

# **Bachelor Thesis**

## **Competitive strategy for an Indian natural stone trader**



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## **Preface**

This bachelor thesis is the conclusion of my study of Industrial engineering and management. The degree is offered by the faculty “Management and Bestuur” at the University of Twente. The thesis involves a research at Arvicon International which is an Indian natural stone trader.

First of all, I want to thank all the employees of Arvicon International for their support. Without their cooperation and their effort to show me around in the company, I wouldn't be able to conduct this research. Especially, I want to thank Mr. Gaurav Jain for his effort to teach me everything about the natural stone business.

Next to this, I want to thank Martin Stienstra and ir. Stephan Maathuis for their supervision and time during this thesis.

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## Index

Preface.....	page 2
Index.....	page 3
Management Summary.....	page 4
Chapter 1: Introduction.....	page 5
1.1 Background.....	page 5
1.2 Problem definition.....	page 6
1.3 Objective.....	page 6
1.4 Problem statement.....	page 6
1.5 Research questions.....	page 7
Chapter 2: Literature.....	page 8
2.1 The external environment.....	page 8
2.2 The internal environment.....	page 12
2.3 SWOT analysis.....	page 13
2.4 Options regarding competitive strategy.....	page 14
2.5 Choosing a strategy.....	page 15
2.6 Implementing a strategy.....	page 15
Chapter 3: Methodology.....	page 16
3.1 General overview.....	page 16
3.2 Kind of methodology.....	page 16
3.3 Chronological order.....	page 17
3.4 Restrictions.....	page 19
Chapter 4: Results.....	page 20
4.1 External environment.....	page 20
4.2 Internal environment.....	page 27
4.3 Products of Arvicon.....	page 28
4.4 Competitive strategy.....	page 30
4.5 SWOT analysis.....	page 31
Chapter 5: Conclusion.....	page 33
5.1 Summary of results.....	page 33
5.2 Recommendations.....	page 34
5.3 Implementation.....	page 35
Chapter 6: Reflection.....	page 36
6.1 Reflection conclusions.....	page 36
6.2 Personal reflection.....	page 37
Literature: References.....	page 38
Appendix 1: Products of Arvicon.....	page 39
Appendix 2: Interview director company.....	page 41
Appendix 3: Orders 2007 and first seven months 2008.....	page 44

## Management Summary

Arvicon International faces some difficulties with their performance. A lot of products are not of sufficient quality and customers complain about this. Next to this, the company has problems to keep agreements with customers, for example the delivery terms. The problem that amplifies this issue is the fact that the company is dependent on a few customers, and so the director is scared that the loss of one of these big customers would drop the sales of the company dramatically. Some customers already threat to stop ordering from Arvicon because of quality problems like broken tiles and delays. With this thesis, we will investigate the competitive strategy the company uses.

At this moment, it seems to be that the company uses a cost leadership strategy. With this strategy they want to keep the prices as low as possible, because that is one of the main reasons why customers select them. Furthermore, they face some competition from other Indian natural stone traders. An other issue is that the company promises things they can't make true.

The company should get rid of the goal to be the cheapest. Their financial position is outstanding and compared with the competition, the Dutch speaking sales managers are definitely a pro. One other important point why it's not wise to face this competition to be the cheapest is, because there are other companies which use child labour and do other unethical things.

Instead, Arvicon should use a differentiation strategy in which the firm focus on quality. To do so, Arvicon should change a lot. First of all, the amount of suppliers should be brought back. Only those suppliers who constantly deliver a high quality product according to agreements like delivery terms etcetera should receive orders from Arvicon. It should be possible to pay those suppliers a higher price for their products to be sure that their performance will remain constant..

Also the price Arvicon asks for its products should increase. It seems to be that customers prefer quality and not only a cheap price. If an price increase means that there won't be anymore delays and that all the material will arrive undamaged, the customer will be better off.

The department which is responsible for the quality control should reorganize. This is necessary, because it seems to be that they do not work efficiently. According to the director of Arvicon, there are 30 employees working for this department. Those persons have to check only 2000 containers a year together. This should be possible.

Next to this, the company should try to slow down the turnover of employees. This can be done by increasing the wage for employees who know a lot about the company and do have an added value for the company.

It is important to state that this thesis doesn't guarantee that the use of an differentiation strategy will be the best for Arvicon. Also the proposals which are done are not detailed enough to implement directly. For example, it would be wise to bring back the amount of suppliers, but it is not clear yet if this is possible. It could be that the capacity of all the suppliers is too low so the amount of suppliers cannot be brought back.

That is why the director of the company should have a very critical look to the proposals that have been suggested and base the decision whether to work with a differentiation strategy or not on this report and his own experience.

## **Chapter 1: Introduction**

### **1.1 Background**

This bachelor thesis is accomplished at Arvicon International. Arvicon is an Indian trading company and is active in the natural stone business. The firm exists for eight years and is officially a daughter company of the Arvind Construction Company which was established in 1962. This company is active in civil construction works in its own country as well as abroad. It's specialized in delivering materials which are used for construction works like cements, stones, etc. Next to this, they do some construction projects in India itself. The company was established by the Jain family and this family still leads the firm.

Arvicon was originally formed to deliver natural stones to its mother company. This changed when the company realized that there is a huge demand for natural stones in Europe. From that moment on, Arvicon began to sell natural stones to other countries. Currently, Arvicon sells marble, granite, slate, sandstone and limestone in all kind of finishings to Indian customers and to customers from eight different countries in Europe. Arvicon doesn't have its own mine, because the company is a trade company. Most of its products come from suppliers which are located in several Indian cities like Kota, Basoda, Bangalore and Shivpuri. Next to this, The Arvind Construction Company has its own limestone mine.

The head office of the mother company is located in the business district of New Delhi, also called Connaught place. The office of Arvicon International is located in this building. Next to the office in Delhi, the company has an office in Kota and in Bundi. These are used by employees who inspect the production facilities and the mines. This is necessary to keep the quality of the products at a certain level and to see if all the suppliers follow the law of India regarding child labor etc.

The Arvind Construction Company has about 500 employees. Sixty of them work directly for Arvicon. Arvicon exists of four departments: the shipping department, the accounting department, the purchase department, and the marketing department. We might say that the purchase department exists of two sub-departments, the sub-department which is located in Delhi and who buys natural stones from suppliers and the group of employees who inspect the mines. All the departments are under command of Gaurav Jain, the director of Arvicon and one of the directors of the mother company. Next to the employees who work for a specific department, there are a few employees for other tasks like the maintenance of the information technology, to bring chai (a local drink) etc.

The firm focuses on the market in Western Europe. That is done by several sales managers. Each of them focuses on one geographic area. The reason to do business in Europe is the fact that there is a huge demand for natural stones. Some of those stones are only found in development countries and by processing them in India, they are relatively cheap for a European customer. The price, Arvicon can get for natural stones which are sold to Europe is higher than the price they will get from an Indian customer. Arvicon sells about 2000 containers of natural stones each year and this turnover is worth about five million euro. Next to this, they grow with about seven percent each year.

Although, a lot of diverse market information is available and some research about the market has been done, a thorough examination of this data versus the competitive strategy has not been made. Therefore, the company wanted someone who would look critically to the competitive strategy of the company.

## **1.2 Problem definition**

The director of Arvicon thinks that the company could perform better. Despite that the company makes a profit of 10 percent each year with a growth rate of 7 percent, they got complains from their customers because they don't keep to their appointments. Most of the complaints are about delivery terms which the company can't follow and about problems with the quality of the products which Arvicon does deliver. The company knows in advance that they won't be able to keep to their own delivery terms but tries to attract customers with it. Next to the delivery terms, a lot of stones are broken when they arrive in Europe and the quality of the products doesn't seem to be consistent.

A lot of the orders come from only a few customers and so the company is scared that their sales could decrease dramatically if they would lose a big customer. Some customers threaten that they might order from another natural stone supplier if the company doesn't improve its service and quality. Next to this, the company has already lost some customers because of these problems.

Another important point is that the company finds it hard to determine which prices they should ask for their products. The company is scared that if they would increase their prices, a lot of customers will order from another natural stone trader. On the one hand, the company wants to deliver a quality which is higher than average for an Indian natural stone trader, but on the other hand Arvicon wants to be cheaper than its competitors. This makes clear that the company doesn't really know which competitive strategy to follow. The director of the company recognizes this problem. Therefore, the company is interested in a research which will investigate the competitive strategy that the company should follow.

It is important to state that a company should adjust its entire organization and its way to do business to its competitive strategy. This has to do with the fact that it would not be wise for a company to buy from the cheapest suppliers if they sell those products to a customer who want to have a high quality product etc.

## **1.3 Objective**

*Objective: make some recommendations for the company to improve its performance by using the right competitive strategy.*

This objective should make the company more stable and improve the chance that it will survive in the long term. At this moment, it seems to be that there is a chance that the company will make a huge loss if they lose some important customers. The output of this bachelor thesis will be a report for the director of the company how to improve the competitive strategy of the company and how to adjust the management to this competitive strategy.

## **1.4 Problem statement**

To be able to accomplish this objective, the next problem statement should be answered:

*Problem statement: With which competitive strategy could Arvicon International improve its overall performance?*

With this thesis, some recommendations will be made to improve the competitive strategy of Arvicon. This should make it possible for the company to survive in the long term and make a stable growth.

### **1.5 Research questions**

To answer this problem statement, some information need to be gathered. It is, therefore, essential to formulate research questions so the whole research will be done more structured.

Research questions:

- How does the external environment of Arvicon look like and how does it affect the company?
- How does the internal environment of Arvicon look like and how does it affect the company?
- Which options does Arvicon have regarding the competitive strategy of the company?
- Which competitive strategy should Arvicon chose, given its internal and external environment?
- How can Arvicon implement this competitive strategy and how should the company adjust its management to this?

With the answer to the research questions, it is possible to give a sufficient answer to the problem statement. After this, it is possible to outline this information into a conclusion.

## **Chapter 2: literature**

A theoretical framework will form the fundament of this bachelor thesis. It is important to state that the literature can be divided into several specific areas. Literature to describe the internal environment of a company and theory to describe the external environment of a company. Next to this, we will use literature regarding to the competitive strategy of a company and literature regarding to the fit of a competitive strategy and the environment of a company. Furthermore, some theory about cultural differences between countries will be used.

### **2.1 The external environment**

The external environment of an organization exists of the general environment and the task environment. To analyze the external environment of a company, it can be useful to conduct a PEST analysis.

A PEST analysis is a way to analyze the general external environment of an organization (Morden, 2007, p.94). Every organization has an external environment. The external environment is quite important for a company because it is the environment in which a company operates. A Pest analysis exists of the legal-political, economical, socio-cultural and technical environment of a company. Daft (2003) adds a fifth dimension to the PEST analysis, called the international environment. For the company at which this thesis is done, this is quite useful because of the fact that the company operation in a foreign environment.

The Political dimension itself represents all the regulations that the government of a country, state or a local community, designs to influence the behavior of a company (Daft, 2003). This can also be a pressure group which tries to stand up for environmental issues etc. It is important to state that not the whole political environment of India affects the company where this thesis is written about. Only regulations which directly influence the company and have a major impact on the business of the company will be described. We can think of laws regarding environmental issues, child labor and import restrictions from the European Union. The same applies for pressure groups. A pressure group which tries to help poor people in Delhi, where the company is located, doesn't affect the company as much as a pressure group which tries to prohibit the digging of natural stones in India. Only pressure groups which have a major impact on the company will be described. Also the stability in the area where the company is located is a part of the political dimension. By looking to the chance that a company has to change its business due to a political change in the area where the company is located or in the area where the company sells its products, we can say something about political stability. A major change would be for example a coup in India. This is off course very hard to predict but we might look to for example an investigation done on this subject. Also corruption belongs to the political dimension. This affects the company because it allows competitors as well as the company itself to cheat. Data about corruption in India is available.

The economic dimension represents the general economic health of a country in which a firm operates (Daft, 2003). We can see the economic health of a country via indicators like the gross domestic product (GDP), the growth rate of the aggregate economy and unemployment. Thus, we have to define the economic health for India as well as for the Benelux. It is important to state that the GDP of the Benelux is far more important for the overseas activities of an Indian trade company than the GDP of India. A low GDP in India could even be an advantage for an Indian trade company since it means that wages are low in India. A high GDP in the Benelux means that people in the Benelux have a big



purchasing power which means that the company can sell more. The same reasoning applies for unemployment. A high rate of unemployment in India means that wages are low in India which makes an Indian firm more competitive. A low unemployment in the Benelux is a benefit for an Indian natural stone trader since it means that more people in the Benelux are able to afford a natural stone floor in their garden. Also the growth rate of the economy of the Benelux is important for an Indian trade company because it is far easier for a company to operate in a growing economy than in a shrinking economy.

