

Is Core Competence 'Core' of the Business?

Differentiation in the eyes of customer is more important than differentiation in the eyes of company to win in the market

Customers don't buy core competence but the attributes of the product, the true differentiators. Core competence is *inward out* but customers look for *outward in*, the differentiating attributes. Companies' singular focus on building core competencies is not the sure path to success. Companies should focus on attributes that truly distinguish in customers' eyes for consistent success.

It is the customers who decide what attributes are differentiators, not the management. Customers' choice is actually based on the offering's attributes – not on the basis of company's core competence. In spite of it, companies still compete based on their core competence.

Differentiation strategy is a marketing strategy where a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

Differentiation can be achieved through better functional design or features, distribution timing, expanded distribution channels, distributor location, brand reputation, product customization, and enhanced customer support.

Michael Porter developed three generic strategies, to gain competitive advantages: differentiation, cost leadership and focus.

Instead, companies should focus on attributes what customers' value and then develop core competencies that deliver these key attributes, the salient differentiators. Many B2B companies focus on what they do rather than focus on what customers want. Core competence is no more a 'core' competence.

For example, British Airways customer survey has asked respondents to name top three reasons for their choice of one airline over another. They rated (1) safety, (2) route, and (3) schedule.

Though, safety, route, and schedule may be the most important attributes, when all players are equal on these key attributes, customers make purchase decision based on some other differentiators i.e. salient differentiators such as flyer miles, flat beds, on-time performance etc. The three attributes 'safety, route, and schedule' are no more differentiators, where you can even lose business. These three attributes are necessary but not sufficient; they are must-haves only.

Companies have to make sure 'must haves' right, but focus on the 'salient differentiators' that brings the success. Of course, there is a possibility of turning the 'must-haves' into salient differentiators. For example, Boeing's 787 Dreamliner, has turned 'route' into salient differentiator for both Boeing and customers. Boeing's 787 can travel long distances non-stop with 20% fuel-efficiency which is strategic advantage for both the Boeing Company and the airlines, of course a salient feature for customer.

Core competence is necessary but not sufficient, salient differentiators are more important attributes in the eyes of customers. Companies have to compete smarter, not harder to win customers.

Topic	Course
Differentiation (strategy): Marketing and competitive strategies: Unit 10.6	Marketing Management

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