FINAL EXAMINATION

GROUP III

(SYLLABUS 2008)

SUGGESTED ANSWERS TO QUESTIONS

December 2012

Paper- 13 : MANAGEMENT ACCOUNTING – STRATEGIC MANAGEMENT

Time Allowed : 3 Hours **Full Marks :** 100

SECTION I (60 Marks)
(Strategic Management)
Answer Question No. 1 and any two more from the rest in this section.

(Please answer all parts of a question at one place.)

1. (a) In each of the cases/statements given below, one of four alternatives is correct. Indicate the correct answer: 1×10

(i) Most Indian companies did not have a mission statements till recently because
- **(A) It was not a statutory requirement**
- **(B) Companies were not professionally managed**
- **(C) Growth options were controlled by the Government**
- **(D) All the above**

(ii) Delphi Technique is used in
- **(A) Budgeting**
- **(B) Projecting business**
- **(C) Market Research Technique**
- **(D) Technology Forecasting**

(iii) Outsourcing is the
- **(A) Spinning of a value-creating activity to create a new firm**
- **(B) Selling of a value-creating activity to other firms**
- **(C) Purchases of a value-creating activity from external supplier**
- **(D) Use of competitors to obtain value-creating data from the internet**

(iv) Which model among the following is not example of mathematical programming models (optimization models)?
- **(A) Linear programming model**
- **(B) EOQ model**
- **(C) CPA or PERT model**
- **(D) Game theory model**

(v) For Cash Cow BCG Matrix analysis following is correct
- **(A) High market growth and high market share**
- **(B) Low market growth and high market share**
- **(C) High market growth and low market share**
- **(D) Low market growth and low market share**

(vi) Which in the following is not there in support activities of a value chain analysis?

(A) Firm infrastructure

(B) Marketing and sales

(C) HRM

(D) Technology Development

(vii) Bata Shoe Company's pricing of products like ` 79.95, `289.95 etc. is called

(A) Leader Pricing

(B) Unit Pricing

(C) Price Lining

(D) Psychological Pricing – Odd Pricing

(viii) In the following is not a limitation of environmental analysis

(A) It is not a sufficient guarantee of environmental analysis

(B) It does not keep the firm static

(C) It does not foretell the future, nor does it eliminate uncertainty for any organization.

(D) Managers place uncritical faith in the data without thinking of its verifiability or accuracy

(ix) Sony's distinctive capacity is

(A) Distribution

(B) Innovation

(C) Service

(D) Sales and marketing

(x) World retailer Wal-Mart's entry into Indian market through Bharti Enterprises is an example of

(A) Merger

(B) Acquisition

(C) Joint venture

(D) Amalgamation

(b) State whether the following statements, based on the quoted terms, are 'TRUE' or "FALSE" with justifications for your answer. If any statement is false, you are required to give the correct terms, duly quoted. No credit will be given for any answer without justification: 1x5

(i) "Repositioning" involves moving the product or brand into a different market segment.

(ii) The joint venture strategy suitable for firms that prefer independence but are financially unable to go alone is 'spider-web' strategy.

(iii) 'Concentric Diversification' consists of making entirely new products for new classes of customers.

(iv) ABC costing is the process of identifying and learning from the best practices anywhere in the world.

(v) 'Glaxo India' is an example of a company whose portfolio strategy is influenced by the 'portfolio' strategy of the parent'.

(c) Define/meaning the following terms (in not more than two sentences): 1x5

(i) Product line gap

(ii) Branding

(iii) Kanban card

(iv) Zero-level marketing channel

(v) Strategic intent

Answer 1.

(a)
- (i) (C) Growth options were controlled by the Government
- (ii) (D) Technology Forecasting
- (iii) (C) Purchase of a value-creating activity from external supplier
- (iv) (D) Game theory model
- (v) (B) Low market growth and high market share
- (vi) (B) Marketing and sales
- (vii) (D) Psychological Pricing - Odd Pricing
- (viii) (B) It does not keep the firm static
- (ix) (B) Innovation
- (x) (C) Joint venture

(b)
- (i) **True** - `Repositioning' is a strategic marketing approach and involved moving the product or brand into different market segments.
- (ii) **False** – 'Together-split strategy'. In this strategy the firms agree to a joint venture for a specific product line or for a specific length of time.
- (iii) **False** -`Concentric Diversification' occurs when a firm adds related products or markets for achieving strategic fit.
- (iv) **False**- `benchmarking' is the process of identifying and learning from the best practices anywhere in the world.
- (v) **True** -- The portfolio strategy of subsidiaries may be influenced by the portfolio strategy of the parent'.

