



QUICKLIZARD

HOW TO AVOID A RACE TO THE BOTTOM IN COMPETITIVE PRICING: FOUR GAME-CHANGING MOVES



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Dr. Fabian Uhrich is a pricing strategist and product leader, helping retailers and brands unlock long-term value through data-driven pricing innovation. As Chief Product Officer at Quicklizard, he ensures the company's solutions deliver maximum impact for customers today and in the future. Fabian brings extensive experience from his time as Partner and global pricing expert at the Boston Consulting Group and as Head of Pricing & Online Marketing at Zooplus, Europe's largest online pet supplies shop. He holds a PhD in behavioral pricing from TU Munich and continues to stay at the forefront of research as a guest lecturer at ETH Zurich.

ABSTRACT

In highly competitive markets, price wars can erode margins, damage brand equity, and slow innovation. This article introduces a four-move framework rooted in game theory and informed by real market outcomes to help pricing leaders outsmart competitors without defaulting to discounts. Real-world results back this approach, including Sephora UK's 25% profit growth after applying competitive sensitivity. At its core, the framework shows how to identify the competitors that truly matter, focus effort where it pays off, anticipate market scenarios, and stop vicious pricing cycles early. Together, these moves form a practical playbook that equips executives with clear tools, sharper strategic perspective, and the confidence to win without sacrificing long-term value.



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THE PRICE WAR TRAP

When discussing competitive pricing, many executives immediately picture a destructive race to the bottom, a vicious cycle of mutual undercutting that erodes margins and dilutes brand equity. Bain & Company research suggests that excessive reliance on discounting can shrink industry profitability by up to 20% over a three-year period. In such a scenario, no one truly wins. Customers may enjoy short-term deals, but the long-term consequences are familiar: reduced service quality, lower investment in innovation, and weakened brand positioning.

This destructive loop often emerges when pricing decisions are reactive rather than strategic. Without a clear framework to assess competitor relevance, market dynamics, and long-term impact, well-intentioned moves can unintentionally trigger retaliation and escalation across the market.

Avoiding a race to the bottom is not about ignoring competitors. It is about responding with discipline, focusing on the competitors and price moves that actually influence customer decisions, and resisting reactions that create lasting margin damage.

GAME THEORY IN ACTION

Game theory provides a useful lens for understanding and avoiding destructive pricing battles. In the classic Prisoner's Dilemma, two rational players acting in their own self-interest can end up worse off than if they had cooperated. The same dynamic plays out in pricing when discounting becomes the default response, and repeated rounds of mutual cuts lead to margin erosion for all.

The Nash Equilibrium tells us that once both players commit to a strategy, any unilateral change will leave them worse off. In practical terms, when both companies keep lowering prices, neither builds a sustainable advantage. The winning approach lies in shifting the game by changing the rules of competition, introducing differentiation, and focusing on strategic, value-based pricing.

Imagine a chessboard where every pricing decision is a move. Some are proactive, shaping the market in your favor. Others are reactive, leaving you on the defensive. Winning requires anticipating the competition's moves, forecasting market reactions, and making calculated plays that build durable long-term advantage.



FOUR MOVES TO AVOID THE RACE TO THE BOTTOM

TOGETHER, THESE MOVES TRANSLATE GAME THEORY INTO PRACTICAL PRICING EXECUTION.

1. COMPETITOR SCORECARD

A Competitor Scorecard ranks competitors based on objectively measurable market relevance, category overlap, and strategic threat at the category level. Since not every competitor is in the customer consideration set, a neutral scorecard reduces internal subjectivity and replaces anecdotal competitor selection with a consistent governance model for competitive monitoring. It concentrates focus on the players that materially influence your price image and market position, and it lowers the cost of competitive price intelligence by crawling only that prioritized subset. For example, a regional niche retailer operating in a different price tier may have limited impact on your core demand.

	SCORCARD DIMENSIONS	CLIENT	COMPETITOR A	COMPETITOR B
QUALITATIVE ASSESSMENT	Website "look & feel" Rate perceived website "Look & Feel" from 1 to 10			
	Delivery speed How many days of delivery in avg?			
	Free shipping threshold What is min. order quantity for free shipping?			
	Payment options What are available payment options?			
	Customer service What is perceived level of customer service?			
QUANTATIVE ASSESSMENT	Customer ranking What are reviews by customers on e.g., Toppreise?			
	Price position (rank and index) What is the avg. price rank and index in the category?			
	Price update frequency What is the avg. number of price changes per SKU?			
COMPETITOR ASSESSMENT	Assortment size and overlap What is the assortment size and overlap?			
	Competitor's prices impacting our volume What's competitor's price change impacting our volume?			
	Overall ranking What is the overall importance ranking?			

2. COMPETITOR SENSITIVITY

Once the scorecard defines the competitive set at the category level, Competitor Sensitivity takes the analysis down to SKU level. By measuring the demand response to historical competitor price moves, you can separate price moves that are elasticity-relevant from background noise. This highlights which competitor SKU prices should be actioned and which can be ignored because they do not shift conversion or share within the customer's consideration set. Drivers can include positioning and quality perception mismatches, weak digital shelf execution, or assortment non-comparability. This approach helped Sephora UK avoid unnecessary price matching and protect margin

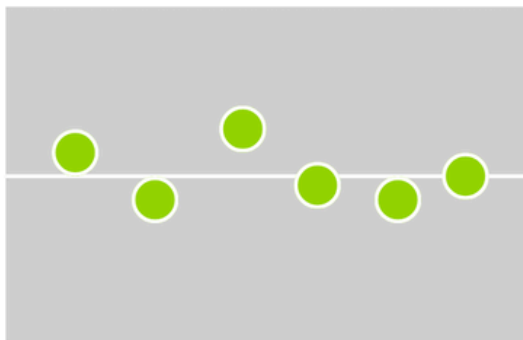


3. COMPETITIVE SCENARIOS

The scorecard and sensitivity determine which competitor prices matter at SKU level. Competitive Scenarios then guide the response by interpreting the price distribution and identifying the prevailing market reference point. When the market clusters around a single price band, the decision is straightforward. When price variability is high, you need to separate true market signals from outliers. Outliers often reflect clearance activity, aged inventory, grey imports, or one-off tactical moves rather than a sustainable price reset. In these cases, align to the dominant price band and ignore the outlier.

