

Student Information Guide for the Marketing Mix Sim Game

Making Decisions in the Sim Game

In this marketplace, up to 10 student teams compete in the Smart TV market. Each team has two brands to manage. And each decision round they need to make these six decisions for each of their brands:

1. What is the overall quality of our product line (on a scale of 1 to 10)?
2. What is the standard of our product's look and design (on a scale of 1 to 5)?
3. What is our retail price?
4. How many channels will we use (from 1 to 4)?
5. What discount (sales promotion) will we offer (if any)?
6. What is our brand advertising spend?

As you can see, teams need to make decisions around each of the 4Ps, where the choice and combination of their decisions should be based upon the needs and preferences of their target market (discussed further below). This is the decision sheet you will fill in EACH round:

Marketing Mix Sim Game Team Decision Sheet				
<i>Complete the form and make your 8 decisions for both Brand A and B - they are independent brands</i>				
Decision Sheet	Team Number ==>		Brand A	Brand B
PRODUCT	Quality Level	1-10		
PRODUCT	Design Level	1-5		
PRICE	Retail Price	1,000-6,000		
PLACE	Number of channels	1-4		
PROMOTION	Discount (Sales Promotion)	0-50%		
PROMOTION	Brand Advertising Spend	0 to 20,000,000		
<i>Below are NOT decisions, but you should work out your costs and Profit Margin</i>			Brand A	Brand B
Unit Product Cost		<i>(Qual X 250) + (Des X 150)</i>		
Discount Price		<i>Retail Price - Discount</i>		
Unit Profit Margin		<i>Price - Cost</i>		
Total Channel Support Cost		<i>2,000,000 per channel</i>		
Total Channel Reach %		<i>50%/75%/90%/100%</i>		

You should note the section underneath the decisions. This is a working calculation section for you. Importantly, you need to work out their unit profit margin per brand, which is a critical component in your overall profitability goal.

About the Market Segments

Underpinning the game's marketplace is three market segments - but students only have two brands - making it necessary for teams to make an important strategic decision of where to compete?

Here is a summary of the segment needs, preferences, and behaviors.

Segments	Budget-Conscious	Value-Focused	Premium-Oriented
Initial Segment Size	500,000 unit sales	250,000 unit sales	100,000 unit sales
Segment Growth Rate	2% per round	10% per round	15% per round
Key Needs	Focused on price and sales promotion deals	Looking for a nice balance of product quality and value	Seeking higher quality and better looking products
Preferred product quality range	Low to medium 2 to 6 levels	Medium quality 3 to 8 levels	Higher quality 7 to 10 levels
Preferred product design range	All segments prefer a higher design/style level, depending on price and discount		
Preferred price range	Prefer well under 2,000 and seek relative lower prices	Willing to pay 2,000 to 4,000, but prefer relative lower prices	Willing to pay 3,000 to 6,000, but prefer relative lower prices
Discount (sales promotion) response	All segments are responsive to a good deal		
Importance of brand	All segments are responsive to brand building (relative to competition)		

Important Note: This information is a guide only. The responsive of segments will depend upon competitive offerings in the market. Players should seek to analyze the results to improve their decision making during the game.

Decision Making Guide and Parameters

Each team needs to make six marketing mix decisions each round for EACH brand.

Each brand operates completely independently, and their decisions are NOT interrelated. This means that teams can make different marketing decisions for each brand. And they can even compete against each other (which might be a defensive strategy against competitors).

The following table gives more insight into these decisions and how the market may react.

Quality Level	1-10 Enter a single digit number	This is the overall quality of the Smart TV, such as picture quality, sound, other features
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		1 = Lowest quality 10 = Highest quality
Design Level	1-5 Enter a single digit number	This is the look (style, attractiveness) of the Smart TV 1 = Lowest (less attractive) 5 = Highest (most attractive)
Retail Price	1,000-6,000 You may enter decimals, if required - but psychological pricing is NOT built into the game's design	This is the expected price (reference) range of TVs in the market Teams should select a price based upon the quality and design of their TV Note that you can set a price as low as 500, by setting a 1,000 price with a 50% discount
Numbers of channels used	1-4 Enter a single digit number	The more channels, the greater your brand's retail reach, as follows:
Note that each channel requires support costs of 2,000,000 per round (for each brand)	Example: 3 channels x 2 brands = 12,000,000 support cost for the round	1 channel = 50% reach 2 channels = 75% reach 3 channels = 90% reach 4 channels = 100% reach
Also note that placing your brands in too many channels may reduce your brand equity	Brands placed in 2 or 3 channels tend to have better brand equity	
This means that there is a trade-off in the two points above	More channels = greater reach, but may reduce brand equity	
Discount (Sales Promotion)	0-50% Enter as a percentage	You can set a discount of up to 50%. This is optional and you can set to 0% if preferred However, segments tend to respond better to the same price if a discount has been applied That is, 4,000 X 25% discount = 3,000 sells better than 3,000 X 0% discount = 2,000

