

# Capsim strategy plan



Due to the break-up of the sensor production monopoly, Andrews has decided to take this opportunity to differentiate the company from its competitors by focusing our resources and expertise towards two market segments while still maintaining some presence in the three remaining segments. By focusing on just two categories we ensure that our resources are not spread too thin, while at the same time, ensuring that we are taking advantage of profits in all markets and not wasting the equipment and resources that we have to produce all products.

We have chosen to focus most of our research and development, marketing, and production efforts on our High End and Performance segments, the products Adam and Aft respectively. With our primary focus on those two market segments, our secondary focus is on Agape, our product in the Size segment. Therefore, our tertiary focus will be on Acre and Able, the products in the Traditional and Low End segments. The company is organized in a way that would leave each member in charge of a specific area of the company.

Lindsey is our CEO who is responsible for marketing/R&D; Shane, the COO, overlooks the production of the sensors; Ryan is the CFO and is in charge of the finance; and Kristen, our President/Chairman, is head of the Human Resources department. Our team of executives have chosen to meet in person two to three times a week to discuss the status of the company's overall objectives. Decisions on product positioning in each segment, the amount of money being allocated to research and development and marketing, and the financial status of the company will be decided together.

Staff turnover will be monitored closely and new ways to improve employee productivity will be found if necessary. Looking at total industry demand for each segment and factoring in the growth rate for the upcoming year as well as our market share in the current year, we will be able to forecast close estimates of the required amount of production needed in each segment. This will be key in order to meet our key objectives regarding desired market share. For all of this to happen it is important to keep all areas in alignment through open lines of communication.

Working together as a team will allow for cohesive decision making and a positive work environment. Andrews has decided to adopt features from several different basic strategies to form our own hybrid strategy. By maintaining a presence in every segment of the sensor industry, we have borrowed the characteristics of a broad differentiation approach; however, Andrews will focus its resources primarily on the Performance and High End sensors which is a feature of the niche differentiation approach.

Remaining current and consistently adapting our products to meet the needs of our customers in the High End and Performance segments will ensure our success within these segments. We strive to produce the best value by creating tomorrow's sensors for today's market when it comes to our High End sensors. However, there is money to be made in all categories, therefore we will not be selling off any of our product lines but will put less emphasis on the Traditional and Low End segments.

We have made the decision to shift the company's attention to Adam and Aft sensors because they are located among the fastest growing segments in

the industry. As price is not the customers primary concern in these segments, we will focus more on customer satisfaction in order to obtain the returns needed. Buyers in the High End segment seek cutting-edge technology, with performance and size being most important to them. They want the newest products and tend to put less emphasis about reliability and price.

Similarly, buyers in the Performance and High End segments feel that performance and size are also important but the product's reliability is most important to them. We chose to operate in these growing markets because neither segment is price sensitive and they are more concerned with overall quality and innovation which is our company's underlying focus. Our objectives will be achieved by relying heavily on our sales and promotions team as well as increasing our spending in research and development to ensure the best, most up-to-date products for our customers.

Brand awareness and accessibility is vital to our company because we are now competing against four other competitors in the same industry and customers need to be able to quickly recognize our brand of sensors. The majority of our available resources, approximately 60%, will be allocated to High End and Performance sensors, as at the end of six years our goal is to control 35% market share in these two categories to become industry leaders. As mentioned above this will be done by increasing the amount of spending in research and development, production, and the marketing and sales budgets to match the projected sales forecast.

The remaining resources, around 40% total, will then be distributed among the other three products as we would like to maintain a market share between 20-30% in each of the remaining categories. Being active in the secondary markets allows us to offset the small contribution margins found in the High End and Performance sensors with the higher potential profit margins in the Traditional and Low End segments. The resource allocation can be seen in the chart below. The following objectives are outlines for what Andrews would like to see accomplished over the next six years of business.

These objectives should be reached in order to create value for customers, differentiate ourselves from our competitors, and still obtain returns. Gain approximately 30-35% market share in the High End and Performance Markets As the focus of our overarching strategy, we plan to implement this objective slowly over time. In year one we plan to reach a 27% market share, in year three 30%, and ideally, by year six, a 35% market share Gain approximately 25-30% market share in the Size Market In our secondary markets we would like to maintain our current markets share in year one at 25%.

By year three we would like to see a slight increase in the market share to 27% and ideally, by year six, we will have 30% of this market. Keep approximately 20-25% market share in the Traditional and Low End Markets As these segments are not the focus of Andrews strategy, flexibility in their market share may work to our advantage so that we can place more emphasis on our primary areas. Although there is room for movement, ideally Andrews will keep a consistent 25% market share throughout all six years. Keep employee turnover to a minimum With the current economy's

trend of placing more and more importance in human resources, Andrews plans to keep their employee turnover level to a minimum. We understand the need for a productive and efficient workforce, and believe that this can be achieved through limiting overtime to only when necessary, hiring new staff when needed, but most importantly retaining our current employees which would minimize our hiring and training costs. Increase product awareness and accessibility through marketing and sales efforts. With our focus on High End and Performance markets, it is important to have a brand and product that everyone recognizes.

Because of the nature of the segments that we are in, Andrews must convince consumers that they are getting the best product out there for what they are paying. This requires us to create a positive brand image by implementing a comprehensive marketing and sales budgets, especially in years one and two, in order to reach the market shares projected for later years. Marketing efforts for the remaining years will be decided once we have an idea of what share of the markets we hold and how our competition is placed in the industry.

Become the benchmark leader by setting the standard in the production of sensors. This objective will be reached mainly through strong research and development in our primary markets which in turn creates value in product design. By delivering high quality, premium products, specifically in Aft and Adam, we hope to establish our product in the minds of our competitors as the ones to try to imitate. These efforts will be strong throughout all six years to ensure that we are always producing the newest, most innovative sensors in these markets and maintaining our competitive advantage.

Andrews will closely study the market and its competitors in order to judge our success within the industry. We will make any changes to our current processes to reflect the changing market and ensure profitability. If, within the first three years, we are not anywhere near our desired position in the industry then a re-evaluation of our strategy and objectives may be needed. However, ideally we will be able to follow this plan for the next six years without making any significant changes