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**SUBSTANCE AND PROCESS OF CREATION OF
INTEGRATED COMPETITIVE ADVANTAGE**

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A competitive advantage in the global market is not a simple individual benefit for a consumer but a complex set of attributes raising of satisfaction his/her needs. However, it must be multidimensional and a company must create an “integrated product” which provides the consumer with expected parameters, and at the same time, something extra. It is necessary to create a new type of a competitive advantage — an integrated competitive advantage. A company can built its integrated competitive advantage with a new approach of satisfying customer's needs in the following principle: to supply customers with special benefits together with the lowest selling price of a product and reducing other costs and resources of a customer. The basis for creating integrated competitive advantages must be a process of systematic strategic marketing analysis. The advantage of such an analysis lies in that it can help to create permanent active competitive advantages and facilitates getting ahead of competition.

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Introduction

Both the deepening globalisation and the rising saturation of the world market force the firms to intensify their interest in competition problems. Also the competitive advantage has to be understood more widely than it has been so far. The success in the world markets consists in finding a set of extraordinary, unique qualities representing a special value for a particular part of the market and providing them in a better way than the competitors are able to.

Principle of Integrated Competitive Advantage

Generally, the merit of the competitive advantage is perceived as a firm ability to produce and sell products and services more valuable than competitive products.[2] A value of a product is given by the degree to which the customer values the whole ability of the product to satisfy his/her needs, which naturally motivates his/her buying behaviour. When deciding the customer investigates and evaluates values of individual offers and tries to optimise the total net benefit obtained from the bought product. A rational customer selects the offer bringing him/her the biggest so-called consumer value added.[4] It is a difference between what consumer acquires — total consumer value (a collection of acquired benefits) and what he/she inputs into it while evaluating, acquiring and using the product — total consumer price (a collection of “prices” expended on evaluating, acquiring and using the product). Total consumer value is derived from how consumer perceives and evaluates acquired products together with joined services, a quality of serving personnel and image of the company he/she buys the products from. It is evident that the better the attributes of offer from the view of a consumer are, the more valuable they are for him/her. The consumer price depends on buying price, time consumption, invested energy and psychical load with which the customer's effort of evaluating, acquiring and using the product is connected. We should be aware of the fact that the consumer perceives all these attributes of a consumer price complexly. A low buying price of product does not automatically mean a low consumer price — if the product is not available and he/she must search it, or if it often breaks down during usage and much effort is necessary to put it again to operation. The customer must dedicate a lot of time, energy and psychical power for buying and using it according to his/her ideas, which increases its total consumer price.

The competitive advantage creating means managing both parts of consumer's value added because only then is it possible to find an offer configuration and target market service which leads to the biggest consumer's value added, i.e. bigger than competitors offer — to the competitive advantage. It is possible to acquire it only by finding the way of offering the customers an

exceptional consumer value added which the competitors do not provide at all or not with the same parameters.

Today's literature recommends creating the competitive advantage based on single parts of the consumer value added, not on their suitable combination, mutual co-operation and harmonisation. Porter [9] recommends to create two types of the competitive advantage, either the advantage of low costs (decreasing total consumer price) or the advantage of differentiation, based on perfecting products or services or personnel or image (increasing total consumer value). In our opinion this approach is overcome nowadays because it suggests devoting effort to only one part of the consumer value added and in its frame building the competitive advantage on single contributions. We suppose that it is necessary to offer customers the whole collection of contributions and, i.e. both those increasing total consumer value and those decreasing their total consumer price. Porter's conception of the competitive advantages in principle eliminates many variants of products and ways of target market serving resulting from synergy between single parts of total consumer value and total consumer price. It then creates a pressure on the development of all company resources and abilities that are necessary for more suitable and more effective satisfaction of customer desires. Also Kotler's conception of three types of the competitive advantages [5] — the advantage based on charging of lower price, the advantage based on decreasing other costs of a customer and the advantage based on increasing individual value for a customer by offering individual adaptation of products and services for him/her — is, in our opinion, limited. Though he takes into account more aspects of offer beneficial for customer than Porter, he (like Porter) recommends to devote attention to only one part of creating customer value added — either decreasing of total customer price (the advantage based on charging lower price or the advantage based on decreasing other costs of a customer) or increasing total customer value (the advantage of increasing individual value for a customer).

