I Have Business Management Skills

I WAS ON A TEAM OF 5 FOR THIS PROJECT INCLUDING MYSELF. WE WERE PART OF A MARKSTRAT SIMULATION, WHERE WE HAD TO RUN A BUSINESS FOR 8 SIMULATED YEARS. WE WERE OPERATING IN AN OLIGOPOLY WITH 4 OTHER COMPETITORS. EVERY SIMULATED YEAR, WE HAD TO MAKE DECISIONS RELATED TO BRAND POSITIONING, R&D INVESTMENTS, NEW PRODUCT DEVELOPMENT, MARKETING & PROMOTION ETC…THIS SIMULATION REFLECTED THE IMPACT A SUDDEN COMPETITIVE MOVE OR CHANGE IN CUSTOMER NEEDS CAN HAVE ON A COMPANY. IT WAS OUR TASK TO REACT WITH STRATEGIC MANAGEMENT.

THIS IS OUR FINAL REPORT AND PROVIDES AN OVERVIEW ON HOW WE DID IN THE MARKETPLACE…

Final MarkStrat Report

Team Lobsters

Buffalo Industry

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Sonite Macro Market Overview

Industry Summary

Buffalo was a very competitive industry in comparison to the Albatross industry. There was much more activity in both the Sonite and Vodite markets relative to Albatross and the industry became increasingly saturated in both markets with numerous brands. The increase competition ultimately led to an increase in brand differentiation and made it difficult for companies with relatively fewer resources to compete with larger, more powerful firms.

Sonite Market Summary

The Sonite market was a growing market with 4 of the 5 segments forecasted to experience significant growth over the next 5 years (exhibit 1). However, despite the Sonite market being saturated in round 1 with each organization having a high-end and low-end offering, there were still new brands constantly entering the market throughout the simulation in an attempt to capitalize on ever-changing consumer values. Team R quickly capitalized on the value of targeting a specific segment with each brand and was able to dominate the market with a high level of resources. Due to the presence of these new brands, firms had to constantly re-evaluate their strategy and adapt to the changing trends in the different segments to stay competitive.

Trends and Firm Behaviour

An early trend in the Sonite market was that teams would use a market penetration strategy and try to position their brands so that they gained sales from multiple segments. However this strategy did not prove to be effective in growing market share, particularly once teams began to reposition and launch new brands specifically at one segment. The key flaw in the 'one-brand, multiple segment strategy' is that teams would focus their advertising efforts on attributes that had overlap with multiple segments as well as set a price that was a compromise between the preferences of multiple segments. This in turn would result in the brand satisfying neither segment's specific preference and ultimately, inferior positioning to the brands that catered exclusively to one specific segment.

As the simulation developed it became clear that the majority of firms were focusing on specific niche strategies as opposed to mass-market strategies. As a result, one of the best ways to grow revenue and market share was to tailor your marketing efforts for a brand towards one specific segment. Firms (except for team R) did not realize the value in this strategy until closer to the end of the simulation when there was evidence of the success of this strategy. However, once firms began to realize this success, the industry began to become increasingly saturated (exhibit 2). Another key factor that correlated to success was a heavy investment in commercial teams early in the simulation. The commercial teams really helped to build awareness and develop purchase intentions in the presence of a market saturated with various different brands catered to each of the different segments. The teams who invested in commercial teams early on in the game were able to develop an advantage in awareness, purchase intent, and segment market share that was difficult to surpass without heavy financial investment.

