

Assignment 1 - Task 4

Competitive advantage – a way in which a business is superior to or stands out against its rivals which helps it to attract customers

How can businesses hold a competitive advantage?

Type of competitive advantage	Factors Affecting the ability to hold this advantage
<p><u>Price</u> – businesses that can operate at lower cost can charge a lower price e.g. Aldi – it sources products cheaply and has minimum staffing to keep costs down.</p> <p>If not competing directly on the lowest price businesses can compete by offering good value for money for what the customers receive.</p>	<p>How easy is it to lower costs? How large is the business – larger businesses can benefit from Economies of Scale e.g. by buying in bulk</p> <p>Businesses may be able to charge a higher price if they develop a strong brand / reputation</p>
<p><u>Quality of product or service</u> – if quality is higher then customers may prefer to buy this. Luxury hotels might compete in this way by having attentive staff to help customers at all times or having high quality beds, flatscreen Tv's etc</p>	<p>Cost will be an issue here – having extra staff or extra training to ensure service is high could push up price. It might be difficult to recruit staff with right qualifications or skills or get enough staff to fill all posts to provide the level of service you want to provide</p> <p>Will consumers be prepared to pay a higher price for this? Customer feedback can be used to identify any problem areas to ensure that quality stays high</p>
<p><u>Product range</u> – providing a wide range of products so that all customer requirements are met e.g Samsung provides a wide range of phones to cater for a range of budgets and requirements</p>	<p>It is expensive to offer a wide product range. It would be difficult for a small business to compete in this way</p> <p>It would cost money to develop each range or type</p> <p>Space might be an issue to store items or provide areas for extra services</p>
<p><u>Additional services / facilities offered</u> – for example airlines might compete on entertainment facilities on the flight. Cafes provide wifi etc</p>	<p>There might be a cost for installing / providing things e.g. installing wifi.</p> <p>There may be staff time needed to provide an extra service – this might take staff away from the main aspect of their job and lead to disruption</p> <p>If successful these additional services could help attract and keep customers</p>

