

The “Valued Voids” Framework - Enabling Competitive Advantage



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The concept of competitive advantage has been a matter of great importance for companies. The noteworthy contributions in the area of competitive advantage include:

Porter had stressed “competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering, and supporting its product.” Porter is renowned for suggesting that cost advantage and differentiation are the two types of competitive advantage that a company can possess.

Kim and Maughborne developed the blue ocean strategy that can enable a company to gain competitive advantage. The authors mention that markets are typically red oceans wherein there is intense competition and it becomes a challenge for a company to prove to customers that it is better than others. The blue ocean strategy's cornerstone is value innovation – a combination of low cost and differentiation. The mantra that managers need to follow for blue ocean strategy is to drive costs down while simultaneously driving value up for buyers.

This article proposes the 'valued voids' framework that can help companies in their quest for growing and sustaining competitive advantage. Those companies that succeed in this endeavour ensure a continued focus on 'valued voids'. Valued voids are the offerings that are highly desired by customers but are not offered by any company. Companies focusing on valued voids ask pertinent questions: What are customers seeking desperately but not getting? What prevents us (the company) from offering the stuff that customers are seeking so desperately?

Several companies have shown exemplary capabilities in ensuring a continued focus on valued voids and thereby sustaining their competitive advantage. Some examples are:

- Google: Though Google began attracting a large number of internet users to its website for searching the internet, it figured out that the valued void lay in creating a viable opportunity for companies to target potential customers who were using Google's search engine (leading to the revenue stream using Adwords).
- Apple: Apple was able to figure out that consumers wanted electronic gadgets with great features and great design and style – the entire experience really mattered for consumers and not just the specifications of the gadgets. This was the valued void waiting to be filled.
- Starbucks: The reason why Starbucks has succeeded in drawing more and more people to its premium price coffee shops is because it is providing people a place where they love to meet up with other people or do their own work. Starbucks is like the neighbourhood gathering place that has become a part of the daily routine for millions of people around the world. This was a void that was being missed by people until Starbucks arrived.
- Embraer: The Brazilian aircraft manufacturer realized that the valued void lay in small aircrafts since the larger ones were being offered by Boeing and Airbus. By focusing on the small aircraft category, Embraer was able to create its own space in the industry.
- Corning: Corning has consistently undertaken research on glass to develop new applications that help solve problems faced by its customers. By tracking trends, Corning is able to gain insights into the valued voids. For example, the rapid growth of handheld devices that use displays made of glass has resulted in Corning's Gorilla glass that is preferred for smartphones, laptops, televisions, notebooks etc. Likewise, the increased use of data centres across locations is causing companies to consolidate them at one location – this is being facilitated by Corning's capability in fibre optic cabling.

This article presents a 4 step framework in Figure 1 that companies can use to focus on valued voids.

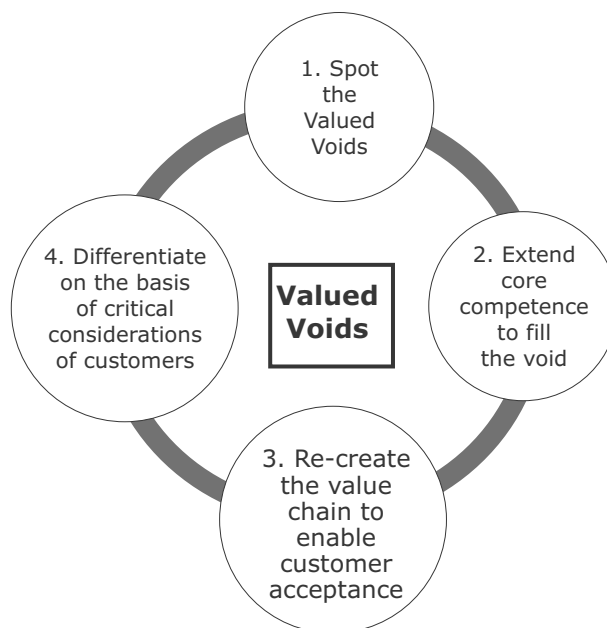


Figure 1: THE VALUED VOIDS FRAMEWORK

Spotting the valued void:

In order to gain competitive advantage it is essential for companies to spot valued voids. These are not necessarily new product ideas but essentially a 'gap' in the market that is 'valued' by customers. The prevalent trends drive consumption and stimulate demand. The PESTEL (Political, Economic, Social, Technological, Ecological, Legal) framework can be referred for interpreting trends. However, companies need to extrapolate the trends in the context of the needs that customers are trying to fulfil. This can lead them to the discovery of valued voids.

