

# Aim for your competitor's Achilles' heel

By Tom Addyman on Tuesday, July 14, 2009

According to Greek mythology there was once an incredible warrior named Achilles. Achilles was so strong that many believed him to be immortal, until one day when a fatal arrow struck him in the heel. Over the centuries, the legend of Achilles has given rise to the term Achilles' heel, or an area of unsuspecting weakness.

In an earlier column I touched on the subject of competition and promised to return to it at a later stage. So today the focus of my column is on how small businesses can compete with bigger, more established competitors during an economic downturn.

For those of you who went to business school, or indeed have spent any time reading classic strategy texts, there's a well-known model developed by a strategy guru called Michael Porter. It's called the generic strategies model. According to Porter there are essentially only three fundamental strategies that any business can follow. These are cost leadership, focus and differentiation. The theory is that every business needs to choose one of these strategies in order to compete and to create sustainable competitive advantage.

A cost leadership based approach is arguably the most difficult for a small business to compete on as it relies to a large extent on economies of scale. Here the focus of the business will be on shaving costs from each element of the value chain. In general, I find that small businesses see this a difficult track to follow, though there are exceptions. Maybe you have a privileged, or unique, supply relationship – though often those don't continue forever. An interesting alternative is the focus-based strategy. This to a large extent relies on choosing a niche in the market and sticking to it. Here an organisation will select a small part of the market and tailor its strategy to serve those customers to the exclusion of all others. The challenge with a focus based strategy is discipline. Too often I see good quality businesses, straying out of their core territory and trying to compete in other parts of the market that they just can't serve. Discipline goes out of the window and the business suddenly finds that it's in difficulty.

The approach that I advocate to many aspiring small- to medium-sized enterprises is the differentiation-based strategy. This strategy occurs when a business offers a product or service that better meets the needs of its customers, and with that it is able to charge a higher price than the market average.

Differentiation is an easy concept to grasp as it's basically about what sets the business apart from the competition. I find that too many businesses within the UAE make the mistake of trying to be everything to everyone. Figure out what sets you apart from the competition and focus on perfecting that quality. If you've ever been to a restaurant with a menu the size of a novella you'll know what I mean. Everything on the menu tends to be average, but acceptable. Now think about when you go to a restaurant where the menu is more limited. Here the chef is offering his masterpieces, dishes that

he has perfected. See the difference?

So how might a small business differentiate itself? One way is through product innovation, an aspect of great importance in the high-tech sectors such as IT or pharmaceuticals. It could be that you operate in a service industry where speed of response or quality of advice is paramount. Or it could be as simple as giving customers a great level of service.

Many people that I talk to complain that service standards have a long way to go before reaching acceptable levels. I suppose that the reality is that a lot of people are looking to make a quick profit, delivered through the lowest cost route, and don't see their customers or prospects as fertile recruiting ground for the future.

It surprises me how many businesses, right from the word go, turn-off the very customers that they are looking to recruit. I hear a variety of reasons why service standards can be low. Some people seem to think that a transient population is an excuse as they are unlikely to be repeat buyers. Others seem to believe that unless they have the latest customer relationship management (CRM) system they can't possibly compete. I particularly disagree with the latter.

Let me give you an example. Some time ago I worked for a major UK bank that invested heavily in the latest CRM technology. They weren't alone as all the banks did this, as did the supermarkets, airlines, hotels etc. you name it. Year in, year out, they'd track customer satisfaction levels, and give themselves a good pat on the back when the satisfaction scores came in at suitably high levels. The reality though was that each year, nearly three million complaints were registered with UK banks. That's one dissatisfied person in every 20 of the population, and even that excludes the consumers who couldn't be bothered to complain. How many times have you walked out of a business really disappointed but too busy or just too angry to file a complaint? I know I have been guilty of it. To put it simply, the banks relied on customer inertia to maintain business without doing anything to stimulate customer demand or loyalty.

As I see it, it's the ability to change and adapt that places small businesses in a favourable position compared to bigger players. What I find in the most successful of businesses is a passion and desire to be different and to please the customer above all else.

Yes it's important to have the right product, and yes you need to charge a suitable price, but ultimately it's about how you treat your customer. It's about how you listen to them when they are about to purchase from you, and it's about how you make sure they want to purchase from you again. Above all it's about instilling a pride in the business, from the office boy to the CEO, about what it does to delight its customers.

Many large businesses fail to see the importance of customer satisfaction. In many cases it's packaged into a head office department called 'customer service', where 'service' is the very last thing on the menu. These departments are often full of poorly motivated staff who aren't empowered to do anything for the customer. These departments will track customer satisfaction, year in, year out, and will be content with the inertia in their customer base.

So my message to the small business owner is go out and find the Achilles' heel of your bigger competitor. Aim for it and make sure you hit it hard.

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