

Glo-bus – online business simulation analysis essay sample

[Business](#), [Leadership](#)



I. The Firm's Objectives

A clear strategic plan was set out in the beginning, and adhered to throughout the course of the simulation. Our overall objective was to determine the correct mix and balance of camera components, which enabled the most favorable outcome in the competitive arena. In order to offset the cost structure of the multi-feature camera, a low cost structure for the entry-level camera was implemented. This was achieved by offering a differentiated, high end multi-feature camera, offset by a low cost leader entry-level camera.

Entry-level strategy

- o Low cost strategy
- o Minimal features
- o Low cost per unit on core components
- o Market leader
- o High sales volume
- o Low P/Q rating
- o High Image rating

Multi-Feature strategy

- o High End

- o Target P/Q rating of 5 star

- o High per unit spending on core components

- o Higher profit margins

- o High image rating

Increase market share in AP and LA where sales are weaker

Remain market leader in every country for Entry-level camera, while growing market share in Multi-feature cameras

Maintain a higher Image Rating than competitors

Maximize retail representation in all three avenues

Decision Making Strategy

To remain stable and consistent through out the simulation

Be consistent with decision making, never increasing or decreasing decisions one way or the other

Do an external analysis of competitors moves, before determining ours

Keep the same position, in relations to competitors moves, adjusting prices and P/Q ratings accordingly

Keep and A+ credit rating

Grow Revenues, EPS, ROE, Image rating, Stock Price and Credit Rating enough to withstand a competitive market. (see associated financial graphs in Appendix A)

Buy back stock in order to elevate EPS

Maximize production for both cameras, by 10%, in order to assure no shortage of cameras in retail inventory

Maximize labor cost to ensure higher than industry salaries, incentives and training

To outsource all extra camera productions, yielding no overtime or hiring of temporary workers. This lead to the lowest production cost in the industry.

II. The Target Markets

Amalgamated Holdings target market shifted as the simulation progressed. In both cameras the target market fluctuated from concentration in North America and Europe, to more of a mass market targeting, with concentration in Asia Pacific and Latin America. Our goal was to stay on the right side of the perceptual map, for both cameras, occupying uncharted spaces by other firms. Sweet spots were found in the right upper corner, for entry level, and lower left for the multi-feature and maintained through our the simulation (See perceptual maps in Appendix A).

Entry-Level Camera

o Demographic- A mass marketing campaign was taken with high retail coverage. Users wanted a low price camera with minimal features and low spending on core components. Targeted user sought a low end camera for a low end cost.

o Region- NA and EA were targets, while lower market share existed in AP and LA. Later, it was determined as AP and LA were targeted, with lower prices, high market share growth could be achieved in those countries, while still growing in NA and EA, as illustrated in the market share charts of Appendix A. This move resulted in a higher aggregate market share for entry-level cameras.

Multi-feature Camera

o Demographic- Targeted users of this camera shopped at local camera shops and were looking for a camera with high performance quality, high P/Q rating, and an abundance of features. These users were willing to pay an elevated price for this high end camera.

o Region- NA and EA were targets at the start, yet as the correct P/Q rating and price were found, to maximize market share, it was determined that greater results were yielded if market characteristics were targeted for AP and LA, (see market share graphs in Appendix A). As price was lowered, along with P/Q rating greater market share was achieved. This kept in alignment with our high-end strategy because Amalgamated holding stayed within the upper right hand corner of the perceptual map, remaining high-end in relation to competitors.

