

Lessons From Experience: Choosing a Strategy

The story that you are about to hear is from actual events that occur in the field. Its purpose is to provide you with a real-world example from a seasoned professional in the business world.

Selecting a Strategy

The cofounders of a fitness start-up company had previously worked for the company with the industries' leading brand-name fitness equipment. One of the cofounders was known all over the world as a premier designer of strength-training equipment, such as chest presses, leg presses, and bicep machines. When the business was first started, my partner asked me about the all-important product development choices that most new firms face, which are as follows:

- He could develop a product line that would essentially be similar to everything that was already available.
- He could alternatively design a better version of the product.
- He could develop a revolutionary line of new equipment, using leading fitness-training technologies, and hopefully, he could patent this innovative line.

Superficially, the third option looked the most exciting but bore the risk of no guarantee of receiving patent protection. We answered this question, not from the marketplace perspective, but rather by backing into it from a competitive perspective. The established competitors that we faced had all been businesses for decades and had sales that ranged from \$80 to \$300 million. We therefore concluded that competing in terms of price with a copycat line or something that was just slightly better was impossible because of our lack of any economy of scale; all of our strong competitors benefited from large economies and competed mostly on price as a result. We therefore concluded that our only viable choice as a way to compete was by being dramatically different, which meant offering only products with enough innovation to be patented. With my partner's successful development of such a product line, we achieved yearly sales of almost \$10 million, which was far faster than any of our strong competitors had achieved early in their histories.

It is important to take the following away from this scenario:

- Do not go into a market thinking that you are moving into a vacuum in terms of the strategy that was chosen. You may be limited in the strategic choices that you have, as dictated by the strength of your entrenched competitors.
- If you can be different in a way that is meaningful to your target market, even a small start-up business can successfully compete against large, powerful, and entrenched competitors.

