

# Assessment of Differentiation Strategy Implementation on Performance of Yana Trading Limited, Kenya

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**Abstract:** The purpose of the study is to assess product differentiation strategy implementation on the performance of Yana trading limited, Kenya. The objectives of the study are to examine product differentiation strategy adopted by Yana Trading (K) Limited effect on performance. The study is of great importance to various stakeholders in the organization especially the management team by providing them with information and knowledge on the relationship between differentiation strategy and firm performance. Other beneficiaries include policy makers and future scholars. The study is guided by Institutional Theory, Resource Based View, Dynamic Capabilities Theory and Industrial Organisation Theory.

**Keywords:** product differentiation, strategy implementation, performance.

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## 1. INTRODUCTION

The purpose of the study is to assess product differentiation strategy implementation on the performance of Yana trading limited, Kenya. The objectives of the study are to examine product differentiation strategy adopted by Yana Trading (K) Limited effect on performance. The study is of great importance to various stakeholders in the organization especially the management team by providing them with information and knowledge on the relationship between differentiation strategy and firm performance. Other beneficiaries include policy makers and future scholars. The study is guided by Institutional Theory, Resource Based View, Dynamic Capabilities Theory and Industrial Organisation Theory.

## 2. LITERATURE REVIEW

Porter (1980) developed three generic strategies that can be used singly or in combination to create a defensible position and to outperform competitors. The strategies are generic because they are applicable to a large variety of situations and contexts. The strategies are: low cost leadership, differentiation and focus for a particular market niche.

In Differentiation strategy, a firm's attempt to gain competitive advantage by increasing the perceived value of their products or services relative to the perceived value of other firm's products or services. To implement these strategies, organizations need to have an accurate vision about the current competitive situation to persuade customers about the uniqueness of their products (Pondeville, Swaen and de Rongé, 2013). According to Rahman (2011) differentiation is a competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products and services to outdo their competitors (Pearce and Robinson 2005). In effect, differentiation builds competitive advantage by making customers more loyal and less price-sensitive to a given firm's product/service. Additionally, customers are less likely to search for other products once they are satisfied (Hernant and Thomas, 2007). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors.

Differentiation is driven by uniqueness. This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. A firm's uniqueness in a value activity is determined by a series of basic drivers which are the underlying reasons why an activity

is unique and without which a firm cannot fully develop means of creating new forms of differentiation or diagnose how sustainable the existing differentiation is (Porter, 1985). When using differentiation, firms must be prepared to add a premium to the cost (Hyatt, 2008). This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavacka, 2001). However, since customers perceive a differentiated product or service as being unique, they are loyal to the company and willing to pay the higher price for its products (Hlavacka, 2001; Venu, 2001).

Some of the differentiation strategies adopted by organizations to foster firm performance evolve around interplay of various elements of the retail mix. These include: offering quality products, wide selection, assortment, strategic positioning, after-sales-service, quality service, convenient location, parking space, attractive design and layout, conducive atmosphere, sales incentives, convenient operating hours, own branding/value addition and a one-stop-shop (Moore, 2006). Economically valuable bases of differentiation can enable a firm to increase its revenues, neutralize threats and exploit opportunities. Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier (Prajogo, 2007).

To be effective, the message of differentiation must reach the clients (McCracken, 2002), as the customer's perceptions of the company are important (Berthoff, 2002; Troy, 2002). (Dirisu, 2013) state that while there are numerous ways to differentiate brands, identifying meaningful product driven differentiators can be especially fruitful in gaining and sustaining a competitive advantage. It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns.

The key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector, quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken, 2002; Davidson, 2001). A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980). This specialty can be associated with design, brand image, technology, features, dealers, network, or customers' service.

Several studies have explored the relationship between differentiation strategies and organization performance both locally and overseas. Jermias (2008) argued that product differentiation firms face high uncertainty, as their strong emphasis on innovation requires them to engage in more risky activities and bet on products that have not yet crystallized.

Similarly, (Hashem, Hamid and Samira, 2012) found the relation between product differentiation strategy and dividend pay-out with the relationship been negative. Prajogo and Sohal's (2006) results also indicate that Total Quality Management (TQM) is positively and significantly related to differentiation strategy, and it only partially mediates the relationship between differentiation strategy and performance measures.

