


13	Introduction into Markstrat Session 1	<div style="text-align: center;"> <h1>Markstrat</h1> <h2>Introductory Session 1</h2>  <p>ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT</p> <p>WIRTSCHAFTSUNIVERSITÄT WIEN</p> <p>Institute for Tourism and Leisure Studies</p> </div>
12		
11		
10		
9		
8		
7		
6		
5		
4		
3		
2		
1		

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

 <h2 style="text-align: center;">Markstrat</h2>		
13	Introduction into Markstrat Session 1	<p>is a simulation designed to focus on strategic marketing issues</p> <ul style="list-style-type: none"> ➔ Understanding customer needs ➔ Long-term perspective ➔ Marketing as profit center ➔ Competitive environment ➔ Marketing strategy is based on segmentation, positioning, and resource allocation... ➔ marketing mix decisions are secondary
12		
11		
10		
9		
8		
7		
6		
5		
4		
3		
2		
1		

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

1/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT
WIRTSCHAFTSUNIVERSITÄT WIEN

Outline

13
12
11
10
9
8
7
6
5
4
3
2
1

Session ↑
Introduction into Markstrat

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

2/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT
WIRTSCHAFTSUNIVERSITÄT WIEN

Markstrat World

13
12
11
10
9
8
7
6
5
4
3
2
1

Session ↑
Introduction into Markstrat

large territory with a highly developed economy

- Population: 250 Millionen
- Currency: Markstrat Dollar (\$)

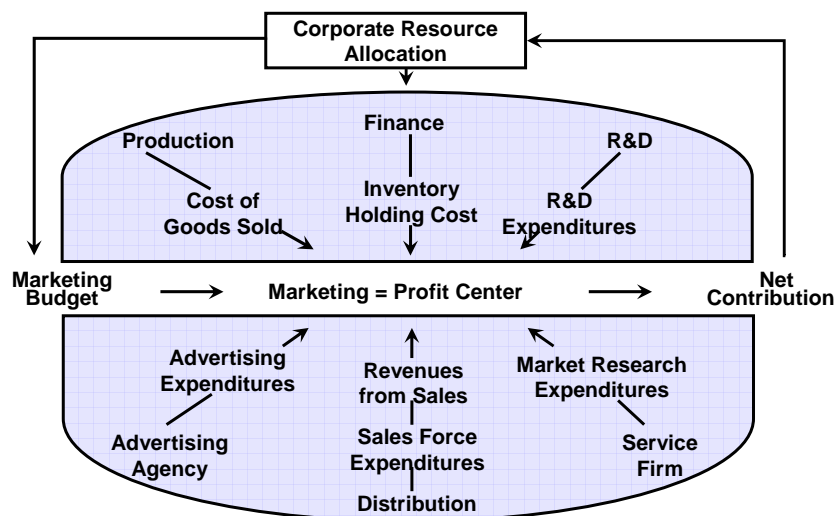
Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

3/33

- consists of competing companies
- manufacture and market consumer durable good comparable to an electronic entertainment product
- each firm is managed by a team
- each firm starts from similar initial situation in terms of market share, consumer awareness level, and distribution coverage of its brands
- no firm has a systematic advantage over the others
- each company has the opportunity to develop an appropriate strategy that will lead to successful performance

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

4/33



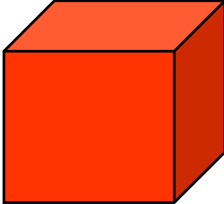
Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

5/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT **Markstrat World – Market Structure**

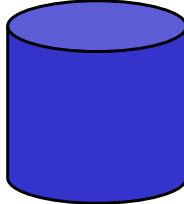
13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

Each firm can compete in TWO product markets



→ **SONITE**
S

- independent
- not substitutes
- not complements



→ **VODITE**
V

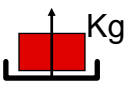


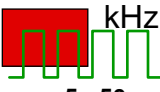

Maximum: 5 brands/firm marketed at a time

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997 6/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT **Markstrat World – Market Structure**

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

→ **Sonite** market already developed
→ each product having 6 main physical characteristics

