

14. Instruments for Competitive Advantage

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<http://st.inf.tu-dresden.de/teaching/saab>

- 1) Ultimate Competitive Advantage
- 2) Competitive Positioning Canvas
- 3) Stickiness and Virality
- 4) Moonshots

Obligatory Literature

- ▶ Mitchell, D. and Coles, C. (2003), "The ultimate competitive advantage of continuing business model innovation", Journal of Business Strategy, Vol. 24 No. 5, pp. 15-21.
<https://doi.org/10.1108/02756660310504924>
- ▶ McGillicuddy, K.M. (2005), "The Ultimate Competitive Advantage", Journal of Consumer Marketing, Vol. 22 No. 5, pp. 292-293.
<https://doi.org/10.1108/07363760510611770>
- ▶ UCA means several things:
 - UCA of a product or service: a non-beatable advantage
 - unfair advantage
 - moonshot
 - UCA of a company: to continuously improve your business model (business model innovation)



14.1. The Ultimate Competitive Advantage of a Feature or of a Product (UCA)

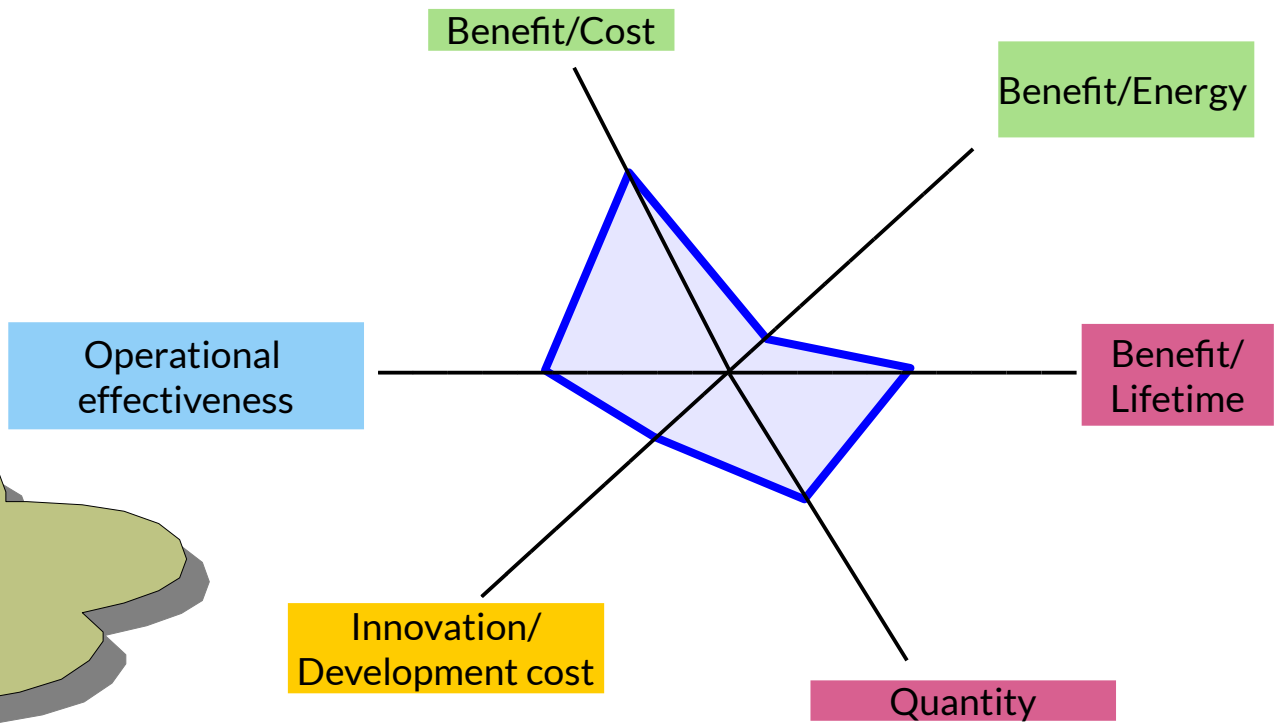
When we are talking about the features of our products, an UCA is important to beat the competition.

„Werden Sie Entrepreneur. Es gibt keine bessere Alternative.“ [Faltin]

Radar Charts (Spider Diagrams, Kiviat Graphs) measure Olympic advantages in Different Dimensions

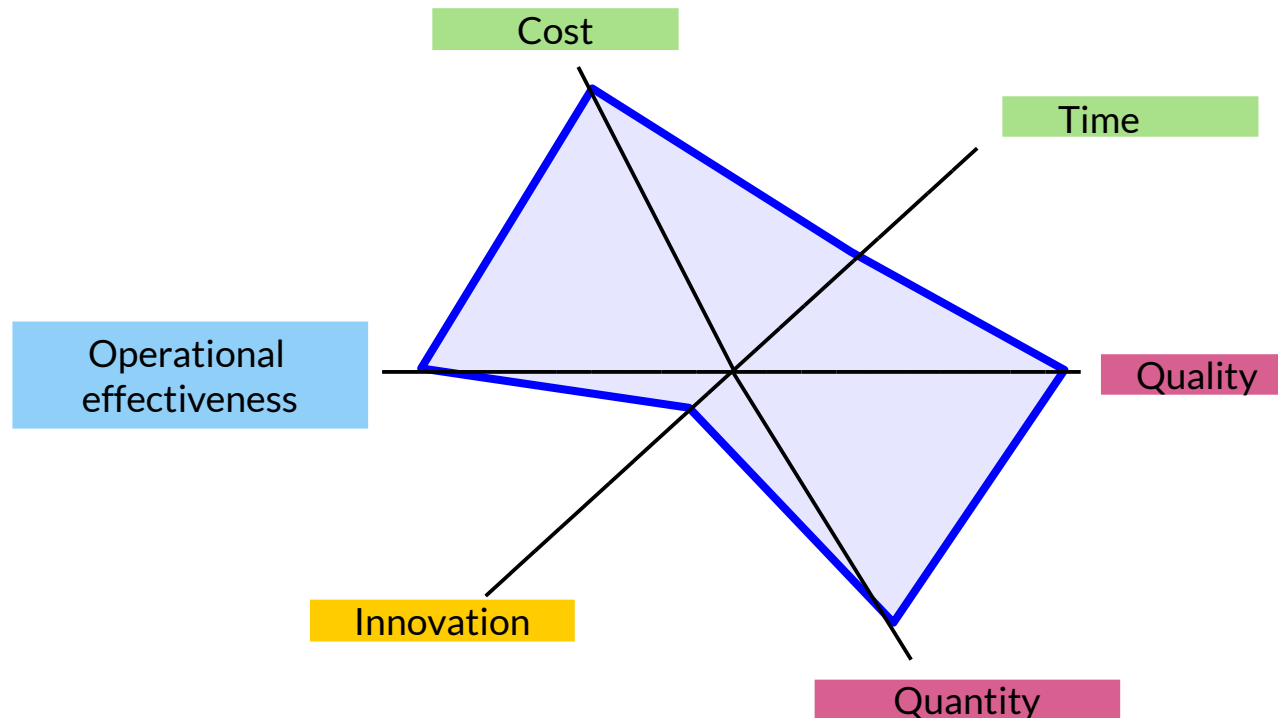
- ▶ Spider diagrams visualize n-dimensional attribute analysis

Efficiency advantage measures „higher, farer, faster“ over “cost” (cost-utility function / relation).



