Death Of Competition
Why Competing is KILLING BUSINESS
And what you can do about it...

Stephan Stavrakis
(No, Scratch That...) The Extinction Of Competition

So you think competition is good, huh?

“Businesses are dying because of competitive and bottom-line thinking”

In the early days of business, people thought that business was like sports or war. You had to do whatever you could to stomp or kill the competition. Back then that may have made sense because the supply and demand chain was completely different.

The choices a consumer had were maybe a few dozen. There were “competitors” but nowhere near as many as we have today.

“A little competition never hurt anyone”

The operative word is “little.” Today with millions of choices available to the consumer, the competitive mindset forces business owners to feel like they are just a “Drop in the bucket” of market share.
Businesses suffer when they compete...

Times are changing and many great businesses are falling by the wayside. When a business fails it’s quite easy to blame outside factors, like the industry, the product, the economy and, let’s not forget, the “competition.”

Coffee Chains: Tim Hortons a chain of coffee houses, lost $43.4 million trying to “Break in” to the US market “It was just a highly saturated market of quick service restaurants,” said Spokesman David Morelli. "It was not just one competitor. There were several...”(November 11th, cnbc.com)

Airlines: Since 2001 airlines have lost $60 billion because of federal taxation and “market saturation”(January 8th, www.nytimes.com)

Car Manufactures: By confusing the essence of his business with numbers, Akio Toyoda has dug himself into a very large hole(Record-Breaking Recalls...) . By turning Toyota's obsession from quality and reliability to sales and profitability, he may have unwittingly destroyed the reputation -- the brand -- that took four decades to create. (www.coolmarketingstuff.com Feb 27th 2010)
Change happens whether you want it to or not...

It’s no longer just about blaming. It’s about taking responsibility. Things must change, and they must change now. It’s prevalent in small, medium and large businesses.

Most businesses today are dying a slow death because owners are generally focusing on exactly the wrong things - the competition and the bottom line.

Every minute focused on competitors or the bottom line is one minute taken away from creating the real moneymaker for any business, a magnificent customer experience.

This is why customers are losing trust and respect for business in general!

“Every minute focused on competitors or the bottom-line, is one minute taken away from creating a magnificent customer experience”

Millions of dollars are spent every hour of every day on marketing, advertising/PR trying to out-do, out-hustle, out-maneuver and one-up the competition, wasting vital resources that could be used in creating an amazing customer experience.

This purpose of this paper is to debunk the dangerous mindsets and activities that create commoditized markets due to competitive and bottom line thinking. In other words, why your best intentions are actually killing your business.

The goal is to put the focus back on the customer and begin to position businesses to restore trust and respect from the customer.
YOU are the reason your business is a commodity.
Stephan’s Maxim: Competition = Commoditization

Commodity definition:
A commodity is a product or service for which there is a demand but which is supplied without any real differentiation by multiple suppliers. Commodities have pricing that is basically universal no matter who produces it. To customers commodity items are all the same.

As such, goods and services that could formerly command a premium price have become commodities because their brands have been white-washed in the mind of the consumer.

Competition definition:
Competition is a contest between individuals, groups, nations, animals, etc. for territory, a niche, or a location of resources. It arises whenever two or more parties strive for a goal which cannot be shared.

Competition occurs naturally between living organisms which co-exist in the same environment.

Business is associated with competition since most companies believe they are in competition with at least one other company over the same group of customers.
It’s a common phenomenon, and gives you a 1% chance of success even if you are the best.

As companies use their resources to “out-do” or “one-up” the competition, they drop the ball and forget to focus on the value provided to the customer. Forgetting about the customer makes customers suffer the consequences of the competition “bloodbath”.

This creates nothing but confusion and frustration to the consumer, because every company is fighting to get a piece of the ever-shrinking pie.

A commoditized market case study: Toothpaste
There are hundreds of brands of toothpaste out there that DO EXACTLY THE SAME THING: Clean teeth.

Imagine for a moment you didn’t have a preferred brand of toothpaste. You go to the toothpaste aisle in your supermarket and see two HUGE walls of toothpaste about 40 feet long and 7 feet high. How do you pick? How do you even begin? You’d be left utterly confused and frustrated.

