Forbes

Competitive Advantage Fades Faster Than Most Leaders Plan For

By TerDawn DeBoe, Contributor. ⓘ TerDawn DeBoe covers small business AI s... Follow Author

Published Oct 23, 2026, 07:00am EDT

Some advantages just can't be bought. A tower in east London is an example of why.

Landmark Pinnacle, on the Isle of Dogs near Canary Wharf, rises 233 meters above the ground, the tallest completed residential building in the United Kingdom, according to the Council on Tall Buildings and Urban Habitat. The developer is now selling two penthouses on the 74th floor.

The height is impressive, but the more telling story is how long the tower took to build. The local council approved the design in 2013, and builders broke ground in 2016, according to the architect, Squire & Partners.

A competitor who wanted to build something as tall or even taller today would need to buy land, win approval and spend years on construction. Even with unlimited money, that rival would be years away from selling a single apartment.

Until then, Landmark Pinnacle's penthouses sit atop the country's tallest residential building, and buyers who want those bragging rights have only one place to turn.

Almost no small business owners will ever build a skyscraper. But most believe they have something that makes them unique, something that rivals can't easily copy. It could be a loyal customer base or a product people love. Usually they're wrong.

A competitor with more cash can open next door and copy the menu or undercut the price, often far faster than it took you to build up your business. The Landmark tower is a reminder of what a truly safe advantage looks like, and how rare one is.

"The strongest competitive advantage in real estate is not in doing a set of things better than the competition; it is about creating a product that cannot be replicated," said Rami Atallah, a director at Chalegrove Properties, the developer.

"This is one of the major factors which have given Landmark Pinnacle its competitive advantage," he said.

Research Shows Most Competitive Advantages Fade Quickly

Business professors Robert Wiggins and Timothy Ruefli tracked 6,772 companies across 40 industries over 25 years to see how many outperformed their competitors, and for how long. Very few did, and almost none stayed ahead for long, they reported in Organization Science.

Wiggins and Ruefli followed up three years later and found that sustaining an advantage became harder over time. The companies that managed it did not rely on one winning position. They found a new edge each time the old one wore out.

Andrew Benito, an economist at the Bank of England, measured how quickly that can happen. He studied more than 2,000 publicly traded U.K. companies outside the financial sector from 1974 to 1998. On average, a company that out-earned its peers in one year kept only about half of that lead the next year.

The most profitable companies held on longer. Nearly three in four of those in the top fifth for profitability were still there a year later. Companies at the bottom moved back toward average faster than strong ones slipped, meaning business owners who are behind today may have a better shot at catching up than the ones ahead have of staying put.

Both studies are decades old now, and neither covers private companies. Treat the numbers as a rough guide to how advantages behave, not a prediction for any particular business.

Why Money Can't Buy Some Advantages

In a 1989 paper in Management Science, business scholars Ingemar Dierickx and Karel Cool explained why some advantages hold up while others vanish.

A company can't buy certain things outright, such as a reputation or a team's hard-earned specialty knowledge. A rival who wants them has to build its own, and that takes years.

Spending more barely shortens the wait, because a company can't earn 10 years of customer trust in one year by spending 10 times as much. Dierickx and Cool called it time compression diseconomies, which in plain terms means rushing costs more and delivers less.

The same paper explained the value of a head start. A business with a strong reputation wins more customers, and each new customer makes the next one easier to win. The authors also warned that a lead wears away without upkeep.

Now apply that to a company with just 11 employees.

A customer who has stayed for 12 years and keeps referring friends took 12 years to win, and no competitor can skip to the end. A crew that has worked together for more than six years knows things about the job beyond the standard protocols, and sometimes more than the owner themselves.

Dierickx and Cool saw that as a strength. If even you can't spell out why something works, a rival has no blueprint to copy.

Anything a business can pay for, a competitor can pay for too. A rival can buy the same software or charge lower prices within a few months, and one with more money can do it even sooner.

A rival can't buy rarity the same way, and people tend to value things more when they seem hard to get.

In 1975, psychologist Stephen Worchel and two colleagues had 146 undergraduates take a cookie from a jar and rate it. Students who took a cookie from a nearly empty jar rated it as more desirable than students who took the identical cookie from a full jar.

The difference between the groups, which was detailed in a report in the Journal of Personality and Social Psychology, was too large to put down to chance.

A single laboratory study about cookies, run 50 years ago, is a shaky foundation for a pricing strategy. But much of the thinking on scarcity still traces back to findings like this. The students had no way of knowing whether the cookies were actually scarce. The researchers decided how full each jar looked, and the students reacted to what they saw.

"Scarcity creates value when it's genuine," said Atallah. "There are only two final penthouses at the top of Britain's tallest residential tower. That kind of rarity is real, which is fundamentally different from 'exclusivity' manufactured through marketing."

The Council on Tall Buildings and Urban Habitat lists Landmark Pinnacle as the U.K.'s tallest finished residential building, though it counts the tower as mixed residential and hotel use. Both penthouses are on the market, listed with Savills at guide prices of £5.5 million and £7 million.

Rare Products Still Rise And Fall With The Market

An advantage nobody can copy is still exposed to other market forces.

Being hard to copy guards a business against imitators. It doesn't shield it from customers wanting less of what it sells.

Rajiv Banker and colleagues found that trade-off when they studied company results from 1989 to 2003. They compared companies that compete by offering something different with companies that compete by being the cheapest. The companies that stood out held on to strong results longer. Their results also swung more sharply with the wider market.

Standing out lasts longer, but it is a bumpier ride.

Audit Which Advantage Took You Years To Build

List what you believe protects the business, then mark each item with how long a well-funded competitor would need to match it. Anything a rival could match in under 12 months is a head start rather than protection. Creative thinking is a leadership skill partly because this exercise produces an uncomfortably short list, and the next move is figuring out what belongs on it.

Then find the thing on that list you have been underfunding because it grows slowly. It might be a relationship or a piece of institutional knowledge that lives in only one person's head.

A head start only grows while you keep working at it. You can't spend time on everything, so choosing which problems deserve your company's time is really choosing which advantages you'll have a few years down the road.

"Delivering a landmark development requires making decisions with the long term in mind. You're not just creating homes for today's market or today's design sensibility. You're creating an architectural identity and a lasting place within the city's skyline," Atallah said.