

Innovation for Entrepreneur

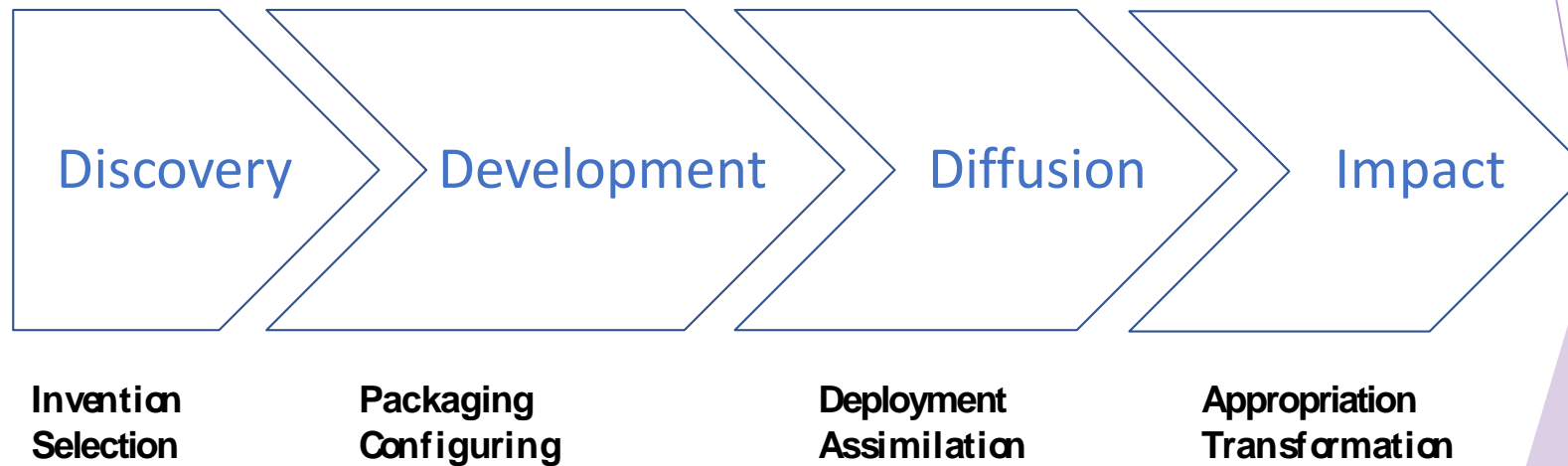
Innovation for Entrepreneur

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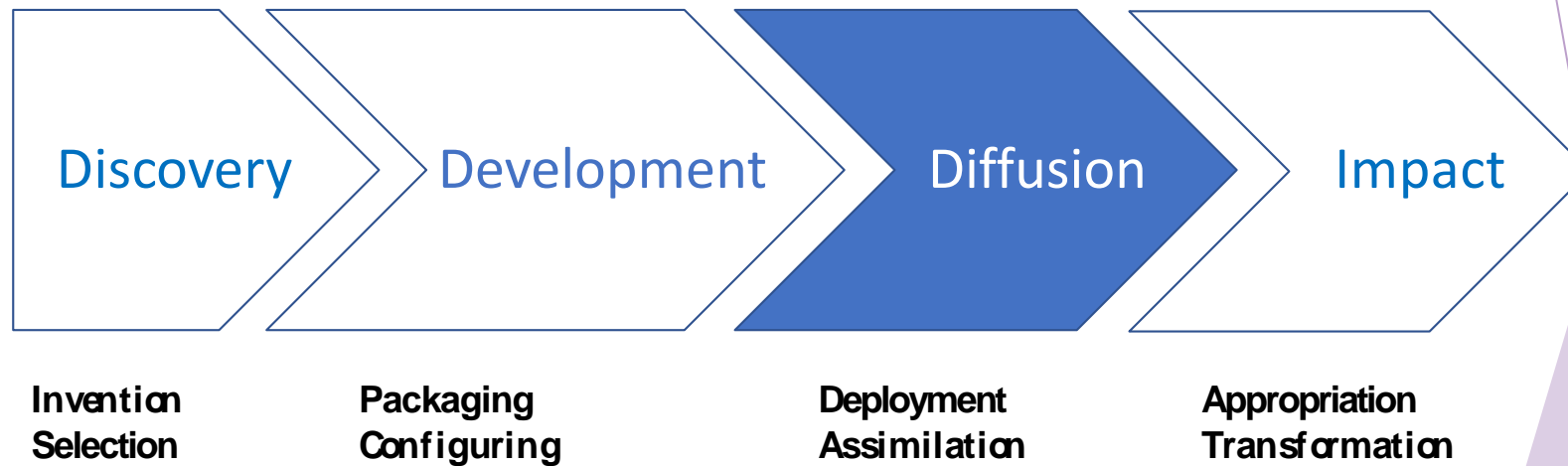
Competitive Advantage to Strategy