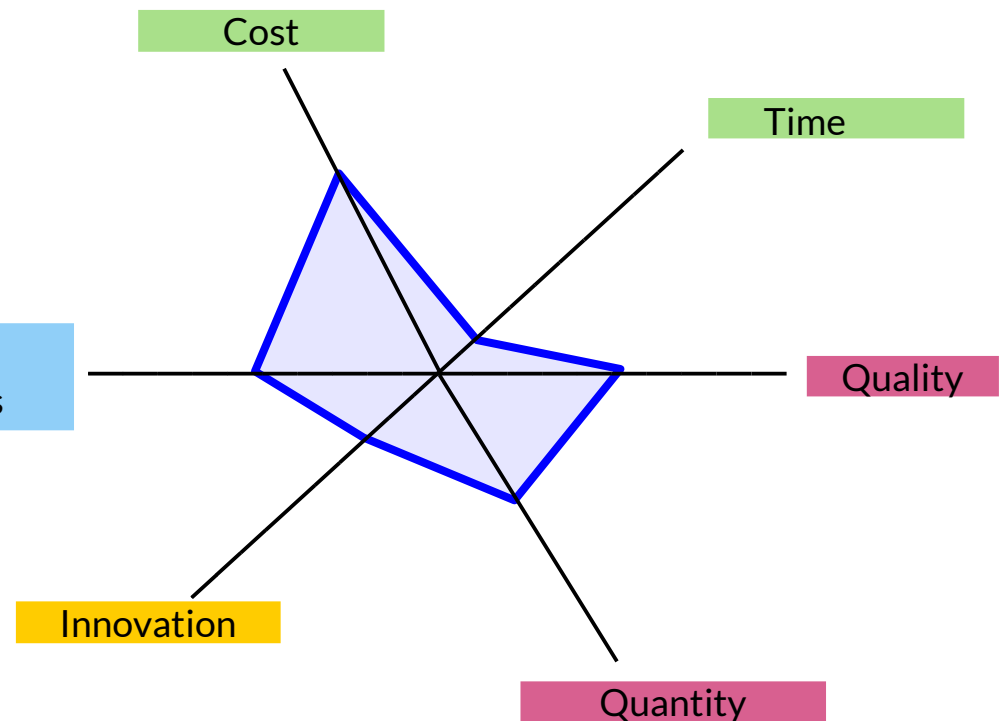
Ex.: Faltin's “Kopf schlägt Kapital”

- ▶ Faltin founded in 1997 the company “Teekampagne”. Its **ultimate competitive advantage** is to reduce the product of **price * quality * quantity** (an efficiency product)
 - Importing entire containers of fresh, high-quality Darjeeling (*one sort*) from India by ship
 - Distributing very cheap by internet and mail in Germany in large packets of kilograms
 - Teekampagne has a high product / large polygone in the radar chart:



Competitive Advantage of a Feature

- ▶ http://en.wikipedia.org/wiki/Competitive_advantage
- ▶ In a market your company is not al one. Competition is strong. Therefore, you need to find a *competitive advantage* along **one or several of the following *olympic* dimensions:**
 - Cost leadership
 - Time to delivery
 - Feature Differentiation (uniqueness of feature)
 - Quality of product
 - Quantity of product
 - Innovation
 - Operational effectiveness

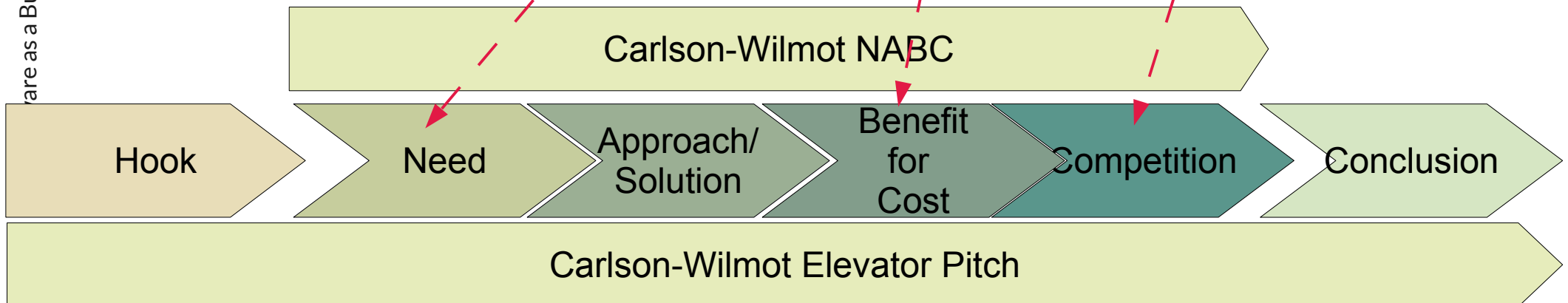


Olympic advantage measures „higher, farer, faster“ (cost or utility function).

Ultimate Competitive Advantage (UCA) is about Beating the Competition by Factor 10

- ▶ A **viral** product/service is one about which news spreads easily, because people talk about it.
- ▶ A **moonshot (UCA)** is a feature that is 10 times better than that of the competitor

For **sales**, make sure: a pain killer, gain deliverer, and UCA.

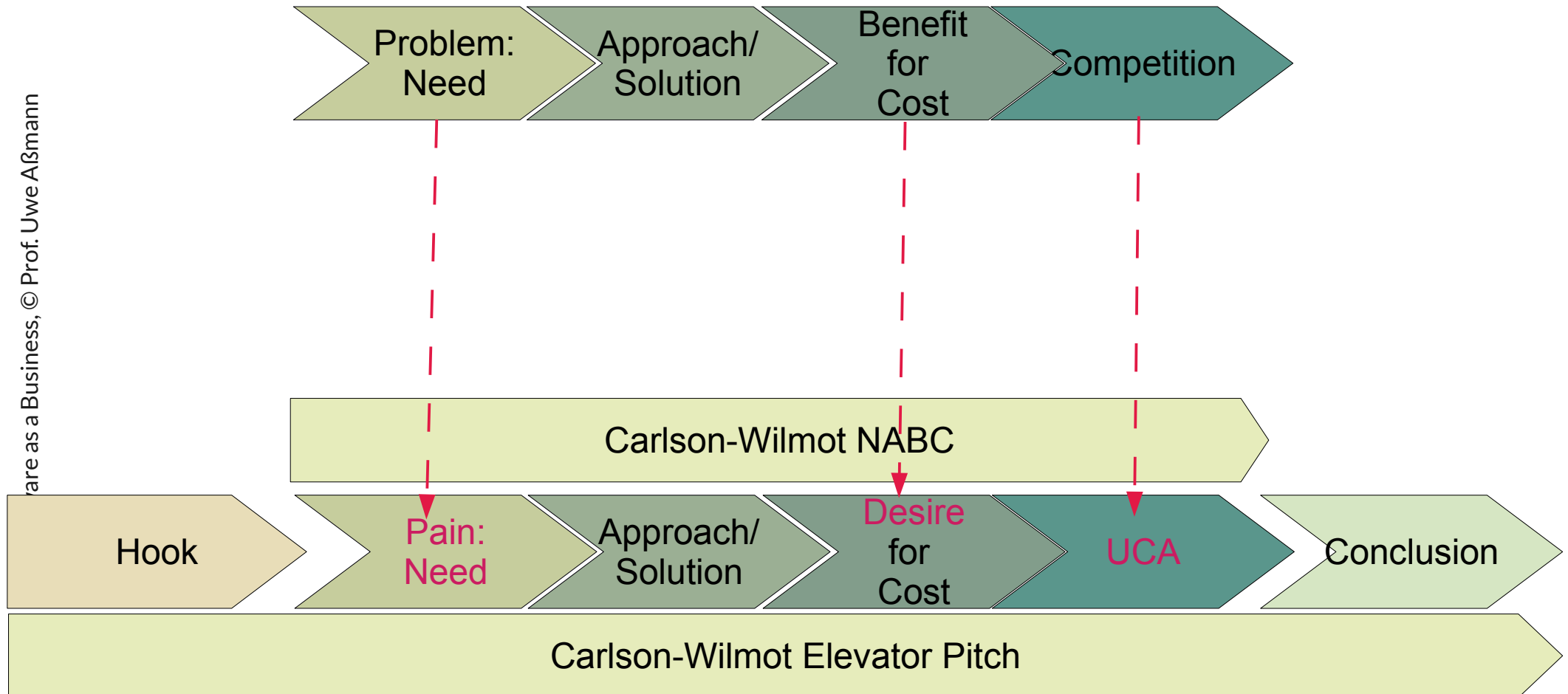


Domain Porting: Olive Oil

- ▶ <http://www.artefakten.net/> Founder: Conrad Bölicke, Focussing on olive oil, with the same business model as Teekampagne
- ▶ <http://www.zait.de>, Founder: Thomas Fuhlrott: Olive oil products
- ▶ <https://www.waschkampagne.de/> Founder: Wolfgang Kunz, Ecologic washing
- ▶ Similar companies with “Kopf schlägt Kapital”:
<https://www.entrepreneurship.de/kopf-schlaegt-kapital/>

What is a Good Pitch?

