Marketing strategy summary of markstrat

When Markstrat simulation began Team “ O” (i. e. – our team) was the second largest player in the market with over 17% market share in the Sonite market. The only team that was a little ahead of us was Team “ I” garnering a market share of a little more than 18%. We had two products in the Sonite market initially, namely – SOLD and SONO targeted at HiEarners and Buffs respectively. Since SOLD was customized for and targeted to HiEarners, we were able to command a premium price over other similar products and still maintain the highest market share. Also when we checked the market research reports, it showed that this particular segment will be growing at a considerable pace, so it makes complete sense to continue targeting this segment and try to capture more market.

This made a lot of sense in the initial 2 periods but there was pressing need to develop products for others and singles category as this segment was growing at a rather fast pace and therefore we went ahead and started R & D for a product in Sonite market specifically for others and singles. This led to the diversification of our portfolio and our brand presence was available in various segments of market. This product was named SOMO and was launched in period 2 specially customized for singles and others, this was one of our very successful launches capturing 6. 4% market share in Sonite market in just one period. Our main aim was to maintain a stronghold in the segments where we are already doing well along with entering new market segments and exploit newer markets and get the First Mover Advantage, and to an extent we were successful in doing so.

At the same time we were continuously working to deploying a proper and rational sales force across our distribution channels based on various research reports and from where our target segment buys our product. We were also increasing the budget for advertising research so that whatever is the advertising done should have a proper impact, with adding 10 percent to the advertising cost, we reaped benefits worth a lot more because initially our advertising was not properly targeted so the impact was lost due to some reason or the other. We realized that it is very important for us to reach customers through advertising in the same way as they are comfortable with. We also noticed that there is a lot of inventory of Sono, so we reduced its production in the second period. Meanwhile we were continuously spending on R&D and it paid of well.

We entered the Vodite market launching Void in period 4, in order to get a share in the high growth market. Our strong R & D dept proved once again gaining 35. 9% market in the launch year itself. However a couple of companies already entered the vodite market before we actually did, so in this market they enjoyed the first mover advantage and greater market share and better brand recall.

At the end of all the periods, we stood 3rd in the Sonite market with 13. 4% market share and 14. 7% market share in the Vodite market. Our stock price index was 2, 168 with market capitalisation of K$ 599, 126, which was again ranked 3rd in the Cheetah Industry.

Some of the Key Mappings that we did for our markets were –

Customer type

Characteristics of product desired

Characteristics of customer category

SONITE

Buffs

High performance, less convenience

Price sensitive

Singles

Average level of performance and convenience

Price sensitive

Pro

High quality, high performance and convenience

Can afford expensive products, believes higher the price higher is the quality

HiEarners

High performance and convenience

High income, buy expensive products

Others

Cheap, low performance, average convenience

Low penetration, high growth rate

VODITE

Innovators

Expensive products

Comprise small percent of total potential

Early adopters

Average price products

Influencers, larger size than innovators, high marketing required

Followers

Cheap products

Majority demand comes from them

Relationship between type of customer and their buying behaviour –

Store type

Type of Customer

Product features sold

Speciality

Buffs, HiEarners, Pros

Innovators, Early adopters

Large proportion of sonite sales take place here, sells high performance and expensive products

Department

HiEarners, Pros, Singles

Early adopters

Provides low margins to manufacturer

Mass merchandisers

Singles, Others

Followers

Low price high volume basis, sells cheap low performance products

The relationships that are established above were true at the initial stage of the simulation, but the markets matured, there was more competition and clutter, changing consumer habits, this relationship was relooked at from time to time.

The area I focussed on was Brand launches and withdrawals according to market conditions and customer requirements.

Situation analysis and launches: Product by product

Sonite Market

SOLD

At the beginning of period 0 this product was having a market share of 29. 9% in the HiEarners market, clearly emerging as a leader in the segment, the closest competitor being SYCA at 25. 3%. On looking at this, we decided to target our product to this segment more. Since HiEarners are people who look for better performance and convenience buy expensive products and have a very high income, therefore we decided to increase our sales force in the speciality stores, where we believed HiEarners visit the most. We thought that since SOLD was priced at a premium, the brand building exercise and proper targeted advertising will be good for the future of the product. Also, it was made sure that the advertising spend on SOLD was high so that the message reaches across to everyone who lies in the target segment. This led to increase in advertising research budget, which worked really well for this product. We wanted to generate revenues from SOLD by increasing the market size and brand building and not by reducing the price (since it was targeted at HiEarners).