Or what if your brand was going off the market? Now what?
There are so many styles and brands to choose from. Why? Because the market has too many players doing exactly the same thing: trying to sell tooth paste.

An example of a virtually “new” market in the toothpaste market is “sensitive teeth” toothpaste.

Currently there are only about 3 different toothpastes for the “sensitive teeth” market so there is not that much of selection.

If a company uses the words “better” or “best” in their marketing it might work for a while because there is less competition.

However, when other companies finally notice and the “sensitive teeth” market becomes riddled with “competitors” (like the “whiter teeth” market) the bloodbath will start anew.

The “sensitive teeth” market will be commoditized and it will be next to impossible to gain profitable market share.

As you can see, Commoditization happens when supply outweighs demand in the marketplace.

The last thing the market needs is another “cell phone,” another “plumber,” another “insurance agent,” another “computer company…”
In Short, Competition = Commoditization.

This doesn’t mean that these people can’t go out and become profitable in the market, they just have to create a distinct differentiation through innovative thinking and positioning.
The competition mindset versus the positioning mindset

**The competition mindset** creates nothing but stress and anxiety for the business owner, and ultimately forces them to think about what the competition is doing rather than what the customer really wants and would be willing to pay anything for.

Let’s face it, if business owners listened to their customers and focused on the quality of the experience instead of the quantity of deliverables, they would have more fun creating more value for the customer.

**The positioning mindset** is different. It focuses all the business owner’s attention on providing the most “USEFUL” and “UNIQUE” experience the customer could ever want. The idea is to appeal to a single niche of a market rather than everyone with a pulse.

Positioning is fully customer focused. In order to succeed in positioning, a business must find what’s missing in the market and begin to meet the needs of that specific consumer. When that unique need is met, the value instantly goes up because there is no longer any comparison, and more can be charged. This creates a WIN/WIN situation between customer and business owner.

The positioning mindset is about creating a unique, emotional and specific experience for a market so it can’t help but buy! The positioning mindset allows you to stop being just “another company” and helps you become the only company to do business with.
It’s all white noise

You can’t open a newspaper, listen to radio/tv ad or even see online advertising messages today without getting overwhelmed with commoditized messages.

Every moment of the day we are being bombarded by advertising and marketing messages. These messages that sound, look and feel the same.

Attention getting is getting less effective

If you ask most advertisers, they’ll tell you ‘attention getting’ methods have become less effective. You can easily check this for yourself by Googling “marketing effectiveness.”

For most companies, what worked 5-10 years ago is either not as effective or it’s taking far more money, time and resources to get the same level of attention. (and usually it’s less)

This is causing companies to jump on the next “big thing,” whatever it may be, for which they end up spending inordinate amounts of money on marketing or advertising methods that are merely a flash in the pan result.
The big 3 common commoditized messages

Attempts to get consumer attention are being ignored, because virtually all marketing messages are “White Noise” by now. Everyone is saying the same thing. All these messages are using one or more of, what I call, the big 3 “Hey Look at Me!” positioning methods.

The “We are better” message

You can’t open a newspaper or listen to the radio today without being bombarded by ads telling us how much companies are “better” they are than their competition.

- We’re the best company!
- We have 30 years of experience!
- Pick us! We are the best!

However you slice it, or say it, the message you are left with is “Pick my business because it’s BETTER”. As consumers we are bombarded with this nonsense thousands of times a day.

The message is heard so many times that we simply tune it out. Yet, in the common marketplace, this is the de facto standard message we get from vendors.

Hence, as consumers, we are now immune to it. It’s a waste of time, money and energy because it’s being ignored.

(Blacked out to protect the guilty...)
The “Hey, look at our new features!” message

If the “we are better” messaging doesn’t work, the next default is to attempt to make something “Better” by adding different features to the product/service.

This type of activity is a common thing in the cell phone market. When some company comes out with a cool feature, then you get a slew of other companies trying to outdo them by adding more features to the phone, or making better features.

BlackBerry is trying to compete with iPhone with their current advertising using the “Hey, look at our new features!” messages.

They are so poorly positioned at the moment, and the more they try to out-do iPhone the more they are going to commoditize the BlackBerry and pretty soon it won’t matter if you have a iPhone, BlackBerry, or Android.