However, the customers nowadays demand conceptually quite new ways of satisfying their needs or increasing individual value by offering individually adapted products and services together with the lowest consumer prices. All the time they want more and more perfect products, services and care about the products — often unexpected and thus more attractive, connected with low consumption of resources for their buying and using. For these reasons we suppose that when creating an integrated competitive advantage it is always necessary to build the competitive advantage on more components, i.e. on all which can contribute to increasing customer value added, not only to total customer value or total customer price.

We cannot take in the competitive advantage as a simple individual benefit for a consumer but as complex attributes raising his/her need satisfaction. This competitive advantage must be multidimensional and company must create "*integrated product*" which provides a consumer with all expected parameters at

the same time and something extra. It is necessary to surprise consumers pleasantly with better supply than competitors to gain different and important position in the mind of consumers. It is necessary to create up-to-date new concept of the competitive advantage in principle respecting the present conditions in the world markets — *integrated competitive advantage*. We take into consideration two conceptions of this advantage — conception of quite new manner of customer need satisfaction or conception of individualisation (perfect product and services accommodating to specific customer needs), but both connected with low total customer price, to rationalise maximally the resource consumption at customers, distribution channels and producers.

Process of Creation of Integrated Competitive Advantage

In the contemporary turbulent, global and hypercompetitive environment it is always more difficult to create the competitive advantage on the target market for companies. Dynamically changing market environment forces the companies to create their offer for maintaining their competitiveness so that it fulfils all expected parameters together and brings something in addition to customers all the time.

Nowadays, the success in the market does not consist in individual things but in continual searching and creating the whole collection of unique and extraordinary qualities which represent a special value for particular parts of the market and which the company is able to offer better than competitors.[3] Multidimensional comprehended getting ahead of the competitors — the integrated competitive advantage — can only be acquired by the company which always tries to find new and surprising ways of creating a bigger customer value added and provide it. This is possible to reach not only through perfect offering expected collection benefits, but above all revealing and satisfying for the moment unknown latent needs, whose satisfying makes customers pleasantly surprised and inspired. The higher the actual consumer value added is in comparison to the expected, the stronger is customer satisfaction feeling. [4]

The conception of the integrated competitive advantage asks for quite different actions at its identification. To reach it, we can use analysis of strengths and weaknesses of competitors as a certain base.[8] This process is insufficient for identification of competitive advantage because it is based only on comparing resources and abilities of competitors and it does not consider if and to which extent these resources are important for increasing customer satisfaction. At this analysis Kotler [4] admittedly proposes at first to map the current wants of customers, those that customers let know, to measure their satisfaction and the level of resources and abilities of simple competitors, which are for customer's satisfying necessary. It is evident though, that on this base created competitive

advantage is not able to last long, because it does not bring anything surprising for the customers. These days only that company can be successful that is capable of coming up with new more perfect ways of satisfying customer resting in a whole set of special benefits valuable for the customers. It is necessary to take it into consideration at building identification, or better to say, at creating the integrated competitive advantage for target markets.

We propose to use as a basis the dynamic conception of strategic marketing analysis (hereinafter SMA BU).[7] SMA is a systematic researching of a company external and internal environment resulting in the identification of market opportunities and threats and in the company capability to exploit these opportunities and to eliminate the threats. SMA is constituted by many particular phases (analysis of total market environment, customer analysis, strategic market segmentation, competition analysis in single market segments, macroenvironment analysis in single market segments, estimating of demand and forecasting of sales in single market segments, analysis of single market segments attraction) which are logically connected and considered as the basis for strategic marketing planning. It asks to built a modern marketing information system supported a contemporary information technology [1]. For identification of integrated competitive advantage, on the basis of which we can then define certain competitive strategy, it is necessary to take the steps involved in Fig. 1.