(c)
- (i) A product line gap arises from a difference between what a firm offers in terms of product items and what the industry provide in terms of product line.
- (ii) A brand is a name, term, sign, symbol or design or combination of them, intends to identify the goods or services of one seller from its competitors.
- (iii) It is notification card that a downstream machine sent to each upstream machine that feeds with parts, authorizing the production of just in a components to fulfil the production requirements. This is also known as "pull" system.
- (iv) It is also called a direct marketing channel. It consists of a manufacturer selling directly to a consumer.
- (v) Strategic intent is demonstrated when a company relentlessly or aggressively pursues an ambitious strategic objective and concentrates its full resources and competitive actions on achieving that objectives.

2. (a) What is the value of the firm of having a specified vision and mission?

(b) Explain why it is important for organizations to analyze and understand the external environment.

(c) What is the difference between "company demand" and "company's sales forecast"?

(d) From its origins as an animated film producer, Walt Disney Company has moved into licensing characters for merchandised goods and developed theme parks and vacation and resort properties. What should be the best strategy for growth of Walt Disney Company?

(e) What is the relationship between 'strategic competitiveness' and 'returns on investment'?

4+4+(2+2)+4+(2+2)

Answer 2.

(a) The firm's vision is a picture of what it wants to be and what it wants to ultimate achieve. The firm's mission is based on its vision. It specifies the business(es) in which the firm intends to complete and the customer it intends to serve. The value of having a vision and mission is that they inform stakeholders what the firm is, what it seeks to accomplish, and who it seeks to serve. A successful vision is inspirational. The mission is more concrete and guides employees' behaviour as they achieve the firm's vision. Research shows that an effectively formed vision and mission positively impacts firm's performance in terms of growth in sales, profits, employment, and net worth. Developing a vision, mission, objectives and goals is the most important step of strategic management. Vision provides a roadmap to company's future and specify about company's intention and capabilities to adapt a new technology, while the corporate mission highlights the organizational self-concept and indicates the nature of product or service to be offered or rendered for fulfillment of requirements of the customers as also for the community and society as a whole.

(b) Organizations do not exist in isolation. The external environment of the organization presents threats and opportunities which the organization must address in its strategic actions. Parts of the organization's external environment are changing rapidly, such as technology changes, and the organization must constantly adjust to these changes. The information that the organization gathers about competitors, customers and stakeholders is used to build the organization's capabilities or to build relationships with stakeholders in the external environment. The information that the organization gathers about the external environment must be matched with knowledge of its internal environment to form its vision, to develop its mission, and to take actions that result in strategic competitiveness and above-average returns.

(c) Company demand is the company's estimated share of market demand at the alternative levels of the marketing efforts in a given time period. It subjects to all the determinants of the market demand plus the determinants of the company's market share.
The company sales forecast is the expected level of company sales based on a chosen marketing chain and an assumed marketing environment. Sales forecast refers to the estimates of future sales of Company's products.

(d) An organisation that wants to raise the level of performance may adopt what is called the `Growth Strategy'. An organisation substantially broadens the scope of one or more of its business in terms of their respective customer group, customer functions and alternative technologies to improve its overall performance. Walt Disney has employed a diversification growth strategy, taking advantage of opportunities outside its original animated film business, leveraging the strength of its characters in new business.

(e) The strategic competitiveness is achieved when the firm successfully formulates and implements a value-creating strategy. Above-average returns in excess of what investor expects to earn from their investments with similar risk levels. Firms will only be able to earn above-average returns if they develop a competitive advantage. Competitive advantage derives from a strategy that competitors cannot duplicate or find too costly to imitate.

3. (a) Manufacturers use a number of trade promotion tools. Give four reasons why manufacturers use money to the trader as one of the promotion tools?
(b) In which sector of products market-skimming pricing practice is used?
(c) Your research shows that over 53% of all purchases are made on impulse. You advise your packaging design team that the package must communicate many of the sales tasks. List the sales tasks that packaging must now incorporate.
(d) "In the maturity stage of Product Life Cycle (PLC) the market becomes saturated, price competition intensifies and the rate of sales growth slows down." Suggest five strategic choices in such a stage of PLC.
(e) Write a brief note on 'Sensitivity Analysis'. **4+2+4+(1x5)+5**

Answer 3.