888147 - Innovation Entrepreneur

Stages of Innovation



Stages of Innovation



diffusion

The diffusion of innovation is the process by which new products are adopted (or not) by their intended audiences.

competitive
advantage

Competitive advantage

- For your business to be successful, you will need a strategy for beating the competition → **competitive advantage, or core competency**.
- It is whatever you can **do better** than the competition that will **attract a sufficient number of customers** to your business so it can succeed.
- The competitive advantage must be **sustainable** in order to create **long-term viability**.

Competitive advantage

- Your competition is defined by your target market and can be **direct or indirect**.
 - **Direct** - selling the same or similar products to the same market
 - **Indirect** -selling different products that compete for the same share of customer.

Competitive advantage

The six factors

Competitive advantage comes from one (or a combination) of six factors:

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?

Competitive advantage

The six factors

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?

The importance of each factor will depend on the wants and needs of target customers. More isn't always better, if customers aren't interested.

Competitive advantage

Business concept is viable



whether your competitive advantages are strong enough?

- Sell to a market that is **large and growing**
- Sell to a market where **the competition is able to make a profit**
- Sell to a market where **the competition is succeeding but is not so powerful as to make it impossible for a new entrepreneur to enter.**

Competitive advantage

- ▶ Sell a product or service that **solves problems consumers may have with the competition**
- ▶ Sell a product or service at **a competitive price that will attract customers**

It is also necessary to:

- ▶ understand the needs of your customers;
- ▶ have sustainable competitive advantage; and
- ▶ deliver a product or service that meets your customers' needs at the right price.

Checking the Competition

- learn everything you can about particular competitors
- identify the sources of their competitive advantage
 - get online and conduct a thorough search of your industry.
 - a world of opportunity is full of competitors.

Checking the Competition

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

Checking the Competition

can you to outperform your closest and strongest competitors, ask these questions

- **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?



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. <i>The Offer.</i> What products and services will be sold?	Chocolate cakes with various fillings and decorations for special events at premium prices.
2. <i>Target Market.</i> 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. <i>Production Capability.</i> 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. <i>Problem Solving.</i> 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

		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

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.

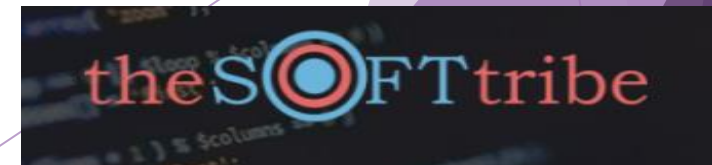


competitive advantage - examples

- **Bill Gates** did not invent computer software, but he recognize that people were frustrated and intimidated by it.
- He supplied operating systems that he purchased from another software company to IBM, created user-friendly software applications that consumers wanted, and packaged them with easy-to-read manuals.
- That was his competitive advantage over other software companies.
- When you know your customers' wants and needs and your competitors' capabilities, you should be able to find a competitive advantage