In Kenya, few researchers have investigated the differentiation strategy (Nolega, 2015; Kamau, 2013) and performance as majority of them concentrated on the effect of competitive advantage and performance. (Nolega, 2015) revealed that there was positive relationship between product differentiation strategies and performance of Kenya Seed Company (KSC). Kamau (2013) observed that product and physical differentiation plays a major role in activating annual sales performance at the supermarkets. This has left a significant research gap that need to be explored in manufacturing industry in Kenya as Kamau's study was based on retail industry in Nakuru Town.

The manufacturing industry is characterized by fragmented markets, increased competition, rapid technological changes, shifting regulatory frameworks and a growing dependence on non-price competition. This has forced many organizations to more closely scrutinize their competitive strategy. Firms in manufacturing industry search for the best strategies in order to consolidate their position in the market. Maintenance of competitive position and application of appropriate strategy most frequently ensure company's survival in the market and good results of its performance (Athiyaman, 2005).

The Kenyan manufacturing sector is increasing becoming competitive as firms struggle to compete at low cost basis coupled with differentiation strategies so as to remain competitive. However, the cost of production has remained prohibitively high in some countries as other countries enjoy low cost of labour (Terziovski and Amrik, 2000; Lillis 2002, Baines and Langfield-Smith, 2003). Kenyan firms tend to seek competitive advantage by producing products with more valued features, such as product quality, product flexibility or reliable delivery. According to (Bigsten, 2010),

manufacturing sector has high potential in employment creation and poverty alleviation. Kenya aims to become the provider of choice for basic manufactured goods in Eastern and Central Africa. This was achieved through improved efficiency and competitiveness at firm levels.

Yana Trading Limited was established in Kenya in 1986 to produce tyres for the East African market. Yana Trading Limited product range currently includes: passenger textile and steel belted radials, 4x4 tyres, light truck radial and bias, truck and bus, agricultural, industrial and Off-The-Road tyres under the brand name, Yana. Yana Trading produces both tube type and tubeless tyres and also produces tubes and flaps. Yana Trading Limited also distributes the world-renowned Bridgestone tyres in Kenya, Uganda, Tanzania, Rwanda and Burundi ([www.Yana\\_africa.com](http://www.Yana_africa.com)). This research work therefore, focuses on how competitive advantage can be achieved through differentiation strategy and ultimately, how it influences the performance of Yana Trading Limited in Nairobi, Kenya.

As globalization leads to more intense competition among manufacturing organizations, with increase in customer demands, these organizations tend to seek competitive advantage by producing products with more valued features, such as product quality, product flexibility or reliable delivery (Baines and Langfield-Smith, 2003). As such, a differentiation strategy would provide greater scope for these organizations to produce products with more valued, desirable features as a means of coping with such demands. This research work therefore, focuses on how competitive advantage can be achieved through differentiation strategy and ultimately, how it relates to performance of Yana Trading Limited in Nairobi, Kenya.

### **Product Differentiation and Performance:**

Kamau (2013) examined effects of differentiation strategy on sales performance in supermarkets in Nakuru town central business district. The purpose of the study was to establish the effects of differentiation strategy on sales performance of supermarkets within Nakuru CBD. The study hypothesis was there is no significant relationship between product differentiation strategy adopted by retail supermarkets and sales performance hypothesis. This study employed non-experimental research survey design and used purposive sampling and simple random sample to get the sample size of the respondents. The findings of the study show that product differentiation and physical differentiation plays a major role in activating annual sales performance at the supermarkets. The study recommended supermarkets should scale up on the attributes of product and physical differentiation strategies if they are to compete in the growing market.

The reviewed study was conducted in retail market, which is tasked to sell products from different manufacturers/distributors while the current study was done in manufacturing industry in the tyre market, which is tasked to manufacture and distribute its products. The nature of current study adopted correlational research design as it seeks to investigate the relationship between product differentiation and performance.

Further, the researcher failed to state how the supermarkets were stratified and sampled as the supermarket varies in term of size and type of products they offer to customers. However, the current study used Yana Trading (K) Limited as study area and there was no product heterogeneity within the firm as compared within retail industry in Nakuru CBD. Further, in product differentiation, the current study utilized product quality, product design and product variety.

Shafiwi and Mohammed (2013) investigated the effect of product differentiation on profitability in the petroleum industry of Ghana. The research questions of the study was is there a relationship between differentiation and profitability in the petroleum industry and are people patronizing Effimax products. The research employed a correlation research design. The research comprises 15 oil marketing companies in Ghana, which is made up of one government owned and 14 privately owned. Cluster sampling technique was used to select just a company out of the population. The data was analysed using SPSS. The study concluded that despite the fact that the petroleum industry is not seen to have differentiated products relative to other industries, that is not to mean that the act of differentiation is not profitable in the industry but rather there may be other factors responsible for that. The study recommended that there was need for creating awareness on the products.