(a) Manufacturers award money to the trade for promotional tools. The reasons:
(i) To persuade the retailer or wholesaler to carry the brand;
(ii) To persuade the retailer or wholesaler to carry more units than the normal amount;
(iii) To induce retailers to promote the brand by featuring, display, and price reductions; and
(iv) To stimulate retailers and their sales personnel to push the product.

(b) Market-skimming pricing is a strategy whereby prices start high and slowly drop over time. This is a prevalent practice in consumer electronics products.

(c) Packaging may be defined as the general group of activities in the planning of a product. These activities concentrate on formulating a design of the package and producing an appropriate and attractive container or wrapper for a product. The tasks of packaging are:

(i) Attract attention;
(ii) Describe the product's features;
(iii) Create consumer confidence, and
(iv) Make a favourable overall impression.

(d) In order to face the situations characterised by the maturity stage of PLC, alternative marketing and distribution strategies listed below are suggested:

(i) Brand-stressing advertising:
More attractive design and functional packaging
More after-sale services
Heavier point of sale effort, and
Increase in sales promotion expenditure to hold customer loyalty

(ii) Trading down through:
Introduction of low price models of an established product
Price-cutting of an entire product line and keeping prices close to private levels, and
Entering a `fighting brand' on the market at lower price to avoid killing of an established premium brand

(iii) Trading up (strategy opposite to item 2) through:
Improvement of quality / appearances
Use of prestige packaging
Price increase to cream market levels (in order to increase market penetration earns more margins on possibly lower sales/keep greater differentiation over competitive products)

(iv) Proliferation, exclusive or radical, by
More designs
More exclusive and innovative features
Creating radical/distinct package designs, and
More options

(v) Increase of product availability and point-of-sale services through more distribution outlets/dealers/services centres, etc.

(e) The "Sensibility Analysis (SA)" is the study of how the uncertainty in the output of a model (numerical or otherwise) can be apportioned to different sources of uncertainty in the model input. A related practice is uncertainty analysis which focuses rather on quantifying uncertainty in model output. Ideally, uncertainty and sensitivity analysis should be run in tandem.

In more general terms uncertainty and sensitivity analysis investigate the robustness of a study when the study includes some form of statistical modelling. Sensitivity analysis can be useful to computer modellers for a range of purposes including:

(i) Support decision making or the development of recommendations for decision makers (e.g. testing the robustness of a result);
(ii) Enhancing communication from modellers to decision makers (e.g. by making recommendations more credible, understandable, compelling or persuasive);
(iii) Increase understanding or quantification of the system (e.g. understanding relationships between input and output variables); and
(iv) Model development (e.g. searching for errors in the model).

Example; In any budgeting process there are always variables that are uncertain, like future tax rates, interest rates, inflation rates, headcount, operating expenses and other variables may not be known with great precision. SA answers the question, "if these variables deviate from expectations, what will the effect be (on the business, model, system or whatever is being analyzed)?"

4. (a) ABC Ltd. implemented a quality improvement programme and had the following results:

Items	**Year 2010**	**Year 2011**
	(Figures in ₹ '000)	
Sales	**6,000**	**6,000**
Scrap	**600**	**300**
Rework	**500**	**400**
Production Inspection	**200**	**240**
Product Warranty	**300**	**150**
Quality Training	**75**	**150**
Materials Inspection	**80**	**60**

You are required to:

(i) Classify the quality costs as prevention, appraisal, internal failure and external failure and express each classes a percentage of sales.

(ii) Compute the amount of increase in profits due to quality improvement.

(b) Explain in brief the concept of 'Capacity Planning'.

(c) "Differentiation Strategy is not possible without pitfalls." – Identify five common pitfalls.

[(2x4+2)+5+(1x5)]

Answer 4.

