

How to be a killer competitor

Tony Manning

In times of increasing uncertainty, a cool head and common sense are invaluable business weapons. When others are flapping, and frantically trying to apply the latest management tools, it's a good idea to remind yourself what actually matters and to work at it with a vengeance.

So what is it that makes the difference? What really works – and what doesn't? It's so simple, you might think you're not reading right.

To be successful, every business has to apply three principles:

1. Focus on your "right customer"
2. Drive value up
3. Drive costs down.

The same principles work for everyone. Whether you're selling cheap fashions, foreign travel, or farm equipment, you either abide by them or fall by the wayside. It's a hard fact of competitive life.

No manager can safely say, "I don't have to focus ... my customer is everyone." Or, "The value we offer now is as good as it gets." Or, "We've got our costs down as low as they can go."

Focus is critical because unfocus leads to an array of problems. It causes you to waste your precious resources – money, time, brainpower, distribution capability, and all else – on the wrong customers. Instead of aiming at the few individuals or companies that will buy the most, pay the best prices, stay loyal, be least demanding, teach you what you need to know for your next foray, and speak well of you, you'll wind up with the dogs. The 80/20 rule will work against you. You'll squander yourself on customers you should leave to someone else.

Having decided who you want to deal with, you now have to work like hell to improve their perceptions of the value you offer. The reason? Your most dangerous competitors are doing just that. They're innovating rapidly,

upgrading or radically changing their offerings, and making bold new promises. If you don't counter them early, you may not counter them at all. Customers have a short attention span and are easily distracted. Give them a chance, and they flit away.

Then there's the cost challenge. This is always a hard

adding value, but simply serving the wrong customer. When your aim is wrong, it doesn't help to use better bullets. If you don't adjust your sights your misses just get more expensive.

Managing costs is such a fundamental issue, you'd think that rooting them out would be a taken-for-granted matter. But it's

complete understanding of your industry, its competitive dynamics, and its potential.

Along with the "where" decision, you need to decide what to offer. You can't do everything. You have to be outstanding at something that matters to your chosen customer. Companies that try to be "great all-rounders" are asking for trouble.

Competitiveness is everyone's business. Your whole team needs to be part of the process. They need to understand what you're trying to do, which customers count (and which don't), and what they can do to make a difference.

Day after day, they need to be managed in a way that will make them eager volunteers in the race to the future. They need the information, resources, and support that will let them perform. And they need to be prodded and praised; challenged, trained, and stretched to the limits of their potential.

Across the world, 2003 was a tough year for business. Competition is becoming fiercer in every sector. This year will see even greater hostility in the business arena. But by becoming a champion of focus, value, and costs, your company can gain the high ground and hold it for a long time.

*Tony Manning is an independent consultant in competitive strategy, and the author of **Competing Through Value Management**. He can be contacted at (011) 884-2635 or strategist@tonymanning.com.*



one. Costs have a nasty way of sneaking up on you, unseen until they're a deadly burden. "Sunk costs" – money you spent in the past – are especially difficult to get rid of. They linger in empty factories, obsolete machinery, useless technology, people with the wrong skills, stocks of unsaleable goods, and much else.

When you talk about cutting costs the argument is always, "We can't do that because value costs money."

In fact, what really costs money in most firms is not

not. You have to aggressively drive them out of every area of your business.

To be competitive, you have to keep delivering more for less – and keep moving the bar. The further and faster you can improve, the harder it will be for others to keep up.

Deciding where to focus is obviously a key strategic decision. Choosing your "right customer" is not something you can leave to your sales team or ad agency. Nor should the task be given to anyone without a