Exhibit 1: Sonite Market Growth

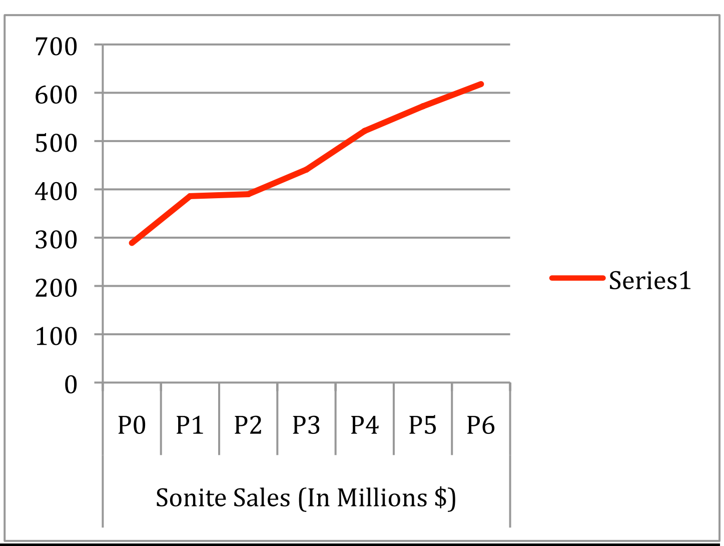
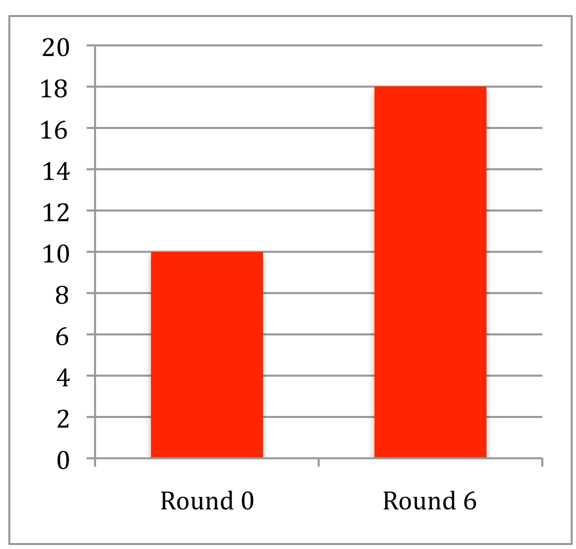


Exhibit 2: Number of Brand in Sonite Market



Summary of Strategy and Performance
Our strategy entering round one was focused on positioning our brands between two similar consumer segments with the intention of capturing both segments and using the Sonite market as a cash cow to enable first-mover entry into the Vodite market. After round one we realized that this strategy was not optimal and trying to appeal to two segments essentially made us irrelevant to both. For the duration of the simulation following round 1 we executed a niche strategy, specifically targeting high growth segments. Due to our poor first round performance, our budget was restricted and we took out loans in rounds 2,3, and 4 in order to stay competitive with our high-powered competition. It was imperative that we identify furute opportunities in order to compete long-term with other organizations. IT was clear that we did not have the resources to steal market share from existing segments and as a result, we acted as a prospector, seeking emerging opportunities in specific consumer segments and acting as a co-first mover into the Vodite market. We were successful in achieving our desired position in both the Sonite and Vodite market in round 5. Our overall strategy focused exclusively on high growth segments and although we experienced mediocre results in rounds 1-5, when our high-growth segments began to experience their growth in round 6 we were able to realize substantial contribution and growth (exhibit 3). All in all our firm did well given our poor start to the simulation in period one, finishing third in the industry with an SPI of 1367. Our strategy was very sound and well executed. Our challenges in our execution which prevented us from flourishing in the later rounds of the simulation were pricing difficulties and forecasting production.

Sonite Market
Our goal in the Sonite market was to capture a high share of Savers and High Earners. Brand LOCK targeted Savers and brand LOOP targeted High Earners. We successfully executed a niche strategy, sacrificing short-term revenues with the intention of capturing leading share position in the target segment and capitalizing on future growth via share gains. The competitive strategies we adopted for the Savers segment was focus and cost leadership. Positioning is the cornerstone of marketing strategy and the root of positioning is understanding the meaning of value. Each round we were the industry leaders in market research purchased, ensuring that we were consistently aware of what value meant to consumers. In round 5 we launched a repositioned brand LOCK, maintaining previous brand awareness and capitalizing on a segment that did not have any brands properly positioned. We jumped 9 percentage points from 9% average purchase intent for LOCK to 18%, which was the leader in the Sonite market unt lithe end of the simulation (exhibit 4). We experienced tremendous success capturing market share within this segment, however due to our tight margins we did not experience significant contribution until the segment experienced dramatic growth in round 5 and 6. We were also able to remain competitive with high-earners exclusively because we were in touch with what they valued. We did not R & D a new brand for this segment yet, we were able to alter perceptions based on advertising and ultimately achieved a high level of market share and success.

Vodite Market
Entering the Vodite market in round 3 was one of our best decisions of the simulation. However, because the market was entirely new, the willingness to pay of consumers was entirely unknown. We based our pricing on base cost percentage, relative to that of the Sonite market and entered with a price of $613. Our competitor's entered with an inferior brand priced at $1499 and capture 75 % of value share. With the understanding that the Vodite market was going to become increasingly diluted starting in round 4, we shifting our strategy from mass-market to niche and gradually shifted our target from Innovators and Adopters over to Followers. Our objective was to establish a foothold in the Vodite market and preempt the growth of the Followers segment. We took out a loan of $2 million in order to emulate the characteristics of a successful new-market entry: high entry scale, superior brand quality and heavy promotional expenditures. We successfully increased the awareness and willingness to buy of Followers, and executed penetration pricing in order to increase the customer's ability to buy. We successfully achieved the highest purchase intention % of the Followers segment in round 5 but did not properly forecast production and ultimately left maket share on the table which was captured Romans. Further, we adopted a defender strategy and invested heavily in advertising and commercial team in round 5 and 6 to protect the majority share of the Followers segment that we acquired.

