a price. They may even have contractual provisions guaranteeing them the best price that you offer anyone else. The result of going after the new account, whether or not you get it, is that your existing customers may now have a reasonable case to get you to give them a lower price. That can be a very high cost.

5. New customers will use the low price as a benchmark. The bad precedent goes beyond givebacks to your existing accounts. Think ahead to the next time a new account—someone who is new to the business and has no incumbent supplier—comes knocking at your door. The low price that you offered this time becomes a benchmark in the bidding for the new customer.

6. Competitors will also use the low price as a benchmark. Even if you were willing to risk charging a higher price again in the future, your rivals might expect you to come in with a low price, and these expectations become a self-fulfilling prophesy.

In sum, existing customers, future customers, and your competitors will all use the low price as a benchmark in the future.

7. It doesn't help to give your customers' competitors a better cost position. Your future and that of your customer are naturally linked. If your future is tied to Coke, you don't want to help Pepsi get a lower price. Unless you have very good reason to believe that you can get Pepsi's business and keep Coke's, bidding for Pepsi's business is costly. You help your competitor's customer and thereby hurt your own.

8. Don't destroy your competitors' glass houses. Lowering your competitor's profits isn't necessarily smart. You're entitled to get concerned if a rival is building a war chest. But that doesn't mean you should aim to deflate his profits—just as the FedEx messenger shouldn't let the air out of the UPS truck's tires. That would be absolutely, positively a bad idea.

The view that you win if competitors lose is simplistic and potentially dangerous. If you lower your rival's profits, he then has less to lose and every reason to become more aggressive. He can go after your existing accounts with abandon. In contrast, the more money your rival is making, the more he has to lose from getting into a price war. Until your rivals live in glass houses, expect them

to throw stones. Thus, it's in your interest to help them build a glass house—not a mansion, a house.

Eight Hidden Costs of Bidding

1. **You're unlikely to succeed—there are better uses of your time.**
2. **When you win the business, the price is often so low you lose money.**
3. **The incumbent can retaliate—you end up trading high-margin for low-margin customers.**
4. **Win or lose, you help establish a lower price—your existing customers will then want a better deal.**
5. **You set a bad precedent—new customers will use the low price as a benchmark.**
6. **Competitors will also use the low price you helped create as a benchmark.**
7. **It doesn't help to give your customers' competitors a better cost position.**
8. **Don't destroy your competitors' glass houses—if they're a little vulnerable, they'll be less likely to go after your accounts.**

It's very tempting to just go ahead and bid when you're asked to. Now you have some reasons to look before you leap, or not leap at all. And if your boss asks why you weren't willing to play the game for free, you can explain about the Eight Hidden Costs of Bidding.

The flip side of entering a game is having someone else enter your game. What do you do then?

Calling All Players The phone rings. Once again, it's a customer who calls to say that he's unhappy with his current supplier. Only this time, that means you: you're his current supplier. You inquire why he's upset, and he tells you that someone else has come in and offered to supply the same service for 50 percent less. He asks: "What are you going to do?"