CAN COMPETITIVE ADVANTAGE BE ACHIEVED THROUGH A SINGLE FORCE?

REVIEWING MARKET BASED FACTORS LEADING TO A COMPETITIVE ADVANTAGE

UNIVERSITY OF TWENTE
MSc BUSINESS ADMINISTRATION

OGUZ URAL
ABSTRACT

This paper provides an overview to theoretical and practical findings on the source of competitive advantage. More specifically, the study focuses on a single force which is barriers to entry, that is believed to be strong enough on it’s own to deliver competitive advantages. The findings are based on ten case study analyses, showing that economies of scale, customer captivity and proprietary technology are a strong source of competitive advantage that eventually lead to high barriers of entry. Our findings show that a combination of economies of scale and customer captivity will deliver the most competitive advantage in a market based view. Proprietary technology alone is not strong enough as a competitive factor as it can be easily imitated by others. Therefore, the study proposes companies to focus on economies of scale and customer captivity and try to position themselves in tightly drawn markets rather than big contested ones, meaning that they should position themselves in markets with higher barriers to entry.

*Keywords: competitive advantage, strategy, generic strategies, barriers to entry*
1. INTRODUCTION

1. Current situation

“All strategy is local”, states B. Greenwald and J. Kahn, adding that true competitive advantages are harder to find and maintain than people realize. The odds are best in tightly drawn markets, not big, sprawling ones (Greenwald et al., 2005).

According to Greenwald et al. (2005) either existing firms in a market are protected by barriers to entry or they are not. There is no other element of competitive advantage that can have much influence on a company’s success. It is easier to operate and achieve competitive advantage in restricted markets where the barriers to entry are narrower (Greenwald et al., 2005).

Unlike Michael Porter’s competitive strategy where long term competition and imitation are dominant forces (Cool et al., 1999), avoiding competition and maintaining higher barriers to entry, are the lone legitimate cause of competitive advantage for firms already maintaining a market position in any kind of industry (Greenwald et al., 2005; Kim & Maubourgne, 2005a). Nevertheless, in competitive strategy avoiding competition has much to do with the resource based view of a firm where a firm’s unique internal resources help to limit imitation and enable a sustainable competitive advantage and higher rents (Barney, 1991; Amit and Schoemaker, 1993; Peteraf, 1993). However, in the context of this thesis, the study will analyze market based factors and how firms can achieve competitive advantage by positioning themselves versus their rivals. Therefore, the idea in this thesis is to look in detail at the balance between long term competition and beating rivals versus avoiding competition and creating uncontested local markets in the context of multiple case studies.

The goal of this thesis is to contextualize the theoretical contribution of Greenwald’s competitive logic and to test its extent of robustness by applying it to multiple case analysis.

The academic relevance of this study is twofold. First, the paper will test to which extent higher barriers to entry are dominant enough to lead to competitive advantages. The practical relevance of this study will be to help firms focus on the important external factors when trying to achieve a competitive advantage instead of wasting time trying to understand their external environment.
2. Problem definition

Greenwald et al. (2005) argues that firms need to focus on local markets in product and geographical space. He distinguishes between three different factors that make up competitive advantages through supply and demand: customer captivity, proprietary technology and economies of scale.

To pursue a sustainable competitive advantage, firms need to build competitive advantages that are applicable to new customers. Customer captivity is a dynamic feature that can and will die off as customers are aging over time (Greenwald et al., 2005). New customers attracted by the market, are not necessarily attracted by a specific firm. Firms can expect customer captivity to dissolve over time and therefore it can just by itself never be a competitive advantage. The same can happen to proprietary technologies as technologies have a certain life cycle after which they will either become too casual or not be produced anymore as customer interest shifts to different products. Also in this case, one cannot consider proprietary technology alone as a competitive advantage (Greenwald et al., 2005). However, the power of economies of scale is exactly what new customers who are looking for new technologies are after. Therefore, Greenwald et al. (2005) believes that economies of scale is really the key element to achieve sustainable competitive advantages. Holding a significant superior share in the market that you are operating in as a firm and not leaving enough for others is the easiest way to keep competition at distance thus having higher barriers to entry. That’s something that could be easily realizable in local product or geographical space.

3. Research question

Every company needs the full understanding of its product scope and geographic scale. In the past there were quite a few examples in the industry where companies blindly tried to expand in markets out of their scope and where they were crushed by the competition. Companies that are trying to get into markets where they have no experience and knowledge are going to lose. It is not necessarily the right approach to enter a new product market just because that market is profitable (Greenwald et al. 2005). Greenwald et al. (2005) suggests that when your strategy is local in product and, or geographical space, you have very good chances in pursuing a sustainable competitive advantage. The research question that the study intends to tackle is as
To what extent can competitive advantage be achieved through creating higher barriers to entry?

The thesis is divided into five chapters. The first chapter gives an introductory situation and problem formulation, explaining why it is important to study Greenwald’s point of view in achieving a competitive advantage. The second chapter focuses on a literature review, explaining the generic strategies of key researchers such as Porter that have had an impact in the area of competitive advantage. In the third chapter, the paper outlines the research design and methodology and the data collection. In chapter four, the focus is on applying key findings on generic strategies argued by Greenwald. With the help of case studies, the paper will outline to what extent higher barriers to entry are the only legitimate factor leading firms to a competitive advantage. Chapter five will be used to recapitulate major findings in this paper and propose issues that shall be studied in the future.

2. Literature review – theoretical contributions to competitive advantage

1. Greenwald’s view on competitive advantage

According to Greenwald & Kahn (2005), the most important question before entering a market is to understand whether in that specific market, competitive advantages actually exist. If yes, the next question a firm should ask itself is what sort of advantages these are. Greenwald et al. (2005) restates some of the previously studied elements in competitive advantage by saying that there are three sorts of true competitive advantages present in a market that are either local geographically or in product space. A combination of these three sources will lead the market incumbent to a competitive advantage. The first one is supply advantages. Supply advantages cover the sphere of cost related advantages a firm has, being able to produce products at a cheaper price than the rivals. The ability to be able to build products at a lower cost can either come from privileged access to raw or other kinds of materials or through proprietary technology (Greenwald et al., 2005; Porter, 1987). The second advantage is demand. In a competitive market, some companies will have closer ties and access to market demand that the rivals don’t have or cannot have. This
advantage is simply based on customer captivity such as habit, costs of switching and searching for a substitute (Greenwald et al., 2005; Porter, 1987). The third competitive advantage according to Greenwald et al. (2005) is economies of scale. Economies of scale are based on the decrease of cost per unit as the volume increases due to fixed costs being the bigger portion of the whole total cost. In that case the incumbent will profit from lower production costs even with basic technology (Greenwald et al., 2005). Greenwald also emphasizes that competitive advantages can practically always be found in local circumstances (Greenwald et al., 2005).

