

# CDR

## SEASPAN

Building more than  
ships as part  
of its NSS  
mandate



### INSIDE THIS ISSUE

#### FLAG OFFICER REVIEW

**MICHELE EVANS**

Why F-35 is right for Canada

#### REGIONAL REPORT

Atlantic Canada

#### CDR RADIO

Alan Williams on defence  
procurement

Volume 25/Issue 4 Price \$12.95

Publications Mail Agreement Number 40792504



7 25274 85451 6



# THE COMPLEX COMPETITIVE ADVANTAGE

BY LINDA WOLSTENCROFT

A firm's foundational competitive advantage is typically one of lowest total cost, customer intimacy, or product leadership.

Beyond the foundational competitive advantage lies another level that is more complex because it consists of several inter-related factors that work together. The added advantage of developing competitive advantage at this level is that it becomes more difficult to duplicate.

If, for example, a firm based their competitive advantage of customer intimacy on providing excellent customer service and invested and focused solely on their customer service function, this is simple to copy. If, however, the customer intimacy strategy permeated every function in the firm in different ways than simply face-to-face customer service, the competitive advantage becomes more difficult to imitate.

Amazon, for example, follows a lowest total cost strategy in its quest to become the world's largest retailer. But its strategy isn't limited to buying items at a low price and accepting a low margin on the sale of that item and making up for lost profitability with volume. This is certainly one aspect of their strategy. But consider others:

*Speedy delivery.* The cost to the consumer grows as the time taken for delivery grows. Using a household item as an example, let's say your blender broke, and you are prevented from making your usual morning smoothie. Being blender-less causes you inconvenience. The cost of going without your smoothie is time and money – maybe you have to add a stop to your trip to work and maybe it's more expensive and less nutritious than the one you make yourself. The cost paid is time, money and nutritional value. Receiving your new

blender within a day or two, you don't have to incur the time and financial cost to go out and buy one at a store, and you only have to stop once or twice and pay for a less-than-optimal smoothie. Plus, you've likely purchased it at a lower price than offered by the brick and mortar stores, not because Amazon is not brick and mortar, but due to the many other things that Amazon does when all combined together result in a lower price. Thus, one of the pillars of Amazon's strategy becomes providing the quickest delivery. Hence the Amazon Prime speedy delivery promise and the talk of innovative delivery methods such as the use of drones.

*Innovation by all.* Innovation at Amazon is centred solely around whether business case holds water. If the business case is solid, then Amazon will run with it. And all employees, not just a select few, are engaged with coming up with innovative business ideas. A departure from the "top down" approach to innovation, the company has mature processes in place to quickly and effectively deal with innovative ideas.

*Edging out the competition.* For just about every product one may google, one finds that Amazon has the lowest price, even if it's only slightly lower. Amazon uses predatory pricing to edge out competitors so that they become the only place people look to shop online. Indeed, the goal is to become the world's largest retailer.

*Globalization.* Amazon has been said to have been close to reaching saturation in the US, with approximately 65% of US households having Prime memberships. In highly-populated countries such as India and Mexico, Amazon continues its expansion. Larger volume leads to the ability to price even lower.

*Career development.* Amazon's practice contradicts the "hire for career" practices

elsewhere where companies try to hold on to their employees for as long as they can. Conversely, Amazon, hires tech employees for a relatively short time, skimming their best ideas and productivity, and allowing and encouraging them to move on to further their careers, using their Amazon experience as a resume-builder. The double advantage is for the employee, the career development opportunity, and for Amazon, the ideas and innovations they have gleaned.

*Hiring practices.* Hiring decisions are made with consideration of values. Employees whose values are similar to those of Amazon perpetuating the Amazon culture.

*Differentiation.* Traditionally, differentiation is defined to be the uniqueness of a product or service offering, such as the most advanced product or the closest customer relations, but why not differentiate on the basis of cost? This is, indeed, Amazon's differentiating factor.

### ADAPT OR FAIL

Looking broader than the Amazon example, whereas the approach of following one simple approach to competitive advantage has meant success for many companies, changes in the environment and competition can lead to demise. Examples of this are AOL's focus on dial up internet access, and Dell computer's online selling model. When things change, such as technology surpassing dial up internet, and PC marketing getting turned on its head by Apple, companies must adapt or fail.

In Defence, multiple opportunities exist to create a complex competitive advantage. At your next strategic session consider how other companies have built their success and what you can do to establish market leadership through creating complex competitive advantage.

**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](http://www.aerospacebizdev.com)