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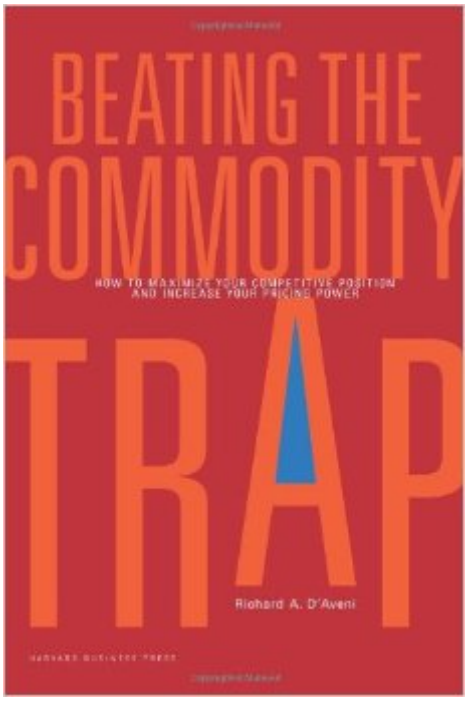
Beating The Commodity Trap: How To Maximize Your Competitive Position And Increase Your Pricing Power



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Synopsis

Commoditization-a virulent form of hypercompetition-is destroying markets, disrupting industries, and shuttering long-successful firms. Conventional wisdom says the best way to combat commoditization is differentiation. But differentiation is difficult and expensive to implement, and keeps you ahead of the pack only temporarily.In Beating the Commodity Trap, Richard D'Aveni provides a radical new framework for fighting back. Drawing on an in-depth study of more than thirty industries, he recommends first identifying the commoditization trap you're facing:-Deterioration: Low-end firms enter with low-cost/low-benefit offerings that attract the mass market-as Zara did to high-end fashion companies.-Proliferation: Companies develop new combinations of price paired with several unique benefits that attack part of an incumbents' market-as Japanese motorcycle makers did to Harley-Davidson.-Escalation: Players offer more benefits for the same or lower price, squeezing everyone's margins-as the iPhone did in mobile devices.The author provides a tool for diagnosing your competitive position and shows how to strengthen it while also boosting your pricing power-by destroying the commoditization trap confronting you, escaping it, or turning it to your advantage.Illustrated with a wealth of examples, this concise, practical guide gives you the framework and tactics you need to battle commoditization.

Book Information

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Customer Reviews

The title of the book is an obvious eye catcher. That's why I bought it. However, not before long, it turned out to be a cookbook kind of a writing whereby the author cites a series of commoditization situations and then offers a flimsy solution on the basis of other companies' strategies. In other

words, he takes different examples of commoditization and provides solutions to those situations with again the examples of companies who tried to attack the situation. Hence, there is no theory at all. Example problems solved by example strageies.So, if you are a company facing a sort of commoditization situation, you should first go through the pages of this book, find your specific commoditization situation, and then read what other companies did when they faced similar situations. Explanations you will find will be shallow and won't tell you much. Also, yours may be a small company but stil you will have to pick among alternative strategies as those preferred by giant companies like Hilton Group, Wal-Mart etc. This is only to be expected as the solutions in the book are not based on any THEORY at all. "Take the example, try to use it, even if the company in question is a behemoth". This way the book becomes a useless list of many different strategies, more like a patchwork.But the book suffers from an even more serious shortcoming: It draws on an inside-out approach to strategy. There is no CONSUMER in this approach. There is a list of war-game strategies to choose from and there are situations of commoditization. You are then advised to match your commoditization situation with the possible example solutions. Totally inside-outside. This approach is very very dangerous and I urge the reader to stay away from this book.

The author is known for inventing his own terminology and writing overly complicated books (e.g. Hypercompetition). However, he is one of the few academics that actively thinks and writes about competitive advantage with some rigor. Compared to his earlier books, this one is very readable. He keeps the new terminology to a minimum. The book is built around a product quality/price chart. Three types of commoditization are described and solutions are discussed.So much for the good stuff. Sadly, I find many of the examples lacking detail:* Zara is supposed to have lower prices than H&M. That is simply not true.* Apple is supposed to sell its iphone as a lower price than competition. Also not true.* Aspartame is apparently off patent, The manufacturer keeps the price higher that for the new generation sweetener (Splenda), because there are high (undocumented) switching costs. Switching costs between branded and generic aspartame?I don't think the sloppy examples impact his theory that much, because it is really standard industrial organisation (e.g Competitive Advantage: Creating and Sustaining Superior Performance). All the examples are probably coming from student projects and executive, without any detailed quality control. The author is thanking more than 50 CEOs in the acknowledgements. I guess he is pitching for teaching assignments.I don't know if the author really has invented the quality/price chart.

D’Aveni states today’s obvious truth "Commoditization can happen to any firm. Any product, any time." What is not obvious is how to deal with this truth and the author does an excellent job of characterizing commoditization and provides good descriptions of strategies to combat it.The book does not (and should not) include specific plans of attack other than through example because the complexities of actually implementing the recommended analysis and selecting a response strategy require organizational and market context for your situation. Sometimes readers are looking for "the solution" or "the magic pill" for their specific problem and this book provides you the principles and basis of understanding to start down that path while avoiding fatal mistakes.The book does provide substantiated principles and a structure that can be used with your organizational and market context to beat the commodity trap. These principles are non-trivial, presented in an organized way and D’Aveni should be commended for providing this new framework.Here are some points/quotes I enjoyed from the book:a. "Once a company is caught in a commodity trap, differentiation is rarely enough to get it back out."b. In D’Aveni’s experience "commoditization is usually the result of failure to act early enough"c. With regard to just discounting prices to battle the competition D’aveni states "This has the unfortunate and unintended effect of increasing the depth and severity of the commodity trap.’d.

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