<p>Weight</p>  <p>10 - 20</p>	<p>Design</p>  <p>3 - 10</p>	<p>Volume</p>  <p>20 - 100</p>
<p>Max. Frequency</p>  <p>5 - 50</p>	<p>Power</p>  <p>5 - 100</p>	<p>Base Cost</p> <p>\$</p> <p>min. 10</p>

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997 7/33

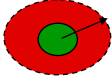
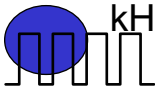

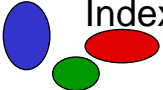
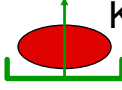
ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Market Structure

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

→ **Vodite** market is yet untapped

→ Vodites will likely also have 6 main physical characteristics

Autonomy  m 5 -100	Max. Frequency  kHz 5 -20	Diameter  mm 10 -100
Design  Index 3 -10	Weight  Kg 10 -100	Base Costs \$ min. 10

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

8/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Names of brands

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

S	I	B	I
↓	↓	↘	↙
Product Typ: S=Sonite V=Vodite	Company marketing the brand: A, E, I, ...	Freely chosen letters or numbers	

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997


9/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Segments of Sonites

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

Buffs **Bu**



- enthusiastic and very knowledgeable about the product
- primarily concerned with quality and technical features

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997


10/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT


Markstrat World – Segments of Sonites

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

Buffs **Bu**



Singles **Si**



- live alone
- less technically competent than Buffs
- demand good performance form a product
- use product more often than average

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

11/33


ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Segments of Sonites

13
12
11
10
9
8
7
6
5
4
3
2
1
Session


Introduction into Markstrat

Buffs




Bu

Professionals



Pr

Singles



Si

- high level of education and high income
- independent in their occupation
- engage in many social activities
- purchase partially motivated by social status

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

12/33


ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Segments of Sonites

13
12
11
10
9
8
7
6
5
4
3
2
1
Session

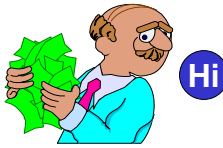
Introduction into Markstrat

Buffs




Bu

High Earners




Hi

Professionals



Pr

Singles



Si

- high income
- but do not possess the high level of education or occupational independence of the professionals

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

13/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Segments of Sonites

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

Buffs (Bu) → do not belong to any other group

Others (Ot) → largest proportion of the population, but in the past a significantly lower penetration of Sonites than other segments

Professionals (Pr)

Singles (Si)

High Earners (Hi)

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

14/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Markstrat World – Segmentation Scheme for Vodites

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

Followers

Early Adopters

Innovatoren

Typical segment size evolution over time

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

15/33



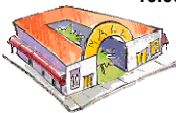
ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT
WIRTSCHAFTSUNIVERSITÄT WIEN

Markstrat World – Distribution

13
12
11
10
9
8
7
6
5
4
3
2
1
Session

Introduction into Markstrat

→ Sonite & Vodite can be distributed through 3 channels

Specialty Stores	Department Stores	Mass Merchandiser
30.000	6.000	10.000
		
<ul style="list-style-type: none"> → important proportion of sales are Sonites → Provide specialized services → (e.g. computer-spezialist) 	<ul style="list-style-type: none"> → handle a wide variety of merchandise → have a department carrying Sonites → (e.g. Gerngross) 	<ul style="list-style-type: none"> → carry Sonites only as one of many product categories they distribute → (e.g. Media-Markt)

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

16/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT
WIRTSCHAFTSUNIVERSITÄT WIEN

Markstrat World – Environment

13
12
11
10
9
8
7
6
5
4
3
2
1
Session

Introduction into Markstrat


Market Growth

→ Average annual price increases Sonite Market: 3 %

→ Average annual increases of Sonite unit sales

■ Bufts:	5 %
■ Singles:	25 %
■ Professionals:	50 %
■ High Earners:	60 %
■ Others:	30 %


Technology



Economic Environment

→ Average annual inflation rate: 2 %

→ Growth of entire economy: 4 %



Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

17/33


ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT **Objective: Maximization of Share Price Index**

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

→ To do that, you will have to optimize:

- Market share
- Sales growth
- Net contribution
- Cumulative net contribution
- R&D investments ...

→ ... but the main objective is to LEARN !



Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

18/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT **Responsibilities of a Markstrat-Team**

13
12
11
10
9
8
7
6
5
4
3
2
1
Session Introduction into Markstrat

Management Responsibilities of a MARKSTRAT-Team

- Brand portfolio
- Production forecast
- Price
- Advertising
- Sales force and distribution
- Market research
- R&D
- Inventory

Activities – the Marketing Department is not Responsible for

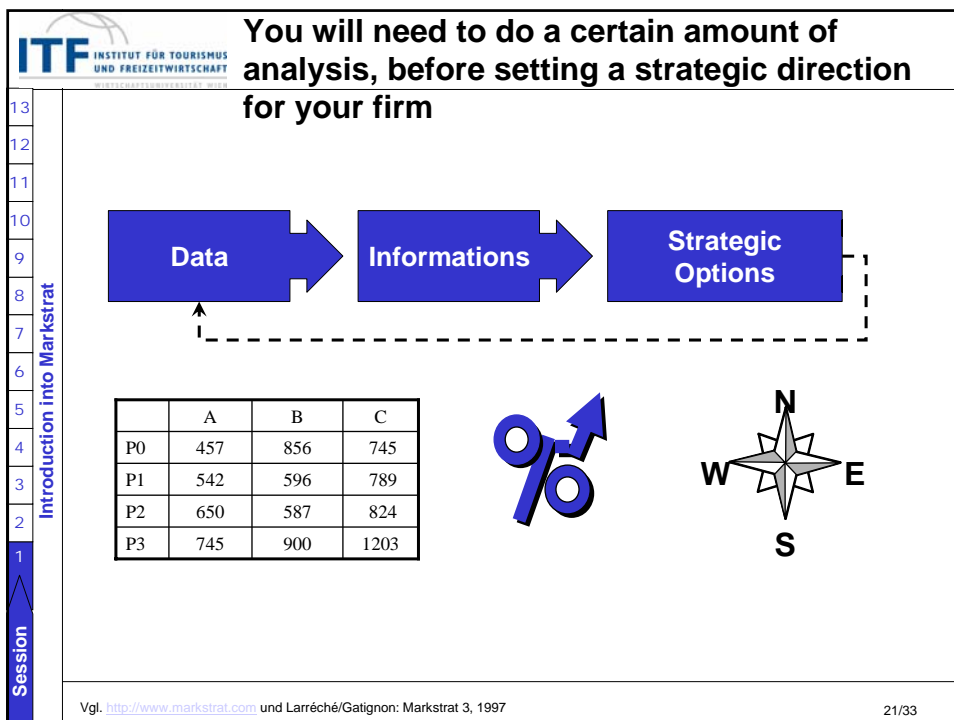
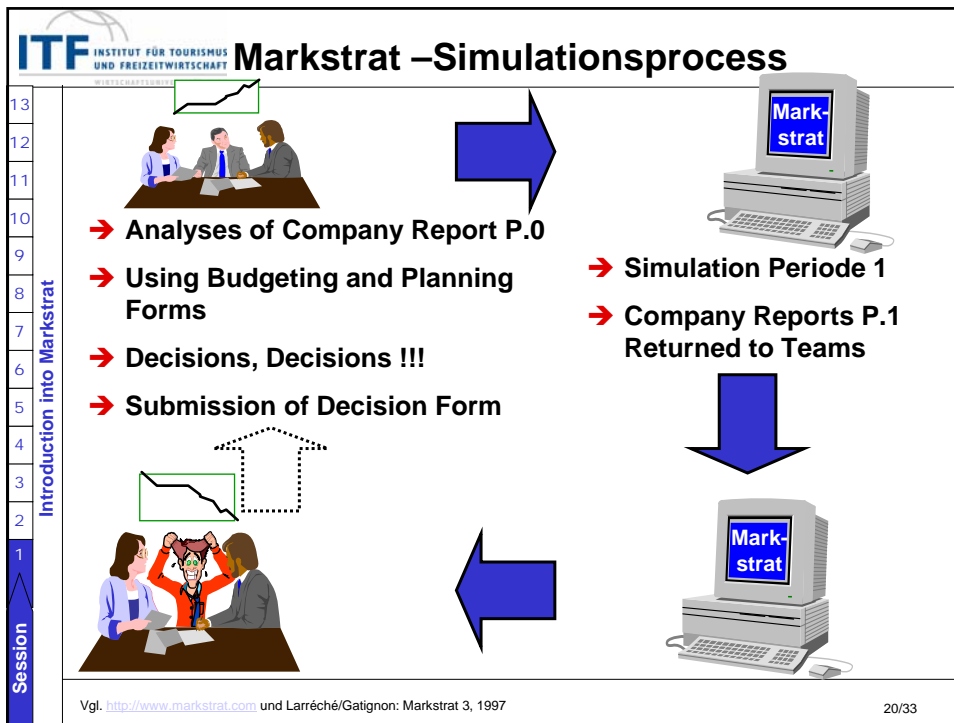
- Credit Management
- Capital investment
- Financial reporting
- Purchasing
- Plant management

