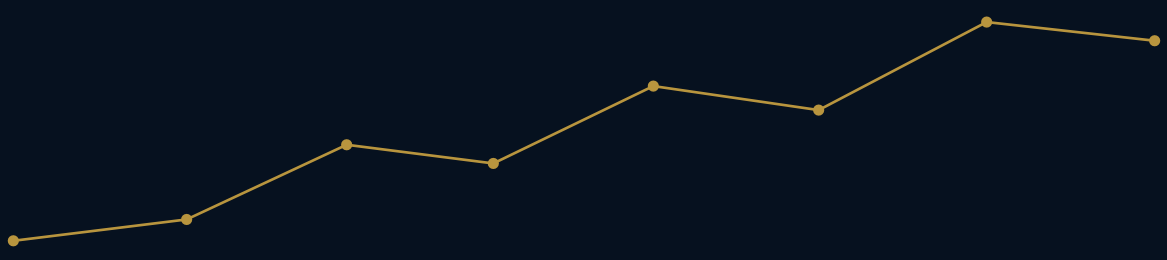
E. CARTIER & CO

GLOBAL STRATEGIC ADVISERS

DECISION BRIEFING / 01

# A market has moved. Is your position still defensible?

MARKET POSITION & ENTERPRISE VALUE



01 / THE SIGNAL

# The numbers can still look good.

Strategic deterioration often appears first in the friction required to keep producing the numbers, not in the headline numbers themselves.

Consider an established B2B enterprise generating approximately £900 million of revenue, with EBITDA margins above 16 per cent and four consecutive years of top line growth. Market share has moved by less than one percentage point. Customer retention remains above 90 per cent. The three largest divisions are profitable. Nothing in the board pack suggests an immediate strategic emergency.

Then the commercial evidence is assembled differently.

| 34% to 21% | 6% to 11% | 18% to 31% | +47 days |
|---|---|---|---|
| NEW CUSTOMER WIN RATE | AVERAGE COMPETITIVE DISCOUNT | PARTNER LED REVENUE | STRATEGIC SALES CYCLE |

The proportion of major opportunities requiring executive level commercial concessions has almost doubled. In three of the company's five largest recent competitive losses, the deciding criterion had not appeared in the equivalent customer procurement process three years earlier.

No single metric proves that the company's position has weakened. Together, they describe a different market. Revenue has not yet confirmed the problem because long contracts, incumbent relationships, switching costs and customer reluctance to introduce execution risk continue supporting the existing P&L.;

> **The company has not lost its position financially. It may already be losing the reasons future customers will choose it.**

02 / RELEVANCE LAG

# Incumbency can delay the financial consequences of strategic decline.

A challenger must prove the future before it owns the revenue. An incumbent can keep financing the past because it already owns the revenue.

Long term contracts can conceal weakening preference. Switching costs can conceal dissatisfaction. A strong installed base can preserve service income after new strategic decisions are being awarded elsewhere. Brand familiarity can keep the company on tender lists after it has stopped defining the criteria by which those tenders are decided.

This creates a dangerous asymmetry. The mature division produces cash, has known customers and can defend its forecasts with historical evidence. The emerging proposition often requires investment before its economics are visible and may initially cannibalise existing revenue. Traditional performance management can therefore reinforce the wrong allocation: the present business keeps winning the capital because it keeps producing the present returns.

### THE REPORTED MARKET VS THE CUSTOMER DECISION

Industries are usually described through categories. Customers buy through decisions. A company may report itself inside engineering services, enterprise software or industrial technology while customers increasingly choose around reduced operating risk, interoperability, predictive capability, implementation accountability or total cost of ownership.

The reported market is where the organisation says it competes. The customer decision is the combination of economics, proof, risk and capability that actually determines who receives the business. The second should govern strategy.

## RELEVANCE LAG

The period during which historical customer relationships continue supporting the P&L; after the basis of future customer preference has begun changing.

> **Revenue tells the board what customers have already bought. Commercial friction begins telling it what customers are becoming less willing to buy on yesterday's terms.**

03 / POSITION DEBT

# Delay can compound the price of repositioning.

Position Debt is the additional capital, cannibalisation and organisational disruption created when the enterprise continues harvesting an old advantage while underinvesting in the position the future market increasingly requires.

**THE SAME STRATEGIC MOVE, THREE YEARS APART**

| | THREE YEARS EARLIER | TODAY |
|---|---|---|
| Technology investment | £20m | **£45m** |
| Commercial capability | £10m | **£22m** |
| Channel transition | Limited | **£18m** |
| Product / operating rationalisation | Modest | **£15m** |
| Potential revenue cannibalisation | Limited | **~£35m** |
| Executive complexity | Manageable | **Materially higher** |

The market did not merely become more difficult. Competitors accumulated proof, customers began expecting capabilities that had previously been optional, channel architecture became more entrenched and internal incentives became more dependent on the historic proposition.

The organisation did not simply postpone a strategic decision. It allowed the cost of having the decision later to increase.

