

Chapter 10

Competitive Advantage: Analysis and Strategy

ABSTRACT

Many factors determine the nature of competition, including not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. This chapter emphasizes that outmaneuvering the rivals is the core of changing the rules of marketplace and argues that the strategy for outperforming the competitor is largely based on two basic issues- the performance parameters and assessment criteria of the performance. The discussion also guides understanding and analyzing each move of the competitor, and using the output to develop counter strategy may be defined as the process of competitor learning. Learning, as the detection and correction process, has varied implications for outwitting, outmaneuvering, and outperforming competitors.

INTRODUCTION

...the more complex, knowledge-based, and dynamic the world economy becomes, the more competition is true. Competitive advantage lies increasingly in local things including knowledge, relationships, and motivation that distant rivals cannot replicate...

Porter (1998)

With the emergence of virtual shopping, liberalization of economic policies in the developing countries all over the world competition has become like a traditional derby in which many companies participate for neck-to-neck race. In this business game the rules are subject to change without notice, the prize money may change in short notice, the route and finish line is also likely to change after the race begins, new entrants may join at any time during the race, the racers

may form strong alliances, all creative strategies are allowed in the game and the governmental laws may change without notice and sometimes with retrospective effect. Hence to win the race any company should acquire the strategies of outwitting, outmaneuvering and outperforming the competitors. In this process a company must understand thoroughly all the moves of the rival firms from various sources. The locales of the business rivalry have to be spotted to assess their strengths. An intriguing aspect of the marketplace is that the nature of competition can change over time. A technology, company, or product does not need to remain prey to another forever. Competitive roles can be radically altered with technological advances or with the right marketing decisions. External light meters, used for accurate diaphragm and speed setting on photographic cameras, enjoyed a stable, symbiotic (win-win) relationship with cameras for decades. As camera sales grew, so did light-meter sales. But eventually, technological developments enabled camera companies to incorporate light meters into their own boxes. Soon, the whole light-meter industry became prey to the camera industry. Sales of external light meters diminished while sales of cameras enjoyed a boost, and the relationship passed from win-win to predator-prey (Modis, 1998). Table 1 exhibits the competitors' arena, which has to be studied comprehensively, and strategies to be build accordingly.

The access to the infrastructure, raw material, the process, supplies and the other vital business factors is the most vulnerable to the competition. The competing firms pay more attention to the

sources of factors, quality thereof, cost and management of the factors in order to prove better over each other. Customer, the end user, is the ultimate target of competitor for building aggressive and defensive strategies in business. The competing firms try to attract the customers by various means to polarize business and earn confidence in the market place. It is necessary for the successful business companies to look for such a place of business that provides them more location advantage and hold the customers for their goods and services. The business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even small business company can compete globally with the firms of all sizes through the Internet. The distribution channels, franchisees, carrying and forwarding agents, retailers and mailers with value added services represent an increasingly intense business rivalry or competition in all markets or competitive domains. Many firms like Godrej (Diversified Products), Proctor and Gamble (Consumer Goods), and Compaq (Computers) reward their managers handsomely for winning the business battles in their channel wars. In succeeding to the market competition, the institutional and political patronage provides long run support to the companies. The wining in product, channel and factor market place in many instances may not last long in building relationships with the customers. Many business firms have found themselves outmaneuvered in various functional aspects of business by the adept actions of rivals in the institutional arena. An intriguing aspect of the marketplace is

Table 1. Possible locales of business rivalry

Business Factors	Customer Locale	Geography	Channels	Institutions and Patrons
<ul style="list-style-type: none"> • Supply Chain • Promotion • Investment 	<ul style="list-style-type: none"> • Market Place • Segments • Individual 	<ul style="list-style-type: none"> • Spread • Regional 	<ul style="list-style-type: none"> • C&F Agents • Retailers • Wholesalers • Franchisees • Mailers 	<ul style="list-style-type: none"> • Government agencies • Cooperatives

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