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WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

For the Change Makers

Dr Scott Dacko

Warwick Summer School Communication and Marketing Sustainable Competitive Advantage

Dr Scott Dacko

Session Objectives

- ① Understand better how to develop a sustainable competitive advantage
- ① Understand more about a firm's strategic marketing alternatives (strategic options)
- ① Recognise approaches to neutralising competitors' SCAs

Major Aspects of a Firm's of Marketing Strategy

1. Vision & objectives
2. Where to compete
3. Value proposition
4. Needed assets & competencies
5. Functional area strategies
6. SCAs
7. Implementation

Areas of Analysis Leading to a Firm's Marketing Strategy

External Analysis

- Customer Analysis
- Competitor Analysis
- Market/submarket Analysis
- Environmental Analysis

Internal Analysis

- Performance Analysis
- Determinants of strategic options

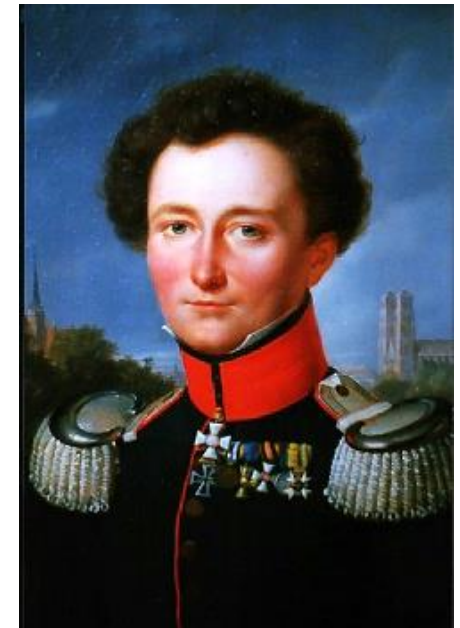


Strategic Analysis Outputs

**Strategy Identification, Selection,
and Implementation**

“Where absolute superiority is not attainable, you must produce a relative one at the decisive point by making skillful use of what you have.”

-Karl von Clausewitz, On War, 1832



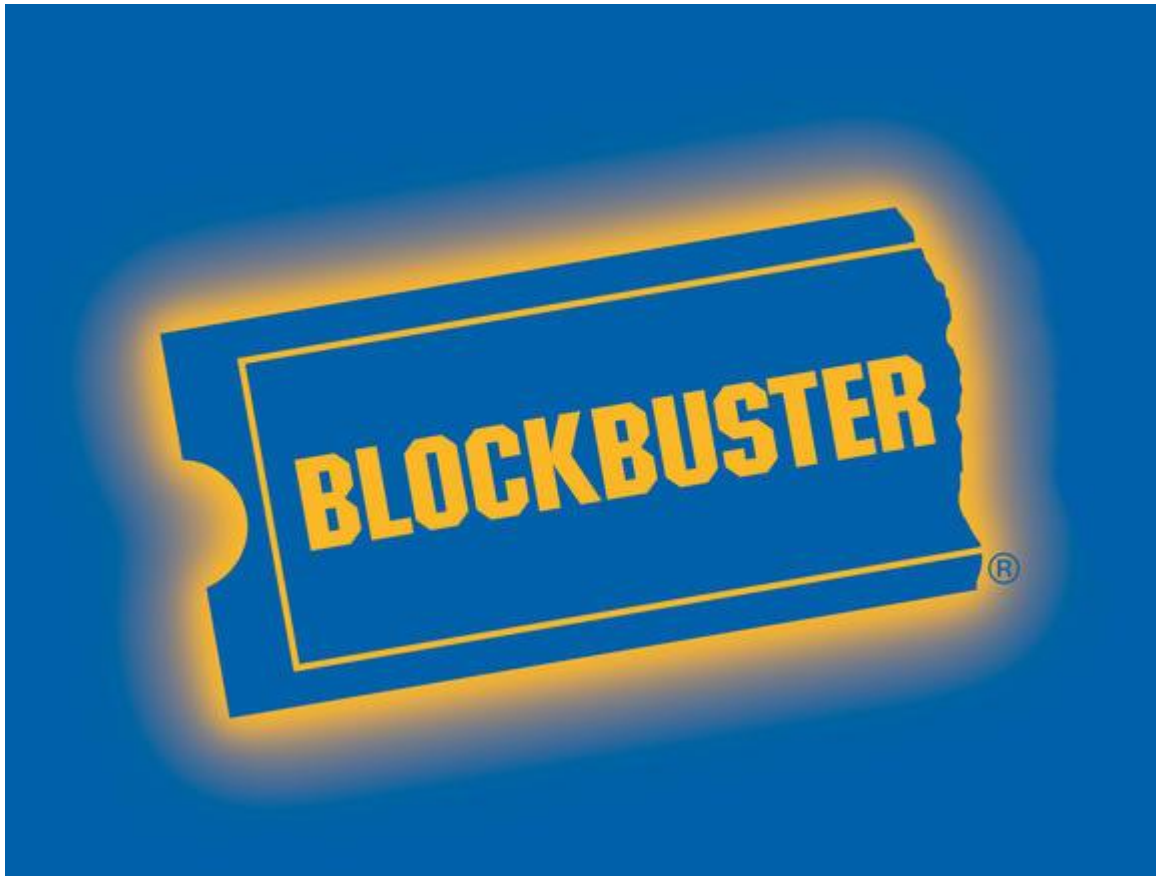
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What's an SCA?