A five forces framework with a dominant single force

Greenwald (2005) agrees with Porter’s view that substitutes, suppliers, potential entrants, buyers and competitors within one industry can have an affect on the competitive market. Yet, Greenwald turns his back on the argument that all of the forces are of equal importance. He emphasizes on one very important force that is barriers to entry, which Porter calls potential entrants. This one single dominant force, according to Greenwald (2005), is enough to restrict firms entering new markets or existing firms to expand their operations. Greenwald (2005) points out that there are two possibilities for firms in a market. Either they are protected by barriers to entry or they are not. According to Greenwald, there is no other force that can have as much influence on a company’s success of positioning. Industries without barriers will have their economic profits sucked up by players in the industry until there is no more return above the cost of the money that is invested. If in such an industry, higher demand allows firms to earn higher rents, other players will immediately notice this and these will immediately enter the market (Yannopoulos, 2007; Greenwald, 2005). Greenwald’s emphasis on barriers to entry is not a new concept. Bain (1956) defined entry barriers in terms of the relative advantage of established versus potential entrant sellers. McAfee et al. (2004) note various definitions from the literature, including: a cost of producing, borne by the entrant, but not borne by the incumbents (Stigler, 1968), a factor which makes entry unprofitable while permitting incumbents to persistently earn monopoly profits (Ferguson, 1974) and anything that prevents entry when entry is socially beneficial (Fischer, 1979). Porter (1980) identified eight key entry barriers. They are economies of scale, product differentiation, capital costs, buyer switching costs, government policy, access to distribution channels, cost advantages independent of scale and competitor retaliation. Porter (1985) identified
three broad strategies to deter entry. The first strategy is for the incumbent to raise structural barriers. The second strategy is to increase expected retaliation (thus increasing the risk of entry) and the third is for the incumbent to lower the inducement to entry. The third strategy is to lower the inducement to attack, for example, by reducing the attractiveness of the market, and thus reducing the entrant’s expectations of profit (Yannopoulos, 2011).

Supply advantages through cost reduction

Similar to Porter’s generic strategy cost leadership, Greenwald also emphasizes the importance of having a lower cost structure that should be impossible to duplicate by competition. Having a lower cost structure means that the incumbent has the ability to earn high profits, which rivals that want to enter the same market cannot due to higher cost structures. Lower cost structures can be achieved due to lower input cost or proprietary technology. Imitation of these would leave rivals with high costs and legal fees, which usually are avoided by the competition. According to Peter Thiel, founder of PayPal, proprietary technology has to be at least ten times better than its closest substitute in order to have a monopolistic advantage (Thiel, 2014). The only process that will take your business to a ten times improvement is a radical innovation (Thiel, 2014). For example, Amazon when launched in 1995 offered ten times more books than any other bookstore out there due to the platform it had created.

Demand advantages through customer captivity

Similar to the supply advantages, demand advantages can also be achieved by established players in a market. In order to achieve these kind of advantages, the incumbent must be able to access customers that rivals don’t have access to. Brand image and reputation by itself is not enough to achieve this advantage. If the rival would have equal opportunity to create and maintain the brand, the incumbent would have no competitive advantage and there would be no barriers to entry. Therefore Greenwald points out the importance of customer captivity. Incumbents to some degree need to lure customers and make them become captive to the incumbent. In terms of demand advantage, this is what gives the incumbent its preferred access in the market. However it may not be impossible for potential entrants to steal customers form incumbents. Price wars and free product offerings are some of the options that
potential entrants have to lure customers away from incumbents. Yet it will take time for any new entrant to easily steal customers. Unless they have found a way to produce the item or deliver the service at a cost that is below the price of the incumbent, which is not likely, either the price at which they sell their offerings or the volume of sales they achieve will not be profitable for them, and thus not sustainable. Therefore Greenwald believes that customer captivity is one of the strong forces that yield competitive advantage. The reasons why customers become captive to one supplier is habit and switching costs. Habit succeeds in holding customer captive when purchases are frequent and virtually automatic (Greenwald & Kahn, 2005). Habit is something local, meaning that it relates to a single product, not to a company’s portfolio of offerings. Switching costs come into play when customers are dependent on their current supplier due to substantial time, money, and effort to replace one supplier with a new one (Greenwald & Kahn, 2005). Network effects can reinforce switching costs. Software products are a good example of substantial switching costs. Yet it is not the only example. When suppliers are required to get more information about the needs, requirements and other valuable details of a new customer, there is always a switching cost involved for the latter party, additional work to do for the supplier to master this information (Greenwald & Kahn, 2005). Moreover search costs are a third element in customer captivity. Finding a new supplier might become costly for the customer thus they need to stick to their primary supplier. High search costs can be in place when products and/or services are crucial, complicated and customized (Greenwald & Kahn, 2005). On the other hand, search costs will be low when the information sought by the customer is easily available to him or her. Finally, Greenwald et al. (2005) emphasizes that habits, switching costs and search costs together are better competitive advantages than competitive advantages coming from supply or cost side. However, the advantages achieved can fade over time. Markets are constantly changing, as new customers are entering and are prone to be captured by any possible player in the market. Old customers might leave the market as the market becomes too saturated or due too natural reasons such as age, death etc. Thus customer captivity has its own limits in terms of how long a customer can stay captive to a firm.
Economies of scale

According to Greenwald et al. (2005), economies of scale are a very strong source of competitive advantage when linked together with customer captivity. The advantage of economies of scale is not just dependent on the size of the incumbent alone but really is dependent on the market share difference of the incumbent and the competitor or the rival. In order for economies of scale to be a competitive advantage it should be coupled with a degree of customer captivity. If the incumbent matches the price of its competitors, then with the help of customer captivity, it will be able to remain the market leader. Even though new entrants might be efficient in their business, they will not be able to match the economies of scale of the incumbent and thus their average costs of products will remain high. The incumbent will have the ability to reduce prices where it alone is profitable, increasing its market share, or wiping out every rival trying to match the low prices. Therefore, Greenwald (2005) believes that even combining economies of scale with a little bit of customer captivity is a powerful tool to create a competitive advantage. Porter (1990) agrees to the fact that sometimes early-mover advantages like customer captivity or economies of scale are enough to enable a stagnant company to maintain its position over years. Software companies have the privilege to enjoy big chunks of economies of scale, as the marginal cost of producing a copy of the product is almost nothing. Nevertheless, not defending your market share might leave your firm being caught up by new entrants who have reached your scale of operation due to access to similar technology and resources. However, if incumbents take the necessary measures to carefully defend their market share, then the odds are much in their favor. The best way for an established company in a market to defend its economies of scale is to match the moves of the competition. Another clear advantage of economies of scale paired with customer captivity opens up a path for new customers and new technologies.

2. Porter’s view on competitive advantage

In 1998, Porter developed a set of strategies that would help firms to lead to competitive advantages. He developed this set in a way of a framework that should enable companies to compete in any industry. Porter analyzed this aspect of competition through the five forces framework and suggested generic strategies in
1980, a recipe for competing effectively in industries and pursuing competitive advantages across their market scope.

Porter’s view on strategy was that, a firm needed to take two important decisions and both of these decisions were related to its position in the industry, called the market positioning leading to market share. Based on these decisions firms would need to choose between a low cost or differentiation strategy and would need to make sure how broad or narrow the market segment that they wanted to target was. Choosing between these strategies were neither firm nor industry dependent (Zekiri et al., 2011). From the three generic strategies defined by Porter generally firms pursue only one. However, some firms make an effort to pursue more than one strategy at a time by bringing out a differentiated product at low cost. Though approaches like these are successful in short term, they are hardly sustainable in the long term (Tanwar, 2003).

