ABSTRACT

Purpose
The purpose of this paper is to find out how companies build competitive position in their industry; this study focuses upon how a more complete understanding of consumer roles can be leveraged to create sustainable loyalty.

Design/Methodology/Approach
Study is in the nature of desk research. Secondary data are used for analysis.

Findings
Key findings include the strategies that can be adopted by companies in their respective industry to sustain competitive position.

Research Limitations/Implications
Owing to constraints of both time and research funding, only one source of data are examined in this study, hence the results are very specific.

Future research should apply the implications from this study to other case contexts to test and expand understanding of competitive advantages and strategies to maintain competitive position.

Originality/Value
This paper creates a link between consumer behavior, loyalty and corporate strategies for competitive advantages. The presented results have implications for the marketing manager through advancement towards creation of a model of tools a firm can use to build sustainable loyalty with consumers.

KEYWORDS: Marketing Strategy, Competitive Advantage, Corporate Strategy, Cost Leadership, Differentiation, Focus, Customer Loyalty, Influence, Consumer Behaviour

INTRODUCTION
Competitive advantage is a theory that seeks to address some of the criticisms of comparative advantage. Michael Porter proposed the theory in 1985. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct for this issue by stressing maximizing scale economies in goods services that garner premium prices (Stutz and Warf 2009).

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes.
that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel human resources. New technologies such as robotics and information technology, either be included as part of the product, or to assist in making it.

Information technology has become such a prominent part of the modern business world that it can also contribute to competitive advantage by outperforming competitors with regard to internet presence. From the very beginning, i.e. Adam Smith's Wealth of Nations, the central problem of information transmittal, leading to the rise of middle-men in the marketplace, has been a significant impediment in gaining competitive advantage. By using the internet as the middle-man, the purveyor of information to the final consumer, businesses can gain a competitive advantage through creation of an effective website, which in the past required extensive effort finding the right middle-man and cultivating the relationship.

MEANING

The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Christensen and Fahey 1984, Kay 1994, Porter 1980 cited by Chacarbaghi and Lynch 1999, p. 45).

The study of such advantage has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in the present competitive market conditions. “A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player” (Barney 1991 cited by Clulow et al. 2003, p. 221). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemand and Calantone 2000, p. 18).

DEFINITION

Competitive Advantage is defined by Philip Kotler as “an advantage over competitors gained by offering consumers greater value than competitors offer”.

Another definition for competitive advantage is “as the strategic advantage one business entity has over its rival entities within its competitive industry”. Achieving competitive advantage strengthens and positions a business better within the business environment.

A Model of Competitive Advantage

![Figure 1: Resources and Capabilities](image-url)
Strategic Marketing How Corporates Build Competitive Advantages

Resources and Capabilities

According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear.

Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily.

The following are some examples of such resources:

- Patents and trademarks
- Proprietary know-how
- Installed customer base
- Reputation of the firm
- Brand equity

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate.

The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage.

Cost Advantage and Differentiation Advantage

Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm positions itself in its industry through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy.

Another important decision is how broad or narrow a market segment to target. Porter formed a matrix using cost advantage, differentiation advantage, and a broad or narrow focus to identify a set of generic strategies that the firm can pursue to create and sustain a competitive advantage.

Value Creation

The firm creates value by performing a series of activities that Porter identified as the value chain. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation).

IMPORTANT TECHNIQUES USED FOR COMPANY ANALYSIS

Value Chain Analysis

Porter considered value chain analysis as a means of ascertaining the competitive advantage that a firm might possess. It comprises of two types of value creating activities. They are:
Primary value activities, and
Secondary value activities.

Primary value activities include:

- **Inbound Logistic**: - material handling and warehousing.
- **Operations**: - transforming inputs into the final products.
- **Outbound Logistics**: - order processing and distribution.
- **Marketing and Sales**: - communication, pricing ,and Channel management
- **Service**: - installation, repair and parts.

Secondary value activities include:

- **Procurement**: - Procedures and information system
- **Technology Development**: - Improving product and processes or system.
- **HRM**: - hiring, training, and compensation.
- **Firm Infrastructure**: - general management, finance accounting, governmental relations and quality management.

Value chain analysis facilitates working out how to create the value for customers, as well as maximizing benefit for the organization. Organizations take raw inputs and “add value” to them by turning them into something of worth to the people.