- ⦿ “An element of a marketing strategy that provides a meaningful advantage over both existing and future competitors” (Dacko, 2008)
- ⦿ Not easily eroded by competitors over time
- ⦿ Highly effective SCA difficult to achieve
- ⦿ Competitive advantages (CA) may not be sustainable
- ⦿ Almost all SCAs may be only temporarily achieved in the long run



Did Blockbuster have an SCA?

SCAs are meaningful...



SCAs are meaningful...

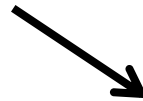


Cost advantage

SCAs are meaningful...



Scale economies



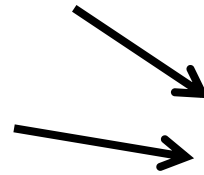
Cost advantage

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Scale economies

Market power



Cost advantage

SCAs are meaningful...



Scale economies

Market power

Logistical efficiencies

Cost advantage



SCAs are meaningful...



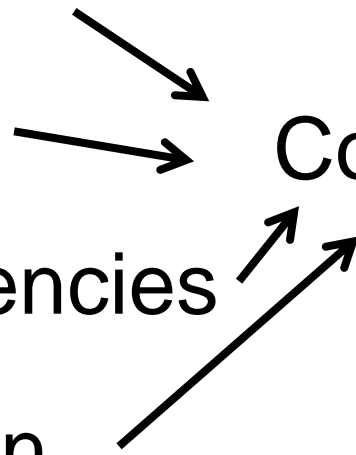
Scale economies

Market power

Logistical efficiencies

Value reputation

Cost advantage



SCAs are meaningful...



Scale economies

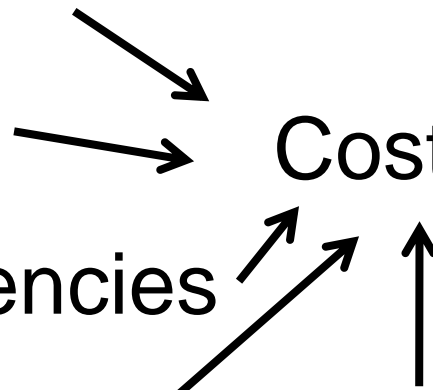
Market power

Logistical efficiencies

Value reputation

Cost advantage

Site location assets



...but they also must be sustainable...