- ▶ A **viral** product/service is one about which news spreads easily, because people talk about it.
- ▶ A **moonshot (UCA)** is a feature that is 10 times better than that of the competitor





14.1.2. The Dimensions of a Competitive Advantage

The Lean Canvas

Designed for:

Startup Name

Designed by:

Name1, Name2, ...

Date:

DD/MM/YYYY

Version:

X.Y

Problem  Top 3 problems	Solution  Top 3 features	Unique Value Prop.  Single, clear and compelling message that states why you are different and worth buying	Unfair Advantage  Can't be easily copied or bought	Customer Segments  Target Customers
Existing Alternatives  List how these problems are solved today.	Key Metrics  Key activities you measure	High-Level Concept  List your X for Y analogy (e.g. YouTube = Flickr for videos)	Channels  Path to customers	Early Adopters  List the characteristics of your ideal customers.
Cost Structure  List your fixed and variable costs. Customer acquisition costs Distribution costs Hosting People Etc.		Revenue Streams  List your sources of revenue. Revenue Model Life Time Value Revenue Gross Margin		

Dimensions

In the BMC, the fields can be used to derive competitive dimensions:

- ▶ Customer orientation
- ▶ Cost
- ▶ Sustainability
- ▶ Value proposition
 - Need
 - Maslow
 - Safety, Protection, Health
 - Gain
 - Beauty
 - Quality of service
- ▶ Copy-ability (fair or unfair advantage)
 - Intellectual property
 - Market positioning

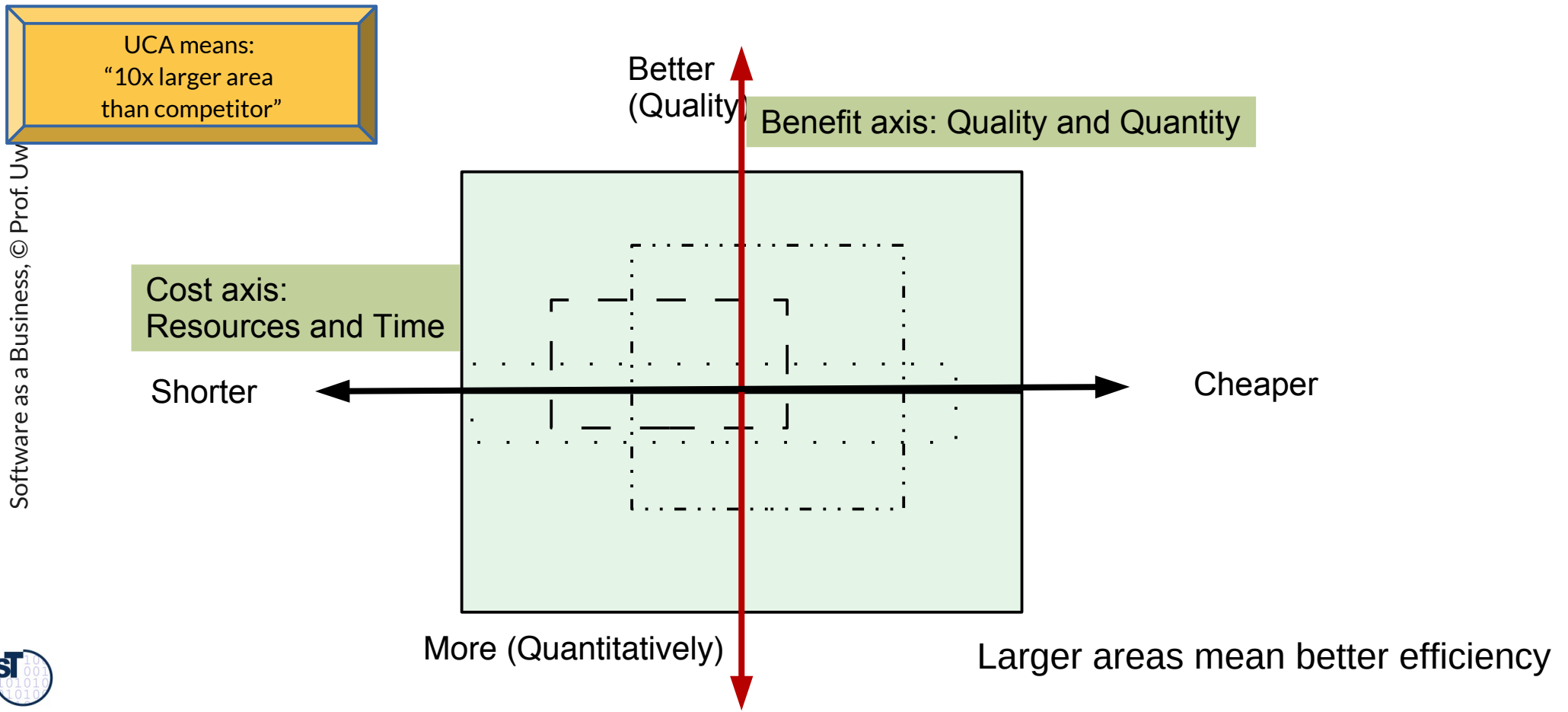


14.1.3. Combinations of Dimensions of a Competitive Advantage

- 4d analyses for measuring your competitive advantage

Comparative Cost-Benefit Analysis (CoTiQQ Efficiency 4-D Analysis)

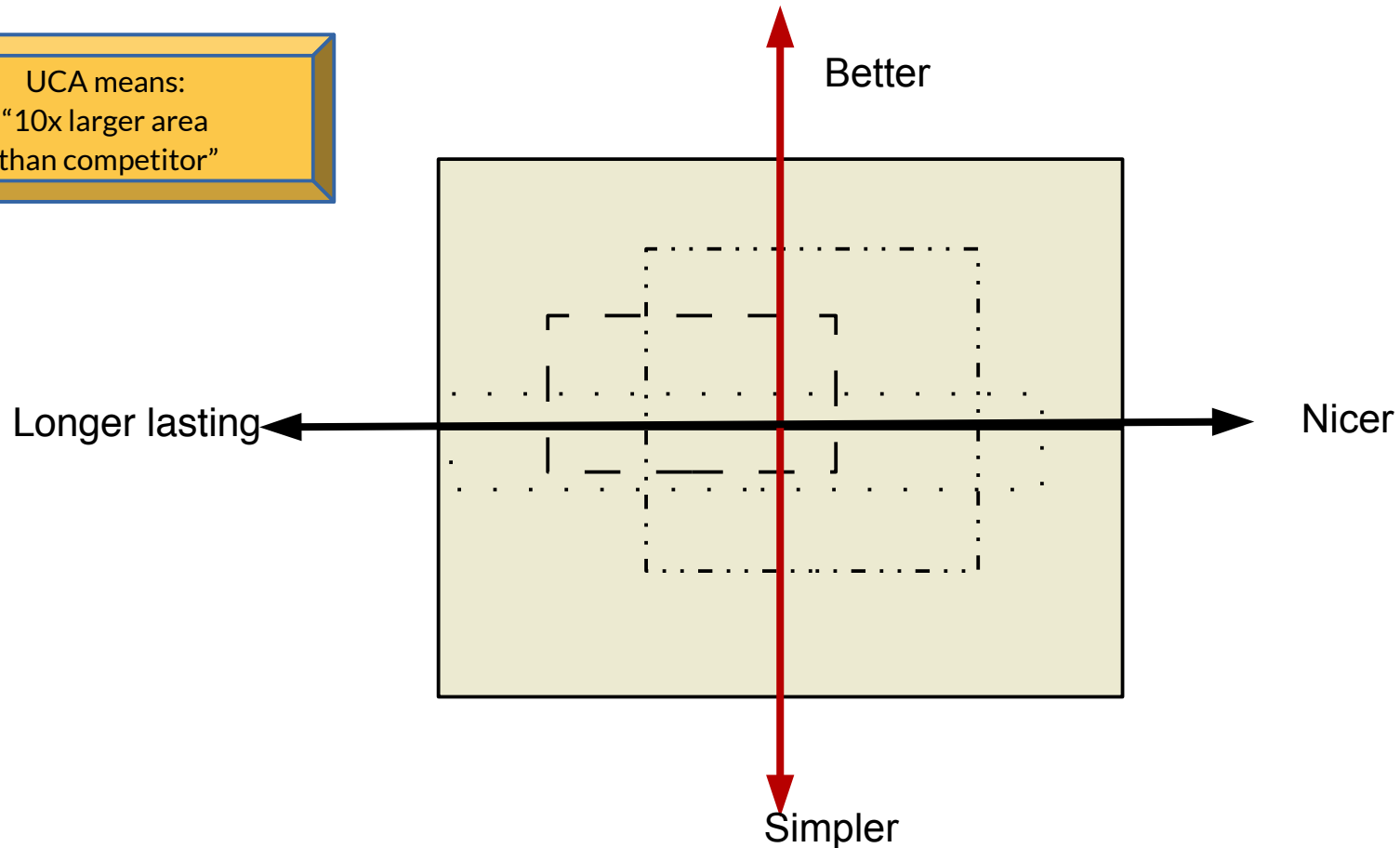
- ▶ **CoTiQQ (Cost, Time, Quantity, Quality)** is a special 4-D analysis for one project with cost and benefit axis and a fixed area, several 4-D analyses can be derived, which can be used to compare different projects for efficiency.
 - Without fixed area, the CoTiQQ analysis for operational goals results
 - Teekampange has a CoTiQQ-UCA



