioning is important.
- (iii) Environmental analysis - seek help of localities to understand the environment for better representation and presence.

Strategy is simply a grand actionable design collectively shareable and containable as a 'picture-in-the-mind' of any group. An aspirational dream conceived in an individual's mind even if that individual be a leader is only an idea, not a strategy. Mintzberg (1994) reminded us that no one has even seen or touched or smelt a strategy. People often confuse plans with strategy. However, it is strategy (by discovery or design as a 'picture in the mind' reinforced or modified by managerial actions everyday) that keeps a firm sustainable for its stakeholders. Any dissatisfied stakeholder may become a 'spoke-holder', and invisible or unattended spoke-holders can be annoying sources of turbulence. The advantages of international business are derived on the basis of geographical separation of value-creating parts in a business chain where the partitioning of task is itself an intended part of the grand design. The danger of not recognizing stakeholders and their interests gets magnified in international business because of spans and distances

(physical, cultural, economic, political, social, institutional and psychic). The fundamental question before undertaking business is to ask whether the business is designed to serve all its stakeholding constituents and whether it would continue to do so in a suitable manner. There can be multiple viewpoints for every decision.

IT PAYS TO BE IN INTERNATIONAL BUSINESS

*To see a world in a grain of sand,
And a heaven in a wild flower,
Hold infinity in the palm of your hand,
And eternity in an hour.*

- William Blake

Businesses may be born and may die, but brands which have made their mark internationally achieve a lasting commercial value. You would have heard of Parker pens, Singer Sewing machines, Dunlop Tyres, Rolls-Royce cars, His Master's Voice (HMV) music records, and Spencer's. None of these companies that originally created these brands exists anymore but these brands, with their own value, are still in the market and have found new owners!

The logic and success factors behind International Business are:

- (1) Price arbitrage – to obtain a higher exchange value from places where its price is higher or to attain a lower cost – in factor and product markets by storing and transferring resources transcending the fiction of space.
- (2) Value chains are made by connecting cross-border nodes of productive outcomes.
- (3) Aggregation through expansion of production possibility frontiers with creation of value by combining resources and orchestrating collaborative responses through cross-border product-services linkages.
- (4) An adaption of products and services is often required to cater to the wide range of consumers' preferences, choices, and lifestyles with a variety of feasible offerings commensurate with their expectations backed by purchasing power.
- (5) An assimilation of norms, beliefs, values and attitudes for the design of products and services is needed, desired, required, wanted, wished and hoped for.
- (6) Market state interactions where territorial jurisdictions seek to attract mobile investible capital become magnets with competing incentive baskets in attempts to render capital less mobile.



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Fun Corner



Go figure

1. How can I get the answer 24 by only using the numbers 8, 8, 3, 3. You can use add, subtract, multiply, divide, and parentheses.

2. Using the numerals 1, 7, 7, 7 and 7 (a "1" and four "7"s) create the number 100.

Magic Square

The numbers add up to the same total in every direction. Every row, column and diagonal adds up to 111. But there are some numbers missing! Fill in the missing numbers. They are all different..

		7
13	37	

Famous Quotes

"It's surprising how much you can accomplish, if you don't care who gets the credit."

—Abraham Lincoln

"There is nothing that is a more certain sign of insanity than to do the same thing over and over and expect the results to be different."

—Albert Einstein

"Coming together is a beginning; keeping together is progress; working together is success."

—Henry Ford

"Management is doing things right; leadership is doing the right things."

—Peter Drucker Warren Bennis