The socio-cultural dimension of a firm represents the norms, values and other demographic characteristics of the country in which a company operates (Daft, 2003). This is important for this thesis because the culture in India has to allow suggestions to improve a company. Next to this, an Indian company has to deal with the culture in the Benelux because its customers are located in the Benelux. More about the general cultural of a country is stated in the end of this paragraph. Next to general cultural differences, we will look specific cultural aspects of India like the caste system and how this affects an Indian company.

The technical dimension of the a firm represents all the scientific and technical advances in a specific industry (Daft, 2003). The stone business in India is still backwards compared to other nations, especially to nations in Europe. The technical dimension is always important for a company because if a company is five times less efficient than a western company due to technological arrears, the company its wages have to be five times lower to be as competitive as the western company (Brakman,, Garretsen, van Marrewijk & Witteloostuijn, 2008). By visiting the production facilities of the suppliers of the company, it is possible to get a perception about this subject.

Because the fact that this thesis is done at a company which operates in a foreign country, the international dimension is quite important for them. It represents the events of the company in a foreign country as well as the opportunities in a foreign country (Daft, 2003, p.76). This is quite important since some the customers of the company are located in the Benelux. Since the opportunities and threats of other countries are already clarified in another paragraph, this will only be done on a rough scale. We will focus mainly on import restrictions and trade barriers. Next to this, we will discuss the difficulties for Indian natural stone traders to export products to Europe.

It might be possible to use a PESTEL analyze instead of a PEST analyze. The last E stands for international environment which is already included. Next to this, the L stands for Law. This seems to be logical because the fact that international environment is already included. However, the law of India is very complex. Because of it, it is hard to give a full description of all the laws which a natural stone trader in India faces.

The task environment of a firm is the environment of an organization that directly affects the organization. The customers, suppliers, competitors and labor market of a firm belong to the task environment (Daft, 2003, p. 80).

We see the customers of a company as the persons and organizations who acquire goods and services from a company. By doing an internship at the company, it is possible to find out who the current customers of the company are and to gather more information about them. This includes about the core business of the customers and information about the size of them. Next to this, it is important to find out which competitive strategy the customers use.. Next to this, we can see the total market in the natural stone industry as a set of all the potential customers. That is why information about the market is also given in this paragraph. Information about the market includes information about the total size of the market and about the growth rate of the market.

Competitors are organizations in the same industry who provide the same goods or services to the same set of customers. It might be hard to find full information about

competitors of an Indian firm as the market might not be transparent. Despite, it is possible to say something about the competition by working in the company. Next to this, by analyzing reports about the market for natural stone, we can say something about the competition. It is important to find out which competitive strategy competitors of a company use. This makes it possible for a company to distinguish itself from those competitors by using another competitive strategy.

Suppliers of a trade company are the persons or organizations who provide products which this trade company sells. It would be possible to visit the quarries and the production facilities of the company. This makes it possible to describe them. Next to this, by having interviews with the director of the company, we can gather more information about the suppliers.

The labor market for a company is the set of people who are able to work for this specific company. To gather more information about the labor market for an Indian trade company, an interview with the director of the company where this thesis is written about will give sufficient information.

Another way to look to the task environment of a company is by using Porter his five force model (Daft, 2003, p. 254). Because this bachelor thesis will be based largely on the literature of Porter, the article competitive advantage revised will be used as an addition of the literature of Porter. The reason for choosing Porter is the fact that his work is internationally recognized and appreciated (Stonehouse and Snowdon, 2007). A weak point in Porter his model is the fact that it is a static model. This means that the origination of new markets by for example innovation is not taken into account. This would be a problem if this thesis is about a company which operates in a high tech market which changes a lot, like for example Nokia does. The natural stone market is not undergoing a lot of changes due to for example technical innovation, so the critique that Porter his model is static isn't valid for this thesis.

According to Porter (2008), there are five competitive forces. These are: Potential new entrants, bargaining power of customers, bargaining power of suppliers, Threat of substitute products and the Rivalry among competitors.

Potential new entrants are potential new players on the market. It is not in the benefits of a firm if it is easy for potential new entrants to enter the market. It is for example relatively easy for a bar to enter the catering industry, but on the other hand quite difficult for a train company to enter the public transport market. By looking to the setup costs for setting up a trade company, we can say something about this.

The bargaining power of customers is the power which customers have to bargain. This is for example relatively big in a monopsony (a market situation with only one customer, the opposite of a monopoly). The bargaining power of supplier is the power which suppliers have to bargain with a company. This power is relatively large if a certain supplier is the only player on the market. This information can also be obtained by doing an internship at the company.

The threat of a substitute product is the threat that a certain product will replace another product. For example, the disc man has been replaced by the mp3-player. This was a threat for producers of Discmans, and most of them saw an opportunity by producing mp3-players. Some information about this subject can be obtained from a market report of the natural stone market.

The rivalry among competitors in a certain market is influenced by the other four forces according to this model. This is shown in figure one. As we can see in the figure, the rivalry among competitors is influenced by the other four forces. It should be possible to confirm this theory by working in the company and to describe how the competition in

the natural stone market is. This should match with the outcome of Porter's five force model.

This literature is useful because the competitive strategy a company follows has got to fit with the competitive forces of a company. It is important to describe the competitive forces which a company face. The fact that the five competitive force model links the task environment with the competitive strategy of a company makes this theory useful for this thesis



Figure 1: The five force model of Porter

Because of the fact that this thesis will be done at an Indian company, it will be handy to deepen into the Indian culture. If this thesis shows that the company could double its profit by changing the company completely by empowering employees, it may be possible that nothing will change because the culture in the country where the company is located has a huge power distance. It is important to adapt the recommendations which will be made in this thesis to the local culture. Next to this, a company who export goods to a foreign country also have to pay attention that their customers might have a total different culture.

It is possible to describe a culture by using a framework which is designed by Hofstede. According to Hofstede (1985), culture is the mental programming of the mind. By using this definition, we don't look to aspects which are above the ground like architecture, language and fashion. According to other definitions of culture, culture is everything which is created by human beings. The definition of Hofstede suits better for this thesis since we are only interested in the aspects of culture which influence the organization culture of a firm. According to Hofstede, there are five dimensions of national value systems which affect organizations.

The five dimensions are:

- Power distance which is the degree to which people accept inequality in power among institutions, organizations and people.
- Uncertainty avoidance which is the degree in which people try to avoid uncertainty. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.
- Individualism versus collectivism which is the degree in which individuals are expected to take care of themselves.
- Masculinity versus femininity. Preference for achievement, heroism, assertiveness, work centrality and material success are characteristics of masculinity. A cultural preference for cooperation, group decision making, and quality of life are characteristics of femininity.
- Long term versus short term orientation which is the degree for the concern about the future versus the concern about the past and the present

By giving values to those dimensions, we can compare cultures without giving a judgment about those cultures. It is quite easy to find out the values by looking for them on Hofstede his website. This framework gives a simple but clear description of the culture of a certain country. Because of the fact that it works with ratings for different dimensions, it is quite easy to compare different countries with each other. This is quite essential since this thesis is done at an Indian trade company which exports their products to the Benelux.

## **2.2 The internal environment**

The internal environment of a company includes the elements within an organization its boundaries (Daft, 2003, p. 74). We can think of the organization, the products of an organization and the competitive strategy which an organization uses.

With the organization, it is important to clarify which departments an organization has and where the departments are located. Next to this, the amount of people who work for each department is relevant. Beside, it is relevant if a group of employees form a strength or a weakness of the company. For example, employees who are very motivated to do their job form a strength of a company.

It is possible to analyze the potential of the products of a company by placing them into the BCG matrix. It should be said that a natural stone trader has several products and that not all of the products made of natural stone are the same. The BCG matrix is a tool to analyze a product regarding to the market share a company has and the growth rate of the specific market. A product can be a star, question mark, dog or a cash cow (Daft, 2003, p.251). A star has a large market share in a market with a high growth rate, a cash cow has a large market share in a market with a low growth rate. A dog has a low market share in a market with a low growth rate and a question mark has a low market share in a growing market. By analyzing market reports and sales figures, it is possible to compute the market share and to determine the growth rate of the market.

Next to this, the customer order decoupling point is relevant as it determines an organization its ability to work with stocks. The order decoupling point is the point where an organization starts to produce. This can be after a customer places an order, for example a farmer who start to breed tomatoes before selling them. This can also be after a product is sold. We can think of an airplane manufacturer who starts to produce the airplane after the order.

The competitive strategy of a company is the way in which an organization shows its competitive advance to its customers. If we want to look to strategy on a lower level, it is

useful to look to the marketing mix. We can see the marketing mix of a company as a mix of 4 P's (Kotler, 2004).

- Product:** The product is the product itself which a company sells, but also the quality of the product which a company sells, the appearance and the packaging. If a company uses a built to order strategy in the customer order decoupling point, their appearance and the look of the packaging is less important than the quality of the product.
- Price:** The price involves the price a customer has to pay but also aspects like payment terms, discounts and allowances.
- Place:** The place has everything to do with logistics and the question where the product and the company are located and if the product is at the right time at the right place.
- Promotion:** This includes the way how a company promotes its products or service and which kind of marketing tools they use. This is often considered as the most important aspect of the marketing mix.

This way of filling in the competitive strategy of a company is widely used because of the simplicity of it. It is possible to use this framework for every company in the world so no matter what a company its competitive strategy is at the moment, we can use this framework to get a clear overview of the marketing mix of the company. By working as an intern in a company, it is possible to obtain information about these subjects.

### **2.3 SWOT analysis**

A useful tool to analyze a company is a SWOT analysis. Via a SWOT analysis, we can see the strengths, weaknesses, opportunities and threats that affect the performance of an organization (Daft, 2003, p.248).

The strengths are those points where a company has a competitive advance in comparison with their competitors. The weaknesses of a company are those points where the company has a competitive disadvantage in comparison with their competitors. In fact, by the analysis of the internal environment of a company, it should be possible to determine the strengths and weaknesses of that company. The SWOT analysis can be seen as a short summary of the internal environment.

The opportunities and threats of a company consist of external influences. Opportunities are characteristics of the external environment that have the potential to help the organization to achieve its strategic goals. Threats are characteristics of the external environment that may prevent the organization from achieving its strategic goals (Daft, 2003, p. 249). External influences are a part the external environment of a company. By using the dissection of the external environment, it is possible to determine the opportunities and threats. The opportunities and threats are also a summary of the external environment.

A SWOT analysis is quite useful because with it, it is possible to see what a firm is and is not able to do in a quick and clarifying way. The competitive strategy of a company should fit with the SWOT analysis of a company. If a company is for example very cost efficient because they have a huge capacity engine compound, they shouldn't focus on their quality but on their quantity.

To determine the competitive strategy of a certain company with respect to the SWOT analysis, it is useful to make a confrontation matrix (see figure 3). A confrontation matrix is a matrix in which we link opportunities and strengths and weaknesses and threats. We

can make the next combinations: strengths- opportunities, strengths-threats, weaknesses- opportunities and weaknesses-threats (Koninklijke Horeca Nederland, n.d.).

Per confrontation, we should fill in a number ranging from zero to ten. A zero means that there is no link and a 10 means that there is definitely a link. In field 1, we can ask the question “can we use this chance with this strength?”. In field 2, we ask the question “can we avert this threat with this strength?”. In field 3, we ask our self the question “does this weakness make it impossible for us to use this chance?” and in field 4 we ask our self the question “does this weakness makes it impossible for us to avert this threat?”. If the answer is completely yes, we give the link a 10. If the answer is completely no, we give the link a 0. By summing up all the rows, we can see what the area for attention of the company should be.

