

## CHAPTER 5

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary and Conclusion

The study manages to achieve its objectives as specified in the initial stage of the research. Each of the firm's activity categorized in the fragmented value chain was analysed, summarized and concluded after identifying the strategy approach taken by each firm. Summary of the conclusion as follows:

- a. Not a single firm adopts the cost leadership strategy throughout the value chain categories either for primary or supporting roles. Although overall, Ajinomoto follows the cost leadership strategy approach, the sales and marketing activities are strongly differentiated. This firm is focused on reducing cost of procurement and manufacturing. On the contrary not willing to sacrifice the premium perception of its products thus in reality adopts approaches, cost leadership and differentiation strategies.
- b. Not a single firm that adopts exclusively the differentiation strategy throughout the value chain activities either for primary or supporting roles. Although many categories of the value chain related to Philip Morris are differentiated i.e. marketing, sales, procurement and delivery; the operation, manufacturing innovation and firm's infrastructure combines the cost leadership and differentiation strategies. This firm need the differentiation strategy to create the perception of uniqueness and high quality for its products through direct and indirect advertisement and promotional activities, while operating at a low cost in order to generate above average returns.
- c. Nestle a successful food manufacturer that generates above average returns, combined both strategies in many primary and secondary

categories activities. Although the firm does not follow the cost leadership approach in any of the value chain categories, it is however combined in the operation approach that manage to lower the cost of producing one unit of product below the competitors' cost. This is achieved through economies of scale in production and procurement, innovation in manufacturing, integrated information system that creates efficiency, and integrated warehousing facility that lower the cost of logistic operation. However in sales and marketing, the differentiation strategy is followed to create brand loyalty and healthy and premium product image.

- d. F & N, another firm that is very successful in the food industry combined all three strategy approaches throughout its value chain. Integrated manufacturing and information system will reduce the cost of producing one unit of product and create flexibility, while the sales and marketing differentiation strategy will ensure the premium product image retains and brand loyalty strengthens.
- e. These food firms had adopted the combine approach based on their judgment that the mutually exclusive approach may not be competitive in the current dynamic environment of their industry. Therefore a common pattern is observed for all these successful firms, the marketing and sales approach is highly differentiated to create the premium image and to distinguish their products from the competitors, while the operation cost is continuously lowered through manufacturing innovation, integrated information systems and economies of scale.
- f. As a conclusion, the mutually exclusive generic strategy approach as promulgated by Porter is not the only option available for business firms. The integrated cost leadership-differentiated strategy is also a viable option that can be considered by business firms to generate above average returns.

## **5.2 Implications**

This study will have an implication on the business-level strategies adopted by business firms. In present dynamic environment, firms need to be knowledgeable about their operating environment. Porter's classical views are still applicable but it had become one of the tools required to excel in business. Combination of strategies is required to adapt to the many changing fronts of the business world. If a firm only concentrates on differentiation strategy, the products are going to be very expensive. Competitors may be able to provide cheaper alternatives with similar qualities through imitation or technology. Similarly, very cheap products may not sell well in today's world where customers' expectations are increasing. The Japanese firms are known to provide products at a competitive price with many differentiated features that delights their customers in each market segmentation example Toyota's "Altis" for middle class and "Lexus" as a luxury model. Both models are competitively priced and with features that delights the customers in the target segments.

## **5.3 Recommendations**

This study fails to acknowledge the firms' culture and origin and the likely impact these factors have on selecting the strategy types. Brouthers and Werner (1990), identified culture plays an important role in determining the strategy types adopted by each individual firm. Abhay et al.,(2000) found the American and Europeans firms follows the differentiation strategy while many Japanese firms adopts the cost leadership strategy. The author would like to recommend future studies in the area of firm's culture and origin and the likely impact of these factors on the selection of strategy type.

This study is a qualitative study without any statistical inference thus the accuracy can be questioned. This study gives an explanatory view of the subject

matter, however to improve the accuracy, sample size need to be increased, chosen not only within a industry but across industries, and the findings are subjected to statistical analysis.