



BARRIERS TO ENTRY

(Market Driver)

If someone else wanted to start running in the race against you, how hard (or easy) would it be for them to start, run and win? Would a new competitor make your life miserable by quickly getting to where you are now?



If someone wants to open shop just like yours next door, how easy is it for that to happen? Do you have patents? Trademarks? Copyrights to protect you? Do you have licenses, trade secrets or exclusive agreements? Is it financially viable for a new business to enter the marketplace? The harder it is, the better it is.

Best practices would dictate that you have thought about the threat of new competition moving into your territory and have positioned your defenses by making sure you understand the following:

- **Barriers to Entry Types:** You have significant obstacles facing a new entrant into your company's market including legal, market, and/or capital barriers.
- **Legal Barriers Documentation:** Your company has well organized and documented agreements, licenses, and/or contracts, plus patents, trademarks and/or copyrights that clearly define the protection and the extent of your protection.
- **Market Barriers Documentation:** Your company has market barrier documentation that includes how it created these market barriers and will protect them: examples include brands, licenses, trade secrets, exclusive agreements, location, etc.
- **Capital Barriers Documentation:** Your company has documented all aspects of capital required for new entries into the marketplace.



GOAL: *To have something unique that your customers or clients want, or know you for, that would be almost impossible for a competitor to duplicate.*

- *To know where you stand in the "marketplace triangle", and to be able to own it well by having the processes in place to vigorously defend your position.*

Consider the restaurant industry as an example. If you owned a restaurant, where on the market triangle would you be placed?



	Corner 1	Corner 2	Corner 3
Type of Restaurant	High End	Casual	Fast Food
What Customers Want	Fine Experience	Good Food	Cheap and Fast
Who Customers Are	Affluent	Families & Friends	People in a Hurry

If you knew your corner - your place in the market - and did that well for the audience that frequented you, would you even care about restaurants moving into your area that were from the other two corners?

And knowing your corner and the audience that you catered to, would direct competition have anything to stand on if you understood the implications for these other drivers:

- How do customers see you? (Customer Satisfaction)
- Is your brand solid? (Brand Recognition)
- Do you already claim the lion’s share of the market? (Dominant Market Share)
- How innovative is your culture, product or service? Would it be hard to replicate? (Innovation)

It also pays to remember that these barriers can change over time, so it is important to stay up-to-date on the latest trends in your industry. By being prepared for new competition, you can ensure that your business remains battle ready and successful for years to come.