



Marketing Messages

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Identify and hone your competitive advantage

What is your competitive advantage? What are your distinct competencies? If you don't know, you'd better find out, and fast!

Most businesses carve a niche for themselves based on some sort of competitive advantage. This may be based on a unique product or service only available through their company. It may be based on an exclusive or unique channel sourcing or distribution system. It might be based on cost leadership. Some advantages are more easily imitated or challenged than others. Truly successful companies cultivate a unique competitive advantage, which is unlikely to be easily imitated.

Two attributes determine the strength of a company's competitive position; market share and distinct competencies. The larger the market share, the stronger the competitive position. A large market share provides experience curve economies and suggests the company has earned brand loyalty. The uniqueness, strength and number of company's distinctive competencies are the second measure of competitive position. Distinct competencies refer to things such as a company's research and development expertise, its manufacturing processes, marketing skills, consumer segment knowledge, its secured sourcing and distribution system or its unique reputation and brand capital.

In general companies with the largest market share and the strongest distinct competencies are in the best position to build and sustain their competitive advantage.

Let's look at an example from Vancouver's retail sector. **Book Warehouse** is a locally owned and operated discount bookstore with 6 locations in the lower mainland. The company is a cost leader with a focused competitive strategy. Their primary distinct competency is the management of remainder books. They have concentrated their product offerings in the area offering the highest margins. Remainder books represent a fraction of total sales but contribute substantially to total profits. Their unique approach is based on secure channel sourcing contacts and astute buying abilities. It is a competitive strategy which is unlikely to be easily imitated.

Vancouver Kids Books, with locations in Edgemont Village and West Broadway, have secured a unique position as knowledgeable and comprehensive suppliers of the children's book niche market. This has ensured their success in the face of competitive threats from big box booksellers such as Chapters and Indigo.

In 2001 **Chapters/Indigo** combined market share was estimated at an overwhelmingly dominant 70%. Yet, since the fall of 1995, when Chapters entered the Vancouver marketplace, both Book Warehouse and Vancouver Kids Books have managed to increase their market share. In these particular examples you can see how having strong distinct competencies can thwart off fiercely competitive threats.

Duthies distinct competency of comprehensive selection, source ordering and knowledgeable staff was seriously challenged with the entrance of Chapters into the Vancouver marketplace. Their brief change to category cost leadership failed them when their business model couldn't sustain decreased margins. The company now has a single Kitsilano location, down from 10 when it was known as a Vancouver book selling institution.

Successful businesses go to great lengths to protect their distinct competencies from challenge in order to guard their competitive advantage. Is your business based on a distinct competency? Have you developed strategies should it become challenged? These are questions worth asking and answering. The only thing certain in business is change.

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