Key Characteristics of an SCA

- ◎ Substantial (meaningful)
- ◎ Sustainable, and
- ◎ Leveraged – the SCAs are linked with the visible positioning of the offerings

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Google images

Google video

Google maps



Google news

Google scholar

Google blogs

Further Characteristics of SCAs

- ⦿ Durability – slow obsolescence rate
- ⦿ Transparency – source not easily determined
- ⦿ Transferability – difficult to acquire
- ⦿ Replicability – difficult to reproduce

Further Characteristics of SCAs

- ⦿ Durability – slow rate of depreciation
- ⦿ Transparency – source not easily determined
- ⦿ Transferability – difficult to acquire
- ⦿ Replicability – difficult to reproduce

Achieved a
strong reputation
for quality



SCAs are substantial...



SCAs are substantial...

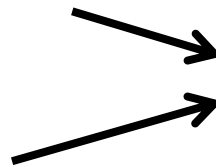


Fun personality
Reliable travel

...and difficult to reproduce

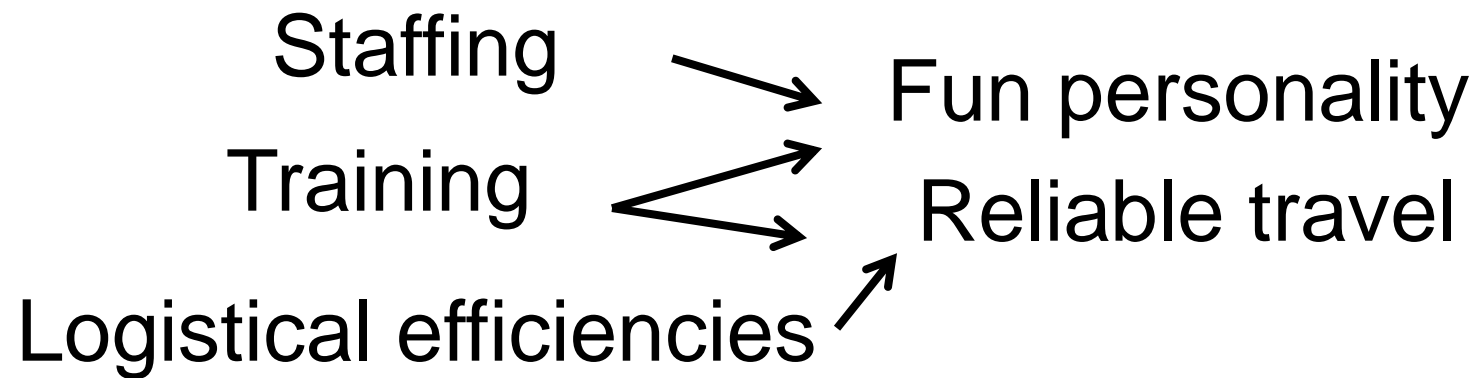


Staffing
Training



Fun personality

SCAs are substantial...



“The ability to learn faster than the competition is often the only sustainable competitive advantage a company can have.”

-Arie de Geus, Shell



**Sustainable
Competitive Advantages
versus
Key Success Factors**

**Sustainable
Competitive Advantages
versus
Key Success Factors**

KSF: an asset or competence needed to compete

**Sustainable
Competitive Advantages
versus
Key Success Factors**

SCA: an asset or competence that is the basis for a continuing advantage



**SCA or
KSF?**



SCAs are Relative to the Product-Market

◎ Major service firm SCAs:

1. Quality reputation
2. Retention of good management
3. Name recognition
4. Customer service
5. Financial resources

SCAs are Relative to the Product-Market

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SCAs are Relative to the Product-Market

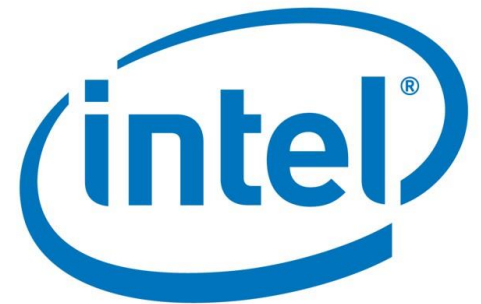
◎ Major technology firm SCAs:

