

Case Study: Entering a Market at 60% Below the Incumbent

Published Pricing Against a Black Box

How a change in hardware economics that the incumbent could not price for created room to enter a market from nothing and reach second place in four years.

The Situation

SafetyNet had pioneered the AS/400 disaster recovery market and led it, selling three tiers named bronze, silver and gold with different recovery time objectives and a priority order between them if more than one customer invoked at once. Pricing was quoted rather than published, and took in processor size, memory, storage capacity, communications lines and seat count. A prospect could not work out what they would pay without asking.

The Opportunity

Price performance for AS/400 processors and storage had fallen exponentially over the preceding years. What had once been the dominant share of the capital required to run a disaster recovery service was now a much smaller part of it. The rest sat in an office with a computer room, furniture, a phone system, and the engineers to run it.

The Approach

- **Rebuilt the cost base and priced 60% below.** One additional engineer, a leased office with a computer room, furniture and a phone system, and one used high-end AS/400 with storage. SafetyNet had bought its capacity when that hardware was expensive and was carrying the depreciation. Matching the price would have meant writing off what it had already paid for.
- **Published the pricing.** SafetyNet quoted. We printed. In a market where every price was negotiated, a prospect could see what they would pay before speaking to anyone, and could see it was lower.
- **Removed the risk on upgrades.** On a multi-year contract, a customer who later needed a bigger server or more storage was at the vendor's mercy on what that cost. With a published rate card the price of every upgrade was known before the contract was signed.
- **Reduced pricing to two inputs.** Processor capacity and storage capacity. If a row had enough processor but not enough storage, the customer moved up a row. Against a methodology taking in memory, communications lines and seat count, that was a different buying experience.
- **Named it Platinum.** SafetyNet sold bronze, silver and gold. Platinum placed the service above all three without an argument.

The Result

300 customers within four years, from a standing start.

The business overtook IBM to become the second largest AS/400 disaster recovery provider in the UK, winning customers from both IBM and SafetyNet.

Growth Pillars Applied

Value Proposition Narrative	Pricing & Commercial Terms
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