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# Sources of Competitive Advantage

# Competitive Advantage

- The objective of strategy is to develop **competitive advantage**.
- But how does one obtain competitive advantage?
  - There are many ways.
- The following slides discuss some of the many sources of competitive advantage.

# The Many Sources of Competitive Advantage

Location	Materials
Intellectual property	Ownership or rights
Product design	Experience and learning curves
Cost of production	Employees, experience, and learning
Promotion	Relationships – legal and other
Distribution	Legal
Facilities	Image and familiarity
Management	Quality – actual and perceived
Customer service	Reliability – product and corporate
Financial	Warranty
Development speed and responsiveness	Ease of use
Customization ability	

# The Many Sources of Competitive Advantage – Explanations (1)

Source of Competitive Advantage	Brief explanation
Location	Advantages of location
Intellectual property	Patents and know-how
Product design	Unique and desirable design
Cost of production	Low cost
Promotion	Marketing methods and skills
Distribution	Own or through contractual relations
Facilities	Specialized facilities and equipment
Management	Knowledge, methods, and processes
Customer service	Ability to address customer needs
Financial	Financial resources available
Development speed and responsiveness	Able to develop new products quickly
Customization ability	Able to make to customer wishes

# The Many Sources of Competitive Advantage – Examples (1)

Source of Competitive Advantage	Examples
Location	Local store or domestic presence
Intellectual property	Microsoft Windows or movie studio
Product design	Toyota auto or TetraPak
Cost of production	Cigarette makers or Chinese clothing
Promotion	McDonalds or Coca-Cola
Distribution	Baltika or Adidas stores
Facilities	Boeing or Pikra bottling
Management	General Electric or Will-Bill-Dann
Customer service	Ford or Hilton Hotels
Financial	ExxonMobil or Gazprom
Development speed and responsiveness	Toyota or Campbell's Soup
Customization ability	Dell Computers or Netflix

# The Many Sources of Competitive Advantage – Explanations (2)

Source of Competitive Advantage	Brief explanation
Materials	“Own” specialized materials
Ownership or rights	Property ownership or mineral rights
Experience and learning curves	Cumulative experience
Employees, experience, and learning	Experienced or special people
Relationships – legal and other	Contractual or established relationships
Legal	Government approvals
Image and familiarity	Known and long-term customers
Quality – actual and perceived	Superior quality
Reliability – product and corporate	Customer confidence
Warranty	Legal statement of customer support
Ease of use	User-friendliness and availability

# The Many Sources of Competitive Advantage – Examples (2)

Source of Competitive Advantage	Examples
Materials	Gold mine or DeBeers (diamonds)
Ownership or rights	Norilsk Nickel or Gazprom
Experience and learning curves	Toyota or Boeing
Employees, experience, and learning	Hospital or Intel
Relationships – legal and other	iPod/iTunes or joint ventures
Legal	Permit to operate or a copyright
Image and familiarity	Coke bottle or Big Mac
Quality – actual and perceived	Rolex or Harvard University
Reliability – product and corporate	IBM or Toyota
Warranty	Hyundai autos or Wal-Mart
Ease of use	iPod or iPad