The reviewed study recommended that need for creating awareness of the various products produced by the company. This current study besides using product differentiation as a variable, it used service differentiation and channel differentiation to complement it. The aim of adopting this two extra differentiation strategy is because Yana Trading (K) Limited has been involved in service provision as well as distribution of its products to the market through tyre centres. Further, the study was carried out in manufacturing industry in Kenya and stratified random sampling used to select the respondents.

Atikiya (2015) examined effect of competitive strategies on the performance of manufacturing firms in Kenya. The study answered what extent does differentiation strategy affect performance of manufacturing firms in Kenya. The study adopted survey research design using both quantitative and qualitative approaches. Sample size determination formula recommended by Kothari (2004) was used to select 189 firms for intensive study. In this study, a questionnaire was seen as the most appropriate tool.

Pearson product moment of correlation was used to determine the effect of competitive strategies on performance of manufacturing firms while linear multiple regression analysis was used to explain the extent to which competitive strategies, that is, cost leadership, differentiation and focus strategies (independent variables) explained variation in firm performance (dependent variable).

The findings revealed offering of broad products, building strong brand reputation within the industry and introduction of innovative products impacted well on manufacturing firm's performance. The study recommended that firms adopting differentiation strategy also need to further look deeper into how to make uniqueness less costly in order to make differentiation a significant practice in the sector. The reviewed study was fundamentally based on cost leadership, focus strategies and differentiation strategy. The author used differentiation strategy as a variable and did not differentiate between product and service differentiation strategy and conclusion was made based on product differentiation. However, this current study segregated the differentiation strategy into three, service, product and channel and each of them was used as unit of analysis and thereby conclusion and recommendation made had practical implication to manufacturing company. Further, in product differentiation, the current study utilized product quality, product design and product variety.

Haarla (2003) studied product differentiation and if it does provide competitive advantage for a printing paper company in Finland. The objective of the study was to answer effect of product differentiation on competitive advantage for printing Paper Company in Finland. This study was guided by a resource-based approach. The study adopted descriptive survey design. Empirical data was collected through 37 in-depth personal interviews in 1999 and 2000. The sample represents four Finnish paper industry companies, its customers its suppliers as well as consultancy companies. The study applies qualitative research methods and uses conceptual and action analytic research approaches. The research findings indicated that Product differentiation used to be strongly manufacturer's technology pushed; presently it is both manufacturer's technology pushed and customer technology pushed. Cost leadership strategy continue to remain the leading strategy for a printing paper industry company and product differentiation will function in a supporting that important role.

The use of resources based model/ theory is not enough, there is need for additional theory such as capabilities theory which is an expansion of resources based theory that examine the core capabilities of a firm in the industry which this current study seeks to achieve. Further, the study did not make identification of what makes product differentiation an inferior sustainable competitive advantage as compared to cost leadership in printing industry as such the current will examine product quality, product design, products uniqueness and products variety. Lastly, this study will use correlational research design as the reviewed study used conceptual and action analytic research approaches.

Nolega (2015) analyzed product differentiation and its effects on a firm's performance using the Kenya Seed Company as the case study. The study answered what is effect of product differentiation on performance of Kenya Seed Company. The study adopted descriptive research design. Simple random sampling was used in selecting customers and Kenya Seed Company staff while purposive sampling was used in selecting 140 agents. The findings demonstrated how product differentiation influences market dominance using descriptive analysis. The study recommended that Kenya Seed Company should increase their seed variety according to soil and climatic requirements.

The current study adopted correlation research design and the use of inferential statistics was ideal so as to get the significance of the relationship. Further, the choice of independent variables was misplaced in the study, as customer service is usually a service differentiation although in the reviewed study, it was key sub variable for product differentiation. The current study besides examining product differentiation, it investigated service differentiation and this included customer service.

In Nigeria, (Dirisu, Oluwule, Ibidunni, 2013) studied product differentiation: a tool of competitive advantage and optimal organizational performance a study of Unilever Nigeria. The study focused on how competitive advantage can be achieved through product differentiation strategy and ultimately, how it influences the performance of the organization in the manufacturing company, using Unilever Nigeria as a study. The survey research was adopted for this research work because of the nature of the respondents. This entailed the administering of questionnaires to the chosen sample. The

population of the respondents was rather large, made up of all customers/consumers of the products of Unilever Nigeria Plc.

