

Markstrat participant handbook pdf download 2019 full Markstrat participant handbook All new brands must follow these conventions, and must have different names. This is represented by the red curve on Figure 7. Copyright © StratX 2011-09-21 14 18. We advise you to give meaningful names to your projects. Project Allocated Budget The Marketing department must allocate a budget to cover the project expenses. Productivity Gains Manufacturing costs tend to decrease over time thanks to the experience effect. Pricing 11 5. Your decisions must be entered each period in the Commercial Team decision form. Although the unit cost will initially be higher than \$100 (point A'), the curve shows that transfer costs below \$100 will be obtained as soon as cumulative production goes Copyright © StratX 2011-09-21 15 19. Experts believe that the penetration of this segment is not as high as the other segments. Project Base Cost The base cost of a project is equal to the transfer cost that will be charged by Production to Marketing for each unit of the future product, assuming an initial production batch of 100,000 units. The Marketing department to develop new projects to either upgrade the existing brands or to launch new ones. They often distribute the cheaper, low-performance products. Indeed, large plants amortize fixed costs on larger production batches; they have a higher negotiation or lobbying power; they also include machines of varying sizes and speeds, ensuring higher usage ratio; other cost reduction factors include transportation in big containers or access to less expensive financing. High Earners (Hi) - This group is characterized by their high incomes, using Sonite products on a private basis. All registered users have access to the PRACTICE data. 1. If everything looks fine, the instructor runs the Markstrat mathematical model to simulate the round and produce new results. Commercial people may be reallocated at no cost across distribution channels and/or across brands. If the budget allocated by Marketing to the project is equal to or higher than the budget required for completion, then the project will be successfully completed and will thus be available during the following period to upgrade an existing brand or launch a new one. Advertising prepared Preparation activities include reading the handbook and trying out the Markstrat software with the Practice industry. You will learn more in the Error! Reference source not found. Indeed, as potential consumers become more familiar with the products and their characteristics, they are more likely to purchase one of them. For instance, the initial brand portfolio of all companies is comprised of two brands. This cost includes the salary of the person plus additional expenses such as company car, medical/dental care, etc. Will you work non-stop on your Markstrat exercise for 3 hours from start to finish? TABLE OF CONTENT I. Hence, one way to reduce manufacturing costs is simply to produce more units of the same product. The Marketing department must also allocate a budget to the project. Upgrading a Sonite product will initially cost between a few hundred thousand dollars and 2 million dollars. provides you with more information on situations where brand upgrades or brand launches are necessary. They are critical to the adoption process, and should not be neglected by marketers. They are looking for products with a high quality -price ratio and average levels of both performance and convenience. As the Marketing department is not responsible for products with a high quality -price ratio and average levels of both performance and convenience. As the Marketing department is not responsible for products with a high quality -price ratio and average levels of both performance and convenience. followed by the corresponding brand name. section at the end of the handbook; it is devoted to brand positioning through advertising and explains how to set perceptual objectives. Resolution should not be confused with definition, which is the total size of the image. While mass merchandisers carry many different product categories, the depth of each product line is Copyright © StratX 2011-09-21 7 11. Companies can buy 12 different types of studies, as shown in Figure 6. Note that a project does not have to be finished in one or two periods; you may well decide to develop your first Vodite prototype in 3 or more periods. Each segment has specific needs in terms of physical characteristics and price. You will compete with several other firms to market two types of durable goods to consumers. These decisions should be based on your sales forecasts for the upcoming period, and should take into account any units left in inventory. Finally, the best measure of your company's success will be its stock price index, a measure that takes all of the above indicators into account. However, Markstrat can be configured so that all firms start in the exact same situation. In both cases, R&D costs will decrease over time as more projects are successfully developped. Further studies need to be completed, but marketing experts believe that it will be more effective to group consumers according to how they adopt new products. Another objective of advertising is to develop demand for the whole market. They are extremely knowledgeable about Sonite technology and the different characteristics of the existing brands. Advertising Advertising decisions must be made each period for each of your marketed brands. By following this process, not only will you maximize your internal resources, but also ensure that everyone benefits equally from the Markstrat experience. This is the number of hours during which the sonite product can operate without being connected to the main power. People in this segment tend to be adventurous and are willing to try new ideas at some risk. Taking such a risk might not be a good idea if millions of dollars in revenues depend on the availability of the project. 