A STRATEGY BRIEFING FOR RETAIL AND CONSUMER LEADERS

The Dynamic Advantage

Why winning retailers no longer build sustainable competitive advantage — they continuously rebuild it.

For decades, retail strategy focused on defending a position. The next generation of leaders will focus on continuously creating new ones.

Advantage is no longer an asset. It is a process.

For forty years, strategy asked how to build an advantage competitors could not imitate. Porter's positioning, the Resource-Based View and capability-based competition remain valuable — but they describe a world that no longer exists.

The condition

Continuous technological disruption, algorithmic commerce, fragmented media and volatile demand. Advantages that lasted decades now last months.

The response

Build Dynamic Advantage — the capability to repeatedly discover, build, scale, exploit and replace advantages faster than rivals.

The proof

Amazon, Zara, Costco, Walmart, Nike, Uniqlo and Sephora rarely win on one enduring advantage. They win by continually generating new ones.

THE QUESTION CHANGES

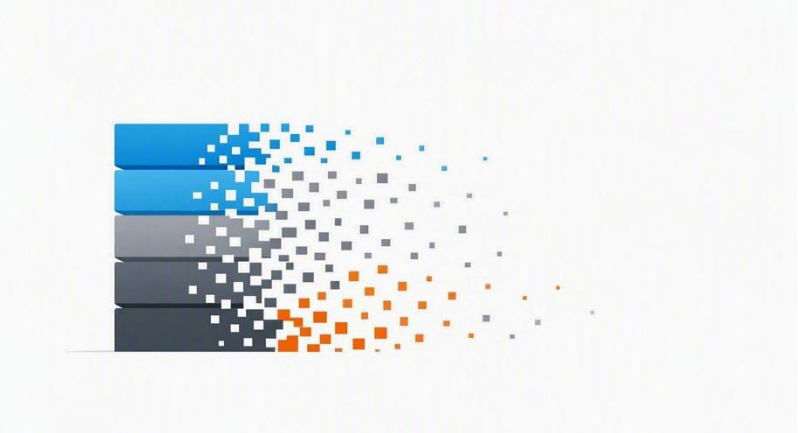
From

What is our competitive advantage?

To

How quickly can we create our next one?

Why sustainable advantage is becoming unsustainable



Traditional strategy assumed stable industries. Positions could be defended for decades through scale, brand, distribution, patents, cost leadership, differentiation and loyalty. Retail no longer behaves this way.

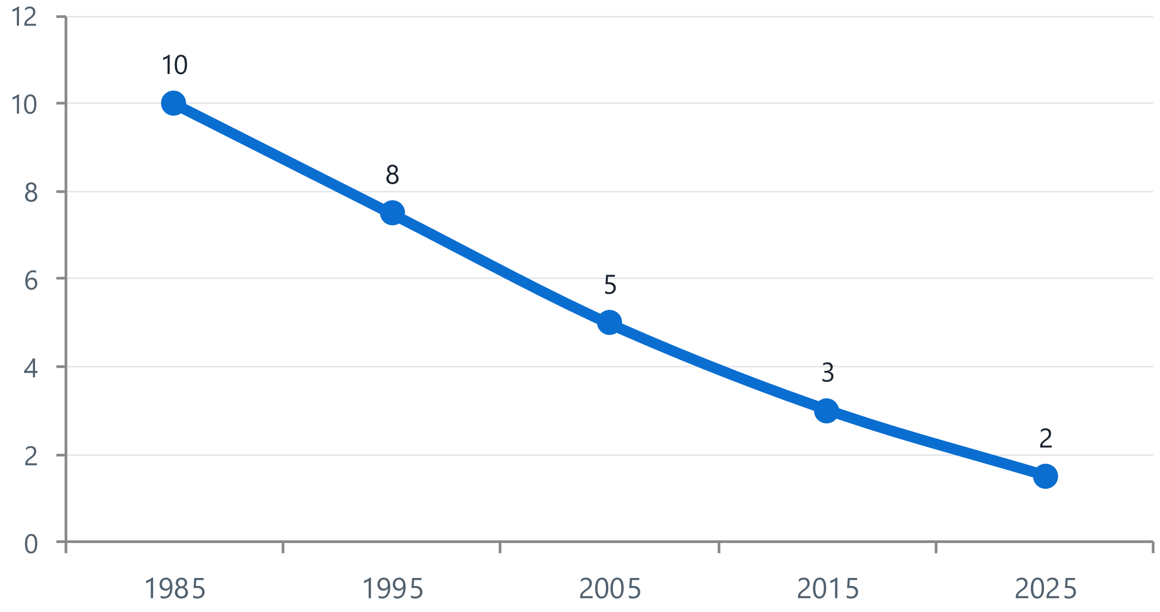
Every source of differentiation now diffuses rapidly

- AI capability is available to everyone through foundation models
- Ecommerce technology has been commoditized
- Supply-chain innovation spreads across industries
- Influencer trends turn over weekly
- Social platforms reshape discovery overnight
- Asset-light challengers enter globally
- Consumer loyalty is at historic lows

Every strategic advantage now has an expiration date. Winners create the next one before the current one expires.

