



LUMERIC™ Project Summary

Project Type:
Strategy Review

Sector: Industrial

Company Size: \$250m

Company Position:
New Entrant

Client Level:
VP, Business Development

The Critical Decision:

Should this manufacturer expand production capacity for a new, specialty metal launched in 2009 to meet anticipated demand?

The Answer:

No. The product only has potential to achieve 5-7% market share, as customers view it as an attractive substitute for current technology in only a few, specific applications.

The Discussion:

This new metal product significantly improved the performance of the electrical equipment in which it was designed to be used. However, management was concerned that initial sales expectations were not being met, and they wanted to understand the nature and extent of the issue before moving forward with a multi-million dollar plant expansion investment to support original sales forecasts.

Through an extensive interview program with equipment manufacturers and end users that buy this equipment, Lumeric determined that, for most buyers, the higher initial, maintenance, and switching costs far outweigh the benefits of upgrading to equipment made with the new metal. And, the price drop required to make the technology competitive would not provide a high enough profit margin to justify the capital investment under consideration. 