

Markstrat is an
effective marketing
strategy marketing
essay



Introduction and Theoretical frameworks

MARKSTRAT is an effective marketing strategy simulation tool that is used by many top B-schools to expose their students to the world of marketing strategy. It gives students an option to test their theoretical concepts in a real world risk free simulated environment and see the results.

We entered the MARKSTRAT world in the Panther industry as Team I. The industry comprised of 6 firms competing in the market. The main objective laid out to us by the course instructors was that the team with maximum Stock Price Index (SPI) at the end of round 11 wins. When we entered Panther the market was heavily fragmented and its major features were:-

Products: - The market had only SONITE type products. All teams had two products to begin with which had default market share amongst various segments

Though each team roughly had 20% market share there were no clear leaders in any segment.

The major consumer segments in the SONITE markets were namely 5

Bufs, Singles, Professional , High Earners and Others and each segment had specific characteristics and demands and in some cases were mutually exclusive thus all strategies had to be made keeping these in mind.

At the beginning of the game the major objective that we set out was to capture at least 3 segments with an overall market share lead. Since ours was a consumer centric objective all other strategies were built around this

basic premise. Secondary objectives included being able to enter the VODITE market as pioneers and thereon continue to be leaders in that market. Also mapping and pre-empting competitive moves were also of priority.

The first thing that the team did was to read the provided MARKSTRAT handbook very carefully and get hands on approach to the software with the help of practice files so that a certain comfort level was reached with the interface.

At the onset we planned to assess the market and base out strategy with some basic models and theories. We looked at all sorts of marketing and product portfolio management models so that we can start the game with strong foundations and later rely on our guts and instincts to help win the game. The Major models that we looked at were:-

Porter Five Forces

The porter model of analysis is used to map out a complete industry and also helps in planning out your business strategy for that industry. The porters model draws upon the organisational economics to map out 5 major forces that help determining the industry attractiveness and hence guides the basic formative business strategy. Here attractiveness refers to the profitability of the firms in the industry. We used this model in conjunction with the basic SWOT model to map out the various pertinent forces in our industry.

Bargaining Power of customers - This force is low as the consumers do not show a highly fragmented or dynamic behaviour and mostly act as 5 large business buyers

Bargaining Power of Suppliers – Since this aspect is only seen in form of Rnd which is not of any consequence. Hence this force is also very low.

Threat of New Entrants – This is very high as all firms are looking to either launch new brands or modify existing ones

Threat of Substitute products – This force is also non-existent as there are only two types of products SONITEs and VODITEs which are mutually exclusive.

Competitive Rivalry: – The competitive rivalry within the industry is very high.

Thus from over all analysis of the industry it is very evident that it is a very attractive industry and needs to be tapped into with aggressive strategies and capturing the maximum market share.

Porter Generic Strategies

The next step in the marketing strategy formulation was to define a brand generic strategy that the firm would follow for at least the next 4-5 periods of the game. For this we looked at the Porter Generic strategies model.

Since the market scope was broad and differentiation was really not a key driver we looked at the cost leadership strategy. In this we planned to utilise two of MARKSTRAT's properties. One we planned to R and D our successful products to reduce costs and also drive up the volumes so that economies of scale come into factor and advertising and sales force costs are offset by quite a margin.

Aims and Objectives

As a firm we laid out some clear cut guidelines for the company to achieve and follow. Though not rigid these aims pretty much summed up the approach that we would take as a company. The major aims were:-

Identifying growth segments in the market and concentrating on them to maximize the potential

Playing and capturing the market segment-wise. We planned to move a segment at a time and by the end at least dominate 3 segments if not the whole market. Also a key factor would be to retain captured market share

Develop an array of products, each aimed at a particular segment. Since demands were nearly mutually exclusive thus our products had to be tailored to the needs of the segments and be positioned according to their brand perceptions.

