Chapter 1: The Three Commodity Traps

-- From Diamonds to Glass

Commoditization is an ugly word and often an ugly reality for companies throughout the world. From Wuhan to Washington; Hannover, Germany to Hanover, New Hampshire, commoditization is rife, a brutal fact of twenty-first century business life.

"Everything commoditizes over time. The edges and points of difference get worn off by competition. The facets of diamonds are worn away and you are left with a piece of glass. It is easy to imitate and hard to innovate," Steve Heyer, the former CEO of Starwood Hotels & Resorts Worldwide and former COO of Coca-Cola, told me. Steve's right. Everything becomes a commodity, eventually. How to ensure you emerge from the crucible created by commoditization with diamonds is the subject of this book. Because, whatever industry you are in, managers are being stunned as India and China exert their incredible economic potential, and technology continues to make major forward leaps. Timescales are shrinking and the commoditization clock is ticking.

Like the modern corporate equivalent of the medieval black plague, almost every firm is suffering from commoditization in one form or another. According to Merriam-Webster Online, commoditization means "to render (a good or service) widely available and interchangeable with one provided by another company."

Commoditization occurs when you have to constantly improve quality or other product benefits while decreasing prices to keep up with competitors. It also occurs if you have to lower your quality or other product benefits to keep pace with falling prices. The problem is exacerbated when you are caught between rising input costs (such as energy, metals and raw materials) and a loss of pricing power for your products. Your costs increase but you simply cannot pass them onto your customers without killing your business. And commoditization occurs when demand evaporates, triggering round after round of price competition. Sound familiar?

You are not alone. The world is getting flatter and the clock is ticking ever more loudly. The impact of commoditization can be seen in industries as diverse as fast moving consumer package goods and electronic products. Think of retailers such as Wal-Mart and Tesco, which have introduced private-label products into their supermarkets, squeezing the margins of big brand products, and forcing companies, even giants like Unilever and Procter and Gamble, to rethink their strategies. Think of the impact that Dell once had on prices in the personal computer market. And now, of course, Dell itself faces further commoditization as low-cost producers from outside the U.S. enter its markets.

Sometimes, too, the impact of commoditization in one part of a market can have a ripple effect throughout an entire industry. At the low-end of the European fashion market, for instance, the Spanish retailer Zara is using new mass production processes and sourcing strategies to offer imitations of designer products at a low price shortly

after their release.[1] The emergence of Zara and other fashion-forward discounters is leading to a low-end migration of buyers in the European women's fashion market. This is affecting the entire market. First, the lower (mass market) and mid-price-point segments are affected as direct competitors. But as the middle price point brands change their strategies, the effect is rippling through to the very top designers, forcing everyone in the industry to shape a response to the disruption caused by Zara.

Private-label brands, the Dell effect, and *Zarafication* are all examples of what I call a commodity trap.

A commodity trap is where a company sees its competitive position being eroded so that it can no longer command a premium price in its market. In a commodity trap, consumers receive more product benefits for their money or pay lower prices for the same or lower levels of benefits. The result is that companies find that they can hold their prices and lose market share, or they can hold market share only by lowering prices. In either case, they have lost their pricing power. They experience squeezed profit margins whether input costs rise or remain stable. Over time, a company's product or service becomes indistinguishable from others in the market, and consumers buy on price alone – so it becomes a commodity.

Of course, by now Dell, Zara, and Wal-Mart are familiar stories. Familiarization should breed concern. But just in case you are under any illusion, let's be clear:

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[1] Thanks to Gianmario Verona at Bocconi University in Milan, as well as Bernhard Termühlen, Chad Miller, Michelle Coyle, Mariana Garavaglia, Cynthia Landrebe, and Julien Bonneville for their research on the fashion industry.

commoditization can happen to any firm. Any product. Any time. And, even though familiar, not all commoditization is alike.

If you are not yet convinced, consider motor cycle maven Harley-Davidson. The ultimate premium-priced, iconic product surely defies commoditization. In a world where products routinely turn to glass, Harley has been a perpetual commercial diamond. At least, that's what you might think. But let's dig deeper and try to understand this classic corporate case in commoditization terms.

<A> Prem de la Prem

Harley is the famous survivor of several rounds of tough price-benefit competition. The long straight highway has had a few hidden dips – and in these commoditization has inevitably lurked whether in the guise of cheaper Japanese competitors like Honda or sexy upstarts at the top end of the market like Big Dog.

