

Strategy Guide

Area: **Your Sales**

Notes For This Strategy

The outcome of this strategy is to help you develop unique advantages in your business, product and service offerings that will set you apart from your competition and help you more readily achieve future goals and objectives.

Competitive advantages provide an edge over rivals and an ability to generate greater value for a firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage. The two main types of competitive advantages are comparative advantage and differential advantage.

Comparative Advantage

Comparative advantage is generated by a firm's ability to produce a good or service at a lower cost than its competitors.

Differential Advantage

A differential advantage is created when a firm's products or services differ from its competitors and are seen as superior than a competitive offering.



Develop A Competitive Edge / Difference



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What Is “Competitive Advantage”

A competitive advantages are conditions that allow your business to produce a good or service at a lower price or in a more desirable fashion for customers.

These conditions allow the productive business to generate more sales or superior margins than its competition.

Competitive advantages are attributed to a variety of factors, including cost structure, brand, quality of product offerings, distribution network, intellectual property and customer support.

Comparative Advantage

A comparative advantage is generated by your business's ability to produce products or services at a lower cost than your competitors.

This gives tbusiness the ability sell its products and services at a lower price than your competition or to generate a larger margin on each product or service sold.

In most cases a rational consumers will choose the cheaper of any two exact substitutes offered. In the assessment of decreasing price, use the Planning System to model a price change.

Differential Advantage

A differential advantage is created when your products or services differ from your competitors and are seen as superior than your competitor's offering.

Differential advantages can be driven by more advanced technology,

patent-protected products or processes, superior personnel, or a strong brand identity. These factors support wide margins and large market shares.

For example Apple Inc. is famous for creating innovative products like the iPhone and supporting their market leadership with savvy marketing campaigns to build an elite brand. These factors have (at time of writing this) created the most successful business in today's market place.

Area: Sales Differentiation

Businesses should always be looking at ways to benefit from the ‘competitive edge’ – be it in the ways they do business or through the products or services they provide. Successful companies achieve this most often by differentiating themselves and their business offerings with creative ideas that set them apart from their rivals. Words that are most appropriate here are exclusivity and uniqueness.

The strategy to work on is:

What can you do differently and better than your competition to motivate clients, and drive them to doing business with you?

Questions About Your Unique Selling Proposition (USP)

1. List Your USP Advantages

List the unique advantage your business or your products provide to your clients that sets you apart from the competition? Also... refer to the USP Strategy Guide.

2. Measure UPS Effectiveness

Set in place measuring strategies so you can measure the effectiveness of each Unique Selling Proposition?

3. Define Market Segments

Which of your market segments are producing what portion of the revenue for your business?

4. Set Up Market Segment Projections

Project what revenue they will produce for the remainder of the year, next year and beyond?

5. Assess Competition

What are the possibilites of competitors undermining your differentiator. Do you consider the possibility that other companies may see the attraction of your differentiator and begin to compete with you head-on in this market? If so, are you planning now to prepare for any such eventualities?

6. Add Other Unique Advantages

What other unique advantages can you add to your business offering to ensure you are continually reinventing your company and being a driving force in your market and leading by example and innovation?

Importance Of Competition

It is true that competition is healthy. It keeps us alert and focused on our business strategies and on staying ahead of the opposition. A lack of business rivals can often lead to complacency and an overconfident attitude in a monopolistic business environment.

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If competition is not expected then a company in this situation is often not prepared for a new player in their market and may lose significant business as a result.

Be aware of these possible shortfalls if your business model is even slightly exclusive or unique and do not become complacent.

There is always the possibility that someone else out there is capable of doing things better, faster and cheaper than you.

Besides competition being a good thing for focus and drive with respect to business strategies and overall company performance, there is a wealth of information you can discover from other players in your market.

Simple market research will give a fair idea of how your competitors operate and what systems and strategies they use. Sure, you can copy successful strategies and adapt them to suit your business if they are profitable and workable, but will this show you as a leader in your field? The best way to differentiate your company from your opposition and to drive business in your direction, is to do what your competitors don't. Build a reputation of being a market leader by doing things first and differently. Think innovatively and think outside the box!

Resource Strengths and Resource Base

Strategies for attaining competitive advantages will require that you develop and configure existing resource strengths into a valuable and unique resource base. The fact that your strategies will be based on your resource strengths is obvious, but you

might not yet have established a sound legacy of resource strengths, so how do you go about doing this?

6. Identify Your Resource Strengths

As entrepreneurs of an emerging company with identified goals and objectives, identify your resource strengths and then combine them to build a resource platform that will yield distinctive capabilities.

After identifying them, the next step is to sort your resources into the following six types:

- a. Human (your people and their resource strengths);
- b. Social (any resource strengths relevant to your community or industry);
- c. Financial (the financial strength of your business or access to finance and funding);
- d. Physical (tangible resources and products that add value to your business);
- e. Technological (your resource strengths in terms of technology and innovation); and
- f. Organisational (resources available at the business level).

Each resource type has different dimensions along a scale of complexity ranging from simple to complex. Simple resources are tangible, discreet and property-based, whereas complex resources are intangible, systemic and knowledge-based. For example, financial resources are relatively simple in the sense that they are more

tangible and quantifiable, whereas human resources are complex and often intangible, making them difficult to identify and measure.

The complexity of a resource may indicate the degree to which it can potentially be transformed, combined, or lead to a unique advantage.

Assembling, attracting and combining resources does not guarantee success. You as the business owner, with your management team must transfer personal strengths to our business and transform your individual strengths into organisational strengths that can lead to unique advantages.

This will provide a basis for continued growth in the size, complexity and value of your resource base.

7. Differentiate to Create a Unique Advantage

Now that you have identified your resource strengths, list what stands out as unique and exclusive?

7a. list the your management team has that can be transformed into organisational wide strengths?

7b. List the organisational strengths you have that might be exclusive or unique in your market?

7c. Look at the six resource types above and brainstorm in a management meeting until you come up with a unique advantage for each one.

Think creatively and do not limit yourselves in terms of capability or financial restrictions. Imagine what you could or would be doing if there were no limitations.

