

The challenge of a me-too business

When deciding to start a business venture, you need to be careful about just following the crowd and imitating businesses around you. It's important to find a way to make your offering unique, explains

Heindrich Wyngaard

Copying an existing business has advantages. For a start, you don't have to come up with a unique idea. The product has been developed and the market has been tested. You have some idea of the demand and the price people are prepared to pay.

The problem is a me-too business will not be successful if its only differentiation is on price and not competitive advantage.

If you think you will be able to win over competitors' clients just on price, you may find you do not have a sustainable business model.

Marius Ungerer, associate professor in business strategy at the University of Stellenbosch Business School, says a me-too idea should not be rejected outright.

"If you are fine with knowing that you will not enjoy top earnings with your me-too business, you have every right to do so," he says.

"From a business school and improvement perspective, though, we will always encourage entrepreneurs to aim higher and to do better than just being a follower of others," he adds.

A me-too business has to have a plan that takes it beyond just imitating existing companies.

DIFFERENTIATE

More often than not, me-too businesses are not sustainable, cautions Ungerer.

"The name of the game is differentiation. You need to think about how you can differentiate your business and what you can do differently from others in order to be a real competitor in the game," he explains.

NON-IMITABILITY

Ungerer lists non-imitability as an adjacent concept, meaning that it should not be easy for others to simply copy your product or the service you are offering.

"You should do something in such a way that it's not easy for your competitors to just, in a day or so, adapt your practices.

"So, to build an organisation where there's an entrenched capacity, where it is very difficult to imitate what the company is doing, those are the things at the forefront of differentiation," he notes.

PRICING

Pricing of products and services is always important, but a business cannot only compete on price.

"There need to be other features around what you're offering, of which differentiation is one, that bring people back to your business," says Ungerer.

NEW-MARKET CREATION

Ungerer says a small business cannot just offer its product or service to the same base of customers.

"You need to grow that base. One way of doing it is through an extension of your current product line. For example, in the old days, filling stations were places where you could just buy petrol. Today those forecourts are retail convenience stores," he explains.

OPERATING IN A CROWDED SPACE

The only way for an entrepreneur or business to survive in or escape a crowded space of economic activity, as is often found in townships, is by concentrating on creating new users of its products, says Ungerer. Non-users of a product or service always outweigh current users.

"So focusing on the non-users, on what can be done for them, will give you the edge," he says.

VALUABLE AND RARE

Ungerer explains that what is offered "should be perceived by customers as valuable and rare".

He believes entrepreneurs are "fantastically positioned to do this" - the valuable and rare part can be the individualistic features of the offering and the personal contribution of the entrepreneur in rendering the service or presenting the product.

Many big brands have been built around the enthusiasm, skills and rare qualities of an entrepreneur, he emphasises. A good example is Richard Branson, the founder of the Virgin Group. -

Additional reporting by Maya Fisher-French

DIFFERENTIATION

Marius Ungerer's

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tips on how to be a different me-too business

1 THINK LIKE AN INNOVATOR: It is the innovators and creative capabilities that give businesses the benefit of not simply being a follower of others.

2 LOOK AT THE GAPS IN THE CONSUMER MARKET: Those needs are there, but it is up to entrepreneurs to spot the gap and fill the needs.

3 ENSURE RELIABLE SUPPLIERS: You have to have people in your value chain whose own innovation and creativity will help you deliver in a different way.

4 DREAM: You have to have high aspirations to deliver something that is unique. That sets into motion a process of delivering something that's not imitable, or me-too, for end users.