General Analysis of Overall Market Situation and Market Development and Company's Position in It

For integrated competitive advantage creation it is at first necessary to analyse the degree to which single factors of macroenvironment and development of microenvironment can contribute and create the unique, specific and profitable conditions for company competing in the market. They influence with what a company can acquire the customers and how it can profile itself in the market. It determines the optimal structure of all benefits for customers on which the integrated competitive advantage is based.

In this respect R&D environment seems the most influential in a lot of industries. R&D conventionally leads to creating quite new or substantially modified products, marketing practices or technological processes which enable the company to supply "more perfect", more surprising products and services and, in comparison with competition, to satisfy customer wants more valuably.

The conditions for the competitive advantage creation also depend on overall macroeconomic situation of countries where producers and customers are seated. However, this affects the possibilities of development of all business exchange participants and significantly influences suitability of single concepts of

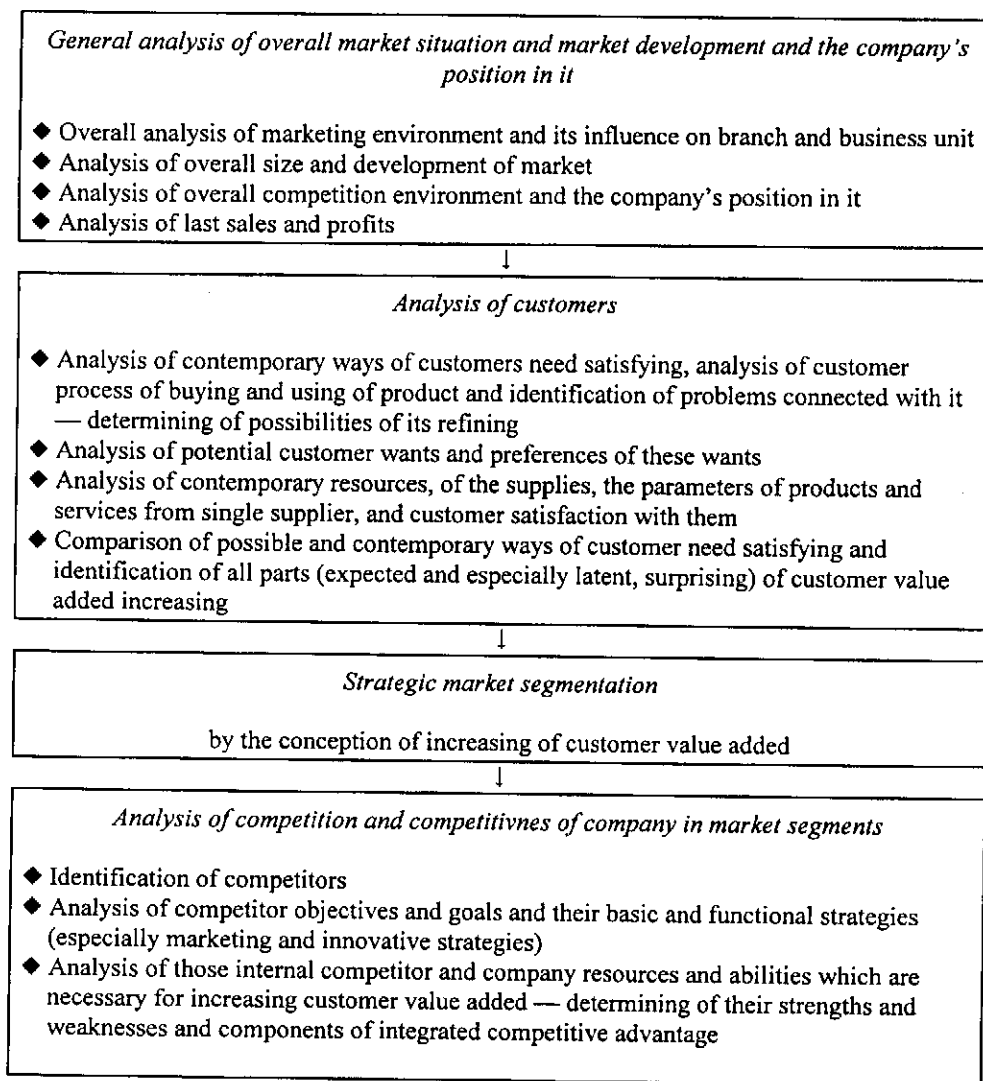


Fig 1 Process of creation of integrated competitive advantage

the integrated competitive advantage beneficial in certain conditions.

Market environment globalisation is strengthened by the role of political and legal conditions for business, too. Although some political arrangements can support a company competitiveness (for example patent protection, government donation, R&D grants etc.), on the other hand others significantly restrict it (for instance antitrust arrangements, norms for level of environment contamination etc.). From an international point of view an overall political climate in target territory and international relations between exporting and importing country play a significant role. Import then can be supported or made difficult by taxes, duties,

importing quotas etc. This plays a decisive role in supporting company in the market.

A structure of supplied benefits for customers depends to a high degree on climate conditions of production and distribution, geographic location of the producer and his suppliers and also on ecological pressure from public.[10] Essentially, in a global measure all our companies can take advantage from the unique location of a "central-european producer". The area of ecology of production and ecology of consumption cover a lot of possibilities of further improving which world public essentially values and therefore they represent a meaningful circumstance for the competitive advantage creating.

The knowledge of demographic and sociocultural environment in the target markets is important for using adequate selling practices, the ways of product presentation and the work in the market. It is evident that specific socio-cultural development in selling territories also generates certain unique buying and consumption behaviour with industrial manufacturers and it creates limiting conditions constituting the integrated competitive advantage parts most efficient for the supporting company in target markets.