SOLD was in the star region of the BCG matrix till period 5. Looking at this, for period 5, we maintained the advertising expenditure as well the sales force for SOLD at the same level as in period 4 because if the product lies in the star region of the BCG matrix, then spending more on the brand would fetch better results and would help in converting the brand into a cash cow. But we never expected what the competitors could do, and therefore it was a major setback for us in terms of what “ Y” did. They became market leaders in this very segment in period 6.

Also, it was seen that by increasing the sales force in speciality stores, SOLD was maintaining a considerable market share in HiEarners segment while simultaneously loosing share in singles and others segment. This was because the performance and price of SOLD was perceived to be only for HiEarners and expensive whereas the “ singles” and “ others” segment was moving towards a more performance oriented and value for money product.

Let us look at the product Life Cycle of SOLD. It can be seen that the sales of SOLD started to decline in period 4. Even though brand awareness for SOLD was high, the intention to purchase had declined considerably. As a new competitor, SYGU entered the market with a modified offering which was ideal for HiEarners segment. Because of this we started losing market share considerably in the category where we once were leaders. This decline continued and the product could not really cope up with the changing markets and the market share kept declining.

The reason SOLD was not performing well was because of the fact that the product characteristics where not matching with those that HiEarners wanted with changing times and also, competitor understood them better and came up with better offering. Once we started losing market share in this segment, we changed our objective and tried gaining shares in other markets with more launches and understanding customers.

Since others and singles were a very high growing market, we shifted our focus to these markets and started R&D project for a product that specifically caters to this segment. Later SOMO, a new product was launched, keeping in mind the requirements of singles and others.

SONO

At the beginning of period 0 this product was having a market share of 16. 2% in the Buffs market, clearly emerging as a leader in the segment, the closest competitor being SIMI and SULI with 13. 3% each. On looking at this, we decided to target our product to this segment more. Since Buffs are people who look for better performance and are extremely price sensitive, convenience is the last thing in their minds, therefore we decided to increase our sales force in the mass merchandising and departmental stores, where we believed Buffs visit the most. We thought that since SONO was priced at a competitive price, a proper awareness campaign and properly targeted advertising will be good for the future of the product. Also, it was made sure that the advertising spend on SONO was high so that the message reaches across to everyone who lies in the target segment. This led to increase in advertising research budget, which worked really well for this product. We wanted to generate revenues from SONO by increasing the market share in an already expanding market and also playing a little with the pricing (since it was targeted at Buffs).

SONO was in the star region of the BCG matrix till period 4. Looking at this, for period 5, we maintained the advertising expenditure as well the sales force for SONO at the same level as in period 4 because if the product lies in the star region of the BCG matrix, then spending more on the brand would fetch better results and would help in converting the brand into a cash cow. But we never expected that there will be cannibalization by our existing product in the Buffs segment, they preferred our product SOLD more and more over SONO and the market share of SONO kept falling and finally this product has to be phased out and we stopped its supply from period 8 onwards.

SOMO

The survey showed that “ others” is a very high growth rate market and it has a very different kind of need. Our existing product portfolio was not enough to capture this segment, so launching a product specific to others needs was the only logical choice. This led to the launch of SOMO in the 3rd period. The research reports showed that “ others” preferred cheap product which can be of low performance with about average convenience. They generally purchased from mass merchandising stores and departmental stores. Based on these studies the R&D department was given a briefing and they came up with a product that exactly suits “ others”, it was also very close to the needs of “ singles”. This made a lot of sense for the company as it captured 6. 4% market in the year of launch itself.

SONA

With the end of 5th period, our company was continuously losing market share, especially in the product SONO, which was once the star product in our portfolio by far. With that our Stock Price Index was also declining. In a desperate attempt to maintain the market share, in the 6th period the company launched a new product named SONA in the Sonite market, bearing the similar characteristics as required by Buffs. But this step proved to be a major marketing flaw and could capture only 0. 2% of the market. It was not possible for the company to continue its production at this rate, so it was phased out the very next period; it gave our company and brand a major dent.

