

The background features abstract, overlapping purple geometric shapes, primarily triangles and polygons, in various shades of purple, ranging from light lavender to dark, almost black, tones. These shapes are layered to create a sense of depth and movement, framing the central text.

Innovative Entrepreneurship Theory and Practice

Innovative Entrepreneurship Theory and Practice

DIN111 (888111) 3(3-0-6)

Lesson 8: Competitive Advantage

Innovative Entrepreneurship theory and practice (888111)

“The best way to beat the competition
is to stop trying to beat the competition”

Business Definition

- WHAT - **The offer**
- WHO - **The target market**
- HOW - **Product and delivery capability**

WHAT

The offer

What will you sell to your customers?

What are the benefits?

WHO

Target market –

Which segment of the market are you aiming to serve?

Identify potential.

identify a viable market for the business and

focus your marketing efforts.

HOW

Production and delivery capability

How will you provide your offer to your targeted customers?

- ✓ key activities ...
- ✓ primary activities ...

HOW

the key activities

- **produce** the product or service,
- **deliver** it to your customers, and
 - ensure they **are satisfied**.

primary activities

- buying, **developing**, or manufacturing the product;
- **identifying its potential customers** and **selling** the product to them;
 - **delivering** the product or service; and
 - receiving **payment**.

competitive
advantage

Competitive advantage

For your business **to be successful**,
you will need **a strategy for beating the competition**

THIS IS **competitive advantage**

Competitive advantage

do better than the competition

- to attract a sufficient number of customers to your business so it can succeed.
- it must be sustainable in order to create long-term viability.

Competitive advantage

- **Direct** - selling the same or similar products to the same market
- **Indirect** -selling different products that compete for the same share of customer.

The six factors of competitive advantage

1. **Quality**
2. **Price**
3. **Location**
4. **Selection**
5. **Service**
6. **Speed/turnaround**

The six factors of competitive advantage

1. **Quality** - Can you provide higher quality than competing businesses?
2. **Price** - Can you offer a lower price on a sustained basis than your competition, or does your higher price reflect quality and/or uniqueness?
3. **Location** - Can you find a more convenient location for customers?

The six factors of competitive advantage

4. **Selection** - Can you provide a wider range of choices than your competitors can?
5. **Service** - Can you provide better, more personalized customer service?
6. **Speed/turnaround** - Can you deliver your product/service more quickly than the competition?

Competitive advantage

Learn everything you can about competitors,
try to identify the sources of their competitive advantage,
conduct a thorough search of your industry

research

Competitor research:

- Examine their Web sites.
- Track their advertising and promotion
- shop their stores
- an eye on your competition after you have started your business

Competitive offers

How does your offer compare with those of your leading competitors?

What are the key features of each?

Unique selling proposition

What is your *unique selling proposition (USP)*,
the distinctive feature and benefit that sets you apart from
your competition?

What is it about your offer that your competitors cannot or will
not match?

Cost structure

What is your **cost of doing business**, compared to the competition?

Overall, are you at a cost advantage or disadvantage?

Michael Porter's 'Five Forces'

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products



competitive advantage case study

Competitive advantage

Case study: The most chocolate cake company

- specialty chocolate cakes.
- target market = public in Springfield that loved chocolate cakes
- but no time or interest in baking them
- usually for special occasions = charge a premium price, = a bakery store cake.
- She decided she would make the cakes special by
 - using the finest ingredients and a secret recipe (quality);
 - personalizing each cake through expert custom-decorating (selection); and
 - baking the cakes to order, so they would be fresh for the event (quality).

Case study

- bakes cakes at home = homemade = reduces the cost of producing them
- production is relatively limited, take time to deliver each cake.
- more chocolaty cake with its special frosting and decoration, as well as its freshly homemade quality, will be successful in the marketplace.
 - This is the **USP** - source of competitive advantage, along with the cost advantage of baking the cakes at home.

Business definition

Business Definition Question	The Most Chocolate Cake Company
1. The Offer. What products and services will be sold?	Chocolate cakes with various fillings and decorations for special events at premium prices.
2. Target Market. Which consumer segment will the business focus on?	People who love chocolate and want a special cake for a special event. Dual income households with greater than median income.
3. Production Capability. How will that offer be produced and delivered to those customers?	Homemade and baked to order to ensure freshness, using high-quality ingredients and a secret recipe.
4. Problem Solving. What problem does the business solve for its customers?	Great appearance and flavor without the work or mess for special occasions.