Founded in 1903, Harley came to define the motorcycle industry in the United States. But, in the 1970s it encountered its first commoditization trap. Harley was undermined by a reputation for poor quality, lack of innovation and poor customer service. Japanese rivals, such as Honda, Suzuki and Yamaha, took advantage of this weakness to offer motorcycles at lower prices with better reliability.

As these rivals offered greater benefits at lower prices, the outcome was predictable, if not inevitable. In spite of its legendary status, Harley's market share shrank from 39 to 23 percent between 1979 and 1983. Harley was truly caught in a commodity trap. The question facing the company's senior managers was what to do about it.

Harley could either slash prices to hold onto its market share or hold prices but concede share. But neither move would lead to financial health given the firm's fixed cost structure. And they would only lead to an intensification of price-product benefit competition.

<A> The Road Back

Harley's future looked grim. But after a leveraged management buyout in 1981, Harley's leadership turned the company around. The way out of the trap was to revisit customer benefits. While keeping its classical advantage in engine power, the company emphasized a valuable secondary benefit to its products: branding based on its "rebel" image and iconic status. This made the Japanese rivals' reliability advantage less important as a factor in purchasing and valuing motorcycles. Rebels care more for role models than reliability.

Key to this was the launch of the Harley Owners Group (HOG) in 1983. HOG became the largest factory-sponsored motorcycle club and now has over one million members worldwide. HOG helped Harley develop a brand that was applied to diverse apparel and collectibles, further encouraging its adventurous Harley lifestyle and bad-boy image. If you couldn't afford a Harley, you could always buy a Harley jacket or Harley emblem to create a bad-boy image. The company roared back in the late 1980s. In 2003, its centennial year, the company announced record revenues of $4.6 billion, up 13 percent from the previous year.[2] With a throaty roar, Harley was back on the highway and commoditization was, it seemed, an avoided pothole in the rear-view mirror.

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[2] Thanks to Alberto de Cardenas, Paul Kim, Joep Knija, Mark Potter and Aaron Smith; as well as Sameer Nadkarni, Jim Sole and Igor Popov for their analysis of Harley-Davidson as of 2002.

Using the very simple price-benefit analysis shown in Figure 1-1[3] my analysis found that, in 2002, “Hog wild” Harley customers were willing to pay an average 38 percent premium for a Harley-Davidson motorcycle, over a similarly equipped motorcycle from one of the “big four” Japanese companies (Honda, Yamaha, Kawasaki, and Suzuki). This premium was despite the fact that Japanese models offered 8 to 12 percent more power for the same price than Harley based on engine displacement. Harley customers were willing to pay a third more for a tenth *less* power than the most popular Japanese models. In fact, Harley’s image was so powerful that it even became the dominant brand in large-displacement motorcycles *in Japan.*

<Insert Figure 1-1 about here.>

The feeling of victory was understandable. Harley’s turnaround shows how a company can (initially, at least) successfully fight back against commoditization by differentiating its products.

<A> Trouble in Hog Heaven

But that’s only part of the story. Another commoditization trap loomed. Harley was about to come face to face with a dangerous canine: the big hog was about to meet the Big Dog.

[3] Price-benefit analysis involves graphing the position of all products in a marketplace using each product’s price against its “primary” benefit, the most important product benefit that drives pricing in the market. Then it includes identifying the expected price line using statistical analysis. The expected price line is the line that predicts the average price for a given level of the primary benefit. Products positioned above (or below) the line include price premiums (or discounts) for secondary benefits offered (omitted) by the product, good (or bad) brand image, and intentional strategies to milk the product by charging an unexpectedly high price above the line at the risk of losing market share (or to buy market share by charging an unexpectedly low price below the line for the product). -- See Richard A. D’Aveni, “Mapping Your Competitive Position,” *Harvard Business Review*, November, 2007, for more details on the price-benefit analyses used in this book.

As Harley celebrated is victory over the Japanese entrants, two new U.S. motorcycle brands stepped into their mark on the industry: Victory (owned by Polaris Industries which developed snow mobiles in the 1950s) and Big Dog based in Wichita, Kansas. By 2004, while it was not evident that Harley was losing its grip on the market, deeper analysis showed Harley's brand was no longer automatically top hog. In 2004, my researchers and I calculated the advantage of Harley's brand compared to other companies by quantifying how much higher Harley's prices were than expected for bikes of similar displacement, accessories and features.

