

The Market Leaders' Next Competitive Advantage

How premium solution providers
overcome the low-cost competitor
challenge through more than superior
products



About Kvadrant Consulting

In B2B, the way customers are buying is changing.

From being mostly in-person to including a blend of digital and physical touch points and more stakeholders.

This shift has massive ramifications for the way companies should structure and run their sales & marketing functions.

At Kvadrant Consulting, we help companies navigate this complexity, make the right choices and configure their sales & marketing engine to generate profitable organic growth.

Being deeply specialized and senior-driven, we help companies within domains such as commercial strategy, value propositions, organizational design, product launches, sales & marketing operating model design, lead generation engines, capability building, sales enablement and advanced analytics.

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The market leader's competitive advantage from what they sell is getting harder to sustain

Business leaders in companies with premium solutions and differentiation strategies have always had to deal with the dynamic of new competitors coming in with low-cost solutions similar to what they are offering.

- **VELUX** creating the roof window category in 1941 with industry leading solutions still today. Companies like Fakro being started 50 years later with a “not just as good but cheaper” strategy.
- **Kamstrup** bringing leading utility measurement solutions to market since starting in 1946. Chinese Waison starting in 2000 with a “similar but at a lower cost” strategy, to challenge the incumbent.
- **Struers** leading metallographic analysis since starting in 1875. Chinese MTI starting in 1992.

While the dynamic is a constant challenge for the premium solution providers it is not a bad one. Higher levels of innovation to bring new –and more valuable solutions to market. More options for the end-customers. Creative destruction at a smaller scale.

Market leaders invest in product and solution innovation to create new ways of delivering superior customer value through their offerings and their lower cost competitors try to create something comparable but at a lower price point.

A continuous game of catch-up that propels innovation and customer value forward.

For business leaders in companies with market leading solutions, the challenge is that the odds of winning the product innovation catch-up game is increasingly getting stacked in favour of the one doing the catching up:

- **Faster feature copying:** Lower-cost competitors are getting faster at identifying developments to competitor products and incorporating similar features into their own to achieve product comparability between their own and those of their premium solution competitors
- **Faster and less resource demanding to get to market:** Lower cost competitors are able to get their offerings to more markets faster, through new digital and virtual ways of selling to customers (digital marketing, virtual selling, e-commerce, marketplaces)

Low-cost competitors are getting better at closing the gap between their premium competitors' solutions and their own versions of it and getting faster at bringing them out to more of their competitors' markets.

For companies that compete on market leading solutions, product excellence is becoming more the price of emission to play the differentiation strategy game, but focusing only on innovation to make the product better is a short-lived competitive advantage for them.

How do market leaders with premium solutions compete –and win in a world where the premium on premium solutions is a short lived competitive advantage?

The squeeze on market leaders with premium solutions

The speed of low-cost competitor copying



Getting faster and better at identifying market leader solution developments and incorporating these into own versions

Harder for market leaders with premium solutions to sustain a competitive advantage in their markets through product innovation only

The low-cost competitors' ability to enter & serve markets



The barriers to sell in –and serve a market are getting lower as buying moves away from being done through face-to-face meetings towards digital, virtual –and self-service (e-commerce)