Qualitative analysis

	Most Chocolate Cake Company	Mega Super Market, Inc.	Average Bakery Co.	Fancy Bakery, LLC
Quality	Excellent	Fair	Fair	Excellent
Price	Fair	Good	Moderate	Poor
Location	Moderate	Excellent	Moderate	Good
Selection	Fair	Moderate	Good	Moderate
Service	Excellent	Fair	Moderate	Fair
Speed/Turnaround	Good	Excellent	Moderate	Fair
Specialization	Excellent	Poor	Fair	Moderate
Personalization	Excellent	Moderate	Good	Excellent

analysis

- ratings can be done through market research techniques, or
- however you think you can get **the most unbiased responses**.
- It should take into account those factors that are of
greatest importance to the target market.
- Such a table will show
competitive advantages and weaknesses

Quantitative analysis

- **First**, based on industry data or quality customer research, each factor is assigned a weight according to its importance to the company's target customers, with the total of all factors equaling 1.00 (or 100%).
- **Second**, each competitor should be rated on an odd-numbered scale, such as 1 to 5, with 1 being lowest and 5 being highest, on each factor.
- **Third**, to calculate a weighted score, each rating should be multiplied by the associated weight to obtain a total.
- Looking across the competitors' scores on individual factors can yield insights into areas of strength or vulnerability.
- **Finally**, all the weighted values for each company should be totaled and an overall rating calculated.

By looking at the ratings, it becomes apparent who the strongest and weakest competitors are.

Quantitative analysis

		Most Chocolate Cake Company		Mega Super Market		Average Bakery Co.		Fancy Bakery, LLC	
Attributes Important to Customers	Weight (a)	Rating (b)	Weighted Rating (c = a * b)	Rating (d)	Weighted Rating (e = a * d)	Rating (f)	Weighted Rating (g = a * f)	Rating (h)	Weighted Rating (i = a * h)
Quality	0.20	5	1.00	2	0.40	2	0.40	5	1.00
Price	0.10	2	0.20	4	0.40	3	0.30	1	0.10
Location	0.10	3	0.30	5	0.50	3	0.30	4	0.40
Selection	0.15	2	0.30	3	0.45	4	0.60	3	0.45
Service	0.10	5	0.50	2	0.20	3	0.30	2	0.20
Speed/Turnaround	0.05	4	0.20	5	0.25	3	0.15	2	0.10
Specialization	0.20	5	1.00	1	0.20	2	0.40	3	0.60
Personalization	<u>0.10</u>	5	<u>0.50</u>	3	<u>0.30</u>	4	<u>0.40</u>	5	<u>0.50</u>
Total	1.00		4.00		2.70		2.85		3.35

strategy framework

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark indigo. These shapes are primarily located on the right side of the frame, creating a modern, layered effect against the white background.

Strategy

A strategy

“a plan of action or policy designed to achieve a major or overall aim”

Michael Porter's Strategy Framework

There are four generic strategies according to Porter:

Cost leadership - you offer a product or service that is in high demand at the lowest possible price.



Michael Porter's Strategy Framework

There are four generic strategies according to Porter:

Differentiation - you offer a product or service that is in high demand but with unique characteristics.



Michael Porter's Strategy Framework

There are four generic strategies according to Porter:

Cost focus - you offer a product or service in a niche market, and you ensure the lowest possible price.



Michael Porter's Strategy Framework

There are four generic strategies according to Porter:



Differentiation focus - you offer a product or service in a **niche market**, and your product or service has **unique characteristics**.

differentiate = make the firm's products / services different from others

can think of any examples?



differentiation


Product/service differentiation

Differentiation is the process of distinguishing a product or service from others to make it more attractive to a particular target market to reduce the directness of competition