Our price-benefit analysis of the market in 2004 revealed an emerging challenge to Harley's price-benefit positioning.[4] It showed that Harley did not earn a premium over new American competitors such as Victory and Big Dog. In fact, Victory and Big Dog's highly customized motorcycles commanded a 41 percent premium *over* Harley-Davidson for the same engine, features and accessories.

From a strategic perspective, this suggested that Harley-Davidson's brand was still potent enough to keep the Japanese manufacturers at bay, but was at a disadvantage when it came to American-made rivals. Both these rivals remained fairly small in terms of sales volume. Big Dog, for example, produced just 25,000 motorcycles between starting life in 1994 and 2009 (while Harley routinely shipped over 300,000 motorcycles annually). But, the all-American threat was already becoming clear in 2004 and is now a reality. Along the way, Big Dog became the world's largest

[4] Thanks to Carolyn Ball, Dora Fang, Nao Inoue, Lee Johnson, and Eric Young for their analysis of the motorcycle industry in 2004.

manufacturer of custom motorcycles. From being top hog, Harley found itself fending off lower price Japanese competition *and* premium American manufacturers.

Let's look at this more closely. Harley was leaving money on the table compared to its American rivals because its services, level of customization and image were not as good as theirs. Harley's macho, bad boy image did not appeal to Generation X and Y consumers and women. By 2007, American women were the fastest growing segment of the U.S. motorcycle market, purchasing more than 100,000 motorcycles per year.[5] According to the Motorcycle Industry Council, women now number over 12 percent of riders, up 29 percent on 2003.[6]

While women accounted for 12 percent of Harley's sales, spending about $300 million, not counting clothing and other accessories, the company lagged behind rivals such as Kawasaki and Suzuki in reaching this growing segment, in part because these Japanese competitors offer smaller bikes that are less intimidating. So Harley was getting caught in a trap set by proliferating products that surrounded its core market.

Both Generation X and Y consumers saw Harley as their father's motorcycle – think GM and Oldsmobile. The average Harley rider is a married man in his forties with an income of $84,300.[7] An article in *Marketing Trends*[8] noted how some observers felt that Harley had "lost its cool" and rivals such as Big Dog had donned the leather

[5] Clifford Krauss, "Women, Hear Them Roar," *The New York Times,* July 25, 2007.
[6] "H-D and Buell Support Female Riders", www.motorcycle.com, 24 December 2008.
[7] Harley-Davidson Annual Report 2007.
[8] October 2004

jacket of cooldom.[9] The new rivals capitalized on the desire for a new image -- the "New American Bike" -- in contrast to Harley's traditional Hell's Angel-open highway-leather jacket and shades-*Easy Rider* image. Victory and Big Dog's highly customized products were trumping Harley-Davidson's rebel image by changing motorcycle riding from being an act of machismo to one of individualism and self-expression.

<A> The Commodity Skid

Industry experts were astounded when I showed them these results suggesting that Harley was on the edge of another commodity trap in 2004. They didn't agree and insisted that Harley would remain dominant.

The most readily available confirmation of this dominance is market share data. Of course, current market share is not a predictor of a company's ability to charge premium prices. (Think General Motors again.) Actually, at the same time as the industry insiders dismissed my take on their market, Harley dealers were engaged in extensive price discounting to keep sales up. More important, the analysis provided an early warning of Harley's stock price slide in 2005. It gave hard data about the creeping commodity trap suggesting the need to protect, modify, and refresh its brand image.

Using traditional strategic analysis, such as measuring market share, the threat was simply not apparent. Harley still had the largest share of the market (just under 50

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[9] John Wycoff, "How Harley Davidson Lost Its Cool," *Marketing Trends,* October 11, 2004.

percent), but the fact that Harley dealers were discounting to keep sales up disguised the problem. They were, in essence, buying market share with lower prices.

Yet it wasn't until 2006 that the company responded – fully two years after my analysis identified the problem. At that time it introduced a range of initiatives to support its strategy to attract new customers. In particular, it hoped its Buell brand would appeal to younger and female riders.

The reality is that Buell has not yet made a big difference to Harley's financial performance. In fact, as noted earlier, it was telling that Harley's stock price rose in mid-2007 only upon rumors that it might be taken over by Honda, before falling after dealers indicated sales volumes would be weaker than expected. In fact, Harley shipped 303,000 bikes in 2008 against 331,000 in 2007. (As I write, sales of 264,000-273,000 are anticipated for 2009.)