The analysis carried out proves that there is an existence of positive significant relationship between product differentiation and the sales growth of an organization. The study recommended that executive management ought to focus and invest more on product differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it is capable of guaranteeing the long-term survival of the organization. From that recommendation, the research found a gap conduct a research in Kenya's tyre manufacturing company Yana Trading (K) Limited. The literature revealed that no such study has been carried out in that firm and this current study will fill the gap. Further, the study will adopt correlational research design unlike descriptive research and the use of regression analysis was utilized to explain the percentage in performance as result of product differentiation as the reviewed study used only Pearson correlation analysis. Lastly, for the purpose of triangulation, the study used qualitative data which was collected from in depth interviews from senior management.

### 3. METHODOLOGY

This study employed a correlation research design to examine the relationship between differentiation strategy and performance of Yana Trading (K) Limited. The research design allowed the researcher to analyze inter-relationship between differentiation strategy and organizational performance. The study was done in Nairobi within the headquarters of Yana Trading Limited. It was established in Kenya in 1986 to produce tyres for the East African market. The target respondents was 112 staff who comprise, senior management, heads of departments, and junior staff drawn from various departments within the organization

### 4. RESULTS

#### Relationship between Product Differentiation Strategy and Performance:

The first objective of the study was to examine the relationship between product differentiation strategy adopted by Yana Trading (K) Limited and its performance. The objective of the study was to answer the first research question and test the first research hypothesis  $H_{01}$ : There is a relationship between product differentiation strategy adopted by Yana Trading (K) Limited and organization performance. The analysis was done by using both descriptive and inferential statistics. The relationship was examined through Pearson correlation and regression analysis with significance level of 0.05.

#### Descriptive Statistics: Product Differentiation:

Table 1: Product Differentiation

Questions	1	2	3	4	5	Mean
We always seek to improve on specific attributes of our products	6 (4.69%)	7 (5.47%)	5 (3.91%)	35 (27.34%)	75 (58.59%)	4.2969
Our organization has expanded the existing product line by introducing additional new products	2 (1.56%)	1 (0.78%)	4 (3.13%)	83 (64.84%)	38 (29.69%)	4.2031
We make conscious effort to differentiate our product from those of competitors	1 (0.78%)	10 (7.81%)	18 (14.06%)	72 (56.25%)	27 (21.09%)	3.8906
We normally charge higher than our competitors	1 (0.78%)	5 (3.91%)	27 (21.09%)	93 (72.66%)	2 (1.56%)	3.7031
The firm develops new products with components and materials totally different from current ones.	11 (8.59%)	7 (5.47%)	13 (10.16%)	77 (60.16%)	20 (15.63%)	3.6875



The firm maintains a quality control presence at key supplier facilities, purchases superior quality	2 (1.56%)	6 (4.69%)	71 (55.47%)	30 (23.44%)	19 (14.84%)	3.4531
Our products have developed strong brand identification	5 (3.91%)	14 (10.94%)	40 (31.25%)	47 (36.72%)	22 (17.19%)	3.5234
We heavily invest in research and development	3 (2.34%)	3 (2.34%)	10 (7.81%)	94 (73.44%)	18 (14.06%)	3.9453
We continuously develop new products	2 (1.56%)	4 (3.13%)	21 (16.41%)	97 (75.78%)	4 (3.13%)	3.7578

Product differentiation is one of the crucial factors of differentiation strategy that influence performance. To measure Product differentiation, a set of nine statements were formulated. The respondents were asked to indicate the extent of agreement with each of the product differentiation statements. The statements were anchored on a five point Likert-type scale ranging from 1=Strongly Agree to 5= Strongly Disagree and respondents were asked to indicate the extent to which they agreed to the statements. Descriptive measures included percentage and frequency. The pertinent results are presented in the table below.

From Table 1, the researcher noted that 35 (27.34%) and 75 (58.59%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited always seek to improve on specific attributes of our products with a mean of 4 (agree). However, 10.16% of the respondent did not confirm that Yana Trading (K) Limited always seek to improve on specific attributes of our products. Further, 83 (64.84%) and 38 (29.69%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited has expanded the existing product line by introducing additional new products a mean of 4 (agree). Only, 2.34% of the respondent did not confirm that Yana Trading (K) Limited has expanded the existing product line by introducing additional new products.