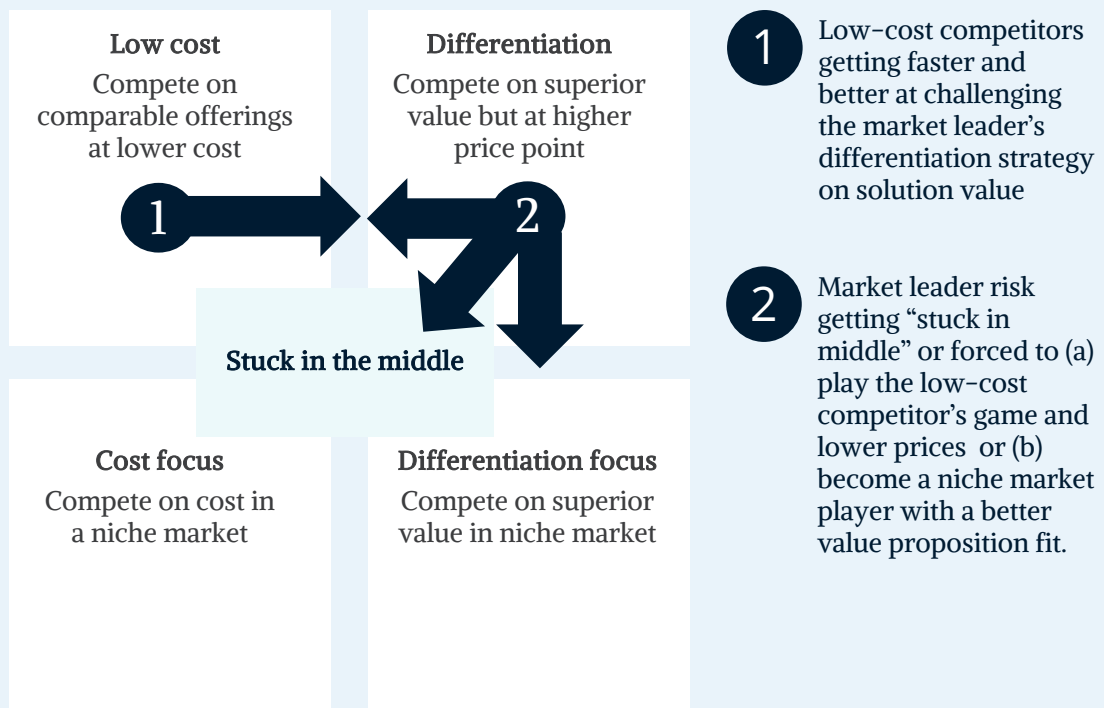
To avoid getting "stuck in the middle", premium solutions providers need to deliver value through more than what they sell

The challenge for market leaders with premium solutions is that they have a differentiation strategy (higher value offerings for price premium), but their low-cost competitors are getting faster and better at closing the perceived value gap at the product level between the two.

The low-cost competitors of market leaders with premium solutions are getting better and faster at being able to say "we can offer similar products but at lower prices", and with new digital ways of enabling customers to buy they are able to have that conversation with more people, typically leaving the market leader with three options:

- **Lower price** to compete head-to-head against low-cost competitors, either by making own offerings cheaper or creating a low cost alternative to their premium offerings
- **Go niche** to compete in smaller market segments where the value proposition of their premium offerings fits better with the target customers
- **Innovate for higher value products** to be able to compete against low-cost competitors on value of their offerings

Michael Porter's four generic strategies



Neither option is good for the market leader today, because lowering price isn't likely to deliver better business results ([HBR](#)), few are interested reducing themselves to a niche market player and a competitive advantage through product value superiority alone is getting harder to sustain.

It is not that it is wrong for premium solution providers to invest in innovation of their products. Superiority in what they deliver is a requirement to play.

But to avoid getting "stuck in the middle" as low-cost competitors copy and get to market faster, competing on price or reducing the company to a niche market player, market leaders with premium solutions need find ways to deliver superior customer value through more than what they sell.



The first step is to go from selling products to delivering solutions, but it shouldn't be the last

The key for the premium solution providers is to innovate on ways to deliver superior customer value that are harder for their low-cost competitors to copy.

The first step that most premium solutions providers have taken in this direction is the shift from selling better products to delivering solutions that provide better customer outcomes

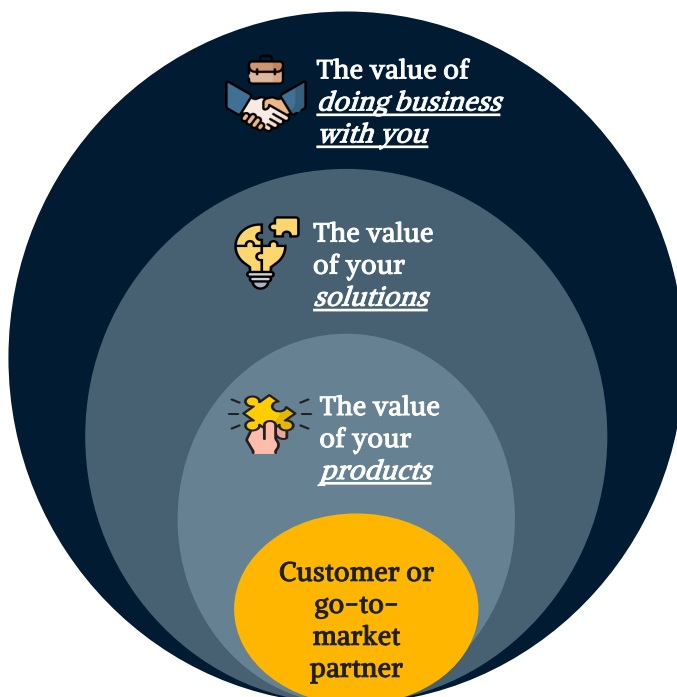
- **Kamstrup** doesn't just sell superior measurement equipment today (gas, water, electricity etc.), but deliver solutions that combine hardware, software and service to deliver better customer outcomes than their competitors.
- **Struers** doesn't just sell better Materialographic preparation equipment and consumables, but deliver solutions (hardware, consumables, software, service) to improve the quality and efficiency of their customers quality control processes.