In our opinion, in order to get the optimal constitution of the integrated competitive advantage parts in the target markets with products determined for other manufacturing, it is necessary to watch how much product consumption and using possibilities of particular business units develop in the world and in individual territories, and to deduce what demand tendencies can be expected. However, it is not sufficient merely to quantify the demand development. It is necessary to search who a buyer is and what structure and mutual relationships of customers are. At present, significant integrating tendencies in a lot of industries are evident when mergers are carried out and business partners join into chains. As a result, a smaller number of great mutually related companies rise. This generates a significant rising of customer negotiating force and their buying and consumption behaviour changes, which influences their needs and requirements for service.

Subjects on supply side react also to integrating tendencies in demand side. The effort of industrial producers devoted to connecting companies into greater entities is more and more evident. If they want to be successful in dynamic and global market environment, they have to use the synergies running from integrating and connecting into chains. As a result, more often the great "players" decide about market events, the number of market subjects decreases. Success in the market and ways of competing and being successful frequently depend on the fact whether or not the company is a part of these connected corporations. The level of subject integration in the supply side and the degree to which the company takes part in it then determines the concept of company integrated competitive advantage. Not always the circumstances allow to create competitive advantage based on continuous modernisation of products and ways of serving target

markets. This can be afforded only by great multinational chemical companies with strong R&D background and capital capabilities due to the high capital consumption of this concept. For most companies it is similarly inadvisable to create the competitive advantage on a low selling price basis because it requires to reach the lowest costs in industry along with guaranteeing high level product and service quality. Mostly one eliminates the other. If company has a "follower" position or a "niche" position (position of most chemical companies in the Czech Republic), there is, in our opinion, only one suitable competitive advantage concept based on individualisation and even better supply and service adapted to customers according their specific desires. Adapting should be better than competitors' together with decreasing the customer costs through a more rapid and more fluent product buying and elaborating at the customers' venue.

It is necessary to accentuate that the analysis of overall situation in market environment and a company position in it is a necessary starting point for creating the integrated competitive advantage in single target markets. In our opinion, it is necessary to carry out other analyses described below.

