

CREATING ENTRY BARRIER

**Mastering the strategy of establishing
entry barriers in your business**

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Creating entry barrier in your business

A customer asks for a discount only under two conditions:

(i) When he/she has options, and

(ii) When he/she has objections.

If you are selling what others are also selling then a customer may or may not buy from you.

If the customer is finding faults in your product/service, he might not buy from you. And, he will ask for a discount.

Eliminate Options and Objections

If you can eliminate

"the **options** and **objections**" associated with your product/ service in the market, you will never have to give any discount and your market share will increase.

If you are doing something unique, then the entire market share will be yours. This will also help you to create a monopoly in the market. As, there are hardly any other options to challenge your product or services.

Therefore, you should figure out the objections the customer has against your product/ services and save yourself from giving discounts and **increase your market** share by **killing** the options and objections.

Identity Your Perfect /Target Audience

One common mistake that every entrepreneur or an organizational leader in their life does is trying to sell your product/service to the customers "outside your target audience".

Sometimes, you don't really pay attention to the fact that every product/ service has a "specific client" base. But, a successful entrepreneur/ leader can identify them.

Identifying Your "Perfect Customers" Based on "NICE analysis":

NICE stands for

Needs

Interests

Concerns

Expectations.

For Example:

The perfect customer for Domino's is:

Men/ boys in the age group of 7 - 45 years.

Monthly income is between 30K and 1-1.5 L per month.

Literate youth who is indecisive, not ambitious, and casual.

An unmarried/ single person living in a city who likes to experiment and eat as per convenience.

Similarly, you also need to:

Identify the psychographics and demographics and socio-economic background of your customer.

Identify what should be your perfect customer's age bracket, income bracket, gender, marital status, social status, economic background/ lifestyle, education, mind-set, interests, culture, aspirations, location, etc.

Identify Portfolio of Products/Services

Once you've identified your perfect customer, now look at the "portfolio of your products/ services". You should identify the bouquet of your products/ services that you offer to your customers.

An example of Domino's product portfolio would include, multiple variants of veg and non-veg pizza with a large variety of choice of crust and toppings, burger pizza, veg and non-veg taco, bread - dips, variants of pasta, desserts, etc.

Similarly, you have to also list down a portfolio of your products/ services.

How Can You Create an Entry Barrier in Your Industry?

You can create an entry barrier in your industry, and monopolize the whole market through the following tips:

1. Intellectual Property Rights

Intellectual property rights are the rights given to persons over the "creations of their minds".

They give the creator an exclusive right over the use of his/her creation for a certain period.

Intellectual property includes intangible creations of the human intellect and primarily encompasses copyrights, patents, and trademarks. Example: Microsoft.

2. Patents and Licensing

A strong and well-drafted utility patent gives the owner the right to prevent any other party from making, using or selling the patented invention in the territory covered by the patent.

For example, pharmaceutical companies, where patents may bar a new company from manufacturing medicines until the original company holds the patent.

3. Distribution Network

If a company has been operating in an industry for a several years, they had the time to build up a strong distribution network.

They know all the key persons in the process that takes their product to the customer, and can "streamline it's working to perfection." For example: Samsung, Oppo, and Vivo.

4. Exclusive Rights

If an incumbent has the "exclusive legal rights" to resources required by the industry, then the newcomer may be put in the position to purchase resources from their own competitor.

For example, Amazon and Flipkart hold exclusive rights to sell a few products.

5. Economies of Scale

Manufacturing a product in larger quantities often reduces the total cost of the product. This is known as economies of scale.

Achieving this scale advantage requires a lot of initial inflow of investment to pay for the setup costs associated with large-scale manufacturing.

This is not possible for newer smaller businesses and often acts as a significant barrier to entry. Example: Big Bazaar, Walmart, etc.

6. Proprietary Technology

An organization creating a technology that cannot be easily copied also creates an entry barrier for others. For example, Windows, iTunes, Pringles, etc.

7. Brand Equity

Brand equity refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent.

Companies can create brand equity for their products by making them memorable, easily recognizable, and superior in quality and reliability.

Example: MSeal (epoxy compound), Fevicol (adhesive), Dettol (antiseptic liquid).

8. National Sentiments

A significant barrier to entry is also created when people start associating your product/ service with the Nation. For example, Patanjali by Baba Ramdev.

9. Subscription (Memberships/ Reward Points)

Entry barriers can be created by introducing subscriptions, and memberships.

This increases loyalty and repeat customers.

For example, India Today is one of the largest selling business magazines.

10. Product Differentiation (Price | Durability | Style | Quality)

It is when you create a differentiator for your product in the form of either price or durability or style or quality.

For example, Apple is known for its quality and Xiaomi is known for its reasonable price.

11. Manufacturing Efficiency

Entry barrier can also be created when the manufacturing efficiency is so high that the competitors cannot match it.

For example, McDonald's Drive-Thru. You place your order and make the payment on one counter and by the time you reach the next counter, your order is ready to be delivered.

12. Trade Secret

It could be a formula, a process, an algorithm, a recipe or any similar information that allows you to compete successfully, but that is unknown to your competitors.

For Example, the Coca-Cola formula is the Coca-Cola Company's secret recipe for Coca-Cola syrup, which bottlers combine with carbonated water to create the company's flagship cola soft drink.

While several alternatives, each purporting to be the authentic formula, have been produced, the company maintains that the actual formula remains a secret, known only to a very few selected employees.

Conclusion

Now, it is time to kill the

AATNA (Another Alternative to Negotiated Agreement) or popularly called **BATNA** (Best Alternative to Negotiated Agreement).

You have to now create a strategy for yourself.

You should brainstorm and identify the new changes you would bring in your product/service that will create an entry barrier and create a monopoly in the market.

Key Learnings

Never share your trade secrets

Focus on creating a key differentiator in your product

Make your brand memorable