

Title:

Guerilla Versus Gorilla - Small Companies Can Win

Word Count:

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Summary:

We make our living as guerillas - not the bad kind, but more of a freedom fighter. By using the term 'guerilla' I mean EMJ (now a division of SYNEX) fights for business against big gorillas (other distributors) in the field. Our competitors are almost 100 times our size; EMJ is a Canadian-based, \$165 million per year distributor. We have made an operating profit for the past 80 consecutive quarters. So even though we are up against the big gorillas as a distributor, we must ...

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Article Body:

We make our living as guerillas - not the bad kind, but more of a freedom fighter. By using the term 'guerilla' I mean EMJ (now a division of SYNEX) fights for business against big gorillas (other distributors) in the field. Our competitors are almost 100 times our size; EMJ is a Canadian-based, \$165 million per year distributor. We have made an operating profit for the past 80 consecutive quarters. So even though we are up against the big gorillas as a distributor, we must be doing something right.

If you are in a business where some of the competitors are much larger, you may be able to benefit from using guerilla tactics. The principles of running a guerrilla organization differ from running a gorilla organization. As a guerrilla, we hide from our competitor; we do not try to crush them. I even go so far as to examine what they do well and let them do it. At the same time, I look for under-serviced markets and get to these markets fast.

A gorilla takes all competitors head on, trying to crush the competition. Sometimes this takes the form of a price war. Sometimes it takes major prolonged, drawn-out investment. This works as long as you are the same size, or larger than the competition. Even then, such a long battle can sap power and ultimately profits.

Companies that die often believe they were gorillas. It is certain death for a

business to fight gorillas unless they can withstand the siege. Any time we hire someone with a gorilla-company background, we watch and coach that person to make sure they are indoctrinated with the appropriate tactics. We have to make sure they understand our business model.

My 8 favourite guerilla tactics are:

1 - Act fast. I use my company's size for my advantage. I can act lightning fast. In the computer business, this is a huge asset. Things change so rapidly that moving fast and being first to market is a huge advantage. Larger companies do not react quickly. Develop a reputation for being first - it gets the attention of customers.

2 - Welcome smaller opportunities. Gorillas tend to say 'no' to manufacturers who don't think they can do significant volume with. But a small opportunity rejected by a gorilla can be a very profitable opportunity for a guerilla. For EMJ, a million dollar per product line is an opportunity big enough to get the attention of my first string. In your business, look for the right-sized opportunity for you. Frequently, it is the smaller opportunity that has the best promise. The gorillas will leave you alone. There is always a right-sized opportunity for a company of any size. Knowing your rightful place in the market can help you to thrive.

3 - Get focussed. Higher focus means we know more, stock more, and sell more product of fewer manufacturers. The smaller our product listing, the more powerful we become. We know a lot about a little. That means we know the products we sell better than a gorilla, and we become a sales tool for the reseller, not just an order-taker. Could you become more focused and specialized in a business area by giving up on a part of your business?

4 - Be more flexible. We can adapt more easily to our customers and suppliers. We try not to be ruled by policy. The bigger a company gets, the more likely they are to have policy and some of it is required. As a small distributor, we can be more flexible. Are there areas that your competition is ignoring that by being more entrepreneurial, you can capitalize on?

5 - Be smarter. This sounds too simple, almost embarrassing to write. Since we are smaller, we can look at the business we do more carefully and make sure it makes good business sense. We don't pick up another manufacturer just to increase the size of our line card. That's just not good business sense for us. That's the way we have to think - and so should you.

6 - Lower your overhead. For some reason, most companies seem to choose more

expensive offices and furnishings as they grow. This expectation tends to increase costs in all areas of the company that distribution, at current margin levels, can ill afford. At EMJ, we buy quality used furniture. We are on the outskirts of Guelph where the cost of land and taxes is less. Our capital base is even high enough that our cost of capital is less than some of the gorillas. Are there areas that you can be lower overhead than the gorillas in your field? Costs always add up on the bottom line.

7 - Foster staff loyalty - one major advantage guerillas have over gorillas is the ability to attract, motivate, and keep good people. Primarily this is because guerillas can be more flexible, easier to work for and give people more of a sense of accomplishment because what they do contributes more directly the company's bottom line. I have always found there to be great power by being smaller and treating my people with respect and not just as numbers. Gorillas can try to do this but it is tough for them to copy you.

8 - Just BE a gorilla. We like to enter market areas that we can dominate and specialize in. We may not be the biggest but in certain specific niches, we dominate. As long as we are the biggest in an area, we can act the part. We can under-price and over-service the competition forever. Anyone who enters our markets learns that it is expensive and often impossible to unseat us.

9 - Be personal. One thing a smaller organization can do is to be more personal. People buy from people. You can foster relationships that will help you sell. Part of the way we are personal is by showing our customers what markets and products ARE profitable. There is nothing that cements a customer relationship better than making them money, because you'll be making money for them AND for you!

10 - Be opportunistic - to sum up guerilla strategy is simply to be opportunistic. Take advantage of opportunities that the gorillas cannot do. There are many companies that remain profitable by being opportunistic.

In summary, unless you are huge - think guerilla. Appropriate guerilla tactics for your size will win any battle.