COMPETITIVE STRATEGY BRIEFING · 2026

The Algorithmic Advantage

Ten emerging frameworks reshaping how retail and consumer brands win — when the customer is a person and an algorithm

Prepared for the C-Suite · Retail & Consumer Brands

Strategy’s assumptions are breaking

The biggest transition since Five Forces and the Resource-Based View. The classics still work — but they assume stable industries, linear value chains, and human decision-makers. All three assumptions are weakening.

UNDER STRAIN

Stable industries

Advantage now expires on a shorter clock and must be continuously renewed.

UNDER STRAIN

Linear value chains

Value is created in ecosystems and reinforcing loops, not sequential steps.

UNDER STRAIN

Human decision-making

AI increasingly sits between the consumer and the brand's shelf.

Ten frameworks defining the next decade

01
Dynamic Advantage

02
Ecosystem Strategy

03
Capability Competition 2.0

04
AI-Mediated Competition

05
Preference Marketing

06
Demand Shaping

07
Flywheel Strategy

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Data Network Effects

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Organizational Speed

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Adaptive Portfolio

Converging view from Porter, McGrath, Helmer, Kim — and from McKinsey, BCG, and Bain: advantage is becoming dynamic, data-driven, ecosystem-based, and AI-mediated.

Dynamic Advantage

TRADITIONAL VIEW	EMERGING VIEW
Build a sustainable competitive advantage and defend it.	**Advantage continually expires and must be actively renewed.**

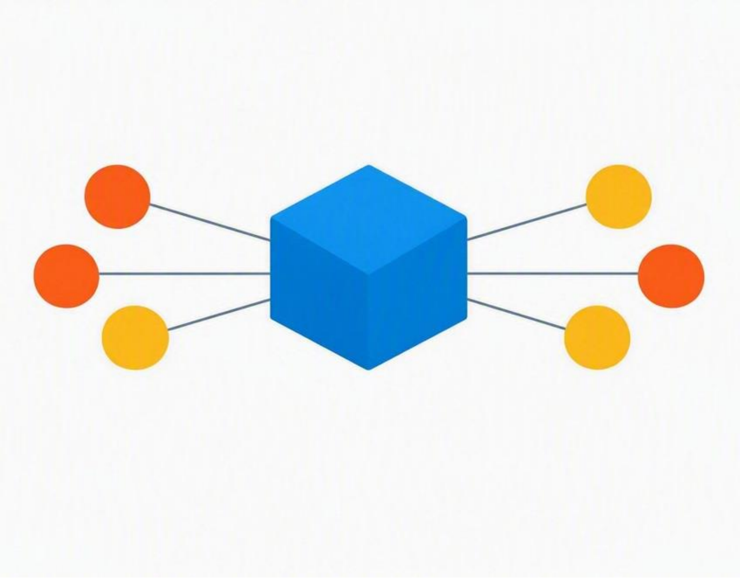
KEY IDEAS

- Transient advantage
- Continuous reinvention
- Portfolio of advantages
- Rapid capability build
- Organizational adaptability

Representative thinkers: Rita McGrath, McKinsey, BCG Henderson Institute, David Ball at The Grayson Company — arguably the decade's most important conceptual shift in strategy.

Ecosystem Strategy

Organizations increasingly compete as ecosystems rather than as individual firms. The strategic question changes shape entirely.



FROM “How do we outperform competitors?”

TO **“How do we become the platform around which others compete?”**

Amazon · Apple · Microsoft · Shopify

Competition increasingly occurs between ecosystems rather than between products.

Capability-Based Competition 2.0

TRADITIONAL VIEW

"What assets do we own?" — the Resource-Based View.

EMERGING VIEW

"What can we build faster than competitors, again and again?"

THE NEW STRATEGIC CAPABILITIES

AI & data	Experimentation	Software & automation	Organizational learning	Digital product mgmt

Capabilities now depreciate far more slowly than the products they produce.

AI-Mediated Competition

The fastest-emerging framework. A machine layer now sits between the consumer and the brand.

HISTORICALLY	Consumer → Company
NOW	Consumer → AI → Company

THE NEW STRATEGIC QUESTIONS

How often does AI recommend our brand?	How visible are we to large language models?	What structured knowledge exists about us?	Are we optimized for answer engines?	Can autonomous agents transact with us?

A fundamental change in competitive positioning.

Preference Marketing

TRADITIONAL VIEW

Maximize reach and share of advertising voice.

EMERGING VIEW

Maximize preference — before the purchase moment begins.