Although the company won’t die (at least not soon) it will surely lose major market share in the next few years. They need positioning and fast....

As tempting as this may seem, all feature positioning does is confuse the market, destroy customer loyalty and again makes the product or service into a commodity that can be price shopped.
The “We have the best price!” message

When all else fails, such as the market doesn't buy the idea of a better product or a cooler feature, the only thing left for the business with a competitive mindset is to drop the price to grab some market share.

This is a last resort that most businesses default to in order to position themselves “differently” in the marketplace by being the “Best Price.” But this isn’t differentiation. It’s desperation!

Although sometimes the “we have the better price” message can work as a short term positioning strategy, more often than not when the company tries to differentiate on price, it forces everyone else in the market to follow suit, like airline “fare wars.”

When this happens the profit margins suffer and, ultimately, the quality to the customer suffers.

These three common positioning practices are slowly killing market share, marketability and ultimately the business itself.

When the profit margins suffer, the customer suffers from poor quality of product/service thereby ultimately decreasing the trust the customer has in that product or service and the market as a whole.
Monkey see - Monkey do - Monkey starve!

When you sound like everyone else, and do what everyone else does, the quality of your offer will suffer, prices will go down and the market will lose trust and respect and become frustrated and confused and buy less. PERIOD.

This is the Monkey see - Monkey do business model.

The economy is not the problem. The method of marketing is not the problem. The medium used for advertising is not the problem.

“The problem is the MESSAGE...”

Because of the increase of focus on competition, businesses have lost the ability to create innovative and distinctive messages that speak to the exact wants and needs of the customer…you know, the people who actually buy the stuff!

• Everyone sounds the same.
• Everyone looks the same
• Everyone talks the same
• It’s all THE SAME...

Sameness is making all products and services into commodities in the mind of the consumer, forcing them to make buying decisions based on the lowest common denominator: price.
Why the competition is really killing your business

By now you realize, that focusing on competition automatically creates commoditization.

The problem with this level of thinking is far more costly to you, the business owner, than you realize.

The more you do the more the cost

The cost of doing business goes up because you are doing MORE. By doing more you instantly increase your cost of doing business.

Example: Restaurants open longer hours, add more items to their menu, and cut labor in attempts to increase profit. This at first might sound appealing. However what’s not taken into account are the consequences of these actions. Time, money and energy required to open longer, with less staff, and provide more, creates inefficiencies that together end up costing the business way more money than just money.

More marketing, more advertising, more social media, more trade shows, more phone calls etc.
Profit margins take a nosedive
When you are in competition, the price or your product/service is based on your competitor’s price instead of the price that corresponds to the value of the experience the customer is getting from you.

Market share gets smaller
If there are 1000’s of other people saying and offering the exact same product/service you are, supply exceeds demand and you’re all fighting for the same customer. This over crowds the industry which leads to price and feature wars.

The slices of the market pie get thinner and thinner and if you don’t have enough money to out-spend the competition you’ll go hungry.

Value suffers
Perceptually, the more choices for the “same thing” the consumer has, the more they begin to de-value the thing.

If the consumer does not have a DISTINCTIVE choice, then they default to “What’s the cheapest price?” because, to them, “it’s all the same anyway!”

Immediately this decreases the value of whatever you offer regardless whether it’s really amazing or not. You cannot fight what goes on in the consumers mind. Period.
It’s a rat race, not a business
When you compete you are no longer in a business that’s fun, exciting, motivating or inspiring. You are in a whole different kind of rat race disguised as a business. How do you know if you are in a rat race?

Here are some clues...

- High return rates
- Your customers aren’t getting what they expect
- You are working harder
- You are making less or the same
- Constantly trying to FIND customers
- Customers are comparing you to the other guy
- You are giving away the farm to make a sale
- Costs are increasing profit is decreasing
- Customer acquisition costs are high
- Trying to stay ahead by creating more and more
- You can’t figure out why people aren’t buying
- Seeing small ROI on your campaigns etc.

Then you need positioning.
The Ultimate Positionist

Steve Jobs the owner of Apple computer Inc. is known as world renowned business magnate, and inventor.

