Entrepreneurs Should Aim to Be Good Monopolists

Contrary to popular perception, one major market leader can benefit both sellers and consumers.

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Monopolies have gotten a bad rap. It’s not always the case that a market with only one seller is a bad thing. While it’s certainly good for the seller, for whom there’s no “game” to play or opponents to beat, it doesn’t have to mean consumers get screwed or over-charged. There are, in fact, several types of monopolies.

For example, natural monopolies occur when it’s effectively impossible for others to offer competing goods because of high startup costs. Most forms of infrastructure are considered natural monopolies, since creating a new road network or power grid, especially after a first one already exists, is prohibitively expensive.

Monopoly’s bad rap is primarily due to perceived cronyism, or using political connections to get rid of competition rather than acting entrepreneurially to create value. This amounts to wealth extraction by the monopolist and political apparatus. But building a business that no other entrepreneur can directly compete with stands to benefits consumers, who will gain more from entrepreneurs entering other markets and lines of production, generating greater returns in the long run.

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Here are four ways you can establish your business as not only a market leader, but a healthy monopoly.

1. Create unbeatable value.

This may sound obvious, but many entrepreneurs fail to make consumer satisfaction the object of their business. If you create more value for your customers than all competitors — and on the consumer's terms — you'll engender their business. Value creation should drive every decision you make.

2. Offer deals.

The notion that you should charge as much as possible for your products is a myth. Your job as an entrepreneur is to find a cost structure that offers a profit even if you charge a relatively low price.

3. Produce what consumers don't know they want.

Nobody knew they wanted a smartphone before one existed, just like no one knew they wanted an automobile before there were affordable, reliable options on the road. In other words, don't strive to produce what your customers say they want — produce what you think they *will* want. Quality, as they say, is to exceed a customer's expectations. The best way to do that is by offering something innovative that they can't live without.

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4. Be principled.

There are two ways of getting and staying ahead: Either make yourself better or make others look worse. It is easy to be

lured into using tricks, pulling strings and calling in favors to undermine competitors, but that’s not what entrepreneurship is really about. Principled entrepreneurs who provide value above all else are true market heroes.

Good monopolies can represent the sweet spot for both business owners, one where they outshine existing competitors and make new ones reluctant to enter. It’s the “blue ocean” strategy in action, a means to success created by being better at serving one’s customers. That’s where value is created and rewards are earned.

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