Dominate the segment without cannibalizing other products from our company. Thus it was a conscious effort never to launch more than one brand aimed at a segment so that all launched brands remain profitable

Gradually shift resources from SONITE to VODITE market. As the products in the SONITE market become cash cows and the market saturates we shift our focus to VODITEs where the market is new and is largely untapped and hence establishing leadership becomes easy

Relentless R&D in pursuit of operational excellence leading to lesser base costs and more contribution per unit. Contribution determines everything in

MARKSTRAT from the next period budget to your SPI. So aiming for a high contribution was one of the primary drivers for our strategy

Strategies Employed – A period wise analysis

In this segment of the report the focus will be on the specific strategies applied during the course of the simulation and the decisions taken that helped shape the course of the firm. The strategies and decisions are broken down period wise for the 12 periods of the game. They are analysed in depth below:-

Period 1

Strategy:

Since at the beginning of the game the product SIDE had a good hold on the Professionals and the High Earners segments. And as no scope of R and D was available we wanted to retain this superiority for the next period at least primarily through advertising and sales force expansion. Thus existing position of superiority in high earners and professionals will be further strengthened.

Though the second product SIGH looked like a problem child we could not do anything or phase it out yet as it brought in at least positive brand contribution and also held the key to the buffs market. Thus we planned to use SIGH to penetrate the buffs market further

Singles and others markets can't be played due to lack of products that suit their requirements

Decisions

Strengthen position in buffs, high earners and professionals market by increasing advertising and sales expenditure for SIGH and SIDE respectively

Ignore singles and others market for now

Results

Bufs, high earners and professionals market share improved

SIDE's performance in buffs market heartening and unexpected

Position secure in three markets

SPI grows to 1428

Period 2

Strategy:

The singles market showed the most promise in terms of projected growth and relative market size. Thus we aimed to enter the Singles market at the earliest possible time

SIDE and SIGH's position of strength should be used to leverage brand image

Increase market cap. to the absolute limit so that funds can be raised for VODITE research in the next round without taking a loan.

Decisions

a. Commission R&D for a product to enter singles market

<https://assignbuster.com/markstrat-is-an-effective-marketing-strategy-marketing-essay/>

- b. Position SIDE and SIGH for their respective market segments
- c. Increase SIDE and SIGH's advertising and sales expenditure and production to maximum possible limit

Results

SIDE dominates high earners market and tops professionals market apart from improving in buffs segment

SIGH holds ground in buffs segment

Market cap moves past half a million

Funds raised for VODITE research

Period 3

Strategy:

Due to pricing error, SIGH flopped. We had 193K units left in the inventory out of the 210K produced

Bufs market hadn't declined enough but SIGH was dropped ahead of schedule in order to increase SING's marketing and sales expenditure in a growing segment

Marketing budget for SING had to be high in order to break SURF and SELL's stranglehold on the singles segment

First mover advantage was desired in the VODITE market

Decisions

Drop SIGH from portfolio

Roll out SING for singles market and allocate a marketing budget much higher than segment leader's

Commission VODITE research based on market research docs procures in previous round

Commission SONITE research for others' market

Results

SING flattens SELL and SURF in singles market, capturing half the segment.

Production department reports inability to meet demand

SIDE moves past 50% mark in high earners segment

Market cap increases by close to 50%

VODITE market ready to be entered

Period 4

Strategy:

VODITEs, being a virgin market, didn't need a big marketing budget

SIDE had existed for 3 rounds and needed modification to stay in touch with market trends.

Healthy numbers in professions and high earners market called for products dedicated to each segment

Decisions

Roll out VIBE for innovators market and allocate a reasonable marketing budget and production level

Roll out SINE for others market and allocate healthy marketing and sales budgets

Commission R&D to modify SIDE to cater exclusively to high earners market

Commission R&D to create a product for professionals market

Results

SING improves further to take 70% of the singles segment

SINE takes 30% of others segment. Doesn't grow to expected levels due to short sighted forecasting on our part

Market cap breaches the one million mark

VIBE does well in VODITE market; sells fully

Period 5

Strategy:

Now, we have at least one product in the four growing SONITE segments

SIDE is more in sync with industry trends after it's modification

SIDE's shift in focus means resources need not be spent to push it to professionals and hence the reallocation of marketing and sales budget

Taking a loan in the previous round resulted in a quiet fifth round due to lack of extra budget to spend