Customer Analysis

In our opinion a basic way out for factual integrated competitive advantage creating is a systematic customer analysis which is to be done actively and creatively.

The analysis of present ways of customer needs satisfying, their buying and consumption processes of products leading to their possible improvement & perfecting is crucial for creating a modern concept of integrated competitive advantage. Unfortunately, this key phase of the whole process is either neglected or it is not paid care at all in most chemical companies in the Czech Republic. So these companies, at the very beginning, lose an opportunity to reveal possibilities of surprising and better satisfying the customers.

Thorough understanding of satisfying customer ways, knowledge of their problems and commitment to creative solutions enable the company to specify not only contemporary wants, but also their potential (only particularly conscious and often to this time unconscious, latent for customers) customers' wants and desires. It is also necessary to find out about customers' preferences in terms of supplier choice and priorities of single product and service parameters. Following analysis of present suppliers, their product, service and serving way parameters and the degree of customers' satisfaction with them, then enables comparison of potential customers' wants and priorities with reality and consequently reveals increasing customer value added areas (conscious but also unconscious, latent, surprising). The knowledge of customers' buying and using process is an essential assumption for the possibility to identify whether the present way of customers' needs

satisfying is in harmony with the way they should be satisfied. As far as a producer recognises in what and how to facilitate and improve his/her customers buying, it often generates ideas and recommendations for better adjusted products, services and other parameters of satisfying customers' needs. Nowadays it is becoming clear that only those producers able to react quickly to their customers' conscious wants and able to reveal and create solutions otherwise not demanded by the customers but enthusiastically appreciated by them in case of receiving them, can enjoy the success. This is the question of understanding and developing of subconscious customers' wants, the wants they themselves do not even express yet. This piece of knowledge draws on the fact that the customers usually miss enough prudence and knowledge for having a clear notion about the best way of their needs satisfaction. Supplying unexpected solution can be perceived as very valuable. It is necessary to bear in mind that the customers need a change and, therefore, competitive companies all the time have to keep contact with their customers' needs and to predict possible needs changes in the future.

Strategic Market Segmentation

In case customers differ substantially in ideas about an offer and concept of service, what they consider valuable, what they think over, ask and prefer when choosing a supplier (which becomes evident in their buying and consuming behaviour), then they have to be classified into different segments. Market segmentation allows concentration of limited business resources to effective markets and creation of an offer in harmony with customers' wants and preferences into single served markets. Strategic market segmentation is a necessary presumption for the process of deciding about the optimal integrated competitive advantage structure in each of the selected segments. The merit of the segmentation rests with dividing the market according to the concept of increasing added value for customers and thus a possible concept of the competitive advantage and resulting competitive strategy.

Competition and Competitiveness Analysis of Company in Market Segments

After competition identification process an analysis of present and estimation of future objectives and goals would follow. Then basic and supporting strategies (especially marketing and R&D strategies) of competitors and also analysis of internal resources and capabilities of competitors and the company itself should be treated. These are necessary for increasing added value for customers, their evaluating and consequently disclosing their strengths and weaknesses and stating attributes of the integrated competitive advantage.

At first it is necessary to determine who competes the company or could compete it in single target markets and what are their objectives and goals in those markets and how and with what they compete the company (which are their basic and supporting strategies). It is necessary to perceive the competition not only from the point of view of the brand but as high as to the level of various ways of customers' needs satisfying. As mentioned before the competitors in chemical industry cannot be perceived isolately but it must be taken into account into which competitors' integrated grouping they belong, which spheres of interest of these grouping are, and how it projects in their competitive force in the market. From this point of view their objectives and their basic and supporting strategies should be evaluated, i.e. if and how they will expand the business or whether they will keep it or whether they will inhibit it or whether they will entirely release it from their business unit portfolio in future — only them alone or in integration with other subjects from their marketing microenvironment.

