

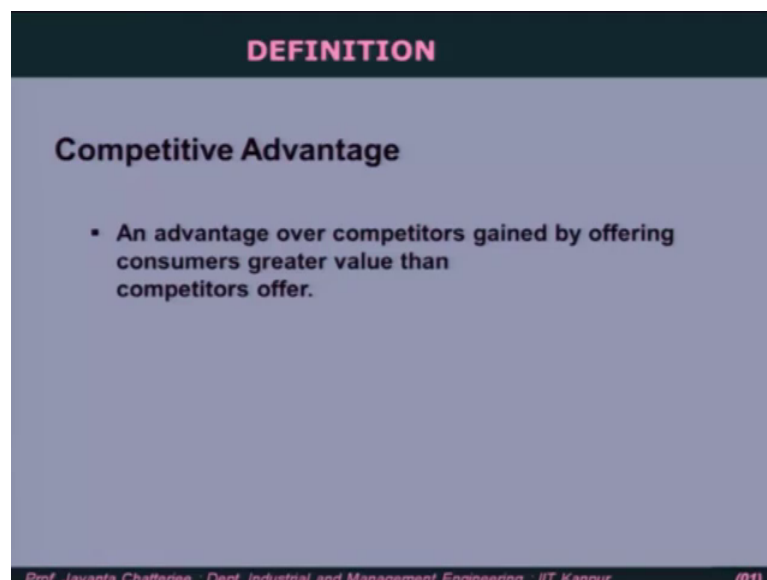
**Management of New Products and Services (MNPS)**  
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**Lecture – 04**  
**Theoretical Foundations III Understanding Customer Behaviour**

Hello, we are continuing with our discussion on management of a new products, and services. We have already discussed that product as far as this particular set of discussions are concerned is a multi layered concept, which embraces goods, and services, as a continuum. We have discussed in the previous sessions, the initial concepts and why products succeed why products fail, in that context that success, and failure an important point which I made yesterday was that a product to succeed must have synergy with the overall organization strategy.

Today, we are going to discuss some fundamental aspect about strategy, and we are going to discuss how products, and its features, and its advantages disadvantages related to competitive advantage, strategic advantage. So, competitive advantage and strategic advantage, I am going to discuss sort of in a interchangeable way.

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**DEFINITION**

**Competitive Advantage**

- An advantage over competitors gained by offering consumers greater value than competitors offer.

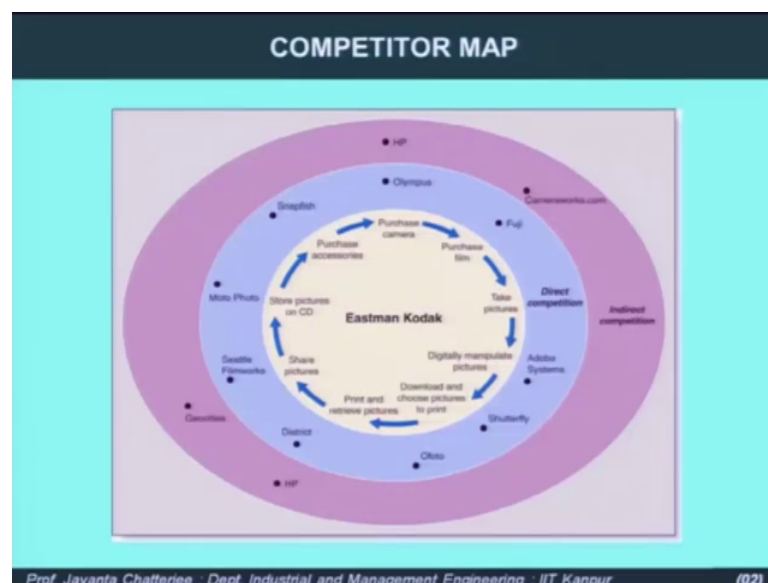
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So, competitive advantage fundamentally, which comes from the execution of a well thought out good strategy, is fundamentally as very clear. The advantage that is received compared through the competition by offering consumers greater value. And as we have

already discussed, greater value means offering a better way to solve the customer's pains, and offering better set of gains and doing the customer's jobs better.

As we have discussed earlier, that customer does not buy goods, or services, or combinations per say they are fundamentally looking for a solution to a need solution to a problem. They are looking to get rid of some pains in a particular situation, and they are looking to take advantage of some gains offered by a combination of your goods, and services.

