



Why a New Entrant Forces a Leading B2B Services Provider to Expand its Segments

BACKGROUND

Our client, a leading supplier of business outsourcing solutions, wanted to grow share in the mid-market company segment as well as in the small business segment, where it had little presence. Meanwhile, a well-capitalized start-up had entered the fray. Also, they had long dominated the large-company market for its services and enjoyed a healthy share of the mid-size company market. However, some tenacious regional services providers were encroaching on the company's mid-market share. The small business market was dominated by a single competitor, with inexpensive products that attracted companies with limited resources. And the new entrant was not only well capitalized but led by a charismatic entrepreneur with a great track record.

CHALLENGE

Each of these markets and competitors presented a unique challenge. The new entrant, boasting a compelling product interface and cloud-based solution, threatened to change the basis of competition. In addition, the regional players flexing their muscles appeared to have national ambitions. In the small business market, the pool of potential customers was growing rapidly, as many new companies continued to be born in the backwash of the recession. These companies offered the dominant competitor an organic way to grow into the mid-market as their clients grew, shutting out our client from this potentially rich vein of new business.

APPROACH

Through a series of war games, client teams assessed the industry and their competitors and then developed competitive strategies to respond aggressively on all three fronts: against the new entrant, the regional competitors, and the key competitor in the small business market.

Participants in the war game were then able to:

- Refine the strategies and develop contingency plans to counter possible moves by their rivals
- Identify the key implications of these strategies for their operations
- Define early warning indicators of competitors' strategic responses
- Conduct a cost-benefit analysis of possible moves and countermoves
- Create a master action plan

RESULT + BENEFITS

The company emerged from the war games with a new value proposition for the mid-market and a strategy for leveraging the superiority of its services in the small business market. The war-game-based strategies allowed our client to seek share gains by moving to simpler technology and to a more appealing pricing structure. These moves would not only take share from the dominant player, but also pre-empt the new entrant. And by winning the business of companies early in their life cycle, the client could create a more robust pipeline for future growth.

This war game proved to be so highly productive, in part, because of the client's well-developed capability in competitive intelligence and incisive strategies that the sessions produced reaffirmed throughout the client organization the great value of the CI leaders.