- **Herman Kojo Chinery-Hesse and Joe Jackson** saw an opportunity in the need for adapting software for tropical climates when they founded **SOFTtribe** - the largest software in Ghana in 1991.
- Their company develops software, taking into consideration the unique requirements of the West African social and business environment → practical and resilient, functional under conditions of intermittent connectivity, power fluctuations, low bandwidth, and operators who, as a rule, are less familiar with computing than in some other parts of the world.”



moats

A Moat

- 'Economic moat' is a term that refers to a business's ability to maintain a competitive advantage over its competitors and so protect its revenues and profits
- The analogy relates to the moats that would surround old cities and castles and act as a barrier for protection
- Ways in which a company can create an economic moat include creating advantages in size/cost (economies of scale), intangibles (e.g. brand, patents), network effects, and high switching costs

'Moats'



Example: Disney I.P.



Example: Apple ecosystem



Example: Airline points programs



Example: Amazon Prime



Example: Supermarkets



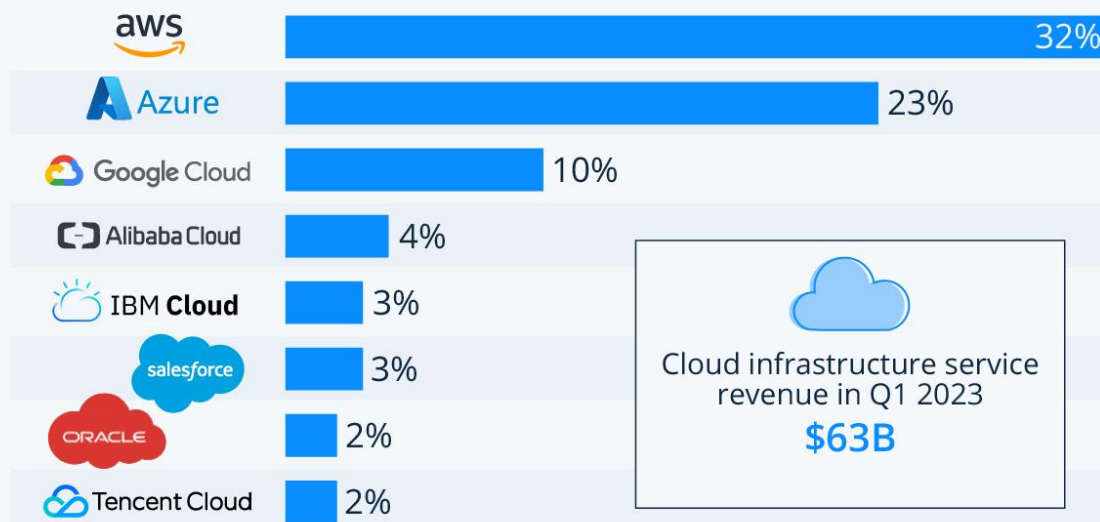
Lotus's



Example: Cloud computing

Big Three Dominate the Global Cloud Market

Worldwide market share of leading cloud infrastructure service providers in Q1 2023*