2. Online Queries An online query provides you with an estimate of the budget required to complete a project. Copyright © StratX 7. This is explained in part by the development stage of each segment, by the varying product offerings, and by the intensity of marketing effort targeted at each segment. On one hand, an excessive price increase is usually not accepted by consumers who may react strongly and stop purchasing the brand. Hiring and firing costs are calculated as a percentage Copyright © StratX 2011-09-21 12 16. On the other hand, an excessive price decrease will result in a proportional cut in the distributors' margin, and your commercial team may have a hard time finding distributors for the brand. Copyright © StratX 2011-09-21 11 15. Copyright © StratX 2011-09-21 2 6. This world does not intend to represent any particular country, market or industrial sector. MANAGING YOUR FIRM The Marketing department that you and your team will be working for is responsible for the design and implementation of the marketing strategy of your division. R&D projects are given a name when they are initiated; project names start with the letter 'P'. Processing power is given in gigaflops (billion of floating point operations per second), a standard and respected measure that takes several factors into account: number of "cores", internal memory size, frequency, etc. Error Reference source not found. Market Research Studies One of your decisions will be to order market research studies. The previous step will lead to a series of decisions, which will be input into the decision forms provided. Project Characteristics The physical characteristics of the project must be given along the five most important attributes described in sections "Sonite Products". If your objective is to increase or maintain awareness, you should spend the bulk of your total advertising more effective, for instance 4% to 8%. At some point, the members of the team can begin focusing on a specific area of responsibility. The needs of the target consumers should be taken into account for this evaluation. Feasibility study. In this case, you should run a new query to adjust your decisions according to the new specifications. In this case, you have the choice to complete the project in the following period by allocating the amount required by R&D in the annual report, or to shelve the project, i.e. to put it aside for a while until you have sufficient funds to complete it. Resolution. Production 10 4. Obviously, the Marketing Department should evaluate the attractiveness of various offerings before deciding on specific characteristics. Managing Your Firm 9 1. The size and growth rate of consumer segments is influenced by the amount spent in advertising by the entire industry. Because they perceive more risk in buying new products, they adopt a product innovation only after a large number of consumers have tried it. At the beginning of each round, the instructor will provide you with your results for the previous year (sales, R&D, production, ...) together with additional information on the market and your competitors. Differences between margins obtained by the stores in each of the three channels are mainly due to differences in the level of service and volume sold. Research & Development Indeed, the practice in the Markstrat world is to advertise on brands rather than on company names. This characteristic relate to the sharpness or clarity of the images processed by the vodite products and often view price as an indication of quality. III. Specialty stores tend to respect the recommended retail prices set by companies. Inventory costs per unit are calculated as a percentage of the transfer cost, this information can be found in the Newsletter. How to print the PDF version of this handbook 16 Copyright © StratX 2011-09-21 ii 3. The transfer cost of will be measured by several indicators such as net contribution generated, brand market shares, your ability to grow the firms' revenues, quality of R&D projects successfully completed, etc. Marketing as a Profit Center a product is initially equal to the base cost of its base project, i.e. the unit cost decided when the project was developed by R&D. Indeed, the R&D team must not only develop the new characteristics requested, but also select materials and technologies that are compatible with the low cost target. TABLE OF FIGURES Figure 1 - How to print two pages per sheet 16 Copyright © StratX 2011-09-10 Figure 5 - From retail price to unit contribution 11 Figure 6 - Available market research studies 13 Figure 7 - Productivity gains 21 iii 4. Although there are only a handful of basic applications that each vodite product must offer, some products offer a very large catalog. The size of your commercial team must be entered in number of Full-Time-Equivalent (FTE), i.e. the equivalent of one person working full-time for one period. Case A Case B Case C Case D Potential sales (a) 154 000 154 000 154 000 154 000 154 000 154 000 160 000 20 000 20 000 20 000 20 000 20 000 20 000 20 000 160 0 154 000 Actual sales (e) = (a) = (d) + (b) = (a) = (a) Lost sales (f) None 14 000 None None Equal to (a) - (e) Ending inventory (g) None None 26 000 6 000 Equal to (b) + (d) - (e) Figure 4 - Inventory and production plans. Vodite products will satisfy entirely different needs from that of Sonite products so that demand for the two products will be completely independent. As its name indicates, the advertising media budget is used to purchase media space and time. OVERVIEW OF THE MARKSTRAT WORLD The Markstrat world is a fictitious industrialized country. of 495 million inhabitants whose monetary unit is the Markstrat dollar (\$). It is organized by channel, in order to better meet the needs of the distributors, and by brand. At the end of the round, the instructor collects and audits the decisions of all teams. Your instructor will let you know if you are using one of these competition configurations. However, hiring or firing costs will be automatically charged to your department when the total size of the commercial team increases or decreases. The main advantage of online queries is that the information is provided to you immediately. If you do not do it, you may put your team at a disadvantage. Figure 5 provides a summary of prices, margins and discounts for a recommended Retail Price of \$400. This is due to many factors such as: increase in labour efficiency (less mistakes are made), improvement of methodologies & processes, usage of new and less expensivematerials and/or technologies, product redesign, etc. In case your production plan was inaccurate by more than 20%, then you will either lose sales or build inventory. We will see in the next paragraphs that most of your decisions will cost you money: advertising budgets, commercial team expenditures, R&D expenses, etc. Commercial Team center, budget allocated in excess of the required budget will not