On conscious effort to differentiate, 72 (56.25%) and 27 (21.09%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited make conscious effort to differentiate our product from those of competitors with a mean of 4 (agree). However, 8.61% of the respondent did not confirm with conscious effort to differentiate product from the competitors. Moreover, 93 (72.66%) and 2 (1.56%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited normally charge higher than their competitors with a mean of 4 (agree). Only, 4.69% of the respondent did not confirm that Yana Trading (K) Limited normally charge higher than our competitors

In relation to develops new products with components and materials totally different from current ones, 77 (60.16%) and 20 (15.63%) of the respondents agreed and strongly agreed respectively while 14.06% did not agree with a mean of 4 (agree). Nevertheless, 71 (55.47%) of the respondents were unsure that Yana Trading (K) Limited maintains a quality control presence at key supplier facilities, purchases superior quality components that raise the quality and image of final products and carefully inspects products at each production stage to improve quality and lower defects with a mean of 3 (Undecided) although 38.28% of the respondents agreed.

On products developed have strong brand identification, 47 (36.72%) and 22 (17.19%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited products have developed strong brand identification with a mean of 4 (agree) and further 40 (31.25%) of the respondent remaining undecided. Similarly, 94 (73.44%) and 18 (14.06%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited has heavily invest in research and development with a mean of 4 (agree) while 4.68% of respondents did not agree. Lastly, 97 (75.78%) and 4 (3.13%) of the respondents agreed and strongly agreed respectively that Yana Trading (K) Limited continuously develop new products with a mean of 4 (agree) and further 21 (16.41%) of the respondent remaining undecided.

The respondents were also required to rate the extent of product differentiation in relation to performance of Yana Trading (K) Limited. The rating scale range from 1(minimum) rating to 5 (maximum) rating. From Figure 2, it is evident that, none of the respondents rated the relationship between performance and product differentiation as minimum. However, 8.6% rate it as moderate while 29.7% and 61.7% rated it high and very high respectively.