WHERE EMPHASIS SHIFTS

- Trust & authority
- Expertise
- Reputation
- Social proof & consensus
- Recommendation visibility

For retail and consumer brands, becoming the preferred answer — not the loudest ad — is likely the central contest of the next decade.

Demand Shaping rather than demand capture

HISTORICALLY

Find existing demand.

INCREASINGLY

Create new demand.

WHAT LEADERS DELIBERATELY SHAPE

- Customer expectations
- Category definitions
- Consumption occasions
- Perceived problems
- Decision criteria

IN PRACTICE

Tesla

Redefined what buyers expect from an automobile

Airbnb

Redefined travel accommodation itself

OpenAI

Reshaping the nature of knowledge work

Flywheel Strategy

Rather than optimizing a linear value chain, leaders build loops in which each turn makes the next turn cheaper and faster.

1 **Customer growth**

2 **More data**

3 **Better AI**

4 **Better experience**

5 **Lower acquisition cost**

6 **More customers**

Amazon popularized the idea; nearly every digital leader now runs a strategic flywheel — and step 6 feeds step 1.

Data Network Effects

TRADITIONAL NETWORK EFFECT

More users

More value

The data itself becomes the strategic asset.

Each additional user improves the model, which improves the product, which attracts the next user.

Amazon · Google · Meta · Nvidia · Stripe

THE DATA LOOP

More users

More data

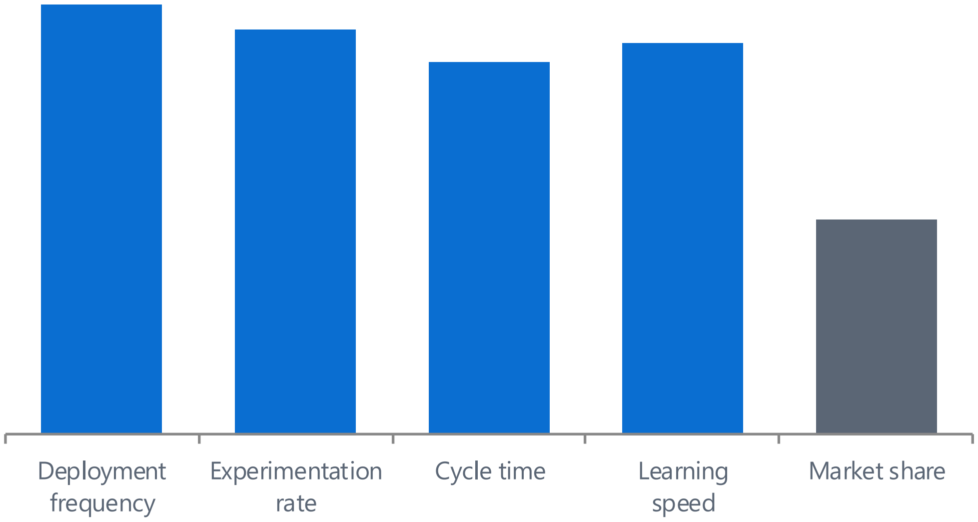
Better AI

Better products

More users

Organizational Speed as Strategy

Scale used to win. Increasingly, learning velocity wins — and leaders are changing what they put on the dashboard.



Illustrative: relative emphasis leaders now place on speed metrics versus market share.

WHERE ADVANTAGE COMES FROM

- Experimentation
- Rapid deployment
- Faster product cycles
- Organizational learning
- AI-enabled decisions

Adaptive Portfolio Strategy

TRADITIONAL VIEW

One major strategic bet, revisited every five years.

EMERGING VIEW

A live portfolio of experiments, funded in stages.

CHARACTERISTICS

- Continuous investment
- Rapid resource allocation
- Option creation
- Staged funding
- Real options thinking

This approach borrows heavily from venture capital — and increasingly from how digital natives allocate capital internally.

