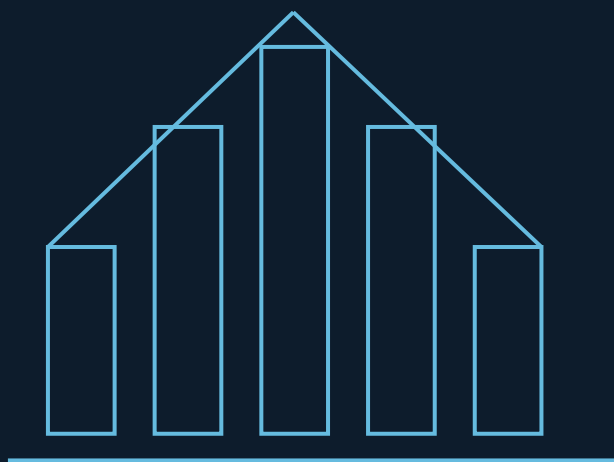


THE ARCHITECTURE BEHIND THE CUSTOMER'S CHOICE

Why Competitive Advantage Begins Before the Customer
Decides



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Why Competitive Advantage Begins Before the Customer Decides

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Every strategy ultimately faces the same test:

Why should the customer choose us instead of someone else?

That question belongs at the center of strategy. It shapes positioning, differentiation, innovation, pricing, service, and ultimately our ability to compete. A company without a compelling customer value proposition has a fundamental strategic problem. But there is another question worth asking:

Why should the people and organizations our strategy depends on make the choices that enable us to deliver that promise?

We rarely examine competitive advantage from that perspective.

The Customer Chooses Last

The customer's decision may be the most visible expression of competitive advantage. But it is rarely where competitive advantage begins.

Long before a customer chooses our product, many other decisions have already been made.

A supplier has decided whether to prioritize our demand.

A talented employee has decided whether to join—or remain.

An investor has decided whether our expected return justifies committing capital.

A distributor or retailer has decided how much inventory, attention, or shelf space to allocate.

A business partner has decided how much of its resources to dedicate to our relationship.

Communities and institutions may not “choose” us in the same way, but their decisions can materially affect our ability to operate and compete.

These decisions differ in nature. But they share something important:

The people and organizations on whom our strategy depends usually have alternatives.

And so do we.

Understanding whether customer advantage can be sustained therefore requires looking beyond the value proposition visible to the customer and into the architecture that makes delivering it possible.

Follow the Value Drivers

Not every business creates value in the same way.

A premium branded food company may depend heavily on consumer preference, innovation, and retail visibility. A private-label competitor in the same category may depend more on cost, service levels, supply reliability, and responsiveness. Both ultimately need consumer demand—but the relationships most critical to creating and delivering that value can be very different.

The branded company may therefore need differentiated value propositions for the talent and partners that strengthen innovation, consumer preference, and retail visibility, while the private-label competitor may need to create greater relative value for critical suppliers and operating partners whose cost, reliability, and service underpin its economics.

Same category. Different value drivers. Different architecture.

Neither model is inherently superior. They simply create value differently.

Before asking where we need stakeholder advantage, we should first understand how the business actually creates value.

Which factors truly drive customer preference? Which factors translate that preference into revenue and economic returns? Which relationships are essential to making those drivers work?

Only then can we determine what value proposition those relationships require.

The sustainability of the customer value proposition ultimately depends on the architecture of relationships that makes its value drivers work.

The Architecture Behind the Customer Proposition

Most companies can explain their customer value proposition.

Far fewer can articulate how their underlying value drivers connect to the value propositions experienced by the other stakeholders critical to their strategy.

Yet those propositions already exist.

Whether we design them or not, every critical relationship already contains a value proposition.

Suppliers already know what it means to do business with us.

Retailers and distributors already know whether working with us creates more or less value than available alternatives.

Employees already know what they receive in exchange for their talent, commitment, and time.

Investors already compare our combination of return and risk with other opportunities.

And value is stakeholder-specific.

For a retailer, superior value may come from higher margins, but also from reliable supply, price stability, rapid response to incremental demand, stronger consumer pull, fewer out-of-stocks, or a longer selling season.

For a supplier, it may come from predictable demand, longer commitments, faster payment, better planning visibility, or opportunities to reduce waste.

For employees, it may mean compensation, but also stability, development, recognition, flexibility, or healthcare protection for their families.

Creating more value does not necessarily mean transferring more money.

Sometimes something relatively inexpensive for one participant—greater predictability, better information, faster decisions—can create substantial economic value for another. But the objective is not to create superior value for everyone.