Challenges

The overarching challenges we faced were proper pricing and production. Pricing significantly affected us in round 1 when we were undercut by our competitors and in round 3 when we entered the Vodite market and only captured 25% of value share despite having the superior brand. Production and forecasting hurt us particularly in round 5 and 6. In both rounds we stocked out entirely of our Brand targeted and Savers and our brand targeted at Followers. We applied the market forecast report we purchased but we were modest in predicting how significant our purchase intentions were. We continuously underestimated how accurately we were positioned and how effective our promotional initiatives were in raising purchase intentions. As a result we were not maximizing contribution. Despite having the second most volume, our SPI was third in the industry. (exhibit 5) Our key learning from this challenge was to focus not only on maximizing sales but also in controlling costs and forecasting market behaviour as all are equally important to the bottom line.

Exhibit 3: Firm Revenues by Period

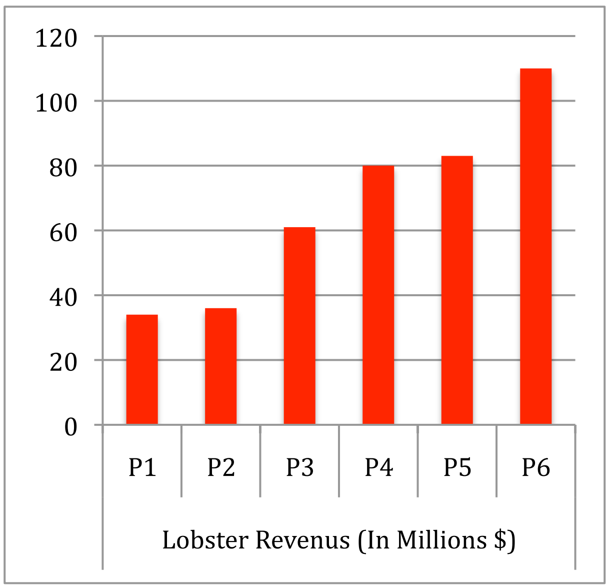


Exhibit 4: Average Purchase Intentions for Brand LOCK

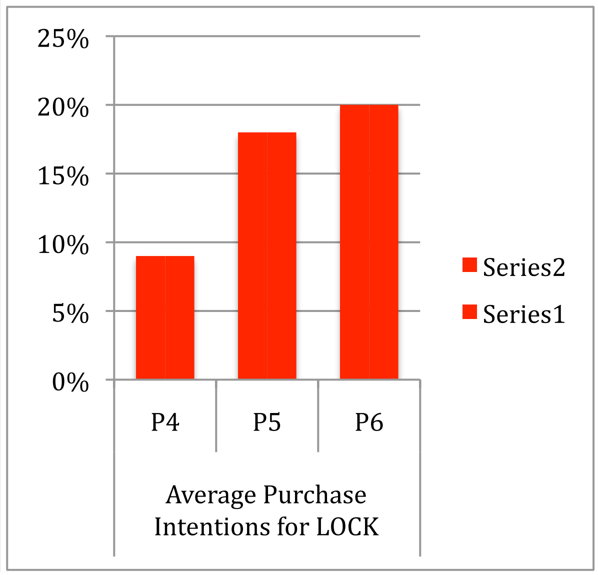
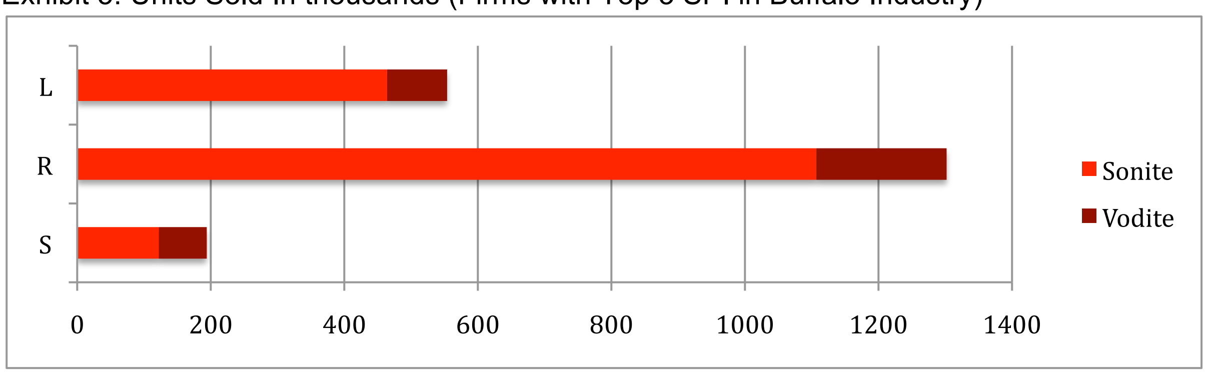


