

## Competing with the Big Guys 10.3.11

**Price wars can ripple from competitors to suppliers, and negatively impact customers and shareholders. The only way to win is to avoid one.**

**Big competitors are showing up in our space more frequently. On a recent proposal, we didn't match price. We lost the account. It can't come to price wars, because we can't afford the losses. How do we compete?**

When under attack, shift from defense to offense. Focus on your best customers. Sell solutions that help your customers grow. If you do cut prices, don't confuse the marketplace about your company's pricing intentions.

Avoid price wars - they're bad for everyone involved. Customers focus on pricing and overlook product or service differences. Vendors cut back on research and product development. Innovation goes out the window, and the whole industry falls behind.

While the customer wins for a short while with a price war, eventually supply dries up. The weakest competitors go out of business. The remaining vendors pick up additional work, but can't, or won't, ramp up. As supply dries up, the most demanding customers with the lowest prices get cut off.

Be on the lookout for signs of increased competition. Ask your sales and field service people to keep you informed about who they're running into and what others are offering. Look for customers who are switching to something different to save money. Watch out for competitors who combine products and services into a volume discounted price bundle - the more the customer orders, the more the customer saves. That's often how price wars start.

Develop a competitive matrix. Include top accounts, top sales people, typical offer, typical price, geography, annual volume, number of employees, other products and services offered, strengths and weaknesses. Discuss recent threats, and ways to counter, at sales meetings. If you are under attack, consider interviewing their sales people to find out what they're up to.

Allow yourself react time if a customer or prospect asks you to lower prices. Request written details of competitors' offers. Evaluate if customers are being offered something comparable, or if the customer is getting less as prices drop. Find out about quantity, quality, delivery timeframes, add-ons, surcharges for everything from fuel to customer service, etc. When a vendor cuts prices it usually cuts corners, puts limits on what's included, and charges extra for just about everything.

In a down market, competition can be stiff. Your company's job is to go after as much work as makes sense, at price points that allow you to make a profit. Select who you compete with.

Keep your biggest competitors busy going after second-rate business. Instead of walking away from bids, submit enough to make them struggle. Send them the low-grade accounts that you don't want.

Target your weakest competitors by profiling their customers. Go after their quality accounts. Let them have the bottom feeders.

Go after competitors with only a few accounts in your target market. They may lack expertise or scope, and be easy pickings. Offer their customers a short term incentive to try your services - such as expedited delivery, or an extra service at no additional charge for a limited time.

Get to know your best customers. How does your product or service help them compete at what they do? How will a quality job by your company turn into your customers being able to charge more, or make more profit?

Focus on the best quality prospects and customers, for your company. Identify what you do best, and who is most likely to get the best value from your company's experience. Team up with customers to go after opportunities together. Use your company's skill at competitive intelligence gathering to help your customers gain market share. Help them to grow, and you grow.

If you believe it's absolutely necessary to reduce prices, be careful. Set up a different brand, with a different product definition and price point. Offer a one time discount for new customers, and tell existing customers you're doing that in order to build volume so that you can hold the line on everyone's prices. Give existing customers a discount if they bring in new opportunities that help you grow your business.

Looking for a good book? The 1% Windfall: How Success Companies Use Price to Profit and Grow, by Rafi Mohammed.

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