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Now, if you look at this particular diagram in a little bit more detail, you will understand that we can actually look at competition as a map. So, in the core usually companies consider, this is actually taken from an sort of Eastman Kodak, and Kodak years passed. You can see here that that that stage Kodak was still thinking of themselves as a film manufacturing company, and they are looking at the films that needed to be put in cameras, they made more money by selling films other than the camera.

And therefore, they looked at competition in terms of other people who made these film cameras. So, even when they thought of the digital technologies, they thought of how to transfer the physical photographs into the digital format maybe for some editing, or some manipulation, but they were still thinking in terms of the film and the camera. This is an important point that when we want to design, competitive advantages over our competitors, we should not be myopic we should not be focusing at today's competitors,

we should actually try to have peripheral vision, we should try to see how technologies are evolving, and where the new attack can come from.

So, as you know I mean Kodak a very successful a very brilliant, and very pioneering company, who introduced so, many different innovations, and produced good products, but they did not recognize the tremendous strong wave that was coming from digital cameras. The digital cameras of those days were not very capable. So, their performance was the result produced the photos; they produced were still kind of not that good compared to the very advanced film cameras that were available at that time.

So, they thought that this is a fad, this is a short term, play toys, of the customer, and this is for children, and they ignored it. And then you know they got disrupted where they day practically went bankrupt, and the companies who came in with digital cameras from Japan, a particularly and later on from China, they swept the market and all cameras became digital.

And now, you see even the digital cameras they were trying to make their cameras, better and better in terms of digital performance, earlier the film cameras had SLR configuration the single lens configuration, both for viewing as well as for producing the image to be captured, that technology was translated and it became DSLR lot of developments took place companies.

Those companies which disrupted Kodak they continued to produce better bigger, faster digital cameras the cameras became bigger the cameras become heavier you of course, lots of new features lots of advantages for the customer, but those values were packaged and you in a equipment which was kind of a bulky, heavy you needed to carry it in a bag and of course, different lenses had to be fixed at for different purposes.

And that is why you needed that bag, and you needed that size. But then they were simultaneously also producing cameras which were very compact aim, and shoot cameras which you could put in your pocket, it actually almost became a credit card size, and these cameras were also developing.

But they also these very capable cameras and this is happening right now, and you can see this particular sweeping that change that is coming in their way, because cameras embedded in the phones, which were earlier capable of taking some momentary

capturing some momentary memories have now become. So, capable that many people who were actually earlier using DSLR are now shifting to their phone cameras, because the phone camera are really now quite.

And in fact, they have certain features like low light image capturing capabilities, which are not easily available in the bigger larger the digital cameras. This phenomenon is very important when you actually think of a product. So, do not think of a product as a product that the functions it performs today always be aware of the possible disruptions in today's high velocity world. And this disruption often comes from lower capability competitors, there are some products which are not that featured which. So, which means the attack usually comes from below, but then as it has happened in the phone cameras you know as the volume increased in the camera plus phone combination, the economy of scale and the resources available. When those companies put more, and more effort in their development design, and as a result those become better and better and better, and soon this attack from below actually crossed over the developments that were happening in DSLR and other traditional camera.

So, you see how the strategic myopia destroyed highly capable companies like Kodak, or Fuji. And today the same company who disrupted Kodak or Fuji are getting themselves overtaken by people who are coming with these highly capable camera phones, and certain aspects of the phone camera like selfie, or groupie, those are those have got customer fancy and therefore, becoming very attractive. So, this is we call it strategic myopia.

So, when you think about creating competitivit advantage for your product and service, goods and service combinations not only look at today's strategic map, but try to imagine and be aware of all the peripheral developments that are taking place which might in future disrupt your world. So, this is in itself a very interesting topic, those of you who are who find it more intriguing, you can search for various discussions which are available on YouTube or on the different through.

The different search engines on disruptive strategies, or disruptive technologies, and see how it has actually foxed very large very capable companies in the steel industry, in the computer industry, and as we discussed just now in the camera industry. And that will be very good, for you to do if you are seriously interested to become a product manager.

So, that will tell you that, a product is not the configuration that you have today, or the configuration that your immediate competition has a product is solving a problem, and if there is a better way to solve that problem, then you should be aware of it how it is coming actually.

