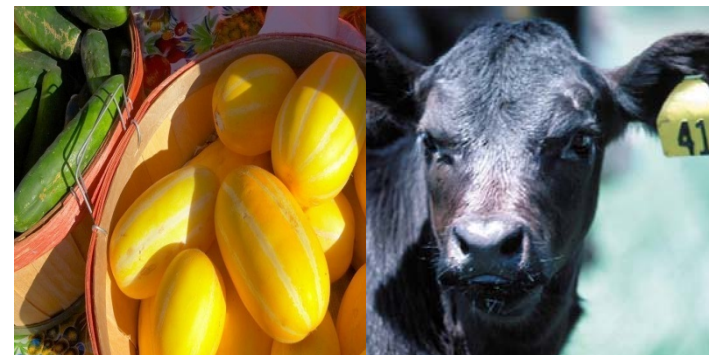


# Strategies for Competitive Advantage



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# Overview

- Definition of competitive advantage
- Why competitive advantage?
- How to find your competitive advantage
- Evaluating competitive advantage
- Questions to consider



# Competitive Advantage

- Competitive advantage → having an edge over the competition
  - Why should my customers purchase from me rather than the competition?
- Competitive advantage is gained by offering consumers greater value than your competition
  - May offer greater value through:
    - Lower prices, or
    - Providing greater benefits or service...  
...which justifies similar or higher prices



# Why Competitive Advantage?

- Finding & nurturing a competitive advantage can mean
  - A venture that is sustainable and successful
  - Increased profit
  - Building and sustaining a loyal customer base
- Historically, ag markets have been commoditized & price-driven
  - All parties producing essentially the same product
  - Similar quality implies similar value
  - Focus on low costs, high production
  - “Winners” are those producers who are most cost-efficient



# Differentiation & Niche Marketing

- Differentiation moves away from strategies where low cost and high volume are the main concern
  - Making your product as different from the others in the market
    - Production: organics, natural, humane, local
    - Service & Quality: better than competition
    - Value-added: further processing (i.e. marinated meats, pre-washed salad mixes)
- Niche markets: buyers who are looking for products with specific characteristics or special services



# How to Find Your Competitive Advantage

- Successful ventures perform a variety of business functions well
  - Marketing, production, distribution, finance, customer service, etc.
- However, competitive advantage often lies in just one key element
  - Mastery of this element can provide the venture with their distinct niche in the market
    - Which in turn may lead to the creation of the competitive advantage
- To find success in this environment, managers must identify those activities/elements at which the venture and the manager excel
  - Not just those they perform equally well with the competition!



# Strategies for Differentiation

- The next few slides offer many suggestions for finding a way to differentiate your venture & hopefully find your niche
- But keep in mind that often the most effective differentiation comes from just one or two elements



# Product Features & Benefits

- **Product features and benefits**
  - What makes the product unique & desired?
  - Significantly different from other products?
    - Style, handling, taste, ingredients, comfort, production methods, certification, etc.





# Location(s)

- **Location(s)**
  - Location should be chosen with care
  - Convenient, close to traffic, visible, accessible



# Staff

- **Staff**
  - What can your staff do to provide a better experience than the competition's staff?
  - Does your staff have reliable expertise?
  - Are they professional?



# Operating Procedures

- **Operating procedures**
  - What policies, procedures, and standards can you follow to smooth operations, add value, and provide a positive customer experience?



# Price

- **Price**
  - Do you have a fundamental cost advantage to justify permanently lower prices?
    - Lower overhead, lower shipping costs, cheaper labor, lower-priced raw materials, etc.



# Customer Incentive Programs

- **Customer incentive programs**
  - Does you use customer incentive programs?
    - Giveaways, coupons, sales, promotions, volume discounts, etc.



# Guarantees & Warranties

- **Guarantees and warranties**
  - Can you use guarantees and warranties to increase consumer perception that you have a quality product?



# Brand Name Recognition

- **Brand name recognition**
  - Brand name recognition reliant upon a good marketing strategy, and a product/service of consistent, reliable quality
  - If you don't have the resources to market your own brand name, can consider joining an alliance or cooperative to market under a recognizable, trusted brand



# Goodwill

- **Goodwill**
  - Are you recognized in the community as a contributor and valuable member?





