3.2: Competitiveness

What Does it Mean to Be Competitive?

Competitiveness refers to a firm's ability and performance in selling and supplying goods and services within a given market ("Competition (companies)", 2019). It's about how a company can win over customers to become their preferred choice. Competitive Advantage is achieved by offering better value than competitors through lower prices or higher quality. Key purchasing criteria include price, quality, variety, and timeliness. Customer decisions are influenced by these criteria when choosing a service or product.

Competitive Advantage and Key Purchasing Criteria

Competitive Advantage and Key Purchasing Criteria are two sides of the same coin in business. They both deal with why a customer chooses one company over another.

Competitive advantage is what makes a business stand out from its competitors. It's the reason a customer would choose their product or service over another company's offering. This advantage can come in many forms, like:

- *Lower prices:* Some companies can offer a similar product at a cheaper cost due to efficiencies or economies of scale.
- *Higher quality:* Some companies focus on building superior products that last longer or perform better.
- *Better customer service:* Companies that prioritize customer experience can build loyalty through strong support.
- *Unique features:* A groundbreaking product or service can create a competitive advantage if it fills a specific customer need.

Understanding what motivates buyers is crucial for any organization, regardless of who those buyers are. These motivators, known as Key Purchasing Criteria, are the factors that influence buying decisions.

The Customer isn't always a single person. Sometimes, it can be another company. For example, imagine the City of Toronto buying heavy-duty trucks for park maintenance or Toyota searching for a new supplier of car windshields. In both cases, key purchasing criteria will guide their choices.

Key Purchasing Criteria are the factors that influence a customer's buying decision. When customers consider different options, they will weigh these criteria to determine the best fit for their needs. Here are some common factors:

- *Price* – Firms must understand how much the Customer will pay for an item. If products are seen to be very similar, the Customer will choose based on price.
- *Quality* – Many customers are willing to spend more to obtain a product with specific characteristics or brand reputation. Not only are we considering a product with a great design but also one that is long-lasting and defect-free.
- *Variety* – A part of the market values the opportunity to choose from a wide variety of products. They look for options to change the style, colour, dimensions, or technical characteristics.
- *Timeliness* – Some customers care greatly about how long it will take to obtain the product or service. For companies in the transportation business, this will be a key necessity to gain new customers. This can also be related to the capability of the company to deliver at the time that they had promised.

By understanding their competitive advantage, a business can tailor their marketing and sales to resonate with a customer's key purchasing criteria. This increases the chance of the Customer choosing them over the competition.

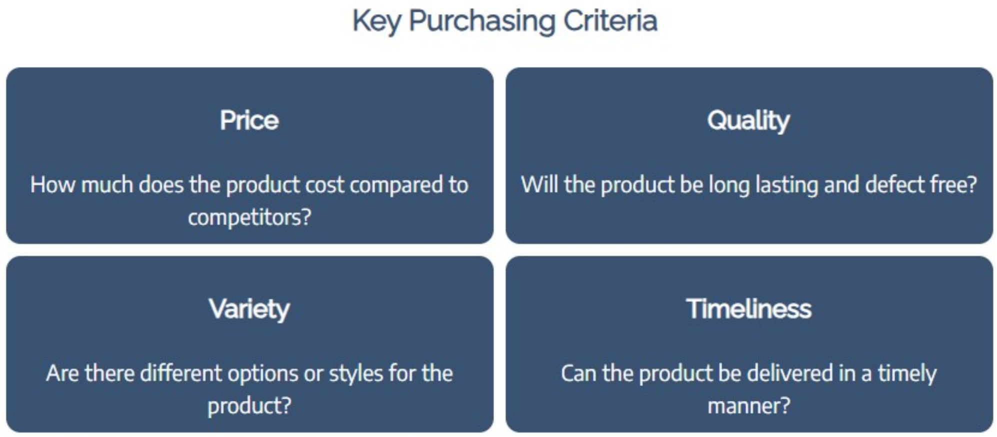

Figure 2.2.1: Categories of key purchasing criteria.

Order Qualifiers vs. Order Winners

Two essential concepts related to purchasing criteria are order qualifiers and order winners, which were initially introduced by Terry Hill (Hill, 2000). When making significant purchases, customers evaluate which characteristics are non-negotiable requirements and which can influence their decision.

Order Qualifiers

These are the non-negotiable features or requirements that customers expect. If a product or service lacks these characteristics, customers will seek alternatives.

For example, minimum safety features and air conditioning might be order qualifiers for a car. In Smartphones, customers expect a minimum level of battery performance, a certain level of display quality is essential, and the phone must function reliably.

Order Winners

These characteristics differentiate a product or service and lead to winning the Customer's order.

Order winners can include new technical features, attractive warranties, service agreements, or competitive pricing.

Over time, what was once an order winner may become an order qualifier and vice versa. For instance, air conditioning in cars was a novelty (order winner) in 1989 but has now become an expected feature (order qualifier). Regarding the example of Smartphones, a superior camera with advanced features can be a decisive factor; a visually appealing and distinctive design can attract customers, and innovative software functionalities set a product apart.

Marketing teams must understand their customers' order qualifiers and order winners. Operations should promptly address these requirements to meet customer expectations.

These concepts evolve, so businesses must stay attuned to changing customer preferences.