Value chain analysis is a three step process:

- **Activity Analysis**: - identifying activities undertaken in delivering the product or service.
- **Value Analysis**: - how to add value for the customer or stakeholder, and
- **Evaluation and Planning**: - whether it is worth making changes, and then plan and implement changes.
Kay's Distinctive Capabilities

Kay (1993) argued that added value could be created by successfully managing contracts and relationships. He envisaged three factors that would enable organizations to achieve a competitive advantage: a) architecture, b) reputation, and c) innovation.

In addition to these factors he also argued that a firm may have a competitive advantage through its control of strategic assets. He conceptualizes architecture as a network of relational contracts within or around the organization, with employees (Internal) and with suppliers and customers (external). His view was that this can add value because of the inherent knowledge. It possesses and routines it encompasses. Kay suggests reputation is a key way of communicating quality values to customers when it cannot easily be determined, in other ways. Innovation too he considered to be the basis of competitive advantage.

Balanced Score Card

The balanced score card is a strategic planning and management system that is used extensively in business and industry, Government and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

(For example, it is the most widely adopted performance management framework reported in the annual survey of management tools undertaken by Bain & Company and has been widely adopted in English-speaking western countries and Scandinavia in the early 1990s). It was originated by Drs. Robert Kaplan (Harvard business school) and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance.

Kaplan and Norton describe the innovation of the balanced score card as follows:

“The balanced score card retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology and innovation.”

THE FOUR PERSPECTIVES

The 1st Generation design method proposed by Kaplan and Norton was based on the use of three non-financial topic areas as prompts to aid the identification of non-financial measures in addition to one looking at Financial. Four "perspectives" were proposed:
Financial

Kaplan & Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers do whatever necessary to provide it with the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated.

Customer

In developing metrics, for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

Internal Business Processes

This perspective refers to internal business processes. Matrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements(mission). These metrics have to be carefully designed by those who know these processes most intimately with our unique mission these are not something that can be developed by outside consultants.

Learning and Growth

These 'prompt questions' illustrate that Kaplan and Norton were thinking about the needs of small to medium sized commercial organizations in the USA (the target demographic for the Harvard Business Review) when choosing these topic areas. They are not very helpful to other kinds of organizations, and much of what has been written on Balanced Scorecard since has, in one way or another, focused on the identification of alternative headings more suited to a broader range of organizations.

Criticism

The Balanced Scorecard has always attracted criticism from a variety of sources. Most has come from the academic community, who dislike the empirical nature of the framework: Kaplan and Norton notoriously failed to include any citation of prior art in their initial papers on the topic. Some of this criticism focuses on technical flaws in the methods and design of the original Balanced Scorecard proposed by Kaplan and Norton, and has over time driven the evolution of the device through its various Generations. Other academics have simply focused on the lack of citation support. But a general weakness of this type of criticism is that it typically uses the 1st Generation Balanced Scorecard as its object: many of the flaws identified are addressed in other works published since the original Kaplan & Norton works in the early 1990s.

However broadcast surveys of usage have difficulties in this respect, due to the wide variations in definition of 'what a Balanced Scorecard is' noted above (making it hard to work out in a survey if you are comparing like with like). Single organization case studies suffer from the 'lack of a control' issue common to any study of organizational change - you don't know what the organization would have achieved if the change had not been made, so it is difficult to attribute changes observed over time to a single intervention (such as introducing a Balanced Scorecard).

Competitor Analysis

The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and then selecting which competitors to attack or avoid is called competitor analysis.

COMPETITIVE MARKETING STRATEGIES

“Strategies that strongly position the company against competitors and that give the company the strongest possible advantage”
STEPS IN ANALYZING COMPETITORS

To plan effective marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its marketing mix (product, price channel and promotion) with those of competitors. By analyzing marketing mix with competitor, they can find areas of potential competitive advantage and disadvantage.

The process of analyzing competitors can be clearly identified from the following figure:

[Diagram showing steps: Identifying the company's competitors, Assessing competitor's objectives, strategies, strengths and weaknesses and reaction patterns, Selecting which competitors to attack]

Source: Principles of Marketing, Kotler, Armstrong, Tenth Edition

Figure 3

Identifying Competitor

Companies can identify their competitors from the industry point of view, and also they can identify competitors from a marketing point of view.