III. The Marketing Mix

Other competitive factors being equal (P/Q rating, advertising, model selection, special promotion, and so on), charging a wholesale price that was below the geographic market average, raised Amalgamated Holding's potential for above average unit sales and market share. However, price was a much bigger factor in the entry-level segment as opposed to the multi-featured segment. The users of multi-featured cameras were more concerned about picture quality and performance features, than they were about price. We could charge above-average prices for multi-featured cameras because users were willing to pay more for the quality product. It possessed a higher P/Q rating, increased advertising, more special promotions with attractive discounts off regular price, and longer warranties. We chose to have fewer models, than competitors, so as not to risk losing sales and market share to competitors, who were offering a greater selection. Amalgamated Holding's sales and market share, in each of the regions, were heavily influenced by the fact that we chose to maximize retail coverage, for each retail avenue, by sending to every retailer that was interested in our product (see perceptual map in Appendix A). Below are the key points of the marketing mix we employed:

Product

o Entry Level Camera

Low cost strategy

Minimal features

Low cost per unit on core components

Market leader

High sales volume

Low P/Q rating

High Image rating

o Multi Feature Camera

High end

Target P/Q rating of 5 star

High per unit spending on core components

Higher profit margins

High image rating

Price

o Entry Level Camera

- Low cost

- Minimal features

o Multi Feature Camera

- High cost

- Maximum features

Place

- o Distribution channels
 - Local camera shops (maximized)

 - Online retailers (maximized)

 - Retail chains (maximized)

o Location

- All geographic regions

Promotion

- o The number of special promotions each quarter

- o The length of the special quarterly promotions (in weeks)

- o The size of the discounts off the regular wholesale price during these promotions

- o Higher advertising expenditures than competitors

IV. Assessment of Competitors

Understanding your competition is a critical factor in the business world today. The Glo-Bus Simulation was able to simulate real-world competition in the digital camera industry. Each company developed an individual business strategy, which created an interesting dynamic to view how the market was affected. The competitor's strategies can be described as:

Booyah! - A formidable opponent, entering the market as a pioneer with a low cost, low distribution approach, for both their entry level and multi-featured camera. This enabled their firm to distinguish themselves through the high-volume sale of their low-cost cameras. The initial success, in offering low prices relative to their competitors, was positively related to the performance of their company. They were able to secure modest market share in both the entry-level and multi-featured camera. The simulation suggests that if you can be a successful market pioneer and continue to sustain significant market share and lead the market, then that is an excellent role, but was not the case for this firm.

Creative Camera Company - Fast follower approach. This organization focused their attention on whoever was in the lead. If an organization loses their competitive advantage and a fast follower can learn from the pioneer's mistakes and take the lead, or add to and improve the original product, then it is of benefit to be in the follower role. This is only true if another organization does not pass up the company that they are following in the process. This was the true of Team C in this simulation. Their strategy

involved switching from one leading company to the next, too late in the game.

Dynamic Camera Company - Team D selected a reactor approach to their business strategy. Continually overwhelmed by the changes in the marketplace, this team became very confused and did not know which way to lead their organization. Typically in last place, this company's lack of vision and understanding left themselves in a position of not knowing or understanding what to do, reacting, most of the time too late, to the changes in the market.

V. Overall Industry Trends

Understanding and reacting to industry trends is a critical piece of information businesses. Developing a successful business strategy will depend on your ability to understand the patterns that emerge in both the financial and strategic characteristics of a market. Industry trends are important because they can signal forthcoming changes or events that companies can anticipate in order to position themselves accordingly.

For example, in the Glo-Bus Simulation, the reduction in price of both the entry-level and multi-feature camera, over the duration of the simulation, were the main trends evident, as the firms competed for market share (see price and market share graphs). Anticipating the other company's change in price was an effective means of maximizing our company's performance. As each company made changes in their cost structure and subsequent pricing

changes, market share in each geographic and industry segment was affected. Typically, the low cost leader was the driving force in the market.

Early identification of the sensitivity price trends, played in the simulation, gave Amalgamated Holdings a competitive advantage that enabled our company to minimize the risk of a loss of market share. Being able to predict your opponent's future moves and the identification of trends in the marketplace are critical pieces of information necessary to predict events and conditions ahead which lead to more informed decisions.