Competitive Priorities

In the world of business, every company wants to be the champion. But how do they win? Operations Management plays a critical role by focusing on four key areas that customers care about cost, quality, flexibility, and speed.

Cost: Keeping it Affordable

Imagine customers who only want the best deals. For these price-conscious shoppers, companies need to be cost champions. This means finding ways to cut waste and get the most out of everything they have. They become ninjas at identifying and eliminating unnecessary steps in their operations. Reducing mistakes (defects) also saves money, so these companies keep a close eye on quality to keep costs down. Think of it like this: the less you waste, the less you spend!

Quality: Products Worth Bragging About

Some customers value quality above all else. For them, companies strive to be quality kings and queens. This means creating top-notch products and figuring out the best way to make them. Imagine the marketing and engineering teams working together to design amazing products that meet Customer needs precisely. Then, the manufacturing team ensures these products are built perfectly every single time. It's like a two-part recipe for success: a great design and a perfect production process, both working together to satisfy happy customers.

Flexibility: Adapting on the Fly

What if customers want lots of choices and new products all the time? In that case, companies need to be flexibility fighters. They achieve this by using equipment that can handle many different tasks, like a Swiss Army knife of the business world! They also keep some extra space and resources on hand to ramp things up quickly. Imagine having employees who can wear many hats and switch between tasks or machines easily. This allows these companies to get new products to market fast and switch between making different products in a flash. They also want to be able to adjust their production levels quickly if demand changes. Think of it like this: the more adaptable you are, the easier it is to keep up with customer needs.

Delivery: Getting There Fast

Sometimes, speed is king (or queen!). Companies whose customers value fast delivery need to be in the delivery dash. Imagine companies like McDonald's or Amazon – they're all about getting things to you quickly and efficiently. This means having streamlined processes and being super fast at providing their products and services.

These competitive priorities are also outlined in the chart below. By understanding these competitive priorities, operations managers can make strategic decisions to give their company the edge and become the ultimate champion in the eyes of their customers!

Customer's priorities determine a firm's strategy.

Customer's priority	Firm's strategy
Cost	Minimizing product costs and waste, maximizing productivity
Quality	Designing superior, durable products, minimizing defects
Flexibility	Adaptability in product design and output, utilizing general-purpose machinery and multi-skilled workers
Delivery	Maintaining reliable and speedy delivery services

Fig. 2.2.2 Matches customer's priorities with the firm's strategy.

Trade-offs in Operations: The Balancing Act

Have you ever tried juggling? It takes practice to keep all the balls in the air! In operations management, it's similar. There are many important things to focus on, but you can't necessarily be the best at everything all the time. This is because of trade-offs. Imagine a company that wants to be the absolute cheapest (cost champion). To make fewer mistakes (defects), they might switch to a higher-quality part. But guess what? That usually costs more! This is a classic trade-off between cost and quality.

Just like juggling different colored balls, there are trade-offs between flexibility and speed. If a company wants to offer many choices (flexibility), it can get complicated to make everything quickly (speed). Think about a pizza place that makes everything from hand-tossed dough to gourmet toppings. It might take longer to get your pie compared to a place with just a few basic options.

Every decision in operations management involves a balancing act. By understanding these trade-offs, companies can determine what matters most to their customers and focus on excelling in those areas.

Core Competencies

Imagine a bakery famous for its mouthwatering pies. What makes their pies so good? Maybe it's a secret family recipe, perhaps it's their generation of baking experience, or maybe it's their special touch for creating flaky crusts. This special something is like a company's core competency.

Core competency is a business term that means a company's unique strengths and talents. It's what makes them stand out from the crowd, just like the secret ingredient that makes those pies so delicious.

This idea of core competencies came from a Harvard Business Review article, 'The Core Competence of the Corporation,' written in the 1990s.

Core competencies are the resources and capabilities that comprise the strategic advantages of a business. A modern management theory argues that a business must define, cultivate, and exploit its core competencies to succeed against the competition.

Many things can contribute to a company's core competency. It could be their amazing employees, equipment, a secret formula they hold (like a patent), or even their awesome brand reputation.

The key thing is that a successful company knows what it does better than anyone else and why. Their core competency is the "why" behind their success. By identifying and using their core competency, a company can become the bakery everyone raves about or whatever industry they're in!

The Core Competency Checklist: Three Must-Haves

In an article, C.K. Prahalad and Gary Hamel came up with a special checklist to identify core competencies.

1. A core competency should deliver a superior value or benefit to the Customer. Think about McDonald's fries. They might not be the most gourmet, but they're tasty, consistent, and affordable – a win for customers who want a quick and reliable fry fix.
2. It should be difficult for competitors to imitate. Imagine Apple's stylish designs. Sure, other companies can make phones, but Apple's unique design and user experience blend is tough to replicate.
3. A core competency should be rare. Only some companies can have the same strength. Take Walmart's buying power. Their massive size allows them to negotiate incredible deals with suppliers, giving them a big advantage over smaller competitors. (Twin, 2023).

These three conditions are like a secret code for identifying a company's strengths. If a strength checks all these boxes, then it's a core competency. By focusing on these core competencies, businesses can become the McDonald's of fries, the Apple of style, or the Walmart of low prices, dominating their competition!