(a) (i) Classification of Quality Costs:

		2010	**% of Sales**	**2011**	**% of Sales**
	Sales	6,000		6,000	
Prevention:	Quality Training	75	1.25%	150	2.5%
Appraisal:	Product Inspection	200		240	
	Materials Inspection	80		60	
		280	4.67%	300	5%
Internal Failure:	Scrap	600		300	
	Rework	500		400	
		1,100	18.33%	700	11.67%
External Failure:	Product Warranty	300	5%	150	2.5%
		1,755	29.25%	1,300	21.67%

(ii) Cost reduction was effected by 7.58% (i.e., 29.25 - 21.67) of sales, which is an increase in profit by ₹ 4,54,800.

(b) The capacity planning aims at providing capital equipment that is sufficient, but not excessive, so as to retain profitability and competitiveness. One of the aspects of manufacturing strategy is planning production capacity and matching capacity with demand. Three levels of production capacity are - demand matching (i.e. match the production to demand. This is a JIT system), operation smoothing (i.e. to gear production to average demand. This is not appropriate for perishable goods, fashion products or services etc.), and sub-contracting (i.e. produce the minimum level, buying the remaining).

If there is an expected growth in sales over the planning period, plans should be made to increase capacity using methods such as the following:

When sales growth is expected, increase in capital is planned by:

(i) Obtaining more factory space, equipment and employees.
(ii) Plan introduction of high-volume labour saving equipment in the existing space.
(iii) Plan to sub-contract some production work to outside suppliers.

When sales are expected to decline, downsizing may be planned by:

(i) Reducing plant capacity and making labour reduction.
(ii) Selling of unwanted capacity to another company or to management buy-out.
(iii) Plan additional sub-contracting work for special customers.

Capacity reducing strategies should consider the following:

(i) Cost and savings - the potential sales price of unwanted factories or plants.
(ii) Employee welfare.
(iii) Possibility of strike action against redundancies and closures.
(iv) The threat of competition in the case of a sell-off.

(c) The essences of diversifications to be unique with features that is of value to the customers. It is concerned with a company's positioning within a market or a segment in relation to the various product characteristics that influence customer choice. However, the common pitfalls are:

(i) Over differentiating, so that price is too high relative to competitors or product quality or service levels exceed buyer's need.
(ii) Attempting to charge too high a premium price.
(iii) Ignoring the need to signal value and depending only on intrinsic product attribute to achieve differentiation.
(iv) Not understanding or identifying what buyers consider as value.
(v) Trying to differentiate on the basis of something that does not lower a buyer's cost, as perceived by a buyer.

SECTION II (40 Marks)

(Risk Management)

Answer Question No. 5 and any two more from the rest in this section.

(Please answer all parts of a question at one place.)

5. (a) In each of the cases/statements given below, one of four alternatives is correct. Indicate the correct answer: **1x5**

(i) The most commonly used technique for measurement of liquidity risk is

(A) The gap analysis of maturing assets to the maturing liabilities
(B) The financial analysis
(C) The audit of maturing assets
(D) The gap analysis of current assets to the maturing liabilities

(ii) Pre-loss objectives in risk management are

(A) Understanding environment, fulfillment of external obligations, statutory requirements
(B) Reduction in anxiety through preventive measures
(C) Social obligations to make people aware of the risks
(D) All the above

(iii) Future have four specific characteristics as against the forwards, which among them is not a character?

(A) Liquidity
(B) Standard volume
(C) Third party warranty
(D) Intermediate cash flows

(iv) Increase in rate of interest

(A) Increase call-option value and decrease put-option value

(B) Decrease call-option value and increase put-option value

(C) Increase call-option value and increase put-option value

(D) Decrease call-option value and decrease put-option value

(v) Which is not a step in management process?

(A) Identify loss exposures

(B) Collect the appropriate technique for treating the loss exposures

(C) Chances of loss

(D) Implementation and monitor the risk management programme

(b) State whether the following statements, based on the quoted terms, are 'TRUE' or 'FALSE' with justifications for your answer. If any statement is false, you are required to give the correct terms, duly quoted. No credit will be given for any answer without justification: 1x5

(i) Probable Maximum Loss (PML) is a risk measurement and evaluation technique.

(ii) Causa proxima is defined as "the active efficient case that sets in motion a chain of events which brings about a result, without the intervention if any force started and working actively from a new independent source".

(iii) Net Single Premium (NSP) is the future value of the future death benefit.

(iv) The individual insurers or professional rate making organisation may determine insurance rates are called profit loaders.

(v) Risk management is the process used to systematically manage exposures to both pure risks and speculative risks.

