Businesses desire to achieve a competitive advantage

Business, Management

Businesses desire to achieve a competitive advantage. A competitive advantage can be defined as an advantage that a firm has over its competitorsthat allows it to generate greater sales or margins while at the same time retaining more customers than the competition (Investopedia, 2012). Companies that achieve a competitive advantage can exploit that edge in order to obtain higher sales than other companies in the marketplace. Organizations can achieve a competitive advantage by exploiting their brand value. A brand strategy is generated over time by investing a lot of money in advertising and marketing campaigns. Technological superiority, innovation, and patents are other ways to gain a competitive advantage. Companies that achieve a competitive advantage are able to increase their market share. These firms are also able to attract more customers than its competitors. Examples of companies that have been able to dominate an industry by gaining a competitive advantage are Starbucks Cafe, Microsoft, and De Beers. Microsoft utilized innovation to stay ahead of the competition. Starbucks Cafe beat out the competition by providing a superior product and better customer service. The competitive advantage that De Beers enjoys comes from its supply chain superiority and access to greater sums of capital. Organizations that have a competitive advantage are able to retain more customers and build brand loyalty. Higher customer retention rates are desirable. Based on Pareto’s 80/20 rule approximately 80% of a firm’s revenues come from 20% of its customers. Most companies that are the market leaders in their respective industries reached that status by having some type of competitive advantage. Good business strategies are needed for managers to implement a competitive advantage. Sometimes a competitive advantage can be obtained simply by being the first one to the market. Apple enjoys an edge in the cellular industry because they introduced the first true smartphone. 2) " Strategic positioning is the positioning of an organization (unit) in the future, while taking into account the changing environment, plus the systematic realization of that positioning" (Zenka-mreza). The managers of a firm are responsible for establishing the strategic positioning of the company. A company should strive to segment marketplaces in order to reach their target customers. Releasing a new hit video game during Christmas season is a good example of a company using a positioning strategy to optimize the profits of a product. Companies can obtain greater sales from a product by positioning the product correctly. Locating a sporting goods store in front of a major sports complex such as the Staples Center in Los Angeles is another example of a smart strategic positioning. Advertising money must be spent wisely because advertising can increase the demand of a product. The marketing manager must develop a marketing budget that includes a detail plan of the advertising dollars of the company. Products that are cash cows deserve to have a higher percentage of the advertising budget. A cash cow can be defined as a consistently profitable product that generates the company above normal profits. The money generated from cash cows can be used to invest in other areas of the business. Another important factor marketing managers have to consider is branding. Branding can have a similar effect to advertising in the demand curve of a product. Branding can increase the demand for a product. The reputation of a company affects the branding value of a company. In the late 1990's Nike lost most of its brand value after the revelation of a sweetshop scandal. The sales of the firm were cut by half in 1998 as customers were mad at the actions of the firm. Both branding and advertising can be used to increase the demand curve of a product. References Invetopedia. com (2012). Competitive Advantage. Retrieved February 14, 2012 from http://www. investopedia. com/terms/c/competitive_advantage. asp#axzz1mP9G6pDz Zenska-mreza. hr. Read Change 4: Strategic positioning and strategic management. Retrieved February 14, 2012 from http://www. zenska-mreza. hr/prirucnik/en/en_read_change_4. htm