Comparative Utility Analysis with BeNiSiLo – Which Quality are we interested in?

- ▶ The utility of products, processes, projects is hard to measure, but contains at least 4 dimensions
- ▶ BeNiSiLo (Better, Nicer, Simpler, LongerLasting) compares several products in terms of their 4 basic qualities (utility analysis)

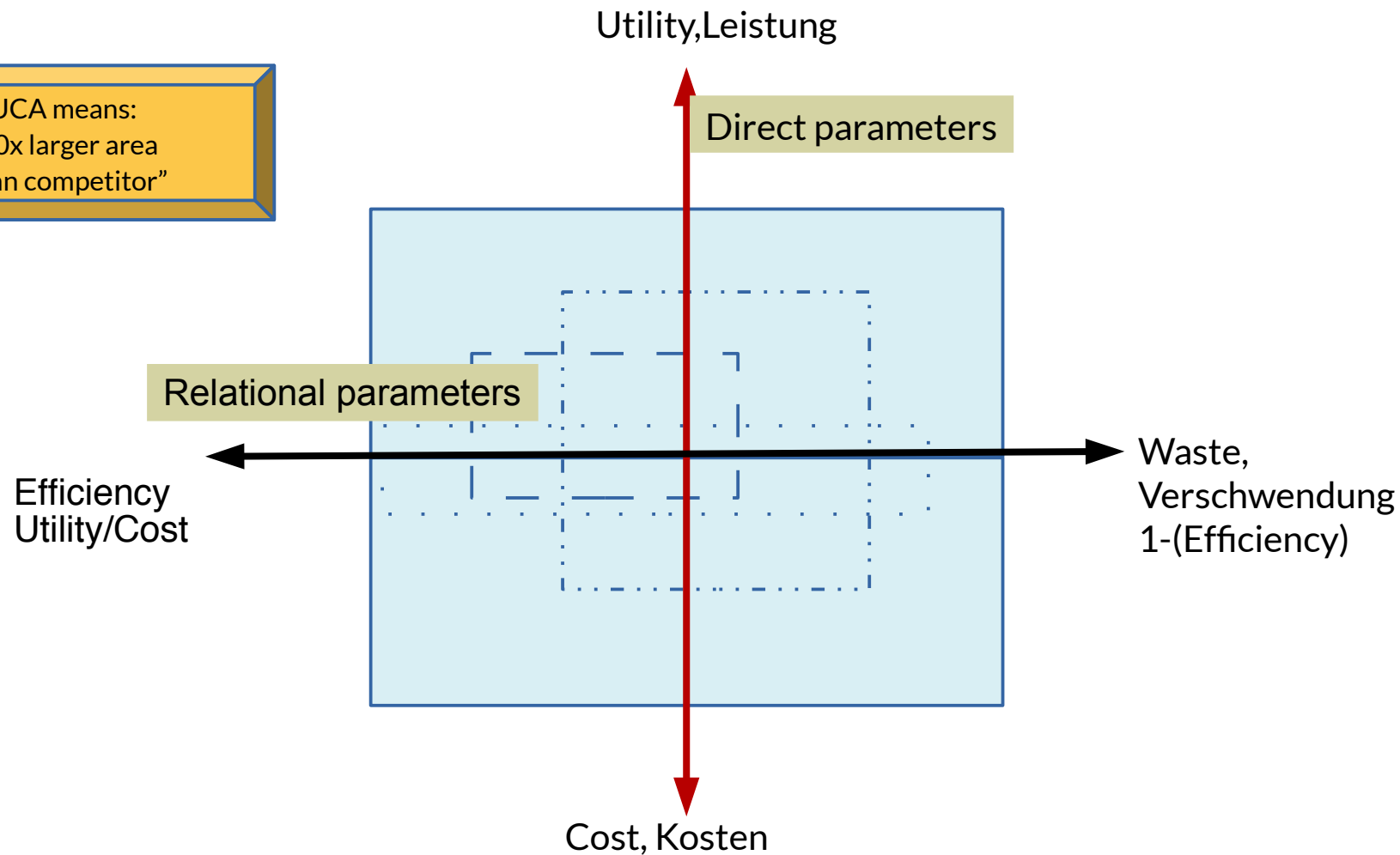
UCA means:
"10x larger area
than competitor"



Efficiency Comparative Analysis UCEW

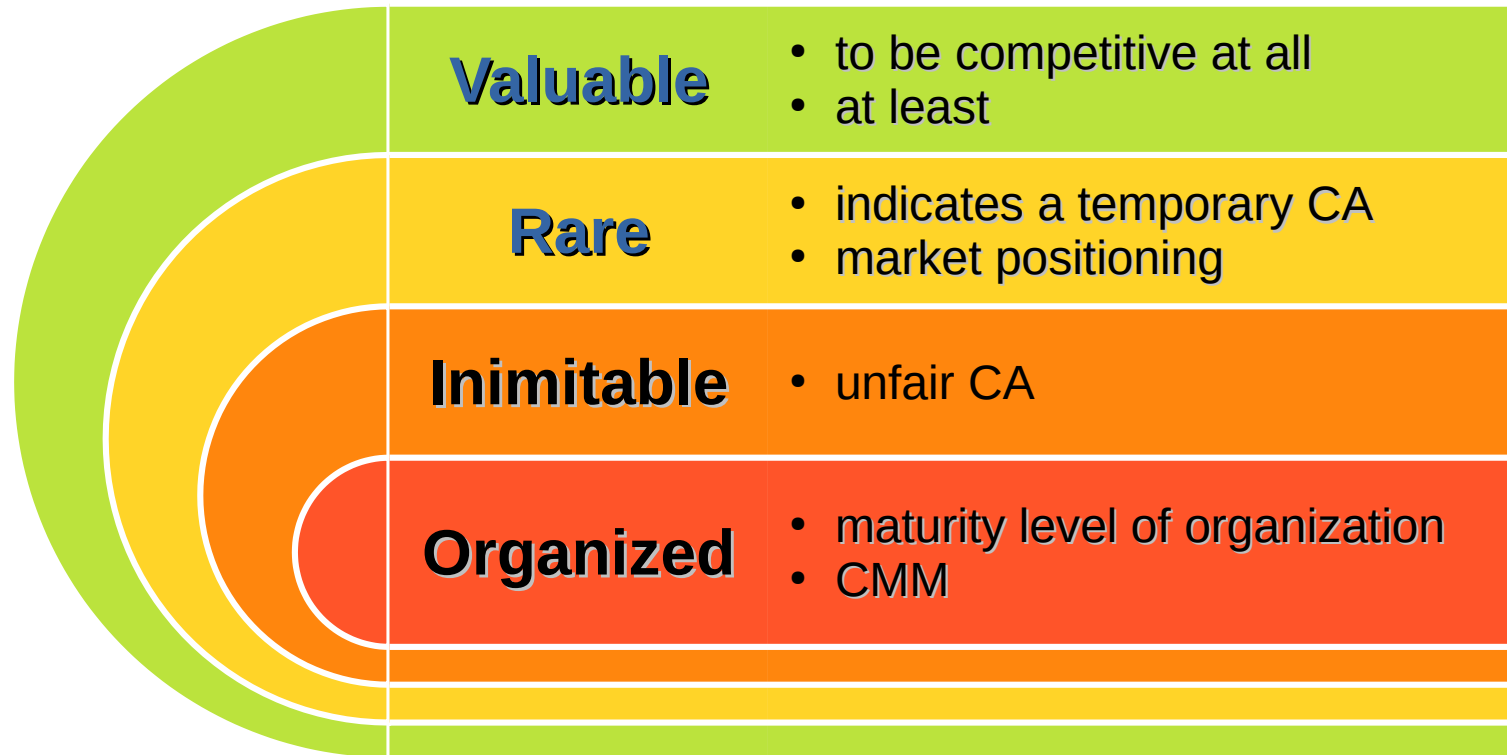
- ▶ UCEW is a 4-dimensional attribute analysis comparing the efficiency of *several* products, processes, services,
 - based on direct parameters (utility, cost) and indirect relations (efficiency, waste)