1. Technical superiority
2. Quality reputation
3. Customer service
4. Installed base of satisfied customers
5. Retention of good management
6. Low cost operations

SCAs are Relative to the Product-Market

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SCAs are Relative to a Product-Market

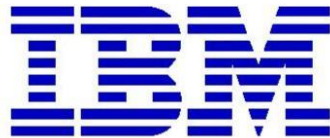
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SCAs are Relative to a Product-Market

© Major *technology-based service* firm SCAs:

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But we shouldn't forget lesser-known SCAs

1. Good distributor relations
2. Effective sales force
3. Entrepreneurial

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- Average number of SCAs per business: 4.5

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Synergy – provides greater sustainability

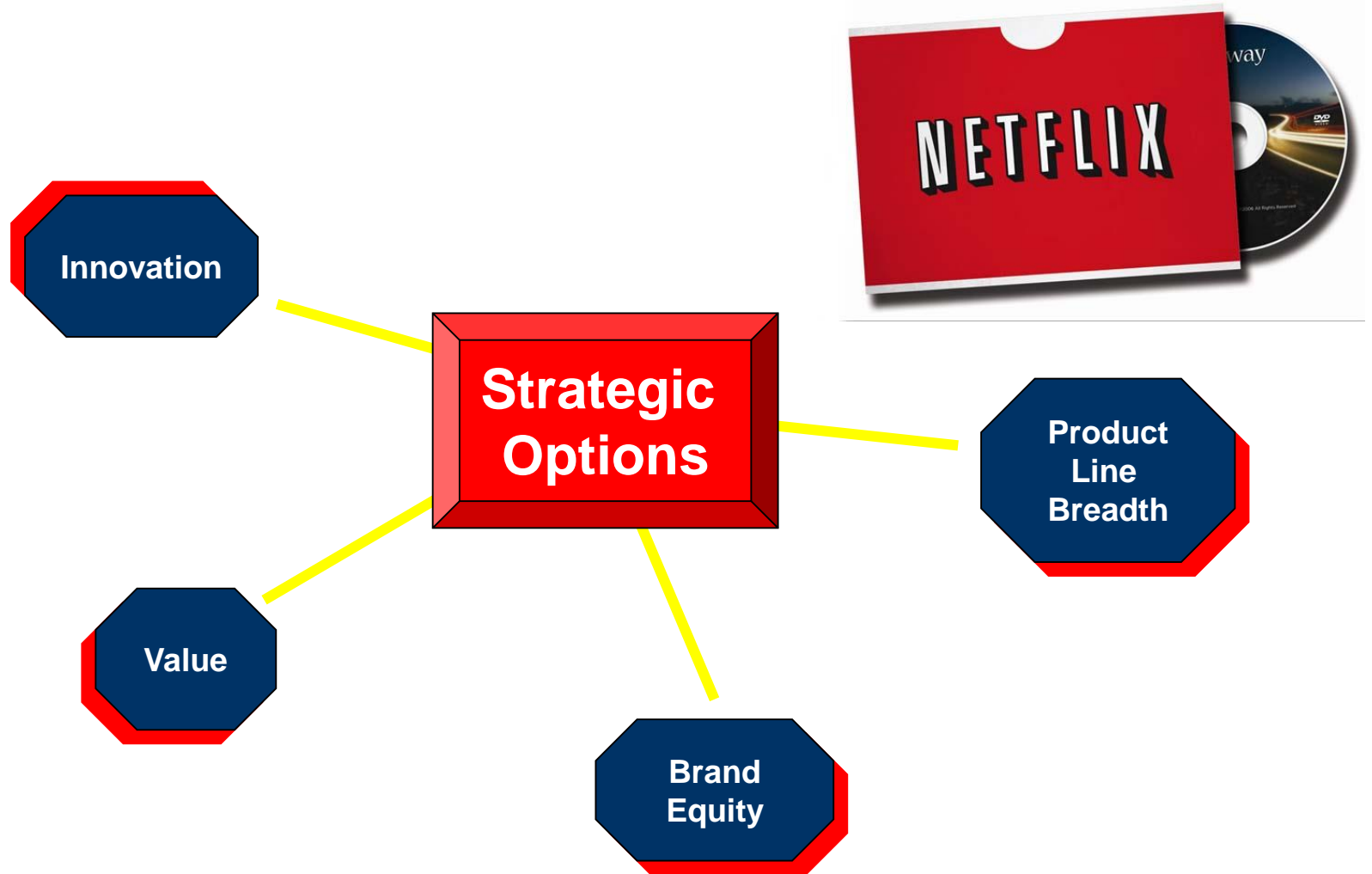
Strategic Options: There are **11** Routes to an SCA



