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Title: **Sustainable Competitive Strategies for Manufacturers of Household Consumer Durables in India – A Study of Cost Leadership and Differentiation Strategies.**

Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance. Competitive strategy is the search for a favorable competitive position in an industry; it aims to establish a profitable and sustainable position against the forces that determine industry competition. Sustainable Competitive Advantage (SCA) is the means by which a firm manages to keep making money and sustain its position against its competitors. SCA is normally unique, difficult to replicate, sustainable, superior to competition and applicable to multiple situations. According to Michael E. Porter SCA can be achieved by any company using two strategies i.e. cost advantage/cost leadership or differentiation strategy. Industry attractiveness and competitive position both can be shaped by the firm using the right corporate strategy. Corporate strategy not only helps in combating environmental change but also creates the change to shape the environment in favor of the firm. A firm going for cost advantage will be producing a no-frills standard product and reaps benefits from either scale or supply chain. But a cost leader cannot afford to ignore the base of differentiation. In case the base of differentiation is ignored to maintain/gain the market share the firm will have to discount prices and nullify the benefits of a favorable cost position. The second route that companies use is of differentiation. Differentiation can be on virtually anything: superior product, better service or better distribution. A firm going for differentiation can differentiate on the product itself, the delivery system, the marketing approach and many other factors. The buyer must perceive these factors as important and the firm must consciously position itself on these factors. Differentiation is rewarded by premium price. This price premium maybe higher than the differentiation cost thus the differentiator cannot afford to lose touch with cost parity.

The research would like to establish which of the two strategies (cost advantage or differentiation) is more effective with special reference to manufacturers of Household Consumer Durables (HCD; specifically in Washing machine, Air conditioner and Refrigerator {WAR Goods}). An attempt has been made in this research to examine strategic decision making, competence and effectiveness in six manufacturing firms namely LGEIL, Samsung, Whirlpool, Voltas, Videocon and Onida. India as an emerging economy is realizing the impact of strategic thinking for business success. The study is novel in the context of India. It would be helpful both for the consumer as well as the producer especially post the era of liberalization. The findings of the study were that the Indian external environment showed a lot of opportunities in the present and future scenario especially in Consumer Electronics. In terms of Cost Advantage most companies under the study tried to streamline their supply chain, reduce waste and increase energy efficiency, companies tried to get into tie-ups to increase their efficiency and reduce

costs. Also standardization of components and software was a method used for cost advantage. Companies displayed operational excellence and took aggressive steps to reduce costs in all areas of production, working capital and capital expenditure. The companies extended six-sigma practices in all non-manufacturing areas to create streamlining of resources, productivity and knowledge management. In terms of differentiation strategy companies under the study tried to pitch themselves as premium brands, focused on innovative technologies and creative leadership, developed products to fulfill the latent needs of the customers, companies tried to differentiate themselves on being a “green company” by focusing on reducing toxic wastes and improving product recycling through exchange offers. Innovation and customer excellence through brand loyalty were the key-stones of the differentiation strategy. Voltas differentiated largely on “Indian-ness” and launched programs like “Save Karo India” for saving energy by energy efficient products.

The Indian WAR goods market seemed more focused towards a judicious mix of cost advantage and differentiation strategies. Companies which focused more on differentiation were not very successful as was evidenced by the financial performance of the said companies. Companies achieved greater success measured by their financial performance by focusing more on cost advantage or equally on cost advantage and differentiation. The Indian consumer seemed more focused on value for money products and thus cost advantage strategies seemed to be more successful than differentiation in the Indian market for HCD-WAR goods under the study. The MNC’s were focused on implementing the strategic decisions of the parent (global) company in India, India being a highly complex market required specific strategies for the Indian market.

Due to such prevailing factors the strategic moves recommended for manufacturers of WAR goods are: Pruning marginal products and models, increased emphasis on value chain innovation, stronger focus on cost reduction, increasing sales to present customers, purchasing rival firms, expanding internationally and building new or more flexible capabilities.