be given back to Marketing. Should this be the case, the government may decide to impose price control on all brands. Privacy and security are the primary concerns of online shoppers, but new mechanisms are put in place by banks and e-commerce sites so as to reduce fraud. Sonite 4 2. In the Markstrat world, both inflation and GNP growth are fairly stable, and no major political, social or economic event is anticipated in the near future. You are then advised to read the last two chapters prior to Decision Round 2: Error! Reference source not found. If you ignore the warning, the recommended retail price will be automatically adjusted up or down to stop such adverse reactions. As mentioned before, each firm will have the opportunity to design and develop new R&D projects and to introduce new products or upgrade existing ones. We advise you to think twice before printing this handbook. Select "Multiple pages per sheet" in the "Page scaling" choice box, and enter 2 in the cell below. Economic Environment You operate in an economy that currently has an average inflation rate of 2%. Design Index. Resolution is usually expressed in lines per millimeter (LPM), from 20 to 100. If you are holding a high level of inventory, you can set the production plan to 0; but in this case, no automatic adjustment is possible. Product, Brand and Base Project Each of your Sonite and Vodite product is sold to consumers under a brand name such as MOST, ROCK, SEEK or NEXT. It is now a well-established market, with several strong brands at different price points covering a wide range of needs. It is helpful to establish a good working relationship with your teammates and to organize your work with them. From one period to the next, you are completely free to increase or decrease the production plan of a given product, without any penalty. Prices must be entered each period in the Marketing Mix decision form. The physical characteristics and the unit production cost of the product are defined by its base R&D project, i.e. the project that was conducted by your R&D department to develop the first prototype of the product. It varies by distribution channel since different margins hold in each of the three channels, as explained in the Distribution Channels section. Although this segment will probably be the largest one in the early days, it represents only a small percentage of total potential consumers. Units produced in excess are kept in inventory, and inventory, and inventory, and inventory are constant these units are sold. Firms can further reduce manufacturing costs by launching a cost reduction R&D project, i.e. a project specifying the same physical characteristics as the initial project, but at a lower base cost. However, you will not be able to check the results of your decisions as the PRACTICE data cannot be run through the Markstrat mathematical model. These margins are applied to retail prices and are approximately constant across brands for a given channel. If you order these studies and if no brands were marketed in the period, you will not be charged for them. Early adopters tend to be opinion leaders and helpful in 'advertising' the new product to other potential buyers. Should you decide to print this handbook, we advise you to print two pages per sheet, and, if your printer allows it, to print double-sided. The base cost is decided jointly by the Marketing department - which is mainly concerned by margin and profitability- and by the R&D department on the previous one, its influence on other consumers is fairly high. The selected name has no influence on the market response to the brand. This cost depends on the project characteristics: the higher the minimum unit cost. In most cases, each firm starts in a different situation in terms of product specification, target consumers, brand awareness levels, market share, distribution coverage, profitability, R&D expertise, etc. These expenses include the cost of developing the production, i.e. ensuring that large quantities of identical units can be economically and reliably produced. You will be allowed to browse through all charts and graphs and to make decisions. Your objective is to maximize your return on investment. The full text is available within the simulation, with a search-engine to help you find the information you need. Explorers (Ex) - People in this segment show a high level of interest in Sonites and other similar products. For these subjects, you should only count on your knowledge and your experience. Unfortunately, the slope of the curve decreases quite rapidely: the additional production necessary to get an additional 15% reduction in unit cost gets bigger and bigger. Understand your role should not be confused with economies of scale, the fact of manufacturing costs decrease with the size of the plant. This measure takes into account several indicators including net contribution generated, product market share, your ability to grow the organization's revenues and the quality of projects successfully completed. Distribution Channels Sonite and Vodite consumers tend to shop in the following three distribution channels: Specialty stores - These stores are usually small and may not necessary belong to organized chains. On average, it is estimated that manufacturing costs decrease by 15% each time cumulative production is doubled. It also drives the ability of the sonite product to process multiple tasks simultaneously. As a consequence, its future growth rate could exceed forecasts. Your team 1 4. Nevertheless, no firm has a relative advantage over the others and initially many characteristics are common to all firms. 3. This budget is linked to the success of the department, being equal to 40% of the net contribution generated in the previous period. Productivity Gains 15 10. As a consequence, the level of service offered is lower than that of the two other channels. You will thus be able to test your knowledge of the Markstrat environment. Innovators and early adopters particularly influence followers. 9. 