Brand Equity Index	This is not a decision or a visible metric, but it works behind the scenes in the calculation of the results	<p>The brand equity index is a combination of your marketing mix elements</p> <p>It takes into account overall product quality, channels, pricing, and promotional spend</p> <p>It is a relative measure, considered against your competing teams</p>
Brand Advertising Spend	0 to 20,000,000 Optional spend	<p>Brand advertising spend is optional, but you may choose to spend up to 20,000,000 per brand per round.</p> <p>Note that brand advertising has a residual effect and will linger in the segment's memory over time.</p>
<i>REMINDER: These decisions are made on a per brand basis, so these decisions will need to be completed for both Brand A and Brand B. And both brands are independent of each other - that is, changes to one brand will not impact the other brand's decisions.</i>		

How to Calculate Unit Profit Margin

The key goal of most businesses is to maximize long-term profitability - not just unit sales and/or market share. To achieve good profits, it is important to work out the profit margin per unit.

As the Smart TVs increase in quality level (from 1 to 10) and in design level (from 1 to 5) - so does their cost. There is a formula that converts product design to its unit cost to, as follows:

- Unit cost = quality level X 250 + design level X 150
- As an example, a TV with a quality level of 6 and a design of 4 gives: $6 \times 250 + 4 \times 150 = 2,100$

Now we have unit cost, we also need to work out the final selling price, which is the set retail price less the percentage discount (sales promotion).

- As an example, a TV with retail price of 6,000 with a 33.33% discount will sell for 4,000 in the market

Therefore, in this example, our unit profit margin will be:

- 4,000 (selling price) less 2,100 (unit cost) - 1,900 unit margin

And remember this is just the variable costs covered, and teams still need to make enough gross profit to cover the fixed costs of channel support and any brand advertising.

Reviewing the Information in the Game Results

Results shows a summary of sales, market shares, costs, revenue, and costs. At the bottom it shows the Net Profit for both the current round and all round to date - this is **the metric that shows the leading team**.

Charts summarizes four key metrics per round on a total Firm basis (that is both brands together), taken from the Results tab. It is a handy visual tool for showing how teams they are performing. The four charts shown are:

1. Total Unit Sales = number of TVs sold
2. Total Revenue = total value of retail sales in the market
3. Total Net Profit = net profit for the round = first place is the winner for the round
4. Net Profit All Rounds = combined net profit for all rounds = first place is the overall leader

Shares shows market share by firm by brand for each segment AND unit sales by firm by brand for each segment.

It is a helpful planning and analysis tool, where teams can see where they are doing well (or otherwise) and which competing teams are their direct competitors. This information can then be compared to each round's decisions to help players analyze what is working and why. In other words, what do we need to change to improve our performance and competitive position.

Some FAQs

How reflective is the game of market reality?

It is a sim game - which means it is half simulation and half a game.

From the simulation perspective, there is a lot of underlying marketing logic built into the game and segments (consumers) tend to respond logically given the competitive marketing mix offering available.

And from the game perspective, it is not marketing mix model and various assumptions and heuristics have been built into the game's results and overall marketplace.

But this is a good thing - as marketing students need to be responsive to the feedback (results) from a market and not rely upon assumptions and how they *think* that the market will respond.

Can Teams Lose Money and Run at a Loss?

Yes, that is possible, but any team making sensible marketing decisions should make a good level of profitability.

How Responsive is the Game to Marketing Decisions?

This sim game has been designed for a high level of responsiveness. That is, the market can react substantially to major changes in decisions.

While a real marketplace would have greater stability, however this sim game has been built to be responsive so that it is possible to both catch up and lose a big lead - making it a more exciting game to play and to learn from.

What if some of the results/outcomes don't make sense?

There is no randomness built into the game - but different combinations of decisions, especially as compared to competitors, will result in different market outcomes.

For example - a team who is the only team spending big on advertising will get a good uplift in sales, but if several other teams also spend big (and match them) then the uplift will be much lower. This means that a tactic that work well in Round 1 may not be as effective in a later round.

Therefore, there is an underlying logic for the results - but the overall combination of decisions (both the team and their competitors) need to be taken into account. The game computes the overall package of decisions - both in that round, plus some brand building factors from prior rounds.

A goal of the student teams should be to analyze and understand this marketplace - and it is often helpful to examine the performance of competitors as well, not just their own results. In this regard, the market share (tab) information should be quite helpful as well.

Can Brands Be Repositioned and Redesigned?

Yes - and there is no cost to redesigning the quality level of the product (or modifying and element of the marketing mix). And teams may move up or down (or remain the same) on any marketing mix element each round.

While this “no cost” approach to product development is not reflective of market reality, it has been designed in this manner to ensure a more dynamic and changing marketplace and environment for the players.

Is there one best strategy to win this game?

Nope - like all games, it depends on the competition and their decisions - so while all teams should start the game with a clear marketing strategy, it may be necessary to review that plan as the game and the competitor's decisions unfold.