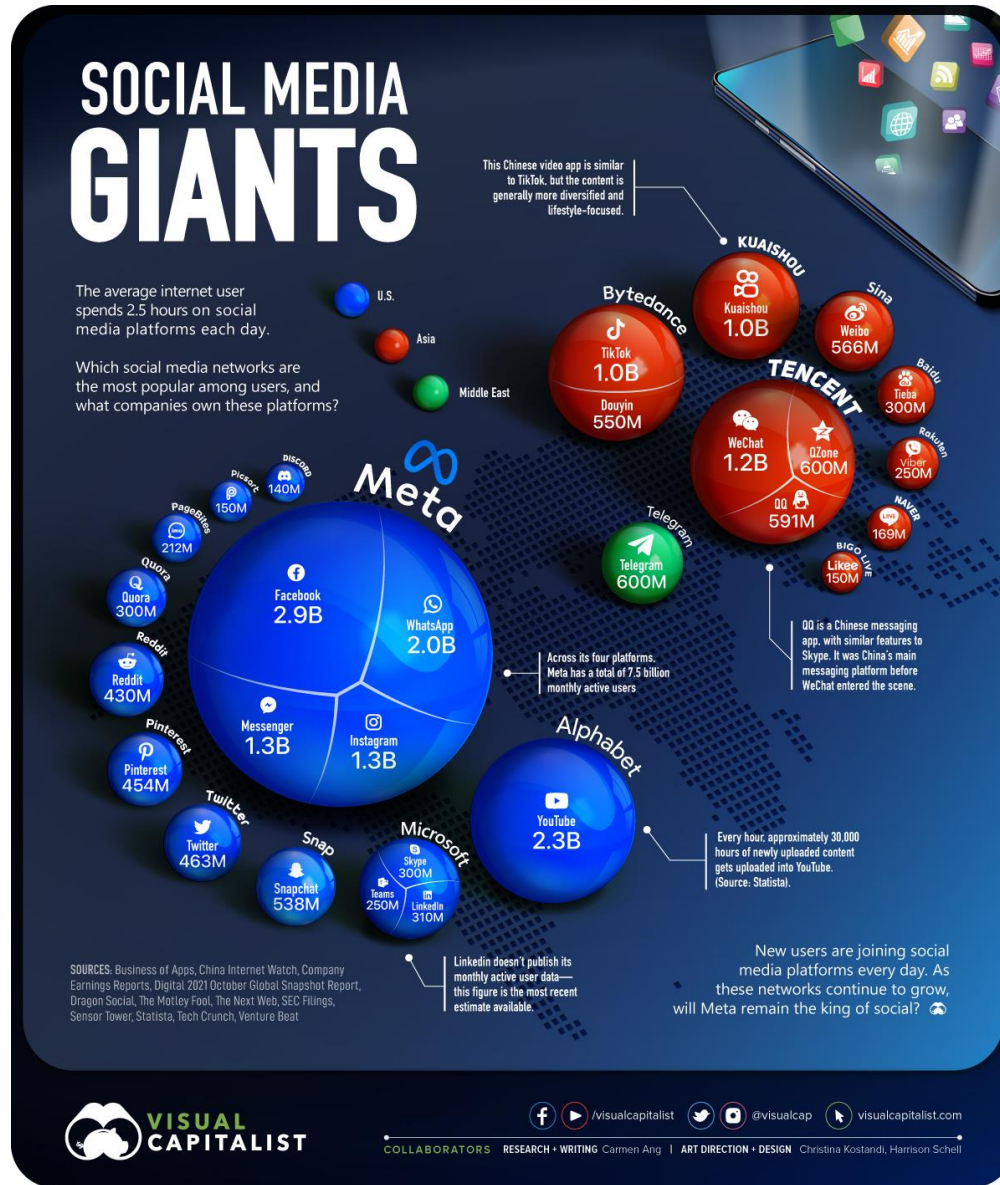


* includes platform as a service (PaaS) and infrastructure as a service (IaaS) as well as hosted private cloud services

Source: Synergy Research Group



Example: Social networks



strategies

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark, almost black tones. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The overall composition is clean and modern, with the word 'strategies' centered in a simple, sans-serif font.

Establishing Strategies

- Business success depends on the creation and application of profitable strategies.
- A strategy
 - a plan for how a business intends to go about its own performance and outdo that of its competition.
- **Michael Porter** (renown academic and business consultant) created a “**strategy framework**” describe **cost leadership** and **differentiation** as low-cost and product-uniqueness strategies.



Establishing Strategies - 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.
- ▶ **Differentiation** - you offer a product or service that is in high demand but with unique characteristics.
- ▶ **Cost focus** - you offer a product or service in a niche market, and you ensure the lowest possible price.
- ▶ **Differentiation focus** - you offer a product or service in a niche market, and your product or service has unique characteristics.

