

Tackling competition: What SMEs can learn from Amazon's imminent disruption of SA's marketplace

By [Jeremy Lang](#), issued by [Business Partners Limited](#)

24 Oct 2022

Leaked documents detailing the forthcoming launch of 'Project Fela' - a new marketplace with its own membership programme owned by Amazon - has prompted much industry speculation and debate around the role that competition plays in sector development. In this key example of the disruptive entry of an international player into the local market, lie valuable lessons for small businesses, particularly those who compete directly with large corporates, have aggressive growth strategies, or simply want to understand how to manage their competitors more effectively.

"Expect disruption," is the advice of Jeremy Lang, executive director at Business Partners Limited, who urges SMEs to avoid complacency and see competitor research not as a once-off exercise, but as an ongoing business imperative.

As he expands: "A significant component of thorough market research must involve rigorous competitor research – not only in terms of existing businesses, but in terms of plausible disruptors who may enter the market in years to come. Two pieces of information that are indispensable to entrepreneurs are: what will compel their targeted market segment to buy their product, and who else is competing on that same basis."

Know your position: Strategic positioning as a clear market differentiator

According to Lang, three key factors are the major determinants of an SME's market positioning: price, quality and service. Usually, SMEs leverage off of one or two of these factors and use it as the basis of their value proposition. Hitting the nail on the head, in terms of positioning relies on a thorough understanding of the relevant market – what drives their purchasing decisions and spending habits, as well as what their needs and pain points are.

With the looming possibility of Amazon Shopping Online serving as a serious contender for Takealot's market share however, a fourth factor needs to be considered – innovation. On this point, Lang encourages SMEs not to limit their understanding of what innovation means solely to the realm of the product.

"Over and above product innovation, the potential innovation in customer experience has to retain and attract customers can serve as a powerful differentiator if actioned correctly. In the example of Amazon, we see an international brand foregrounding unmatched convenience with selling points like free delivery and cloud storage as value adds to its membership package. Herein lies an important business lesson – the 'customer is king' means more now than it did even ten years ago. With technology as an enabler, businesses have the means by which to engage their customer base, learn from them and tailor their sales journey to what their customers on the ground need and want," explains Lang.

Competitors as potential partners

For small businesses – particularly those who find themselves going head-to-head with large corporates – a shift in mindset could also provide the basis for gaining a competitive edge. Instead of seeing big brands as insurmountable obstacles, they can be looked at as potential partners and a way to expand an SMEs network.

"Sometimes the best way to remain competitive is to forge strategic partnerships that take advantage of the complementary nature of each party's inherent strengths and weaknesses. On a more positive note, SMEs also have an opportunity to collaborate and sell their products via the Amazon Shopping Online platform," asserts Lang.



Jeremy Lang

Customer retention is imperative during periods of disruption

Expanding further on how businesses can brace themselves for disruptive market movements, Lang provides the following insight: "Upon reaching a crossroads in business, SME owners can either focus on selling existing products to existing customers, promoting new products to existing customers, pushing sales on existing products to new customers or punting new products to new customers.

"When the market is turbulent and market share is at risk, the general approach is to focus on the first two options. Customer retention and leveraging brand loyalty is an important strategy when preparing for the knock-on effects of new competition in the market."

Local businesses have significant advantages over global newcomers

For Lang, when it comes to tackling competition from global players, there are no concrete conclusions – one can never assume that the international player will clinch an industry monopoly simply by virtue of its size and perceived prominence in the marketplace. In fact, as Lang explains, local businesses have a few key advantages.

Touching on the product delivery aspect of the Amazon example, Lang explains that local companies have the advantage of speed due to the existence of local distribution centres and delivery channels. In an age of instant gratification, the speed at which delivery can be achieved will continue to be a key selling point for local businesses and prerequisite for repeat sales.

Furthermore, local businesses should not underestimate the value of grassroots experience and having a comprehensive and hands-on understanding of how the South African consumer thinks and spends. "There's a fair amount of psychology that goes into how South Africans make purchasing decisions – local brands can appeal to this unique psyche and use it to foster customer loyalty," says Lang.

Locally, loyalty programmes such as those attached to financial institutions – eBucks and uCount Rewards, are also a major drawcard for local customers and a way that South African companies can increase their value proposition and encourage repeat sales.

As Lang concludes: "Industry disruption is an inevitability – whether it happens a month into a business journey or a few decades after a brand has established itself as a market leader. But there is a very constructive side to increased competition – it keeps companies on their toes, pushes innovation and creativity and ultimately, contributes to wider consumer choice."

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