Decisions

Roll out SIPR for professionals segment and relaunch SIDE for high earners segment

Slash SIDE's marketing and sales budget by half and shift focus exclusively to high earners to segment

Allocate half of SIDE's budget to SIPR and focus on professionals

Results

SIPR takes a quarter of the professional market

Reintroduction of SIDE results in the capture of 77% of high earners market

VODITE market share drops due to introduction of second product in the market by Team A

VIBE tightens up adopters segment and starts appealing to followers

Period 6

Strategy:

SIPR had to be dropped due to indifferent sales, declining market segment and need of resources to commission VODITE researches.

Adopters segment declined rapidly, hence we shift VIBE to cater to the huge followers market

Early adopters make up a sizeable portion of the VODITE market and showed impressive growth trends

Decisions

SIPR dropped from portfolio after just one round

Commission R&D for a product to capture early adopters market

Commission R&D to modify VIBE to cater to followers

Apportion a part of SONITEs' marketing and sales budget to VODITEs market

Results

SOSI eats into singles market, bringing SING's share down to 68%

SINE takes half of others market

SING's presence (19%) in professionals segment makes up for the absence of SIPR

VODITE market moves decisively away from the innovators, vindicating our move to research products for the other segment

Period 7

Strategy

As the singles and professionals market were converging we needed to position SING in between to garner share in both segments

Looking long term at the portfolio the brands SING and SINE were moving away from growing targeted segments

Capture more market share in the VODITE market

Decisions

Position the current SING brand in between singles and professionals using advertising and increasing production and sales force coverage

Commissioned RnD projects for modifying singles and others product for better positioning from Period 9 onwards.

Launched a product for the Early Adopters segment VIEA as competition was very high in followers. Also modified the followers brand to position it closer

Period 8

Strategy

Immediate need to reposition SINE for singles market as the professionals market was a negative growth market. This was done despite the SINE having significant market share in professionals

Capture more of the followers segment in the VODITE market as the segment was showing explosive growth

Maintain the Chokehold over SONITE segments of Others and Singles.

Decisions

Modify SINE and SING according to the available RnD projects commissioned last period and increase advertising spends on the products. Also increase production levels of both the brands and maintain SIDE

Commissioned RnD projects for a new VODITE for followers market

Increased the Sales force coverage according to market size forecast and increase in production of all brands

Period 9

Strategy

Due to faulty repositioning of SINE it took a hit in the singles market. Again a need to repositioning the brand was felt

As the market shares were saturating and competitors were catching up we needed to increase contribution rather than market shares

Try and minimize inevitable market share losses

Decisions

Introduced new brand VIFO for followers in the VODITE market and gained 20% market share

Commissioned RnD projects for a new SONITE for Singles and cost reduction for VIBE and SINE brands (Best performing brands)

Increased the Sales force coverage according to market size forecast and increase in production of all brands

Period 10

Strategy

SING brand came back strongly with a 124% increase in market share. This hold was to be maintained for the last period

Maximize sales and production for the best performing brands.

Try and minimize inevitable market share losses

Decisions

Modified VIBE and SINE and reduced costs

Did not order market research studies and maximized advertising of brands according to their position growth share matrix i. e. more for stars and less for cash cows

Increased the Sales force coverage according to market size forecast and increase in production of all brands

Final Results

The strategies and moves employed by the firm were usually met with overwhelming success in the markets. From product launch to sales force

coverage everything was kept optimal to ensure that the firm always scored high on all parameters. The final result can be summarised from below

Final stock price of our team was 13, 258

Market Capitalization = \$3, 180, 396

Cumulative Net Contribution = \$2, 941, 297

Learning's and Outcomes

Thorough initial preparation in terms of reading the manual and exploration of software was already by the team.

