

Markstrat simulation report analysis



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When our team assumed the control, we here given two products SODA and SOLO in the SONITE market. The physical characteristics of the two products were already fixed. We were given the task of managing the two products in the SONITE market and come up with a marketing strategy that would lead to better performance by the products.

The two products were different from each other in terms of Weight, Design, Volume, Frequency and Power. The Base cost for developing SOLO was almost three times that of SODA and in-turn the retail price of SOLO is double the retail price of SODA.

The market share of our team O was about 16.6% in the SONITE market. Brand SODA was quite weak among most of the customer segments with its highest customer segment being ‘others’ with a market share of around 10.7%. Brand SOLO was evenly distributed among all the customer segments with key focus on HiEarners.

It seemed that the product attributes of Brand SODA were poorly matched with any of the customer segments whereas Brand SOLO matched interested most customer segments.

Seeing the level of interest in Brand SOLO, the retail price for the brand was increased by 6%. Since Brand SODA wasn't appealing to the consumers, the customer perceived value was increased by decreasing the retail price of the brand by 8%. A lot of money was put into R&D projects of the brands to understand the needs of the consumers and use the consumer insights in improving the quality of the brands. A lot of money was spent on the

advertising media as well in order to increase the awareness of the brand among the users.

Owing to the efforts taken for improving the quality of the product and awareness about the brands, the market share of Team O in Sonite Market increased by 16.0%. The retail sales also increased by 44.4%. The firm was among the top 2 in terms of Stock Index price. The cumulative net contribution also increased by 193.2%.

During the 2nd period, we analysed that the brand SODA wasn't doing well and there was little scope for the brand to revive. Therefore, we concluded that the brand must be sold and a new brand be launched. A new brand SOUP was launched in this period and the firm concentrated on two brands SOUP and SOLO. A lot of advertising was done for the brand SOUP especially for targeting the buffs. Considering the target segment for the newly launched brand, the product was distributed heavily at Speciality stores and Departmental stores. As brand SOLO increased its awareness among the target audience, the advertising expenditures on the same were reduced and moved into the advertising budgets of brand SOUP. The firm maintained its 2nd position in terms of the Stock price index even during the 2nd period. But the other firms slowly started catching up with our firm with their Stock price index closing in.

During the 3rd period, a new product was launched by our firm which was named 'SONG'. The new product was priced in-between SOLO and SOUP. But the product had a lot of base cost with a comparatively lower retail price. A lot of advertising was done for the newly launched brand 'SONG'

especially for Singles. Departmental stores were targeted with majority of sales being focussed upon them. Some of the selling force was moved from SOUP to SONG. The period brought a lot of loss for the firm with the stock index price falling and other firms such as Team I and team A capturing the market with their competitive strategies.

Having lost a lot of market share and lack of consumer interests among the brands, brands SOUP and SONG were sold in period 4. This decision haunted us as we were left with only one brand to compete with the other firms in the market. SOLO moved even closer to the HiEarnings consumer segment and was sold majorly at Speciality stores and Departmental stores.

During period 5, three new products were launched namely SOSI, SOHE and SOPR. SOSI was targeted at Singles and SOHE targeted HiEarnings. SOPR had no focussed positioning. The old brand SOLO was sold in this period owing to its decreasing market share. The launch of the new product and selling of the old products didn't make any difference to the stock price index during this period as the brands were new. A lot of money was spent to increase the awareness about the new products by the means of advertising. The advertising budget was evenly distributed for all the three newly launched brands.

The three newly launched brands gave a positive impact on the stock price index and the gamble of launching three new products was apparently paying off in the period 6. The advertising expenditure was increased even further for SOSI especially targeting the Singles. SOPR targeted Pros while SOHE targeted HiEarnings. The sales force was evenly distributed for all the

newly launched products and all were doing well. There was a mistake at this stage of not launching any new products in the Vodite market. The competitor brands had already taken early mover's advantage by launching their brands in the new market. The market was already dominated by the other firms and they were starting to establish themselves well in the new market.