Exhibit 5: Units Sold In thousands (Firms with Top 3 SPI in Buffalo Industry)



Competitive Analysis: Team R (Romans)

Firm Overview

Romans dominated the competition starting in period 1 and experienced growth each round for the duration of the simulation. Romans strategically positioned themselves to be the dominant player in the Sonite and Vodite markets by focusing on the consumer segments with the highest growth and developing brands that specifically addressed the ideal values of each of these target groups. They were the first to launch a new brand in the Sonite market – ROMEO. ROMEO was targeted specifically at Shoppers and allowed Romans to generated enough cash flow in the early rounds to improve and maintain their market-dominating positions, and eventually develop two perfectly positioned Vodite brands that instantly took over the Vodite market.

Sonite Market

Romans was able to establish a dominant position in the Sonite market during the first round. By obtaining the greatest market share initially at 25 %, they posed a major threat to our team as we acquired the smallest portion of the market and experienced a decline in our SPI after Round 1. In order to establish this leading position, Romans undercut most teams with their brand ROLL, allowing them to lead brand retail and volume sales. In addition, their brand, ROCK, was second in volume sales. By producing the most volume, they were able to generate the greatest revenue and in turn, had the highest EBT as a result of the cost benefits associated with increased production. They were pioneers, had large entry scale, and executed a mass-market penetration strategy that enabled them to capture a commanding share of the Sonite market that they were able to maintain through all 6 rounds.

Romans' success in the first round put them in a good position with the strongest budget of $8.6 million. They had tremendous capital that enabled the firm to re-position themselves in the Sonite market in order to capitalize on the largest growing consumer groups. For instance, in round 2 they priced their brand ROCK at $189 to specifically target Savers, their brand ROLL at $495 to target High Earners and Professionals, and introduced a new brand called ROMEO that was targeted solely at Shoppers with a retail price of $306. They were able to grow their market share of Savers, High Earners and Professionals and Shoppers to 30%, 31%, and 29% respectively. Romans took control over the Sonite market and led market share with the biggest and fastest growing consumer groups as depicted in (exhibit 6 and 7). Evidently, the Sonite market was still growing aggressively at this point in time. They decided not to R&D a Vodite brand and instead ensure control over this growing Sonite market for next round. By executing a market expansion strategy, Romans was able to successfully defend its relative market share by expanding into a number of different market segments.

Over the next two rounds Romans successfully undertook a fortress strategy in the Sonite market to continually strengthen and hold their dominant position. They continually lowered their brand prices to align with their current target groups and re-positioned their ROLL brand to specifically address the needs of High Earners, redirecting their focus completely away from Professionals. By lowering prices but still offering a quality brand tailored to specific target groups, Romans was able to locate and maintain a secure position in the Sonite market.This also allowed them to defend against any competitors who would try to offer lower prices with more attractive features in attempt to overtake them with a frontal attack.

Vodite Market

Romans enormous financial capabilities allowed them to be an extremely effective follower in the Vodite market. At the conclusion of Round 3, the Romans strong revenues and EBT supplied them with the strongest budget to facilitate R&D efforts for a Vodite brand. By allowing the market to develop and properly analyze consumer needs, Romans was able to develop a superior brand compared to competitors. Romans executed a skimming strategy and introduced a Vodite brand called 'REBE' focused on Innovators and Adopters, the two largest segments. REBEL instantly took over the market, leading in brand retail and volume sales. The firm's success in the Sonite market and patience to understand the Vodite consumer provided them with the capital and insight to effectively execute a Leapfrog strategy in the Vodite market. This enabled them to induce customers to adopt their offering by providing enhanced benefits and features. Once Followers began to grow, Romans launched brand REIGN that leapfrogged brand LEAD as the market share leader in the Followers segment.