The shelf life of an advantage keeps shortening

Illustrative view of how long a differentiating retail advantage typically holds before rivals replicate it.



Decades

How long scale, brand and distribution once held

Months

How long a comparable edge now holds in retail

Continuous

The cadence at which the next one must be created

Defining Dynamic Advantage

An organization's ability to continuously generate, scale and renew sources of competitive advantage faster than competitors can imitate them.

Less about defending a moat. More about repeatedly digging new ones.

Sustainable advantage

- Advantage is an asset you own
- Defend the position you hold
- Value comes from imitation barriers
- Reviewed on an annual cycle

Dynamic Advantage

- Advantage is a process you run
- Create the position that comes next
- Value comes from speed of renewal
- Operated continuously

Five interconnected capabilities

Dynamic Advantage is built, not bought. Each capability compounds the next.

01

Opportunity Sensing

Continuously scan consumer behavior, technology, regulation, demographics, culture, macro and competitive moves. AI surfaces weak signals humans miss.

02

Rapid Experimentation

Run hundreds of controlled tests — merchandising, pricing, AI campaigns, fulfillment, launches, assortment. Reduce learning time, not just risk.

03

Fast Scaling

Move proven pilots quickly across stores, geographies, channels, categories and digital experiences. Execution speed is itself the capability.

04

Continuous Renewal

Deliberately cannibalize past successes. Ask routinely: if we were launching today, what would we do differently?

05

Organizational Learning

Every experiment improves the next decision. Advantage becomes how fast you learn rather than what you already know.

The Dynamic Advantage cycle

Traditional strategy is linear — it runs once a year and assumes the answer holds until the next cycle

1. Market analysis
2. Strategy
3. Execution
4. Results

Dynamic Advantage replaces it with a perpetual loop

1. **Sense**
2. **Experiment**
3. **Scale**
4. **Measure**
5. **Learn**
6. **Repeat**

After step 6, the organization returns immediately to step 1 — continuously, not annually.

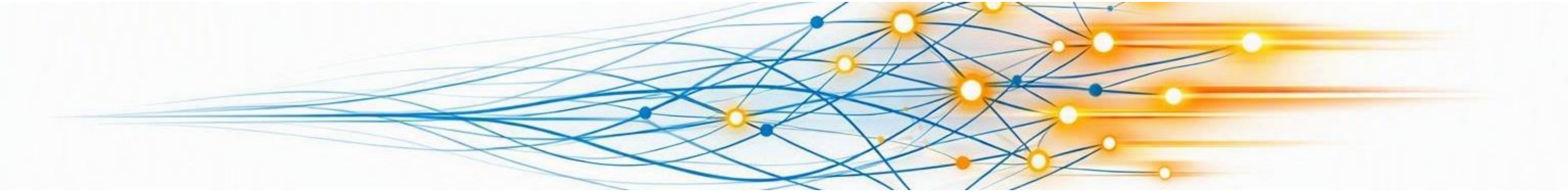
The cycle itself becomes the source of advantage.

Dynamic Advantage versus traditional strategy

Traditional strategy	Dynamic Advantage
Defend market position	**Continuously create new positions**
Optimize the existing business	**Continuously reinvent the business**
Annual planning	**Continuous adaptation**
Scale once	**Scale repeatedly**
Protect advantages	**Replace advantages**
Predict the future	**Rapidly respond to multiple futures**

The shift is not from one plan to a better plan. It is from planning as an event to adaptation as an operating rhythm.

Why AI compresses the time to create advantage



Sensing

Detects demand shifts, consumer sentiment, emerging trends, competitive pricing and social conversation far faster than human analysts.

Experimentation

Generative AI collapses the cost of testing — ads, merchandising concepts, digital experiences, pricing scenarios and personalized offers in hours, not weeks.

Scaling

Automates localization, personalization, inventory allocation, customer support and marketing optimization so innovations spread rapidly.

Learning

Machine learning identifies which experiments generate the greatest return. Every customer interaction becomes additional data.

Learning accelerates exponentially — AI improves every stage of the cycle at once.

Amazon and Walmart: advantage by renewal

Amazon

Competes through renewal, not through a single capability.

SUCCESSIVE WAVES OF ADVANTAGE

Prime	Marketplace
AWS	Alexa
Automated fulfillment	One-day shipping
Cashierless stores	AI shopping assistants

Each became an advantage before rivals fully replicated the previous one.

Walmart

Layers new capabilities onto cost leadership rather than abandoning it.

SUCCESSIVE WAVES OF ADVANTAGE

AI inventory management	Automated fulfillment centers
Retail media	Walmart+
Predictive replenishment	Generative AI assistants
Marketplace expansion	

Scale and price remain — but they are continuously re-earned.