SCENARIO 1:

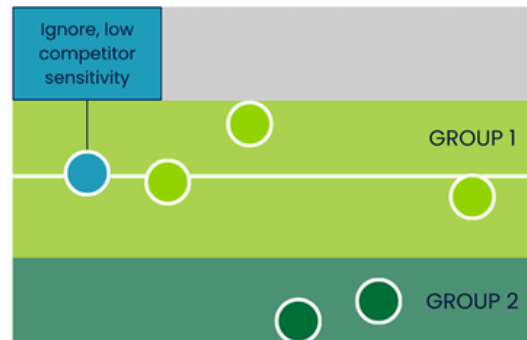
All competitors competing
(e.g., all competitors within 5% of average price)



To beat on price, would need to beat whole group

SCENARIO 2:

Prices of competitors varying
(e.g., 2 price groups, 1 price leader "outlier")



Need to make decision: Is my competitive price setting group 1 or 2? Who do I want/need to beat?

4. VICIOUS PRICING CYCLE DETECTION

Even with the right competitive set and the right scenario read, execution requires continuous monitoring. Early detection of mutual undercutting is critical. Implement automated alerts for patterns that indicate a developing spiral, such as repeated back and forth reductions between you and a key competitor, shortening intervals between price changes, or escalating depth of cuts. Intervening early stops reactive price matching from becoming a sustained operating pattern and can prevent a damaging cycle from compressing margin.



CASE IN POINT: SEPHORA UK

Before implementing Quicklizard, Sephora UK (formerly FeelUnique) relied on manual pricing across 8,000 SKUs. This approach was resource intensive and prone to execution risk, and it limited the team's ability to reprice at speed. When repricing is slow and manual, teams are more likely to respond tactically to competitor moves, which increases the likelihood of margin dilution and price war dynamics.

By adopting Quicklizard's dynamic pricing platform, Sephora embedded Competitor Sensitivity into execution and monitored only the competitors and SKU level price signals that mattered. Within 12 weeks, pricing was fully automated, operational efficiency improved, and profit grew by 25%. The result was stronger price perception and sustained category competitiveness without defaulting to destructive discounting.

THE BIGGER PICTURE – BEYOND PRICE

Avoiding a race to the bottom is not just about holding prices steady. It is about strengthening perceived value. Brand perception, customer experience, and credible differentiation all shape what customers are willing to pay while reducing direct price comparability. McKinsey research shows that companies with strong value perception can maintain a price premium of up to 14% over competitors.

For market leaders, this means pricing cannot sit in a silo. Pricing strategy must be aligned with marketing, product development, and customer engagement so the value story is consistent from positioning and messaging through to the end customer experience. When that alignment holds, customers see more than a number on a price tag.

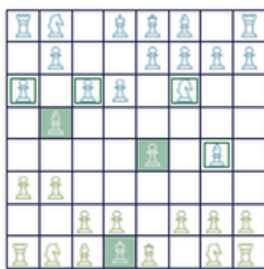
ACTION PLAN FOR PRICING LEADERS

- Develop and maintain a Competitor Scorecard, updated quarterly at the core category level.
- Leverage Competitor Sensitivity to focus on relevant market players at SKU level.
- Apply Competitive Scenarios to interpret market context and make pricing decisions without being pulled by outliers.
- Set automated alerts for signs of pricing spirals.
- Pressure test your price position. Are you leading the market or following it? Align strategy and messaging accordingly.
- Track KPIs that reflect profitable performance, including margin health, competitor reaction time, and share of profitable sales.



CONCLUSION

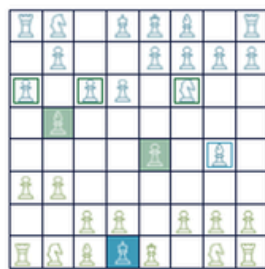
Competitive pricing is not a race to the lowest number. It is a strategic discipline built on positioning, anticipation, and value creation. By adopting a game theory mindset and applying the four strategic moves outlined here, pricing leaders can move beyond reactive discounting to more deliberate, market shaping decisions. The result is stronger margin protection, a more resilient price perception, and a path to sustainable growth driven by strategy rather than constant price concessions.



Pick your battles –
select relevant
competitors



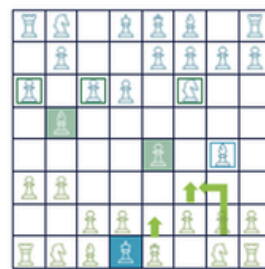
Competitor
scorecard



Invest only where it
matters for your
customers



Competitor
sensitivity



Assess different
options and make
the right move



Competitive
scenarios



Anticipate & react
to competitive
actions



Vicious pricing
cycle detection



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TRAININGS

CERTIFICATION

EVENTS

BODY OF KNOWLEDGE

RESOURCES

COMMUNITY

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