It is to understand **which relationships matter most to the way the business creates value, and what must remain true in those relationships for the customer proposition to work.**

We Don't Need to Win Everywhere

If every stakeholder has alternatives, should we attempt to offer everyone a superior value proposition?

No.

Doing so would be neither realistic nor value creating.

Strategy requires choices.

For some relationships, **competitive parity** may be entirely sufficient. Comparable conditions to available alternatives can prevent the relationship from becoming a constraint.

For others, parity may not be enough.

A company may be perfectly competitive with an employee value proposition at parity, yet need to create a clear value advantage for critical suppliers when access to scarce raw materials is fundamental to its economics.

If superior service is a fundamental value driver, relationships with the people and partners responsible for availability and execution may require differentiation.

If access to a scarce raw material is essential, becoming a preferred customer of critical suppliers may create genuine strategic value.

If the strategy depends disproportionately on scarce talent, that talent may need a differentiated reason to join and remain.

If brand and consumer pull drive the economics of the business, resources and relationships supporting innovation, visibility, distribution, and availability may deserve greater strategic priority.

The relationships requiring the strongest value propositions are therefore not necessarily those closest to the final consumer.

They are the ones whose participants' decisions are most critical to **how the business creates and delivers customer value.**

The question is not:

How can we create more value for every stakeholder?

It is:

Where do our value drivers require advantage, where is parity sufficient, and where can we tolerate disadvantage without undermining the value proposition we make to the customer?

And equally important:

Where might an unmanaged disadvantage be quietly accumulating?

The Hidden Disadvantage

Perhaps the most dangerous situation is not competitive disadvantage itself.

It is competitive disadvantage we do not recognize—or do not recognize as strategically important.

Imagine a company with a highly attractive customer proposition. Prices are competitive. Products are good. Demand is growing.

From the customer perspective, the strategy appears to be working.

But beneath that success, suppliers increasingly prefer competitors because of better payment terms and more predictable demand. Employee turnover gradually increases because the best people have more attractive alternatives. Distributors continue carrying the product, but increasingly allocate their attention elsewhere.

Individually, none of these developments may appear sufficient to threaten the strategy.

Collectively, they may be telling a very different story.

The company still possesses customer advantage.

But the architecture supporting that advantage is becoming progressively weaker.

This raises an uncomfortable question:

Is our customer advantage being supported by superior value creation—or temporarily subsidized by disadvantages accumulating elsewhere in the system?

Those are not necessarily the same thing.

What appears today as competitive advantage may partly represent value borrowed from somewhere else.

And when that borrowed value comes from relationships critical to the business model—and from participants with attractive alternatives—the advantage may prove far less durable than it appears.

The Architecture Must Evolve

There is another complication.

The architecture required to sustain competitive advantage is not static because the way a company creates value is not static either.

A business competing primarily on cost and service may gradually build brand strength and consumer preference.

A company historically protected by abundant supply may enter a period of structural scarcity.

A strategy based on operational excellence may evolve toward one dependent on innovation and specialized talent.

Technology may alter what customers value, how products reach them, or which relationships become strategically critical.

As the drivers of value change, **the relationships that require advantage can change with them.**

A supplier relationship that once required only parity may suddenly require advantage.

Talent that was readily available may become strategically scarce. A distributor that once represented one route to market may become essential to customer access.

Conversely, relationships where the company once invested heavily in differentiation may become less critical.

This is why stakeholder priorities should not be defined permanently or generically.

Strategy determines which relationships matter most, and the evolution of the business determines when those priorities must change.

A More Complete Strategic Conversation

Leadership teams could therefore complement the traditional discussion of customer value proposition with a different sequence of questions:

How does this business actually create value?

Which drivers are most important to sustaining customer preference and economic returns?

Which relationships are critical to those drivers?

What value proposition do those stakeholders experience relative to their alternatives?

Where do we need advantage, where is parity enough, and where can we consciously tolerate disadvantage?

And where are we carrying a disadvantage that could eventually undermine the reason our customer chooses us?

These questions do not replace customer strategy.

They make the architecture behind it visible.

The Choices Behind the Choice

Every company wants to know why customers choose it.

But the customer's choice does not occur in isolation.

Behind it sits a set of value drivers. Behind those drivers sit critical relationships. And within those relationships are value propositions that influence whether the people and organizations our strategy depends on will make the decisions our strategy requires.

Not all of those relationships need advantage.

Not all deserve equal investment.

And not all disadvantages matter.

The strategic challenge is knowing which ones do.

The customer may choose last.

But the architecture that makes that choice possible is built much earlier.

Which leaves leaders with one final question:

What has to remain true across the relationships our strategy depends on for the reason our customer chooses us today to remain true tomorrow?