Via identifying the structure of competitors and their behaviour in the market, it is possible to determine if and on which level they have their strategic resources and capabilities necessary for satisfying every target market segment' needs and expected and latent wants. The integrated competitive advantage then results from unique and valuable company resources and from company capabilities to co-ordinate and use them effectively. Two different approaches can be used for their determination: functional approach [6] and approach using a value chain [9].

Functional approach distinguishes important resources and capabilities according to individual functional areas as follows: capabilities to research and to develop, capabilities to produce, marketing capabilities, capabilities to finance company activities and development and capabilities to manage a firm. The whole firm capability to meet target markets desires, wants and preferences is then evaluated according to these criteria.

For competitive advantage identification based on a value chain it is desirable to segment the company into a set of partial value-creating activities each being a part of a company value chain. The value added for a customer is being created only in the value chain. The value-creating activities can be divided into two basic types: primary activities and supporting activities. The primary activities include physical creating and producing of a product, its selling and delivering to a customer and services for a customer. The supporting activities focus on gaining resources, technology, human resources and different company functions. The value-creating activities are mutually related. Their links represent relations between the way of performing one value-creating activity and another value-creating activity connected with it which effects the quality of the care about customers and resources consumption on these activities. The value-creating activities through their level, relations and existence in a firm determine the firm distinction from the competitors in terms of costs and other special non-price

benefits and consequently determine an integrated competitive advantage of the firm.

After specifying strategic resources and capabilities needed for satisfying of potential customer wants and desires, we have to evaluate and on its basis to determine strengths and weaknesses of competitors and the company and to identify their and the company's integrated competitive advantage. Not all company's resources and activities are equally important, and so we should consider only those essentially important for fulfilling preferred customer wants and desires. In order to determine competitors' strengths and weaknesses in target markets, it is necessary to compare levels of their individual strategically important activities with the competition. The result determines whether key resources and capabilities of individual competitors are sources of their:

- *Competitive advantage (strength)*. They are company resources and capabilities important for customers' preferential needs and wants satisfaction and they give producer an excellent advantage in comparison with their competition. The competitive advantage and subsequently strategy positioning are built on these bases.
- *Basic preconditions for business*. They are prerequisites of the firm keeping up in a certain competitive environment and they are not a source of a competitive advantage.
- *Key weaknesses and field of vulnerability*. They are company resources and capabilities the company misses or lacks to compete effectively.

As we illustrated earlier strengths and weaknesses determination would follow the active revealing and creating of potential, up to now unconscious, latent customer wants and preferences.

Conclusion

It is becoming apparent that in contemporary global and hypercompetitive environment companies cannot build their competitive advantage and position on simple special benefits for customers but it is necessary to offer them the whole collection of extraordinary benefits as an integrated product. It calls for building and creating an integrated competitive advantage on the target markets. These unique benefits should lead to increasing value added for customer and therefore they should relate to both increasing total customer value and also to decreasing total customer price. The individual parts of value added for customer have to be unique and extraordinary for customers. To reach it at creating integrated competitive advantage, it is not enough that companies only passively react to wants expressed by the customers but they must necessarily initialise the changes in customer needs satisfying. That is for better, perfectly and effectively customer

serving in future by a certain unique way for the customer, than a competition will. We claim that creating an integrated competitive advantage should start from active searching and creating not only those customer wants and desires, which he/she notifies but also from those which are hidden, latent parameters of satisfying of his/her needs. The substance of this process is to build a competitive position, which leads to permanent company prosperity and grow-up.

The basis for creation of integrated competitive advantages must be a process of systematic strategic marketing analysis of business unit, especially its phases "Analysis of overall situation in the market and company position in it", actively approached "analysis of consumers" leading to revealing not only current, but also latent, often subconscious customers wants and desires, "strategic market segmentation" on the basis of preferred concepts of satisfying customers' wants and desires" and "analysis of competition and ones own position in target market segments". The advantage of such a succession of analyses is that it can help to a permanent active multidimensional integrated competitive advantage creating and facilitates getting ahead of competition.

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