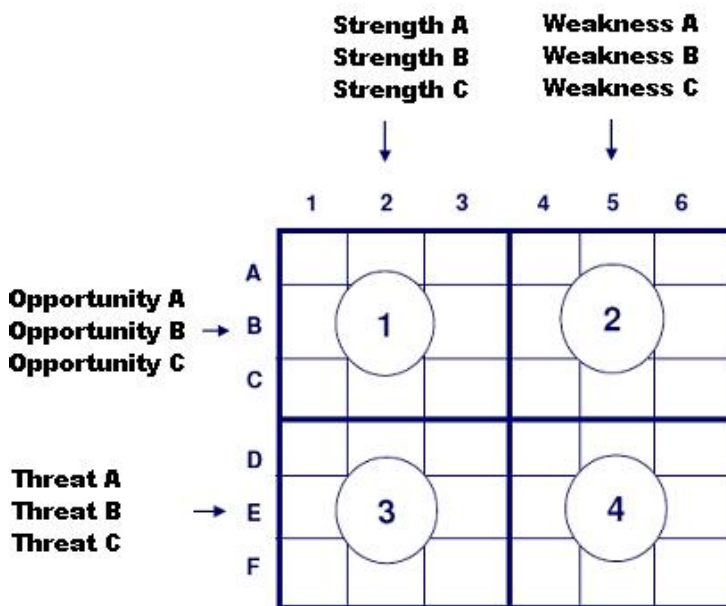


Figure 3: The confrontation matrix

## 2.4 Options regarding competitive strategy

According to Porter (1980) a company should adopt one of the three competitive strategies:

- Differentiation: this is a competitive strategy in which a company tries to distinguish its products or services from competitors. This strategy can be profitable because customers will pay a higher price for the product. Next to this, customers will be loyal and won't switch easily to another supplier. This strategy requires an intensive marketing campaign.
- Cost leadership: in this strategy, a company tries to be the most efficient so they can be cheaper than their competitors. If a company could be the cheapest, they would be able to give their customers a low price and would also be able to attract customers with this low price. Their margins will be low but because of their high turnover, their profit would still be big enough.
- Focus: With this strategy, a company concentrates on a specific regional market or a buyer group. The company will use either a differentiation or low-cost approach but with a focus on a certain group. This strategy requires a large group

of potential customers

If a company uses a competitive strategy which is a mix among those strategies, they won't maximize their value (Stonehouse and Snowdon, 2007). In fact, it is possible that a company already uses one of the three strategies mentioned before.

This framework of competitive strategies can be preferred above other theories about competitive strategy because of the fact that this fits well with the other theory which will be used and because of the fact that Porter is largely appreciated for his work on this subject.

### **2.5 Choosing a competitive strategy**

It will be important to find out if a firm uses a certain competitive strategy and if yes, which strategy it is. Given the information which will be obtained by using the theory described above, it must be possible to state if this strategy is logical.

A competitive strategy is suitable if it allows a firm to diverse itself from its competitors. This is the key to be competitive. This should follow from the dissection of the environment of the company. If for example all the competitors of a firm focus on quality and the strength of a company is the fact that a company has a huge capacity and the fact that a company is able to keep costs low, a cost leadership strategy would be logical. More about this in chapter 3.

### **2.6 Implementing a strategy**

To make changes in an organization, the unfreeze change refreeze model can be used (Daft, 2003, p. 396).

Unfreezing is a phase in which a certain group of people is prepared for a change. Mostly, human beings feel uncomfortable with a certain change. This is since human beings want safety and control over a certain situation. If people are in a situation in which they have safety and control, any change will be rejected because this involves a risk of losing this safety and control. In the unfreeze phase, people should be prepared for a change. This could be done via push or pull methods.

In the change phase, a transition is made from the situation before the change to the situation after. This will take time and cannot be done in a kind of "switch". People will feel comfortable in this phase if they are not responsible for a possible failure.

The refreeze phase is the final stage in which stability is brought back. In this phase, the original efficiency should be restored.

Because of time restrictions, it isn't possible to make a complete implementation plan (see chapter 3). Only advises based on literature for the implementation of a proposal will be given.

## **Chapter 3: methodology**

After the literature, it is necessary to design a methodology for conducting this thesis. We will start explaining which research theory have been used and which kind of methodology will be used. Then, a step to step way of doing this research is given. Further, the restrictions of this thesis are clarified.

### **3.1 General overview**

To accomplish this bachelor thesis, a decent methodology has to be used. The book “Het ontwerpen van een onderzoek” will be used as a hat stand for the methodology of this bachelor thesis. The reason for choosing this book is the fact that it gives a clear overview of the way a research should be set up. The advantage of the book “Het ontwerpen van een onderzoek” if we compare it to for example “De algemene probleemaanpak” is that it contains a lot of examples of problems which every researcher faces when he is doing a research. Next to this, it gives a step by step guide for conducting a research. Beside, it is widely accepted in the academic world as a tool for conducting a research.

First of all, it is important to state the objective of this research. This is done in chapter one. In this chapter, also the problem statement is stated. To be able to answer the problem statement, some research questions are made to divide the problem statement. In this bachelor thesis, all the research questions will be answered so at the end, we can make a conclusion for the problem statement.

### **3.2 Kind of methodology**

To be able to conduct this research, a lot of information is needed. This bachelor thesis is a case study. This means an in-depth, longitudinal examination of a single subject (Verschuren en Doorewaard, 1998). This means that the conclusion of this thesis is only valid for Arvicon and not for any other company. In this case, Arvicon is a unique research object. This research wouldn't be a case study if we would research the whole entire Indian natural stone industry. By working in a company, it is possible to notice all the problems which the company faces. Next to this, it reduces the gap between theory and practice.

An in-depth examination of Arvicon can be reached through a labor intensive approach. By having a function of sales manager, it is possible to work in the “field”. This will lead to reference triangulation. This means that multiple sources of information will be available. This is important because it is a way to determine and improve the reliability of information. It could be in the interest of an employee to say he performs excellent so his opinion will be subjective. The communication between the company and the customers is quite important. Talks with the director of this company and other employees can provide other important information.

One of the problems with talks with other employees was that it didn't give any reliable information. Especially Indian employees were constantly saying everything which could not bring them into any trouble. For example, the person who was responsible for the purchase of materials didn't admit that there were problems with delivery terms. When employees from the sales department saw that a problem was going to develop, the employee of the purchase department constantly denied that there were any problems. This often led to conflicts within the company. During an official interview with the same person of the purchase department, this person was only advertising the company. This source of information was completely not reliable. This is why is chosen to obtain this information less formal.



A reference called Poppelen (2008) refers to the observation of the researcher. Some employees like Sebastian Zuber and Prahil Biswal have given some information verbally which have added value for this thesis. That is why they are a part of the reference list.

This method does have some disadvantages. First of all, the information cannot be traced as much as for example a sales report. It would have been better if all the information of the researcher would have been saved in memos. This hasn't been done so we have to refer to a person instead of a memorandum. Next to this, the observation of the observer is also subjective. This means that it would be possible that conclusions would be different if the observer would be another person. The big advantage is that the information which is given to the observer is more trustful and complete if the researcher works in the company.

In contradiction with the employees of Arvicon, the director of the company was giving reliable information during an interview. This is why this interview has been worked out and published in the appendix of this thesis. Also sales figures from the company will provide useful information. Those sales figures are provided by the accounting department of Arvicon.

Also secondary sources are of great importance for this thesis. Secondary sources include for example statistics about a country, articles from news papers, etc.

This research will be practical instead of theoretical. The information which is needed for this thesis will come from the company itself and not from literature. Literature will be used as a tool to analyze the company.

The disadvantage of working as an intern to obtaining information is that this method will take a lot of time. The advantage is that this way of obtaining information will give full and trustful information (Verschuren and Doorewaard, 1998) as said before.

### **3.3 Chronological order**

Globally during this thesis, the following chronological order of rank will be followed.

First of all, it is important to state the subject and objective of this research. This is done in chapter one. In this chapter, also the problem statement is stated. To be able to answer the problem statement, some research questions are made. This is to cut the problem statement of this thesis into small parts. To be able to answer the research questions, it is important to know what "competitive strategy" and "competitive advantage" exactly mean. Competitive advantage means: the way in which a company is better than their competitors so customers will buy from them and not from their competitors. The competitive strategy means: the strategy in which an organization shows its competitive advance to its customers. Sometimes in this thesis, "competitive strategy" is abbreviated to "strategy".

To accomplish this thesis in an academic and professional way, it is important to find suitable literature for this thesis. This literature will function as the hat stand for this thesis.

If this is done, we have set up the basis of this thesis and we can begin with the real work. With using literature, we can describe the environment of the company. This will be done with a PEST analysis and by describing the task environment of a company. It is impossible to accomplish a full PEST analysis. This since it is impossible to describe everything what affects an organization. That is why only the important aspects of the PEST analysis will be investigated.

For the economy, it is important to know the growth rate and the GDP of the Indian economy and the growth rate and the GDP of the economy of the Benelux. This information can be obtained by using the CIA fact book. The same goes for the inflation rate and the main characteristics of the Indian economy, like dependence on a certain factor. India doesn't have a fixed minimum wage so to determine the wage of workers,

we have to talk with the purchase department. To find out the growth rate of a certain market, information from the Centre for the promotion of imports from developing countries (CBI) will be used.

The political dimension and the regulations that directly affect the company can be found out through work experience and with talks with the accounting department of the company. To find out the risk that the company has to change its business due to a political change, we can look to the Countries risk index which is given in the book International Business, written by Ball et al. Also the Corruption can be made measurable by using the Corruption perception score. This score is also published in the book International business.

For the socio-cultural dimension, we can find out more about, for example the caste system, by looking for articles on the internet. Next to this, the contrast between poor and rich can be known by looking to the percentage of people who live below the poverty line. The CIA fact book provides this information. For the values of the different dimensions of Hofstede, we can go to Hofstede his own website to obtain this information.

To see which technology the company uses, an internship will provide sufficient information. Next to this, a trip to the production facilities of the suppliers of the company will give information about the technology in the production process. Also information provided by the CBI will give some information about this subject.

To get information about the international dimension of the company, talks with the accounting department and sales department will give information. Next to this, work experience itself can have an added value.

If we want to obtain information about the task environment of a country, we should find out information about customers, suppliers competitors and the labor market. For customers, we need to find out information about the market. This can be obtained from the CBI. Information about the market means the growth rate of the market and the volume of the market. Next to this, information about how many ordering customers from the Benelux the company has with their individual sale is needed. This can be obtained through sales figures. Those sales figures will be given by the accounting department. To find out the core business of customers, work experience in the company will be sufficient. To determine problems with customers, talks with them and work experience is helpful.

Information about suppliers and the number of suppliers is available through an interview with the director of the company. Also information about problems with suppliers can be obtained via an interview with the director.

Information regarding competitors is available through talks with the sales department. This will be information regarding the competitive strategy of competitors and the chance that new firms will enter the market. Next to this, the sales department can give information about stone traders in Europe and other parts in the world. This can be checked via data available from the CBI.

Information about the labor market can be obtained via an interview with the director of the company and via work experience. By being in the company, it is possible to make a classification in employees based on education. Next to this, it is possible to see how valuable each individual employee is for the company. The director of the company can give information about the labor market.

If we want to obtain information about the organization, information is needed about the number of departments and the total number employees. This could be obtained via work experience. Also characteristics of employees like the ability to speak Dutch are important and can also be obtained via work experience.

To determine what kind of products Arvicon sells, the CBI can provide important information about the natural stone market. This will include useful information to determine the market share of Arvicon and the growth rate of the market. Next to this, by using the data from the CBI, it is possible to make market segmentation for Arvicon. Work experience can provide information about the customer order decoupling point. By having a function as a sales manager, it is quite easy to gather all the information about the other parts of the marketing mix like prices and the way Arvicon promotes their products etc.

To determine what kind of competitive strategy Arvicon uses now, Porter his literature on competitive strategy will be used. We can say that the strategy Arvicon uses is linked with their marketing mix. Thus with Porter his theory about different strategies and the description of the marketing mix, we can say which competitive strategy Arvicon uses.

We can summaries all this information in a SWOT analysis. This SWOT analysis will be based on information which is given in earlier paragraphs. After it, we can make a confrontation matrix with this SWOT analysis. By using the confrontation matrix, we can see which of the three strategies of Porter would make a fit with the confrontation matrix. This has to do with the strengths, weaknesses, opportunities and threats of Arvicon and their significance.

This will lead to a conclusion in which one of the three competitive strategies will be chosen. If the competitive strategy which is chosen in this thesis is the same as the strategy the company uses now, nothing has to change.

If the conclusion shows that the firm could better use another strategy than they use now, it should be written which strategy it is and how the company should adjust its organization to this new strategy.

### **3.4 Restrictions**

This bachelor thesis will be a research on how the competitive strategy can be improved and how the value chain which belongs to this should be adjusted. Despite the fact that the market for natural stones is larger than the Benelux, this bachelor thesis will only focus on this specific geographical area. Sales to other parts of Europe and to other parts of the world won't be involved in this bachelor thesis. This is because of time restrictions. This thesis will only focus on the competitive strategy of Arvicon and not on the competitive strategy of the Arvind Construction Company. Next to this, it will take too much time to investigate the whole value chain of Arvicon. That is why this will be done only on a rough scale.

Also a plan to implement the solutions which should improve the company will not be involved in this bachelor thesis. Also an evaluation plan to check if changes are improving the performance of the company also won't be involved in this bachelor thesis. This is all because time restrictions.

## Chapter 4: Results

The results are an essential part of this thesis because the results determines the answer to the problem statement. In this chapter, these results will be given. Everything that will be clarified in this chapter will follow with the literature in chapter 2.