The reluctance in launching a new product in the Vodite market haunted our team dearly in period 7. The stock price index fell to an all time low with the firm being among the bottom performers. The net contribution of the firm decreased by 87% and the stock price index fell by 32%. The inventory started increasing by an unbearable amount and the inventory holding cost especially for SOPR had surged to unendurable number. The advertising expenditures had to be reduced for all the brands as it was becoming intolerable to sustain the firm's profits.

As a last resort, our team finally purchased a new product in the Vodite market in period 8. SOPR in Sonite market lost its complete market share and was wiped out of the market while the two other brands in Sonite market also lost out big time during this period. The new product VOFO was among the lowest priced products in the Vodite market and was among the lowest cost incurring products as well. The net contribution in this period also became negative and the stock price index was the lowest in this period.

For the period 9, advertising spends were increased for SOHH targeting HiEarnings, SOPP targeting Pros and SOSS targeting Singles. The sales force expenditure was increased. Vodite for the followers was launched as there

was no one else in the market to cater to this segment. The Vodite market share along with the Net contribution increased. But the stock index price was still at a very low and depressing level.

The profit margins for the brands in both Sonite and Vodite markets decreased drastically during period 10. The production also decreased drastically as there was a lot of inventory. The net contribution experienced a positive growth, however, stock price index still decreased at even lower level. There was no availability of any funds for the research projects or for strengthening the R&D projects. The stock price index had fallen to an unrecoverable level and the market capitalization was at its lowest.

Lastly, during the period 11, all the markets were saturated and our firm had no hold anywhere in the market. The firm had to stop the production of all goods from Brands that had any inventory left. All the investments and funds were pulled out of the Sonite market brands. The funds were used in increasing the advertising expenditures and in increasing the sales force expenditures for the Vodite Market. The sales for all the products increased, however the net contribution, Stock Price Index and production of units had to be decreased.

Company's Performance Indicators across all periods

Period 1

Period 2

Period 3

Period 4

Period 5

Period 6

Period 7

Period 8

Period 9

Period 10

Period 11

Net contribution over previous period

+93.2%

+15.3%

-41%

-79%

+75%

+411%

-87%

-326%

+23%

+378%

+1.4%

SPI

1,381

1,539

1,187

782

792

477

675

528

464

342

287

The Stock Price Index maintained a positive growth Period 1 and 2. The index was at a competitive level till Period 3 after which the Stock Price Index

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started falling drastically and was among the bottom performing firms. The net contribution had a topsy-turvy journey throughout the simulation with Net contribution increasing and decreasing in a hap-hazard way.

Flaws in the Strategy

Allocation of Advertising budget

A lot of research was done during the different periods while there was not emphasis and focus on actual advertising for the brands.

Use of R&D a lot

A lot of money was put into R&D projects, thus there wasn't much money left for the projects

High reliance on Semantic scales and not focusing on Multidimensional

The perceptual perception was not analyzed as much as it should have been analyzed and therefore, focus on Multidimensional was missing and there was a high reliance on Semantic scales

Bad Comprehension of Competitor Strategy, not understanding the strategy of Panther I till period 8!

Another key mistake was not being able to anticipate the competitors' next moves. In fact the strategy of Panther I wasn't understood at all till period 8, by which it was too late to make an impact and a comeback to recapture the market share.

Did not save for Vodite production from the start

Since, Vodite market brand was introduced very late into the market, sufficient funds were not available to enter the market and be able to make an impact

Did not take loan till we commissioned a vodite research in Period 8. Did not take loan to strengthen our advertising and sales force.

We forgot to check the box for minimum base cost and hence negative margins

Our team overlooked that it was better to over-produce by a certain amount than run out of inventory completely. We lost out on sales in the very few good-doing products

Instead of trying to grab market from the 2nd or the 3rd market share holding company, we tried to out-do the market leader on price

We funded the Dogs a lot to make them Stars, didn't have any Cash Cows at most times therefore low cash flows

In the vodite market, although our entering the follower market was the right step, we couldn't sustain beyond one period as we had very low funds for advertising our product and for further R&D on it.

