

HOW TO WIN CONSISTENTLY IN COMPETITIVE WARFARE®

Drive Your Sustainable Competitive Advantage

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I am often asked, “What is the secret to winning consistently in the marketplace?” The answer is:

- #1. Clearly understand your customers’ needs, and meet or exceed them.
- #2. Operate consistently from your *Sustainable Competitive Advantage*.

End Result: Your firm will maintain above average financial performance in your industry.

#1: You should be doing day-in and day-out. When was the last time you asked your customers or clients what their needs are and how well you are serving them? If it has been more than a year, start asking! People change and needs change. Be in tune with your customers and what they think about you, your products, and your service.

#2: To operate consistently from your *Sustainable Competitive Advantage* requires a keen understanding of your business and your competitors’ businesses. What do you, your company or its products do better than the competitors to meet or exceed your customers’ top 1 or 2 needs, on a consistent basis? **The fundamental basis of above average performance in the long run is usually low cost or differentiation vs. competition.** These can manifest in myriad ways. The key is your strengths must matter to the customers as they choose between your firm and your competition. Here are a few places to look for a key strength in the fulfillment of your customers’ top needs:

- Process – improve your process so you are faster, better, smarter in your service to your customers vs. competition
- A feature or benefit differentiation – design unique features or benefits that cannot be easily replicated by competitors
- Structure – change the shape of your organization to better meet the customers’ needs. For example, need faster decisions? Consider flattening the organization
- Cost structure – drive cost out so you have the lowest cost position
- Strategic relationships – form exclusive alliances with other firms serving your target market so your combined solution better meets customers’ needs
- Financial – in today’s economic climate, access to ready capital can be a *Sustainable Competitive Advantage* for several years among competitors

If your firm’s competitive advantage is not obvious to you, **start developing it from the customers’ viewpoint first to ensure the relevance of it to the top 1 or 2 needs your company will fulfill for the customer.** Compare and contrast your firm vs. competition on all relevant points. Find ways to be consistently better or stronger on one or more key advantage. Give stronger credence to advantages that will be hard to replicate or will take a long time for your competitors to answer.

Your *Sustainable Competitive Advantage* will insulate your business from competitive attacks because rational customers will choose your firm consistently over the competition. Why would they ever choose an alternative?

Examples of Sustainable Competitive Advantage

- Lower cost structure: In the fast food industry, inexpensive food is a top customer need that is usually unmet 3 to 4 times each day! Taco Bell's food cost is less expensive than its competitors' on a volume and "gut-fill" basis. Lettuce, tomatoes and cheese are less expensive than hamburger and chicken, the two ingredients which make up signature items at competitor chains. Taco Bell determined its lower cost is a *Sustainable Competitive Advantage*. When the Bell launched its Value Strategy in 1988, it lowered prices on key menu items such as tacos and burritos. Result? **It drove strong store visits and sales volume to achieve double digit sales and profit growth.** Customers loved it and so did Taco Bell – in fact, the **Value Menu is still in place today 20 years later.** Who didn't like it? The burger and chicken chains who were forced to follow suit and drop price on their key items, leading to significantly reduced profit margins and red ink for some. The last to follow suit was leader McDonald's a year afterward, which was a heady moment for me as the marketer who led Taco Bell into the Value Strategy.

Feature, benefit and strategic alliances: Microsoft's *Sustainable Competitive Advantages* over time has been its ubiquitous operating system and its presence on corporate and personal computers, tied to contractual licenses. If a software or hardware firm wanted to sell to these MS end users, they had to go through Microsoft in order to write to its specifications. U.S. and European governments have sought to reduce the MS stranglehold on the software market. But even Microsoft's huge market share is not impenetrable and immune to attack.

In January 2010, in an apparent answer to competitive inroads, Microsoft and Hewlett-Packard announced they will invest \$250 million in a partnership to more tightly couple their software and hardware products together, to counter the increasing competition from rivals Oracle, IBM and others as they remake themselves as one-stop shops for technology. Microsoft and H-P said the 3-year agreement is aimed at reducing the headaches of setting up and operating data centers, the backrooms that house corporate computer systems. In the past, the corporate customers bore the burdens of assembling and testing the various tech components by different suppliers. This is a big task often filled with issues. To better meet this unmet need, MS and H-P rivals have been acquiring companies or forming partnerships to complement their product offerings in an effort to form one-stop technology solutions. Oracle acquired Sun Microsystems in 2009 to unite its software with Sun's computer equipment. H-P purchased EDS in 2008 to combine its equipment with tech services, and since then it has been clashing more and more with its chief rival in technology service contracts, IBM. Microsoft's competitors are making inroads into MS territory by better serving this unmet customer need. And Microsoft, even with its already strong *Sustainable Competitive Advantages*, had to answer the attack with a new alliance of its own with H-P. I would wager that without the rivals' actions to address the unmet need for "easier to install and manage in the backroom," market leader Microsoft would not have tried to fill the need it on its own. It took MS two years to follow suit with its own H-P alliance, which is sometimes the case with the market leader: they are slow to respond. That's your opportunity. **Moral of the story: if you're not the market leader, find a way to get a jump on the giant for as long a time as possible. Keep finding ways to better serve the unmet customer needs.**

So, what is your company's *Sustainable Competitive Advantage*? It's the Holy Grail to consistently higher financial performance and it's well worth finding.