E.g.-a) Sony and Philips
    b) Popy and johns (FMCG)

Assessing Competitors’ Objectives, Strategies, Strengths and Weaknesses and Reaction Pattern

Each competitor has a mix of objectives. The company wants to know the relative importance that a competitor places on current profitability, market share growth, cash flow, technological leadership, service leadership, and other goals.

Identification of competitors’ strategy leads to improve or to make better strategies for their own businesses. Identification of strategic group is also necessary. A group of firms in an industry following the same or a similar strategy is called strategic group.

E.g.: appliance industry: General Electric’s, Whirlpool, and Maytag all belong to the same strategic group.

Marketers need to assess each competitor’s strengths and weaknesses carefully in order to attack the weaker part of the competitor and also to identify what strengths they had.

Companies can identify the strength and weaknesses of competitor through secondary data or through primary research. Otherwise they can benchmark themselves against other firms, comparing the company’s marketing mix to those of competitors leading firms in other industries to find ways to improve quality and performance. Benchmarking is a powerful tool for increasing a company’s competitiveness.

Marketing managers need a deep understanding of a given competitor’s mentality if they want to anticipate how the competitor will act or react. Each competitor react separately, they may feel their customers are loyal.

E.g. P & G does not let a new detergent come easily into the market. Many competition with P&G and look for easier prey, knowing that P&G will react fiercely if challenged.

Selecting Competitors to Attack or Avoid

Selection of strong and weak competitors to attack is the last but not least step in analyzing competitors. Companies can avoid those competitors who are weak and find strategies to attack the strong competitors, because resources are limited and it should be utilized optimum.
One important tool for analyzing competitor is customer value analysis. This tool helps to determine the benefits that target customers' value and how customers rate the relative value of various competitors' offers. Corporate can develop strategies by analyzing the position of competitor. They are described in the following paragraphs.

**COMPETITIVE STRATEGIES**

From his work analyzing the competitive forces in an industry, Michael Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of businesses' activities are narrow versus broad and the extent to which a business seeks to differentiate its products.

- The four strategies are summarized in the figure below:

![Figure 4](image)

- The **differentiation** and **cost leadership** strategies seek competitive advantage in a broad range of market or industry segments. By contrast, the **differentiation focus** and **cost focus** strategies are adopted in a narrow market or industry.

- **Strategy - Differentiation**
  - This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a **premium price** for the product - often to reflect the higher production costs and extra value-added features provided for the consumer. Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products.
  - Examples of Differentiation Strategy: Mercedes cars; Bang & Olufsen

- **Strategy - Cost Leadership**

![Figure 5](image)
• With this strategy, the objective is to become the lowest-cost producer in the industry. Many (perhaps all) market segments in the industry are supplied with the emphasis placed minimizing costs. If the achieved selling price can at least equal (or near) the average for the market, then the lowest-cost producer will (in theory) enjoy the best profits. This strategy is usually associated with large-scale businesses offering “standard” products with relatively little differentiation that are perfectly acceptable to the majority of customers. Occasionally, a low-cost leader will also discount its product to maximize sales, particularly if it has a significant cost advantage over the competition and, in doing so, it can further increase its market share.

• Examples of Cost Leadership: Nissan; Tesco; Dell Computers

Six Alternatives to Cutting Price

Build a competitive strategy as part of writing a marketing plan. Focus on building a competitive product pricing strategy for business. Discover six alternative pricing strategies to cutting price.

In business, pricing strategies dominate as the Number One competitive strategy. Why?

Because in small, medium and large businesses, the easiest, and most often used, strategy is to reduce price. In many businesses and industries it is the first, and sometimes the only, strategy used (build an alternative strategic plan that takes a different approach).

However this cutting-price strategy, while appropriate in some cases, is the most costly, the most disruptive to the market, and the hardest to reverse.

Once you have lowered the price, moving price back up to where it should be (and needs to be to survive and prosper) is next to impossible.

Small business competition is fierce and aggressive. Small business owners need to focus on how to enjoy successful competition in business. Yes, competition can be enjoyable and there are some surprisingly effective, and fun, strategies to try.

THE BEST COMPETITIVE STRATEGY FOR YOUR BUSINESS

Pick from These Six Alternative Strategies to Cutting Price

• Match or exceed your competitor’s strengths: for example, focus on your service advantage, quality advantage, product differentiation or services with new and/or differentiating features.