Strategic Options: Routes to an SCA?



Strategic Options: Routes to an SCA

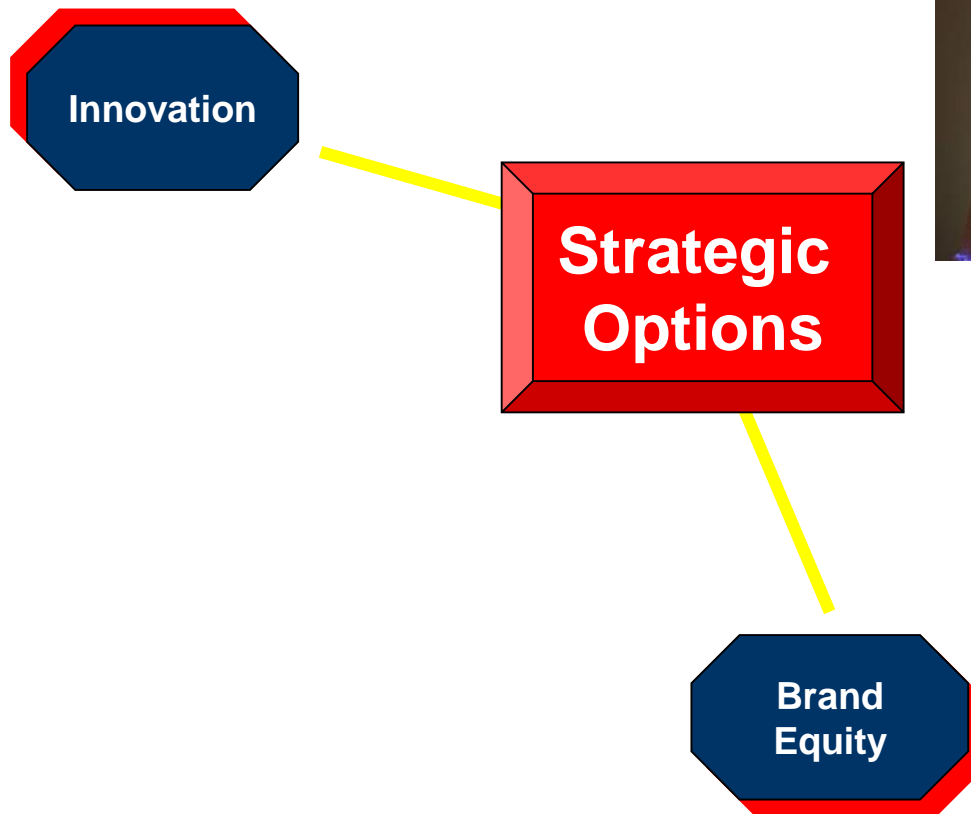


Strategic Options: Routes to an SCA?

