

ALTERNATIVE COMPETITIVE ADVANTAGES

- I. **Introduction**-An alternative way to characterize the main approaches to achieving a competitive advantage.
- II. **Process, Product, Customer**
 - i. Cost leadership and differentiation are two common ways to characterize generic strategies, but they are not the only ways to characterize competitive advantages.
 - b. **Operational Excellence (Process Focus)**
 - i. These companies operate in ways that allow them to deliver similar products as rivals but at lower prices and/or greater convenience.
 - ii. These companies raise the bar of competition by constantly pushing the limits on efficiency in their systems, processes and supply chains.
 - iii. These companies tend to set new standards in their industries for minimal cost, minimal waste and/or maximum convenience.
 - iv. This level of efficiency usually requires highly standardized and centralized operations.
 - v. Example- The Motel 6 corporate profile declares that the company's goal is, "clean, comfortable rooms at the lowest price of any national chain."
 1. The promise of the best price of any national chain and a clean comfortable room are Motel 6's virtues. For years Motel 6 was a household name, synonymous with quality and value.
 - c. **Product Leadership (Focus on The Product)**
 - i. The fundamental goal of a product leader is to have a truly distinctive and superior product.
 - ii. The prices charged by a product leader are no great bargain, and the service may be nothing special either.
 - iii. They raise the bar for competitors by constantly pushing the limits of product performance.
 - iv. They tend to set new industry standards for technology, style, features and/or speed.
 - v. Achieving this requires a passion for imagination, invention and innovation as well as heavy investments in R&D and new market exploration.
 - vi. A product leader needs a loose, flexible, fluid, organizational structure

- vii. They also must find a way to reward product success without punishing the failed experiments.
- viii. Product leadership also requires the organizational flexibility to adapt quickly to entrepreneurial new product initiatives.
- ix. Example- BMW is all about making engineering number one above everything else. Even if that makes cost and service secondary.
- x. Example. W Hotel's advantage is all about the unique style of the physical hotel itself. Calling itself "a storybook of style,"

d. Customer Intimacy (Focus on the Customer)

- i. A customer intimacy focused company distinguishes itself through outstanding service and by providing the best total solution tailored to each customer's unique needs.
- ii. The prices charged by a customer intimacy focused company are no bargain, and although its products may be excellent, it will not be the very best performing product in the market.
- iii. The ultimate goal of a customer intimate company is to create a lifelong bond with its customer.
- iv. Achieving the superior level of customer intimacy requires an extreme level of delegation and decentralization, so that decisions are always made by the employee who is closest to the customer.
- v. It also requires information systems that help employees keep track of each customer's unique needs, tastes, and preferences
 - 1. E.g. The Nordstrom Database-a powerful system that enables any Nordstrom associate to know about each customer that walks through the door so that they can tailor their service to them.
- vi. Example- Ritz-Carleton takes the pursuit of customer intimacy to the highest level of any hotel chain. The official credo of Ritz-Carleton illustrates this
 - 1. The first seven of the twelve service values are direct expressions of customer intimacy.

III. Comparison of the Generic Strategies

- a. We can imagine that an operationally excellent company may also be a cost leader.
- b. A product leader may also be a differentiator.
- c. Customer intimacy focused companies are also differentiators in a sense because they differentiate through customization rather than through price or quality.

IV. Conclusion

- a. An operationally excellent company simply does what they do more efficiently than anyone else
- b. A product leader offers the best product available
- c. A customer intimacy focused company gives the customers exactly what they want
- d. A key question to determining a company's strategy-"Why do your customers choose your company over every other competitor in the market?"
 - i. Operational Excellence answers
 - 1. "We are cheaper", "more convenient" or "more efficient."
 - ii. Product Leader answers
 - 1. "We have better technology", "more features", "cooler style", or "superior quality."
 - iii. Customer Intimacy answers
 - 1. "We listen to our customer's needs", "offer better service", "anticipate customer wants", or "deliver tailored solutions"
 - iv. No or confused strategy answers
 - 1. Random or even conflicting combinations of the above answers or "I don't know".