

## BARRIERS TO IMITATION Mini-Lecture

- I. **Introduction**-this summary focuses on the various barriers to imitation.
- II. **5 Stages for Imitation**-All must occur for successful imitation to take place
  - a. Recognition-Competitors must recognize that you have something that is worth imitating.
  - b. Incentives-Competitors must have some clear incentive for wanting to imitate what you have.
  - c. Diagnosis-Competitors must be able to diagnose exactly what it is that you have or that you do differently that leads to your superior performance.
  - d. Acquisition-Competitors have to somehow acquire resources that will help them imitate your advantage.
  - e. Deployment-Competitors have to be able to put those resources to use to effectively imitate your advantage.
- III. **Barriers to Imitation**-What are the barriers to imitation that may exist at each stage? The example of Southwest Airlines will be used to illustrate each barrier.
  - a. Barriers at Recognition Stage-
    - i. Enter a market in a way that the main competitors don't notice you or don't believe they need to pay attention to you
      1. Southwest-While all major airlines at the time were competing aggressively through hub and spoke distribution systems, Southwest entered the market with direct point to point service between secondary cities. When Southwest started their business model was just so different that the major players didn't really see them as a threat.
  - b. Barriers at Incentive Stage-
    - i. Deterrence, or a threat to punish imitators. Cause competitors to think-"I am not interested in picking a fight with a company that [fill in the blank], they have incentive to win that fight, and I can't afford to stay in that fight."
    - ii. Limit pricing (a type of deterrence)- i.e. set your prices so low that competitors don't see any value in trying to compete with you.
      1. Southwest keeps prices very low for these routes. Nobody is going to follow Southwest into these markets because the margins are already so slim.

- iii. Preemption-locking up all profitable uses. Ultimately, you are somehow locking up some part of the process that competitors would need to really imitate what you are doing.
  1. Southwest has locked up service at just about all of the secondary cities you can imagine – small cities or large cities with small airports. These are small markets with just enough business to support only one non-stop flight service between cities.
  2. Thus, Southwest effectively locked up the potential cities that support their business models while setting prices low enough to deter competition.
- c. Barriers at Diagnostic Phase-
  - i. Causal ambiguity-make it difficult for competitors to diagnose the source of their advantage.
    1. Southwest does a lot of things differently from competitors, but what differences are really driving superior performance? Is it the direct route model, the organizational culture, the quick turnaround time or all of the above? Many have tried to replicate Southwest, most have failed... in large part because they are just not sure exactly what parts of Southwest's model to imitate.
- d. Barriers at Acquisition Stage-
  - i. Make resources less mobile- embed them into the firm's culture and processes.
    1. In the Southwest example, the competitive advantage is not just due to a few people, it is due to the company's culture, systems and processes that are deeply engrained in how they do what they do. Even after Southwest insiders have come out and PUBLISHED books on how to do what Southwest does, competitors still can't seem to get it right. Many of the key competitive resources are just too embedded in the unique and complex organizational context inside Southwest Airlines.
- e. Barriers at Deployment Stage-
  - i. Valuable only in Combination-Combine with other resources and activities, especially when these other resources and activities run counter to competitors' prior commitments.
    1. Southwest Airlines is brilliant. Continental Airlines made a valiant effort to imitate Southwest through a

no-frills offering called “Continental Light.” They tried to pick a few parts of the Southwest system, but they ignored some of the other complementary resources that were essential for successful deployment of the Southwest strategy.

2. For example, one of the centerpieces of the Southwest strategy was using these secondary airports and cities because they could achieve quick turnaround. When continental tried to imitate Southwest with Continental Light, they ignored this part of the business model. As a result, they couldn’t get the fast gate turnaround that Southwest has and, therefore, could not be competitive on costs.
3. Another example is that Southwest did not sell through travel agents. Well, Continental couldn’t do that. They needed the agents to sell services to their bread and butter business customers. But keeping the agents meant that they couldn’t compete on price with Southwest. So, again, they chose not to imitate this part of the strategy and it cost them.
4. Southwest also did not have a frequent flier program because such programs are very costly. Continental couldn’t let this go because they were so deeply committed to their customer base through their existing frequent flier program. Continental light could not afford the traditional miles program because it was so costly, but could not afford NOT to have the program because it would alienate their customer base. What did they do? They ultimately watered down the whole program and ticked off their customers.
5. Continental made it through recognition, incentives, diagnosis and even resource acquisition. But, they really failed at the task of effectively deploying the resources because they could not (or would not) adjust their systems and practices to effectively deploy those resources like Southwest does.

IV. **Conclusion**-Now you have a better idea of the stages competitors need to go through to imitate your resources as well as the competitive barriers you can erect to make it very difficult for them to do so.