We think of him as the man behind Apple’s differentiation position. The man builds UNIQUE and different products and services with giddy enthusiasm.

I don’t know this for fact, but I believe his “prime directive” is to build elegant distinctions in Apple’s products/services.

Elegant distinction Example 1:
Apple’s service reps are called “Geniuses”. Not only is that name unique to Apple’s services, it’s a genius name because it honors both the service rep and the customer experience simultaneously.

Elegant distinction Example 2:
Macs can never be mistaken for another computer everything from the color, to the shape to its simplicity. You know when you see a Mac, it’s a Mac! iPod Nanos come in PINK! Excuse me?? Pink? When was the last time you saw an MP3 player from Sony in PINK??

Elegant distinction Example 3:
Steve Jobs requirement for elegant distinction in all his products and services created the award winning, “Hello, I’m a Mac. And I’m a PC” ads which very clearly show the world how Apple is different.
Just 3 examples of the many that proves that Steve jobs has positioning as his main prime directive for business.. Let’s see if it’s profitable?
Positioning = Profit

The main way to gauge the success of a company is to look at their stock performance.

When Mr. Jobs returned to Apple in 1997 (Arrow 1), the stock skyrocketed from 20 dollars to 300 dollars in just 10 years. (As a side note, while Steve was away he bought Pixar Inc. for 5million and later sold it to Disney for 7.4Billion)

Rarely do you ever find Apple products on sale NOT EVEN ON BLACK FRIDAY. Apple sets prices, and the customer experience. Mr. Jobs makes sure that all distribution channels are customer experience focused.

The result is a controlled environment regardless of what organization or company is marketing their products/services.

The graph on the right proves that a controlled non-competitive approach increases profits for the company period.

Mr. Jobs Returns To Apple. Around $20 share

$300+ Increase
It’s counter intuitive

Although companies are generally in business to create more income, the fear of differentiating and carving a unique niche market is avoided because specialization is seen as going after a market that isn’t big enough and profitable enough to maintain, let alone grow, a business.

The broader the market, the more the competition. The more competition, the more commoditization. The more commoditization, the lesser quality and lower price. The lesser the quality, the worse the customer experience. The customer ends up suffering and their trust and respect for your company plummets.

Broader Market = Competition = Commoditization = Less Quality = Bad Customer Experience

The simple solution?

Positioning completely bypasses the problem of commoditization and the competitive mindset. Changing the focus from competition to positioning helps the business owner focus on the customer rather than the bottom line or the competition.

Positioning automatically provides more value to the customer because a proper position can’t be established unless the business owner is looking for an unfulfilled hole in the marketplace, which demands a completely customer focused approach rather than a “what will make us more money” approach.
Is Perceptual Positioning™ the Death Of Competition?

By focusing on quality, the value to the consumer increases, thereby allowing the price for the product/service to increase. This drives higher profit margins. This allows the owner to make more money with less effort.

Based on this focus, businesses that make themselves unique become “The Only” business that offers what they offer.

History shows us if a business becomes “The Only” that business creates an unprecedented opportunity to increase profits by focusing on nothing but value and quality for their market.

By being “The Only”, businesses can increase profit margins, lower costs, increase quality and ultimately increase the level of trust and respect by the customer. This, in turn, creates a “LOYAL” customer for the life of that business.

Although there are many methods to position your business to be “The First” in a market. We believe that it’s no longer good enough to be the first. The new solution is to become “The Only”
Seven Elements of becoming “The Only” Perceptual Positioning™

Perceptual Positioning bypasses the problem of commoditization and competition. Perceptual positioning makes your company the “Only” one to do business with! This is the way to create a win-win relationship with your customers.
1. Credibility

Creating a credibility perceptual position allows the business owner to create credibility in the prospects’ mind so that the customers feel they’ve made the right decision.

For many years the credibility of “safe & reliable vehicle” is associated with Volvo. Volvo spent millions of dollars creating the credibility position that their product the safest vehicle on the road. This customer focus, made Volvo the worlds most reliable vehicle in the mind of the consumer.

The question the credibility position answers is:

“What gives you the right to do what you are doing?”.