Now, I am not saying I am amazingly prescient. But, through price-product benefit analysis I was able to spot the signs of creeping commoditization. Think about it. Where would Harley be now if it had acted two years earlier? Think about your own company. Do you know what's happening in your market? Are you sure?

<A> Why Differentiation is Not Enough

If it can happen to top-end fashion companies thanks to Zara, and to Harley-Davidson's competitors, creeping commoditization can happen to you. Experience shows that differentiation is not enough. Soon, everyone else has the same bells and

whistles. What use is a new fashion collection when it can be speedily and cheaply imitated by Zara?

Harley's experience is all the more chastening because it appeared to have escaped the trap. Faced with imitation and the proliferation of Japanese and American rivals -- Japanese manufacturers even attempted to imitate Harley's signature "rolling thunder" sound -- Harley found ways to separate itself from the pack through focusing on brand image. The strategy was successful at first, but the escape from commoditization is an ongoing process of managing the price-benefit equation. While Harley successfully differentiated itself from Japanese rivals, it faced new competition from American rivals offering different benefits that earned higher prices by appealing to changes in the consumer base. Now, Harley is caught between lower priced Japanese bikes and higher priced American customized bikes. Not an enviable position for the long term, especially as demand continues to evaporate.

The fact is: Product-based advantages are narrowing and fleeting, making it harder for companies to extract a price premium in most markets. Just about every manager I talk to is engaged in differentiation. But, very few of them feel that continuous differentiation is a solution. They simply don't get the results they expect — because everyone else is doing it, too. In the end they feel like the Red Queen in *Alice in Wonderland*, who noted that: "Here you must run faster and faster to get nowhere at all!" Managers are no strangers to running on the same spot. Many conclude they need to get better at continuous differentiation by infusing greater customer orientation into their organizations. But, once again everyone else is doing this as well.

This race for differentiation becomes like the old joke about two friends confronted by a bear in the woods. One friend puts on his running shoes. The other points out that he can't hope to outrun the bear. But the first friend responds: "I know, but all I have to do is outrun you!" The problem is that the bear wins in the end -- or both race right into a commodity trap. The race not only goes to the swift but to the person *running in the right direction*. Differentiation can be a powerful way to change positioning. But it is only part of the solution to the commodity trap. To run in the right direction – in ways that avoid, moot or eliminate a commodity trap – you have to understand how commoditization occurs. You have to be able to recognize the different traps and know how to beat them. This means that firms must not just differentiate their products—they must use differentiation to change their industry's structure in ways that mitigate, moot, or eliminate the different traps. Identifying these traps and showing how to get out of them is the focus of this book.

<A> My Research

In a hypercompetitive environment, the dynamics of price-benefit maneuvering have become more intense, rapid and significant. There are a lot of bears out there! The Wal-Mart effect, the rise of China, off-shoring and outsourcing to low-cost countries, recession, eroding consumer loyalty, discontinuous technological revolutions and other relentless forces of hypercompetition are eroding and unseating the price and benefit positions of leading products in almost every market. The spread of Six Sigma, TQM, CRM and SCM software and new manufacturing technologies is leveling the global playing field and erasing cost and product benefit-based advantages.

In industry after industry, the confluence of these factors is creating an inevitable – arguably unstoppable – pressure towards commoditization. It was this phenomenon that I set out to explore with my team of researchers. I wanted to understand: first, the competitive mechanisms that lead markets to commoditize over time; second how the commoditization actions of one firm affect their rivals; and finally, and most crucially, whether there were ways to reverse or evade the commoditization forces to escape from or destroy the commodity trap.

My team and I studied companies in more than 30 industries – from restaurants to retailing, from watches to watching the news, from amateur photography to advanced materials, from turbines to tires, from automobiles to artificial sweeteners, from music-playing devices to motorcycles, and from making ships to making chips. We quantified, verified, and expanded on the commoditization patterns identified from my consulting and action-research.

To understand the ways commodity traps develop, I asked fundamental questions:

- What are the common patterns of commoditization?
- Is commoditization a different process for every industry or possibly even for every firm and industry?

I then sought answers by asking:

- What is the underlying competitive movement or flow of prices and benefits in this industry and how is it changing the price-benefit analysis?

- Given these patterns of commoditization, how are companies finding a way out?