6. Sonite Customers 6 5. Copyright © StratX 2011-09-21 6 10. Inflation affects the production, advertising, commercial and market research costs of your company. If the allocated budget is much lower than the budget required for completion, then the project will not be successfully completed. The second one identifies the market of the product being developed: 'O' for a Sonite product and 'E' for a vodite. Their main drawbacks are that online query results are usually over-estimated by as much as 15%, or even more for the new vodite technology, and that the number of queries that you can make within a given period is limited to 5. Heineken Chaired Professor of Business Administration and Professor of Marketing INSEAD Rémi Triolet Simulation Expert StratX How you can save paper. It can thus be viewed as a highly flexible external supplier. Copyright © StratX 2011-09-21 10 14. smaller gates and lower frequency in microcircuits. You may also ask the R&D department to develop the project at a specified base cost, higher than the minimum cost. Dumping is strictly forbidden in the Markstrat world; therefore the recommended retail price must be set so that the selling price of a product is higher than its transfer cost, in all channels. The primary objective of advertising is to build awareness for brand names and to make consumer familiar with the characteristics and price of your product. Finally, you must define perceptual advertising objectives for each brand. Industry experts believe that developing a project at the minimum base cost will usually be quite expensive in term of the development budget. Project Name Project names may have up to 12 characters. Display Size. This cycle is called a decision round or a round. Online stores includes the web-only merchants (such as amazon.com, merchants (such as amazon sonite product. Carbon Footprint. Your objective Your objective over the next years is to maximize the Share Price Index of the fictitious company that you will be managing. Advertising budgets must be entered each period in the Marketing Mix decision form. Both the advertising media and research budgets must be given in thousands of dollars. Contribution is defined as revenues from sales minus the costs listed below. For instance, brands TONE and TOPS would be sonites marketed by company MARMOTS. Features. Or will you assign responsibilities (R&D? 4. In the first year, you and your team should begin analyzing this information and then start formulating a strategy for your company and agree on objectives. Copyright © StratX 2011-09-21 17 This way, the advertising agency will select the most appropriate media vehicle for the targeted segments; for instance, targeting Professionals through specific magazines, professional associations or on trade-shows. period, expenses will be automatically cut by the Finance Control department, starting with advertising expenditures. I. Market forecast studies show that the sizes and growth rates of the five segments are significantly different. The other characters may be chosen freely. There are a handful of competing companies that manufacture and market consumer durable goods. It also includes a sales budget that commercial people can use in activities or tools aimed at increasing sales, such as trade programs, catalogs, permanent or temporary POS materials, gifts, etc. Therefore, a product rated 8 on the design scale is not better or easier-to-use than one rated 4 on the same scale. Sonite products have existed for several years and the market has grown quite consistently since the introduction of the first Sonite brand. Battery Life. Commercial Team Your commercial team is responsible for obtaining and entering orders, you will discover: what your new challenge and objective are; what the Markstrat world looks like in term of products, consumers, distribution channels, competitors, etc...; how your company operates and what decisions you wil have to make in order to run it through the next 5 to 10 years; what information will be made available to you in your annula report. Copyright © StratX 2011-09-21 16 20. This will give more flexibility to the R&D team in the materials and technnology selection, and is likely to reduce the development budget. Hence, the information provided is relevant to the market situation during the analyzed period, with the exception of the Market Forecast study. The results are delivered with your annual report at the end of the period, and can be used for the next period's decisions. This characteristic drives the ability of the sonite product to display more information to the user at a given time. There are multiple methodologies to determine the characteristics of a project; they are all discussed in chapter Error! Reference source not found.. Finally, one should not forget that costs will be adjusted for inflation; this will offset part of the reduction obtained through experience. This characteristic measures the speed of the internal processor. The units produced are charged to the Marketing department only when they are shipped to distributors to be sold to consumers. They are less concerned by the convenience of the products (battery life, design or number of features). This is the number of application programs that can be setup and used with the vodite products. For instance, high processors may require a sophisticated cooling system that has an impact of weight, volume and noise. Finally, please note that if you change the specifications of your project (characteristics and/or requested base cost) after you have run the online query, you no longer have the guarantee that the project will be completed in one period with the budget given by the guery. It weights the carbon impact of the product through its lifecycle: manufacturing, transportation, use, recycling and/or discarding. Sonite Customers Sonite customers have similar needs. This chapter describes how your company operates as well as the decisions you will have to make each period. The retail price is the list price for customers. A. Practicing Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor, you are invited to try Markstrat Unless otherwise instructed by your professor in the profe requesting a new R&D project, the Marketing department must specify the name of the project, the desired characteristics for the new or improved product, and the target base cost. There is one exception to this rule: unit cost will increase if you try to reduce the carbon footprint of your products. Copyright © StratX 2011-09-21 3 7. In this light, three groups are examined for Vodites: Innovators (In) - These consumers will be the first users of Vodite products. Your performance will be measured by the contribution that you generate. However, the corresponding cost is substracted from your budget when you make your decisions. Like Explorers, they use