Capsim strategy essay

ASSIGN BUSTER

Part 1 All segments are critical for the implementation of our company's strategy because we chose to be broad cost leaders. Cost leaders maintain a presence in all market segments by focusing on low production costs and competitive pricing. With that in mind, one segment is considered to be slightly more important than the others: the low end segment. We will compete in every market segment, but this is one of the most important due to the fact that price is the main consideration of the buying criteria at 53% importance.

Our costs will be much lower than our competitors which translates into a lower market price for this product, which is ideal for our customers. We based our sales predictions off of Steve's data, who is currently using the same strategy in Capsim, so we are assuming that our data will be somewhat similar. The actual industry total unit sales were 12, 488, 000, his segment growth rate was 11. 7%, and his market share percentage was 19%. From those numbers, his forecasted sales for the low end segment were 12, 488, 000 * 1. 117 * . 19 = $2, 650, 328. 24.

We would expect our forecasted sales to be similar. Two factors that must be considered when forecasting sales demand are actual industry unit sales and market share. We will consistently have a relatively high market share in comparison to our competitors because of our competitive pricing, so we will capitalize on that. Because we have low production costs, we can invest more in marketing so that we will have high awareness and accessibility when compared to our competitors. We would expect our units sold to the segment to be consistently on the higher end of the spectrum based on our combination of lower prices and higher product awareness in the market.

The other factor to consider, actual industry unit sales, will be the same for every competitor in the segment because it is the sum of every individual company's units sold. It is clear that no one has an advantage or a disadvantage in this part of the formula. The only part of the forecast that will reflect our market advantage is the market share percentage, because the the total unit sales and the segment growth rate will be the exact same for every competitor within the competition.

Part 2 Since we are focusing our efforts on the low end segment of the market, our product can be determined as a cash cow. A cash cow is generally a leading product in mature markets, generating more cash than is used. This allows companies to use that cash to pay for administrative costs, as well as paying for dividends to shareholders and even fuling R&D. We were able to come to this conclusion based on where our product stood in the segment. Our low-end product has a lower market growth rate at 11. 7% than most other companies. however, our product has a high market share comparative to other companies. When these two factors are taken into consideration using the BCG Growth-Share Matrix, we can conclude that our product is a Cash Cow.

From the courier, it is clear that the products with the highest customer awareness have the higher market share. With that in mind, we will adjust the promotion budget for the low end products to increase our customer awareness which in turn will increase our sales if we continue to compete based on low prices. Because we are featuring our low end product, we think that this product will remain in the cash cow position, never becoming a star through an increase in market growth rate. The only way that this product

will ever become a dog is if the price of the product begins to rise and we lose our high market share. Our plan is to keep the price of this product low enough that it will remain a cash cow for the duration of this competition.

Part 3 7. Our team is focusing on the strategy with the segment being a low end product. After completing the capacity analysis in the low-end segment using the numbers of Acre from Andrews, it appears the guaranteed sales are only slightly more than the first shift capacity (about $44000). According to the result of this analysis, we find that this company does not need to increase capacity anymore, since they will be utilizing almost 100% of their plant capacity. without using secondshift Also, our strategy is focusing on lowering the cost, this move is also consider as a costs reduction by reducing the amount of second shift/overtime.

8. Since Andrews is operating right around 100% capacity and still filling most of the market demand, small but steady increases in capacity must still be made to capture additional market share in the future. As the market demand will be increasing year by year, this will allow us to fill the remainder of the demand that must still be accounted for. Additionally, in financing plan, we would like to borrow long-term debt for our cash need, because this could allow us some leverage based on the effective and efficient plant utilization through increasing automation to lower the labor cost. Issuing additional stock may also become a good choice if we need more stock to boost our performance, since we can handle the outcomes associated with issuing or retiring stocks. We will be able to change our total stock with a much less consideration of the outcome.

9. Andrews' company will maintain a stable increase in capacity because it has filled the highest demand up to this point. If they want to continue to be the leader in that segment, they must be able to satisfy customer needs throughout the entire year. Here are the possible ways to improve our work. Since we have the highest contribution margin we will be able to afford to increase our automation level , while other competitors can not do so. Moreover, we can also increase compacity to fullfill more demand we have, in order to capture more market share in the future with less chance to use the second shift.