

LEARNING MODULE NO. 4

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| Title | CREATING COMPETITIVE ADVANTAGE |
| Topic | 4.1 Sustainable Competitive Advantage 4.2 The Advantages of Competitive Strategies |
| Time Frame | 8 hrs. |
| Introduction | This module discusses on how businesses can create a sustainable competitive. |
| Objectives | After reading this module ,you should be able to: 4.1 Explain how businesses can create a sustainable competitive advantage 4.2 List down the advantages of competitive strategies |
| Learning Activities (to include Content/Discussion of the Topic) | <p>4.1 Sustainable Competitive Advantage</p> <p>Regardless of the industry, market or segment in which a firm competes, their over-arching goal is to create sustainable competitive advantage.</p> <p>Sustainable competitive advantage means that a firm has an edge over their competition, which competitors cannot easily overcome and is thus enduring over time. These advantages can be in intellectual property, including technology leadership and strategic assets, scale, or barriers to entry. They allow the firm to compete on differentiation or cost in markets spanning from niche to mass.</p> <p>Note: competitive advantages support HOW a firm competes. They are not WHAT a firm does to compete. Think about Wal-Mart, for example. One might argue that low prices are their competitive advantage. However, other retailers can and do reduce their prices to match Wal-Mart. Instead, Wal-Mart has an unmatched supply chain, focused on reducing costs. This focus extends from vendor relationships and negotiation through the distribution network to store operations and to the advertising. That is, at every step of the supply chain Wal-Mart seeks to reduce and remove costs. Further, they communicate this advantage to their customers; their brand is synonymous</p> |

with value.

Thus, a competitor can't simply reduce costs to compete with Wal-Mart because Wal-Mart's competitive advantage is the infrastructure that supports the entire supply chain, which is focused on cost reduction. Further, Wal-Mart's price leadership is part of their branding and well understood by consumers. So, while a competitor may be able to match prices, they have a different cost basis than Wal-Mart and thus reduce their own margins in reducing costs. Over time, this makes them less competitive because they do not have the resources to invest in their business to match Wal-Mart's capabilities.

Think about Amazon as another example. As you've read, there is a heightened interest in convenience among consumers. So, it might be compelling to think that Amazon's competitive advantage is that they offer at-home delivery. However, this higher level of service to support convenience is an output of their true strategic advantage—impressive infrastructure to support efficiency in transactions and fulfillment.

Think about the wide breadth of products available at Amazon. Their algorithm recommends adjacent and complementary items. Their extensive network of warehouses store, pick, and package products. Their relationships with logistics partners like UPS and the United States Postal Service support efficient delivery.

Hopefully, you see that delivery isn't Amazon's competitive advantage. Instead, their edge is infrastructure through their web interface, their algorithm, their network of warehouses, and their relationships with carriers. These support transaction and fulfillment, which enables them to provide an expansive set of products and deliver them at very low costs.

Firms may possess powerful internal strengths like patents or customer contracts that would be costly or time intensive for a competitor to replicate. Or, they may compete with a robust distribution system that is so expansive

that competitors cannot match it. Or, they may operate in a market so concentrated that they already possess the bulk of the market share or potential, making it unattractive to other competitors. Regardless, these advantages inform HOW the firm competes. When the advantages are sustainable, they create an on-going edge that competition cannot bridge.

4.2 The Advantages of Competitive Strategies

Better Industry Understanding

To effectively engage in the use of competitive strategies, you must understand the industry in which your business is part. By learning more about this industry as a whole, you can allow yourself to make more informed business-related decisions and likely increase your chances of success in the world of business.

Stronger Action Plan

When businesses don't employ competitive strategies, they often fail to plan as effectively as they could. In the absence of these strategies, it is easy for business owners to sit back and allow their business to operate as if on autopilot. While a business over which you have loose control could end up being successful, it could also fail as you have not taken the reins and worked to guide the business with the use of competitive strategies.

Ease of Communicating Goals

When business owners employ competitive strategies, they create clear outlines as to where they are headed and where they hope to end up. By creating these goals, they can more effectively communicate them to workers. Through this enhanced communication, business owners can get all members of their workforce on the same page, improving all team members' abilities to help achieve these desirable ends.

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| | <p>Improved Chances of Success</p> <p>While it is possible for a business owner to use competitive strategies and ultimately fail, it is less likely that they will not achieve their goals than it would be if they employed no proven strategies at all. Simply through the use of strategies of this type, business owners can increase their chances of success in the world of business.</p> |
| Self-Evaluation | <p>Using your own words, construct sentences below to self-assess your learning about the lesson. Make your answer brief but concise. Limit your answer to a maximum of four (4) sentences only.</p> |
| Review of Concepts | <p>A competitive advantage distinguishes a company from its competitors. It contributes to higher prices, more customers, and brand loyalty. Establishing such an advantage is one of the most important goals of any company. Without it, companies will find it difficult to survive.</p> <p>Sustainable competitive advantages are required for a company to thrive in today's global environment. Value investors search for companies that are bargains. In order to avoid purchasing a value trap one of the factors is sustainable competitive advantages.</p> <p>In the business world, being competitive is a must if it wants to best their opponents. If it simply sits around and hope that their business attracts the customers it requires to stay afloat, it will likely be disappointed. Instead, businesses must actively sell your goods or services, employing competitive strategies to set them apart from the rest. If it does then it can reap a number of benefits.</p> |

References

Vincent P. Barabba, Competitive Advantages: Lessons from GM's Surprising Turnaround, pp 46–50, <https://books.google.com/books?id=VvbDYad7cLoC&pg=4>

Proquest, "First We Built, Now We Buy: A Sociological Case Study for Enterprise Systems in Higher Education," pp 292–203, <https://books.google.com/books?id=rgIAaigKQBIC&pg=4> Kenton, Will. "Value Proposition." Investopedia. March 12, 2019. Accessed April 12, 2019.