Sonite products for personal purposes and are quite price-sensitive. As a rule of thumb, you can expect the transfer cost to be reduced by about 15% each time the cumulative product is doubled. Coming from a different industry, your team has no experience in the Markstrat world. Vodite Products 5 3. How to print the PDF version of this handbook Paper is too valuable to waste. In Markstrat the distributor margins are 40% for specialty stores and 30% for the other ones. Sonite Products At the beginning of the simulation, all rival firms market two Sonite brands 1 3. Similarly, all commercial teams are equally qualified to handle distributor relationships. There, you will learn in more details: how to use the semantic scales and the multidimensional studies to reposition brands; how and when to reposition brands or to launch new ones; how the R&D and Marketing departments work together. Additional ones are nice-to-have that may be of interest to some consumers. The share of voice is calculated by dividing your own advertising budget. The Gross Round 1: Introduction to the Markstrat Challenge Overview of the Markstrat World Managing Your Firm Error! Reference source not found. Do not jump hastily to conclusions and bear in mind that obvious solutions may be based upon an incomplete analysis. 7. Their income level is usually below average. It is anticipated that the Vodite market will be quite attractive if the right products were made available at the right price The expertise required of potential suppliers is similar for both markets in terms of technology, manufacturing, marketing and distribution. Decisions can be modified and refined throughout the decision round, until the time is over. R&D: budgets allocated to R&D projects; Production: costs of goods sold and inventory holding costs; Advertising media & research budgets allocated to market et allocated to market studies ordered in the period; Each period, you are allocated a budget to cover your expenses in R&D, advertising, commercial activities and market research purchase. Mass Merchandisers - These stores operate on a low-price, high-volume basis and try to minimize overheads. Moreover, the actual product in the period, within plus or minus 20% of the production plan submitted by Marketing. At the early stage of the project development, the R&D team will estimate the budget required for completing the project. Other participants may have already asked similar questions and a response may be available in the FAQ's. Convenience is the key advantage of online stores as consumers may shop from their home at the time of their choice. It will then increase over time because of experience effects and economies of scale. The main advantages of feasibility studies are the low cost and the accuracy of the information provided. Characteristic Abbreviation Unit Range Processing Power Power Gigaflops (GFLOPS) 5 - 100 Display Size Display Inches (") 4 - 40 Design Index 3 - 10 Battery Life Battery Hours (H) 24 - 96 Number of Features Features Number (#) 5 - 20 Base Unit Cost Base Cost \$ 30+ Figure 2 - Sonite main physical characteristics 2. Characteristic Abbreviation Unit Range Resolution Resolution Lines per Millimeter (L/mm) 20 - 100 Energy billion computations per Energy Efficiency 10 - 100 watt-hour (bC/Wh) Carbon Footprint Carbon Kilogram (Kg) 5 - 50 Connectivity Connect Index 3 - 10 Application Programs Apps Number (#) 5 - 100 Base Unit Cost Base Cost \$ 30+ Figure 3 - Vodite main physical characteristics 3. Copyright © StratX 2011-09-21 4 8. PARTICIPANT HANDBOOK Jean-Claude Larréché The Alfred H. A share of voice greater than 1 is required for a successful new brand launch. If you have questions (FAQ's), accessible from the question mark icon located in the left-hand bar. Indeed you should not spend one additional dollar unless you expect this dollar to generate a return higher than one dollar. In the recent past, the overall economy has been growing as a rate of 4%. If the allocated budget is slightly lower than the budget required for completion, then there is a chance that the project is successfully completed despite the lack of funds. The average selling price is the price at which you sell your product to distributors. These features can be hardware related, such as the ability to connect various devices to your sonite product, or software related, such as the ability to connect various devices to your sonite product, or software related, such as the ability to connect various devices to your sonite product, or software related. Productivity gains 10. However, mass merchandisers and online stores use promotions or special offers to sell products. In parallel, the management of the organization will become increasingly complex. Specialty Stores Mass Merchandisers Online Stores Actual retail price \$400 \$360 \$380 Distribution margin 40% - \$160 30% - \$108 30% - \$114 Selling price \$240 \$252 \$266 Transfer cost \$123 \$123 \$123 Unit gross \$117 \$129 \$143 contribution Figure 5 - From retail price to unit contribution 5. Decision rounds 9 2. It also created a barrier to entry to your competitors. As a consequence, you should not necessarily spend your entire budget in every situation. Responses to frequently asked questions do not address specific team situations and do not provide advice or hints on strategy, management, marketing, finances or any other topic. D. They have a good knowledge of marketed brands and are doing extensive product comparison. Consequently asked questions and do not provide advice or hints on strategy, management, marketing, finances or any other topic. the marketing strategy of each firm should be adapted to its particular situation within the industry. Pre-Reading It is highly recommended to read carefully this hanbook prior to the beginning of the Markstrat Challenge. The team includes multiple categories of people and resources depending on the channels: sales representatives, customer support, merchandisers, web masters, blog managers, etc. Initially, it is strongly recommended that each team member be involved in all discussions in order for everyone to have the same understanding of the business situation. 