Throughout the simulation, Romans was able to continually generate capital to defend their position as a market leader. It enabled them to introduce new, more quality brands that were better positioned than competitors. Their performance made it difficult for our team to overtake them as a whole, which is the reason, our team adopter a niche strategy and focused on winning specific segment rather than the entire market.

Exhibit 6: Period 5 Sonite Segment Size

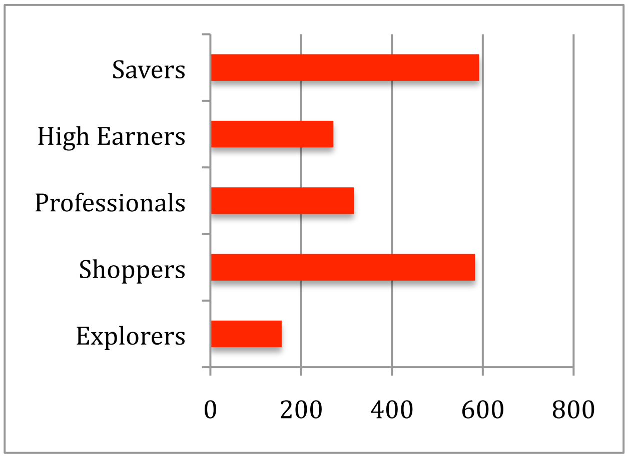
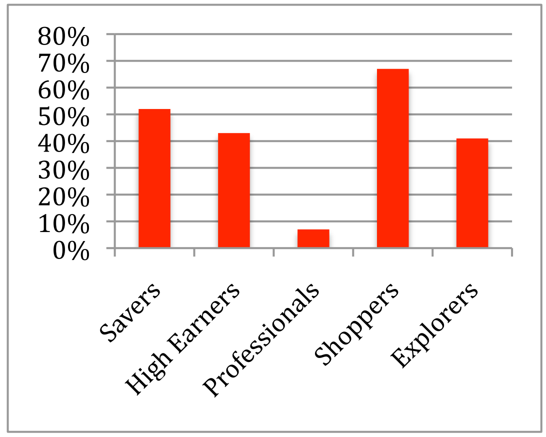


Exhibit 7: Romans Share of Consumer Segments (Period 6)



Suggestions for Improving the Simulation

Our group had the most difficulty applying strategy frameworks to the Sonite and Vodite marketplaces. Specifically, we had trouble selecting a specific and thorough "maturity" strategy for the Sonite market and a "new entrant" strategy for the Vodite market. The main reason why was because we were unable to convert the data from the MarkStrat reports into an analysis of competitor and firm characteristics. For example, if our team was able to determine if our competitors had superior marketing or R&D resources or if our marketplace was more homogenous or heterogenous, we would have been able to select a specific strategy and apply to it to the context of MarkStrat. We are not arguing that the simulation was flawed in this respect but rather our team was ill equipped to relate these course concepts to MarkStrat. As a result, our main suggestion for improving the simulation would be to offer a 1-on-1 strategy consultation session between the TAs and the teams during the practice rounds. In this session, the TA would walk the team through the market research reports and identify specific pieces of data that give information about market and firm conditions and ultimately present an overview of what the competitive situation looks like initially at the start of the game. The teams would then have a period of time to complete their initial marketing proposal based on these findings the TAs shares with them. Most importantly, the TAs would review each team's proposal and give them feedback before the official decision rounds of MarkStrat start. This suggestion is beneficial because it not only educates the teams on how to link the course to MarkStrat but it also forces the teams to consider the flaws of their strategic approach before the simulation begins.

There were, however, several aspects of the MarkStrat simulation that encouraged our team to apply course concepts. The ultimate lesson that we learned was that the relative importance of the 4 P's changes depending on the market context that you are in, which was alluded to in our *Firm Performance* section. In both the Sonite and Vodite marketplaces, allocating a substantial amount of resources into distribution channels as well as targeting these channels to the preferences of your target segment was a major key to success in the game. What this shows is that the competitive information that drives a firm's segmentation and position strategy should also influence the specific marketing tactics that a firm chooses to use; a strategy is successfully executed if it is implemented using tactics that are customized to the needs of the marketplace rather than generic. I believe our team initially implemented our strategies for growth and new market entry by assuming that advertising and commercial channel resources were equally important but ultimately learned by the end of the simulation that commercial channel resources were most important given the saturated nature of the Sonite market and the consumption behavior of innovators and followers in the Vodite market. Ultimately, MarkStrat taught our team that collecting and analyzing market information is an ongoing process that is necessary for strategy execution rather than a one-time event that only takes place when initially formulating a strategy.