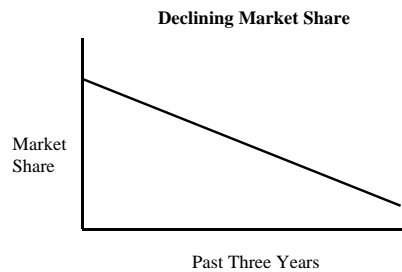


Case Study: Customer Base Dynamics

Industry: Health Care Specialty Diagnostic Company

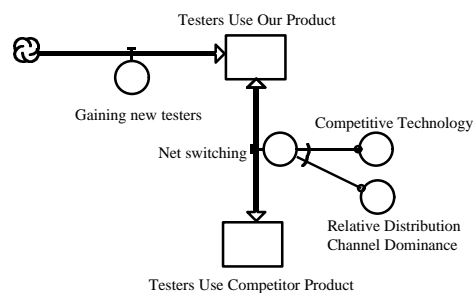
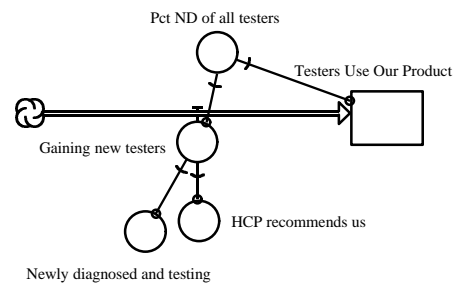
The Issue

The company, one of the leaders in the field, is competing in a maturing market. Historically, new users come into this market niche as a result of being diagnosed with a relevant condition by a health care professional (HCP). Based on their awareness of the product's features and functionality, the HCP's recommend one of the few products available to manage the condition. As such, a mainstay of the company's growth strategy hinges on their ability to stay "top of mind" with the HCP's through technological superiority. Despite the company's success with the HCP's, their market share has been declining over the past three years.



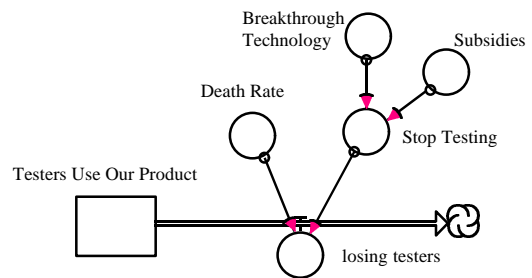
The Approach

The company brought in Strategic Clarity to help them understand the dynamics of their customer base and to evaluate whether their current business policies would provide sustainable growth for the future. Initially, the model developed by Strategic Clarity outlined the changing nature of the installed client base. Newly-diagnosed patients (versus repeat buyers) represent an ever-decreasing percent of the market. This will decrease the impact of HCP recommendations in the future. This realization leads to an insight that only focusing on staying "top of mind" with the HCP's will not permit sustainable growth into the future.

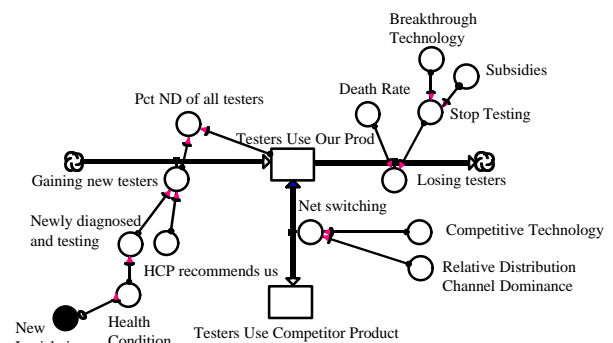


The dynamics of the model also revealed that as the influence of repeat buyers increases, the impact of both competitive technology and distribution channel dominance on the system also becomes greater. Each requires significant capital and the model uncovered key insights regarding the relative benefits of investments in R&D and distribution development and the impact of each on future performance.

The customer base attrition rates, which were initially assumed constant, were also studied. Though not assuming any significant changes in the death rate, the team tested different hypotheses regarding potential changes in the market, from breakthrough technology to increased subsidies, and the impact these would have on the customer base. Breakthrough technology and subsidies could recapture people who stop buying the diagnostic products.



The model revealed that proposed legislation that would amplify the defined limits of the condition, would significantly affect the potential market size because many more people would be diagnosed with the condition. This exogenous change would bring a new wave of buyers into the market, converting the current business cycle from a mature market to a new growth phase. This would dramatically affect the opportunities for growth for all competitors in the market.



The Results

After validating the model with management, Strategic Clarity explored the implications that these insights have on the existing governing policies and the ability to grow the company as wanted in the future. This questioning produced significant shifts in marketing focus, from pursuing new entrants to retaining existing clients. The impact of new product functionality and timeliness of new product development were also reconsidered in the new marketing focus. The study also revealed the increasing importance of creating relative dominance in distribution as one important element for sustaining growth. Finally, the company used the results of Strategic Clarity’s intervention in a company-wide report which investigates the path forward for the entire business.

For more information regarding Strategic Clarity, please visit our website at www.strategic-clarity.com, or contact us at info@strategic-clarity.com.