

# THE HINDU

## Rule of Three'

2<sup>nd</sup> Aug, 2009

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What's so magical about the number three that it has been all pervasive and dominant number for decades? Psychologists feel that the human mind often looks at pattern recognition and 'three' is probably the number that creates a pattern. An interesting observation is that this "Rule of Three" has a lot to do with "marketing".

### Analogy from marketing

The book written by Prof. Jagdish Seth in 2002 on the "Rule of Three", bases its findings on the research into approximately 200 industries in U.S. The observation is that markets evolve in a predictable way, in conformity with the "Rule of Three" and are characterised by two kinds of competitors: 'full-line generalists' and 'product/market specialists.'

Full-line generalists compete across a range of products and markets, and are volume-driven players for whom financial performance improves with gains in market share. Specialists tend to be margin driven players, and their financial performance deteriorates as they increase their share of the market. Together, the three dominant competitors typically control, in varying proportions, between 70 per cent and 90 per cent and each have at least more than 10 per cent market share to have the critical mass to compete. The examples quoted are the U.S. food restaurants, McDonald's, Burger King and Wendy's.

The theory is that just three major players ultimately emerge in all markets — Exxon Mobil, Texaco, and Chevron in petroleum, Dell, HP and Lenovo in PC industry, to cite some examples. These three giants will be surrounded by specialists that will own niche areas. Examples of these specialists are Apple or Toshiba for computing. Interestingly the U.S. airline industry also is dominated by the three airlines — American, United and Delta.

### Airline industry in India

It is fascinating to note that the rule of three is evolving in the airlines industry in India. Indian Airlines merged with Air India and Jet Airways acquired Air Sahara. Kingfisher has bought into Deccan and, finally, it is these three full service carriers who are dominating the market. Both Spicejet and Indigo are on an expansion mode

but still perceived as specialist low cost carriers. India's domestic traffic continued to fall during the first three months of 2009 with passenger numbers on domestic flights down 15 per cent in January, nine per cent in February and 15 per cent in March but the three generalist airlines still hold their dominant positions. As on date, there is enough evidence that the market has peaked out and there has been a clear drop in traffic. The three dominant players Air India, (Jet Air& Jet lite) and (KingFisher & Air Deccan) seem to produce a rhythm and the trio are the full service airline generalists controlling approximately 70 per cent of the market. The other airlines are specialist airlines in niche markets as low cost carriers or regional airlines.

Of course, the antagonists always hold their views that it cannot be generalised so easily. For example, in the Mobile sector, we have BSNL, Airtel, Idea, Tata and Vodafone all being major players, none of them having market-share that can be called insignificant. Maybe, it is wrong to generalise the rule of three; all the same, it seems true with India's airlines industry.

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