Generic strategies are known as the source an organization seeks to apply in order to achieve a long lasting position in the market. According to Porter (1981), there are three fundamental ways in which firms may be able to achieve a long lasting competitive advantage notably cost leadership strategy, differentiation strategy and focus strategy.

Cost leadership strategy
The cost leadership strategy is pursued when a firm finds and exploits all sources of cost advantage and aims to becoming a low cost producer in the industry. This strategy is about reducing costs along the value chain and achieving the lowest cost structure possible. In practice, a firm that is pursuing a cost leadership strategy offers a product range with acceptable quality but limited standard features in the market that it is operating in, in order to achieve a competitive advantage and maximize market share (Suner & Bayraktar, 2012). Going after a cost leadership strategy means reducing costs in the field of R&D and advertising. Next to economies of scale firms need to come up with cost reduction efforts through the experience curve, strict control over costs and overhead costs (Suner et al., 2012). Yet cost leadership has also its risks. Positioning a firm as a low cost manufacturer or service provider puts a high risk on the company. Cost leadership in itself is exposed to possible negative effects such as technological change that can wipe out past investments and can make past experiences and learning’s become obsolete. Also when pursuing a cost leadership strategy firms need to be aware of the risk of imitation by the competition as late
entrants have the advantage of low cost learning. In addition, firms might too excessively focus on cost leadership that they might not see the actual needs and preferences of customers. Furthermore an unexpected inflation in costs can upset firms by disabling their ability to offset product differentiation through cost leadership.

**Differentiation strategy**
The second generic strategy is the differentiation strategy. Differentiation strategy happens when a firm is seeking to be unique in its industry along some dimensions of its product or service that are widely valued by customers. A firm is pursuing a differentiation strategy when it gains an increased market share through differentiating its products or services within the sector of operation. The differentiation strategy can be applied in several ways: by providing better products and services, by providing better after sale services, as well as by a better image of the company (Zekiri et al., 2011). Suner et al. (2012) look at different dimensions of differentiation strategy. They divide the strategy in three groups. The first one is the market differentiation strategy. A market differentiation strategy is pursued when innovations are carried out in marketing activities rather than the product (Suner et al., 2012). Seeking for a positive company and product image, companies execute intensive advertisement and promotion activities. The aim is to make a difference in after market and customer service offerings. In addition, maximizing sales through analysis, planning, implementation and controlling sales force activities is a key point. The second group of differentiation is innovation differentiation. Innovation differentiation strategy is about enhancing product quality, performance and design. In practice, companies try to differentiate themselves by producing a product that is radically new in the market and in return are charging a higher price. In prominent business strategy literature various names are used for this kind of strategy: product development and diversification (Ansoff, 1965), performance maximizing (Utterback & Abernathy, 1975), prospector (Miles & Snow, 1978; Hambrick, 1983), high quality gendarme (Hambrick, 1983), innovators (Miller, 1988), innovation (Schuler & Jackson, 1987; Huang, 2001; Lillo & Lajara, 2002), quality enhancement (Schuler & Jackson, 1987), quality differentiation and design differentiation (Mintzberg, 1988), product innovation and development (Robinson & Pearce, 1988), product differentiators (Kim & Lim, 1988), innovator and broad liner (Douglas & Rhee,
The third and last dimension for differentiation is a hybrid strategy between market and innovation differentiation (Suner & Bayraktar, 2012). Just like the cost leadership strategy, the differentiation strategy also comes with risks. A differentiation strategy is at risk when there is increased cost differential between low cost producers and the differentiating firm motivates loyal customers to switch brands. This means that, customers are ready to sacrifice additional features for huge savings in cost. There is also the risk of competition that is able to imitate your products, narrowing down the perceived difference.

**Focus strategy**

The third generic strategy of Porter is the focus strategy. When a firm seeks a narrow competitive scope, selects a segment or a group of segments in the industry and tailors its strategy to serving them to the exclusion of others, the strategy is termed focus strategy. Porter (1980) and Miles et al. (1978) were the first ones to put forward this strategy in the field of their research. Compared to Porter’s view (1980), Miles (1978) focused on an efficient and effective production in a small market segment rather than maximizing the product quality (Suner & Bayraktar, 2012). The focus strategy as put forward by Porter (1980) in one aspect different from other strategies. Compared to differentiation and cost strategies, where a bigger audience and segment of customers are targeted, the firms that are following a focus strategy prefer to target a certain geographical location or a certain niche of customers. Going deeper in focus strategy, Suner & Bayraktar (2012) divide the focus strategy in three different groups. The first dimension of focus strategy is a focus on low-cost strategy, which is about competing in a smaller segment of the market with low costs and prices. The second group of differentiation according to Suner and Bayraktar (2012) is differentiation as firms produce products and provide services suitable to the needs and tastes of a narrow customer population. Many researchers in the field Porter (1980); Wright et al. (1992); Thompson & Strickland (1999); Hitt et al. (2007) call this dimension of focus strategy focus differentiation. Also the focus strategy entails some risks. If the cost differentiation is increasing between a broad-range competitor and the focus firm thus customers might shift towards the firm that offers a broad range of products due to lower costs.

The three business strategies Porter (1980) propounded (cost leadership,
differentiation and focus) specify the basic approaches that could be implemented in a competitive environment. According to Porter, it is impossible to succeed if a firm does not prefer one of these three strategies or implements two of them simultaneously. Porter defines this situation as being “stuck in the middle” (Suner & Bayraktar, 2012). Moreover, Porter claims that companies should choose either a cost leadership or differentiation strategy if they want to make profits and outcompete competitors. Also according to Porter, cost leadership and differentiation are two conflicting strategies. Yet it seems that over the years this thinking has been losing its conformity. Porter’s view may be accepted as true until the late 1980s when the business environments were constant (Kim, Nam & Stimpert, 2004). Constantly changing customer demands and a dynamic competitive environment has required firms to be flexible and apply the two strategies together (Suner & Bayraktar, 2012). Hitt et al. (2007) suggest that quality management systems, networks and production systems enable cost leadership and differentiation to be implemented simultaneously. In addition, according to Prajogo (2007), high quality increases the demand for products, which give the firm the chance to reduce the costs.

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*VRIN: valuable, rare, inimitable, non-substitutable

**Table 1: Theory overview**
3. Competitive advantage – reviewing activity position based theories

For at least two decades, the concept of competitive advantage has been central to the practice and study of strategic management (Rouse & Dallenbach, 1999). However, despite its prominence in both academic and practitioner fields for the past few years, the concept of competitive advantage continues to be vague (Flint, 2000; Klein, 2002). In the literature, it is not uncommon for scholars to treat competitive advantage as different things in their analyses. For instance, some scholars view it as superior financial performance (Peteraf, 1993; Ghemawat & Rivkin, 2001). Some researchers treat it as an attribute of the firm (Barney, 1991; Peteraf & Barney, 2003). Some researchers regard it as some types of strategies or activities that enhance financial performance (Ghemawat, 1986; 1991; Porter, 1996). Competitive advantage is something that is build up through factors such as operational efficiencies, mergers and acquisitions, diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and/or social influences intruding upon the market, conformity to various interpretations of socially responsible behaviors, international or cross-cultural activities of expansion and adaptation, and various other organizational and/or industry level phenomena (Ma, 1999a, 1999b; Flint and Van Fleet, 2005; King, 2007b).