### 4.1 External environment

Political:

India hasn't got an efficient government like a European country. The problem is that there are a lot of laws in India, but the government is not able to comply with those laws. That is the reason why there is still a lot of child labor in India. This can be proven with the Corruption Perception score of India. The country scores a 3.2, which is relatively low compared to a 8.5 as an average for the Benelux (Ball et al., 2008, p. 182).

This is a disadvantage for Arvicon because they have to compete with firms that are unethically. If a competitor of Arvicon decides to use children for their production, they can offer lower prices to their customers. This makes it hard for Arvicon to be the cheapest producer of natural stones in a sincere way.

Despite the fact that India is one of the most corrupt countries in the world, the country is relatively stable, especially when we compare India to its neighbors like Myanmar, Pakistan and Nepal. This can be proved with India's risk mark. Its value is 40 which is comparable to for example Poland but much better than for example Turkey, who scores a 60 (Ball et al., 2008, p. 274). This is why it is possible for Arvicon to invest in India because their investments are safe in the future.

Arvicon has to pay an additional tax to export some kind of rare natural stones. By selling land to mine companies and by cashing that additional tax, the government gets financial resources from the natural resources that India has (working experience).

Officially, Indian companies like Arvicon pay 30 percent corporate tax (Deepankar, 2008). The company could use the corruption and the weakness of the Indian system but the question is if this is ethically right.

Export companies in India always get a tax reduction to stimulate the export of India. This is to stimulate the economy of India (Deepankar, 2008)).

Economical:

India is one of the fastest growing economies in the world with a 9.4 percent growth rate. (Central intelligence agency (CIA, 2008). The GDP per capita is \$2,900 (CIA, 2008) which is much lower than the GDP of The Netherlands. The GDP per capita of The Netherlands is \$41,300 (CIA, 2008) Their inflation is 5.9 percent (CIA, 2008) and their economy relies much on services and agriculture. Because of the fact that wages are relatively low in India, it is possible for Arvicon to be cheaper than other countries. People who work at the mines are paid a minimum salary (Poppelen, 2008). This minimum wage is 85 Rupees per day which is equal to €1.50 (depending on the actual exchange rate). That is why it is a bit difficult for countries like Italy to compete on the natural stone market with India due to the fact that the wage for stone workers in Italy is about 40 times higher. Despite that the economy of India improves, it is threaded by inflation and overpopulation. Arvicon has to deal with the local Indian economy because all their suppliers are in India. Next to this, the mother company does a lot of their business in India. Because of the overpopulation, the labor in India will remain cheap. Also the exchange rate of the rupee is quite important for Arvicon. Arvicon has to pay its suppliers in Rupees and gets paid by its customers in euros. This is risky because a drop in the euro would also drop the profit of the entire firm.

The economy of the Benelux is growing with about 3 percent each year (CIA, 2008). Despite the fact that their economy is still growing, there is a chance that the economy of the Benelux will suffer from the credit crisis and will have a recession in the near future. People in the Benelux may not be able to buy natural stones on this scale anymore, which means that the market will decrease. Anyway, the natural stone market is expected to grow (CBI, 2007).

#### Social:

India is a country where the contrast between rich and poor people is quite big. This is partly caused by the caste system. Because of this system, a large group of society doesn't have a fair chance of education and a better position in the society (Spagnoli, 2008).

A lot of Indian citizens are the richest in world, on the other hand 25 percent of the people in India live below the poverty line (CIA, 2008). Especially the states where natural stone mining is taking place have a large population which live below the poverty line. For Arvicon, this means that labor in its own mine can be cheap because the supply of low skilled labor is big. Next to this, it means that their other suppliers are quite cheap because they don't have to pay much for labor either.

#### Technological:

India is not as technologically developed as the western world. The production process of the natural stone industry is still very old fashioned and this process hasn't changed for a lot of years (Poppelen, 2008). Most of the work is still done by a hammer and chisel but changes will come (CBI, 2007). It could be cheaper in the future to invest in technology or to use suppliers who use the latest technology with regarding to chisel curbstones etc. At the moment, the cutting of stones is still cheaper if it is done by hand, but this might change in the near future.

The communication towards customers is usually done by email and by telephone. New Delhi faces a lot of power cuts. Arvicon adjusted to the Indian electricity network by using generators for power cuts. Because of this, the head office can always keep working during a power cut. This is important and shows that Arvicon is able to adjust itself to the fact that the company is located in a development country.

#### International:

Arvicon has a lot of opportunities in other countries. The company uses these opportunities by selling stones to Europe. Indian natural stone companies are interesting for the Benelux because some of the material is only found in India, like green marble (Poppelen, 2008). Next to this, Indian natural stone traders are much cheaper than companies in for example Italy who import rough stone blocks from countries like India to finish them in their own country. Next to this, India and the European Union have good relations with each other and agreed that it should be easy for importers in Europe to import Indian natural stones (Deepenkar, 2008).

The international dimension also means some threats for Arvicon. Because of the international dimension, Arvicon shouldn't only compete with Indian firms but also with firms abroad. Especially other low-wage countries could threaten the profit of Arvicon. This was noticed by the company when Eckstone, the biggest customer of Arvicon in The Netherlands, placed a big order in China. This was the first time that Arvicon directly noticed competition from China. Also countries like Egypt are a threat in the future for Arvicon because of their potential on the natural stone market and the fact that they are located relatively close to Europe (Zuber, 2008)

To summarize, we can say that Arvicon is located in India where costs are low. The country has a high economic growth rate and a lot of poverty. Next to this, we can state that India has a lot of corruption and that the technology which is used to cut natural stones in India is backwards compared to Europe. The Next to this, Arvicon has the opportunity to export natural stones to the Benelux because it is relatively simple to exports natural stones from India to the Benelux.

If we look to the task environment of the company, we can see the following subjects.

Customers:

As said before, the natural stone market is expected to grow. If we look to the total market of natural stone in the Benelux, we can see an increase in imports from developing countries (see figure 4)

	2002		2003		2004		2005		Average annual change Percentage
	Volume 1000 Tonnes	Value Million Euro	Volume 1000 Tonnes	Value Million Euro	Volume 1000 Tonnes	Value Million Euro	Volume 1000 Tonnes	Value Million Euro	
Belgium	355	85	493	106	662	134	754	155	35.1
The Netherlands	237	61	329	67	547	93	621	107	17.6
Luxemburg	4	1	8	2	7	2	9	2	21.6
<b>Total</b>	<b>596</b>	<b>147</b>	<b>830</b>	<b>175</b>	<b>1216</b>	<b>229</b>	<b>1384</b>	<b>264</b>	<b>24.952</b>

FIGURE 4: Imports of the Benelux from development countries (CBI, 2007, page 24)

Arvicon Interntional is active on the Blocks and Slabs market, the Flooring and Cladding market and the Landscape design (see paragraph Products of Arvicon). This is only 44% of the total natural stone market (CBI, 2007, page 20). In figure 5, we can see the total market on which Arvicon operates.

	2002		2003		2004		2005		Average annual change Percentage
	Volume 1000 Tonnes	Value Million Euro	Volume 1000 Tonnes	Value Million Euro	Volume 1000 Tonnes	Value Million Euro	Volume 1000 Tonnes	Value Million Euro	
Belgium	156	37,4	217	46,6	291	59	331,8	68,2	35.1
The Netherlands	104	26,8	145	29,5	241	40,9	273,2	47,1	17.6
Luxemburg	4	1	8	2	7	2	9	2	21.6
<b>Average</b>	<b>264</b>	<b>65,2</b>	<b>370</b>	<b>78,1</b>	<b>539</b>	<b>102</b>	<b>614</b>	<b>117</b>	<b>24.952</b>

Figure 5: Total market of Arvicon in the Benelux

Customers of Arvicon in the Benelux are in general natural stone traders, garden centers and construction companies (Poppelen, 2008). The number of potential is customers is limited because there are a limited number of companies in the Benelux who purchase natural stones. This means that it is not wise for Arvicon to concentrate itself on a regional market or buyer group. Arvicon has 8 ordering customers in the Benelux and

four of them can be seen as big and order more than 20 containers a year (Appendix 3). In figure 6, we can see what kind of customers Arvicon does have.

<b>Construction</b>	<b>Garden center</b>	<b>Natural stone importer</b>
Holvoet	Borgmann	Beltrami
NV De Coninck	Landgoed Sollewerf	Eckstone
Westvlaams Tegelhuis		Hullebusch

Figure 6: Customers and their core business

In figure 7, we can see the sales per customer in 2007. As we can see, most of the sales is generated by Natural Stone Importers. This information is based on the sales report which is shown in Appendix 3.

Company	Sales
Beltrami	€252.819,61
Borgmann	€11.928,60
Eckstone	€308.480,13
Holvoet	€31.981,71
Hullebusch	€32.966,53
Landgoed Sollewerf	€7.049,71
NV De Coninck	€19.789,02
Westvlaams Tegelhuis	€5.670,93

Figure 7: Sales per customer in 2007

In general, natural stone importers are the biggest customers of Arvicon (Appendix 3). As we can see in figure 7, Eckstone and Beltrami are the biggest customers and losing one of them would seriously affect the company. This makes the company vulnerable. One container with damaged tiles could cause the loss of one of these customers. Arvicon isn't the only supplier of those customers, so it is quite easy for them to purchase from another supplier (Poppelen, 2008).

It is remarkable that a small customer like Hullebusch gets much more attention than a big one like Eckstone (Poppelen, 2008). This is even more remarkable since there is a sharp decline in the orders of Eckstone since January. The company uses price discrimination. Some important big customers are offered a better price than customers who are less important. The margin Arvicon uses varies between 8 and 15 percent (Poppelen, 2008).

If we compare the first seven months of 2008 with the first seven months of 2007, we can see a growth of turnover of 395% (Appendix 3). This is caused by big orders from NV De Coninck and Eckstone. The profit that the company made with this higher turnover became stronger because of the increasing value of the euro (Yahoo, 2009). It is fortifying that the turnover was divided over more customers which makes the company less vulnerable.

In the same period, there were also a lot of complaints from some customers. Maris NV and some other small customers threatened to stop ordering from Arvicon. Unfortunately, Holvoet was lost because of damaged material arrived in Belgium, which created a big loss for this customer (Holvoet, 2008). In the past, it happened frequently that a customer

was lost because of quality problems (Deepenkar, 2008). However, the sales department was always able to attract new customers to compensate for this loss. Also Eckstone placed a big order at a Chinese company instead of ordering from Arvicon. Eckstone had a huge financial loss because this Chinese company made a big mistake with fumigation. Fumigation is necessary to import wooden crates into the European Union (Poppelen, 2008).

Some of those customer have a lot of bargaining power, others don't. Especially the big customers can easily decrease the margin of Arvicon. This is because they know that Arvicon is dependent on them. Customers also know that they can easily choose another supplier.

The company doesn't know the margins of the customers and which competitive strategy their customers use (Appendix 2). The average margin of their customers is around 30 to 35 percent for wholesalers and between 40 and 50 percent for retailers (CBI, 2007). This is more than the margin of Arvicon. The company might consider to ask a higher margin and to use this extra money to invest in production. The company could improve their employees who have to inspect the mines and would be able to select better suppliers if they are available on the market. This would make the amount of sales more stable because the chance of losing a customer due to quality problems will be lower.

Arvicon doesn't know if its customers ask high prices for their products and if they focus on quality or quantity (Appendix 2). This information would be welcome because this information determines if a customer is willing to pay more for higher quality.

#### Suppliers:

Arvicon its suppliers are mainly stone mines and production facilities from Rajasthan and South India. There are 50 mines which supply Arvicon (Appendix 2). One of those mines is owned by the mother company of Arvicon. Sometimes, Arvicon orders some rough blocks at a mine and hires a third party to finish those stones. This is for example the case with honed material. The procurement of Arvicon is quite important since Arvicon is a trade company. Because their suppliers are also located in India, the prices Arvicon pays to their suppliers are low. This is a competitive advantage Arvicon has over Western natural stone suppliers.

Because of this large amount of suppliers, it is quite hard to check everything that they do. The result is that broken tiles or cobbles with wrong sizes are sent to a customer of Arvicon. Those mines face a market with a lot of other suppliers and focus on price. Because of this, some of them use children for the production and pay their labors illegal wages. Arvicon just selects suppliers which have done business with Arvicon in the past and suppliers who offer a low price (Appendix 2). It might useful to see whether there are suppliers who are willing to work ethically and who can guarantee that the products they deliver to the customers of Arvicon are without broken stones and in the right sizes. Arvicon should be willing to pay a higher price for this. Because of the fact that there are many suppliers, it is often possible for Arvicon to negotiate with its suppliers about prices and delivery terms. This can be a disadvantage because of the Indian culture. Producers promise things and are not able to keep their promises (Zuber, 2008).

