

What Makes a Resource a Rare One?

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The rarity of a resource is one of the four components of the VRIO business network that identifies the attributes that lead to a company's ability to sustain its competitive advantage.

Usually, resources are considered to be rare when it is extremely difficult for competitor companies to imitate them for several reasons. A resource is rare when it is unique and is only available to a few companies at a time, and the rarity of a resource is determined by the short supply of the resource and its capability to persist over time; the rarity of the resources is one of the most durable characteristics of competitive advantage for market leaders such as *Amazon*.

Apart from the resource's rarity, the VRIO framework also includes factors of value, imitability, and organization. These components allow for identifying the general conditions under which competitive advantage exists. Moreover, the elements of the VRIO framework contribute to an improved understanding of the mechanisms of competitive advantage. To sustain a competitive advantage, a company should not only possess rare resources, but also valuable resources, and resources that are costly to imitate (Grant et al., 2014). Moreover, the company itself should be organized to be capable of capturing the value.

A resource is considered to be rare if only a small number of competing companies control it. A rare resource usually stands out by being unique among the set of potential competitors. The evaluation of rarity requires the consideration of potential and current competitors (Knott, 2015). The two main characteristics that make a resource rare include being short in supply and being capable of persisting over an extended time. It is crucially important for both elements to coexist, as the resource cannot sustain a competitive advantage if any of those two characteristics are not met.

If resources are rare, they become a source of competitive advantage for a company. If more than a few companies are using the same valuable resource, this leads to a scenario in which competitive parity occurs. Valuable resources that are not rare cannot be considered a source of competitive advantage because the companies are capable of implementing similar strategies and using the resources in a similar way (Grant et al., 2014). This leads them to implement nearly identical value-creating strategies and prevents a competitive advantage from occurring.

Though it is clear that the resource should be rare to create a competitive advantage, it is not clear how rare should a resource be in order to achieve this goal. According to the definition given by Barney and Clark, a resource has the capability of gaining a competitive advantage if the number of companies that possess a particularly valuable resource is smaller than the number of companies required to create a competitive advantage in the industry (as cited in Grant et al., 2014). This definition allows for a better understanding of why certain resources cannot be seen as rare despite sharing some common characteristics with other rare resources.

It is important to note that companies cannot survive by maintaining rare resources alone. Even though obtaining rare resources clearly helps companies to build a competitive advantage, these companies are still faced with the task of maintaining valuable resources that are far more common than rare ones (Grant et al., 2014). Though competitive parity is not the desired scenario for a company, common valuable resources still matter. The reason for this is that the companies are still expected to survive in the process of building a competitive advantage, and common valuable resources allow them to sustain the process of gaining a competitive advantage.

Naturally, rare resources can be found in any company that maintains a competitive advantage. For instance, the core and non-core competencies of *Amazon* reflect the components of the VRIO framework. The level of expertise that is available in the company due to the long history of its experience with e-commerce can be considered a rare resource. What is more, the unique strategic warehouses and distribution hubs available in the company should also be seen as a rare resource because similar resources are only owned by the limited number of companies in the market (White, 2019). Global brand equity, unique levels of market capitalization, the available international framework of partners, and the company's unique capabilities when it comes to artificial intelligence should also be considered rare resources.

All of the resources named above are rare because they contain the two characteristics of a rare resource: a short supply and the persistence of the resource over time. The company's expertise in e-commerce is a rare one because it has been achieved throughout years of experience (White, 2019). Usually, new companies are unable to demonstrate a similar level of expertise because of the lack of valuable experience. Similarly, the company's system of strategic warehouses and hubs is rare because it has been achieved as a result of years of strategic planning and organization (White, 2019). Though the possibility of other firms creating similar resources cannot be ruled out, *Amazon* has a time advantage over them because these components have already been contributing to the company's strategic advantage for years.

The core competencies of *Amazon* that make up the rare resources are extremely difficult to imitate. High brand equity, which allows a company to attract customers, is hard to emulate in the markets where *Amazon* has a strong presence (White, 2019). High market competition is also a rare resource that is extremely difficult to imitate due to the inability of most of the companies

to achieve the status as high as *Amazon's*. A network of affiliates is a rare resource that is hard to imitate because it strongly depends on other core competencies of the company, and requires an extremely long time to be built. Finally, the artificial intelligence capabilities of the company are rare because they implement a unique technology (White, 2019). It is clear that all of the rare resources of *Amazon* persist over time, as they have had a positive impact on the company for years and are likely to continue doing so.

To conclude, the rarity of a resource is a crucial component of the competitive advantage that is described in the VRIO network. Unlike other elements of the framework, rarity can be a challenging aspect to grasp because, at times, it is difficult to determine the exact point at which a specific resource becomes rare. Generally speaking, a resource is rare if the number of companies that possess a specific valuable resource is smaller than the number of companies required to create a competitive advantage in the industry. The components of the resource rareness include its persistence over time and its limited supply. The example of *Amazon* demonstrates that achieving a rare resource is extremely difficult for companies as it requires time, experience, and possibly the presence of other valuable rare resources. All factors considered, it is crucial to illustrate that a rare resource is clearly not the one that is entirely impossible to imitate. Rare resources can be imitated and lose their status with time; however, the extreme difficulty of competitors achieving this is what makes a rare resource. A rare resource forms a competitive advantage only if other factors of the VRIO business network are achieved by the company as well.

References

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