UCA means:
"10x larger area
than competitor"



The VRIO Framework from ClearPointStrategy

- ▶ 4 dimensions





14.2. Competitive Positioning Canvas

- For distinguishing rational from emotional factors
- Market positioning (unique, superior, indifferent)

COMPETITIVE POSITIONING CANVAS

Customer jobs-to-be-done		Rational decision factors			Emotional decision factors		
Customers / Job(s) to be done		Pain	Value	Gain		Costs	
Needs and desires derived from customer jobs-to-be-done		Must have & nice to have traits <ul style="list-style-type: none"> Features Ease of use/ sophistication Offerings quality Configurability Support service 		<ul style="list-style-type: none"> Availability Uniqueness Customization 	Price & cost of access <ul style="list-style-type: none"> Cheapest Value for money Competitive price Premium price Perceived free goodies 	<ul style="list-style-type: none"> Price transparency Finding costs Cost of access Due diligence costs Reputation/Brand value 	<ul style="list-style-type: none"> Personalization Choice Uniqueness Fair price Trust Status Popularity Reputation
Value proposition / Offering	Unique	<ul style="list-style-type: none"> Capabilities Technologies Know-how and experience Access to natural resources Patents and intellectual property Features Novelty 		<ul style="list-style-type: none"> Pricing model Bundling Distribution network 	<ul style="list-style-type: none"> Perceived innovativeness Access to customers Distributors Perceived offering status Opinion leaders/influences 		
	Superior	<ul style="list-style-type: none"> Quality of offering After-sales support Skills of labor Quality and quantity of natural resources Quantity of features 		<ul style="list-style-type: none"> Price level Search costs to find offerings Due diligence costs 	<ul style="list-style-type: none"> Reputation/Brand value User reviews Trust factors Offerings shelf size 		
	Indifferent	<ul style="list-style-type: none"> Easily replicable traits Traits with a competitive disadvantage Functions required to get the job done but not explicitly valued by customers 		<ul style="list-style-type: none"> Easily replicable traits Traits with a competitive disadvantage Functions required to get the job done without explicit customer price sensitivity 	<ul style="list-style-type: none"> Easily replicable trains Traits with a competitive disadvantage Must have functional requirements without any emotional importance/relevance 		



Emotional vs. Rational Aspects

- ▶ <https://www.innovate-d.com/insight-101/>
- ▶ Emotional aspects play an important role for differentiation
- ▶ How do you increase the emotional aspect?

- ▶ CPC can be filled to support an NABC canvas (detailing the fields Benefit4Cost and Competition)
 - Use it for your MVV pitch!

Aha.io consultancy for startups

- ▶ Aha.io Tools
 - e.g., imitability ladder
- ▶ <https://www.aha.io/pricing> for startups, Aha consultancy is free

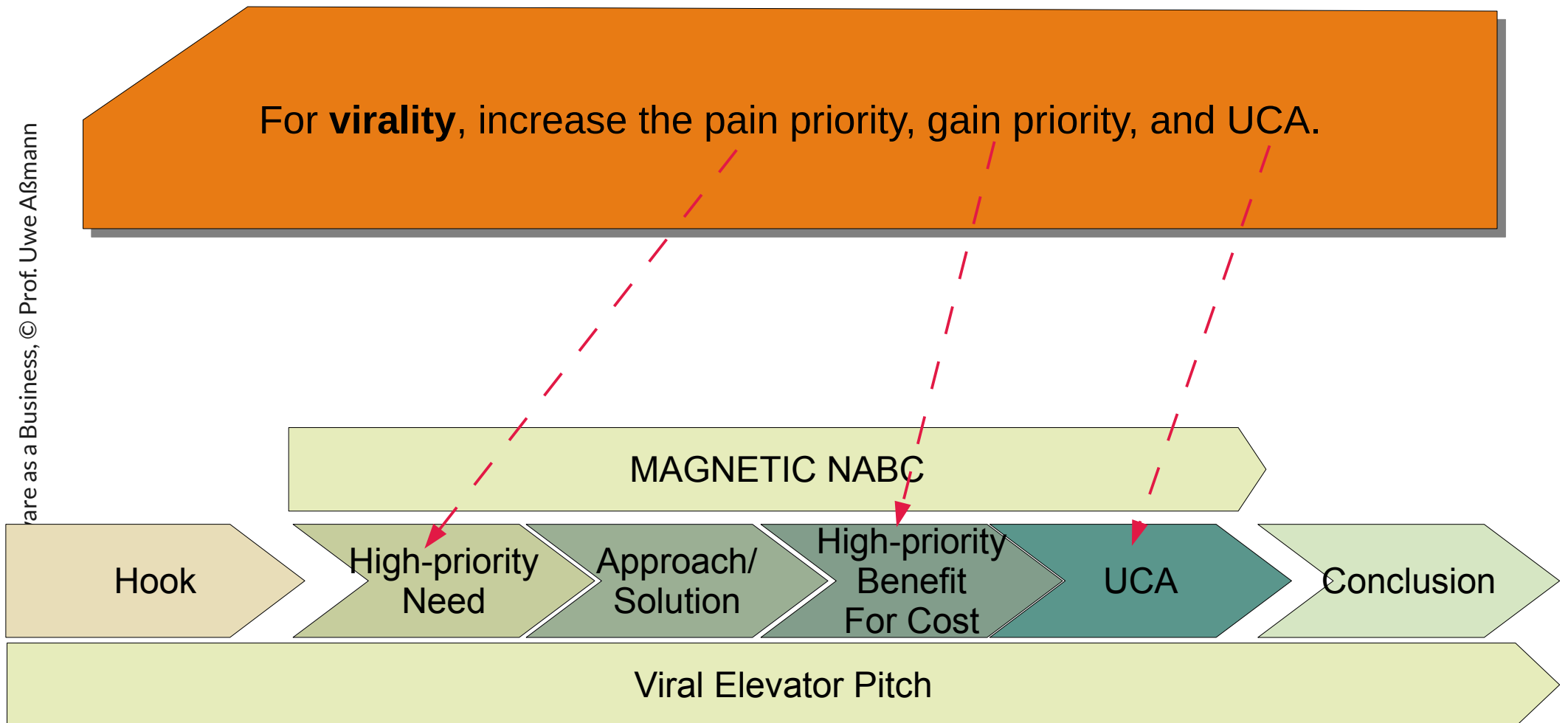


14.3. Stickiness and Virality of a Feature – The Influence of the Ultimate Competitive Advantage (UCA)

.. how to achieve that the news spreads itself
(how to achieve mouth-to-mouth words)