> **The cost of repositioning rises when competitors accumulate the capability, proof and customer ownership required by the new market while the incumbent continues financing the economics of the old one.**

04 / WHERE TO LOOK

# Look beneath revenue before revenue moves.

The board should inspect the mechanics producing the financial result, not simply the result itself.

| SIGNAL | BOARD QUESTION |
|---|---|
| New logo win rate | Are we becoming less attractive before existing customers leave? |
| Win reason | Which capability is actually causing customers to choose us? |
| Loss reason | Which criterion increasingly eliminates us? |
| Discount intensity | Are we economically paying to preserve apparent share? |
| Sales cycle duration | Is the proposition becoming harder to justify? |
| Decision maker seniority | Has authority moved elsewhere inside the customer? |
| Channel dependence | Is access increasing while customer ownership deteriorates? |
| Renewal scope | Are customers renewing the core while buying strategic adjacencies elsewhere? |
| Gross margin leakage | Is service intensity increasing faster than price? |
| Customer acquisition cost | Is the economic cost of being chosen increasing? |
| New proposition revenue | How much of growth originates where the market is moving? |
| Partner behavior | Where are sophisticated counterparties taking their newest opportunities? |

> **By the time the annual revenue line confirms that relevance has deteriorated, the strategic decision may already be considerably more expensive.**

05 / THE BOARD TEST

# Four questions should survive the strategy meeting.

No branded score. No generic SWOT. Four questions that force the board to distinguish historical strength from future defensibility.

### 01 WHAT HAS BECOME CAUSAL TO WINNING?

Review the consequential wins, losses and opportunities where the company was eliminated before price became relevant. What purchasing criterion repeatedly changed the outcome?

### 02 WHAT PART OF OUR ADVANTAGE REMAINS SCARCE?

Which relationships, data, permissions, technical capability, installed base, distribution, operating history or trust remain genuinely difficult for a credible competitor to reproduce?

### 03 WHAT DOES IT NOW COST US TO REMAIN CHOSEN?

Measure discount, sales effort, service intensity, working capital, capital expenditure, customisation, channel economics, contractual concessions and executive attention; not price alone.

### 04 IF WE DEFEND SUCCESSFULLY, DO WE OWN A BETTER BUSINESS AFTERWARDS?

Will successful defense leave more pricing authority, stronger customer ownership, more recurring economics, lower strategic dependency and greater optionality, or merely more revenue at a higher cost to sustain?

> **Which part of our current advantage is still causal to winning?**

06 / ACCESS AND MOVEMENT

# A company can look stronger while its position becomes weaker.

Growth through a channel can accelerate reach and simultaneously transfer customer ownership, information and pricing power elsewhere.

An intermediary can produce immediate scale. Revenue rises, geographic reach expands and acquisition becomes faster. But the board should still ask who owns the contract, price, customer data, renewal, complaints, cross sell and future relationship if the route succeeds.

Partner led revenue moving from 18 per cent to 31 per cent may be a superb commercial trade. It may also mean the organisation is gaining distribution while surrendering direct customer intelligence. The important thing is that the board understands the bargain.

## A FAVOURABLE MARKET MOVE CAN STILL MAKE THE OLD STRATEGY WRONG

A competitor exit, favorable regulation, geopolitical change or technology shift can move the market toward the enterprise. The mistake is assuming favorable demand means the current model should simply scale. Opportunity attracts better capitalised competitors, changes procurement, encourages intermediaries and often increases the capability required to remain credible.

The position that captured the first phase of value is not automatically the position best suited to capture the next.

## REPOSITIONING IS AN OPERATING DECISION

A new category description, website or sales narrative cannot substitute for operating change. A credible repositioning may require changes in product, portfolio, pricing, customer selection, distribution, technology, capital allocation, incentives, service delivery and even which revenue the organisation is willing to stop pursuing.

The narrative should follow operating proof. If the operating choices have not changed, the position probably has not changed either.

07 / THE CAPITAL ALLOCATION TRAP

# A company can allocate capital rationally at business unit level while becoming less rational as an enterprise.

The old position has historical proof. The future position is penalised precisely because its proof is incomplete.

| | LEGACY PROPOSITION | EMERGING PROPOSITION |
|---|---|---|
| Revenue | £700m | **£80m** |
| EBITDA margin | 18% | **4% while investing** |
| Customer base | Established | **Growing / less mature** |
| Forecast confidence | High | **Lower** |
| Historical proof | Extensive | **Limited** |
| Cannibalisation risk | Low | **Meaningful** |
| Strategic relevance | Current strength | **Potential future decision criteria** |

A conventional capital allocation process repeatedly favors the legacy proposition. Its returns are demonstrable, executives can defend their forecasts, and the customer base already exists. The emerging proposition has lower current margins, more uncertainty and a less comfortable investment case.

That does not mean the emerging business deserves the capital. It means the two investments should be evaluated against the same future market rather than two different historical baselines.