**Strategic
Options**



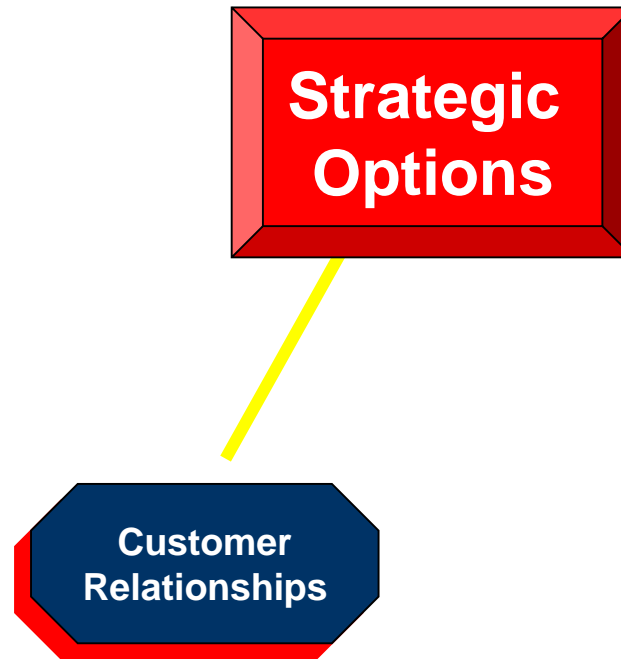
Strategic Options: Routes to an SCA



Strategic Options: Routes to an SCA?



Strategic Options: Routes to an SCA



Strategic Options: Routes to an SCA?

**Strategic
Options**



Strategic Options: Routes to an SCA



Strategic Options: Routes to an SCA?

SONY



Strategic Options: Routes to an SCA



SONY



Glashutte watches – what product attributes?



The Volvo XC90 undergoes a front offset crash test — Volvo

Volvo cars – what product attributes?



Apple – what strategic options?

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What's one source of SCAs at Amazon.com?

The **co-operative**

What sets **The co-operative** apart from competitors?



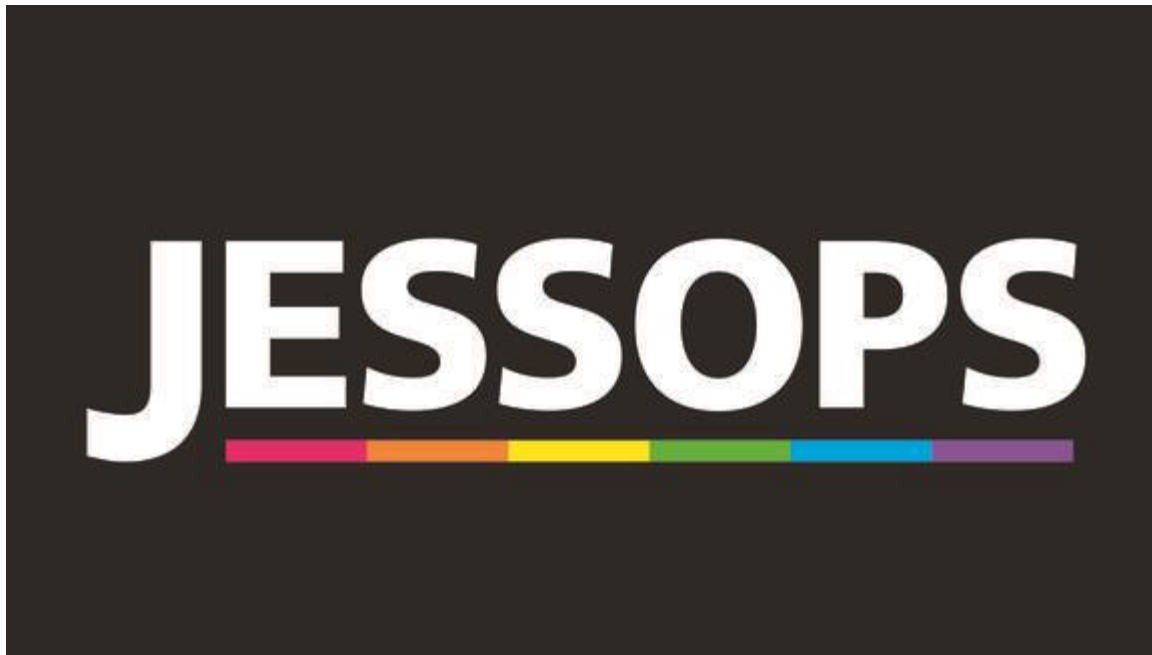
What sets **The co-operative** apart from competitors?



