Developed by the Japanese strategy guru Kenichi Ohmae, this model enlists the three significant key factors which provide a sustained competitive advantage for the success of any business corporation.

**a. Customer**

A firm’s main focus should be its present and potential customers to be successful in the long run. To understand better, these are usually segmented in three broad categories, though one may come up with his own categorization as he/she may find convenient-

1. Segmentation by objectives

Here, the segmentation is based on the different ways of usage of the same product by different customers. For example- A car is used by some as a mere mode of conveyance while it can be status symbol for others.

1. Segmenting by customer coverage

This segmentation involves a strategic trade off in terms of marketing costs and market coverage. A businessman needs to evaluate the two and come up with an optimal strategy such
that cost of marketing is beneficial in comparison to its competitors. Thus, he/she needs to prioritize the markets to be focused on, given the restricted promotional budget.

1. 3. Re segmenting the market

In this dynamic world of cut throat competition and continuously changing customer needs, a successful marketer needs to continually do sample testing to keep on track with the current and expected demands of its customers. It is in this way that he can keep ahead of competition. But the frequency of such tests depends on the magnitude of cost implications of the same.

b. Corporation

A corporation needs to carefully evaluate both the short term and long term strategies to beat competition and have a sustainable competitive advantage. The strategies can be-

Selectivity and sequencing

The corporation needs to identify one or two core areas of its expertise and devote its resources in them to succeed rather than trying to lead in all functions with no relevant expertise.

Make or buy
The company can either outsource non value adding or costly activities or undertake backward integration to stay ahead of competition. Example- if the price of coffee increases in the market, then the retailer who has his own farms (backward integrated) is able to reap greater profits than competition by competitively pricing his offering.

**Cost effectiveness**

This can be implemented in three ways-

1. **Reducing basic costs**
2. **Exercise greater selectivity**
3. **Sharing key functions with corporation’s other businesses or even with other companies.**

**c. Competitor**

It is essential for a firm to differentiate its offering from that of its competitors operating in same market. There are 3 broad ways to do this-

1. **Image**

This acts a very powerful differentiator in a market where the offerings and benefits of the firm and its rivals are almost the same.

1. **Capitalize on profit and cost structure differences**
a) A difference in profit source might be used to vent out competition. Example- profits due to having a first mover advantage in some particular market as Maggi enjoys over Yippe noodles or Top Ramen.

b) A company with a lower fixed price to variable price ratio can lower the prices of its products to gain instant market share. However, this is possible only with a mature firm which has covered most of its fixed costs.

c) Hito – Kane- Mono: It is a Japanese proverb meaning people, money and things. These three entities should be in balance for a firm to achieve sustainable competitive advantage. Accordingly, the corporation should firstly allocate management talent, based on the available **mono (things)**: plant, machinery, technology, process know-how and functional strength. Once these **hito (people)** have developed creative and imaginative ideas to capture the business’s upward potential, the **kane (money)** should be given to the specific ideas and programs generated by the individual managers.