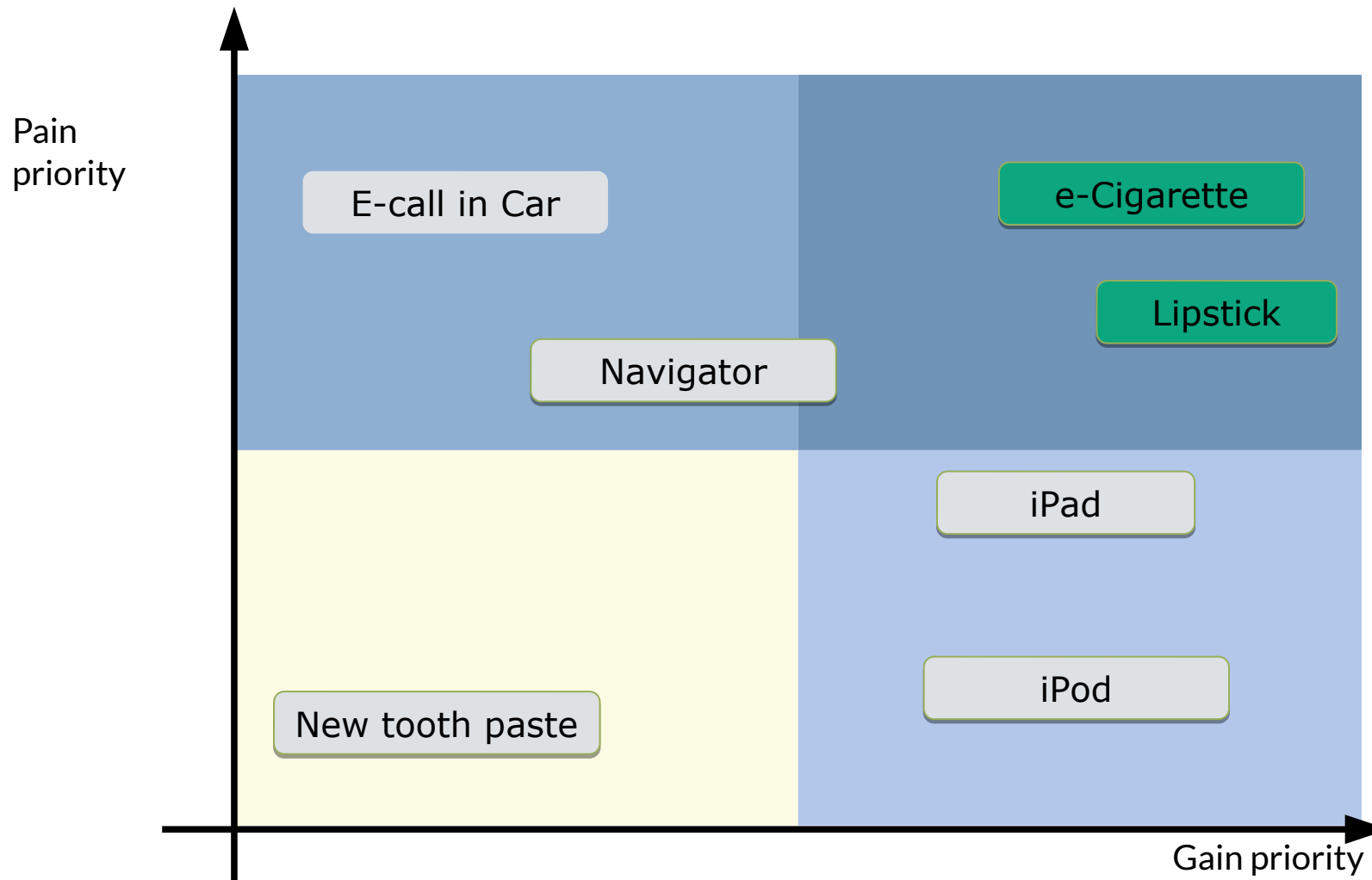
Virality with *magnetic-NABC*

- ▶ A **viral** product/service is one about which news spreads easily, because people talk about it.



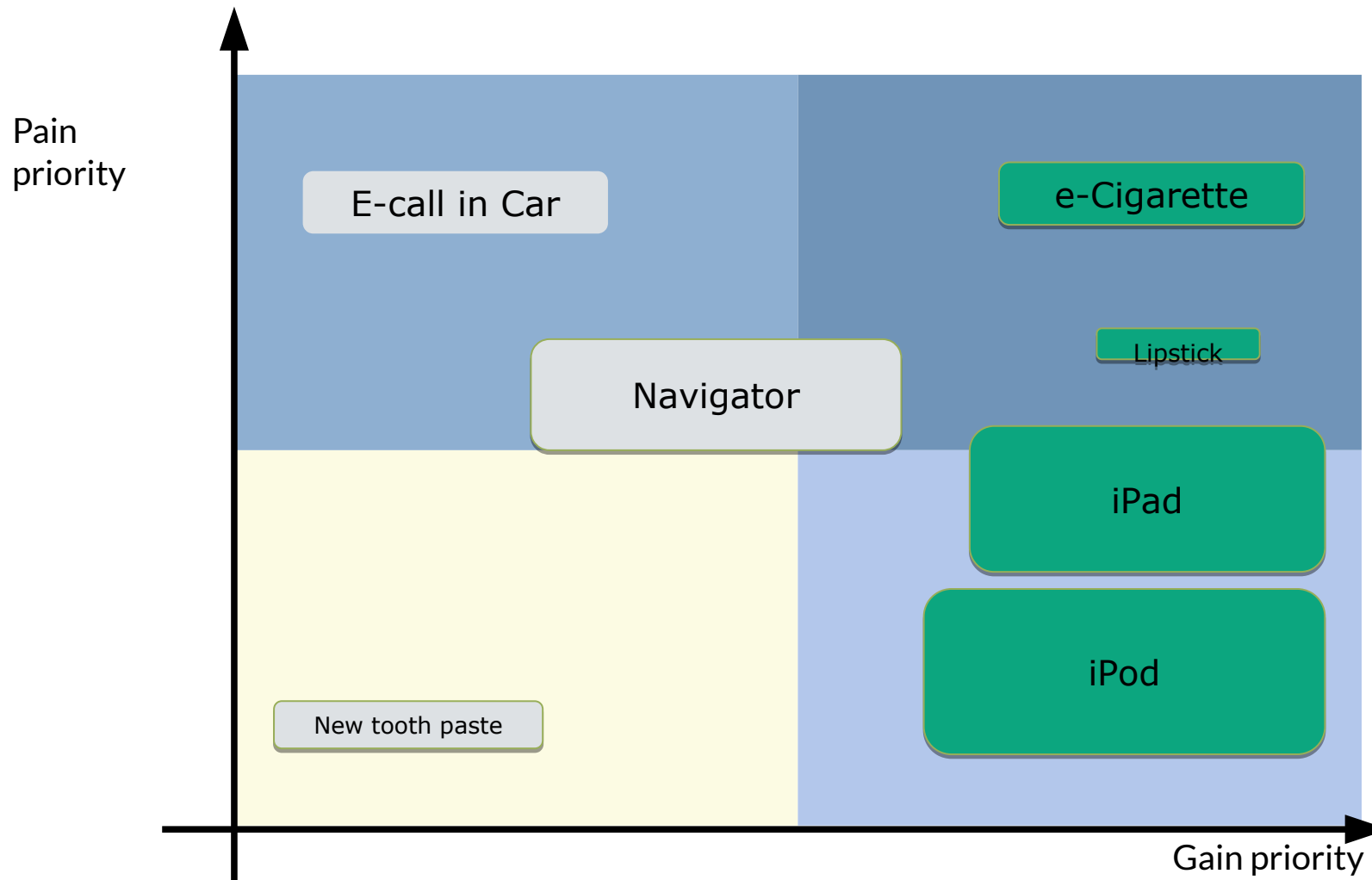
Pain-Gain-Stickiness as Pain/Gain Product

A **sticky** product/service has high pain **and** gain priority.
(green: infectious)