From this, I identified the three most common patterns that created commodity traps and found that the descent into commodity hell was neither inevitable nor incontrovertible. By identifying the dilemmas these commodity traps presented, I was able to understand the strategies—beyond continuous differentiation—that companies have used to address these dilemmas successfully.

<A> The Three Commodity Traps

My research found that commodity traps occur for three primary reasons:

- ***Deterioration:*** First, I found a number of industries suffering from the emergence of a dominant low-end competitor, such as Zara, whose low-end imitations caused "Zarafication" of the European fashion market. This type of commoditization occurs when a low-end firm offers a value proposition that is so superior in the eyes of customers that others are left in the dust without hope of catching up. Typically, these are very low cost—low benefit products or services that attract the mass market, such as Wal-Mart's "every day low prices" approach to merchandising. In the U.S., no manufacturer went after the low-end of the U.S. motorcycle market with such a product. In India, however, Bajaj's low-priced, low-power motor bikes captured a large part of the two-wheeler market for decades, as did Honda's Cub in Japan. The emergence of such a low-end competitor, as seen by the impending development of a $2000

car in India and a $6000 version for the U.S., poses a serious challenge to incumbents in the car and motorcycle industries because established firm have structural differences, often finding it difficult to compete with the upstart on their own terms. This leads to the deterioration of both prices and benefits that I label the "deterioration trap."

In the deterioration trap, prices go down; and benefits go down, too.

- ***Proliferation:*** Second, I found many industries suffering from product proliferation. The motorcycle market is a case in point. Companies develop new value propositions—new combinations of price and several unique benefits—that attack part of an incumbents' market. The Japanese motorcycle makers did this in the 1990s by creating a series of bikes for thrill seekers (sport and racing bikes), responsible adventurers (travelers and vacationers) and commuters (basic transportation), siphoning off customers that did not really fit Harley's rebel and weekend rebel segment, and partially commoditizing other Harley products by offering alternatives that partially overlap with their main benefits. Meanwhile, the American rivals – Big Dog and Victory -- appealed to niches surrounding Harley's position. This leads to the proliferation trap.

  In the proliferation trap, prices go up or down; while benefits go up or down I all directions around a focal firm's products.

- ***Escalation:*** Third, I found industries, such as cell phones, where prices were declining while benefits were increasing. The value that a product offers to customers can quickly get out of whack with the market. In other words, the market witnesses an escalation in the ratio of benefits offered by the product to prices charged. So companies offer more for the same or lower price. This is what Apple did in cell phones, reducing prices for a great quality phone, and outflanking the entire lines of other producers with a more phones of more value to customers. This leads to a situation where price is constantly driven down even as product benefits continue to rise, squeezing margins.

  In the escalation trap, prices go down; and benefits go up. This is typical in markets where technology is advancing rapidly, but can occur in many other markets.

Any one of these three patterns can lead to complete commoditization of a product market, a point where a firm's product margins and/or market share are rapidly, if not completely, disappearing.

Table 1-1 summarizes the three traps and the strategic dilemmas they create for managers.

<Insert Table 1-1: The Three Commodity Traps Framework about here>

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<A> THE COMMODITY TRAP CHECKLIST

To help you identify which of these three traps are operating in your firm's markets, consider the following questions:

<B> DETERIORATION

1. Has a dominant low-cost competitor entered your market disrupting the status quo?
2. Do economies of scale make it impossible for you to compete with some rivals on price?
3. Are customers less and less willing to pay for additional benefits such as service and industry expertise?
4. Are your margins falling and are you losing market share despite the fact that you lowering prices to match the competition?

<B> PROLIFERATION

1. Is your market increasingly fragmented, with new offerings and variations being introduced all the time?
2. Is your value proposition being undermined by new offerings targeted at ever narrower market niches?
3. Are you frustrated by your lack of enough resources to fight marketing and innovation wars on too many fronts surrounding your main product?
4. Are you under constant pressure to reduce your prices just to retain your existing customers because of they have surrounded you on all sides?

<B> ESCALATION

1. Do you feel like you are locked into an arms race with competitors, where you are constantly adding new features and benefits and lowering price just to keep up?

2. Do you find that one competitor is making money by leading the escalation of benefits and lowering of prices, while you are constantly trapped in a game of non-profitable catch-up?

3. Do you find that the primary benefit which excited customers yesterday is taken for granted today and will be no more than entry stakes for tomorrow?