SOSI

With a view to capture the ever growing singles market and the fact that we did not have any dedicated product for singles, SOSI was launched in period 8. SOSI failed to capture the market as predicted, it created a lot of problems for the company, it had excess inventory, was giving a negative contribution and in spite of being priced too low its sales were dismal. It can also be attributed to the wrong timing to launch a product for an already cluttered market. Owing to all these facts, SOSI's characteristics were modified in period 10, however even modified SOSI could not help the company to gain market share.

Vodite Market

VOID

Since there was only one player in the Vodite market and was operating at a monopoly, we decided to launch our first product namely " VOID". With a lot of market research and R&D, this product was mainly targeted at early adopters. This product captured more than 35% market share in the launch year itself, it could have been better, but due to a two more launches in the same category at the same by different players made us share the market, however we emerged as market leader. VOID maintained the position of the market leader till the 8th period due to proper advertising and targeting.

However from the 9th period onwards market for VOID began to decrease as it had reached the maturity stage of its Product Life Cycle.

VOLO

Since there was huge growing market of the followers, we decided to launch two products consecutively, catering particularly to the followers. VOLO was catering to the needs of followers who actually dint mind paying a little extra for that quality and performance and it was launched in the 6th period. VOLO gained 10 % market share in the launch year itself. Its market share kept hovering around the 10% mark till the end of the game. It was then decided to phase out this product as it had reached the maturity stage of its Product Life Cycle.

VOFO

VOFO was launched in order to capture the highest growing followers market and to maximise the contribution. We already had a product VOLO targeting the same segment, but we launched this product with a lower price band which assumes that more and more revenues will be generated as the market will expand with a lower entry point for the followers. VOFO was launched in the 7th period, but things dint really worked the way we expected them to. VOFO was just able to garner a little above 5% of the market share and was giving negative contribution and therefore was dropped out of product portfolio in the very next period. It was not viable for the company to carry on its production and supply. The reason for the failure of VOFO was that it was positioned incorrectly, we thought it to be a product for followers, but when perceptual mapping was done, it was far away from the “ followers” in the perceptual map.

VOFI

Facing the failure of VOFO, the company once again tried to capture the followers market once again by launching VOFI in period 9. VOFI was free from drawbacks suffered by VOFO and all the mistakes that were made in case of VOFO were eliminated in VOFI, resulting in 8. 4% market share in the first year, followed by 13. 1% in the next. It was more due to proper positioning and targeting that it stood out in a cluttered market.

Final Conclusion

We started on a very good note, where we were the leaders for the first three periods, but later we missed some key elements and delayed in taking some strategic decisions. We were more stuck in managing Sonite’s existing portfolio, while completely ignored the Vodite market for the forst few periods. This gave a chance to the competitors to take a lead and they did exactly the same, the moved into unchartered territories and enjoyed the first mover advantage. We believed more in launching new products and phasing out old ones, that was our strategy, but if would have updated the characteristics of existing products depending upon the changing customer demands, things would have been much better. Deterrence to take a loan was another debatable point in our strategy, we thought it is better to be a debt free company and hence we did not take any loan, but if we would have decided to take a loan and launch in Vodite market a little earlier, it would have made a huge difference to the financials of the company. Also the withdrawal and launch of products could have been wiser with proper understanding of Product Life Cycle. We also learnt a very important point about advertising, while spending on advertising is one thing, advertising research is another. Advertising research is generally ignored or is given very low budget, but it is a very well deserved exercise and makes the advertising way more efficient. A certain portion of the advertising budget should always be reserved for advertising research. R&D forms a very important part of any company, and no compromises should be made in allocating budgets for this department. Research should be a continuous exercise and not a seasonal one. The market is very dynamic and if you won't care for you customers needs, someone else will.

Strategy Application: Nokia

Company Background

The heredity of Nokia go back to the year 1865 with the establishment of a forest industry enterprise in South-Western Finland by mining engineer Fredrik Idestam. Also, the year 1898 witnessed the foundation of Finnish Rubber Works Ltd, and in 1912 Finnish Cable Works began operations. With time, the ownership of these two companies and Nokia began to

shift into hands of just a few owners. Finally in 1967 the three companies were merged to form Nokia Corporation.