Know your competition and challenge them in areas where they are weak; and you are strong. Make sure that you conduct both an industry analysis and competitive intelligence to understand your competition.

• Now that you know your competition’s weaknesses, focus direct attention on those weaknesses. Focus on your competition in business.

  o Go after customers who are unhappy with competitor’s service and/or quality;
  o Move in on competitors who have low brand awareness;
  o Concentrate on geographic regions where competition is weak and you can quickly grow market share;
  o Pay attention to buyer segments that the competition is neglecting or cannot serve well.
• **Simultaneous competitive strategic plan checklist** for initiatives on many fronts
  - Increase your advertising;
  - Introduce new products or services;
  - Provide rebates or incentives (not the same as price cutting);
  - Offer special product or service promotions (buy 2 get 1 free);
  - Improve your productivity which will result in lower unit costs, which then allows real lower pricing (you share the efficiency with your customer).

This will throw your competition completely off-balance as they don’t know what to respond to first. It will also divert their attention from one tactic to deal with, to many; and it will be hard from them to win on all fronts.

• **Avoid head-on competition** and move to less competitive ground
  - Navigate around your competitors. Be agile. Focus on unoccupied or less contested market territory and change the rules of the competitive game;
    - Introduce new products and services that redefine the market
    - Build strong positions in geographic areas where close competitors have little or no market presence – and where those in the marketplace are not well equipped to face you
    - Create new market segments by introducing products with different attributes, performance features, and benefits to better meet the needs of selected buyers
    - Advance into next-generation technologies to replace existing technologies
  - Avoid head-on challenges that are typically costly and that are tied to aggressive price cutting, escalated advertising and/or costly efforts to out-differentiate competitors;

• **Unconventional Competitive Strategy**
  - Look for the Hit and Runs: you want to try to grab sales and market share wherever and whenever the competition is asleep and then run with the orders: look for an opportunity to attract your competitors’ customers.

For example, unpredictable raids on customers with tactics such as occasional and random service changes, product changes, even price changes – inconsistent and unpredictable and hard to follow or copy along with strong promotional and marketing activity. Your focus as a business using this type of offensive is to have your ear to the ground to learn when competitors have had delivery issues, service challenges and/or quality problems; then build your competitive strategy around what you’ve learned.

• **A Defensive Competitive Strategy** (also known as pre-emptive)
  - Move to be the first adopter (with new services, products, markets). This will give you the advantage and discourage other competitors from entering the market (because of barriers to entry such as high cost, lack of skills, lack of reputation or brand, lack of people, etc).
This is a onetime move – whoever enters the market first wins the competitive advantage (might not win the market if you do not use that enters-first advantage).

Some Examples

- Acquisition – buy the majority or exclusive control of a product or service;
- Recruiting employees: Hire the recognized-as-best sales people in each market segment;
- Contract for the best, or the most, raw material sources. Or the best supplier(s). Write exclusive contracts, or long term contracts, or exclusive partnerships, or acquire the supplier and tie it all up;
- If you move into new markets, find the best geographic locations and place your best staff in that location (especially if the competition isn’t there). For example, if opening a branch in California and manufacturing out of Wisconsin, make sure you send your best staff to start up the plant – and stay until that advantage is replaced by another advantage.
- Make sure your customers are good customers with high brand value. Promote that relationship (with their permission). Your connection with those customers will help build and strengthen your brand and reputation and help you win new business.
- Increase your capacity or products or services ahead of market demand to discourage competitors from following: remember the first into the market typically will dominate and competitors will be concerned that the cost of entry is too high (threat of over-capacity, under-utilized assets, and more). And make sure that your product positioning is appropriate for the target market.
- Build your brand so that it is unique, and difficult to imitate, but also so that it is a strong and compelling value proposition.

To be successful, this defensive offense does not have to totally block competitors from following or copying; it can give the company the first and prime position which is difficult for competitors to overcome.

Many businesses use pricing strategies as their first, and primary, competitive strategy. However they often don’t move past cutting prices and using better, more effective strategies.

When writing a marketing plan, you need to focus on best-fit strategies for your specific business. Consider specific marketing mix strategies (such as a product pricing strategy or a product positioning strategy) that are right for the products or services you are marketing.