#### Competitors:

There are a lot of natural stone companies in India. The competition is heavy in this market and it happens a lot that competitors try to find out the price of another competitor by using spies. Companies act as if they are a western company to find out prices, delivery term et cetera of their competitor (Seuren, 2008). Most of the Indian companies focus on price because they think that European customers want them to be cheap. Next to competitors in India, Arvicon has to compete with firms from other parts in the world.



Most of the time, these come from other low-wage countries like China and Brazil (CBI, 2007). Because of the fact that those firms are located abroad, it is quite hard for Arvicon to get a clear overview of them.

It is not so hard for a company to start doing business in this market. This because a potential competitor can buy products from mines and natural stone producers, and sell them to a company in Europe. It won't be hard for a potential trade company to get a trial order, and they can go on with this. This will always be a risk for Arvicon (Zuber, 2008).

Next to the competitors from low-wage countries, there are also some competitors from Europe. They can compete with firms from the development world by being efficient and by delivering quality and service. They have some mines in Europe but they also import rough material from India to their production facility to finish those stones. This is especially the case with green granite and marble because some colors are only found in India (Zuber, 2008). By importing those rough big blocks of stone, they can sell this material to European customers. That way, Indian companies lose their natural monopoly. The rate of errors of European natural stone firms is much lower than the rate of errors of an Indian firm. They also exploit from the fact that small retailers and garden centers don't want to buy their stones from India, but just from a European company (Zuber, 2008).

#### Labor market

The labor market for Arvicon for unskilled jobs is quite large. This is because there are a lot of low skilled labors in India. The company has some low skilled jobs and that kind of labor can be very cheap. They use them for cleaning, bringing chai and doing other simple jobs in the office (Poppelen, 2008). Also the company its limestone mine use them for cutting stones et cetera. It is never hard for Arvicon to find persons which are willing to do this work.

The labor market for skilled jobs in the head office is narrow. The reason for this is the fact that the head office of the company is located in Delhi. Because of it, it is hard for Arvicon to find suitable employees for the functions on the head office for the amount of salary that they pay. That is also why the turnover of employees for some functions in the head office is high (Appendix 2). Some employees in the head office consider to leave their job. This would be a big loss for the company because they have a lot of knowledge about the market. It will cost a lot of time to train other persons for the work in the head office (Poppelen, 2008). The labor market for sales persons is very small because the company wants to have European sales persons. The company works with interns because they are not able to pay a European salary. Because of it, the turnover is quite high because almost every intern quite his job in a couple of months. Next to this, Arvicon has some problems with the organization which recruits intern in Europe because they don't keep their promises. (Poppelen, 2008). A solution might be to recruit intern via another organization or in cooperation with universities in Europe. The company is willing to pay a higher wage for persons who come for a longer term but they still can't pay a reasonable salary for European standards (appendix 2). Sometimes, there are intern who want to come back to the company for one year and they are paid more than they had been paid in the past. The company doesn't work with sales agents because they don't trust them and they find it hard to communicate with them (appendix 2).

#### Culture

The culture of India can be described according to five dimensions. This model is called Hofstede his model and is sketched in chapter two. By using this model, we can see whether it is effective to change an Indian company or not. The remark that the scores which will be used are those for the "Indian" culture fits to this. Because of the fact that

India is a mix of several cultures, we should be careful with using this method for India. As we can see, according to this model, there is a huge difference between the Dutch and the Indian culture. If we look to the scores of India, it is remarkable that the country has a huge power distance (Hofstede, 2008) (see table 1). This is also something that can be seen in the office of Arvicon. People who work in the company don't criticize the director and are very reticent with their opinion about the company. This could be a disadvantage because the director of the company won't get any constructive comment. The international sales employees are an exception because they come from a country where criticism against somebody who is higher in the hierarchy of an organization is allowed and sometimes even stimulated.

We can also see that India is less individualistic than The Netherlands, who are very individualistic. This doesn't really affect the company, as far as can be verified.

If we look to the masculinity, India scores below average, but the score is still much higher than the score of The Netherlands. This is noticeable in the office because of the fact that almost all the jobs are done by men. Women are not allowed to work with customers or to have a responsible job. The labor market for Arvicon is limited because of this reason.

We may also state that the uncertainty avoidance is lower in India than in The Netherlands. This is also noticeable in the office where there are only a few rules. People in countries tend to have as few rules as possible and are open for other thoughts and opinions. This would make a possibly change in the company more effortless. Also the long-term orientation is higher in India than average. This should mean that the management of Arvicon should be sensible for changes which can improve the stability of the company.

Dimension	Average	India	The Netherlands
Power distance	56.5	77	38
Individualism	42	48	80
Masculinity	56	51	14
Uncertainty avoidance index	40	65	53
Long-term orientation	48	62	44

Table 1: Scores for different dimensions

We should be very careful with statements about the Indian culture. The values of Hofstede are values for the Indian culture as a whole. India is a country which is strictly Islamic in the north and Christian in the south. Almost all the religions are represented in India and that is why Hofstede his values doesn't have to be valid for all the parts of India. If this thesis would be done in Kasjmir where the majority is Islamic (Peeters, 2002), we should not take Hofstede his values.

Arvicon is located Delhi. Delhi is the capital of India and is not a city where minority groups in India form the majority. Delhi has a population which is a reflection of the Indian population. That's is why Hofstede his values are taken for thesis. Next to this, experience in the company is well in line with Hofstede his conclusions about the Indian culture. However, we should be careful with this.

To summarize, we can say that the potential amount of customers is limited and that Arvicon relies on a few big customers. Next to this, the turnover of Arvicon is slightly

growing. The suppliers of Arvicon are cheap since they are located in India but are not always reliable. Because of this, Arvicon loses customers. The competition from other Indian natural stone traders is heavy and competitors do usually follow a Cost leadership strategy. Next to this, Arvicon faces competition from European natural stone suppliers. The labor market for simple jobs is large so Arvicon won't have any troubles in finding employees for simple tasks. However, it is quite difficult for Arvicon to find educated employees because of the fact that the head office is located in Delhi. The culture in India makes it possible to make changes in the company. However, the power distance and the masculinity should be taken into account.

#### **4.2 Internal environment**

Arvicon has four departments, the shipping department, the accounting department, the purchase department and the marketing department (Poppelen, 2008). According to Jain (2008), the turnover of skilled employees is high. This is caused by the fact that the company works with interns and the fact that the company is located in Delhi. This gives problems with the consistency of performance of the company.

The shipping department takes care that all the products of the suppliers of Arvicon are transported to the customers which are mainly oversea. This goes directly, Arvicon doesn't have a stock. Arvicon arranges trucks which are bringing the material to a harbor in India and from there, it is sailed to Europe. About 8 persons work for this department.

The purchase department is responsible for the procurement of products. This is not as easy as it looks like because this department is more or less responsible for delays. The purchase manager has to take care that delays are as short as possible by contacting the mines and production companies as often as possible. This is done by two persons. Their job is also to communicate these delays to the sales department.

The sales department is responsible for all the communication from the company to (potential) customers. This includes getting new orders, keeping customers up to date about the status of an order and handle complains. Every intern has one geographical area and these areas are based on languages. This department has 8 employees and they communicate with customers in their native language. The fact that the sales department is able to communicate with customers in their language is appreciated by customers because it gives a form a trust (Poppelen, 2008). The disadvantage of this system is the fact that the turnover of employees is high since employees only stay in the company for a few months.

The accounting in the company is done by two persons and they are responsible for all the administration work. Next to this, some employees are just there for other tasks like: simple jobs in the office, handling the information technology of the company et cetera. All the departments are controlled by the director of the company. He is there to check the work of others and to take important decisions. Especially the sales department often communicates with him about complaining customers and new orders.

Next to these departments, the company has the company has an office in Kota and in Bundi (Poppelen, 2008). They are used by employees who inspect the production facilities and the mines. This is necessary to keep the quality of the products at a certain level and to see that all the suppliers follow the law of India regarding child labor etc. It is remarkable that 30 persons have this job according to the director, and it still happens a lot that material is damaged before it arrives in Europe. The amount of containers which Arvicon sells each year is 2000 so this means that each inspector has to check about one

and a half container each week. In fact, Arvicon has a very flat organization chart. All the employees, except the director, are more or less equal in the hierarchy of the company.

In general, we can say that Arvicon has four departments and that the sales department is unique because foreigners work for this department. Next to this, it seems to be remarkable that the people who should inspect the production facilities are not able to drop the rate of errors in the production.

### 4.3 Products of Arvicon

The natural stone market can be segmented in several ways. We can look to the kind of stone and to the type of stones. The centre of promotion of Imports from developing countries (CBI, 2007) makes the next market segmentation:

- **Blocks and Slabs**; whether or not roughly trimmed or merely cut, by sawing or otherwise;
- Natural stone products with a flat or even surface used for **Flooring & Cladding** (such as square tiles);
- Natural stone products used for urban or rural **Landscape Design** (such as setts, curbstones and flagstones);
- Natural stone products used for **Funeral and Other Art** (such as tombstones and garden decorations).

Arvicon is able to deliver all kinds of stones and do have a huge assortment. Most of the customers order only a few products. This is especially the case in the Benelux where mainly tiles and cobbles are sold. We can segment the market of Arvicon in the Blocks and Slabs market, the Flooring and Cladding market and the Landscape design (Poppelen, 2008). The company finds it too risky to supply tombstones because of the fact that this market is very risky and difficult. The size of a tombstone should be exactly correct and customers in this market segment complain a lot when things go wrong.

The main source of income for Arvicon is the Flooring & Cladding market. We can divide this market into the market for cobbles and the market for tiles. Cobbles are mostly ordered by Belgium construction companies. They use them for roads and they are always made of sandstone (see appendix 1).

Garden centers and natural stone importers order a lot of tiles. Those tiles are mostly made of sandstone or limestone (see appendix 1). Arvicon can also supply tiles made from marble, granite or slate but this was almost never sold in the Benelux so far.

Arvicon also sells slabs to companies who are involved in doing small construction works. This is almost never to a customer from the Benelux. Some general construction companies order curbstones (see appendix 1).

This market segmentation made by the centre of promotion of Imports from developing countries has one big disadvantage. Most of the sales of Arvicon consist of cobbles and tiles. This is the same market segmentation according to the CBI but the market for cobbles is not the same as the market for tiles. Because of this, the market segmentation below would be better for the activities of Arvicon in the Benelux.

- **Tiles** made of sandstone or limestone
- **Cobbles** made of sandstone
- **Slabs** made of limestone
- **Curbstone** made of sandstone

By looking to the market share Arvicon has in each market segment and the grow rate of this market, we can place those products in the BCG matrix. With market share, we can look to the total market or to the total turnover of Arvicon. By looking to the percentage of the total turnover of Arvicon, it is easier to see where Arvicon gets her revenues from. The information of the market share comes from talks with other sales employees who helped to create this figure.

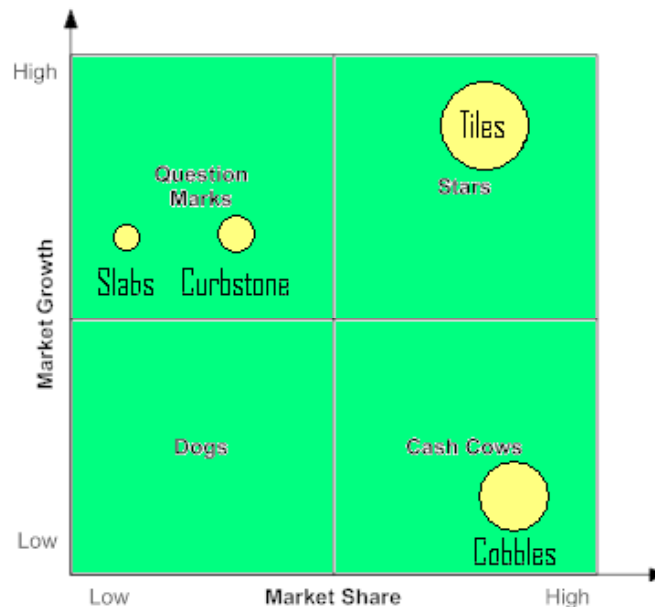


Figure 8: BCG matrix for Arvicon

We can see the BCG matrix for Arvicon in figure 8. As we can see, tiles are a star because of the fact that this market is still growing (CBI, 2007) and because of the fact a large part of the turnover of Arvicon come from this product. Those products are definitely a luxury product. Customers order them because of esthetic reasons. Cobbles can be considered as a cash cow because the market growth for cobbles is decreasing. This is because less roads are built with cobbles nowadays (de Vos and Dams, 2007). A big part of the turnover still comes from this product. This makes this product also very valuable, just like tiles. The market for slabs and curbstone is still growing but only a small part of the turnover of Arvicon comes from this product. Curbstone can easily be used to fill up a container. This makes them profitable.