- Nat Geo: When television began penetrating households around the world, National Geographic (hitherto only a print magazine) discovered the void in television programmes focusing on wildlife, anthropology and civilization. This prompted them to focus their resources on developing suitable content for television viewers. The move has helped Nat Geo Channel to reach out to many more consumers than what the print magazine was capable of reaching.
- Samsung: In the early 2000s, Samsung spotted the void among mobile phones whereby advanced features, great style and design could be offered at affordable prices. Samsung's R&D focused on developing mobile phones that consumers would find great value owing to the advanced features and styling at down to earth prices.
- TESCO: The creation of customer communities and close engagement with loyal customers helps to spot valued voids. TESCO's strong focus on customers has endeared millions of customers towards the retailer and its customized rewards

enable greater customer loyalty. TESCO's premise that other retailers were not bothering to take the effort to understand customers must have prompted them to aim for understanding customers better than anyone else. This was the void that other retailers had left and TESCO's good performance over the past few years bears testimony to the identification of the right 'valued void'.

The companies that are successful at discovering the valued voids try to create more opportunities for engaging with customers. The engagement needs to be done in a purposeful manner instead of making it a formalized process. Therefore, employees should engage with the intent of discovering: What is the customer's purpose? What are the aspirations that the customer has and what prevents the customer from achieving them? What is the context under which the customer expects to fulfil the purpose and aspirations?

The context is important to understand the valued void in its full extent. This is because the context varies based on the circumstances, culture and purchasing power of the customers. In fact, the same customer's needs could vary based on the context under which the need is felt. All these factors need to be understood in great detail before finalizing upon the valued void that needs to be filled. This is the approach taken by P&G under the Connect + Develop initiative that has helped the company launch a number of significant innovations in the recent past.

Extending core competence to fill the void:

Companies need to strategize in order to fill the valued void effectively. The core competence of the organization may be extended by the development of enhanced capabilities. Generally, the valued void would be in an area that would require diverse specializations and skills and company in all possibility would possess some (but not all) of the desired capabilities. Companies have used intensive research to develop capabilities not possessed by them and this enabled them to fill the valued void (as is the case with Samsung). Alternately, suitable partnerships or acquisitions can help to acquire the relevant capabilities. The method of using partnerships has been adopted by Apple for designing products that it believed would help fill the valued voids. The acquisition of Gillette by P&G helped the company fill up a valued void for which it did not possess the necessary capabilities.

- IBM: used software programming capabilities combined with intensive research to solve critical problems like crime and traffic jams in modern cities. The company acquired a host of new capabilities to enable solving problems that its customers were facing.

- Corning: While Corning has developed its capabilities in the applications of 'glass', it has also extended its core competence by partnering with a large number of companies. This has helped Corning in filling up valued voids (such as creating bendable fibre optic cables for Verizon)
- Amazon: While Amazon was quick to spot the potential of the internet as a wanna-be retailer, it also had to create the capability to enable online ordering and managing logistics efficiently and in a cost-effective manner. Jeff Bezos is known for extolling the virtues of customer centricity and insists on maintaining a dogged focus on customer. After developing its competence in enabling web based ordering and managing logistics efficiently, Amazon again spotted a void in e-readers. Again, Amazon had to focus on developing the Kindle to enable digital reading – its core competence had to be extended to the area of creating and marketing e-readers as well as signing up the digital rights with various publishers for the content.

The risks and future threats need to be taken into account and adequately addressed even after identifying the valued voids. For example, while Shell has identified the increasing demand for energy it has also factored in the prospect of diminishing fossil fuel energy sources and the need to focus on clean energy sources. This requires Shell to extend its core competence and the 'Gamechanger' initiative is aimed at developing new capabilities through suitable partnerships and sponsorships.