The best competition in a new business is where effective strategies are being employed.

Strategy - Differentiation Focus

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants - in other words that there is a valid basis for differentiation - and that existing competitor products are not meeting those needs and wants.

Examples of Differentiation Focus: any successful niche retailers; (e.g. The Perfume Shop); or specialist holiday operator (e.g. Carrier)
Another Example

Mayank Pareek remembers the exact moment of epiphany. It was October of 2008 and the head of the marketing and sales function of India’s largest car maker, Maruti Suzuki, was on his usual field trips. While the world of business was worried about the global meltdown, a prospective buyer in Dhanbad had a completely opposite take. “The slowdown is for people who watch business channels on television, not in towns like ours,” the customer remarked. The sales numbers in the subsequent months just underlined that fact. Dhanbad and the hundreds of such towns in India knew no slowdown.

That’s when Maruti drew up its strategy for the other India – a move that has taken the share of rural and semi-urban markets in sales from 3.5 per cent in 2007-08 to as much as 21 per cent at present and given the company an early mover’s advantage. (Business world, 2nd may 2011)

Strategy - Cost Focus

Here a business seeks a lower-cost advantage in just one or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. Such products are often called "me-too's".

Examples of Cost Focus: Many smaller retailers featuring own-label or discounted label Products.

Micheal Treacy and Fred wiersema, offered a new classification of competitive marketing strategies:

They suggest companies gain leadership positions by delivering superior value to their customers.

For delivering superior customer value, companies can pursue any of three strategies, called value disciplines.

Operational Excellence: The Company provides superior value by leading its industry in price and convenience. It works to reduce costs and to create a lean and efficient value delivery system. It serves customers who want reliable, good-quality products or services, but who want them cheaply and easily.

Examples- Wal-mart, South west airlines, and Dell computers.

Customer Intimacy: It specializes in satisfying unique customer needs through a close relationship with and intimate knowledge of the customer. It builds detailed customer databases for segmenting and targeting, and empowers its marketing people to respond quickly to customer needs.

Examples- Sony, Lexus, American express, and British Airways.

Product Leadership: It aims to make its own and competing product obsolete.

Examples- Intel, Microsoft.

Some companies successfully pursue more than one value discipline at the same time.

Competitive positions in the market:

Having a competitive advantage is necessary for a firm to compete in the market, but what is more important is whether the competitive advantage is sustainable. A firm must identify its position relative to the competition in the market.

By knowing if it is a Market leader, Market challenger, Market follower and Market niche, it can adopt appropriate strategies to compete.

For attaining the objective of strategic marketing, a strategist must keep the following observations in mind while designing a marketing strategy:

- Any source of competitive advantage is relative and not absolute.
- Make use of multiple source of competitive advantage, and
- The sources of competitive advantage vary over a period of time.

**Marketing Mix Strategies**

Marketing mix refers to the four P’s (Product, Place, Price and promotion). Each element has separate features. Companies can make strategies by creating competitive advantage for each element and also for its features.

Following figure shows the various elements of marketing mix and its separate features along with the name of highlighting companies in competing with others in the market.

![Marketing Mix Diagram](image)

**A Competitive Strategy Model**

Decisions generate action that produces results. Organizational results are the consequences of the decisions made by its leaders. The framework that guides and focuses these decisions is strategy. The framework that guides competitive positioning decisions is called competitive strategy. The purpose of its competitive strategy is to build a sustainable competitive advantage over the organization’s rivals. It defines the fundamental decisions that guide the organization’s marketing, financial management and operating strategies.

A competitive strategy answers the following questions.

- How do we define our business today and how will we define it tomorrow?
- In what industries or markets will we compete? The intensity of competition in an industry determines its profit potential and competitive attractiveness.
- How will we respond to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitute products, customers)?
- What will be our fundamental approach to attaining competitive advantage (low price, differentiation, and niche)?
• What size or market position do we plan to achieve?

• What will be our focus and method for growth (sales or profit margins, internally or by acquisition)?

The key to strategy formulation lies in understanding and overcoming the system barriers that obstruct the attainment of organizational goals. An effective strategy recognizes these barriers and develops decisions and choices that circumvent them.