Because the order decoupling point of Arvicon is built to order (Biswal, 2008), the company is able to deliver stones in almost all sizes. Only very big slabs and very thin and big tiles can be a problem because they are fragile. The fact that the order decoupling point is built to order is also the reason that Arvicon doesn't have a stock. There are although a few standard sizes, especially for cobbles.

To summarize, we can say that cobbles are a cash cow and that slabs and Curbstone are question marks. Next to this, tiles are a star. Because the order decoupling point is built to order, it is not possible for Arvicon to maintain a stock for every product.

#### **4.4 Competitive Strategy**

Arvicon mainly focuses on the price of their products (Seuren, 2008). They think that European companies select them based on the price of the stones. Next to this, they want to deliver a sufficient quality. It is still happening that their orders have a huge delay or that some material is damaged when it arrives in Europe. Also competitors mainly focus on the price of their products (Seuren, 2008)

Regarding to Porter, we might say that Arvicon try to use a cost leadership strategy. This strategy is quite hard in India because some competitors of Arvicon do things which are ethically not right (Poppelen, 2008) and (Gosh, n.d.) They pay illegal wages to their labors, use child labor etcetera to cut their costs. Some customers pay Arvicon a little bit more to make sure that the amount of errors is as low as possible. This means that Arvicon has to change its competitive strategy for this customer which is not the right thing to do according to Porter.

By selling a lot of containers, they want to make their money because the company is aware of the fact that its margins are low. They try to attract new customers with a low price and a sufficient product (Seuren, 2008).

Despite the fact that Arvicon uses a cost leadership strategy, they have some foreign employees to communicate with customers. This is an advantage for selling stones to Europe because it looks very professional if an Indian supplier is able to communicate in Dutch. This makes it also possible to sell material to customers who don't speak English but this wouldn't be a big problem in the Benelux. The promotion of the company is mainly via internet (Poppelen, 2008). Arvicon has got some websites where potential customers can fill in a form with their telephone number, email address et cetera. The sales department will give this potential customer a telephone call and will send them a brochure. It also happens that the sales staff is surfing on the internet for potential customers, hoping to find a useful telephone number or email address. By contacting this person, they hope to get a trial order from this customer. With existing customers, the company tries to maintain contact. This is done by frequently phone calls, emails and by visiting an existing customer once a year.

Arvicon says that they are the only Indian natural stone company with a certificate against child labor. Customers can buy this certificate by paying two percent more (Zuber, 2008). A German company will inspect the production facilities unexpectedly and check if they see any children working. If so, Arvicon could lose the certificate and the company will report this to the customers. These points are an advantage of Arvicon and because of it, it is not possible to say that they use a full cost leadership strategy.

We have a market segmentation of four products, Tiles, Cobbles Slabs and Curbstone. For tiles, the quality is more important and that is the reason why the company want to keep the quality for tiles high (Zuber, 2008). Some customers pay a little bit more for their tiles so they get a better quality (appendix 2).

To excerpt, Arvicon uses a price leadership strategy, but have some qualities which don't belong to a price leadership like European employees.

#### **4.5 SWOT analysis**

We can see communication towards customers as the main strength of the company. This is because they are able to communicate with their customers in the language of the customer. The communication towards a Dutch customer can be in Dutch because of the fact that the company got Dutch or Belgium interns. This is a huge advantage because it reduces language barriers and it gives a customer a lot of trust.

Next to this, the financial resources are one of the main strengths of the company (Appendix 2). Arvicon can be seen as a trade company, so they have to buy their products from suppliers. Because of the fact that there is a gap between the moment that a natural stone trader pays a supplier and the moment they are paid by their customers, firms who are active in that specific market, need financial resources to do business. Because Arvicon can use the capital of the mother company, they are able to increase their capacity when that is necessary. Competitors of Arvicon don't have this opportunity. This gives Arvicon also an opportunity to select the best suppliers on the market. Because of this, they are able to deliver with a lower rate of errors than their competitors do.

Last but not least, the fact that Arvicon is located in India gives them a cost advantage over Western firms. This is caused by the fact that a lot of costs are lower in India than in other parts of the world.

In contrast to those strengths, there are also some weaknesses with which the company got to deal. One of the biggest weaknesses is the inconsistency of service because of the high turnover of employees. All the sales managers of the company are trainees who only stay for 6 months in the company. Those trainees can be excellent but can also be a shirking person. This means that an excellent person may be followed up by a person who is less capable, which results that the service of the company goes down. This could cause that a customer chooses for another supplier.

Also quality control is a problem of the company. That is caused by the fact that the company doesn't have enough persons to inspect the suppliers. Because of this, it is still possible that tiles are broken before they arrive in the Benelux. This problem exists in the entire market and has to do with the Indian mentality, but can be considered as a weakness since Arvicon has to compete against firms from other countries.

Next to this, it seems to be that the company doesn't have a long term vision. Most of the plans are made for the short term future. The company relies on a few products, which are sold to only a few customers. There is not really a plan to make the company less dependent on a few customers, which makes the company vulnerable.

The opportunities of Arvicon are the growing market for natural stones. The market is constantly growing (CBI, 2007). Because this report is written in 2007, the effects of the credit crises are not taken into this report which makes those predictions uncertain. Anyway, the chance remains high that the market will grow in the future. This is especially true for countries from Eastern Europe which grow faster than countries in Western Europe.

Next to this, it seems to be that the production of natural stones in Europe is stagnating because of competition from development countries. Because of the fact that they work cheaper, it is hard for European countries to compete with them. This gives Arvicon a potential in the future to increase their market share in a growing market.

The threats for Arvicon are the increasing natural stone production in other development countries like Brazil and China (CBI, 2007). Those countries increase their production. Arvicon has to compete with Indian firms and with them so this is a real threat for the company.

Also the new credit crisis is a threat for the company. European customers will have less money for luxury goods like natural stones. The current threats are amplified because Arvicon relies on a few customers.

In figure 6 we can see the confrontation matrix which belongs to this SWOT analysis. As we can see, the lack of long term vision and quality control are the two most important areas of attention regarding the weaknesses of the organization. Also the inconsistency of service is a problem but this won't be easy to solve since it is hard for the company to attract foreign employees for a long period of time.

The communication towards customers is the most important strength of the company and it will be important for the firm to go on with attracting foreign employees. Next to it, the location where the firm is settled is an important strength, but not relevant since the company is not able to change this.

		Chances		Threats		
		Growing market for natural stones		Stagnating Production in Europe		
		Production in other development countries		Credit crisis		
						Total
Strengths	communication towards customers	8	6	4	3	21
	Financial resources	4	3	2	8	17
	Location	2	6	5	5	18
Weaknesses	Inconsistency of service	4	6	5	4	19
	Quality control	4	7	6	4	21
	Lack of long term vision	6	6	6	8	26

Figure 6: Confrontation matrix



## Chapter 5: Conclusion

By using the information which is given in the previous chapters, it is possible to state a conclusion for this thesis.

The objective of this bachelor thesis is as follow: *With which competitive strategy could Arvicon International improve its overall performance?*

To answer this objective, we first need to answer all the research questions. We do have six research questions. With the answer on each of the research questions, it is possible to answer the problem statement.

### 5.1 Summary of results

Arvicon operates in a market with heavy competition. Some of its competitors are located in India, others come from other parts in the world. The Indian competitors focus just like competitors from other low-wage countries on quantity. They want to offer their customers a low price and do everything to save costs. Some of them use child labor and they also pay their labors an illegal wage. This disturbs fair competition on this market (see chapter 4, external environment). Competitors from Europe generally focus on quality and service.

The political situation for Arvicon is sufficient. Arvicon is located in a stable country and there are not many threats for the capitalistic system which exists in India. The company could use the corruption which exists in India, but this could damage the reputation of the company (see chapter 4, external environment).

The market for natural stones is growing, but this growth may decrease because of the international credit crisis. At this moment it's not very predictable. The company has the disadvantage that they are located in a country with a technological arrear in comparison with Europe, while the cheap labor force in India is an advantage for the company. This instigate that the cutting of a stone is cheaper by hand than by machine. It is only always hard for the company to find sales employees from Europe and this will always be a problem for the company, since they can't pay a market conform salary for European employees.

By looking to the general culture of India, it should be possible to make changes in the company. People are not very uncertainty avoidant and do have a concern about the future. Only the power distance in India is high which means that it will be hard to empower employees. This should be taken into account.

Arvicon its assortment consists of all kind of natural stones. Market segmentation for the Benelux has been made. We can divide tiles, blocks, slabs and curbstones. The market for cobbles is decreasing because fewer roads in Belgium are made of cobbles. Despite, this can be considered as a cash cow for Arvicon.

Belgium customers order a lot of these cobbles and this may continue for the coming period. Because of the fact that there are a few standard sizes which are always sold to customers like NV De Coninck and Beltrami, it might be an idea to see if it is possible to maintain a stock in this material. The market for tiles is growing and this also forms a big part of the turnover of Arvicon in the Benelux. Customers in the Benelux order them because they look better than a normal brick in a garden. Slabs are almost never ordered in the Benelux, only when a customer gets an order for a rare project. The market for slabs is although growing. Curbstones are also not ordered as much as tiles and cobbles. They are there to increase the profit of the company and can easily be used to fill up a container.

Arvicon tries to sell stones by focusing on price. They attract potential customers with a low price. Because of this, they save a lot of costs with procurement by buying from cheap producers which don't use child labor et cetera. This is very risky because those producers are often delivering damaged material and the inspectors are not always checking the quality of the material. It happens a lot that damaged material is sent to a customer of Arvicon. Arvicon has lost some customers because of this, and some existing customers think about doing the same. In the past, Arvicon could always compensate this loss by attracting new customers. This process can in fact go on as long as there are capable sales employees.

The organization structure which Arvicon has now consists of four departments. These are all lead by the director of the company. This causes a very flat organization chart. These departments consist of two to eight persons. Next to this, the company has two other offices. They are used by employees which check the quality of the stones and if the producers don't break the law of India. It should be possible to let them work more efficient and precise. The total turnover is 2000 containers a year and with 30 persons who work as inspectors, it should be possible to drop the rate of errors. In general, the turnover of employees is high and this erodes the company.

If we look to the answers of the research questions, it becomes clear that Arvicon does the same as its Indian competitors. With doing this, they don't diversify them self from competitors. The question arises, if this is smart to do. By focusing on quantity and price, the company has to compete against firms who do business unethically. This makes it almost impossible for Arvicon to be a price leader.

## **5.2 recommendations**

Arvicon could choose three different competitive strategies. The company is located in a country where wages are low and so a price leadership strategy seems logical. This is also the current competitive strategy of the company. The fact that Arvicon doesn't use a focus strategy is logical as the amount of potential customers is limited.

However, this doesn't diversify Arvicon from its competitors. The ethical standards of competitors of Arvicon are lower than the ethical standards of Arvicon and therefore it is hard for them to be the cheapest. Next to this, the company does have the financial resources which allow the firm to buy stones from the best suppliers in the region. That is one of the reasons why the company should consider to focus on quality. Customers are willing to pay more for stones which are all in the right size and delivered on time. By doing so, they are able to diversify compared to other natural stone traders in low-wage countries. The confrontation matrix shows that the most important strength of the company is the communication towards customers. By using a differentiation strategy, the company would use this strength. Beside it, the most important weakness of Arvicon is the lack of a long term vision and quality control. By using this competitive strategy, the company will tackle this problem. Also the consistency of service will improve. Of course, the implementation of a differentiation strategy should go together with a detailed plan for the future. Beside it, the company will face less competition from natural stone traders from other development countries if those traders focus on price and not on quality since most of the natural stone traders from development countries use a price leadership strategy .

Because of the fact that purchasing power in India is much higher than in Europe, the company will still save a lot on labor costs in comparison to European natural stone traders. This would mean that Arvicon could focus on quality, but at the same time, could be cheaper than other companies who follow the same competitive strategy. If Arvicon would implement a strategy based on quality, it would use its strengths and improve its weaknesses. This would give Arvicon the chance to make use of its opportunities and to

deal with their threats. This together with the fact that natural stone production in Europe is stagnating will give Arvicon an unique chance to increase its market share.

### **5.3 Implementation**

The company should change their competitive strategy by buying stones from suppliers with a good reputation. These stone producers should be paid more if they deliver decent material. It is very important that the suppliers keep all their promises and don't tell lies to get an order. Inspectors of Arvicon who work in the region where the mines are located should search for producers who do so. It is important that suppliers who supply Arvicon are not involved in child labor. This could damage the reputation of the company and will cost Arvicon a lot of money.

At this moment, too much producers supply Arvicon, this should be brought back. This will make the job of the inspectors easier. On the long term future, it might be wise to see if the company could start its own mines.