According to Raduan et al. (2009), the concept of competitive advantage has been introduced when big corporations such as Sony, Toyota and Intel have managed to achieve and sustain a competitive advantage through management practices and approaches. Yet achieving a sustainable competitive advantage is not an easy task without a clear road map or a strategy (Flint and Van Fleet, 2005). According to many researchers, the pursuit of competitive advantage is a concept that plays a key role in most of the strategic management literature (Burden and Proctor, 2000; Fahy, 2000; Ma, 2000, 2004; Barney, 2001a, 2001b, 2007; Lin, 2003; Fahy, Farrelly and Quester, 2004; Cousins, 2005; Porter and Kramer, 2006; Liao and Hu, 2007). Also understanding the sources where competitive advantage is coming from has indeed become an often-researched field in strategic management (Porter, 1985, 1991; Barney, 1991; Peteraf, 1993; Ma, 1999a, 1999b, 2004; Flint and Van Fleet, 2005; King, 2007b).
Often the term competitive advantage is build upon three major research streams, covering both the internal and external attributes of a firm, namely activity position view, the resource-based view and the relational view. In the context of this study, the activity position view is key. Michael Porter is the proposer of this view through his works including the five-forces framework (Porter, 1980) and the value-chain analysis (Porter, 1985). Contrary to the resource-based view of competitive advantage (Barney, 1991; Peteraf & Barney, 2003), the activity-position view is focusing on the external environment (Jörgensen, 2008).

Ma (1999b) argues that competitive advantage happens through the different nature of firms along any dimension of firm attributes and characteristics that helps one firm to better create customer value than do others. Looking at the sources of competitive advantage, similar to Greenwald et al. (2005), Ma (1999b) argues that the ownership of assets or position; access to distribution and supply but also knowledge, competence and capability all lead to be causes of competitive advantages. Furthermore, in order to achieve and sustain this competitive advantage, firms need to be creative, be proactive and exploit generic sources, prevent rivals of taking advantage of these sources and/or limit them to pursuing any combination of proactive or preemptive efforts (Ma, 1999b). According to Tanwar (2003) and Yannopoulos (2011), competitive advantages involve taking offensive or defensive actions to create a defendable position in the industry.

Treacy and Wiersema (1995) offer another popular generic framework for gaining competitive advantage. In their framework, a firm typically will choose to emphasize one of three “value disciplines”: product leadership, operational excellence, and customer intimacy. Companies that have taken leadership positions in their industries in the last decade typically have done so by narrowing their business focus, not broadening it. They have focused on delivering superior customer value in line with one of three value disciplines (Treacy and Wiersema, 1993).

4. Propositions to achieve a competitive advantage
After having looked at different views on how to achieve a competitive advantage, it is now necessary to sum up the propositions that will be relevant for the case studies. For the sake of this study, higher barriers of entry will be coupled with greater financial performance, which shall be measured based on increasing or decreasing
stock prices over the years. The unit of analysis in this context will be ‘higher barrier of entry’. Based on the extensive literature review done at the beginning of this study, the following propositions can be concluded.

A. Higher barriers of entry are the only legitimate source to achieve a competitive advantage.

B. Combining economies of scale and customer captivity is a powerful source to achieve higher barriers of entry.

3. Methodology

1. Research design

Due to the nature of the study, a multiple case study will be conducted as it has been defined as being the most appropriate way to study the research question. Although case study methods remain a controversial approach to data collection, they are widely recognized in many social science studies (Zainal, 2007). Past literature reveals that the application of case study methodology can also be found in management studies (Zainal, 2007). As there are several categories of case study as noted by Yin (1984), this study will be a multiple case study, describing the phenomena of propositions of competitive advantages and their effect on companies. A multiple case study enables them to explore differences within and between cases. The goal is to replicate findings across cases. Because comparisons will be drawn, it is imperative that the cases are chosen carefully so that the researcher can predict similar results across cases, or predict contrasting results based on a theory (Yin, 2003).

The advantage of using a multiple case study is that the examination of the data will be conducted within the context of its use (Yin, 1984). In addition, the qualitative accounts produced in these multiple case studies will help to explain complexities of real-life situations, which may not necessarily be captured through experimental or survey research (Zainal, 2007). This multiple case study will help to show various sources of evidence why competitive advantages can be better sustained in local markets. Being able to replicate this over multiple case studies, the study will exclude the fact of sampling logic as it would have been the case with a single case study (Zainal, 2007).
2. Sampling and data collection

The choice of companies that were analyzed is based on the book “In Search of Excellence” by Peters and Waterman. The reason why this study is conducting case analysis out of this book is because these companies have been studied for over 25 years using structured interviews and literature reviews before earning their status of excellence. The extensive study of Peters and waterman has been concluded between 1979 – 1980. The idea was to “test” this excellence and understand to what extent Greenwald’s logic of earning a competitive advantage can be seen in other companies. The choice of companies has been done based on a simple random sampling methodology meaning that companies have been chosen randomly out of the book.

There are two main data sources in this paper. The first data source is a primary source, data that is directly gathered from the website of the respective company. The main information that has been studied on these websites were the annual reports, leading to basic interpretations on what competitive sources or risks may have caused an increase or decrease in revenue and profit. In addition, literature such as academic papers or books have been used to gather information around the companies that are studied in this paper. The second source of data is a secondary source, basing the information on various online business articles. In some cases Q&A interviews that have been conducted with previous employees of the companies that are studied in this paper, have been used as a basis to understand and define the degree of competitive elements.

4. Case study

In the following section, ten case studies will be conducted. Using a simple random sampling logic, the following ten companies have been chosen from the book “In Search of Excellence”: Wal-Mart, Procter and Gamble, Intel, Avon, Caterpillar, Hewlett-Packard, Polaroid, K-Mart, Emerson and Maytag. In Greenwald et al.’s (2005) study, Wal-Mart has been one of the few companies analyzed. As Wal-Mart is still part of our random sampling, it will be briefly studied. Each case study is consisting of information gathered through annual reports, business reports, employee interviews and business articles.
1. Wal-Mart
Wal-Mart demonstrates a good example of Greenwald’s generic strategies for achieving a competitive advantage. Location wise, Wal-Mart has been holding stores covering four states only. The stores were set up around the distribution center within 350 miles’ radius (Source: Annual report 1974). By starting in Bentonville and from there expanding its operations to neighboring villages, Wal-Mart has enabled economies of scale in terms of distribution. The closeness of each store has created a cluster network allowing Wal-Mart to succeed and become efficient in distribution, advertising and also managing the stores. Wal-Mart’s efficient distribution or EDLP strategy is not necessarily a proprietary technology and not possible for other firms to copy. In addition, Wal-Mart’s slogan of “everyday low prices” has attracted customers and kept them from going to the local competition, forming a habit with the customer. Search costs have not been present, as it would be easy to compare store prices and find out which store has the cheaper products. However some switching costs were in place, as customers would probably need to pay higher prices if deciding to not shop at Wal-Mart. As people are buying groceries on a constant basis, the stores with low prices and somewhat good quality will be the leader of customer captivity. As lower prices attract more customers, Wal-Mart has been able to keep its prices at a low level. Wal-Mart has also been very successful in expanding its economies of scale across different business units. Attracting customers meant being able to spread fix costs (marketing, depreciation, distribution, management and other overhead expenses) across a bigger revenue base. As the largest US supplier of groceries and retail, Wal-Mart is putting pressure on its suppliers by buying in huge amounts, forcing the suppliers to accept low prices and then selling it at low prices to customers.