Long term strategy and accurate estimates based on analysis of market really helped us build and position our brands perfectly

Accurate prediction of competitive behavior and also their inadequate preparation for the market helped us through the initial part of the game

We planned the latter part and continued to improve upon our best brands through RnD projects (overall 16 projects commissioned)

Use of conjoint and other studies helped us plan production and pricing of products

We gelled well as a team but also had healthy debates for every decision we took, this ensured a well-rounded view of the situation

Weakness and Problems Faced

Our success was partly due to major follies by the competitors most of whom got the hang of the software only by the 4th period

We did not use marketing plan to check our decisions which sometimes led to the underproduction of some of our growing brands

We did not take many loans and always worked within the budget. Also we were confused about the loan system as we thought it was not given in consecutive period. This was exploited by many leading teams in the other industry

The markets did not fluctuate dramatically and hence were easy to forecast and capture.

Markstrat world is a very ideal world and mostly suited for western markets. Many real life challenges faced by marketers in India are not accurately reflected by the software

The software also sometimes gave us inexplicable results like a product placed for high earners doing well in the buffs market without any advertising push or any other measures

Concentration Area – Product Portfolio Management

I basically focussed on the product portfolio management aspect of the firm. As the firm's portfolio manager my major role was to select a portfolio of new product development projects which will then be developed into new brands which in turn help the company achieve the following goals:

Maximize the profitability or value of the portfolio

Provide balance

Support the strategy of the firm (Firm I)

The basic theoretical model used by me was the BCG Strategic Portfolio Model

The BCG matrix can be used to effectively put all brands under a firm into one of the four quadrants shown below. The various quadrants tell about the attractiveness and the cash flows associated with products falling in these quadrants respectively

1. Cash Cows. These are products that generate more cash flow than needed to maintain their market share and thus provide surplus cash for other products
2. Stars. These are products that show the promise to grow market share and turn into cash cows but need cash currently to help them grow
3. Problem Children. Though their market is usually attractive they are unable to generate enough cash to meet their needs. These need to be looked at carefully or divested
4. Dogs. These products generally do not generate enough cash flow for their need and the markets are also unattractive. Hence it is advisable to either improve else kill them

My specific role was to look into the various RnD's available during the period and introduce new brands based on those and recommend specific promotional and sales force coverage for each. Also if a brand cannibalised on one or was way off the mark than it could be withdrawn or modified by

basing it on another available RnD or commissioning one to meet the new customer needs.

The brands that were under the firm's portfolio were

SONITES

SIDE - This was one of the default stable products that the firm started off initially with.

TG - the primary target group was the professionals and High earners with the product also gaining a small pie of the buffs market.

PLC - The product was in the portfolio from period 0 to period 11

Modifications - The product was modified twice and was put into cost reduction twice during this period

SIGH - This was one of the default stable products that the firm started off initially with.

TG - the primary target group was Buffs but it was way off the target as far as requirements were concerned and failed to recover even with vigorous promotion and advertising.

PLC - The product was in the portfolio from period 0 to period 2

Modifications - Nil

SING - This product was created specifically to cater to a growing segment and was based on a commissioned RnD project

TG - the primary target group was the Singles segment which showed the highest promise of growth

PLC - The product was in the portfolio from period 2 to period 11

Modifications - The product was modified twice and was put into cost reduction once during this period

SINE - This product was created specifically to cater to a growing segment and was based on a commissioned RnD project

TG - the primary target group was the others segment. Since the growth of professionals and high earners was slowing down capturing others was a critical requirement

PLC - The product was in the portfolio from period 3 to period 11

Modifications - The product was modified twice and was put into cost reduction once during this period

SIPR - This product was an experimental product that was launched to see whether a dedicated product could replace a more generic SIDE product

TG - the primary target group was the Professionals segment which had a fairly large market share and showed better growth than High earners

PLC - The product was in the portfolio from period 4 to period 5. It failed to attract the professional buyers from other firms but instead cannibalised on SIDE's share. Hence was withdrawn

Modifications - NIL

VODITES

VIBE - This was the first VODITE launch and was tailored according to the semantic scale researches available

TG - the primary target group was the Innovators and Early Adopters segment initially but was later relaunched as a followers segment product later when VIEA was launched

PLC - The product was in the portfolio from period 3 to period 11

Modifications - The product was modified twice and was put into cost reduction once during this period

VIEA - This product was the second VODITE launch and aimed to neutralise to the growing competition in this market

TG - the primary target group was the Early Adopters segment as the innovators were dying out and VIBE was repositioned for the followers

PLC - The product was in the portfolio from period 6 to period 11

Modifications - The product was modified once and was put into cost reduction once during this period

VIFO - This product was launched to enhance market share in a lucrative market as one product did not suffice to meet the high demands

TG – the primary target group was the Followers segment which showed the highest promise of growth

PLC – The product was in the portfolio from period 9 to period 11

Modifications – NIL

The BCG matrix classification of each of the products is listed in the appendices.