2. Identity

When this perceptual position is established correctly, the customer feels like they are a part of something bigger, something that goes beyond your product or service.

A good example of identity perceptual positioning is Nike. Nike has create a zealot like following by making people that wear their clothing feel like “TOP athletes” so the Nike customer goes through a virtual identity change when they put on the clothes.

The question the identity position answers is:

“Who am I when I use this product/service?”
3. Value
The value perceptual position is about making something valuable the moment the customer sees it, hears about it, or experiences it. You automatically have a general idea of the value of a Ferrari, the moment you lay your eyes on it. There are several factors at play to create a value perceptual position.

The question the value position answers is:

“What is this product/service truly worth?”

4. Categorical
The Categorical perceptual position is when you create a category in the target market that makes you first to market with the particular product or service. This perceptual position is your niche, and what makes you unique in the market place.

There are many elements to creating a new category. The last page of this paper shows you how to get a complimentary video on how to create a categorical position.

The question the categorical position answers is:

“What makes you unique in the market place?”
5. Image

When positioning your business, your target market usually already has a preconceived notion about it. When your image doesn't match that preconceived notion you are creating “Psychological Incongruence”. This is when you or your message don’t match what the customer expects.

Example - Mercedes is a Luxury Car. However, they also sell mid-market (low priced) vehicles with the Mercedes brand name. This doesn’t match what the customer thinks about Mercedes and therefore creates “psychological incongruence”

The question the image position answers is:

“Do you or your message match what the customer thinks?”

6. Familiarity

This perceptual position is based on the fact that you or your business message is being disbursed in as many exposure media as possible. Exposure mediums are anywhere your message can be seen or “exposed.” Newspapers, email, articles, podcasts, blogs, websites, radio, t.v. facebook, twitter etc. are exposure mediums.

The question the familiarity position answers is:

“Are you creating multimedia buzz?”
7. Continuity

This perceptual position is based on the idea that trust is built through consistency. The continuity position is created by picking the mediums that captures your market and exposes your message to them over and over, so that the market knows they can rely on, and get comfortable with, the way you communicate to them.

The question the continuity position answers is:

“How often are you talking to your market?”

Combine the 7 elements together, and you’ll EARN trust and respect from your marketplace which in turn gives you “The Only” position.

These are the seven elements of “Perceptual Positioning™”

Designed out of observation and assistance of 100’s of successful companies that are “The Only”

Each area is a building block that builds on the last. When we build the entire perceptual position your company becomes “The Only” company to do business with. Period!
Who’s Stephan Stavrakis?

Give Stephan Stavrakis 5 minutes and he will turn your business upside down while bringing into focus lucrative opportunities missed by everyone in your market.

You'll be banging your head and wondering: "Why didn't I think of that?"

Stephan has worked with 1000’s of businesses owners and has logged over 13,000 hrs of one-on-one coaching and consulting, moving business owners from "me,too" positions to being “The Only" business in their market, while exponentially increasing their sales and bottom line.

Stephan has worked with many well-know best-selling authors, speakers and trainers as well as high profile brick & mortar businesses. Stephan is a highly sought after speaker for the insights and humor he brings to the stage. He is consistently rated as thought provoking and practical by the business audiences he addresses.

As Founder and CEO of 3D Thinking & Training Ltd, Stephan designed a straightforward, practical approach to increasing sales and profits, called “Perceptual Positioning”.

In a world where consumers actively resist marketing becoming "The Only" is more important than ever.

He is a master practitioner in NLP, and was voted “The World’s 'Only' Perceptual Engineer and Positioning Strategist” by his piers.
Now what? How do I use Perceptual Positioning™ in my business?

As a way to introduce this new positioning method to the world, I’ve created a video that explains one way to do Categorical Perceptual Positioning. The video has 2 parts.

**Part 1:** is a more detailed explanation of perceptual positioning and how it will revolutionize the way business is being done.

**Part 2:** is for the business owner who would like an easy way to create a new and distinctive market to dominate simply by becoming “The Only”

This perceptual position that allows you to:

- Identify one or many profitable distinctive markets
- Start to become “The Only” even if it is the world’s most crowded market
- Create your own category that has no competition
- Make competition irrelevant...

Click To See The Videos...