However, Wal-Mart has been able to outperform rivals in many markets. Wal-Mart started off as a rather small discounter focusing on a small region in the US, the south and lower Midwest, where competition was limited. By the 1990’s the retail discounter spanned its geography from coast to coast, adding new stores such as Sam’s Club and distribution centers on top of its existing locations. One of the first markets where Wal-Mart could benefit from a competitive advantage was discount retailing within a specific region, so a local geography.
2. Procter and Gamble

In the last decade Procter and Gamble had entered too many new markets (particularly emerging markets, where incumbents were already positioned) too quickly, and the new products it brought to market have failed to resonate with consumers, as evidenced by the fact that its market share subsequently suffered (Source: Procter and Gamble Annual Report). In 2000 the company has undertaken some significant changes regarding its company strategy, aiming to reduce its cost structure and developing its differentiated business-level strategy in order to ramp up revenues and profits. Yet the barriers to entry in the international market were almost non-existent and in order to compete P&G had to develop an International strategy and still be benefiting from economies of scale. At that time, the CEO changed the structure of the company from a Global Product Structure, which is a standardization strategy to a Transnational Global Strategy, which considered the local requirements and needs of the customer base. This new structure considered the geographical dispersion of multiple marketplaces, respective specialization for particular brands and economies of scale in particular value creating functions. It has allowed P&G to further cut costs and still remain efficient in terms of customer responsiveness by adapting to local tastes and requirements. This aspect clearly shows Greenwald’s idea of achieving competitive advantages in local markets.

This strategy has allowed P&G to further combine cost reductions and oversee customer responsiveness by adapting to local tastes and expectation across different countries. It has enabled P&G to create a significant advantage over competitors due to the fact that distribution channels, logistics, supply chain, and manufacturing were coordinated in local regions by the respective local units and enabled P&G to lower its costs. The global standardized business units went down from five to three (‘global beauty care; global health, baby, and family care; and global household care’). This move was an additional strategic initiative to enable a sharper focus on the respective target consumer.

Procter & Gamble’s superior performance comes through the expertise of being able to innovate in products and processes (Dyer et al., 2004). It has done so by reviewing its global product structure in order to become more vivid in local markets. Even though partially, Procter and Gamble has implemented Greenwald’s local market positioning, it is not clear whether it has achieved higher barriers to entry in local markets. The company has focused on internal product and process innovation to
decrease its costs, meaning that it has leaned to a more resource based view.

3. **Intel**

Founded in 1968 in Santa Clara, California, Intel is an American company that specializes in the manufacturing of multinational semiconductor computer chips (Intel). Only based on the revenue, Intel is considered to be the world’s largest and highest valued semiconductor chipmaker. Intel started off as a small company producing semiconductors and processors and more importantly patenting their products so the technology and they ideas they used would become untouchable by the competition. In the 70’s Intel created its first microprocessor making it its primary business due to PC’s success. Patenting their products and technology allowed Intel to control a significant portion of the market, outperforming competition and driving profits almost due to the monopolistic situation it was in. In the 1990’s Intel pushed through with an aggressive approach to supply all PC computers with chips, leading to a 10-year deal with PC, to supply it as its main supplier. With the entrance of Apple Macintosh computers in the market and their need to be backed by Intel’s technology allowed Intel to benefit from high barriers to entry as it now was supplying the two largest computer manufacturers with semiconductor chips and leveraging from its patented technologies. Moreover, any follower of Intel into the semiconductor market would most probably fail because it did not have the customer captivity that Intel had secured with their 10-year contract with PC, nor the proprietary technology and the necessary funding for R&D and manufacturing of these chips on a large scale. Using its proprietary technology and patents to its favor Intel has been involved in many lawsuits with many companies including AMD (Advanced Micro Devices) about patent infringement.

Focusing on one primary product and strengthening its core business with long term deals, allowed Intel to benefit from high barriers of entry. Becoming a monopoly-like company, Intel benefitted from economies of scale and customer captivity as Microsoft and Apple became dependent on Intel microprocessors. This helped Intel to position itself in the market and becoming the market leader in semiconductor segment.
4. Avon

Avon is the world’s largest direct seller for beauty, fashion, and home products to woman in more than 100 countries through approximately 6.4 million active independent sales representatives (Hitt et al., 2014).

When Avon went global in the beginning of the 21st of century in a big and hectic fashion, believing that its future was depending on creating strategies in emerging markets such as South America, Russian and China, it has disregarded local competition and the low barriers of entry in these global markets. Ultimately, Avon has suffered from competition, losing its market share and has been tangled up in scandals and various other business related matters. Leveraging economies of scale while trying to customize products and services in order to meet local requirements has been a difficult duty for Avon. This business direction has led to making continuous changes from decentralized to centralized business year over year. Keeping itself busy with reshaping its structure, Avon failed to meet customer demands, has acted over reactive and has not been able to balance between local and global markets (Himsel, 2014).

In June 2004, Avon’s had stock tripled, topping $46 a share. Profits grew at nearly the same rate and reached $846 million in 2004, up from $287 million in 1999. Avon went into international markets early, and non-U.S. business made up about 70% of sales. That figure was nearly 85% in 2011 (Forbes).

But soon other beauty brands started aggressively pursuing Avon’s customers; multinationals such as P&G made inroads in the developing world, and drugstores and big-box retailers expanded their selection of affordable cosmetics. By 2005, profits were flat after three years of double-digit growth. As the competition in the market was intensifying, Avon did have to face pressure from new entrants in the market (Hill et al., 2014). The company started deviating from its strengths and uniqueness in order to compete against local players with scale and scope for more efficient, diverse and innovative production. This deviation from its grassroots, which was the direct door-to-door model that had shaped the company, has affected the financials of the company. Following a differentiation model as defined by Porter, Avon seeked to gain market share by innovating. Yet not sticking to its initial business model but trying to diversify has been costly for Avon (Hill et al., 2014).
5. Caterpillar