By reorganizing the inspectors, the rate of errors should decrease. This can be possible since there are only about 40 containers which are sent to Europe each week. It is clear that this could contribute a lot to the success of the company. If these persons would do their job excellent, it would be possible that material with a lack of quality (for example broken tiles) would arrive in the Benelux. Because the people who work for this department are already there for a long time, it won't be easy to change their performance. The Unfreeze-change-refreeze model as discussed in chapter two can be used for this purpose. To find out how the implementation should be done will require too much time for this thesis. That is why a new research should be done on how to improve the performance of the inspectors. Next to this, the company should take more attention of the material which is delivered to the customers. By asking customers to make an evaluation of the order, it should be possible to see if changes are working. This makes the results measurable.

The employees who work in the office should be paid more to let them stay. This is especially the case for the employees who are educated and work in the shipping and the purchase department. Those persons are valuable for the company and are able to reduce the workload of the director. It will cost a lot of effort and money for the company to find another employee who could replace those persons and are trained as much as the current employees. The current construction with interns shouldn't change.

The effect of this will be that the company will get a better reputation. Customers of Arvicon will order more from Arvicon and less from competitors which focuses on price and don't keep their appointments. Next to this, Arvicon wouldn't lose any more customers. If the sales department could take care that there are new customers each year, the company would grow faster.

The price which Arvicon asks for its products should increase. This would give Arvicon the financial space to finance those changes. There are companies in the Benelux who are willing to pay much more to a European stone company which produces exactly the same as Arvicon. They do this because they know that their profit is larger in the long term future if their supplier can be trusted. Arvicon should try to get the same reputation as those companies.

## **Chapter 6: Reflection**

### **6.1 Reflection conclusions**

During this thesis, some things didn't happen as expected. This is caused by a lot of circumstances, by mainly because of the fact that this thesis is done at a company in a foreign country. This led to the fact that the literature research had to be done completely in advance, which is difficult.

The consequence of this is that if this thesis would be done again, some things would be done different. It is remarkable how difficult it is to make changes in India. This forms a problem with the implementation of the recommendations of this thesis. Afterwards, more research should have been done how it would be possible to make changes in a company. It is off course possible to use the unfreeze-change-freeze model made by Lewin. The problem with using this model is that this model has been developed for a western society. It would be useful to research if this model is suitable for an Indian company.

The attitude of the employees which were working at the head office was also remarkable. Most of the Indians which were working at Arvicon didn't have a pro-active attitude at all, despite the fact that they were relatively high educated. This caused the fact that it was not possible to obtain useful information about them since they were constantly advertising the company. This is solved by using informal talks as a source of information, the so called work experience. Because the fact that this information is not checkable, it would have been better to work out all the informal information immediately instead of writing them down in the same document as the final paper.

Also a better plan to research the suppliers of Arvicon would improve the quality of this report. All the suppliers of Arvicon are small natural stone quarries. Because of the fact that there are so many quarries, it is hard for Arvicon to check the quality of all those suppliers. It would be better to reduce the number of suppliers, the question is if this is achievable. This wouldn't be possible if the capacity of the quarries is very low. It would be useful for Arvicon to check if it is possible to reduce the suppliers and if yes, with how much. This can be done with the knowledge of the company or with a new research. Anyway, it implies that the conclusion of reducing the amount of suppliers might be wrong.

It would also be useful to do a personal investigation to the quality of the stones. Information about this subject was always very subjective. Customers of Arvicon were complaining a lot about this subject. Often, Arvicon gave them a discount on their next order as a kind of compensation. This could stimulate customers to keep complaining about this.

On the other hand, it is possible that the director of the company tried to deny this problem to stimulate the sales department. This caused the fact that information about this subject couldn't be trusted. Next to this, it was impossible during this thesis to compare the quality of Arvicon with the quality of the competitors. This can be seen as a weakness of this thesis.

After all, with the information we have afterwards, some things were different than expected before starting with this thesis. This leads to the fact that it could be useful to research some things in the company more precise. That is why it is my advice for the director of Arvicon to read the conclusion carefully and to look very critically to the suggestions made in this thesis. Another thesis could be done to the attainability of the proposals.

## **6.2 Personal reflection**

For myself, I had some difficulties with doing this research. At the beginning, I didn't know which information I would need to accomplish this thesis. Because I didn't have much time to prepare myself before going to India, I underestimated it. That is why some research questions had to be adjusted afterwards.

Next to this, I didn't have much feedback within the company for this thesis. This is because the director of the company was quite busy with his job and the other employees were simply not able to help me with it. This instigated that my only feedback was coming from my supervisor by email.

Beside it, I had some difficulties with the methodology of this thesis. Because this, I had to adjust and rewrite my thesis constantly which is frustrating. This together with a premaster which had to be done during this thesis caused the fact that this thesis took quite a long time.

I have learned a lot during this thesis. First of all how important it is to have a proper preparation before beginning a research. This avoids a lot of problems and save a lot of time. If I would have completed the first three chapters of this thesis before going to India, I would have had the chance to look for information more directly. In this circumstance, I wasn't always sure which information would have an added value and which information did not. Because of the short time span between getting this internship and going to India, this wasn't possible.

I also learned how to set up a scientific research. This will have a huge advantage for my master and I hope to do my next thesis more untainted. Next to this, I learned how important it is to write things down when you know something. I made the mistake of pushing forward things that I didn't like and I blame myself for it afterwards. If I didn't push forward annoying work, my entire thesis would be better and my references would be more suitable and more trustful. Now I constantly had to refer to work experience as mentioned before.

Apart from writing this thesis, I also learned a lot during my stay in India. It is not always easy to live in another country but is it worth it. I can recommend everybody who is looking for foreign experience to go to a country with another culture than your domestic culture. It is fascinating to visit holy cities like Varanasi and to visit a Hindu ceremony. Also the stay in Delhi is something I won't forget because of everything works totally different than in The Netherlands. Small things like going to a supermarket or to arrange transportation sound simple but are difficult in a city where not everybody speaks English.

After all, I can say that this thesis had not only an added value for my study but also for my entire personal development.

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## Appendix 1: Products of Arvicon



Picture 1: Sandstone cobbles



Picture 2: Tiles made of limestone



Picture 3: Curbstone made of sandstone



## **Appendix 2: Interview Director Company**

**Subject:** Human resource  
**Person:** Gaurav Jain  
**Function:** Director of Arvicon International  
**Day:** 16<sup>th</sup> of July  
**Time:** 20 minutes  
**Place:** Head office Arvicon international

### **Turnover of employees**

The turnover of employees depends on the department in which the employees work. Because of the fact that our employees in Kota are well trained and earn a good salary, the turnover of them is almost zero.

Because of the fact that the head office of our company is located in Delhi, it is quite hard to keep employees over there. People often change their job in this geographical area of India and there are a lot of jobs here. If they can earn a little bit more somewhere else, they start asking too much from our company. All the companies in Delhi suffer from this.

All the sales people are interns from other parts in the world and the turnover of them is quite high. This is because they only come to our company for a couple of months. We always have to take interns because we are not able to pay somebody a European salary. If somebody can come for a longer time, for example one or one and a half year, it is possible for us to increase their payment and to give them a payment with which they have the same purchasing power as they would have in Europe. It is only always quite hard to find them.

### **Variable salary for salespeople**

It is impossible to give the salespeople a 100% variable salary because there are some people who explore new markets (for example Russia). We do have a system with commission and the commission of the sales people will increase when they sell more. In theory, we could in theory give every salesperson another payment structure depending on the geographical market in they are active but this would be too complicated for the accounting department.

### **Employees for quality control**

Arvicon International has 30 persons who check the quality of the material. They do not work in Delhi but at the locations of the mines. Because of capacity restrictions, they are not able to check every container we sell.

### **Sales agents in Europe**

Arvicon had sales agents in the past in Europe but it was always very hard to communicate with them. The company had to make quotations for them on daily basis. Also it wasn't possible to check if they were really working on fulltime basis for our company and to check if we could really trust them. It is just hard to find the right people for it. Despite, the margins of the company are too low to pay them a good salary so if we would have a person which we could trust and with which it wouldn't be a problem to communicate, the payment would still be a problem.

**Subject: Customers and suppliers**  
**Person: Gaurav Jain**  
**Function: Director of Arvicon International**  
**Day: 23<sup>th</sup> of July**  
**Time: 20 minutes**  
**Place: Head office Arvicon international**

## **Suppliers**

The mines are ruled by the landowner of land. The government has to give a license for using the land for the winning of natural stones. This can be rejected because of environmental issues etc. Next to this, the mine companies got to pay a royalty if they want to win the land.

Arvicon doesn't deal with the mines directly. The mines produce rough blocks of stones and they sell them to the production facilities. Those production facilities finish the rough blocks in the products that the customers of Arvicon want (for example cobbles tiles slabs etc). Arvicon buys the products from them and sell them to their customers. The order decoupling point is build to order because the company can make all kind of products from a rough stone. The customer orders a stone with certain specifications and in almost all the cases, Arvicon is able to deliver it. When Arvicon receives an order from its customer, they buy this material from a production company and sell it to the customer.

There are a lot of suppliers and their turnover is high. If suppliers delivers bad quality, they are kicked out and we will do business with new suppliers. Supervisors should check the quality of the material so the quality is sufficient.

Because of the fact that the environment is always changing, we don't prefer to have some fixed suppliers. Sometimes the color of a stone is changing or something like that and than we have to change from supplier.

The prices of the suppliers are determined by the market. When an inspector of Arvicon sees the material, he can decide to reject the material if the material doesn't fit into our standards. When we don't reject the material and the material is of a bad quality afterwards, we pay them and don't do business with them anymore.

## **Customers**

We don't know if our customers focus on quality or quantity. Also we do not know what the margins our customers are because we don't know for what price they are selling the materials. This information would be welcome for our marketing etc. but we are not able to get that information.

We think that our customers are willing to pay a little bit more if we can give them a high quality product. There are some customers who pay a little bit more and we check the material for this customer more intensive. Customers select us on more criteria than just the price of our products.

There are some problems with every customer because we sell a lot of containers but they judge us on how we handle those complains. We lose about one customer each year. That is not due to qualiry problems but a competitor just offered a better price.

**Subject:** Current problems and future  
**Person:** Gaurav Jain  
**Function:** Director of Arvicon International  
**Day:** 4<sup>th</sup> of August  
**Time:** 15 minutes  
**Place:** Head office Arvicon international

### **Current problems**

Arvicon has some problems with the delivery of its products. Sometimes, material arrives too late or is partly damaged when it arrives in Europe. Because of the fact that the company works with a lot of suppliers, it is quite hard for them to check all the material that we deliver to our customers. Arvicon just doesn't have the manpower to check every stone which is going to be exported.

Next to this, we face a lot of problems which are not in our hand. For example, we face a lot of problems because of the monsoon and because of sudden strikes etc.

All these problems also occur with other natural stone traders, partly because they face the same troubles with for example the monsoon.

The company would lose a lot of customers if they would increase its price. European customers make their sales decisions based on prices which are almost the only criteria why they decide to buy from us. Some of our customers like Stonetraders pay a little bit more in exchange for a better quality control but the majority just wants a low price.

There are natural stone traders with a better quality but their price is much higher and their profit is lower than our profit, so it is not worth is to increase our general prices.

### **Future**

In the future, Arvicon want to increase their sales by selling stones to other countries in Scandinavia, Eastern Europe and later in the long term to the United States. The company wants to maintain its growth rate. That is the reason why Arvicon increases the number of trainees who work as sales manager for their language region. By recruiting interns from other language regions, like Eastern Europe and Norway, we think that we can grow in the future. The company expects the natural stone market in Europe to grow constantly.

### Appendix 3: Orders 2007 and first seven months 2008

This information was provided by the accounting department of Arvicon International.