Answer 5.

(a) **(i)** **(D)** The gap analysis of current assets to the maturing liabilities

(ii) **(D)** All of the above

(iii) **(C)** Third party warranty

(iv) **(A)** Increase call-option value and decrease put-option value

(v) **(C)** Chances of loss

(b) **(i)** True- PML is a risk management and evaluation technique.

(ii) True- Causa proxima is defined as " the active efficient case that sets in motion a chain of events which brings about a result, without the intervention if any force started and working actively from a new independent source."

(iii) False – The NSP can be defined as the present value of the future death benefit

(iv) False – Actuaries are individual insurer or professional rate making organisation may determine insurance rates.

(v) False – Risk management is the process used to systematically manage exposures to pure risks.

6. (a) How 'hedging' helps airlines operators to protect themselves against jet fuel price hike?

(b) Why 'Risk-Adjusted Return on Capital' (RAROC) is mainly used by banks and insurance companies?

(c) State briefly your understanding about 'Hold-Harmless Agreements'

(d) What are the types of insurance covers for each class of motor vehicles? **5+4+3+(1x3)**

Answer 6.

(a) Hedging involve the transfer of a speculative risk. It is a business transaction in which the risk of price fluctuation is transferred to a third party. For example: An airlines faces significant price risk from fluctuations in the price of the Jet fuel that it buys. The air lines sales airlines tickets well in advance of the date on which, it promises to transport its passengers. The price that airlines pays for the jet fuel on the day that it transports its passengers may either increase or decrease relative to the price on the date that it sells its ticket price causing either profit or loss. Therefore, on the basis of quantity of jet fuel, it expects to buy the airlines enters into equal and opposite transaction in the oil futures market, whereby speculator in effect, assumes the price risk. The speculator agrees to take the price risk in the hope of making a profit on the total transaction. The speculator is a risk transferee and the transferor is the business person usually wishing to pass on a price risk to someone who is more willing and able to bear it. In other words, the third party opposite the transaction made by the airline may itself be a hedger.

(b) RAROC is a risk-adjusted framework for profitability measurement and profitability management. It is a tool for measuring risk-adjusted financial performance. And it provides a uniform view of profitability across business (Strategic Business Unit / Divisions). This approach attempts to allocate risk costs to the many different activities of the firm, such as products, projects, loans and so on. In effect, RAROC assesses much capital would be required by the organisation's various activities to keep the probability of bankruptcy below a specified probability level. RAROC is defined as the ratio of risk-adjusted return to economic capital. As a result of RAROC, managers at bank and insurance company are forced to consider risk levels in evaluating the profitability of their decisions.

(c) Provisions inserted into many different kinds of contracts can transfer responsibility for some types of losses to a party different from the one that would otherwise bear it. Such provisions are called `hold-harmless agreement', or sometimes indemnity agreements. The intent of this contractual clause is to specify that party that will be responsible for paying for various losses. It is a form of risk transfer.

(d) There are three types of insurance covers for each of these classes of vehicles:

(i) Comprehensive - it covers both accidental damage to the vehicles and third party liability for death / bodily injury and property damage.

(ii) Third Party only it covers third party liability for death / bodily injury and property damage.

(iii) Act Liability only -the cover is confined to the requirements of the Motor Vehicle Act.

7. (a) How is 'Project-Risk Management' done in practice?

(b) "To be effective, any Enterprise Risk Management (ERM) implementations should be integrated with Strategy-Setting." Do you agree? Give reason for justification.

(c) What are the broad categories of risks that can be identified for an organisation?

(d) Explain in brief the 'minimax regret criterion'. **5+(1+4)+(1x3)+2**

Answer 7.

(a) In reality, the risk assessment is done through considering the various components of the financial estimates and developing certain judgemental approaches:

(i) Estimation of revenues - revenues projected for a project need to be justified on the basis of real data available and then the projections are made conservatively. This avoids optimistic projections of income.

(ii) Cost estimates - it always includes a margin safety to take care of impact of inflation over the time horizon for which the projections are being made. The margin of safety is computed on the basis of trend analysis of inflation over the recent past and the lead indicators that are available from fundamental analysis.

(iii) Acceptable return on investment - this is the prime measure and as such it should be arrived at on the basis of certain consensus. It will depend on the payback period to be assumed, the industry experience and the company's norm for return on any new project on the basis of the current experience.