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**DISCUSSION QUESTION**

**Create a competitor map for one of the following:**

- Air India*
- McDonald's*
- Bata*
- CCD*
- Google*

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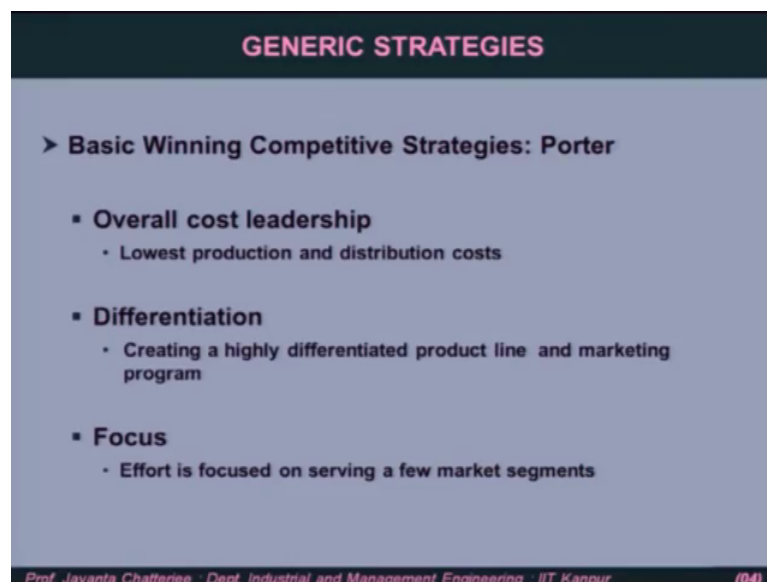
This myopia concept originally was very powerfully introduced by professor Theodore Levitt, who actually applied it to he wrote a fama famous article, which you can download it from internet its available free call a marketing myopia. So, the he actually demonstrated that particular paper very influential paper, that how U S railway industry, considered themselves of a of the railway industry, instead of thinking of themselves as a transportation solution provider. And that is why they were disrupted by the airlines, and the cheap airfare, and at some point therefore, passenger transportation by railways almost disappeared from U S.

Today it has come back more for some touristy excursions, but as a code mode of transportation. The railways lost the battle to airlines, but that same concept even though it has been there for last so, many years several decades. Since Theodore Levitt he wrote that seminal article. The myopia continues to affect companies, and as product manager you must be very careful about this particular challenge, considering this I put on your screen some names of companies providing goods and services.

So, try to develop a competition map for companies like, air India, McDonalds, Bata, or coffee cafe day CCD or Google, and try to see how that map can take you beyond myopia. So, you will have to do some search it take a week, and then post your discussions your ideas on this map, in the forum. You can draw a map that will be very nice if you can post it without that you can just take 1 of these companies, and try to discuss their competition today, their competition tomorrow, their immediate competitors, their related competitors, their distant competitors, and how movements are taking place.

Who might tomorrow become the disruptor, in the business in which air India is or coffee cafe day or Bata is ok.

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Basic winning strategies, again these are often called generic strategies, introduced by another famous a Professor Michael porter. These generic strategies Michael porter again he wrote that highly influential book, competitive advantage, and that competitive advantage later on he wrote several other books on a competitive strategy competitive advantage and so on the key point that happened.

So, Professor Michael porter from Harvard developed this concept of 3 generic strategies, according to him when he wrote that set of papers decades, back a company must choose 1 of these strategies. And at that point of time he thought that a company, if it tries to pursue a multiple generic strategies it might fail, most of the time it will fail,

today of course, we know that a company has to be good in all three aspects; however, they should focus on excelling in one of these aspects.

So, the 3 generic strategies that you see on your screen are, overall cost leadership being the lowest cost producer compared to your competitors, 1 possible focus area, The next possible focus area is differentiation, be distinctly different compared to your competitors offer a bundle of features and advantages, which are not available with your other competitors.

And lastly is call focus which is a combination of offering low cost as well as differentiation, but not for all different types of customers, but for 1 particular segment, 1 particular type of customers. So, in the focus strategy we divide the large market in several slices, and focus on that slice and do everything that is possible to be the winner for that particular slice. We will end today's discussion here. And tomorrow we will take up a little bit more in detail these 3 generic strategies, and their relationship with product design, product features, and product development strategies.

Thank you.