Product/service differentiation

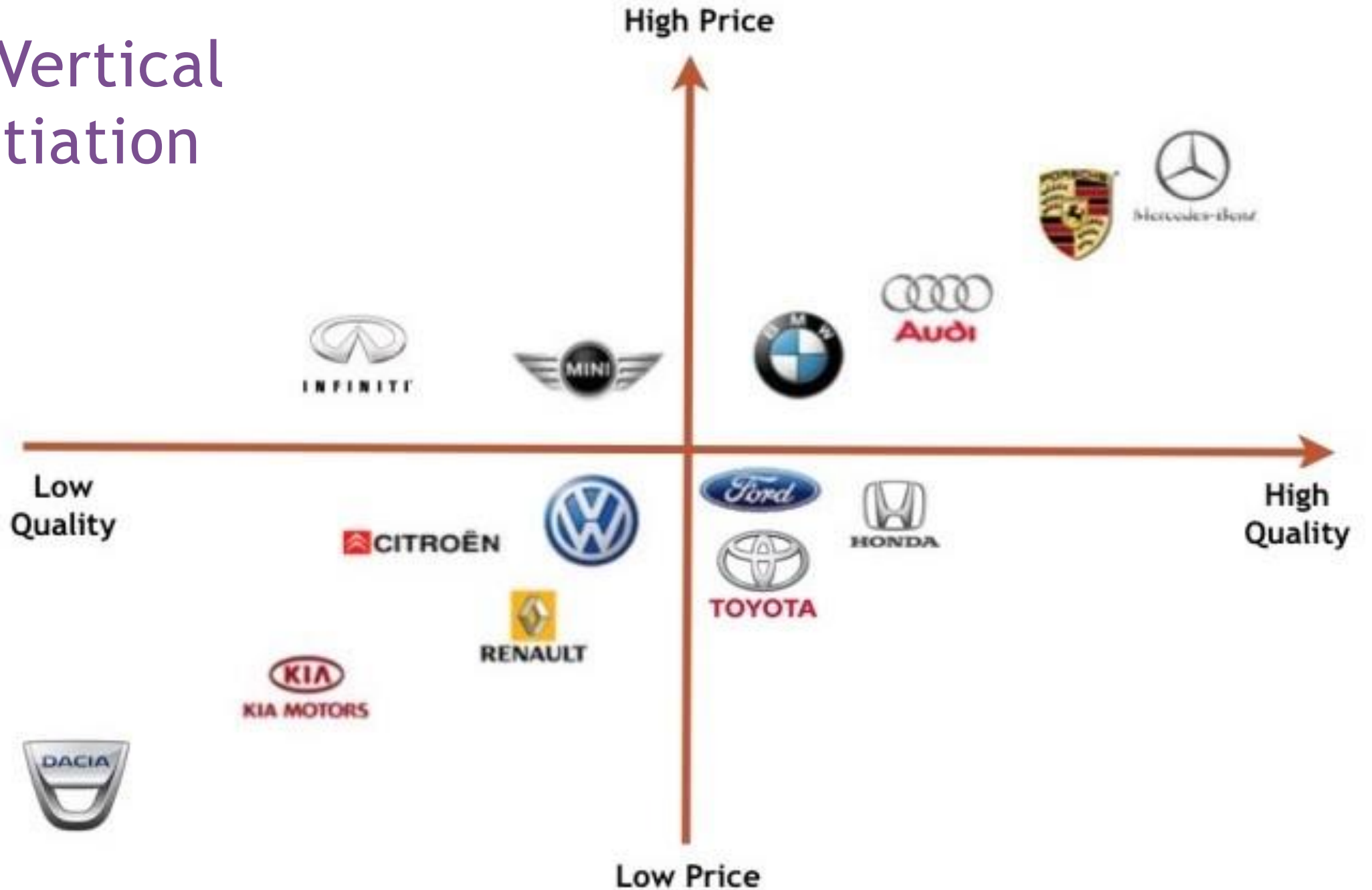
1. Simple – based on a variety of characteristics
2. Vertical – based on a single characteristic that consumers can clearly understand (e.g. price or quality)
3. Horizontal – based on a single characteristic, but consumers may not clearly understand the differences
– instead they often chose on personal taste, brand associations etc





PRICE = QUALITY

Simple/Vertical differentiation



Simple/Vertical differentiation



iPhone ^{SE}
From
\$399



iPhone 11
From
\$499



iPhone 12
From
\$599



iPhone 13
From
\$699



iPhone 13 Pro
From
\$999

Performance



Willingness to pay (WTP)

the maximum price at or below which a consumer would buy one unit of a product

- Factors affecting WTP:
 - Price vs. quality
 - Unique value
 - Customer characteristics
 - Trends, fashion
 - Environmental impact
 - Fairness (does the price seem fair?)
 - Customer research
 - Discount, special offers (Two-for-the-price-of-one etc)

