

Three Questions to Find Your Competitive Advantage



As a leader, you must align the efforts of everyone in your organization behind a clear, compelling and inspiring vision for your organization.

You must build your vision on your competitive advantage. Warren Buffett refers to competitive advantage as “the moat that protects your company” and it is the number one factor he looks for in a company.

Today I want to help you determine what your competitive advantage is so you can build an inspiring future for your organization based on what you do best.

1. Who Do You Serve Best?

Since your organization exists to meet a human need, competitive advantage must start with your customers. Who do you serve and what do they value?

A competitive advantage results in a desired outcome for your customers (speed, convenience, consistency, image, etc.). How you maintain it is internal (people, processes, investments, patents, etc.).

Your organization wins because of the outcomes created for your clients. The outcomes are why your customers buy. How

you consistently deliver those outcomes is your competitive advantage.

As an example: Southwest Airlines’ customers value a low cost, low hassle and fun ride to their destination. Southwest delivers to these customers by not charging for the first two checked bags and not charging a fee to change your ticket. It is the only major airline that does not charge change fees. Every process in the Southwest organization is designed to keep costs low, hassles low and fun high.

You likely serve many different customer segments, but only one of them is your best customer. This is the customer type you serve best, they get the most value out of what you provide, and you are passionate about serving them. They are or will be your most profitable customer.

Know that your best customer today may not be your best customer in the future. Watch demographic and preference trends so you can predict who your best future customer will be. What your core customer of the future values will differ from what your current best customers value. You will need to develop systems and services to serve them while you serve your current number one customer segment.

As you focus on serving your core customer group, others customer segments will still choose you because they like what you are providing. Do not let a customer segment that is not your primary customer group cause you to lose focus. Do not spend precious organizational resources where they are not

most needed. Focus your resources on delivering maximum value to your core customer group. You cannot be everything to everyone.

2. What Do You Do Best?

You, your team and your organization do a lot of things well, but there are just a few things you are the best at in your industry. Are you the lowest cost producer? Do you serve a specific market especially well? Is your customer service better than your competition's?

Ask your core customers why they do business with you. Ask enough of them and you'll begin to notice a theme. You are now getting close to your competitive advantage.

3. Why Do Your Best Customers Buy From You?

Now, you have a list of the outcomes you produce that are demonstrably better than your competition and a list of what your best customers most appreciate about your products and services. What is at the top of those lists? These outcomes are most likely produced by your competitive advantages.

The outcomes – service, price, speed, etc. – are not your competitive advantage. How you produce those outcomes better than anyone else is your competitive advantage.

How Southwest prices; how it hires, trains and rewards its team members; the planes and routes it chooses; and its culture are the

systems that produce the outcomes. The combination of all those systems and processes make up Southwest's competitive advantage. The complicated web of systems all focused on delivering value to its core customers are very hard to duplicate and why Southwest has been the best performing airline for over forty years.

Double check your list by making sure you can deliver the outcomes better than anyone in your industry and that your target customers buy from you because of these outcomes.

How can you continuously improve upon your competitive advantage? You cannot maintain your competitive advantage sitting still.

Are you ready to start building an inspiring vision powered by your competitive advantage? If you are, head over to our [Resource Page](#) and check out our free tools to help you get started or give us a call at 229-244-1559.

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