Caterpillar is the world’s leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. Looking at Caterpillar we know that tractors can be made anywhere. However, the servicing of the product is an important revenue generator. Most of the money made by Caterpillar is coming from dealerships and support networks. Caterpillar products are sold through worldwide network of dealerships, of which 50 are located in the US and 141 outside of the US. That means that 35 percent of Caterpillar dealerships are based in US which shows the heavy local presence in one country only. 70 percent of the tractor market in the US is located in New Hampshire, which clearly points to local economies of scale and the ability to offer much better service in such a dense market. In an industry like the construction equipment, companies will not necessarily find global economies of scale everywhere, like Microsoft or Coca-Cola does, however there is always one area in which every company is dominant. The ability to leverage on the 191 independent dealers around the world, to build close relationships and listen to the local needs that have helped Caterpillar to improve their products and services to better serve their customers. Local dealers who are long-established members of their communities can get closer to customers than a global company on its own. Close ties with these dealers are important in order to integrate them into the global business systems. This type of strategy allows Caterpillar to use its dealers as a source of market information and intelligence, as proxies for customers, as consultants, and problem solvers (Fites, 1996). Local dealers also play a vital role in a wide range of services and after-market. Having them placed locally allows a local economies of scale with faster servicing and customer captivity (Fites, 1996). But the biggest reason for Caterpillar’s success has been their system of distribution and product support and the close customer relationships it fosters. (Fites, 1996). Caterpillar is able to deliver spare parts for a machine within 48 hours. In most cases, the dealers provide the replacement part on the spot. The competition cannot match this kind of consistency as their lead times are between four and five days for one part. Few companies have followed the approach of Caterpillar integrating their dealers into their business systems. It not uncommon for the competitors to bypass their distributors and sell directly to the customers. Caterpillar is pursuing a similar destiny as Wal-Mart. Focusing on local dealerships and thus trying to build local economies of scale together with customer captivity,
Caterpillar has successfully implemented Greenwald’s view of achieving competitive advantages. For Caterpillar it is the dealership networks that allow them to enjoy a sustainable competitive advantage. The question is how long they can maintain this advantage when barriers of entry are quite low given the fact that many Asian companies with lower priced products can easily enter. It is just a matter of time until this type of proprietary technology is copied.

6. Hewlett – Packard

Hewlett – Packard (HP) has struggled finding the right business strategy in the past years. Wanting to exit the PC business, killing tablet and smartphone product lines in order to focus on software and service, HP has made several mistakes trying to be profitable and keep shareholders happy. The company got into trouble diversifying its product portfolio and not focusing on one product space.

In 2001, HP acquired Compaq Computer that was supposed to offer the company economies of scale advantages in the PC market in order to compete against rivals such as Dell, IBM and other emerging Asian competitors. However, the PC market at that time was already saturated and ravaged by price wars, as the PC was turning into a commodity (Mourdoukoutas, 2011). Moreover, Compaq Computer was not the most innovative firm, relying mostly on acquisitions to expand its product range by acquiring Tandem Computer and Digital Equipment Corporation. Since HP went on to merge with Compaq to become a truly global technology firm, the operating model HP adopted was to standardize the product range and offer branded products at local markets. Resource deployment decisions were made centrally only after consulting with local supply chains and franchises considering stakeholder interests and with a view of increasing product availability in all customer markets. Early 2010, HP has acquired the company Palm, which was at that time almost bankrupt. The reason HP decided to purchase Palm was to enable a successful entry into the mobile devices market. At that time Apple was the leader of the market, being the incumbent and dominating competition. In 2011, HP made another acquisition by buying the software company Autonomy for $11.7 billion and entering the software market where Salesforce, Oracle and IBM had already been incumbents for longer times. Instead of focusing on its own core competencies, HP got tangled up trying to diversify their business by entering markets where it had no experience in. HP needs to go back to its innovative trait and develop its own internal capabilities even further.
in order to come up with own innovative product lines, pioneering its own markets rather than trying to colonize the market of others (Mourdoukoutas, 2011). In HP’s, there is a clear consensus that developing local content has rather not worked. One of the main reasons for that was maybe local in geographical but not in product space. It tried to win back market share by acquisition hoping that it could achieve a competitive advantage by focusing on several products. According to Greenwald et al. (2005), not focusing on one product is not helpful, as the company will end up competing against several competitors. This is what has happened with HP.

7. Polaroid

Polaroid went from being one of the most successful companies in the photography industry to filing for bankruptcy in 2011. However before the launch of digital cameras, Polaroid was a monopoly in its market. The most obvious competitive advantage or key to the positioning of Polaroid has been its proprietary technology that was patented and had led to suing Kodak in 1986. Moreover it’s spend on R&D helped the company to be innovative and be leader in its market until the rise of digital cameras. Being the only supplier of instant photography, Polaroid has been able to benefit from economies of scale. Polaroid owned the entire market from 1947 until 1975 and had extra ordinary returns from 1960 until 1975. The company also benefited from customer captivity in the sense that once customers owned Polaroid cameras, they had to buy Polaroid film if they wanted to take pictures (Greenwald, 2005). However this captivity was not enduring. The cost of new cameras was not an insurmountable barrier to an existing Polaroid user, provided the new model, including the film, was demonstrably better (Greenwald, 2005). Patents also protected Polaroid’s products and processes. Whenever a patent had expired Polaroid would file additional patents to protect its advances. Thus proprietary technology played a major role for the company, keeping barriers to entry very high. Economies of scale also protected Polaroid, making instant cameras and instant film require major spending for plant and equipment. Customer loyalty added another layer of barriers to entry. Economies of scale, combined with Polaroid’s modest level of customer loyalty, were a substantial barrier for any new entrant to overcome. In addition Polaroid improved its relationship with distributors, which led to faster delivery and higher levels of cooperative advertising. However Polaroid’s focus on short-term profits led the company to lose its competitive advantage.
8. K-Mart

K-Mart, a retail chain from the US and an innovator of new concepts in the mass merchandising industry has seen drastic performance declines throughout the last decade. K-Mart was the first retailer to develop the low-price merchandising concept in 1937, which is way back Wal-Mart or Target entered the market. Yet K-Mart’s proprietary technology and innovation has failed mainly due to the imitation of the same technologies by Wal-Mart and Target. Not able to protect its technology, K-Mart tried to copy Wal-Mart’s technology but has failed to implement it. In addition K-Mart has struggled finding its market and lost focus on its product space, which is the reason for its failure over the years. In 1992, it tried to position itself as a purveyor of fashions for women, marketing itself as “Apparel is our competitive advantage over other discounters” (Fader, 2002). Not knowing which market to serve, Kmart ended up competing directly with Wal-Mart and Target instead of getting out of their way, which has impacted its profitability and led it to bankruptcy in 2002. Clear factors of failure such as location, price, assortment and service have led Kmart to failure. Many of the Kmart stores at that time were older than those of Wal-Mart and located in urban areas, making it less appealing to shoppers. A concentration of old stores in congested areas made it difficult for trucks to deliver merchandise efficiently, making it difficult to achieve economies of scale. Even though K-Mart had the luxury of choosing where to locate itself as a first mover to the market, it made a mistake by positioning itself in large urban areas. Placing yourself in concentrated areas meant high volume and profit, but this opportunity would attract competition. Not being unique on the product space, K-Mart had no real advantage from barriers to entry. In addition, urban operation costs were definitely higher, taking into consideration real estate and wages. Operating in New-York comes at a higher cost than operation in Kansas, like Wal-Mart. For instance, Wal-Mart chose to locate their stores in rural areas with populations of less than 50,000 which created a monopoly as a first mover in those locations (Levy, 2002). Opening stores in rural areas rather than in urban areas also meant operating without any competition. In terms of price, Kmart was never able to match the prices of Wal-Mart. Assortment wise Kmart was doing a better job than Wal-Mart signing high deals with high potential brands but the distribution and supply chain system of K-Mart was so bad that it was always out of stock and relied on complex logistics to reach its stores in urban areas. In addition, the bad customer service at K-Mart never allowed the
company to achieve customer captivity, losing its customers to Wal-Mart or Target. With all the bad strategic moves by management, K-Mart tried to ramp up with acquisitions of Builders Square, Sports Authority and Borders Group which led the company losing focus on product space (Fader, 2002). Overall, K-Mart is a good example of failure by not focusing on local geographies and products. Similar to HP, K-Mart has tried to differentiate itself from Wal-Mart yet the differentiation strategy was unsuccessful and failed. K-Mart should have focused on local rural markets in the north of US where Wal-Mart and Target were not yet as successful.