VI. Major Turning Points

Sudden changes in industry conditions are not typically attributable to trends in the marketplace. These changes are considered industry developments or major turning points and are important signals to key changes in the direction of the market. They are pivotal events within the industry attributed to a single direction or in response to an organization's impact on the market as a whole. The Glo-Bus Simulation was able to replicate the affect that an organization could have in the marketplace with changes in their strategy.

There were two critical turning points throughout this simulation. The first, and what ended up being the most important, turning point was when Amalgamated Holdings took the lead after the year 9 decisions. With focused leadership, a clear strategic plan for the organization, and early identification of leading market trends, we were able to hold onto the lead in the marketplace until the end of the simulation.

The second turning point in the simulation occurred when Team D's dramatic price drop in the year 11 decisions, which caused a significant increase to their market share. This was a major turning point as it established the credible evidence that price and market share were positively correlated. Many of the strategic decisions, from this junction onward for all four company's, was established from the results of this decision (see price and market share graphs).

Both major turning points proved to be important events in the simulation. Every organization will encounter these events from time to time. How you react to these events can create a positive or negative advantage for your company. Amalgamated Holdings was able to leverage both turning points in the simulation to continue a lead in the marketplace.

VII. Successes and Failures

Similarly to real market conditions, the Glo-Bus simulation gave us the opportunity to experience both successes and failures. Employing a low-cost leadership strategy helped us to pursue a competitive advantage keyed towards having lower costs and selling our entry-level camera at a lower price than our rivals. Employing a more value for the money strategy (providing 4-star digital cameras at lower prices than other 4-star brands) was our competitive advantage was the ability to incorporate appealing attributes at a lower cost than rivals. Even though our P/Q rating, features, and core components were appealing in the marketplace, our high price was not as attractive in comparison to the other company's products. Reacting to

the market conditions, we lowered our multi-feature camera price, thus enabling us to end the simulation as the market share leaders in every region for both cameras. Below are some specific successes and failures we experienced in the simulation:

Successes

- o Buying back stock which positively affected EPS
- o Gradually increasing dividend payouts, showing investors we have earnings to spare
- o Assessing more competitive market projections
- o Functioning as the low-cost leader for entry level cameras
- o Becoming market share leaders in all countries for both cameras

Failures

- o Paying out all of our earnings as dividends in the practice round
- o Charging too much for the multi-feature camera
- o Elevating the P/Q rating, too high, for the multi-feature camera
- o Not adapting prices to specific countries in the beginning

VIII. Key Learning Experiences

There were multiple key learning experiences throughout the Glo-Bus simulation. In this particular simulation, a low cost leadership strategy would always lead the market. In order to implement this strategy, we relied heavily on the projections for the upcoming year. We quickly learned that the market place was much more competitive than projected therefore we cautiously reviewed the projections and adjusted accordingly. After selling stocks issued in order to pay for our upgrades in the multi feature camera, we learned that buying those shares back was crucial to raising our Earnings per Share. Our production rates soared when we came to the realization that assembly could be maximized by 10%, which ensured that retailers would have adequate stock. Rival team's erratic decisions, due to their confusion by changes in the market place, had an adverse impact on the rest of the market.

Having a clear business strategy is critical for success in any endeavor. Continually monitoring the marketplace and making adjustments as necessary, will create a positive environment where an organization will flourish. As the Glo-Bus overall score, best in industry, and game to date graphs included in Appendix A illustrate, developing a direction for your organization that will provide strategic competitive advantage is possible. It requires commitment from all the responsible individuals within the organization and alignment of the company's resources. The organization must constantly be reviewing the marketplace for changes and surveying the landscape to better understand the customer's wants as well as the competition.

Amalgamated Holdings was able to react positively to the marketplace environment and gain substantial market share in both the entry level and multi-featured camera. We were able to leverage our knowledge of business strategy to plan and react to changes in the market set forth by our competitors, creating a scenario where our organization thrived.

Works Cited

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