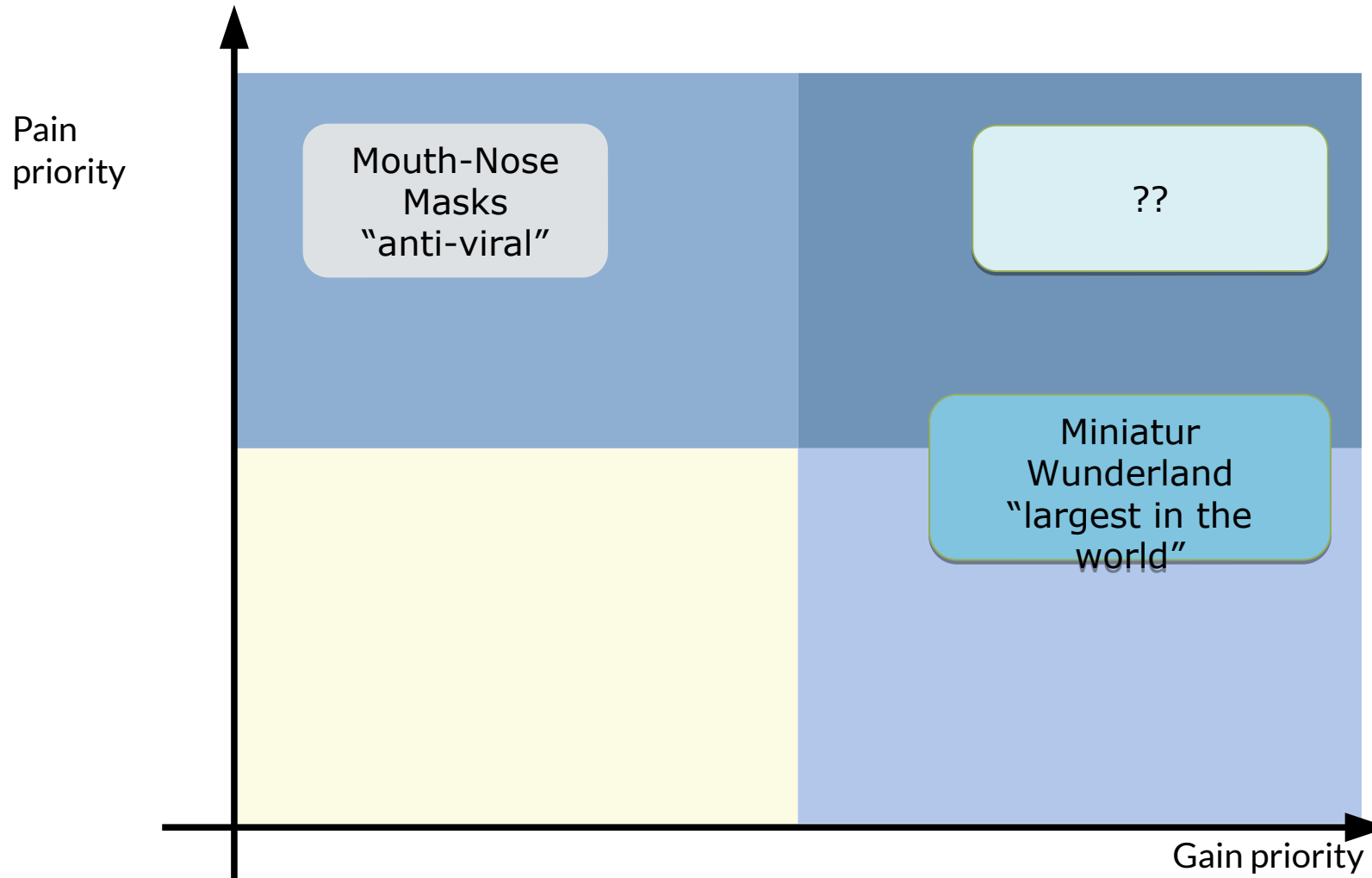
Pain-Gain-UCA-Virality

A **viral** product/service has high pain, high gain priority, and high (ultimate) competitive advantage.
(visualized here with the size of green boxes)



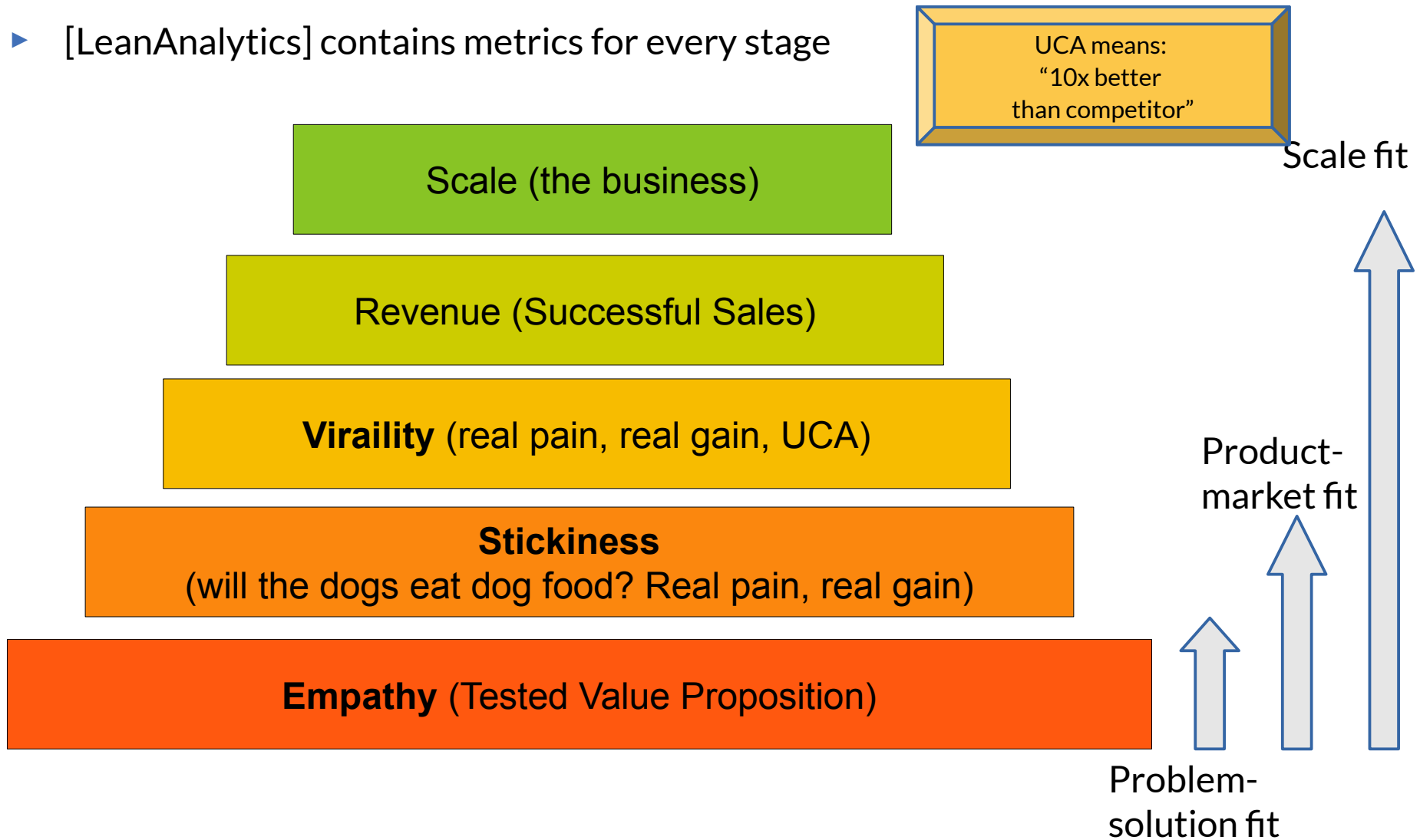
Why is Miniatur Wunderland Viral?

A **viral** product/service has high pain, high gain priority, and high (ultimate) competitive advantage.



