Strategy Made Simpler

Defining your unique differentiators

BY LINDA WOLSTENCROFT

Ignoring your differentiators, and your competition, doesn't often lead to success. One such company believed their position was so solid that nothing could unseat them. This manifested in how they dealt with their fellow contractors as well as the customer.

They essentially took the position of telling others involved how the program would run. The company was unresponsive to requests and discussions, and dictated the price, schedule, and terms - even if contrary to the customer's requests. Other than that, how did they differentiate themselves? Was it schedule? Cost? Quality? Product innovation? It was none of these. This company ignored the fact that the customer had other options.

The customer was so unsatisfied that a competitor was solicited for the work – a competitor who actually met the needs of the customer and who eventually stole the contract. After this experience, the company worked hard to improve their performance and was successful in being awarded the follow-on work. But it was a multi-million dollar business lesson learned too late.

To counter this issue, differentiating yourself based on your unique strengths is most beneficial. One company faced the challenge that they were losing business to competitors because their pricing was too high. This company does NOT follow the strategy of reducing costs at the expense of value. The company focuses on carefully selecting their employees and on working with them to ensure their work conditions fit with their life priorities. They are treated as real team members as opposed to just "hired hands".

The resulting higher morale allows the company to meet the grueling and sometimes unpredictable deadlines their customers demand. In addition, the company also pays special attention to their equipment. They modify standard equipment to work more efficiently while minimizing the risk of damage to the customer's product. Staff selection, scheduling, and equipment modifications are just a few examples of additional investments the company makes to provide customers with better service than their competitors. Because of their higher quality service, they can display justification for their higher price when compared to their lower-cost competitors.

Although customers were initially unconvinced that this company was different than the others, a continued campaign in showing their differentiation paid off, as our example company now enjoys higher market share and has recently opened a brand new market area that is yielding dividends beyond expectations. How do you ensure that you are differentiating yourself from your competition? Here are some ways:

1. Lowest total cost – Be the provider who competes on cost. In the example above, our successful company specifically decided that this was NOT how they wanted to differentiate themselves. Their competitors, however, set their prices lower but tended to deliver a lower quality of service. There are customers for both situations: some customers prefer the lower price and are willing to take the risk on schedule and quality, and other customers prefer a higher quality service and are willing to pay the premium.
2. Product innovation – Be the provider who has the most innovative product. There are many OEM examples in our industry that compete on this basis. Investment in R&D, and the resulting innovation, serves companies well such as in the case of CAE's modeling, simulation and training display systems, and Bombardier's higher performance, more efficient and more economical commercial aircraft.
3. Schedule – Getting products to the customer is sometimes of extreme importance. Contracts where equipment deliveries are on time, if not ahead of schedule, result in a much better market position for the contractors when compared to other competitors' tardiness. In Canada, delivery of the initial C-130J aircraft by Lockheed Martin and the timely delivery of the C-17 aircraft by Boeing are examples of contracts with that either met or exceeded customer expectations. In both instances the price of acquisition was perhaps higher than for a situation in which deliveries were on a longer schedule.

There are many other ways to differentiate your offering, such as:

1. Close customer relationship – If you have a great relationship with your customer and understand them better than any of your competitors do, you are then in the best position to give your customer what he needs.
2. Lowest risk – If you have provided this product or service successfully many times, and you now have the building blocks to efficiently run the contract with ease, you can present a lower-risk approach to your customer.
3. Recognition – Having special recognition (such as successfully obtaining difficult approvals) can build company profile and open doors not otherwise open to others. Your customer may decide that it is critical the organization with whom they contract has a certain level of approval. With the customer setting the bar high, other contenders may be automatically eliminated.
4. People power – Having management and staff with well-known and credible expertise in their fields can give your company that extra edge.

What are you doing in your company to make yourself different? Determine what your strengths are, determine your customer's value, and develop your strengths. Don't try to be everything. Remember, it is not detrimental to expend less in some areas in order to develop great strength in others. Make sure your customers know what these strengths are, and bring new business home. ■

Linda Wolstencroft is president of Aerospace BizDev Inc., which provides strategy and business development assistance in the aerospace and defence sectors. For more information or to contact Linda visit: www.aerospacebizdev.com