Superior in customer value because they combine different elements required to work together to deliver customer desired outcomes. Superior as a competitive advantage because what they require to deliver and sell is harder to copy.

Innovating on the solutions offered is however far from the only way for market leaders to create superior customer value and a more sustainable competitive advantage over low-cost competitors.

What some are doing is look beyond innovation on what they offer (solutions and outcomes) in the specific application areas of their solutions and instead taking a business wide perspective of their customers and GTM partners to ask;

How can we deliver superior value to the businesses that choose work with us, beyond the products and solutions that we offer?



How do you help your customers and go-to-market partners run – and develop better businesses?

How do your solutions help customers achieve consistent desired outcomes in its application areas?

How do the features your individual offerings deliver advantages and benefits?

“

The key for premium solution providers is to innovate on ways to deliver superior customer value that are harder for their low-cost competitors to copy.

The move from selling products to delivering solutions is the first step but it shouldn't be the last

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Creating a competitive advantage from innovating on the value your customers get from doing business with you

[Danfoss](#), a global leader in engineering solutions & equipment for industrial application, has over the past years stood out for for not just its market leading solutions but for stellar performance as well, with its annual sales close to doubling from 5.8bn DKK in 2020 to 10.7bn DKK in 2023.

Beyond delivering total solutions for customer outcomes (hardware, software, service, parts etc.) the company has innovated on how doing business with Danfoss can deliver value to their customers and go-to-market partners.

- Application Development Centers across the globe, to help customers increase their machine performance and get to market faster with their solutions ([link](#))
- Danfoss Learning Portal ([link](#)), to help their customers and go-to-market partners reduce new employee time-to-performance and help existing employees continue their professional development.
- Fix & troubleshooting enablement ([link](#)) for their go-to-market partners to reduce installation and repair times.

Expanding their perspective on how they can deliver value to their customers and go-to-market partners to include the business challenges they can address and not just application areas they can optimise.