Re-create the value chain to enable customer acceptance:

In order to deliver the value that will enable the company to fill the valued void effectively, the value chain may need to be re-created. This is essential especially when the valued void involves the targeting of new customer segments, adoption of new business models, launch of products and services using new technologies, and the need for new skills and behaviours on the part of employees. In fact, companies that take the effort of re-creating their value chains stand a much better chance of succeeding in filling the valued void. The optimization of resources and the freedom to choose the best options is essential for companies to ensure customer acceptance.

- GE: GE developed an affordable and portable ECG machine in India that is aimed at emerging markets. This was a valued void that was waiting to be filled as the product sells in over 100 countries. The success of the initiative can be attributed to the innovations in the value chain that GE introduced. Though GE Healthcare had been supplying high end medical diagnostic equipment to the major hospitals, the value chain used for those customers is very different. To reach out to the rural doctors and the clinics that dot the countryside in India, GE had to develop a more appropriate channel. First, GE tied up with the State Bank

of India (SBI) which had high penetration into rural markets for providing no-interest loans for rural doctors. The sales pitch to the rural doctors explained how the device would pay for itself within 2 years by considering a certain number of ECG reports at less than \$1 per patient.

- IKEA: The valued void that IKEA fills is to provide a wide range of well-designed, functional home furnishing products at prices low enough so that many people across the world can afford them. IKEA makes every effort to gain access to the right sources of raw materials that enable it to offer products at low prices. However, very importantly, IKEA also focuses on developing furniture with contemporary designs and ensures a delightful shopping experience for customers. The value chain of IKEA actually serves to reinforce the critical aspects of the valued void.
- P&G: P&G's connect + develop programme helped the company gain crucial insights into valued voids (unfulfilled needs of customers). Thereafter, P&G used disruption to create new offerings that are simpler, more convenient, easier to access or more affordable. The manner in which P&G approached innovations was redesigned. Firstly, workshops were held to enable employees shake up embedded ways of thinking and imbibe the skills and behaviours needed to facilitate disruptive approaches. Secondly, the organizational structures were revisited and new business creation groups formed to help foster new product innovations successfully.

The external and internal linkages across the value chain need to be re-examined in the context of the valued void. Likewise, each process needs to be re-designed to ensure that the customers' desired attributes with respect to the need can be fulfilled. The role played by the different constituents responsible for value creation needs to be re-examined. The strategic capabilities of the company need to be aligned with the critical success factors of the business. To gain competitive edge over rivals, Hyundai is re-creating its value chain by backward integration initiatives. This may enable Hyundai to gain access to materials that will ensure that the stringent auto emission norms are met along with the accomplishment of higher fuel efficiencies. The best service organizations like Fedex constantly try to re-design processes in order to enhance customer value. This also helps to fill valued voids that were hitherto latent desires in the customers' minds.

Companies often extend their core competencies to fill a valued void and this can require diversification from their existing lines of business. For example, Yamaha used its competence in electronics to launch musical instruments like pianos. This required Yamaha to re-create its value chain since the production, distribution, and promotions that are suitable for musical instruments.

Differentiate on the basis of critical considerations of customers

The market wherein the valued void has been spotted would generally have an existing set of players. However, in a typical market, the competitors tend to adopt standardized practices prevalent in the industry leading to price wars. This approach is challenged when companies begin to focus on valued voids. The reason behind the existence of the valued void needs to be understood in order to decide how the company's offering needs to be differentiated. The critical considerations that customers have pertaining to the valued void should be considered for relevant differentiation. For example, Apple's iPod was not differentiated on the basis of its capacity to store a large number of songs – the iPod became a symbol of 'coolness' for the youth owing to its stylish design. Likewise, IKEA does not promote its furniture on the basis of prices alone but highlights the contemporary designs and the delightful shopping experience.

The aspect of differentiation is important because customers may not prefer to purchase a product or service solely on the basis of technical specifications alone (even when the specifications are good enough to fulfil the needs of the customers). Perhaps the reason behind purchases of customers can be traced to the right kind of differentiation. This means that the differentiation needs to ensure connect with the psyche of customers whereby the unfulfilled aspirations of customers can be given the opportunity of fulfilment.

