



CASE STUDY: Protect Against Low-Priced Competition

"I wouldn't know where to go for the type of work that LoS conducts for us. I realize there are other firms available, but to execute the study like Line of Sight Group does (which requires capturing sensitive info) -- I just don't know of other firms would have the expertise and would be willing to execute in the manner Line of Sight does. I think Line of Sight is one of a kind in this respect."

-Chief Product and Strategy Officer

Situation:

A \$250 million health care company provides a product that is customized for each individual consumer based on order specifications provided by their care provider. Our client provides a premium product to approximately 1,500 of these care providers using a national, direct sales force. As a premium supplier, our client faced constant price pressure from lower-value competitors. Two competitors in particular employed a practice of targeting specific products with low prices as a way to gain a foothold in the customer putting about 8% of the company's revenue at risk at any one time. While the revenue erosion amounted to less than 1%, it was significant enough to gain management's attention. They wanted to use their value proposition to defend against these low-priced competitors, but needed to better understand how the competitor was able to provide the low prices. Were they providing lower quality and service? Were they able to get better terms from suppliers? Were they playing pricing games? Or were they simply accepting lower margins?

Solution:

Line of Sight implemented its Strategic Intelligence Program (SIP), an ongoing monitoring program that kept a pulse on the market and competition and give us the ability to respond quickly. As threats were identified, either through the SIP or direct field observations, we executed 'deep dive' analyses specific to the product at risk to understand the basis for the price undercuts and answer the questions above.



Benefit:

Our ongoing monitoring found that two competitors in particular were following a low-price 'cherry-pick' strategy, and that one competitor's approach was more coordinated than the other, which took a more random approach. Our deep dive analysis discovered the competitors were both using a price leader strategy. Moreover, we found clear differences in the operational process by which the products were created - resulting in significant differences in quality. Armed with this information, sales representatives were able to pre-sell at-risk customers and begin to diffuse the revenue and customer erosion. While the program didn't completely halt the erosion, it resulted in an annual revenue savings of over \$2.5 million annually and a profit-based ROI of 9.2 to 1 on the services provided by Line of Sight.