What used to set HMV apart from competitors?
Did HMV have an SCA?



“I browsed in HMV... There was massive stacks of DVD boxed sets priced attractively, but at the same time I could just head back home and fire up my computer or Internet connected TV and watch those same shows streaming to me without cluttering up my life with physical discs.”



What used to sets Jessops apart from competitors?
Did Jessops have an SCA?

The Quality Strategic Option: How Measure It?

1. Performance
2. Conformance to specifications
3. Features
4. Customer support
5. Process quality
6. Aesthetic design

For automobiles?





Performance?

Conformance to Specifications?





Features?

Customer support?
Process quality?





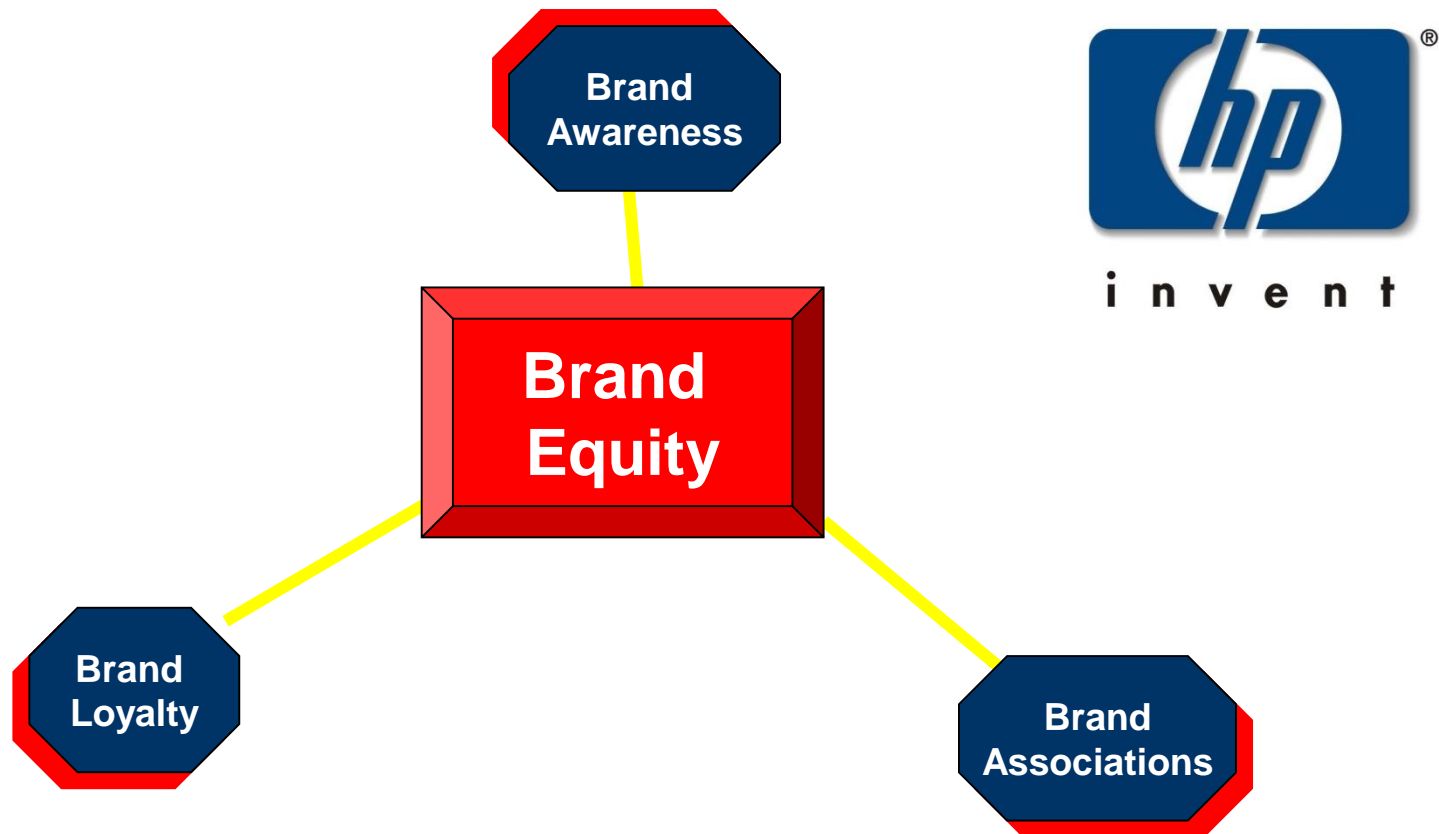
Aesthetics?

