

Market your point of difference

Competitive advantage is the edge you enjoy over other businesses; the reason why people choose to do business with you rather than your competitors.

Without some distinct competitive advantages you're unlikely to remain in business for long. Your task therefore is constantly to search for ways to improve, develop, enhance your existing competitive advantages or discover new competitive advantages that will make doing business with you more attractive and compelling than with other businesses.

"It's all very well talking about the advantages of competitive advantage," you might say, "but how do I actually go about building competitive advantage for my business?"

The three strategies that most businesses consider are:

- Cost leadership
- Focus
- Differentiation

Cost leadership

This means that your competitive advantage lies in being the cheapest (for example, discount warehouses, cheap clothing outlets or the large supermarkets).

Focus

This means servicing a particular market better than anyone else (a dairy for locals, a specialist business such as technical equipment repairs). This can be an effective technique for the small business struggling to compete against larger businesses.

For example, a small hardware store might find it impossible to compete with the pricing of power tools and hardware supplies on the shelves of a discount warehouse or large chain of stores. So there is no room for cost leadership. But by focusing on offering a wider range (in a narrower field) of tools and equipment and more in-depth knowledge of the hardware it sells, the small hardware store builds a competitive edge.

The store can capitalise on the fact that the average sales person in a large chain store will have very little knowledge of the many thousands of stocked items on the shelves. It can therefore promote the specialist knowledge of its staff and hold demonstration days to help people get the maximum out of power tools and equipment, etc. Building on this, it can offer better after-sales service, delivery and back up, all value-added options that chain stores are not really interested in providing.

Differentiation

This involves being different from the others. You might have the same product or service as others, but you make it different. Notice that you do not have to have a unique product in order to use differentiation. You can start out with exactly the same product, service or raw materials commonly available in the marketplace, but add features that differentiate it from the rest.

For example, KFC have taken a standard food product, chicken, and made it different. They have done this by preparing chicken pieces with special recipes and then packaging, branding and promoting the resulting product to differentiate it from all other businesses that sell chicken-based food products.

In the same way, McDonald's has taken the humble hamburger, an item simple enough for just about anyone to produce, and added value to it in a way that sharply differentiates it from the rest. Some would argue that it is comparatively easy to produce a better tasting hamburger than McDonald's, but this does not stop McDonald's from selling many millions of hamburgers every day.

Two strategies together

Note that you can often have two strategies working together.

As we've seen, Focus and Differentiation are the most common small business strategies because large business can usually get bulk deals and compete on price. The chances that you can be the cheapest and survive are not good, because you will usually be competing against companies with far more financial muscle than you have. In addition, a focus on price will erode your profitability so it is a strategy you should avoid until you have exhausted other options.

So most small businesses either concentrate on a particular market (focus) or try to make their product or service so different from the competition that people perceive this difference.

Summary

1. Find out what marketing strategy you have adopted (you may have more than one).
2. If your business does not fall into one of these strategies, then start thinking of how you can remedy this.
3. Develop your strategy into a competitive edge.

How? Make sure you tell everyone. If you are the cheapest, make sure everyone knows it.

If you offer a unique service unobtainable elsewhere, all your ads, letterheads, business cards, and other promotional material and signage, should display this fact. Build it into a slogan to use, for example:

"B.J.'s Fish and Chips - We deliver!"

If you specialise in a different market, again, continually inform your customers about this fact.

For example, a muffler business made the mistake of simply advertising: "We fix mufflers." This was hardly earth-shattering news.

Actually, they did have an effective strategy, but they just didn't recognise their market position. Since they operated in a new industrial section of the city they should have been focusing on people who were working in the area.

What they needed to emphasise, therefore, was a focus strategy:

- "We are convenient"
- "Drop your car off-we'll take you to work"
- "Locally based to serve your needs"
- "Service while you wait; enjoy the coffee/tea provided".

And then they could add to this:

- "Two-year guarantee on parts"
- "Owner has 12 years' experience".

The idea, therefore, is always to inform people what strategy you have chosen. Don't force them to guess-because they won't bother.

Focus and Differentiation are the most common small business strategies for a good reason. The chances that you can be the cheapest and survive are not good, because you will usually be competing against companies with far more financial muscle than you have.

Making your business look unique

It is absolutely crucial to show your customers how your product or service is different. But what if your business, your product, or your service is similar to your competitor's? How do you differentiate sameness? Paper towels are paper towels. And plumbing is plumbing. So what makes the difference?

The trick is to make your business look unique. One way of doing this is to simply tell your story. Tell potential customers what you do, how you do it, and let them know what you put into your product or service for them. Otherwise they have no clues as to how much effort you go to for them.

For example, a paper towel company would explain the lengths they go to create the most absorbent paper towel. These are probably the same steps every other paper towel company takes, but the public doesn't know that. Our paper towel company gets in first and becomes the definitive word on paper towel manufacturing. If the other companies try to follow they will be perceived as 'copy cats' and will lose credibility.

How do you condense your story into a few sentences or short paragraphs? Write a list using one-word descriptions of each of the steps you take in working with a customer from first contact (be it over the phone or in a retail store) to end delivery of your product or service. Write a short sentence with each of these one-word descriptions in which you highlight a benefit to your customer. These form the basis of your 'article' about your business. You can then use this 'story' or parts of it in all your advertising and in your sales brochures.

Conclusion

Do you have a strategy? Examine the three types of strategy discussed in this chapter and see if you can identify one that you have been using or that you could adopt. The long-term survival of your business depends upon you using an effective marketing strategy.

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- This information is provided by The Small Business Company: