

Marketing and product essay

Business, Decision Making



Allstar Brands' OTC Cold Medicine Group Mission Statement Allstar is a Pharmaceutical company with an over-the-counter cold medicine group. Our company's mission is to improve the condition of people's lives by providing high quality products to customers, deliver outstanding value to our stockholders, and fair opportunities to our employees. To our customers we promise you the highest quality products and the best service. We promise to stockholders that we will keep our company growing and work on increasing the shareholder value. We want to be fair and in return reward you with a sound profit. We will work to reduce prices to maintain reasonable costs and increase customer usage.

Through intense research and development, we will experiment with new ideas and launch new products. We promise to employers that we will respect them, provide them with security and fair compensation. By doing these things, we hope to deliver outstanding values to all of our customers, stockholders, and employees in the OTC cold medicine industry.

Marketing Objectives As a team, our marketing objectives for the 10 periods of the product life are: 1. To keep the company growing by dealing with the Product Mix where we would introduce a new product line when our old products reached their Mature and Decline stage of the product life cycle. 2. To increase revenues by increasing the Price so that it does not go below or too far above the straight line from the tradeoffs plot. 3. To expand our markets by deciding where it would be worthy to invest our money in which Distribution areas-mass merchandising, wholesale, merchandisers, and retailers; and in which channel-in Independent drugstores, Chain drugstores,

Grocery stores, and Convenience stores. These decisions are based on our unit budget.

When we have a lot of budget, we increase the distribution areas as well as the channel and decrease or keep them the same when our budget is low. 4. To increase sales by controlling the Advertising budget-advertising agency and advertising message; To increase the ad agency when we have more budget, and to increase the primary and benefit ad message when our products are in their Introduction and Growth stage while increase the comparison and reminder message when our products are in their Mature and Decline stage 5. To increase customers' usage by adjusting the Sales Promotion based on our unit budget that we obtain from previous sales-that is to increase/decrease Promotion Allowance, Co-op Ads, Point of Purchase, Trial Size, and Coupons so that they would become incentives for customers to try and buy our products. Dealing with Product Mix would extend our line of products and eventually would increase our sales due to the new launched products or reformulated products.

With controlling the Price, it would increase our revenues when the price goes up. With Distribution areas, it would help us to allocate all of our products around the country. This would help us build up customers and the brand awareness. With controlling the Advertising section, it is the most important part of Marketing since it helps us to get our message across the nation as well as through customers. Most of our sales are based on advertising because the more we advertise, the more people will notice our products and eventually they will try our products. This increases our sales

as well as the stock price. Last but not least, with adjusting Sales Promotion, it gives incentives to customers to try out our products. In all, these objectives are the keys to increase our sales, the stock price, and the amount of customers across the nation within the 10 periods of our product life.

Our company's position (compare to other companies in the market) is depending on how well we manage each objective. Therefore, through our 10 periods, our stock price varies from periods to periods because sometimes we did not manage our unit budget well over advertising, sale promotion, and distribution areas. Also, sometimes we forecast our manufacturing price of the product wrong.

Therefore, on occasion, our price is below the market line where we have a negative budget due to the lost of revenue. But there are times our price is over the market line where we incur revenue but not as much because due to the low amount of customers are buying our products. Then, when our price is just right on the market line that is where we incur the most revenue since our price is affordable and reasonable to customers. The numbers of these decisions for the objectives do not change drastically since we only have ten periods to work with.

As a trial, our team increased each decision by a couple or a few units only because we were not sure what the market is like. We were also afraid of risks, of losing our budget. As toward the 9th and 10th periods, we drastically increase our stock price since we experienced that the higher the price of the stock, the more revenues we received. SWOT ANALYSIS

STRENGTHS: Brand Awareness: Although Allround's advertising and promotional operations were drastically cut after the first 2 periods due to a tighter budget, Allround had a strong brand name with awareness levels that remained fairly high and above other competitors for most of the periods, approximately between 70% and 85%. (Fig. 1 & 2) **Brand Purchases:** According to our period to period Tradeoffs Plot, Allround remained the leader in symptoms relief but at the same time was under priced.

Because Allround's price was lower than it should have been relative to its effectiveness, Allround led in Brand Purchases but a steady decrease in purchases was noticed as prices were raised to where they should be. (Fig. 3 & 4) **Symptom Relief/Satisfaction:** Allround remained fairly superior in symptoms relief when compared to its competitors (Fig.

5) Allround also led in customer satisfaction by a large margin through the majority of the periods. Reaching its all time high in Period 10 at 62.9%.

(Fig. 6 and 7) **Market Share:** Regardless of Allround's competitors' strive to gain a higher market share for Cold medications, Allround has been the leader from the beginning. Although its market share has been on a steady decline from Period 0, it began a steady rise after Period 7 as we increased our advertising and promotion activities. (Fig.

8 and 9) **WEAKNESS: Sales Force:** According to the Market Research: Consumer Shopping Habits (Fig. 10 and 11), a large percentage of consumers who shop for cold medicines did so in Grocery Stores. When compared to other retailers (Fig. 2 and 13), Grocery Stores attracted about 47% of total consumers with Chain Drug Stores being the next highest at

about 24%. Allstar did not take full advantage of this and fell behind the top two companies, Ethik and B & B, in spending for sales support for these key retailers and also under spending in total Sales Force. Figures 12 and 13 , Sales Force Estimates, shows B&B and Ethik consistently providing close to about 200 or more sales people while Allstar remained below at or below 150 for most the Periods because of declining income. Fig. 15) Pricing: Allround's biggest issue was maintaining the price at or above the median line of the Tradeoffs Plot and adjusting to the rate of inflation.

Although Allround led in Symptom Relief, our product was heavily under priced most of the periods. Both Allround and Allround + consistently fell below this median line of price/Symptom Relief, causing the company to lose major income and in consequence, the company's allocated budget decreased and spending in vital areas were also decreased. (Fig. 5)

Promotion/Advertising: After period 2, Allround lacked the funds to engage in heavy promotion and advertising operations. We remained in a phase of budget cuts until about period 7 when we drastically increased prices to adjust for the inflation rate and brought in sufficient funds to increase our advertising and promotion budget. (Fig. 15) (Fig. 16 and 17) (Fig.

18 and 19) When Allstar introduced Allround +, there should have been heavy promotion and advertising to promote the new product but Allstar was lacking the funds to do so. OPPORTUNITIES: With 7 competitors in the Cold medication market and 2 in the Cough, Allergy, and Nasal medication market, Allstar should have released a product into the Nasal medication

market in period 5. During this period, Allstar was given the option to introduce a new product.

The Nasal market would've been our best bet with only 2 competitors and the highest growth rate of 19%. Period 8 gave Allstar the opportunity to reformulate. With Chest Congestion reporting as the highest reported symptom, at about 62%, Allstar reformulated its Allround medication and increased its expectorant ingredient to 200 and decreasing Alcohol to .

5. The decision to decrease the amount of alcohol in our product was based upon the fact that about 57% of those surveyed put side effects third as their decision making criteria, below price and effectiveness, and alcohol has a major side effect, drowsiness. THREATS: At the start of period 1, Allstar had control of approximately 40% of the Cold medication market share. At the end of period 9, Allstar lost about 6% of the same market due in part by competitors introducing a new product to the market, line extensions, introducing a reformulated product, or consumers naturally preferring the competitor's brand over Allstar's perhaps because of our lack in funding in the advertising and promotion area. Target Markets: Allstar's Allround medication's target market for young singles with cold illnesses started at approximately 15% of purchases in period 0 and ended at period 10 with 16.1%. For young families with cold illnesses, started at 35% and ended at 12.5% of purchases.

Mature families started at about 24% and ended at 16% of the purchases.

Empty Nesters started at approximately 16% and ended at 17.5% of

purchases. Those who are retired started at 30% of purchases and ended at 31.7% of purchases.

By Period 10, those who were retired made up the majority of Allround's purchases for cold illnesses at about 32% with Empty Nesters following behind at about 18%. Allround's target market for the illness of coughing for young singles started at about 15% of purchases and ended at 16.1% of purchases. Young families started at 18. % and ended at 18.5%. Mature families began at 17.

1% and ended with 35% of the purchases. Empty nesters started at 15.6% and ended at 49.9% of purchases. Those who are retired began with 19.8% of purchases and ended with 49% of purchases.

By period 10, purchases of Allround for coughing were dominantly made by empty nesters at 49.9% followed by retirees closely at 49%. Allround's target market for allergies for young singles began at 4.1% and ended at .9% purchases.

Purchases by young families started at 4.7% and ended at 1.1%. Mature families began at 4.4% and ended at 1%.

Empty nesters started at 4.4% and ended at .9%.

Retirees started at 6.3% and ended at 1.3% of purchases. By Period 10, purchases of Allround for allergy were made up mostly of Retirees at 1.3% followed by young families at 1.

1%. Marketing Activities Brand Awareness In order to achieve our marketing objective of increasing brand awareness for Allstar, we need the continuing support of our advertising agency, Sully and Rodgers. Our current total brand awareness is 84%. It is the second highest in the market. Throughout the simulation, we maintained a high awareness for Allstar. Most of our customers when surveyed were very familiar with our products: Allround and Allround+. Our conversion ratio was the highest among all the competitors. This indicated consumers' strong awareness of our product.

Allstar's retention ratio showed that consumers purchased and repurchases our product, because of its effectiveness in curing allergies and cold symptoms. As we progressed through the simulation, the need to decrease primary ad messages came about, since the product had been on the market for quite some time. As we decreased this, we increased benefit and comparison, to show what we offered consumers. Allround+, a newer product, funds were distributed between primary and benefit ad messages. Launching new products requires putting a lot of money in primary ads to make consumers aware of all the options out there. Allstar must continue there methods for success and remain conscious about brand awareness, as it is a vital element of advertising. As for our ad agency, Sully and Rodgers, effectively use a lesser percentage of Allstar's budget to advertise. This has been successful so far, but in the future, if sales should decrease, then immediate re-evaluation of the decision is necessary.

