

Strategies for Competitive Advantage



Cole Ehmke, M.S.
Extension Educator
Department of Agricultural and Applied Economics
University of Wyoming



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
- Information about small business concerns: Small Business Administration, www.sba.gov, or 1-800-U-ASK-SBA
- Information about sustainable agriculture, stewardship, and profitability: Sustainable Agriculture Research and Education, www.sare.org



Thank you!