Price discrimination

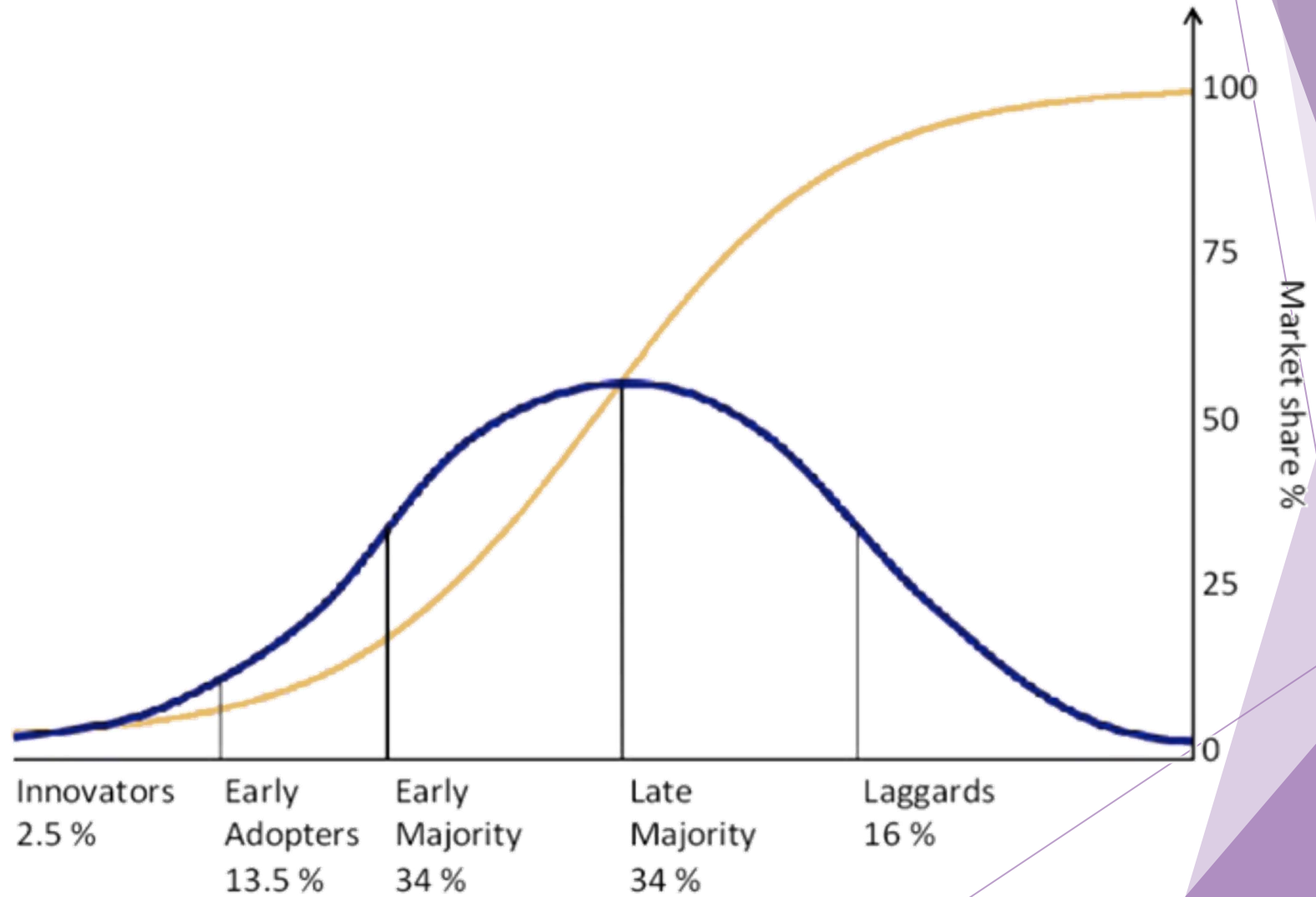
- ‘Price discrimination’ – when a firm charges a different price to different groups of consumers for an identical good or service
- This could include:
 - Personalized pricing
 - Menu pricing
 - Group pricing

Familiar examples of price discrimination

- Coupon discounts
- Premium pricing
- Segmentation by age, status, ethnicity, and citizenship
- Discounts for members of certain occupations
- Retail incentives
- Wholesale
- Gender-based (e.g. entry to a bar, club)
- Academic/student pricing
- International price discrimination
- Sliding scale fees

adoption

Diffusion



Diffusion

The question is, how do you get across this gap?