Beltrami	02-04-2007	€ 1.391,50
Beltrami	03-04-2007	€ 2.675,60
Beltrami	03-04-2007	€ 2.421,50
Beltrami	18-04-2007	€ 2.994,33
Beltrami	01-05-2007	€ 3.002,03
Beltrami	14-05-2007	€ 2.675,60
Beltrami	21-05-2007	€ 2.675,60
Beltrami	28-05-2007	€ 2.439,25
Beltrami	28-05-2007	€ 2.439,25
Beltrami	28-05-2007	€ 2.439,25
Beltrami	29-05-2007	€ 2.439,25
Beltrami	05-06-2007	€ 2.439,25
Beltrami	06-06-2007	€ 2.439,25
Beltrami	06-06-2007	€ 2.798,95
Beltrami	08-06-2007	€ 2.562,85
Beltrami	16/06/2007	€ 2.675,60
Beltrami	25/06/2007	€ 2.675,60
Beltrami	27/06/2007	€ 2.439,25
Beltrami	10/07/2007	€ 2.994,33
Beltrami	10/07/2007	€ 2.662,55
Beltrami	11/07/2007	€ 2.994,33
Beltrami	12/07/2007	€ 2.662,55
Beltrami	13/07/2007	€ 2.662,55
Beltrami	14/07/2007	€ 2.662,55
Beltrami	14/07/2007	€ 2.662,55
Beltrami	17/07/2007	€ 3.053,33
Beltrami	17/07/2007	€ 3.053,33
Beltrami	17/07/2007	€ 3.053,33
Beltrami	17/07/2007	€ 3.053,33
Beltrami	18/07/2007	€ 2.910,88
Beltrami	19/07/2007	€ 2.910,88
Beltrami	25/07/2007	€ 3.053,33
Beltrami	06/08/2007	€ 2.910,88
Beltrami	06/08/2007	€ 2.439,25
Beltrami	06/08/2007	€ 2.910,88
Beltrami	07/08/2007	€ 3.324,75
Beltrami	07/08/2007	€ 3.324,75
Beltrami	10/08/2007	€ 3.250,50
Beltrami	17/08/2007	€ 2.439,25
Beltrami	20/08/2007	€ 2.549,25
Beltrami	22/08/2007	€ 2.994,33
Beltrami	11.09.2007	€ 2.792,85
Beltrami	12/09/2007	€ 3.114,33
Beltrami	12/09/2007	€ 2.940,33
Beltrami	20/09/2007	€ 2.907,85
Beltrami	20/09/2007	€ 3.339,33
Beltrami	20/09/2007	€ 3.339,33
Beltrami	21/09/2007	€ 2.925,78

Beltrami	22/09/2007	€ 3.339,33
Beltrami	24/09/2007	€ 2.925,78
Beltrami	27/09/2007	€ 2.925,78
Beltrami	03/10/2007	€ 3.250,50
Beltrami	04/10/2007	€ 3.383,33
Beltrami	06/10/2007	€ 3.250,50
Beltrami	11/10/2007	€ 3.383,33
Beltrami	18/10/2007	€ 3.133,95
Beltrami	24/10/2007	€ 3.412,50
Beltrami	31/10/2007	€ 3.102,55
Beltrami	03/11/2007	€ 3.102,55
Beltrami	07/11/2007	€ 3.327,55
Beltrami	19/11/2007	€ 3.152,60
Beltrami	22/11/2007	€ 3.152,60
Beltrami	23/11/2007	€ 2.936,45
Beltrami	26/11/2007	€ 2.936,45
Beltrami	27/11/2007	€ 3.110,80
Beltrami	28/11/2007	€ 2.900,98
Beltrami	03/12/2007	€ 2.900,98
Beltrami	03/12/2007	€ 3.200,18
Beltrami	03/12/2007	€ 2.936,45
Beltrami	04/12/2007	€ 2.936,45
Beltrami	07/12/2007	€ 5.220,15
Beltrami	08/12/2007	€ 3.200,18
Beltrami	11/12/2007	€ 3.200,18
Beltrami	12-12-2007	€ 2.936,45
Beltrami	15/12/2007	€ 3.266,75
Beltrami	17/12/2007	€ 4.865,99
Beltrami	17/12/2007	€ 2.936,45
Beltrami	19/12/2007	€ 3.554,98
Beltrami	20/12/2007	€ 4.593,49
Beltrami	26/12/2007	€ 4.141,80
Beltrami	26/12/2007	€ 2.936,45
Beltrami	26/12/2007	€ 2.936,45
Beltrami	29/12/2007	€ 3.520,13
Beltrami	12-03-2007	€ 1.645,60
Beltrami	15-03-2007	€ 1.645,60
Borgmann	10/09/2007	€ 4.213,08
Borgmann	26/11/2007	€ 3.828,15
Borgmann	01/12/2007	€ 3.887,37
ECK Stone	26/07/2007	€ 3.867,50
ECK Stone	03/08/2007	€ 5.445,05
ECK Stone	04/08/2007	€ 3.831,30
ECK Stone	06/08/2007	€ 3.148,53
ECK Stone	09/08/2007	€ 5.131,15
ECK Stone	13/08/2007	€ 3.966,34
ECK Stone	16/08/2007	€ 5.260,42
ECK Stone	17/08/2007	€ 4.223,23
ECK Stone	18/08/2007	€ 4.091,71
ECK Stone	20/08/2007	€ 3.943,46
ECK Stone	29/08/2007	€ 3.796,01
ECK Stone	31/08/2007	€ 3.873,87
ECK Stone	31/08/2007	€ 4.047,95

ECK Stone	05/09/2007	€ 4.580,00
ECK Stone	05/09/2007	€ 4.497,40
ECK Stone	06/09/2007	€ 4.540,82
ECK Stone	06/09/2007	€ 4.580,00
ECK Stone	07/09/2007	€ 4.610,67
ECK Stone	07/09/2007	€ 4.281,30
ECK Stone	07/09/2007	€ 4.603,60
ECK Stone	08/09/2007	€ 4.912,08
ECK Stone	10/09/2007	€ 4.591,80
ECK Stone	14/09/2007	€ 4.664,02
ECK Stone	14/09/2007	€ 4.665,52
ECK Stone	17/09/2007	€ 4.184,55
ECK Stone	17/09/2007	€ 4.499,80
ECK Stone	22/09/2007	€ 4.827,69
ECK Stone	22/09/2007	€ 4.254,02
ECK Stone	24/09/2007	€ 4.265,82
ECK Stone	25/09/2007	€ 4.253,16
ECK Stone	28/09/2007	€ 4.748,98
ECK Stone	29/09/2007	€ 4.104,40
ECK Stone	29/09/2007	€ 4.399,48
ECK Stone	01/10/2007	€ 4.340,88
ECK Stone	03/10/2007	€ 4.712,34
ECK Stone	05/10/2007	€ 4.281,76
ECK Stone	12/10/2007	€ 4.045,23
ECK Stone	17/10/2007	€ 4.215,51
ECK Stone	17/10/2007	€ 4.300,80
ECK Stone	18/10/2007	€ 4.032,44
ECK Stone	18/10/2007	€ 4.267,50
ECK Stone	22/10/2007	€ 4.887,44
ECK Stone	23/10/2007	€ 4.764,24
ECK Stone	24/10/2007	€ 4.296,05
ECK Stone	24/10/2007	€ 4.825,74
ECK Stone	27/10/2007	€ 4.279,95
ECK Stone	27/10/2007	€ 4.459,14
ECK Stone	31/10/2007	€ 4.155,05
ECK Stone	03/11/2007	€ 4.154,42
ECK Stone	05/11/2007	€ 4.434,29
ECK Stone	06/11/2007	€ 4.555,92
ECK Stone	08/11/2007	€ 4.165,42
ECK Stone	10/11/2007	€ 5.508,74
ECK Stone	10/11/2007	€ 4.105,00
ECK Stone	12/11/2007	€ 4.086,19
ECK Stone	14/11/2007	€ 4.000,19
ECK Stone	15/11/2007	€ 4.869,73
ECK Stone	16/11/2007	€ 3.912,75
ECK Stone	17/11/2007	€ 4.700,41
ECK Stone	21/11/2007	€ 4.317,50
ECK Stone	26/11/2007	€ 4.217,42
ECK Stone	28/11/2007	€ 3.990,11
ECK Stone	28/11/2007	€ 4.511,41
ECK Stone	01/12/2007	€ 4.250,13
ECK Stone	03/12/2007	€ 4.225,94
ECK Stone	11/12/2007	€ 4.153,08

ECK Stone	13/12/2007	€ 5.289,82
ECK Stone	17/12/2007	€ 4.310,35
ECK Stone	24/12/2007	€ 6.379,10
ECK Stone	29/12/2007	€ 3.786,51
Holvoet	02-04-2007	€ 2.769,25
Holvoet	10-04-2007	€ 2.813,25
Holvoet	14-04-2007	€ 2.700,23
Holvoet	22-01-2007	€ 2.542,38
Holvoet	27-01-2007	€ 2.542,38
Holvoet	01-02-2007	€ 2.606,73
Holvoet	06-02-2007	€ 2.542,38
Holvoet	12-02-2007	€ 2.578,68
Holvoet	20-02-2007	€ 2.578,68
Holvoet	21-03-2007	€ 2.769,25
Holvoet	21-03-2007	€ 2.769,25
Holvoet	22-03-2007	€ 2.769,25
Hullebusch N.V	18-05-2007	€ 2.439,25
Hullebusch N.V	24/07/2007	€ 3.101,97
Hullebusch N.V	20/08/2007	€ 1.821,68
Hullebusch N.V	21/08/2007	€ 1.781,65
Hullebusch N.V	23/08/2007	€ 1.789,45
Hullebusch N.V	16/10/2007	€ 1.985,76
Hullebusch N.V	07/11/2007	€ 2.356,58
Hullebusch N.V	23/11/2007	€ 1.977,89
Hullebusch N.V	26/11/2007	€ 2.075,55
Hullebusch N.V	05/12/2007	€ 2.062,95
Hullebusch N.V.	02-01-2007	€ 1.928,50
Hullebusch N.V.	06-01-2007	€ 1.928,50
Hullebusch N.V.	11-01-2007	€ 1.928,50
Hullebusch N.V.	17-01-2007	€ 1.928,50
Hullebusch N.V.	20-02-2007	€ 1.931,30
Hullebusch N.V.	23-03-2007	€ 1.928,50
Landgoed Solerf BV	31/12/2007	€ 7.049,71
NV DE Coninck	30/10/2007	€ 3.350,33
NV DE Coninck	01/11/2007	€ 3.350,33
NV DE Coninck	07/11/2007	€ 3.350,33
NV DE Coninck	14/11/2007	€ 3.350,33
NV DE Coninck	29/12/2007	€ 3.193,85
NV DE Coninck	31/12/2007	€ 3.193,85
Westvlaams Tegelhuis	02-04-2007	€ 2.756,66
Westvlaams Tegelhuis	25-04-2007	€ 2.914,27
<b>Total</b>		<b>€670.686,24</b>

## 2008

jan-08	Eckstone BV	€ 43.494,48	Mai-08	Hullebusch	€ 2.341,84
jan-08	Hullebusch	€ 2.204,02	Mai-08	Hullebusch	€ 2.341,84
jan-08	Maris Natuursteen	€ 8.985,60	Mai-08	NV De Coninck	€ 8.055,43

jan-08	Maris Natuursteen	€ 29.969,50	Jun-08	NV De Coninck	€ 14.298,20
jan-08	Eckstone BV	€ 280.419,68	Jun-08	Beltrami	€ 4.026,25
jan-08	Hullebusch	€ 2.066,25	Jun-08	Beltrami	€ 14.370,13
jan-08	Hullebusch	€ 2.341,75	Jun-08	NV De Coninck	€ 29.642,20
jan-08	Hullebusch	€ 2.341,75	Jun-08	Beltrami	€ 3.823,20
feb-08	Hullebusch	€ 2.066,40	Jul-08	NV De Coninck	€ 26.140,80
feb-08	Hullebusch	€ 2.341,92	Jul-08	Maris Natuursteen	€ 12.841,13
feb-08	Hullebusch	€ 2.341,75	Jul-08	Beltrami	€ 3.600,00
feb-08	Hullebusch	€ 2.341,75	Jul-08	NV De Coninck	€ 7.164,28
feb-08	Eckstone BV	€ 27.057,60	Jul-08	NV De Coninck	€ 4.317,30
mrt-08	NV De Coninck	€ 13.545,00	Jul-08	Hullebusch	€ 2.025,05
mrt-08	NV De Coninck	€ 10.836,00			
mrt-08	Eckstone BV	€ 11.980,91			
mrt-08	NV De Coninck	€ 39.861,64		<b>Total</b>	<b>€732.737,50</b>
mrt-08	Westvlaams Tegelhuis	€ 6.223,50			
mrt-08	Beltrami	€ 29.905,00			
mrt-08	NV De Coninck	€ 2.709,00			
mrt-08	Eckstone BV	€ 3.632,40			
apr-08	Beltrami	€ 3.351,43			
apr-08	borgman en van empelen	€ 6.768,00			
apr-08	Beltrami	€ 4.695,82			
apr-08	NV De Coninck	€ 11.393,76			
apr-08	Hullebusch	€ 7.388,91			
apr-08	Beltrami	€ 4.114,80			
apr-08	Hullebusch	€ 2.341,75			
apr-08	Hullebusch	€ 3.802,76			
Mai-08	Beltrami	€ 2.433,22			
Mai-08	Bautrafix	€ 7.315,42			
Mai-08	NV De Coninck	€ 11.443,32			
Mai-08	NV De Coninck	€ 3.026,17			
Mai-08	NV De Coninck	€ 3.008,59			