(iv) Overall certain index - the critical risks of the project are identified and the certainty index of each of these risks is quantified. Then the overall certainty index is developed as an average of the critical indices already computed. For instance, raw materials availability, power availability, intensity of competition is a few of the risks, which are quantified in terms of certainty indices.

(v) Judgment perceptions -- three different estimates of return on the investment are developed - (pessimistic, most likely and optimistic) on the basis of the stage at which the particular industry is in its life cycle. On the basis of the three estimates and comparing them with the earlier methods available on certainty equivalent coefficient, a judgemental decision can be taken.

(b) This statement is true.
Today's challenging business environment, opportunities and risks are constantly changing, giving rise to the need for identifying, assessing, managing and monitoring the organisation's business opportunities and risks. This, in turn, necessitates establishing the linkage between the opportunities and the risks while managing the business. This requirement is addressed by ERM, which redefines the value proposition of risk management by evaluating its focus from the `tactical' to the 'strategic' ERM is about designing and implementing capabilities for managing the risks that matter. In the light of this context, the statement is correct and therefore is acceptable.

(c) A number of factors influence the risk and depending upon the cause, the risk can be broadly classified into the following major types:

(i) Strategic risks: (Examples - Government and economic factors, customers and competitors, new technologies etc.).

(ii) Operational risks: (Examples suppliers, process and internal risks, distribution, customers, competitors, environmental factors etc.)

(iii) Investment risks: (Examples -- interest rates, purchasing power, liquidity, default, convertibility, portfolio etc.)

(d) Under this criterion the difference between the outcome of a particular alternative and the best possible alternative computed. This difference will represent an opportunity loss (maximum regret). The alternative with the least opportunity loss is chosen.

8. The Indian Umbrella market can be classified as, single umbrellas, single to triple fold umbrellas, spring action 'Piano' type umbrella, fancy umbrellas and specialized large golf and garden umbrellas. The sales of golf and garden umbrellas are limited and are sold through exclusive retail shops. Also there is a large institutional sale and cut-throat promotional and gift offers in the market in this category. Modern umbrellas are as old as 125 years in India. Mohendra Lal Dutta (MD) and K.C. Paul are the pioneers of this industry.

Companies and Police departments provide their outdoor staff with umbrellas on their own cost. Mohendra Lal Dutta and K.C Paul are well-known names in East-India's brand like SUN, STAG, EBRAHIM CURRIM is popular in the West. North has brands like CHANDNI, CAMPUS, while St. GEORGE, POPY are famous in South-India especially in the more rain affected Kerala. Till the fifties, there were two kinds of umbrellas in the country, the Bengali ones, popular in the East and the COLOMBO umbrella assembled in Konkan and Malabar also popular in the South-India and West-India. Cane and bamboo staves are used in all these umbrellas.

During the sixties, the steel tube umbrella was introduced and instantly became popular because it was lighter and less bulky, Mohendra Lal Dutta working on a brand strategy, has created and floated his own brand called "MD" and hoped to take foreign brands when they would get the benefit of the Indian liberalization policy for export.

Questions:

(i) Is there any scope for a national brand for umbrellas? As a product manager of such a company, how would you prepare a product policy?

(ii) Will "MD" brands umbrellas succeed? What brand strategy the company will have to adopt?

(1+6)+(3+5)

Answer 8.

(i) Indians prefer brands which are very popular at the national level. At present most of the brands in umbrellas are regional in nature. Hence, there is an ample scope for a national brand for umbrellas.

The product manager should:

- ✓ Develop a long-range and competitive strategy for the product
- ✓ Prepare annual marketing plan and sales forecast planning
- ✓ Work closely with advertising agencies to develop programmes and campaigns at the national level to take on foreign brands when they come to India.

(ii) While choosing a brand the company should ensure that:

- ✓ It suggests something about the product
- ✓ It should suggest product quality
- ✓ It should be easy to pronounce.

The company should first test the market of the product to study the response of customers. Only when the brand evokes good feeling among the customers it should think of continuing with the brand name. Umbrellas are low priced items. Hence, the cost involved in promoting the brand should be reasonable. Umbrellas are a necessity. Hence, the brand strategy should be to promote it as national brand fulfilling a necessity. By ensuring good quality, it can be promoted as a product with durability.