1. Research & Development In the past, each firm has successfully completed two R&D projects on which the brands marketed in Period 0 are based. Will all team members meet when the base cost that was specified when the base project was developed, and point B represents the transfer cost a few periods later, when cumulative production has reached 600,000 units. All studies are ordered at the beginning of a period and are conducted by a specialized research firm during that period. The first letter identifies the firm marketing expenditures to advertising research. They have an average income level. E. But the Markstrat simulation is fairly complex and we know from experience that some topics will require additional explanation. For instance, ordering the Consumer Panel study for the Vodite market is irrelevant if no Vodite brands at all are marketed. The cost of your commercial team is proportionnal to the number of allocated FTEs, plus the hiring or firing costs in case you have extended or decreased its size. Finally, advertising will influence the decision of distributors to carry or not your marketed brands, i.e. you must specify how many units you want to produce for the period. Energy efficiency is usually improved with more efficient technologies, such as Copyright © StratX 2011-09-21 5 9. As the simulation evolves, your team will develop a common understanding of the strategic issues. It is important to understand that offering more of a certain characteristic is not necessarily better. Introduction to the Markstrat Challenge 1 1. Production, Finances ...) to team members, each making decisions on his or her own? The Production department of your company is working for several divisions. You can use the Benchmarking study to anticipate whether competition will launch new brands. Shoppers (Sh) - As the name of this segment indicates, Shoppers are doing a lot of shopping. Their main drawback is the time it takes to get this information: a full period. Over the course of the simulation, you will have to upgrade your existing brands to adpat to changing consumer needs or to competitive moves. But because of the competitive nature of the Markstrat industry, your advertising share of voice is another crucial factor. The overview given below will show you how you can control the marketing strategy of your company, and will give you the level of details necessary to understand the other chapters of this handbook. B. On the contrary, if you ordered too many units and cannot sell them in the period, the

production will be automatically reduced by up to 20%. It is unlikely that inflation will reach much higher levels in the future. Note that the transfer cost will decrease if you produce more than 100,000 units, as explained in the "Productivity Gains" chapter. The values entered must within the feasible ranges, in the relevant unit; for instance, Batter Life should be between 24 and 96 hours. These are described below and additional details are given in Figure 3. Save time by checking the site first. includes detailed information on R&D strategies and processes. Spending more in advertising will most likely increase your distribution coverage. Economic Environment

8 III. Therefore, your division and your competitors are the most likely suppliers of Vodites. They will not be complementary in any way and there will not be any substitution from one to the other. The name of a completed project can never be reused for a new project, even if it is a minor modification of the older project. You may ask the R&D department to develop the project at the lowest possible base cost, also called minimum base cost, also called minimum base cost. Advertising agencies, that improve the quality and the persuasive power of your message. A feasibility study costs \$100,000 and takes one period to complete. Price increases or decreases greater than 30% in one period are highly discouraged as they often result in negative market reactions. Consumer survey Competitive sales force estimates Consumer panel Industry benchmarking Distribution panel Advertising experiment Semantic scales Sales force experiment Multidimensional scaling Market forecast Competitive advertising estimates Conjoint analysis Figure 6 - Available market research studies 8. These reports are described in the Chapter entitled Error! Reference source not found.. Production plans must be entered each period in the Marketing Mix decision form. As a consequence, even if your firm markets several brands, possibly to the same consumer segment, these brands will not benefit from the company's identity and image. Online stores are likely to become more important in the next 5 to 10 years. Pricing Each period, you must set the recommended retail price for each of your marketed brand To reach more robust decisions, use the information from your company report, from the newsletter and from market research studies to analyze your situation and past competitive behavior. Consumers who do not need high power will certainly choose a less powerful sonite that will be small, light and quiet. Getting prepared 13 8. Their lack of technical expertise and the low level of service may well prevent them from distributing Vodites in the early years. Although only a small 2 5. Market Research Studies

percentage of consumer electronic sales are done on the web, this percentage is much higher for Sonites products, especially for highly connected consumers such as Shoppers. At this stage, you are ready to start a new round. We will recap all of these costs at the end of the chapter and we will explain where your money comes from. The marketing department must specify the number of people to allocate to each channel and each brand. Experts agree that Vodite project developed to upgrade brand MOVE and PE-INNOVS would be a Vodite project developed to launch a new brand targeted at Innovators. These stores usually carry a broad products. Copyright © StratX 2011-the most expensive and/or high-performance products. Copyright © StratX 2011-the most expensive and/or high-performance products. 