The Brand Equity Strategic Option: How Measure It?

- ⦿ Brand Awareness
- ⦿ Brand Associations
- ⦿ Brand Loyalty



The Brand Equity Strategic Option: How Measure It?

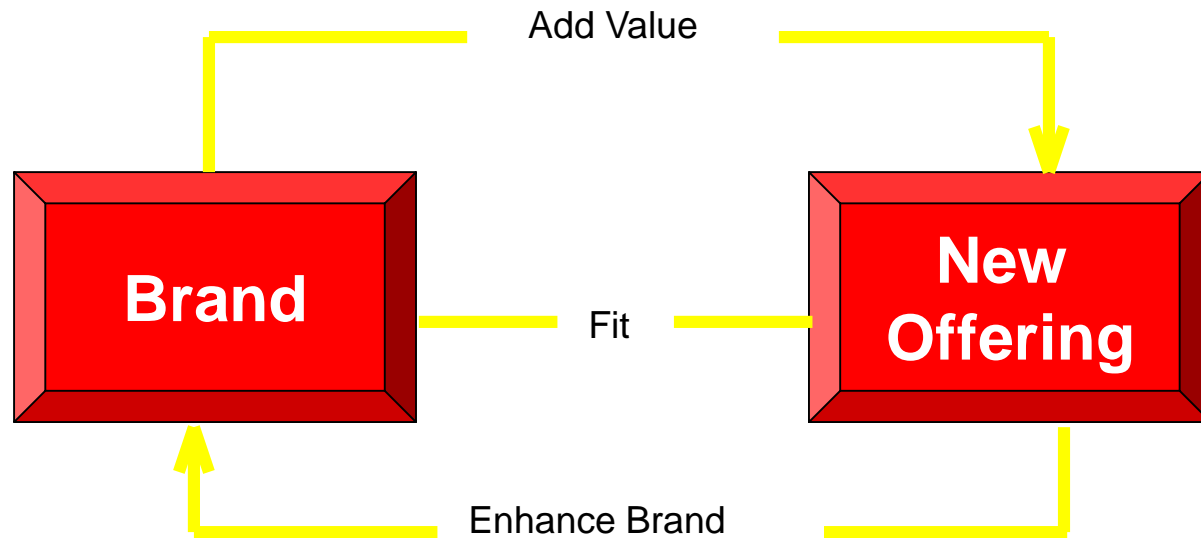


To Build and Maintain a Strong Brand...

- ◎ The managers of the brand **understand** what the brand **means** to **customers**
- ◎ The brand is given proper financial **support** and that support is **sustained** over the long run



Brand Extensions: The Logic



The Value Option: Creating a Cost Advantage (or Avoiding a Cost Disadvantage)

- ◎ No-Frills Product/Service
- ◎ Operations
- ◎ Scale Economies
- ◎ The Experience Curve



An Innovation Strategy

- ⦿ Pioneering
- ⦿ Fast following
- ⦿ Later market entry



Key Learnings

- ❑ SCAs should be
 - ❑ Substantial, sustainable, and leveraged
 - ❑ Durable, not transparent, difficult to transfer and replicable
- ❑ There are many routes to an SCA
 - ❑ Multiple routes tend to be better than one
 - ❑ Marketing strategy development should consider the full set of strategic options
 - ❑ SCA sustainability will be contingent on characteristics of the offering and the industry