- Schneider: In a world where energy costs have risen rapidly in recent years, the opportunity to save energy costs is really a welcome offer for all companies. Schneider has been promoting its solutions through advertisements using the promise '30% off your energy bills' which seems attractive enough for CEOs to consider the proposal. Therefore, even after spotting the valued void (need to save energy costs), Schneider has created the differentiation that would make the target customer sit up and take notice of the solution.
- Nike: When Phil Knight and Bill Bowerman realized that sportspeople needed better quality of shoes they had spotted a valued void. Thereafter, Nike has worked relentlessly on creating innovative designs that offer greater value and also outsourced manufacturing to low cost destinations to enable higher margins. But perhaps the reason why Nike has been so successful is the differentiation that the brand has managed to create using the 'just do it' campaign. The differentiation has made Nike a brand that many people around the world aspire to own (as is evident from their sales figures). Therefore, the spotting of the valued void was followed up with a suitable value chain and an effective differentiation.

- Hindustan Unilever: In India, Hindustan Unilever has created new brands by focusing on valued voids. For example, the Fair & Lovely brand was created to enable consumers to have fairer skin colour since this is an aspiration among Indian consumers. However, the brand was differentiated initially with the promise of a better groom for would-be brides. This differentiation has been updated recently with the promise of a great career for young women (since nowadays more and more young women are giving greater importance to their careers ahead of marriage). Therefore, the context under which the company is operating needs to be considered while spotting valued voids. In all possibility, Unilever may not find many takers for Fair & Lovely in Europe or North America.

While the steps given above need to be used in tandem to enable success, there are some levers that companies have used to exploit the valued voids that are prevalent. The six levers that are commonly used are discussed below:

Six levers used by companies for successfully exploiting valued voids:

1. Enhanced product capabilities: The capabilities of the product limit its usage and applications. When product capabilities are enhanced to ensure that they fulfil more needs of customers, valued voids can be exploited. For example, Corning developed bendable fibre optic cables thereby enabling its customer Verizon to target many more homes in the US with cable television services.
2. Easier access for customers: In the context within which customers live their lives and face various hurdles, companies can exploit valued voids by creating easier access. Amazon's website was perhaps selling similar books that Barnes & Noble were selling through their bookshops but the fact that customers could easily access Amazon's online bookstore meant that more customers flocked to Amazon. Likewise, the mobile telephony revolution in India has been largely facilitated by the sales of re-charge voucher coupons through grocery stores.
3. Alluring brand image: Customers need products but buy brands because they seek the additional benefits that brands offer (which could be dependability, reputation, value proposition, image and brand associations etc.). As Nike has shown, it makes greater sense to sell an image and a lofty promise (achievement in the case of Nike) rather than just promoting on the basis of the product's features. Even industrial products can gain with the right kind of branding (Schneider's promise of a 30% savings in energy)
4. Pleasing customer experience: While Jan Carlzon had popularized the 'moments of truth' approach at SAS, a well-crafted customer experience can truly work wonders when it comes to exploitation of valued voids. For example, Disneyland is not just a place where young (and old) people can meet their favourite cartoon characters but the customer experience is so pleasant that the high ticket prices

do not seem to matter to visitors. Likewise, IKEA and Starbucks have also been able to exploit valued voids thanks to the pleasing customer experience that they offer.

5. Lesser cost for customers: By driving down the cost for customers, companies are able to target new segments of buyers who were otherwise unable to afford their products. This could be done by adopting frugal innovation approaches or cultivating relevant partnerships. GE's handheld ECG machine that was developed in their lab at Bangalore costs a fraction of the traditional ECG machines and is being used by doctors and clinics in rural places within emerging markets. GE has had to develop partnerships with local entities to market the product effectively.
6. Customization: While mass production and mass marketing enable companies to lower their overheads and thereby offer products at lower prices, the use of IT (information technology) can enable customization and also drive down costs. For example, Fedex is able to enjoy greater customer loyalty owing to its ability to customize the service to suit the individual needs of each customer. Also, the retailer TESCO analyzes the purchases of each customer and creates unique offers that take into account the aspirations of customers.

The valued voids framework could enable companies to follow a structured approach towards identification of relevant opportunities, focusing the company's resources on exploitation of the identified opportunity, and enabling success by differentiating on factors that truly matter to customers. This framework can perhaps provide companies the right ammunition to sustain competitive advantage.

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