9. Emerson
Emerson Electric makes basic products essential to a variety of industries such as refrigerator compressors, pressure gauges, and garbage disposals. The company has cashed in 36 years of uninterrupted years of increased earnings, without significant prices increases since the mid-1980s. During the highly competitive 1980s, Emerson staunchly endured challenges of low-cost Brazilian, Korean, and Japanese competitors (Paley, 1999). Emerson takes its competitive advantage through the solutions it is offering to its customers. In supplying large customers with electric motors, Emerson Electric earns high returns because its low cost position permits the company to meet or undercut competitors’ prices (Porter, 1979). By installing process management and productivity measurement/improvement solutions, the company creates long-term business relationships that are tough to terminate (Fieber, 2015). The reason for that is because the products and solutions of Emerson are integrated. This means the customer is facing high switching costs if it wants to switch to another competitor, allowing Emerson a long term revenue visibility. The degree of customer captivity as per Greenwald (2005) is one of the major competitive advantages that Emerson is profiting from. The installed base is expected to increase to $500 billion by 2025. These figures show the customer’s willingness to spend on projects. Yet Emerson is not a company that focuses on one product space but rather their value is created through diversification of products as suggested by Porter (1981).

10. Maytag
Maytag, now part of Whirlpool, believes to have had competitive advantages based on dependability or reliability and product quality. According to Hitt (2007), reliability and product quality are associated with use of a differentiation strategy
rather than a cost leadership strategy for firms targeting a broad competitive scope. Yet, in today’s changing markets it is difficult to develop competitive advantages on the basis of reliability and quality. Global competition from Samsung and LG and Chinese companies produce almost similar if not equal quality to Maytag’s products for lower price. Reliability is not a source of competitive advantage anymore, it’s the price of market entry (Hitt et al., 2007). For a good bunch of products, quality is increasingly becoming a necessary but not sufficient condition to attract customer’s purchases (Hitt et al., 2007). Without quality, customers won’t consider buying a good or service (Hitt et al., 2007). Given the fact that almost all companies somehow are producing products with acceptable to high levels of quality, it is difficult for a firm to outperform competitors on the basis of the quality of its products (Hitt et al., 2007). In order to differentiate its offerings in terms of reliability and quality, Maytag might have had the ability to earn above-average returns through the cost leadership strategy. However, Maytag had high labor costs. In addition, it was losing its position in low-cost distribution channels thus not being efficient in economies of scale. Maytag exited Best Buy and was losing its space to LG and Samsung at Home Depot. Relying on higher-cost distribution channels such as full-line department stores and independent retailers makes it difficult for Maytag to keep its costs low and losing its customers to cheaper brands. Maytag costs were too high to allow it to compete as the low-cost leader, and it was lacking the innovation needed to consistently produce different features that would create unique value for customers and enable a successful differentiation strategy (Porter, 1981). Before being sold to Whirlpool, Maytag has not been able to achieve customer captivity and it lacked the efficiency of local economies of scale. Consequently, building higher barriers to entry were not part of Maytag’s strategic initiatives, which led to it’s failure in a market dominated by other rival such as GE, Electrolux or Sears.
## 11. Findings

<table>
<thead>
<tr>
<th></th>
<th>Customer Captivity</th>
<th>Economies of scale</th>
<th>Proprietary technology</th>
<th>Other (eg. Innovation Differentiation, Focus, firm internal factors, mergers and acquisitions etc..)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>1. &quot;Every day low prices&quot; attracted customers forming habit</td>
<td>1. Closeness of stores to distribution centers enabling a cluster and more efficiency in distribution</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>2. Closely distributed stores enabled switching costs as stores were placed in rural areas compared to stores placed in urban areas of other retailers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procter and Gamble</td>
<td>N/A</td>
<td>1. Enabling more efficient economies of scale due to distribution, logistics, supply chain and manufacturing being coordinated in local regions</td>
<td>N/A</td>
<td>1. Innovation of global product/process innovation strategy -&gt; focusing on transnational global strategy</td>
</tr>
<tr>
<td>Intel</td>
<td>1. Long term contracts with customers (Apple, Microsoft)</td>
<td>N/A</td>
<td>1. Proprietary technology and patents to secure product position and protected from imitation</td>
<td>1. Constant innovation of products</td>
</tr>
<tr>
<td>Avon</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1. Strategy based on efficient, diverse and innovative production. Focus on quickly expanding, disregarding low entry barriers</td>
</tr>
<tr>
<td>Caterpillar</td>
<td>1. Network cluster able to address customers in local markets and dense regions rapidly</td>
<td>1. Heavy local dealership and support networks, enable local economies of scale</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Rapid lead times for spare parts and products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hewlett-Packard</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1. Focus on M&amp;A to increase market share in different segments</td>
</tr>
<tr>
<td>Polaroid</td>
<td>N/A</td>
<td>N/A</td>
<td>1. Patented products and processes</td>
<td>N/A</td>
</tr>
<tr>
<td>K-Mart</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1. Differentiation strategy focusing on women clothes</td>
</tr>
<tr>
<td>Emerson</td>
<td>1. Creating customer captivity through process management and productivity measurement/improvement solutions -&gt; high switching costs</td>
<td>N/A</td>
<td>N/A</td>
<td>1. Differentiation strategy through a diversified product portfolio</td>
</tr>
<tr>
<td>Maytag</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1. Cost leadership strategy</td>
</tr>
</tbody>
</table>

Table 2: Cross-case analysis (N/A = Not applicable)
The table above summarizes the qualitative outcome of the multiple case analysis. With regards to the information obtained from different data sources, the companies that at least have implemented one of the generic elements needed to achieve competitive advantages as emphasized by Greenwald are Wal-Mart, Procter and Gamble, Intel, Caterpillar, Polaroid and Emerson.