We never modified any products. If a product didn't yield results, we withdrew it and commissioned a new research in its place for its intended market. Hence, at times, we had only one product in the market and spent a lot on research rather than advertising and saving an existing product from failing.

Key Learning

Our goals and strategy should have been long term and not too narrow and short

When developing more than 1 product, we should have assigned product managers to monitor individual results, changing trends, and be the decision maker behind any R&D modifications

We should have thought about R&D and planned two/three periods in advance

Prioritization is key success factor

Contribution from all team members is important, division of role inevitable

Every market research study gives you something, relying on one study can't help you sustain

Aims and Objectives

The aim and objectives of the group were to implement the marketing strategy to increase the profit of our division. The objective was to manage the firm by developing correct product portfolio strategy, segmentation and positioning strategy, and implement robust marketing strategy.

The aim was to increase the stock price index by improving the net contribution generated, grow firms' revenues, advertising, quality of R&D projects, etc.

While running our firm, our aim was to increase the productivity of the firm through product portfolio management, segmentation and positioning and marketing mix strategy.

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The productivity of the firm was to be increased by having a well formed product portfolio which would cater to the needs of consumers and would help in increasing the volumes and the margins of the products. Different products would target different consumers such as Buffs, Singles, Pros, HiEarners and others.

The segmentation and positioning of various products of the firm would be in such a way that the segmentation of the consumers would be based upon the characteristics of the product. For example: – product's weight, design, volume, power, etc.

The distribution was one of the most important aspects of our strategy and key retailers were targeted to position our brands depending on where the consumers are more likely to buy the products they need. The intent here was to make the product available to all the consumers that are potential buyers of our products.

The customers were to be understood and their needs be catered to by doing proper market research and investing in R&D projects.

Another objective was to overcome the competition from other brands and try to anticipate the steps that would be taken by the competitor brands. By anticipating and reacting to the changes in the market environment, it would be easy for our brands to survive in the market and beat the competition.

For short term, the plan was to improve the contribution margin

Description of the Marketing Strategy to achieve these Objectives

Market Segment strategy: The two markets that were given Sonite and Vodite sought different strategies. Our plan was to concentrate on the Sonite market till we don't have a strong presence in the segment. We were averse to enter the Vodite market till we had a strong base in the Sonite segment. The brands in the Sonite market did well but we lost out on the early mover's advantage in the Vodite segment. We entered the Vodite market very late by which, the market were already captured by the competitive brands. The scope for succeeding against the competitor brands with lessened funds was dim. Owing to the diminishing funds and resources, we were able to launch only one brand in the Vodite market 'VOFO'. The brand couldn't pick up much and was eating away by the competitor brands that already have had a good market share when 'VOFO' entered the market. In the Sonite market, brands SOHE, SOSI and SOPR did well as they had clear positioning of targeting HiEarners, Singles and Pros, respectively.

R&D projects and Cost Reduction: Cost reduction strategy was very essential for us since we had to compete on very less margins especially at the later part of the simulation. Since we launched a lot of new products, especially in the Sonite Market, it was essential to invest a lot in the R&D projects to improve the quality of the new products by gaining the consumer insights and thereby applying the insights to influence the consumer behaviour to consume our brands. A lot of R&D projects were conducted especially for brands like SOLO and SONG. Since the projects were done at start of launch of the projects, they yielded beneficial results for brands such as SOLO,

SOHH, SOPP and SOSS. These projects helped us improve the market share of these brands. Similarly, we had a single project in the Vodite market, so we invested a lot in the R&D projects for brand VOFO as well in the Vodite market.

Advertising and Positioning: Advertising was one of the key functions in sustaining our brands in the market. We invested a lot in the advertising especially at the launch of the new products. The idea here was to increase the level of awareness among the target consumers and to allure them into trying the new products. For any given brand, a lot of advertising budgets were allocated initially. The amount of advertising was gradually reduced for the brands as the brands gained awareness among their target consumers. Initial Brands such as SOLO were heavily advertised and a lot of investments were pumped into their competitive advertising. Similarly, other brands such as SOUP and SONG were also advertised heavily initially and the spending was slowly reduced as the brands gained awareness among the consumers.

