

## **Developing Competitive Advantage – your most valuable business asset!**

You have good products and/or services, good people working for you and a list of good customers, but:

- Business is a constant struggle against steadily increasing competition.
- Your best customers are becoming increasingly difficult to satisfy
- Prices are steadily going down and you are forced to make creative cuts in your cost structure
- It's increasingly difficult to differentiate your value to your customers and what was once a preferred product and/or service is now feeling like a commodity

If you are suffering from any one of the above situations you are nearing the end of your useful product cycle. If you are experiencing two or three of them, your business is in trouble and immediate action is absolutely required to save your company.

Before you are overcome with anxiety, most/all businesses experience the above situations during their business cycle, many more than once. However, those that don't take action to address and improve those issues usually go out of business.

The typical response to these nagging issues is product creativity. The development of new and better features or the same desirable features at a lower price can extend your business cycle. While such steps are always good to do on an ongoing basis, they are not the long term answer to the above business issues.

Two problems exist with a product improvement only response.

1. All of the things you do with your products are visible to your competitors and it's just a matter of time before they match your improvements reducing any advantage you had to an "also-ran" that the customer now expects from everyone. Naturally, such competitive action tends to put your price and profitability in a downward spiral.
2. Most companies make product improvements from the inside-out. They tend to gravitate to "what can we do better without raising costs excessively" or "how can we build it less expensively." Often customers are not consulted on the value of improvements intended for their use.

Neither of these responses addresses the real solution. The question you should ask yourself, your customer and everyone else in your organization is:

"Why would a customer prefer to do business with us rather than our competitor?"

As discussed in the book Creating Competitive Advantage by Jaynie L. Smith, Competitive Advantage is what separates you from the rest of the field. It is what keeps your business alive and growing. In reality, it's the reason you are in business. Many companies start out with a good idea, product or service that catches on. But as time passes, anything that is a good idea will either be duplicated or surpassed by competition.

Some companies have a strong competitive advantage but fail to promote it and fully reap the benefits. Or they don't realize they have a competitive advantage so they don't build on it. In research performed by Jaynie Smith, she found that only two CEOs out of 1,000 could clearly name their companies' competitive advantages. The others could only offer vague generalities.

Your competitive advantage should be the foundation of all of your strategic and operational decisions. If you cannot identify a good list of competitive advantages, then your company better get to work to create new ones. If you can clearly identify and promote your competitive advantages, it will positively impact your bottom line.

Most companies are surprised to learn that the benefits their customers are looking for which will differentiate them from competition, rarely involve price.

Remember the question is "Why does your customer do business with you?" Workshops have been conducted with companies to help them identify what they feel are their top competitive advantages. Because most companies are so internally focused, it often takes a while to get them to develop a list from the customer's perspective. Later, when their customers are asked why they do business with that company, an entirely different list typically evolves. Items at the top of the list developed by the supplier are rarely at the top of the customers' list. Such a situation is classified as a "dangerous disparity." It's dangerous because your sales people will be promoting capabilities that are not important to your customers and your customers won't prefer to do business with your firm!

How do you determine what your customer's really want from your business? *Ask them.* We want to advise you that it is often better to have a neutral party ask the questions than someone from your company. As soon as you ask your customer what they need, they will respond based on their current perception of your existing products and services. That prevents them from identifying issues with you that are "keeping them awake at night" but are considered outside of their view of your business. In many cases, if you are willing to expand your services or change your product features your customers will help you grow your business in new and better directions. Your customers are your best resource for innovation and growth.

The best investment your company can make is to work with an independent firm to identify or to develop your competitive advantages – the reasons why customers will buy from you rather than competitors.

Once identified, make sure your competitive advantages are:

- communicated throughout your company
- utilized and promoted to your customers
- marketed on your stationery, business cards, brochures, etc.
- utilized as the basis of your strategic planning and operational objectives

Defining your Competitive Advantages, they are:

- Quantifiable, not arbitrary, i.e. we have great customer service should be “Ninety-five percent of our business is from referrals”
- Not claimed by the competition and is perceived as an advantage by your customer
- Not a cliché - not we provide good service, but how you really provide good service (2 hour response? 24/ 7?)

Roger Walker  
Senior Consultant  
GEA Consulting  
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