How the frameworks fit together

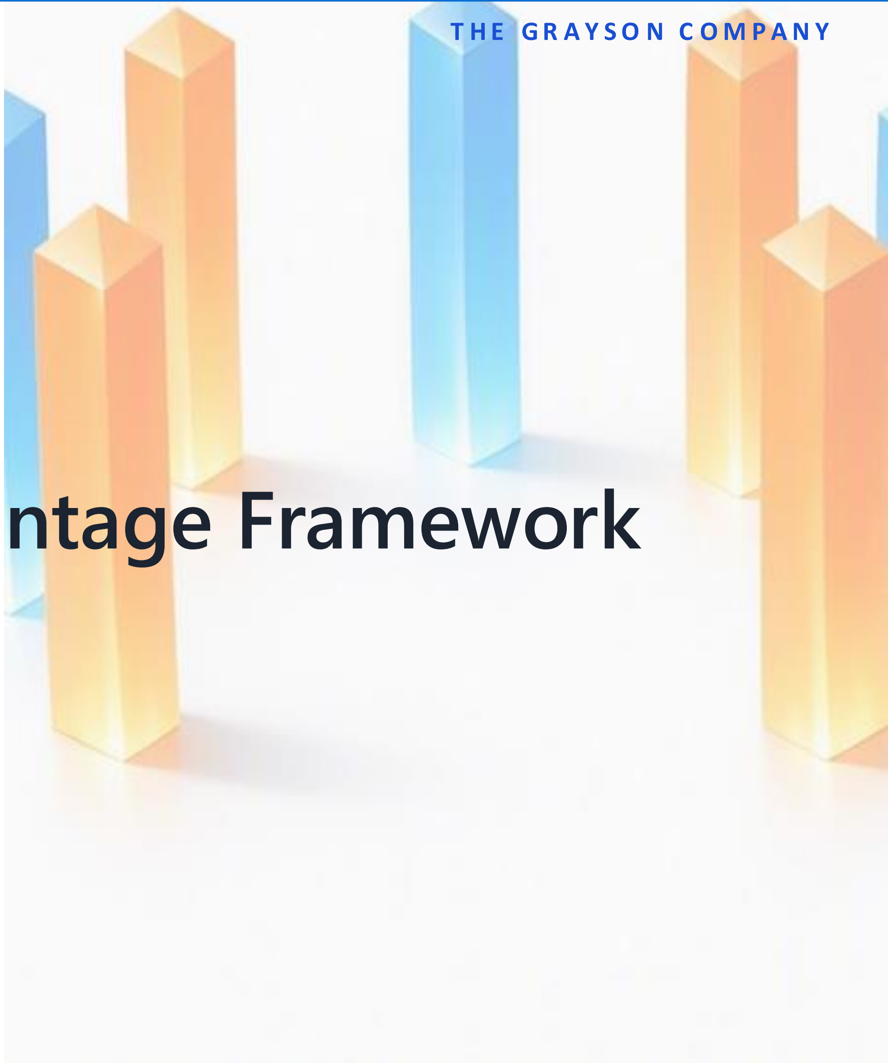
Each era did not erase the last — it added a new dominant source of advantage on top of it.

Era	Primary source of advantage	Dominant framework
1980s	Industry position	Five Forces
1990s	Internal resources	Resource-Based View
2000s	Operational excellence	Lean, Six Sigma
2010s	Platforms and ecosystems	Platform Strategy
Early 2020s	Data and AI	AI Transformation
Mid/late 2020s	**AI-mediated preference and adaptive capabilities**	**Dynamic, ecosystem, and preference-based strategy**

A UNIFYING PERSPECTIVE

The Algorithmic Advantage Framework

Six reinforcing dimensions that turn ten separate ideas into one competitive system



Six reinforcing dimensions

01

Adaptive capabilities

Learn and reconfigure faster than rivals.

02

Data advantage

Proprietary data that keeps improving decisions and models.

03

AI visibility & preference

Be discoverable, trusted, and recommended by AI systems.

04

Ecosystem position

Orchestrate or occupy a high-value role in partner networks.

05

Reinforcing flywheels

Feedback loops that compound customer and data advantage.

06

Organizational velocity

Experiment, allocate capital, and scale winners quickly.

Together, these shift strategy from defending a fixed position to continually raising the probability of being selected — by human customers and by autonomous AI agents.

What this means for retail and consumer brands

Five themes that are usually discussed separately are better understood as elements of one competitive system.

The optimization consumer	Shoppers delegate comparison and trade-offs to tools.
Preference marketing	Winning the recommendation, not the impression.
The dark funnel	Decisions form in places you cannot measure directly.
Agentic commerce	Machines that browse, decide, and transact on a shopper's behalf.
AI-mediated journeys	The path to purchase is curated by models, not campaigns.

Success depends on influencing both human preference and algorithmic decision-makers.

Where to start

01

Measure your AI visibility

Establish a baseline for how often, and how favorably, AI systems recommend your brand.

02

Build the data loop

Identify the proprietary data that compounds — and the loop it should feed.

03

Shorten the learning cycle

Track deployment frequency and experimentation rate alongside share.

04

Fund a portfolio, not a bet

Stage capital across options; kill and scale on evidence, not calendar.

Advantage is no longer a position you hold. It is a probability you keep raising.