

Markstrat simulation report



**ASSIGN
BUSTER**

At the beginning of the game, we are given two products in Sonite market: SEMI and SELF. After analyzing their product attributes and market positioning, we found that SEMI did a good job in terms of market positioning, which met the needs of Professionals and High-earners relatively well. This was shown in the high market share of SEMI in these two segments in period 0. On the other hand, SELF has a high-end combination of product attributes with very high base cost, but its attributes do not meet the needs of any customer group, and it only achieves minor market share. Therefore, we used the following strategies to make the decisions.

STP analysis (Segmentation, Targeting, Positioning)

The customers in Sonite market can be divided into five segments: Buffs, Singles, Professionals, High-earners and Others. Each segment has certain characteristics, which can be seen from their ideal values and ideal value evolutions. In the first round, we decided to target SEMI at the Pros and High-earners, which proved to be a right decision before the second round. SELF also had high base cost and high performance, but its sales volume was smaller than SEMI. In order to avoid direct competition of the two products, we wanted to withdraw SELF. After second round, we found that SEMI better met the Pros' needs than High-earners'.

Therefore, we started to invest in R&D to improve the product attributes so that it meets exactly the Professional's ideal values. With the limited budget, we focused on the key selling propositions, price and maximum frequency, which were perceived with high importance by the Pros. Withdrawing SELF and trading the remaining inventory had brought some losses to us.

However, considering the potential gains from selling a better and cheaper Sonite product after investing in R&D instead of investing in the advertising of SELF, it was still a justifiable decision.

Noticing that the Singles and Others have higher market growth than the other sectors, we would like to introduce a new product SEXY that targets at one of those sectors to gain better performance in Sonite market. Seeing that the Singles was less competitive than Others, we decided to develop the product according to the ideal values of Singles. During the last three rounds, we watched the evolution of Singles and Professionals ideal values and kept investing R&D to meet each segment's needs and reduce the base costs in order to gain the maximum market share and profit margin.

Strategies in Vodite market

The customers in Vodite market are segmented into three groups: Innovators, Early Adopters and Followers. In the first round, we decided to invest in Vodite R&D so that we could have the first-move advantage of entering the market early and gaining high awareness. Before introducing the new Vodite product, there was no quantitative data related to each attributes. The initial attributes we chose were somewhere in the middle so that later the R&D for modification would be easier. Since Innovators were the largest group at that time, and the only information we had was they prefer high price, we set the retail price of VERO relatively high to target innovators.

However, focusing on Innovators was not a long-term strategy since its growth rate was the lowest among the three groups. We were clear that our Vodite product would focus on Followers in the latter rounds due to the huge

growth potential of this group. Therefore, we invested in R&D in the next two rounds to transform VERO to a product that Followers would love to buy. Our targeting group in round 3 was Early Adopters due to its large volume, and it was then gradually moved to Followers in the following round with the completion of R&D. The attributes and price were determined by the ideal value of Followers and its evolutionary trend. Two main factors that affect Followers purchase intentions are price and max frequency.

We chose not to introduce another Vodite product since the price and attributes of current one were already targeting the followers. Low growth rate of other two groups was another reason that we did not want to have new product targeting Innovators and Followers in the latter round. Having only one product in Vodite market focused our investment in advertising and sales force on this VERO, and this strategy in turn guarantees high brand awareness and purchase intention. Our VERO dominated the whole Vodite market since the third round.