STRATEGIC APPROACHES
Three Basic Strategic Approaches are Possible

• **Offensive Strategy** - overcoming the barriers to goal achievement by changing the systemic relationships creating them. This strategy often requires significant capital investment and includes the following options.
  
  o Changing or altering the competitive structure or environment in your industry (forward or backward integration, acquiring competitors, etc.).
  
  o Anticipating industry competitive structural change and positioning your organization to exploit this change before others recognize it (developing substitute products, changing the mode of sale or distribution, etc.).
  
  o Diversifying into more attractive markets.

• **Defensive Strategy** – accepting the industry competitive forces as a given and positioning your organization to best defend against them.

  o This could include harvesting and selling the business before competitive conditions cause its value to drop.

• **Guerilla or Niche Strategy** – minimizing or neutralizing barriers by reducing the size of the playing field and taking an offensive or defensive position in a smaller, more attractive market segment.

Every business has a competitive strategy. However many strategies are implicit, having evolved over time, rather than explicitly formulated from thinking and planning process. Implicit strategies lack focus. Produce inconsistent decisions, and unknowingly become obsolete. Without a well-defined strategy, organizations will be driven by current operational issues rather than by a planned future vision. This model provides a process to make your competitive strategy explicit so it can be examined for focus, consistency, and comprehensiveness.

DEFINING YOUR COMPETITIVE STRATEGY

Your answers to the following fundamental strategic questions will help you to define your competitive strategy.

DEFINE YOUR BUSINESS

“The answer to the question, ‘What is our business?’ is the first responsibility of top management. A business is defined by the want a customer satisfies when he buys a product or service.” (Peter Drucker, Management- Tasks- Responsibilities- Practices.)

What is the purpose of your business?

• Purpose defines why your organization exists.
“To know what a business is we have to start with its purpose. Its purpose must lie outside of the business itself. For in fact, it must lie in society since business enterprise is an organ of society. There is only one valid definition of business purpose: to create a customer.” Peter Drucker, Management.

**What results are you trying to achieve to fulfill your purpose and how will you measure success?**

- Your response describes your organizational vision.

**What value does your business create for its customers?**

- Who are your customers and where are they located?
- What products and/or services do you provide those customers?
- What customer need or problem do your products and/or services satisfy or solve?
- Why do your customers purchase your products and services rather than a competitor’s?

**What is your business today?**

- Use your previous responses to define your business. Your answer will provide the focus needed to make your current operations effective.

**What are your core competencies?**

Core competencies are points of leverage for gaining competitive advantage. They are organizational competencies that are unique to your organization or are performed better than your competitors and make a significant contribution to customer perceived value or create a significant cost advantage.

- Organizational competencies are functional capabilities and experience a firm possesses by virtue of the way it integrates and blends the individual skills of its employees and achieves results. Examples of organizational competencies are:
  - Experience in design, fabrication, and testing miniaturized solid-state electronic components.
  - Experience in cutting, upsetting, and welding high carbon steel.
  - Experience in set up and programming computer controlled cutting machines.
  - Experience in planning, budgeting, and controlling costs.
  - Experience in attracting, developing, and retaining a highly competent workforce.
  - Experience in meeting challenging customer delivery schedules.

- Business organizations need many competencies covering a range of functional activities (production, marketing, distribution, etc.).

For a more thorough presentation on core competencies read Competing for the Future by Gary Hamel and C.K. Prahalad.

List the organizational competencies you have that enable you to provide your products and/or services and compete in your industry.

- Which of these competencies are unique to you or do you perform better than your competitors?
• Which of these competencies create customer perceived value throughout your product line or give you a significant cost advantage over your competitors?
  
  • Include the organizational competencies that provide the product characteristics, service attributes, and intangible features that convince your customers' to purchase your product or service rather than a competitor's.

Competencies listed in these last two categories are your present core competencies and can be your focal point for attaining competitive advantage.

**What should your business be tomorrow?**

• Use your core competencies and assumptions about the future to answer this question. Your answer will provide the direction needed to prepare your organization for the future.

**How large do you need to be?**

Organizations must be large enough to avoid becoming a marginal player in the marketplace and to maintain a reasonable balance among their operating functions.

• What sales volume and revenue will provide your required profitability?
• What facilities, equipment, and personnel are needed to provide this volume?