4. Do your customers have the power to constantly demand more for less money?

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<A> The Right Strategy to Fit the Trap

Once a company is caught in a commodity trap, differentiation is rarely enough to get out. Indeed, the reason most companies find themselves in the trap in the first place is because they failed to innovate early enough to avoid it. So, if differentiation alone is not sufficient to beat the commodity traps, what can companies do?

To be successful in the long run, you must indentify and resolve the dilemmas and challenges created by *each* particular trap. Table 1-2, Strategies for Beating the Three Commodity Traps, summarizes how to identify each trap and lists some of the most frequent solutions to each.

<Insert Table 1-2 about here>

While Table 1-2 illustrates the common patterns and different solutions that I have found across industries, there are many variations on these three themes. Every company and industry faces distinctive challenges in price-benefit maneuvering that require careful analysis using price-benefit analysis—the mapping of price versus product benefits to look for trends and statistical relationships between price and product benefits. There are also short-term opportunities that can emerge within these broader patterns, requiring strategic adjustments. That's why I have spent the last ten years developing this framework to help managers identify and beat their commodity traps. The rest of the book demonstrates how these commodity traps work in practice – and strategies for beating them.

Chapter 2 outlines practical strategies for beating the deterioration trap – the first of the common commodity traps. Using real life examples, it explains how you can spot the deterioration spiral before it takes a hold of your business and destroys it. It explains why even high price-high quality players are affected by ripple effects at the low end of the market and how the market power of the low end player is the underlying problem that must be dealt with using "market power management" strategies. For example, the "undermining" strategy eliminates the low-end player's market power. This strategy takes the wind out of the sales of the player driving the market's deterioration. This and other remedies are explained using real-life examples.

Chapter 3 describes the second common commodity trap – proliferation -- and explains how you can identify the tell-tale signs early on so that you can take evasive action. It examines the options for dealing with the dilemmas caused by fighting

numerous threats, using what I have labeled as "threat management strategies." Using real examples of how companies have side stepped the proliferation trap – or taken control to turn proliferation against their rivals -- the chapter explains how to beat this potentially debilitating trap.

Chapter 4 examines the escalation trap. It explains how you can identify when you are caught in the escalation trap – and outlines practical responses that will turn the situation to your advantage or destroy the trap. The chapter discusses how this trap is created by an underlying problem: seemingly unstoppable momentum created by constant one-upsmanship based on offering more benefits at lower prices. Escalation is a game that no one can afford to ignore for fear of being left behind. The chapter explains how you can use strategies to "manage the momentum."

In all three traps there are three types of solutions. Some strategies are designed to *escape the trap*. For example, re-seizing the initiative helps escape escalation by restarting the cycle of escalation through redefining the primary benefit in the market, effectively allowing the market to offer radically higher or even new benefits at a higher price, rather than continuing adding more of the old benefits at lower prices

Other strategies are intended to help firms *destroy their trap*, as is the undermining strategy for the deterioration trap. Reversing the momentum of an escalating market also effectively stops the escalation trap. Overwhelming the threats of proliferators can scare the threats away, or eliminate them sequentially or simultaneously -- depending upon the firm's resources. Still other strategies *take advantage of the trap* to use it as bait that lures rivals in, while you get out.

Finally, having demonstrated how you can beat the commodity traps, Chapter 5 offers some insights on the next wave of competitive pressures. In particular, it considers the impact of ongoing disruption and price pressure from around the globe – to stay one step ahead of the competition. It is akin to having your own strategic global positioning system (GPS). It allows you to pinpoint where you are on the competitive map and what you have to do to reach your new co-ordinates. This is especially valuable when you are dealing with disruptive technologies, new business models, and aggressive hypercompetition.

My research suggests that most managers can feel when there is something wrong, but cannot articulate why they are trapped. They aren't blind, but they are often stunned because they can't find a way out of the dilemma trapping them. I hope this book offers a language to describe their situation and a practical set of actions that will set them free – and help them avoid traps in the future.

So welcome to a new world full of commodity traps and ways to beat them. These traps will offer many challenges, but it is best to focus on the opportunities created by commoditization. One firm's trap is often another's opportunity. It is all in the way you see it. After all, the best golf courses are the ones with numerous sand traps and other obstacles that offer the enjoyment of overcoming them. The traps are what make us stronger competitors when we learn to escape, undermine or turn them to our advantage.