The other ad agency is Brewster, Maxwell, and Wheeler uses a higher percentage of a company's budget and if in the future, we have more funds,

it would be a wise decision to have them as our advertising agency. [pic]

Sales Force In order to achieve the marketing objective of dominating the sales force, we recommend carefully following the sales growth pattern. In the beginning we had a higher distribution of channel shares because our budget was higher. As time went on and our budget became tight, we had to focus allocating our funds in the sales area showing the most growth. Initially we invested more money in grocery and convenient stores, but they proved to be unbeneficial for Allstar. Then we re-examined sales growth in each area of the market. We re-distributed our funds and decided to put more money in mass merchandising and chain drug stores. They showed the most sales growth for our product.

[pic][pic] Allstar must also increase training of sales force by a minimum of 5% to ensure that employees have a better understanding of our products. This increase will help improve revenue. If our employees are well informed of our products, they are better equipped to sell it to consumers. In addition to extra-training, management needs to monitor growth in other areas of sales force. This is necessary to make sure our funds are placed in the areas that show the most growth. Customer Satisfaction In order to achieve the marketing objective of customer satisfaction, we recommend focusing on product effectiveness.

Consumers' main concern with purchasing products is how effective they will be for them. The more effective a product is, the more likely it will be re-purchased. Satisfying our customers is Allstar's main priority. We issue marketing surveys, which help determine what is working and what needs to

be changed. Surveys help us learn about our products effectiveness, any side-effects that we are not aware of, and reasonability of our prices. The surveys also helped us when we wanted to reformulate our product, Allround.

We discovered that most consumers disliked the ingredient of alcohol in medicine. We decreased the amount of alcohol used in all our products to better serve our customers. It is very important to know consumer likes' and dislikes'. Our company should continue gathering information based on surveys, to ensure our product is what consumers want. [pic] Market Shares In order to achieve the marketing objective of increasing our market shares, we recommend implementing a pricing strategy.

During the beginning, we only increased our price by a few cents. We did this because we thought that a dramatic increase would turn consumers away from our product. This was a bad move for our company, while we wanted to maintain a reasonable price for our consumers; we needed to make sure we were not losing money by charging a below the market price. After realizing our mistake, we started to increase our price by dollar amounts. This helped our market shares increase a good amount. Allstar needs to keep in mind for the future that sometimes increasing is the price is the only option in order to make sure you do not operate at a loss. This increase in price helped improve our market shares, which enabled us to better compete with other brands.

Then, we were able to introduce a new product, Allround+. We diversified Allstar by introducing a relief for allergies, this augmented our market

shares. Pricing is the key to boosting market shares. If you are operating at a loss, it is hard to make all the crucial changes needed to start to take over competitors' shares' of the market. pic] Lessons Learned As a team, the lessons that we learned from this simulation was about the proper use of direct sales force, the use of advertising, and of inflation rates, concerning the proper techniques of running a company. The simulation dealt with each of the four P's (Product, Price, Promotion, and Place) and showed the product life cycle. Throughout the first 6 periods our price percentage increases was below the increase of inflation.

With this came a loss of revenue, this in turn brought a loss of budget. This then in turn affect the advertising budget greatly. It was in the 7th period that a major increase in price was made resulting in a price increase above that of the inflation rate. This went to show that a product under priced was more damaging to the company than a product over priced. Although we learned this after the first few periods, it became difficult to estimate the proper price the product should hold.

This resulted in our products of always being slightly under priced. Between the two products, Allround and Allround+, we were able to see the product cycles of market introduction, market growth, and market maturity. The product, Allround, was the existing product that showed the stages of growth and maturity. Because of the feature of being able to reformulate during the periods when the growth slowed down, it never gave the ability to show the fourth stage of sales decline. Allround+ which was introduced in period 4 showed the first two stages of the products life cycle. The advertising feature

showed that for each different phase, money had to be allocated to different functions to be effective. In period 3 we increased the budget to primary advertising for Allround.

We then learned that since the product had been released for sometime that it had little to no effect on the overall awareness. In period 7, we changed around the advertising for both Allround and Allround+. For Allround+ we decreased the primary and increased the comparison. For Allround, we increased primary and decreased both comparison and reminder.

Allround's budget was raised from 8.4 to 11, while Allround+'s budget was lowered from 12.5 to 10.3. After those changes the sales for both products stayed on a steady upward climb, as seen on the graph of the company's Sales Report. The place was controlled by both the use of the sales force and discounting large quantities of ordered products to promote more merchandisers to carry the products. As a group we learned that it was more profit able to put more effort into expanding the growth of the channels that create the most revenue in sales, which were the grocery stores and the chain drug stores.

The use of advertising by targeting the retailers through the direct sales force was found to be the best way of advertising. By giving discounts and increase sales personal, the company was able to cause growth in all channels of distribution. By doing this our product, Allround, was able to hold the highest percentage of growth throughout all channels of sales. From the graph of our stock price, it can be seen that it was in period 7 and 8 that it turned around and began to rise again.

It was then when our team rearranged completely the focus of channel of sales and largely increased the price. We also decided that the company was losing too much money from the discount schedule. In period 6, we dropped the percentage of discounts of all 4 categories. The largest decrease was in the