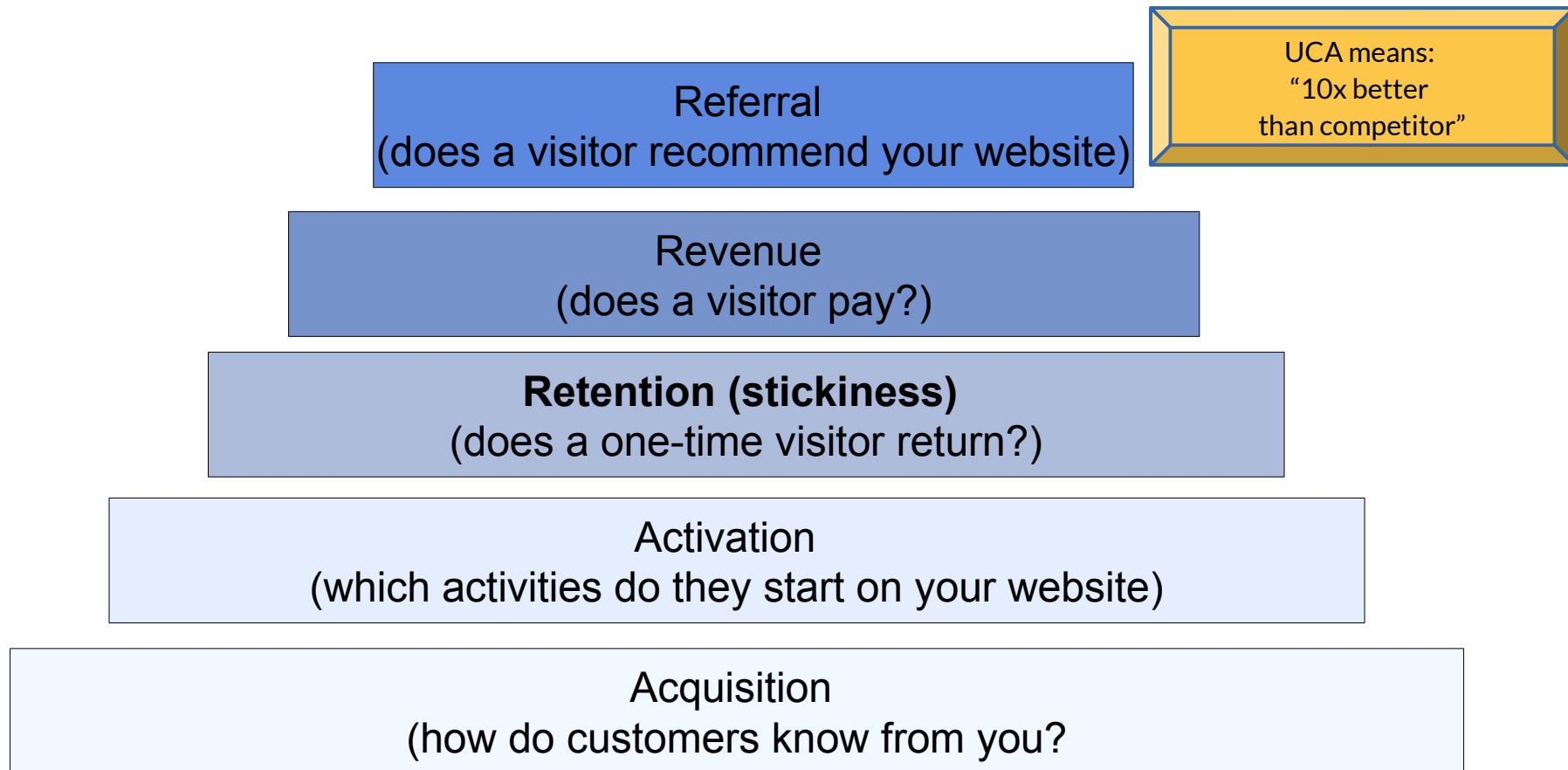
The “Lean Analytics” Stages and Their Metrics

- ▶ The Lean Analytics Stages are a simple stage system for product/service product-market fit.
- ▶ [LeanAnalytics] contains metrics for every stage



The Pirate Metrics AARRR for Web Site Visits

- ▶ “Even pirates need metrics.” (Dave McClure)
- ▶ Example: the story of Dropbox – starting with a *smoke video* of a non-existing product
 - <http://techcrunch.com/2011/10/19/dropbox-minimal-viable-product/>

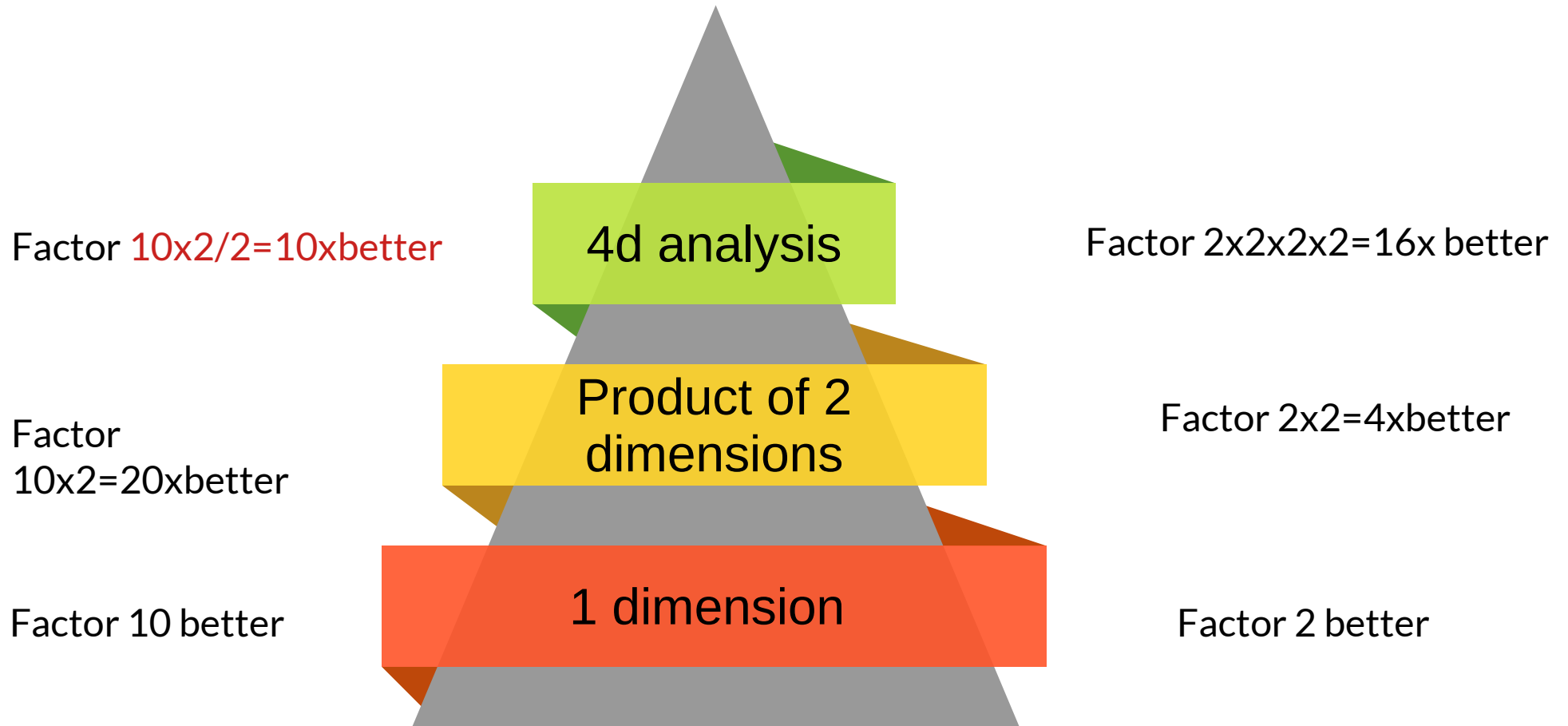




13.4. Moonshots (Ultimate Competitive Advantage with Factor 10)

Moonshots: How to be 10x better

- ▶ Competitive dimensions do not add up, but *multiply* or *divide*
- ▶ Remember Teekampagne: UCA from (cost x quality)
- ▶ If you have a high CA in one dimension, you can allow to be doubly as expensive (division by 2)



The End

- ▶ Explain the influence of the UCA for virality.
- ▶ Why is the pirate metrics important for building good value propositions?
- ▶ How can you cross the border between Virality and Revenue in the LeanAnalytics stages?
- ▶ What is virality? What is UCA?
- ▶ How to you plan a moonshot business model? Is it possible to plan a moonshot systematically?
- ▶ Test your favorite business idea on pain priority, gain priority, UCA, stickiness and virality.