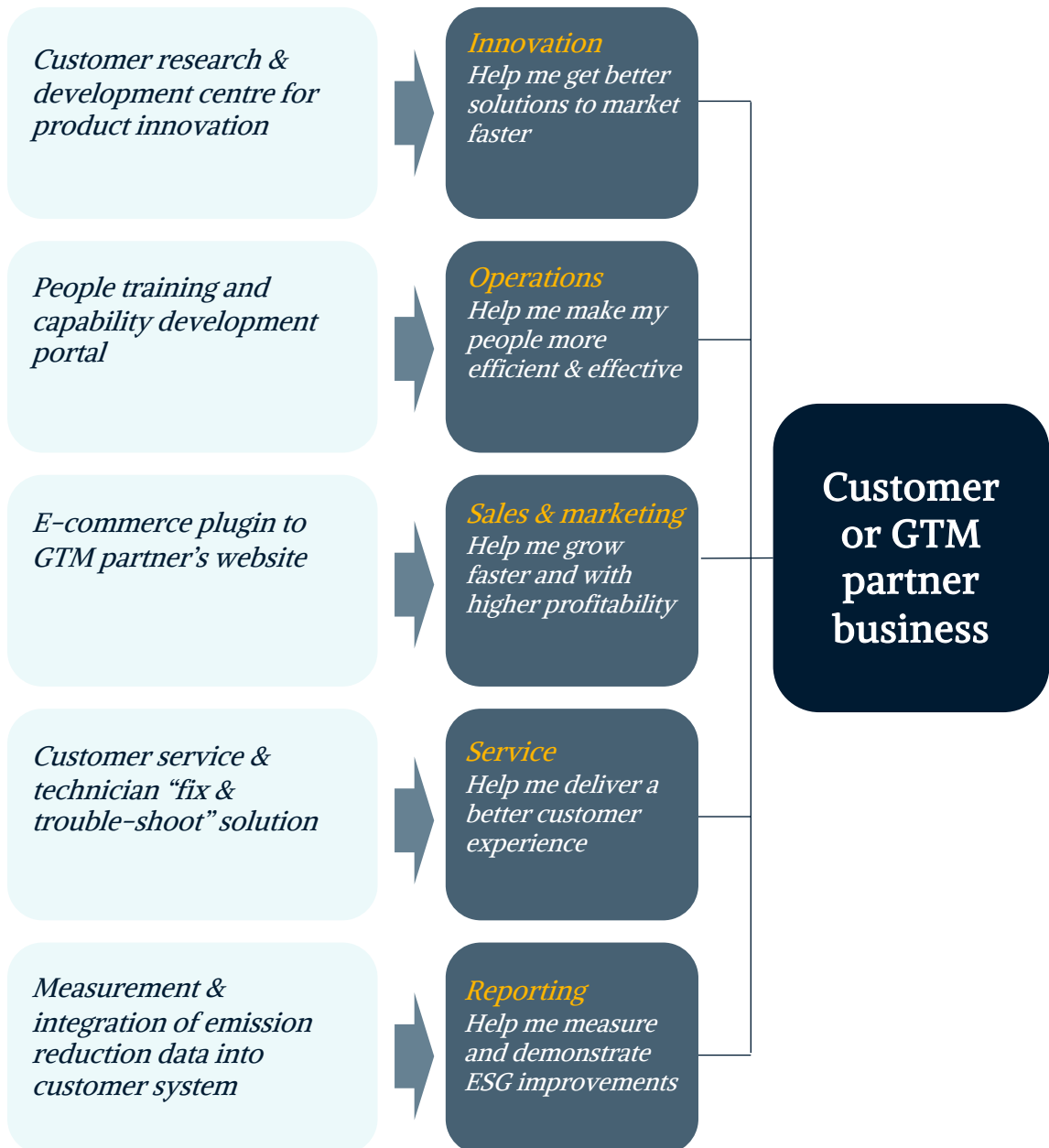
- **R&D:** Help get better products to market faster
- **Operations:** Help get their people educated and enabled to work smarter
- **Sales & marketing:** Help them grow faster
- **Measurement & reporting:** Help them measure –and report on the metrics that matter to them (e.g. sustainability improvement metrics)
- **Executive decision-making:** Help them make better strategic business decisions with access to insights and expertise.

In 2020 Alfa Laval opened its new testing & training facility in Kolding Denmark ([link](#)), to help their customers handling liquids in their production (pharmaceuticals, F&B, fuels etc.) develop better products, get them to market faster and manage operations more efficiently.

Rather than looking only at how they can deliver value to customers through better solutions in its application areas, these companies are looking at ways to deliver value to the different parts of the customer's or go-to-market partner's business, from product innovation & operations to sales, marketing & executive decision-making.

Low-cost competitors are getting better and faster at chipping away the market leaders' advantage from what they sell. What is harder to copy is the business value customers get from doing business with the market leader.

The customer & GTM partner's potential value of doing business with the market leader



Requirements to succeed

Sustainable competitive advantages are great because they are hard to copy, but challenging for the same reason.

Things that are hard to copy are hard to get in the first place.

1. **Requires deep understanding of the customers' businesses** to know which elements are critical but difficult for them to succeed with (e.g. our beverage customers struggle with new product innovation and time-to-market and helping them improve this could add great value to their business).
2. **Requires relevant knowledge, expertise and capabilities** that can be leveraged to help the the businesses of their customers -and go-to-market partners do better.
3. **Requires a more mature and professional sales & marketing organization** to help the customers -and go-to-market partners understand -and buy-into a value proposition around helping them better succeed with their business than getting similar products at a lower cost
4. **Requires the ability to engage with new types of customer stakeholders** to have a dialogue with business executives on how you can help them improve their business and functional leaders on how doing business with you can help them within their specific areas.

Just as the transition from product selling to solution selling requires the commercial organisation to become better at working with their customers -and go-to-market partners to understand the value of their offering, creating a competitive advantage from doing business with you requires developing who you are engaging with and how you engage.

For market leaders with premium solutions, competition from low cost competitors taking "similar but cheaper" offerings to market is nothing new.

But with the speed and scope of how they can do it today what has to change is the market leader's response to it.

Any further questions? Reach out to



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