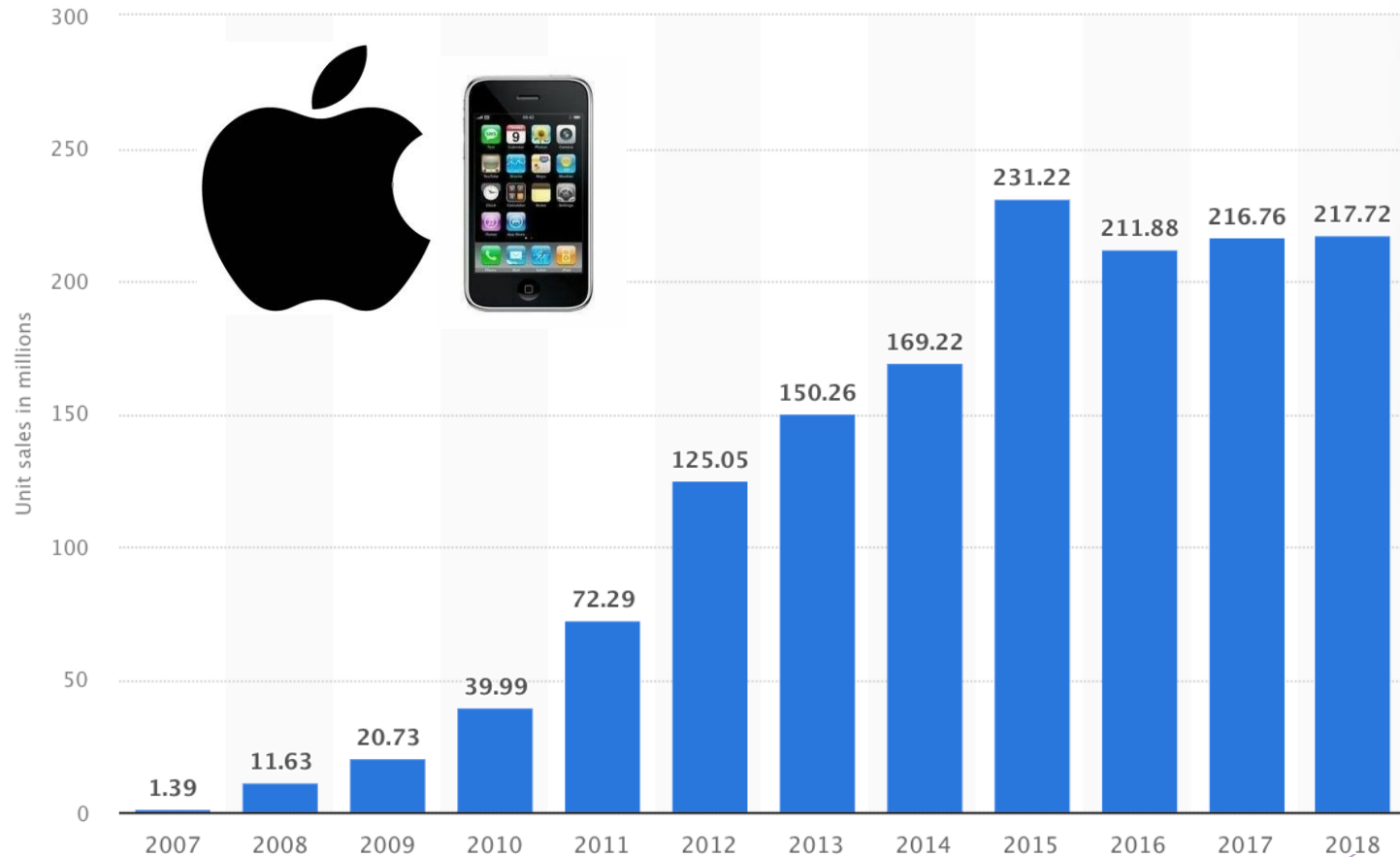
These people will buy it anyway

These people will wait for others to buy it

EARLY ADOPTERS
13.5%

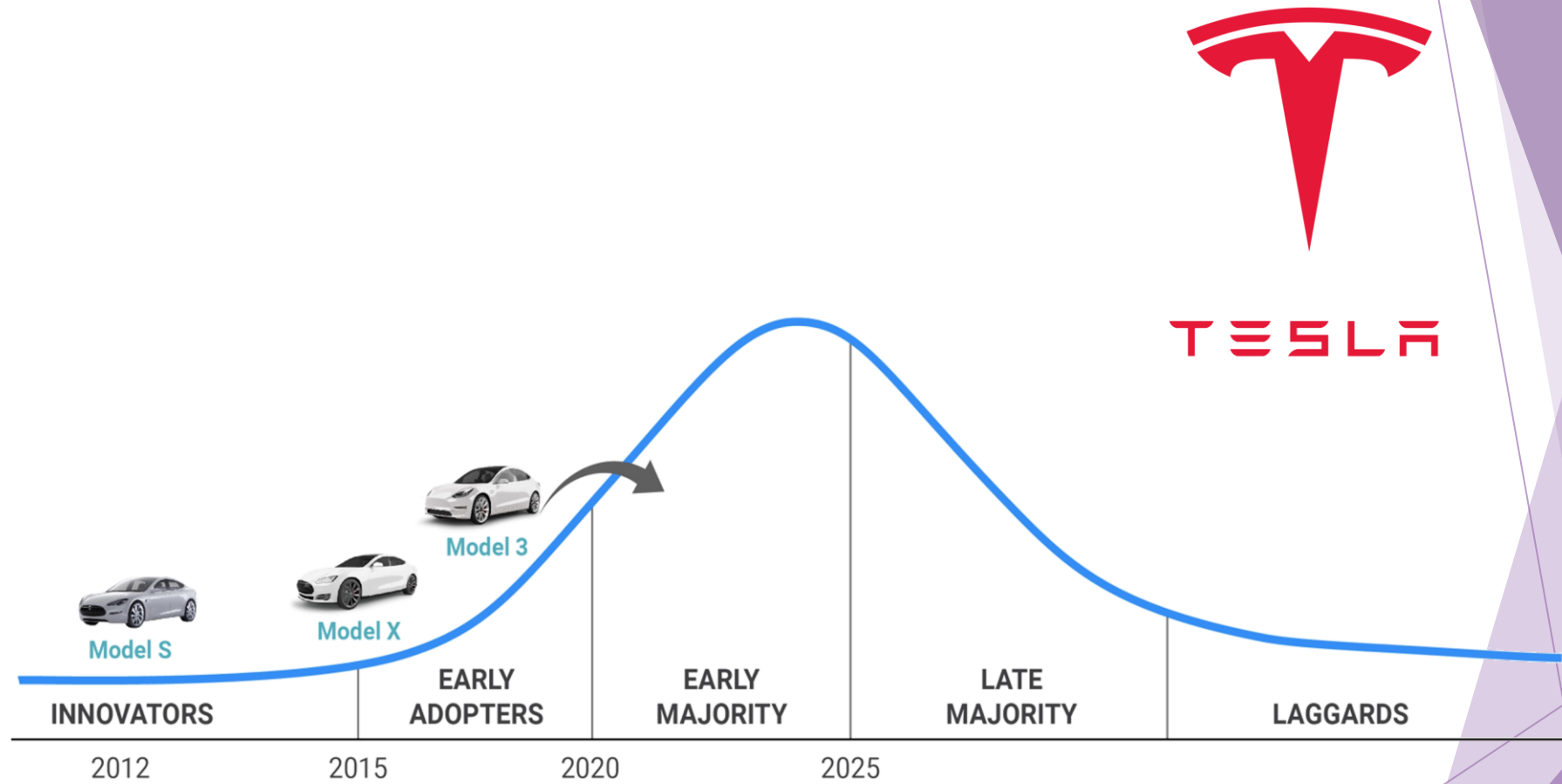
Sell to these people first

Diffusion

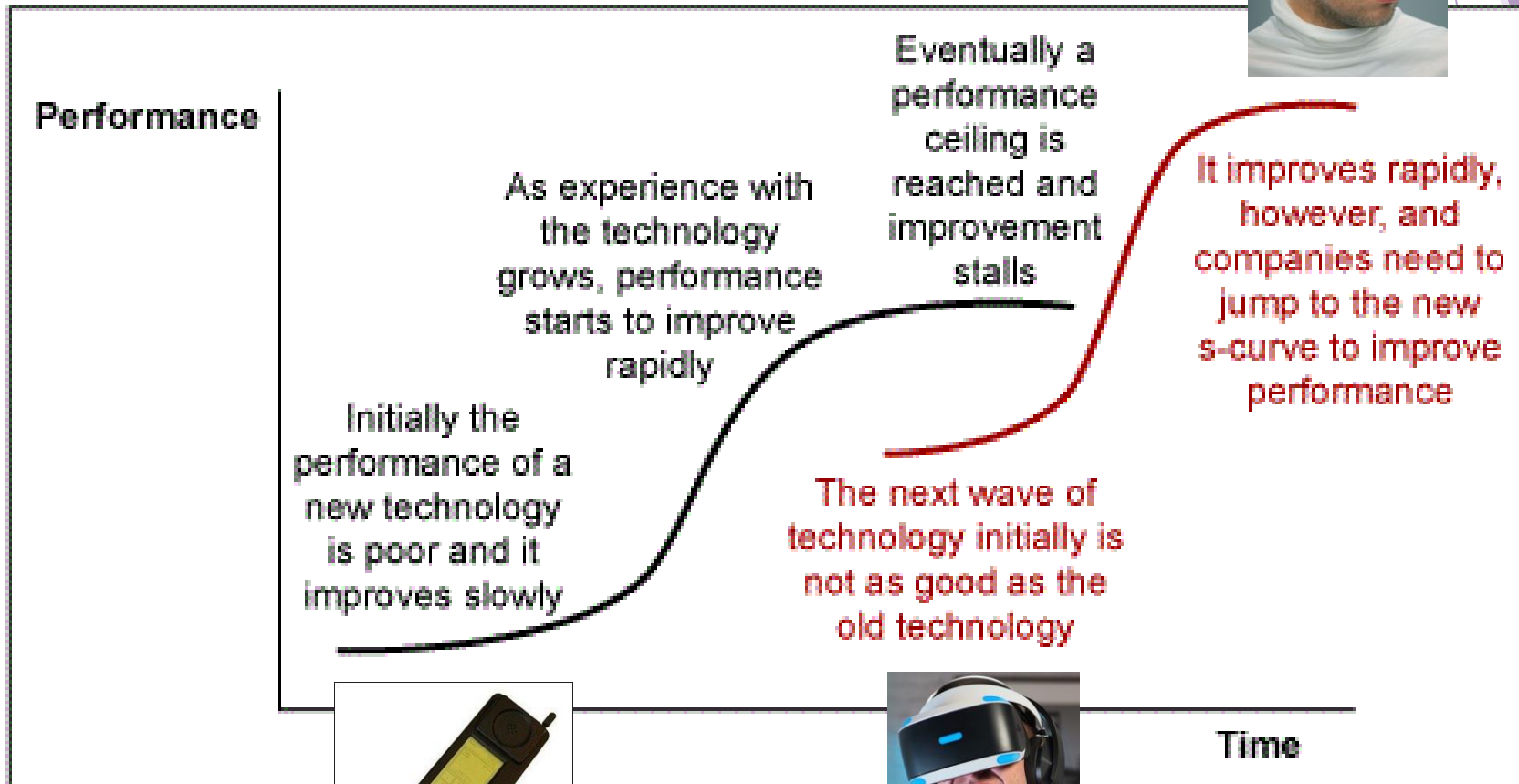


Apple iPhone sales by year, millions

Diffusion



Diffusion





exam prep
and practice

examples of types of exam questions

1. simple questions (3 minutes)
2. shorter questions (15 minutes)
3. essay-type questions (30 minutes)

example exam questions

simple questions (3 minutes each)

1. What is the 'unique' distinctive feature and benefit that sets you apart from your competition (*acronym is acceptable*)?
2. What is meant by 'to differentiate'?
3. Which of the following is not one of the six factors of competitive advantage: price, service, quantity or quality?

example exam questions

short question (15 minutes)

What stage of adoption is it good to target and why?

*suggested answer length in an exam: write one or two paragraphs
(15 minutes)*

example exam questions

essay-type questions (30 minutes)

1. Where does innovation come from? Give examples of ideas and opportunities
2. Give examples to explain what is creative destruction and why is it important.
3. Explain how an S-curve represents innovation.

suggested answer length in an exam: write for 20 to 30 minutes

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark, almost black, tones. These shapes are primarily located on the right side of the frame, creating a modern, layered effect.

Thank you!
any questions?