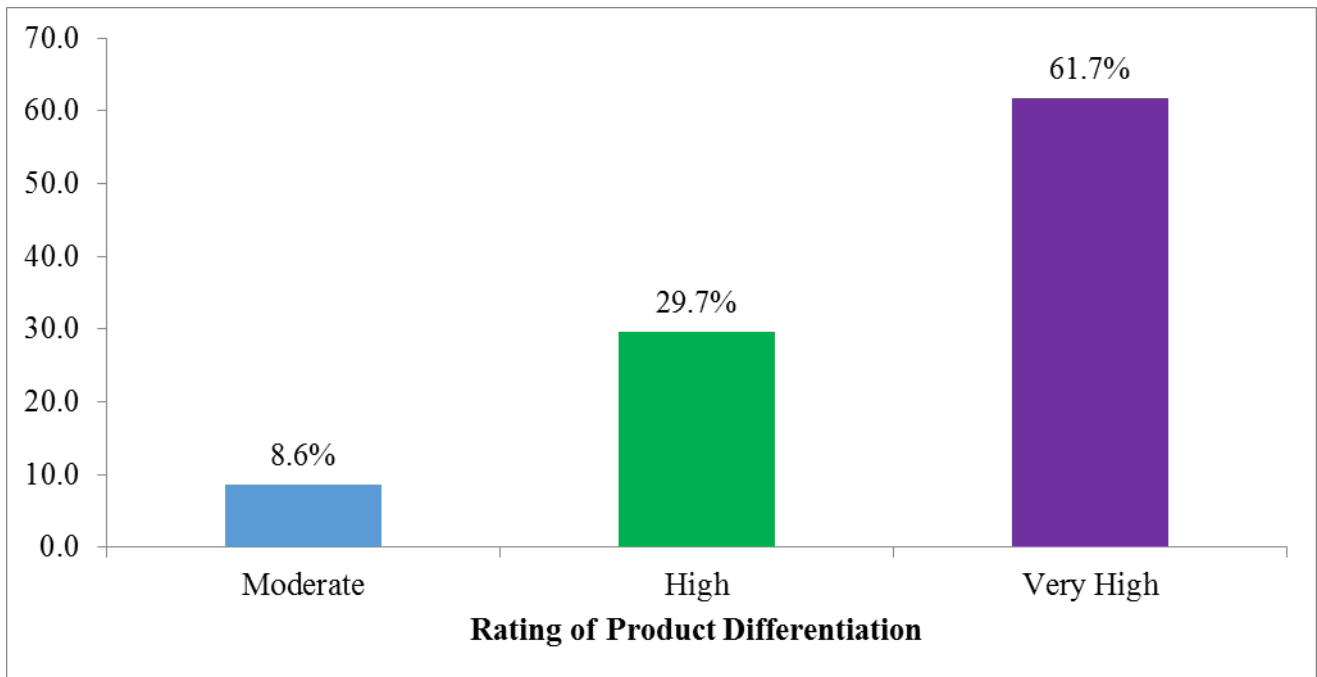


Figure 1: Rating of Product Differentiation

#### Correlation between Product Differentiation and Performance:

The Pearson correlation analysis was used to investigate the relationship between product differentiation and performance. The objective answered what relationship exists between product differentiation strategy adopted by Yana Trading (K) Limited and its performance as per the first research question of the study. The objective also tested the first hypothesis of the study which is there is no significant relationship between product differentiation strategy adopted by Yana Trading (K) Limited and organization performance. The results are as shown in Table 2.

Table 2: Correlation between Product Differentiation and Performance.

		Product Differentiation	Performance
Product differentiation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	128	
Performance	Pearson Correlation	.730**	1
	Sig. (2-tailed)	.000	
	N	128	128

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The results in Table 2 indicated that the relationship between Product differentiation and Yana Trading (K) Limited performance is strong, positive and statistically significant ( $R = .730$ ,  $p < .001$ ) with 99.0% confidence level. This showed that Product differentiation has a significant positive relationship with the performance of Yana Trading limited in Nairobi, Kenya. We reject the first null hypothesis since the significance level is less than 0.05 and confirm that there is a significant relationship between Product differentiation and performance of Yana Trading limited in Nairobi, Kenya. An increase in Product differentiation would result to an increase in performance of Yana Trading limited in Nairobi, Kenya.

#### Regression Results of Product Differentiation and Performance:

Regression analysis was used to tell the amount of variance accounted for by one variable in predicting another variable. Simple regression analysis was conducted to find the proportion in the dependent variable (Yana Trading (K) Limited

performance) which can be predicted from the independent variable (Product differentiation). Table 3 below shows the analysis results.

**Table 3: Regression Results of Product Differentiation and Performance**

Model	R <sup>2</sup>	Adj. R <sup>2</sup>	df	F	Sig.
Product differentiation	.534	.530	(1,127)	144.106	.000 <sup>b</sup>

**Dependent Variable: Performance:**

In establishing the extent of Product differentiation on Performance of Yana Trading Limited, the study established a coefficient of correlation (R) as 0.730 and a coefficient of determination (R Square) equal 0.534. This reveals that there is a good and positive linear relationship between Product differentiation and Yana Trading (K) Limited performance and Product differentiation can explain 53.4 % of the Yana Trading (K) Limited performance. The ANOVA results revealed that the percentage variation that is been accounted by Product differentiation is statistically significant with  $F(1, 127) = 144.106$ ,  $P < 0.001$ . This implied that there is a significant relationship between the predictor variable (Product differentiation) and Yana Trading (K) Limited performance further rejecting the first null hypothesis as Product differentiation has significant relationship with Yana Trading (K) Limited performance.

The findings agree with Kamau (2013) who found that there is significant relationship between product differentiation strategy adopted by retail supermarkets and sales performance. The study recommended supermarkets should scale up on the attributes of product differentiation strategies if they are to compete in the growing market. Haarla (2003) studied product differentiation and if it does provide competitive advantage for a printing paper company in Finland. The research findings indicated that Product differentiation used had strong effect on the performance of printing Paper Company.

In Nigeria, (Dirisu, Oluwule, Ibidunni, 2013), findings revealed that an existence of positive significant relationship between product differentiation and the sales growth of an organization.

## 5. SUMMARY

Based on the first objective, the study established that there was significant and positive relationship between product differentiation and performance of Yana Trading (K) limited ( $R=0.730$ ,  $P<0.01$ ). The regression results revealed that up to 54.3% variance in the performance was significantly explained by product differentiation strategy. This postulated that, an increase in product differentiation strategy such as improving on specific product attribute by using total different materials from the current ones, maintaining quality control by purchasing superior quality materials and investing in research and development would result to increase in performance through market share and revenue.

There is a relationship that exists between product differentiation strategy adopted by Yana Trading (K) Limited and performance, it is strong, positive and significant. This implies that an increase in product differentiation strategies through specific product attributes relevant to the competitors and variety of product to match the need of various customers would result to increase in performance.

The study recommends that there is need for firms to continuously develop new product at reasonable price using materials that are specific. This can be done by sourcing raw materials from supplier who continuously monitor the quality of the material supplied. This would result to increase in profit as the firm is able to charge above average market price due to the quality of product.

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