09-21 8 12. You will have to decide the overall direction of the company regarding: The product portfolio strategy - which market segments will be targeted and how products will be positioned; The marketing mix strategy - which market segmentation and positioning strategy - which market segments will be targeted and how products will be positioned. marketing decisions such as pricing, production, communication and distribution. Regarding the last point, try to avoid letting each member concentrate solely on his/her area of professional expertise. This budget will depend on how different the new characteristics are compared to the ones of projects already developed. Please refer to page 2 before printing this document. This characteristic does not relate to the product esthetic but to the type of raw materials used (wood, plastic, metal ...), to the number of components (position, size, ...). As a consequence, you are not concerned about manufacturing investments, fixed costs or capacity utilization. Initially, each firm markets two sonite products, for instance PMOST and PMOVE. Obviously, the target base cost must be compatible with the expected brand profitability, taking all factors into account price, distributor margin, production costs, marketing and sales expenses, etc. Copyright © StratX 2011-09-21 13 17. The Production department will always manufacture the required quantities in the best possible conditions. Although the Sonite and Vodite technologies are similar, all firms will have to engage substantial R&D resources to develop their first Vodite product. Energy Efficiency. Although they can be evaluated along more than fifty attributes, Sonite brands are primarily differentiated in terms of five physical characteristics that are considered as the most important ones by industry experts. Initially, the competing companies are identified by a unique letter such as L, M, N, R, S or T. Your first task will be to give a name to your company, starting with this letter and reflecting the spirit within your team. In addition, they have access to an almost unlimited choice and can compare features and prices very easily. This is the size of the screen, in inches. They demand high-performance products, i.e. products with high processing power and/or large screens. You will follow a decision-making cycle that will repeat itself for each simulated year, for instance 8 years in total. These characteristics are described below and additional details are given in Figure 2 Processing Power. However, there is a maximum level where resources are reallocated to other divisions of the company to maximize the return on investment at the corporate level. Figure 1 shows how to print two pages per sheet. usually restricted to a few units. Then, the transfer costs will be much lower than the ones achievable by the original blue curve. Awareness levels and purchase intentions vary significantly for existing products from one group to the other. The absolute amount of advertising spent on your brands is a key factor for the success for your campaign. Higher connectivity indices guarantee that the product will be able to connect to a network in almost any situation, and to exchange data at a fast pace. Here are a number of questions to take into account the potential sales for the brand, the existing inventory at the beginning of the period and the flexibility of the Production department. Indeed, consumers tend to forget about a brand in the absence of advertising. The information is provided in the period within the R&D section of the company report; it includes the minimum base cost at which the product can realistically be manufactured and the budget required to guarantee its completion at the currently requested base cost. C. INTRODUCTION TO THE MARKSTRAT CHALLENGE Welcome to Markstrat and congratulations for your new position! You and the other members of your team have just been recruited by a large corporation to manage the marketing department of one of 9 3. Figure 1 - How to print two pages per sheet 6. Understand your role During this exercise, you will be responsible for formulating and implementing the long-term marketing strategy of your division. The unit cost of this brand has decreased from \$150 to \$100, a 33% reduction. Vodites are the same individuals as those who buy Sonites, a different segmentation strategy is likely to be appropriate for Vodites. As a consequence, they are looking for high quality, high-performance and easy- to-use products. Note that your Profit and Loss statement will be described in details in the section "Error! Reference source not found.". F. Although no Vodite brands are available at the start of the simulation, industry experts have a pretty good idea of what future Vodite brands are available at the start of the simulation, industry experts have a pretty good idea of what future Vodite brands are available at the start of the simulation, industry experts have a pretty good idea of what future Vodite brands are available at the start of the simulation, industry experts have a pretty good idea of what future Vodite brands are available at the start of the simulation, industry experts have a pretty good idea of what future Vodite brands are available at the start of the simulation, industry experts have a pretty good idea of what future Vodite brands are available at the start of the simulation. Savers (Sa) - This segment includes all consumers who are cautious in the way they spend their money. This characteristic is measured in billion computations per watt-hour (bC/Wh). Professionals (Pr) - Individuals in this segment may use Sonite products such as digital cameras, GPS systems, mobile phones or computers, as well as office equipment, cars, books, or any other consumer durable goods. Vodite Customers to enroll them in trade programs; to take orders; to handle out of stock situations; to help stores organize and conduct promotions, etc. Most of the studies apply only if there are brands marketed during the period in the corresponding market. The higher the energy efficiency the less electricity is used. A. A Sonite is a complex piece of equipment made up of several components. For instance, the R&D project corresponding to the existing brand MOST was called POMOST. They are looking for cheap, low-performance products with average convenience. This characteristic measures the ability of the product to connect to varying networks and/or databases, as well as the speed of the connection. The other characters can be letters or numbers, and can be freely chosen by each firm to generate different brand names. The chapter Error! Reference source not found. You may also have to launch new brands to target new consumer segments or to explore new markets. Before making dramatic changes, you should try to get a feel for the behavior of the market. Figure 4 gives a few examples for varying situations of inventory, production plan and market demand (all numbers are in units). Obviously, your advertising strategy should be consistent with the market demand (all numbers are in units).