Application of MARKSTRAT lessons to TITAN Industries Ltd. (TIL)

Titan Industries is the world's sixth largest wrist watch manufacturer and India's leading producer of watches. It also manufactures Jewellery, Eyewear and various precision engineering equipment's. It is a joint venture between one of India's most respected business organizations, the Tata Group, and the Tamil Nadu Industrial Development Corporation (TIDCO)

The key lesson learnt from MARKSTRAT was about keeping consumers at the heart of your strategy and understanding their needs better than your competitors. TIL as a company has always been a pioneer of this philosophy and have been highly successful in their efforts because of this very reason.

This section of the document will now focus on how the strategies learnt during the MARKSTRAT simulation are being actively used by TIL to grow rapidly in the country and abroad.

Market Analysis

TIL came into being in 1988 at a time when the Indian watches market was dominated by the unorganised sector and HMT in the organised sector. It made a technical collaboration with a French company to import quality raw materials and setup own plant. Initially to break the HMT stronghold over the market TIL under-priced various maintenance costs so as to attract the low and the middle income groups into their fold. This is similar to our strategy of pricing products at lower or expected levels so as to attract the singles and other consumer bases in the SONITE market and Followers in the VODITE market.

Research and Development

The company constantly innovates in terms of design, Technology and of course cost. The latest Titan Edge is the world's slimmest watch and showcases the RnD capability of the firm. Also the reducing costs of Sonata have made it a mass market brand from once a premium brand that boasted of 18 carat gold plating. Again we followed a similar strategy of launching better products than competitors, improvising them and also reducing costs of our bestselling brands through intelligent RnD

Portfolio Management

Titan introduced 70 different models to start with as compared to market leader HMT's 40 at that point of time. They have since grown to almost 200 different models offered under 15 broad categories that span the entire watch market horizon. The categories range from Zoop for kids to Nebula for the super-rich corporates and businessmen. In our portfolio strategy we too

tried to have at least one product that would cater to the demands of a specific segment and also tried to cover as many segments as possible within our limited budgets.

Customer behaviour mapping

Customer is always at the heart of every TIL strategy. The Indian watches customer base is divided into 4 broad segments on price basis

Mass (Lower End (Rs. 400- Rs. 1000)

Mid Upper (Rs. 1000- Rs. 5000)

Premium (> Rs. 5000)

TIL through its wide array of brands and at least 6 collection launches every year stays close to the heartbeat of the consumers and maintains its dominance in the watches market. We in turn watched the perceptual and the trends evolution maps to guess the consumer preference movements and thus make our RnD decisions more accurate than the rest of our competitors.

Product Positioning

Every product is positioned so as to occupy unique positions in the mind of consumers. This is achieved through a synchronised effort by all the activities in the value chain of the company i. e. from the RnD department to the final point of sale of the watches. For e. g. Raga is intended for the discerning female customers while Fastrack as a brand engages the youth and the latest zoop collection aims to be the first watch that kids wear or put

on. We tried to keep our product positioning close to the perceptions of the targeted segment through advertising or RnD, this strategy reaped us rich rewards as we captured huge market shares in both the markets.

Promotion

TIL aggressively promotes all the brands but continues to promote the TITAN name through celebrity endorsements by Aamir Khan which leverages on his image as a perfectionist and as a discerning intellectual. It promotes the sub brands mainly through print advertisements. We spent our advertisement budgets on the brands depending upon their requirements i. e. budget saved from cash cows were put into stars or question mark brands and they were pushed aggressively in the market along with increased sales force coverage.