**How will you accomplish your goals?**

Achieving your vision usually requires accomplishing results in a variety of areas. Goals provide the mechanism to specify the set of results that will define vision achievement. In this way goals clarify and focus your vision. To accomplish this clarity and focus goals need to describe the operating, financial, social, and other conditions you must bring about to achieve your vision. Effective goal setting includes defining how goal achievement will be measured. This means identifying the indicator or indicators that will be used and the quantitative or qualitative value of these indicators that will define goal achievement.

• List the goals that describe the results you want to achieve.
  
  • Goals should encompass all activity that contributes to the attainment of your vision.

• Identify the indicators you use to measure goal performance.

• Specify the quantitative or qualitative values of these indicators that will define goal achievement.

Your answers to these questions clarify your organizational vision and define the results you are committed to achieve.

**What are the barriers you must overcome to achieve these goals?**

Barriers are systems obstacles that impede the attainment of your goals.

• Identify the major barriers to achieving each of your goals.
  
  • Since barriers describe root causes or system relationships they are relatively few in number. A single barrier can obstruct multiple goals.
The competitive structure of your industry presents significant barriers that must be overcome. A thorough description of industry competitive structure and competitive forces can be found in Competitive Strategy and Competitive Advantage by Michael Porter.

What strategic approach is you using or will use to overcome these barriers?

Your strategic approach defines how you intend to deal with the barriers to goal achievement.

- An offensive strategy will work if some key barriers can be overcome, altered, or neutralized by the application of resources that are available to you.

- A guerilla strategy will work if key barriers can be circumvented, minimized, or eliminated by narrowing the scope of your operations.

- A defensive strategy is called for when none of the above conditions are met.

Identify the strategic approach you will use (offensive, defensive, or niche) and the tactics you employ or will employ to achieve competitive advantage.

The barriers you identified, the strategic approach you selected, and your organizational competencies drive your responses to the following questions.

What is your approach to competitive advantage and the market scope in which you will compete?

- Does your competitive strategy require lowest price or product differentiation?
  - A focused strategy requires that you choose one of these alternatives since each will produce a distinct marketing strategy.
  - If you chose product differentiation, define the product characteristics and/or service attributes that differentiate your offerings.
  - If you chose lowest price, describe how you will sustain a cost advantage over your rivals.

- Do you compete in broad markets or focused niches?
  - A focused strategy requires that you choose one of these alternatives since each will require a distinct marketing strategy.
  - Describe the markets or market segments you serve.

What is your focus for growth?

- Do you focus on growth in sales volume or growth in profit margins?
  - A focused strategy requires that you choose one of these alternatives since each will require a unique marketing strategy.

What is your primary method of growth?

- Do you intend to grow by internal expansion or by acquisition?
  - Each of these choices requires a unique competitive strategy.
  - If you chose acquisition, define your acquisition criteria.
What is the scope of your products, services, and markets?

- Indicate the primary focus of your marketing strategy by selecting the appropriate cell in the following matrix. Without focus your marketing efforts will be diluted and their effectiveness decreased.

What are your products and market priorities?

- What market segments have the highest priority and what products/services do you offer to these segments?
- What market segments and/or products receive routine priority?
- What market segments and/or products receive reduced resources and effort?
- What market segments and/or products are being abandoned?
- What market segments and/or products are being developed for the future?
- If you have difficulty responding to these questions or have not thought through these strategic issues, your competitive strategy is not comprehensive.
- If your decisions in these areas are not consistent with each other, your strategy lacks focus.
  - Choosing a profitability focus for growth and a cost leadership approach to competitive advantage is an example of inconsistency.
  - Failing make the growth and competitive advantage choices required indicates lack of focus.
- If your strategy does not deal with the barriers to goal achievement it may be ineffective.
- Verify your goals are consistent with your mission and vision.

CONCLUSIONS

Competitive advantage is different from product to product, company to company, industry to industry, and market to market. Creating value in the mind of customers by putting an additional qualification than competitors will leads to compete in the industry. Various strategies that can be used for creating competitive advantages vary over a period of time. A competitive position also varies from year after year. So continuous analysis of industry is relevant for survival in the market, because only best fittest can survive.

Further Reading

- Competitive Advantage: Creating and Sustaining Superior Performance by Michael E. Porter
- Creating Competitive Advantage: Give Customers a Reason to Choose You Over Your Competitors by Jaynie L. Smith
- Using MIS by David M. Kroenke pages 71–77
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