> **The relevant question is not which division produces the highest current return. It is which allocation gives the enterprise the strongest probability of owning the future economics of the customer decision.**

08 / FOUR CHOICES

# Repositioning is not yet a strategy.

Once the evidence is strong enough, the board still has to choose what kind of response deserves capital.

## DEFEND

The existing basis of advantage remains causal to customer choice and economically attractive. Deepen proof, scarcity and customer ownership. There is no virtue in changing position unnecessarily.

## MIGRATE

The basis of choice is changing, but the enterprise owns transferable assets: relationships, data, permission, distribution, technical capability or trust that make the emerging position more valuable to it than to a new entrant.

## RUN TWO ECONOMIC SYSTEMS

The legacy business remains too valuable to abandon while the future business needs different talent, sales incentives, technology, capital, margin logic or decision cadence. Separate them sufficiently that the mature business does not suffocate the emerging one.

## WITHDRAW

The market has moved and the company could follow it, but the amount of capital, dependency or organisational change required exceeds the value of becoming credible. Harvest, partner, sell, concentrate or exit.

> **Not every strategically important market deserves to be your market.**

09 / WHAT NOT TO DEFEND

# Historical ownership is not itself a reason to allocate new capital.

The stronger the legacy success, the more difficult it can be to separate economic value from institutional attachment.

> **If we did not already own this business, would we invest today to acquire it?**

The question is not whether the business remains profitable or whether its customers should be retained. It is whether this is the enterprise position the board would deliberately choose to own for the next five years. History may justify harvesting it. History does not automatically justify additional capital.

**BEFORE MATERIAL CAPITAL MOVES, THE BOARD SHOULD REQUIRE**

- How customer decision criteria have changed
- Where authority now sits inside the customer
- Which historic advantages remain causal
- Where commercial concessions are increasing
- Which relationships remain directly controlled
- Which emerging claims already possess proof
- What capability must actually be built or acquired
- How much management attention the move will consume
- What current revenue may be cannibalised
- Which investments remain useful if the thesis is wrong
- What evidence would cause the strategy to stop

> **The board does not need certainty. It needs a thesis capable of being tested.**

10 / FALSIFICATION

# A fashionable thesis supported by weak evidence is still a weak thesis.

The evidence may show that the market has not moved enough to justify changing position.

Discounting may reflect temporary procurement pressure. A competitor's apparent momentum may be concentrated in Low quality business. Customers may discuss an emerging technology without allowing it to determine purchasing decisions. A new category can attract enormous capital while producing structurally inferior returns.

If the current position remains scarce, valued and economically defensible, the right recommendation may be to do nothing: strengthen the existing advantage, exploit competitors' distraction and protect capital.

THE DECISION GATE

**HAS THE MARKET MOVED ENOUGH TO REQUIRE US TO MOVE?**

**DOES THE NEW POSITION DESERVE WHAT WE WOULD HAVE TO SURRENDER TO OBTAIN IT?**

A CREDIBLE "YES" REQUIRES EVIDENCE OF MATERIAL CHANGE IN:

the problem customers prioritise; the criteria determining the purchase; the person or institution controlling the decision; the proof required to be credible; the route through which customers can be reached; the economics of remaining chosen; or the strategic value of the capability on which the company's historic advantage depends.

THE COST OF THE NEW POSITION MAY INCLUDE:

**Capital. Margin. Customer ownership. Management attention. Time. Cannibalisation. Strategic independence. Operating complexity.**

11 / PERSPECTIVE

# Do not wait for revenue to tell you what the market has already decided.

Markets rarely send formal notice that an established position has expired.

The evidence accumulates in smaller places: a new question in a tender; a concession in a renewal; a competitor appearing earlier in the conversation; a customer shifting budget to a different executive; a partner moving upstream; a premium requiring more explanation; an adjacent capability becoming part of the minimum specification.

Existing customers continue buying because changing supplier remains inconvenient or risky. The P&L; therefore gives the board time. That time is valuable only if management recognises what it is.

It can be used to build the next position while the existing one still generates cash and credibility. Or it can be used to continue proving that the historical position still works until the financial evidence finally becomes impossible to ignore. By then, competitors may have accumulated the proof, customer ownership and capability required to make catching the market substantially more expensive.

The strategic risk is not that markets change. They always do. It is that the enterprise continues defending a position whose economics survive longer than its relevance.

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A PRIVATE MARKET POSITION REVIEW

## Has the market moved, or has the noise?

E. Cartier & Co works with boards, owners and senior leadership teams where customer behavior, technology, regulation, competition, access or economics are creating a genuine question about the continued defensibility of an established market position.

The review examines the changing basis of customer preference, the advantages still causal to winning, the economics required to preserve the current position, Position Debt, customer ownership, emerging proof, capital requirements and the realistic alternatives.

The conclusion may support repositioning, accelerating an emerging proposition, operating two economic systems, defending the current position more aggressively, reallocating capital elsewhere, or changing nothing.

**The decision comes before the activity.**

REQUEST A PRIVATE POSITION REVIEW