Michael Porter's Strategy Framework



<https://www.calltheone.com/en/consultants/generic-strategies-michael-porter>

Establishing Strategies

Michael Porter's Strategy Framework - Differentiation:

- Ability to differentiate the firm's products and/or services from others - quality, availability, customer service
- If you opt for a differentiation strategy
 - the price is less important, but as a company you focus entirely on R&D, so that you have the very best or most innovative product on the market.
 - An example of this are [Apple](#) and [Dyson](#).



“The essence of strategy is choosing what not to do”

- Michael Porter

tactics

Strategy V. Tactics

- **Strategy** - a plan for how an organization or individual intends to outdo competitors.
- **Tactics** - the specific ways in which a business carries out its strategy.

Strategy V. Tactics

For example: If you plan to open a bookstore, how will you compete with the chain outlet in the neighborhood?

- ▶ **Strategy:** Perhaps you could make your bookstore a kind of community center, so people will want to gather there.
- ▶ **Tactics:**
 - Hold poetry readings and one-performer concerts to promote local poets and musicians.
 - Create special-interest book-discussion groups.
 - Offer free tea and coffee.
 - Provide comfortable seating areas for conversation and reading, to encourage customers to spend time in your store.

Strategy V. Tactics

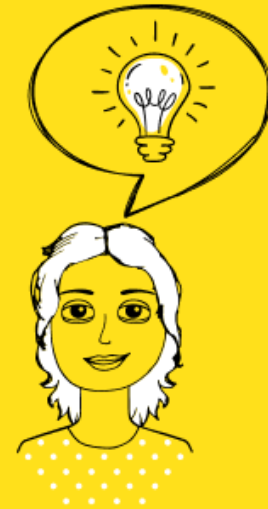
- ▶ If your **tactics** attract enough customers to make a profit, you will have found a **strategy** for achieving a competitive advantage.
- ▶ Remember, consider all of your competitors - you will also have to create a strategy that considers online bookstores and e-books.

market fit

'Product-market fit'

"Product-market fit means being in a good market with a product that can satisfy that market."

Marc Andreessen



'Product-market fit'

6 steps to achieve product-market fit

1. Determine your target customer
2. Identify underserved customer needs
3. Define your value proposition
4. Specify your Minimum Viable Product (MVP) feature set
5. Create your MVP prototype
6. Test your MVP with customers



'Product-market fit' examples

Uber

- Uber launched in 2010 to provide people with an easy and convenient way to find a car and driver in cities (where taxis can sometimes be difficult to find)
- With the introduction of smartphones and the mobile internet, Uber could offer fast, reliable, ride-hailing
- It was aimed at tech-savvy urban professionals, who enjoying trying a new service

'Product-market fit' examples



- Spotify provided people with an easy and convenient way to legally stream and download music
- Eventually convincing record labels to agree to share content in return for an aggregate 20 percent stake, Spotify was launched in 2008
- It was an instant success with music fans, with a Facebook partnership helping it rise rapidly to prominence

'Product-market fit' examples



- Established in 1998, Lululemon is a Canadian 'athleisure' wear company that started as a yoga wear brand for women, when yoga and meditation were starting to become more popular in western countries
- Its (loyal) customers are typically wealthier people in their mid-teens to 30s, who want to be both health-conscious and stylish – which was a major gap in the market

'Product-market fit'

How do you know if you have good product-market fit?

Of course, ultimately it's about how much you sell. But these are some good clues:

- How quickly do customers make up their minds about a purchase?
- Are reviewers mentioning your product to family, friends, or social media connections?
- What is your customer retention rate?
- Are customers interacting with your marketing efforts?
- How many customers have unsubscribed or stopped using your product?

'Product-market fit'

The '40 percent rule':

- How would your users or customers feel if the product or service was taken away?
- If at least 40 percent of your users or customers say they would be "very disappointed," this is a good measure of product-market fit



Thank you!
any questions?