3 II. However, it roughly behaves like most markets, and the general management and marketing

dollars, adjusted for inflation. A simulated year is also called a period. You must also indicate the proportion of the budget targeted to each segment. This characteristic, sometimes called efficient energy use, is about using less energy to provide the same level of performance and convenience. Naming Conventions 6 4. A message will warn you when such decisions are made. Naming Conventions In Markstrat brand names are made up of up to six characters. Chapter Error! Reference source not found. As they do not distribute many different product categories, Sonite products account for a large proportion of their sales. The percentages must add to 100%. To print double-sided, please refer to your printer documentation. Analysts believe that the Sonite market will continue to grow over the next five years. 5. Indeed, existing products may need to be improved during their lifetime to adapt to the changing needs of consumers, and new products may have to be created in order to target untapped segments in existing or new markets. You may order an online query only when the project is fully specified, i.e. when you have entered the physical characteristics and the requested base cost. You are also required to specify which segments should be targeted with your advertising. Copyright © StratX 2011-09-21 1 5. Within the Sonite market, market research studies show that all three distribution channels are important; therefore each of them should be visited by the companies' sales forces. Vodite Products Recently, there has been industry speculation that a new type of electronic product might emerge, the Vodite. Market research studies show that the Sonite market can be divided into five major groups of customers or segments, having similar needs and purchasing behavior. There are a minimum number of core features that each sonite product must offer. Similarly, large screens may be highly attractive to some users, but not to others because of their higher weight and heavier power consumption. However, they are quite price-sensitive, since they use Sonite products for their personal use and do not necessarily have high incomes. On average, these promotions are equivalent to a discount rate of 10% off the list price for mass merchandisers and 5% for online stores. In the subsequent years, you should appraise your results, check if you have met your objectives and possibly review your initial strategy and decide on what changes should or should not be made. Similarly, there is a minimum budget level for each period, whereby headquarters may effectively subsidize your division if you are not generating sufficient contribution internally so your division can continue operations. If your objective is to reposition a brand, i.e. to change consumers' perceptions, then you should spend a significant percentage of your total budget in advertising research, usually from 10% to 15%. Advertising is crucial for new brands, but is also important for brands that have been on the market for some years. They demonstrate both a high desire and interest for Vodite products and their income levels are above average. of the FTE cost, as indicated in the newsletter. The commercial team will decide on the best mix of tools depending on the channel and their income levels are above average. stores are likely to be the preferred distribution channel for Vodite products. Connectivity is measured by an index between 3 and 10. Read section "Error! Reference source not found." to review the operations of the Market Research decision form. If you perform outstandingly, you may be granted a large budget; however, spending it completely might be a waste of money. This characteristic is also called referred to as greenhouse gas emission. All R&D departments have the same capabilities to develop new projects, in their range of experience. Followers (Fo) - These individuals represent the bulk of potential consumers. Copyright © StratX 2011-09-21 i 2. In particular, you and your team members will have to: Work in a highly competitive market; Target selected consumer segments and develop new products; Interface with the products; Interface with the products; Interface with the products; Interface with the products and develop new products. planning; Make marketing mix decisions (pricing, advertising, ...) for each of your brands; Decide on the size and priorities of your commercial team; Order market research studies to get up-to-date information for decision making. Applications allow user to customize the product and to adapt it to their own needs. Application programs or Apps. Hence, if you did not order enough units to cover the demand, the production will be automatically increased by up to 20%. Refer to the previous section for instructions on how to access them. The price paid by Marketing to Production is called the transfer cost; it incorporates all costs associated with this high level of flexibility, including depreciation and fixed costs. Studies deal with the Sonite and Vodite market, consumers and channels. A higher level of details can be observed and processed with high resolution products. In addition, context-sensitive help is available on all important forms, such as decision forms. There are approximately 30,000 specialty stores, 10,000 mass

merchandisers belonging to 8 different chains, and 1,000 online stores. Or are you geographically dispersed? Early adopters (Ad) - Consumers in this segment will not adopt Vodite products as quickly as innovators but will certainly do so before a majority of people have accepted the new technology. Similar advantages and drawbacks exist for most

knowledge that you have acquired through business experience or formal education applies to this new world. This enables you to convey a perceptual message and emphasize, for instance, that a given brand is very powerful or that another one has a very large display and many features. beyong point B'. It is measured in kilograms of CO2 released in the atmosphere. Studies show that they usually buy fairly expensive products, which they can afford, and that their purchase is partially motivated by social status. Questions & Technical Support We have done our best to make this guide as clear and complete as possible. In general, your budget for each period will be between 7 and 20 millions

4 1. Questions & Technical Support

characteristics: long duration batteries are bulky and heavy; product with lots of features may be difficult to use and may confuse new or occasional users; etc. Thus, a share of voice equal to 1 means that you spend as much as your average competitors.

Markstrat course, with real students making the decisions. Overview of the Markstrat World

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