The positioning of our firm's brands was done keeping in mind the kind of consumer we want to target according to our brand characteristics. In the Sonite market, Brand SOLO was positioned for the HiEarners as they brand's attributes were such that they would appeal to such a market segment.

While the other brand SOUP initially didn't have any focussed positioning but we tried to position it close to the Singles market segment. Seeing the interest among the HiEarners for brand SOLO, the brand was even more customized to appeal to such a market segment. Three new brands were launched to further capture the market share in the Sonite market namely SOSI, SOPR and SOHE. The three new brands had clear market positioning

with SOSI targeting Singles, SOPR targeting Pros and SOHE targeting HiEarners.

Learning applied to Summer Internship Company

Carlsberg India Pvt. Ltd. is a liquor company which is primarily focussed on selling beer in India. Carlsberg has three brands under it namely Carlsberg, Tuborg Mild and Palone. Carlsberg is a premium quality mild beer; Tuborg is a mild beer while Palone is a strong beer.

Carlsberg has positioned itself as a premium quality beer and targets consumers that are from the higher SEC group and are professionals. Such consumers buy and consume their beer generally at fine dines, discotheques and pubs.

Tuborg Mild is another mild beer but targets the youth and young crowd. This beer has positioned itself as a beer for the youth. Tuborg Mild is mostly bought at Discotheques and Wine shops.

Palone is a Strong beer which targets the lower income group consumers and is available only at local wine shops. This beer hasn't been performing up to the satisfaction of the brand and the company has planned to re-launch the brand.

Also, Carlsberg plans to increase its market share and volumes by introducing a new strong beer Tuborg Strong which will be positioned as a brand that the Strong beer consumers aspire for.

Since Carlsberg has multiple brands that the firm wants to address to, it's essential that all the brands have their positioning clear and target their respective consumers.

For the launch of new brand that is, Tuborg Strong, a lot of money has to be invested in conducting R&D projects to gain insights from the consumers. Depending on the insights from the consumers from the R&D projects, the product characteristics of the beer brand will be decided and the retail price would be set. The retail price would also be set depending on the competitor's pricing and promotions which would be known through a lot of industry research.

A lot of insights would be needed to know the consumers in a better manner and to know about different retail activities and practices that are to be employed for launching the new strong beer brand.

Since, direct advertising are not allowed for Liquor brands in India, the brand has to come up with other media for advertising. Below the line activities and promotions are the only way through which the brand can be promoted and through which communication to the target audience can take place.

Below the line activities would require a lot of advertising spends, therefore a lot of money has to be spent for advertising research and advertising media.

Also, selling of beer is primarily sales driven; therefore, a lot of investment is needed in increasing the sales force and in improving the distribution of the beer industry. For a strong beer like Tuborg Strong, the retail stores that will be targeted are Local Wine shops and Super market Wine shops.

For other brands such as Carlsberg and Tuborg mild, since their positioning and targeting are different, the process of orienting the sales force team and the kinds of promotional activities would differ. The promotions of such premium and mild beer will take place at fine-dines, discotheques, etc.

Also, the pricing of premium beer would be decided by the willingness of the consumers to spend on a mild beer. A lot of consumer behaviour research and R&D projects are required to gain insights about the pricing for such beer and also amount of advertising budget to spend on promotions.

The other brand which is not doing well, that is Palone beer has to be re-launched through marketing and repositioning activities. The repositioning of the brand would require a lot of marketing spends. The marketing mix for the brand has to be studied carefully and a plan must be made to analyse how to capture the market share in the strong beer segment. Here again a lot of money has to be spent for doing Below the Line activities and for consumer activations which would require an increase in the Sales force team.

Hence, MarkStrat has helped me gain insights into various marketing problems that a Brand manager might face while positioning his brands or launching them.