

Likewise, there are all kinds of market-positioning options.³ Some companies target the high end of the market, whereas others go after the middle or low end. Some position themselves to compete in many market segments, endeavoring to attract many types of buyers with a wide variety of models and styles; other companies focus on a single market segment, with product offerings specifically designed to meet the needs and preferences of a particular buyer type or buyer demographic. Some companies position themselves in only one part of the industry's chain of production/distribution activities (preferring to be only in manufacturing or wholesale distribution or retailing), whereas others are partially or fully integrated, with operations ranging from components production to manufacturing and assembly to wholesale distribution to retailing. Some companies confine their operations to local or regional markets; others opt to compete nationally, internationally (in several countries), or globally (in all or most of the major country markets worldwide). Some companies decide to operate in only one industry, whereas others diversify broadly or narrowly into related or unrelated industries via acquisitions, joint ventures, strategic alliances, or starting up new businesses internally.

There's no one roadmap or prescription for running a business in a successful manner. Many different avenues exist for competing successfully, staking out a market position, and operating the different pieces of a business.

Strategy Is About Competing Differently Mimicking the strategies of successful industry rivals—with either copycat product offerings or maneuvers to stake out the same market position—rarely works. *The best performing strategies are aimed at competing differently.* This does not mean that the key elements of a company's strategy have to be 100 percent different but rather that they must differ in at least *some important respects that matter to buyers*. A strategy stands a better chance of succeeding when it is predicated on actions, business approaches, and competitive moves aimed at (1) appealing to buyers in ways that *set a company apart from its rivals*—particularly when it comes to doing what rivals don't do or, even better, doing what they can't do and (2) staking out a market position that is not crowded with strong competitors. Really successful strategies often contain some distinctive “a-ha!” quality that goes beyond merely attracting buyer attention but that, more importantly, delivers what buyers perceive as superior value and converts them into loyal customers. Indeed, *the more a strategy is aimed at competing differently in ways that deliver superior value to buyers, the more likely the strategy will produce a valuable competitive edge over rivals.*⁴

A creative, distinctive strategy that sets a company apart from rivals and delivers superior value to customers is a company's most reliable ticket for winning a competitive advantage over rivals.

Strategy and the Quest for Competitive Advantage

The heart and soul of any strategy are the actions and moves in the marketplace that managers are taking to gain a competitive advantage over rivals. A company achieves a **competitive advantage** whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces. There are many routes to competitive advantage, but they all involve providing buyers with what they perceive as superior value compared to the offerings of rival sellers. Superior value can mean a good product at a lower price, a superior product that is worth paying more for, or a best-value offering that represents an appealing combination of features, quality, service, and other attributes at an attractively low price. Five of the most frequently used and dependable strategic approaches to setting a company apart from rivals, delivering superior value, achieving competitive advantage, and converting buyers into loyal customers are:

1. *Striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage over rivals that can then become the basis for charging lower prices and/or earning higher profits.* Walmart and Southwest Airlines have earned strong market positions because of the low-cost advantages they have achieved over their rivals and their consequent ability to underprice competitors. Achieving lower costs than rivals can produce a durable competitive edge when rivals find it hard to match the low-cost leader's approaches to driving costs out of the business.

2. *Competing successfully and profitably against rivals based on differentiating features such as higher quality, wider product selection, added performance, value-added services, more attractive styling, technological superiority, or some other attributes that set a company's product offering apart from those of rivals.* Successful adopters of differentiation strategies include Apple (innovative products), Johnson & Johnson in baby products (product reliability), Chanel and Rolex (top-of-the-line prestige), and Mercedes and BMW (engineering design and performance). Differentiation strategies can be powerful as long as a company is sufficiently innovative to thwart the efforts of clever rivals to copy or closely imitate its product offering and means of delivering superior value.
3. *Offering more value for the money.* Giving customers more value for their money by meeting or beating buyers' expectations regarding key quality/features/performance/service attributes while beating their price expectations is known as a *best-cost provider* strategy. This approach is a hybrid strategy that blends elements of the previous approaches. Toyota employs a best-cost provider strategy for its Lexus line of motor vehicles, as does Honda for its Acura line of cars and SUVs. Many consumers shop at L.L. Bean because of the good value it delivers: products with appealing quality/performance/features/styling and attractively low prices. Likewise, Amazon.com has been highly successful in attracting customers with its more-value-for-the-money combination of appealing prices, wide selection, free shipping, extensive product information and reviews, and online shopping convenience.
4. *Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers that compose the niche.* Prominent companies that enjoy competitive success in a specialized market niche include eBay in online auctions, Jiffy Lube International in quick oil changes, and The Weather Channel in cable TV.
5. *Developing competitively valuable resources and capabilities that rivals can't easily imitate or trump with resources or capabilities of their own.* FedEx has superior capabilities in next-day delivery of small packages. Walt Disney has hard-to-beat capabilities in theme park management and family entertainment. Apple has formidable capabilities in innovative product design. Ritz-Carlton and Four Seasons have uniquely strong capabilities in providing their hotel guests with an array of personalized services. Hyundai has become the world's fastest-growing automaker as a result of its advanced manufacturing processes and unparalleled quality control systems. Very often, winning a durable competitive edge over rivals hinges more on building competitively valuable resources and capabilities than it does on having a distinctive product. Clever rivals can nearly always copy the attributes of a popular or innovative product, but for rivals to match experience, know-how, and specialized competitive capabilities that a company has developed and perfected over a long period of time is substantially harder to duplicate and takes much longer.

Forging a strategy that produces a competitive advantage has great appeal because it enhances a company's financial performance. *A company is almost certain to earn significantly higher profits when it enjoys a competitive advantage as opposed to when it competes with no advantage or is hamstrung by competitive disadvantage.* Competitive advantage is the key to above-average profitability and financial performance because strong buyer preferences for a company's products or services translate into higher sales volumes (Walmart) and/or the ability to command a higher price (Häagen-Dazs), which in turn tend to improve earnings, return on investment, and other important financial outcomes. Furthermore, if a company's competitive edge holds promise for being sustainable (as opposed to just temporary), then so much the better for both the strategy and the company's future profitability. What makes a competitive advantage *sustainable* (or *durable*) as opposed to temporary are actions and elements in the strategy that cause an attractive number of buyers to have *lasting reasons* to purchase a company's products or services, despite competitors' best efforts to nullify or overcome those reasons.

CORE CONCEPT

A company achieves **competitive advantage** when an attractive number of buyers are drawn to purchase its products or services rather than those of competitors. A company achieves **sustainable competitive advantage** when the basis for buyer preferences for its product offering relative to the offerings of its rivals is *durable*, despite competitors' efforts to nullify or overcome the appeal of its product offering.