Budget Expenditures

- Advertising
- Sales force
- Market research
- R&D

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

19/33






ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT
WIRTSCHAFTSUNIVERSITÄT WIEN

Market research studies

13
12
11
10
9
8
7
6
5
4
3
2
1
Session

Introduction into Marktstrat

- Consumer survey
- Consumer panel
- Distribution panel
- Semantic scales
- Multi-dimensional scaling (MDS)
- Industry benchmarking
- Market forecast
- Competitive advertising
- Competitive sales force
- Advertising experiment
- Sales force experiment
- Conjoint Analysis

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Marktstrat 3, 1997

22/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT
WIRTSCHAFTSUNIVERSITÄT WIEN

Once your strategy is clear, you should proceed to make a number of tactical decisions each year

13
12
11
10
9
8
7
6
5
4
3
2
1
Session

Introduction into Marktstrat

- Production Planning
- Inventory disposal
- Pricing
- Mass communication
- Sales force & Distribution
- Market Research

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Marktstrat 3, 1997

23/33

Markstrat Decision Form - Microsoft Internet Explorer

ITF

Adresse: <http://tourism.wu-wien.ac.at/lehre/ims/>

Markstrat - Decision Form

For preparing your input you may use the [Markstrat Decision Form](#) and/or the [Markstrat Budget Form](#)

Industry/Course: 2847 Firm: A Password: Period: 1

Product Management

#	Brand names	Name of R&D Project (if modification or introduction)	Production Planning (thousand units)	Recommended Retail Price (\$)	Perceptual Objectives				
					Scale	Axis 1*	Objective 1	Axis 2*	Objective 2
1					No objectives				
2					No objectives				
3					No objectives				
4					No objectives				
5					No objectives				
6					No objectives				

* Note: MDS dimensions: Sonite: 1= Economy, 2= Performance, 3= Convenience. Vodite: 1= Efficiency, 2= Flexibility, 3= Economy. Semantic scales: Sonite: 1= Weight, 2= Design, 3= Volume, 4= Max Freq, 5= Power, 6= Price. Vodite: 1= Autonomy, 2= Max Freq, 3= Diameter, 4= Design, 5= Weight, 6= Price.

Product Management

#	Advertising Budget	Advertising Research	Targeted Segments (%)					Sales Force Effort (%)					
			Bufs	Singles	Pros	Hi Earn	Others	Total	Special	Depart.	Mass		

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

24/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Each firm receives a marketing budget for the coming period, based on the previous performance

```

    graph LR
      Budget[Budget] --> Advertising[Advertising]
      Budget --> Sales[Sales force]
      Budget --> RD[R & D]
      Budget --> MR[Market Research]
      
      Advertising --> AdExp[Advertising expenditures]
      Advertising --> AdRes[Advertising Research expenditures]
      
      Sales --> OpCost[Operating cost]
      Sales --> HireCost[Hiring & training cost]
      Sales --> FireCost[Firing cost]
      
      RD --> DevBudget[Development budget]
      
      MR --> StudyCost[Sonite and Vodite study costs]
      
      AdExp --- AdGroup[for each brand]
      AdRes --- AdGroup
      
      DevBudget --- DevGroup[for each project]
  
```

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

25/33

Markstrat Decision Form - Microsoft Internet Explorer

Adresse: http://www.tourism.wu-wien.ac.at/lehrv/ms/

Markstrat - Decision Form

For preparing your input you may use the [Markstrat Decision Form](#) and/or the [Markstrat Budget Form](#)