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>0.14</td>
<td>69.06</td>
</tr>
<tr>
<td>Procter and Gamble</td>
<td>2.32</td>
<td>82.30</td>
</tr>
<tr>
<td>Intel</td>
<td>0.34</td>
<td>31.46</td>
</tr>
<tr>
<td>Avon</td>
<td>4.89</td>
<td>5.01</td>
</tr>
<tr>
<td>Caterpillar</td>
<td>6.13</td>
<td>79.17</td>
</tr>
<tr>
<td>Hewlett – Packard</td>
<td>0.89</td>
<td>12.52</td>
</tr>
<tr>
<td>Polaroid</td>
<td>N/A</td>
<td>Bankrupt</td>
</tr>
<tr>
<td>K-Mart</td>
<td>N/A</td>
<td>Bankrupt</td>
</tr>
<tr>
<td>Emerson</td>
<td>2.88</td>
<td>55.32</td>
</tr>
<tr>
<td>Maytag</td>
<td>N/A</td>
<td>Sold to Whirlpool</td>
</tr>
</tbody>
</table>

Table 3: Stock Price Evolution since 1980 (N/A = not applicable); (Source: Yahoo Finance)

For the sake of this study, we will stick to the understanding that the outcome of having a competitive advantage is shown in the financial performance of a company. In order to measure the financial performance of these companies, it’s worth looking at the evolution of stock price (Table 3). There is a clear trend that the companies not implementing customer captivity, economies of scale or proprietary technology show a poor financial performance and have either gone bankrupt, been acquired by a different company (Maytag did not have any excellent financial performance before being acquired by Whirlpool), or are evolving very slowly. On the other hand, companies that have at least implemented economies of scale and customer captivity, show great financial performance over the years. When proprietary technology alone is implemented, we see as it is the case of Polaroid that it is not sufficient enough to maintain market share. Technology can nowadays easily be imitated therefore the power of proprietary technology alone is not good enough. All the successful companies in this case have at least implemented either a customer captivity or an economies of scale.
Based on the case studies, proposition A and B hold a valid place. As economies of scale and customer captivity are a good combination to achieve higher barriers of entry, Greenwald’s proposition of implementing both at the same time is accepted. Moreover, focusing on tightly drawn markets and trying to avoid competition is key to achieving high barriers to entry. The case samples in this study that have achieved competitive advantages and high barriers to entry have emerged from local markets where they have implemented strong customer captivity and local economies of scale. Wal-Mart has started their business operations in dense, regional rural areas. Procter and Gamble has started focusing on transnational strategies, taking local needs into consideration and thus building customer captivity and local economies of scale. Caterpillar has build strong relationships to dealerships and networks in local markets that have enabled them to pursue local economies of scale in after-market, market intelligence and customer service. Intel has benefitted from product focus and patents securing itself long term contract with main PC developers like Microsoft and Apple. These long term products have enabled Intel to build efficient economies of scale. In Intel’s case, the first mover advantage has also had much influence on its success. At last, Emerson has been able to create customer captivity by installing process management and productivity measurement/improvement solutions and thus creating long-term business relationships that are not difficult to terminate as switching costs will appear.

5. Conclusion & Discussion

1. Key findings & conclusion
This study has looked at Greenwald’s idea whether barriers of entry are really the only legitimate source of competitive advantage. The study has been conducted by looking at a random sample of ten companies in order to understand the extent that the market based factors play in achieving competitive advantages. To identify the degree of competitive advantage factors, Table 2 summarizes to which extent successful companies have been applying generic strategies.

Our findings have shown that there is a tendency in companies that are not applying generic strategies and thus not achieving higher barriers of entry in local markets did have financial difficulties. Polaroid and K-Mart were two of the companies that have gone bankrupt. HP is still struggling to find its way to a sustainable and long term
profitable business as the PC and printer market is becoming commoditized. Its revenues fell twelve percent compared to Q1 figures last year (Source: Financial Report). In addition, Maytag has not had sustainable profits over the years and was sold to Whirlpool in 2006 (Source: Encyclopedia) On the other hand, companies like Wal-Mart, Intel, Procter & Gamble, Caterpillar and Emerson have flourished, implementing local economies of scale through dealerships and networks, making customers captive and thus raising switching costs. Looking at the use of generic strategies as a source for competitive advantage, we see that those firms labeled as successful companies have sustainable cost structures, profit from economies of scale and have a solid captive customer base. Herewith, the study is able to confirm, that economies of scale and customer captivity are a strong source of competitive advantage that lead to high barriers of entry and thus to greater financial performance. In addition, Porter’s cost leadership strategy also plays an important role, as mastering a lower cost structure, will keep competitors out of the market and scare off possible new entrants. Finally, looking at the different views of achieving competitive advantage, we can conclude that, no view is wrong. Yet Greenwald’s higher barriers to entry are definitely worth of implementing in order to achieve competitive advantages. Of course in the long term, it is difficult to escape competition, however starting in local markets and then implementing customer captivity and economies of scale, will set a good baseline for any company to stay competitive.

The practical implications of this study were to help firms focus on the important factors when trying to achieve a competitive advantage instead of wasting time trying to understand their external environment, not focusing on the right product and geographical scope. In terms of awareness, this study has hopefully highlighted the more important factors that are needed to achieve a competitive advantage. The study has clearly shown that higher barriers to entry are definitely a very strong factor, if not the only one, that companies need to implement through local economies of scale, supply and demand advantages. Companies need to strive for markets that are rather uncontested, or tightly drawn. This will enable them to focus on the important success factors such as customer captivity, economies of scale and proprietary technology instead of constantly competing with rivals for market positioning. With the help of the BOS framework by Kim and Mauborgne (2005a), managers have a good framework that they can apply to discover out these market.
2. Limitations & future research

Even though the study has been carried out with a focus on limiting bias as much as possible, some limitations have been unavoidable. Two main areas of limitation are the research design and the data collection. As the study has been based on a set of cases where information has been collected from different sources from the Internet, the reliability of the source is questionable. In order to achieve a sounder analysis, a sample of several companies need to be studied by doing interviews within these companies in order to understand to what level, the competitive elements have been practiced. It is difficult to conclude from a financial report or any other business report to what extent economies of scale or customer captivity has been practiced. In addition, it is difficult to establish a reliable and generalizable study as only a small sample of cases have been studied. A larger number of case studies would have increased the impact and the universal take-away of higher barriers to entry being the only legitimate source of competitive advantage. It is necessary to conduct a broader research inside these companies, involving management and conducting interviews and case studies that will generate more detailed information on strategy and operational excellence.

For the sake of this study, focusing on the main contributors of the activity position view, the study has left out some other views on competitive advantage.

As the aim of this study was to understand the degree of competitive advantage achieved by high barriers to entry, there is a strong need to further extend this study and analyze what kind of other market based view factors can help firms to achieve competitive advantages. Additionally, looking at the whole sphere of theory on competitive advantage would be more ideal to validate whether economies of scale and customer validity are really the only two factors with the potential to lead to higher barriers of entry. In addition, it is absolutely a must to understand exactly in which market conditions and based on what criteria can generic strategies be used to achieve competitive advantages. Moreover the fact that these empirical claims were only based on firm level case studies of successful firms rather than industry wide statistical analysis of all firms means that the theory lacks some empirical evidence.
6. Bibliography


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