At the beginning of the 1980s, Nokia strengthened its position in the telecommunications and consumer electronics markets through the acquisitions of Mobira, Salora, Televa and Luxor of

Sweden. In 1987, Nokia acquired the consumer electronics operations and part of the component

business of the German Standard Elektrik Lorenz, as well as the French consumer electronics company Oceanic. In 1987, Nokia also purchased the Swiss cable machinery company Maillefer. In the late 1980s, Nokia became the largest Scandinavian information technology company through the acquisition of Ericsson's data systems division. In 1989, Nokia conducted a significant expansion of its cable industry into Continental Europe by acquiring the Dutch cable company NKF. Since the beginning of the 1990's, Nokia has concentrated on its core business, telecommunications, by divesting its information technology and basic industry operations. (Quoted from Wikipedia)

2001 and into the Future

Nokia is harnessing its experience in mobility and networks to generate a startling vision of the future. Meeting rooms, offices and homes will be ' smart' enough to recognize their human visitors and give them whatever they want by listening to their requests. Nokia welcomes change and improvement and can embrace new ideas at great speed. Such characteristics will never change but, as to the rest, the story has only just begun!

Mission and Vision:

Vision

“ Our customers continue to our First Priority” Nokia’s future success depends on delivering great

experiences to our customers by creating products and solutions that work seamlessly and are appealing.

Mission

“ In a world where everyone can be connected, we take very human approach to technology”

Connecting is about helping people to feel close to what matters. Wherever, whenever, Nokia believes in communicating, sharing, and in the awesome potential in connecting the 2 billion who do with the 4 billion who don’t. If we focus on people, and use technology to help people feel close to what matters, then growth will follow. In a world where everyone can be connected, Nokia takes a very human approach to technology.

Mobile Phones market in India

With a population of over a billion and a GDP growth of over 9%, India is one of the fastest growing mobile markets of the world. Nokia still has the largest share and most trusted brand as far as the cell phone industry is concerned. But with the increasing competition and a number of local players joining in with cheaper handsets, Nokia is losing its market share Year on Year close to 50% which was once more than 74%. Following are the main challenges that Nokia is facing –

Nokia market share in India fell from 56. 2% share in 2008 to 54. 1% in 2009.

Local players have grabbed 17. 5% market share [from 0. 9%, a year back]

Only 5 local manufacturers in 2008 and the number stand at 28 now!

Faced by the challenge of consistently losing market share Nokia is consistently reviewing its marketing strategy. One of the major decisions that Nokia took was to hire a brand ambassador for their product and that too the most expensive one, Shahrukh Khan was the first ever brand ambassador of Nokia, prior to this the company never believed in hiring a celebrity brand ambassador. This helped the company to somehow decrease the rate at which it was losing its market share. Initially Nokia had a limited number of models, but with the increase in the number of players in the market and their offering, the pace at which Nokia launches new model has increased to a very large extent. This is another very important strategic decision by the company. However Nokia still sells on the fact that it provides high performance product, durable and up to the mark after sales service quality. It has created a different segment for different models. And the price range of models lies from Rs 1295 to Rs 40, 000. However we still feel that the company should be more responsive to the launch of models by other companies and even better if they are proactive in doing so. Today's consumer demands a change, variety and upgradation. The trust and the brand that Nokia has built for itself over the period of time can be leveraged more in terms of market share and revenue. The approach of Nokia from here should be to invest more and more in R&D and come out with more advanced products for the Buffs and HiEarners, while minimize the cost and come out with cheaper phones for the high growing rural market of India. Advertising can do a whole lot of work, as proven by Micromax (gaining 4. 6 % market share in India, mainly attributed to heavy spending in advertising during the IPL 3) yet again, so Nokia cannot afford to complacent on that front. The consumer needs to be reminded of the Brand again and again due to the clutter in the market. The distribution network of Nokia is perfect and is most approachable; the company should look at maintaining the same. Another strategic advice to Nokia can be to increase the margin for retailers, as they are the direct contact points to the customers and researches have shown that retailer plays a major role in influencing the decision to buy or choice of brand specially in rural market where we are planning to target customers from now on.