

ompetitive Advantage

Michael Porter popularized the notion that a company wins by building a relevant and sustainable competitive advantage.¹⁷ Having a competitive advantage is like having a gun in a knife fight.

This is true, but today most advantages don't stay relevant and few are sustainable. Advantages are temporary. Increasingly, a company wins not with a single advantage but by layering one advantage on top of another over time. The Japanese have been masters at this, first coming in with low prices, then with better features, then with better quality, and then with faster performance. The Japanese have recognized that marketing is a race without a finishing line.

Companies can build a competitive advantage from many sources, such as superiority in quality, speed, safety, service, design, and reliability, together with lower cost, lower price, and so on. It is more often some unique combination of these, rather than a single silver bullet, that delivers the advantage.

A great company will have incorporated a set of advantages that all reinforce each other around a basic idea. Wal-Mart, IKEA, and Southwest Airlines have unique sets of practices that enable them to charge the lowest prices in their respective industries. A competitor that copies only a few of these practices will not succeed in gaining an advantage.

Recognize that competitive advantages are relative, not absolute.

If the competition is improving by 30 percent and you by 20 percent, you are losing competitive advantage. Singapore Airlines kept improving its quality, but Cathay Pacific was improving its quality faster, thereby gradually closing the gap with Singapore Airlines.

ompetitors

All firms have competitors. Even if there were only one airline, the airline would have to worry about trains, buses, cars, bicycles, and even people who might prefer to walk to their destinations.

The late Roberto Goizueta, CEO of Coca-Cola, recognized Coke's competitors. When his people said that Coke's market share was at a maximum, he countered that Coca-Cola accounted for less than 2 ounces of the 64 ounces of fluid that each of the world's 4.4 billion people drank every day. **"The enemy is coffee, milk, tea, water,"** he told his people. Coca-Cola is now a major seller of bottled water.

The more success a company has, the more competition it will attract. Most markets are brimming with whales, barracudas, sharks, and minnows. In these waters, the choice is to eat lunch or be lunch. Or, using computer scientist Gregory Rawlins' metaphor: **"If you're not part of the steamroller, you're a part of the road."**

Hopefully your company will attract only good competitors. Good competitors are a blessing. They are like good teachers who raise our sights and sharpen our skills. Average competitors are a nuisance. Bad competitors are a pain to every decent competitor.