# Value-Added

- **Value-added products/services**
  - Can you offer a further service or more developed products?
    - Free delivery of product
    - Further processing



# Extended Growing/Operating Season

- **Extended growing/operating season**
  - Is your product available before or after the competitors' products?



# Soils, Buildings, Location, Landscape

- **Soils, buildings, location, landscape**
  - Do your physical facilities and resources contribute to the quality of what is being produced and sold?



# Water Resources

- **Water, access to irrigation, wetlands**
  - Do you have sufficient water resources to produce a product that might not typically be produced in your region?
  - Could you differentiate your venture by performing good stewardship of your water resources?



# Weather

- **Weather**
  - Producers in small geographic areas will be exposed to the same weather
  - If trying to expand to a larger geographic area, need to consider that you will be competing with producers who are exposed to different weather patterns



# Plants & Animals

- **Plants and animals**
  - Do you have plants/animals that would justify agritourism?
    - Bird watching, animal rides
  - Are you capable of producing unique heirloom varieties or exotic breeds?



# Organization & Alliances

- **Organization and alliances**
  - Do you have unique alliances or sources of supply?
    - Some ventures have found success pooling resources to provide a unique offering (i.e. cooperatives)



# Customer Experience

- **Customer experience**
  - Providing additional information about yourself and your operation connects your customers to you
    - Website, tours, brochures, recipes, the farm/ranch history





# Evaluating Competitive Advantage

- When first starting out, a comprehensive evaluation can be helpful
  - Your goals
  - Where you might fit in the market



# Evaluating Competitive Advantage

- Evaluate resources
  - Take a critical look at your existing resources and product/service offerings
  - What do you have that could be used as an advantage?
  - Do you need additional resources to obtain your competitive advantage?



# Evaluating Competitive Advantage

- Clarify goals
  - Have your goals been clearly outlined?
  - Have you established what you want from the venture?
    - Specific and achievable goals tend to promote better and consistent business growth
  - Challenging but realistic goals should be written out
  - These will service as benchmarks for success and keep everyone involved in the venture on track



# Evaluating Competitive Advantage

- Define customers
  - Determining the products and services customers want but cannot currently get is a first step toward defining your customers
  - One you have established the needs and wants of your customers, you can look at their characteristics and identify any key commonalities
    - Ex. Development of pre-washed salad mixes → some consumers are motivated by convenience
  - Speaking to customers will provide you with valuable insight as to what they want
    - Products, prices, suggestions



# Evaluating Competitive Advantage

- Examine competitors
  - Compare the strengths and weaknesses of your direct and indirect competition, and evaluate
    - This will provide insight into their competitive advantage as well as your own
  - Direct/Indirect competition
    - In a farmers' market setting, direct competition would be the other vendors selling the same or similar products at that market
    - Indirect competition would be grocery stores in the area



# Making sense of it all

- In the end, key questions to address include:
  - Are the venture and the target market clearly defined?
  - Who is/are the venture's competitors?
  - What is the venture's specific strategy for success?
  - Are the competition's moves being tracked regularly?
  - Is the venture taking advantage of the competition's weaknesses and/or any competitive opportunities?



# Making Sense of it All, cont.

- Key questions to address, cont.:
  - What has been learned from the competition's mistakes/strengths?
  - How do the venture's prices and products compare with the rest of the industry?
  - Who are the customers? Does the venture have (or can it build) a loyal base?
  - Are the employees trained in customer service?
  - What trends are ahead, and can the venture take advantage of them?



# Keeping the Edge Sharp

- Competitive advantages require maintenance
- Half the battle is establishing the competitive advantage, the other half is keeping it!
  - Over time, market will change
  - Competitors will adjust their operations to duplicate your success
- Continual analysis of product and management will help you stay current





# Conclusion

- Competitive advantage is what leads customers to choose your operation over your competition
  - Your “edge”
- Many strategies for competitive advantage, but usually only a couple are necessary
  - Your best strategy should depend on your goals and available resources
- Continual evaluation will help you maintain your edge



# Resources

- Information about value-added agriculture: USDA Agricultural Marketing Resource Center, [www.agmrc.org](http://www.agmrc.org)
- Information about small business concerns: Small Business Administration, [www.sba.gov](http://www.sba.gov), or 1-800-U-ASK-SBA
- Information about sustainable agriculture, stewardship, and profitability: Sustainable Agriculture Research and Education, [www.sare.org](http://www.sare.org)



# Thank you!