Industry/Course: 2847 Firm: E Password: Password Password Period: 4

Product Management

#	Brand names	Name of R&D Project (if modification or introduction)	Production Planning (thousand units)	Recommended Retail Price (\$)	Perceptual Objectives				
					Scale	Axis 1*	Objective 1	Axis 2*	Objective 2
1	SELI		150	230	No objectives				
2	SEXY		80	410	MDS	2	-18.4		
3	SEMO	PSEM3	20	335	Semantic scales	2	4.3	5	6.2
4	VEDI		55	780	MDS	2	3	1	0
5					No objectives				
6					No objectives				

* Note: MDS dimensions: Sonite: 1=Economy, 2=Performance, 3=Convenience. Vodite: 1=Efficiency, 2=Flexibility, 3=Economy. Semantic scales: Sonite: 1=Weight, 2=Design, 3=Volume, 4=Max Freq, 5=Power, 6=Price. Vodite: 1=Autonomy, 2=Max Freq, 3=Diameter, 4=Design, 5=Weight, 6=Price.

Markstrat Decision Form - Microsoft Internet Explorer

Adresse: http://www.tourism.wu-wien.ac.at/lehrv/ms/

Product Management

#	Advertising Budget (thousands \$)	Advertising Research (\$)	Targeted Segments (%)						Sales Force Effort (%)		
			Buffs Innovs	Singles Adopter	Pros Follow	Hi Earn	Others	Total	Special Stores	Depart. Stores	Mass Merch.
1	1250	100	20	30	10	0	40	100%	10	20	10
2	800	50	0	0	50	50	0	100%	0	20	5
3	2500	300	50	40	10	0	0	100%	10	26	5
4	250	50	80	20	0			100%	80	34	80
5								100%			
6								100%			
									100%	100%	100%

Sales Force and Distribution

	Speciality Stores	Department Stores	Mass Merchandisers
Number of Salespeople	25	45	28

ITF
Introduction into Markstrat
Session

Markstrat Decision Form - Microsoft Internet Explorer

Adresse: <http://www.tourism.wu-wien.ac.at/lehrv/ms/>

Research and Development

Project Name	Expenditures (thousands \$)	Physical Characteristics					
		1 Weight (Autonomy)	2 Design (Max Freq)	3 Volume (Diameter)	4 Max Freq (Design)	5 Power (Weight)	6 Requested Base cost (\$)
PSEMT	3250	17	6	92	23	32	204
PVEM1	100	85	14	89	5	12	

Market Research Studies

Study Titles	Order	Study Titles	Order
Industry benchmarking	<input checked="" type="checkbox"/> All markets	Market forecast	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite
Consumer survey	<input checked="" type="checkbox"/> Sonite <input checked="" type="checkbox"/> Vodite	Competitive advertising	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite
Consumer panel	<input checked="" type="checkbox"/> Sonite <input checked="" type="checkbox"/> Vodite	Competitive sales force	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite
Distribution panel	<input checked="" type="checkbox"/> Sonite <input checked="" type="checkbox"/> Vodite	Advertising experiment	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite
Semantic scales	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite	Sales force experiment	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite
Multidimensional Scaling	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite	Conjoint analysis	<input checked="" type="checkbox"/> Sonite <input type="checkbox"/> Vodite

Lokales Intranet

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Production

Your production department will automatically adjust production levels up to 20% (+ or -) against your plan.

(assuming zero inventory level)

Market Demand

Inventory build-up

Lost sales

Number of Units

Production

QP (1-20%)

QP

QP (1+20%)

Requested production level

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

31/33

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Comparison of purchase intent with market share can give you a feel for the size of "lost sales"

Purchase Intention

-

Market Share

≈

Lost Sales

↑

competitors

"order-book"

?

lost to industry

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997

ITF INSTITUT FÜR TOURISMUS UND FREIZEITWIRTSCHAFT

Pricing in MARKSTRAT is fixed once a year

Recommended Retail Price = \$ 100

	Specialty Stores	Department Stores	Mass Merchandisers
Average Retail Price	\$ 100	\$ 100	\$ 90
Distribution Margin	\$ 40	\$ 30	\$ 27
Average Selling Price	\$ 60	\$ 70	\$ 63

Vgl. <http://www.markstrat.com> und Larréché/Gatignon: Markstrat 3, 1997