Zara and Costco: two paths to continuous renewal

Zara (Inditex)

The original advantage was fast fashion. The advantage today is the ability to keep improving speed.

- AI demand forecasting
- RFID-enabled inventory
- Omnichannel fulfillment
- Localized assortments
- Nearshored production

Costco

Proof that Dynamic Advantage does not require constant pivots — small improvements accumulate into distance.

- Member loyalty
- Private label expansion
- Inventory discipline
- Operational efficiency
- Supplier partnerships
- Treasure-hunt merchandising

Nike, P&G and L'Oréal: renewing the brand's source

Nike

Evolved from product innovation to ecosystem innovation. Successive waves: athlete endorsements, product technology, direct-to-consumer, membership ecosystems, connected fitness, personalization and AI recommendations. Each generation replaces the last rather than merely supplementing it.

Procter & Gamble

Uses advanced analytics and AI to accelerate product development, optimize pricing, refine media investment and improve demand forecasting — continually refreshing the capabilities that reinforce brand leadership rather than relying on scale alone.

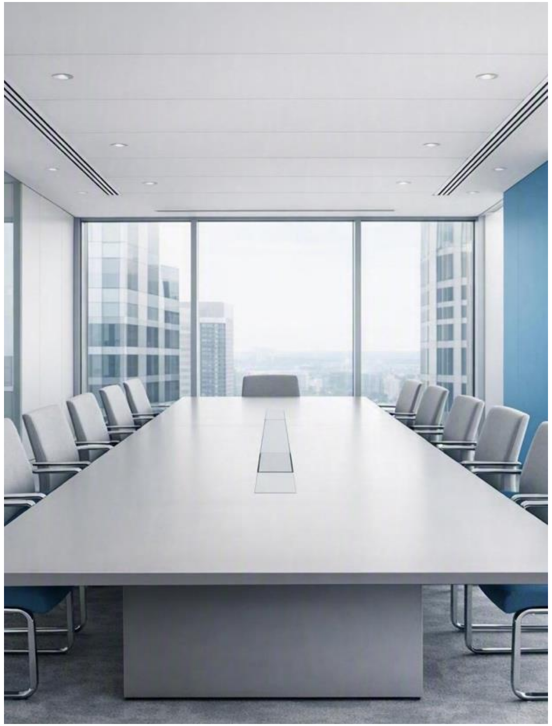
L'Oréal

Combines scientific innovation with digital capability: AI beauty diagnostics, virtual try-on, personalized recommendations and data-informed product development — enabling rapid adaptation across regions and channels.

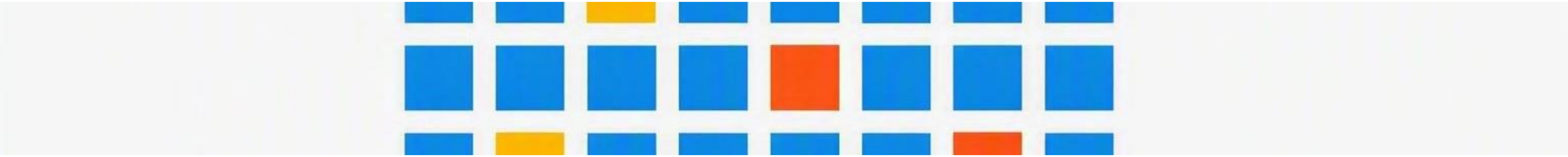
Five questions to test your organization

1. How quickly do we detect market change?
2. How many strategic experiments do we run each quarter?
3. How quickly can successful pilots scale?
4. How often do we replace our own advantages before competitors do?
5. Is organizational learning accelerating over time?

Organizations answering these positively typically outperform those relying solely on scale or historical position.



What changes for the executive team



Competitive strategy

Less about forecasting accurately, more about adapting rapidly.

Capital allocation

From large, infrequent bets toward portfolios of experiments.

Technology investment

From efficiency alone toward increasing the speed of organizational learning.

Leadership

From directing execution to orchestrating continuous adaptation.

Board oversight

Judging management not only on current performance but on capacity to generate future advantages.

The winning skill is no longer prediction. It is rapid response to multiple futures.

The next evolution of competitive strategy

1980s	1990s	2000s	2010s	2020s	Next
Positioning	**Resource-Based View**	**Dynamic Capabilities**	**Platforms**	**AI-Enabled**	**Dynamic Advantage**
Attractive industries, defensible positions	Unique assets and capabilities	Adapting resources to change	Ecosystems and network effects	Learning and personalization at speed	Institutionalizing the creation of the next advantage

The strongest advantage in retail and consumer brands may no longer be what a company owns — but how quickly it can reinvent what it owns before the market demands it.

The organizations that master Dynamic Advantage will not simply respond faster to disruption. They will make continuous renewal their defining competitive capability.