



**Marketing Management Laboratory
BBUS 438**

Dr. P.V. (Sundar) Balakrishnan
BUSINESS ADMINISTRATION PROGRAM

UNIVERSITY OF WASHINGTON
BOHELL

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THE MARKETING GAME!

An Introduction to TMG!

By

Dr. P.V. (Sundar) Balakrishnan
BUSINESS ADMINISTRATION PROGRAM

Objectives Served by TMG!

- To develop skills in identifying marketing opportunities - encompass knowledge of and the **ability to apply** key marketing frameworks and tools for analyzing customers, competition, and marketing strengths and weaknesses.
- To develop insights about creative selection of target markets and making **integrative strategy decisions** concerning product, price, promotion, place and the needs of a target market.
- To develop skills in **marketing analysis**.
- To provide meaningful, practical experience in translating qualitative and quantitative analysis into conclusions about **profitable marketing strategies** and programs.

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THE MARKETING GAME!

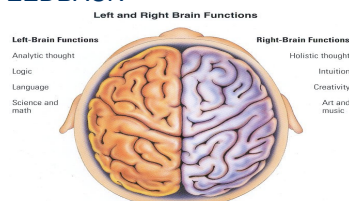
- Intense Competition - a Sports Metaphor.
- **Sports** have five essential elements: players, tools, grounds, scoring systems, and umpires.
- In **Business**:
 - The players are competitors
 - Marketing mix, factories and distribution systems are the tools
 - Markets are the grounds on which you play
 - Share prices and market shares are the scoring systems
 - Regulators are the umpires

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OVERVIEW

- FOCUS ON STRATEGIC ISSUES
- FOCUS ON MARKETING PLANNING
- COMPETITIVE ENVIRONMENT
- RAPID FEEDBACK

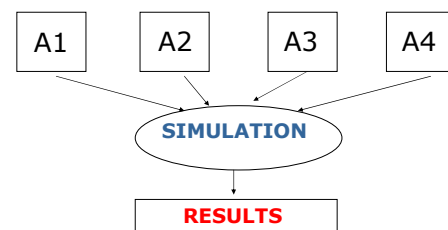


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Four to Tango

Submit Decisions on Time:



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THE PROCESS

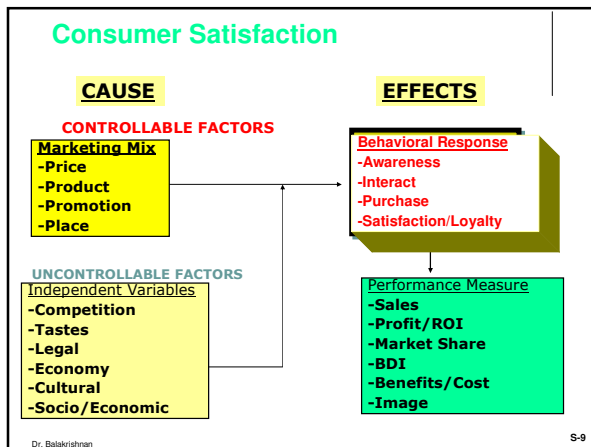
- Analyze Company Results
- Strategy, Planning and Budgeting
- Marketing Plan DECISIONS!!!
- Turn in Decision File:
 - Submit Electronically on Tuesday**
 - Send Email
 - w/ password, telephone # confirming submission
 - CC all group members
- THE MARKETING GAME! Simulation
- Company Reports Returned to Firms
 - Posted on my Web Server on Thursday**

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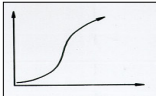
Mr. Walton's Numbers

- "We had numbers to hit. Mr. Walton was a numbers man. If he called you at eight A.M. on Saturday, you better know your sales for the week, by day. And you by damn better know what your payroll [cost] was, by percentage sales."
 - Larry English
 - "The Wal-Mart Effect" by Charles Fishman, 2006
- Your Role: It is 2 A.M. Do you know your numbers?
- My Role: "The Prez"

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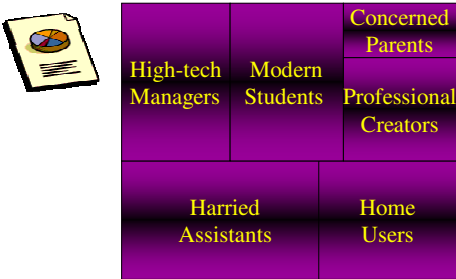


INDUSTRY ENVIRONMENT

- Market Growth 
- Technological Environment
 - No Major Innovations Expected
 - Yearly Revision Cycle
- Competitive Environment
 - Type of Competition Depends on Firms Decisions

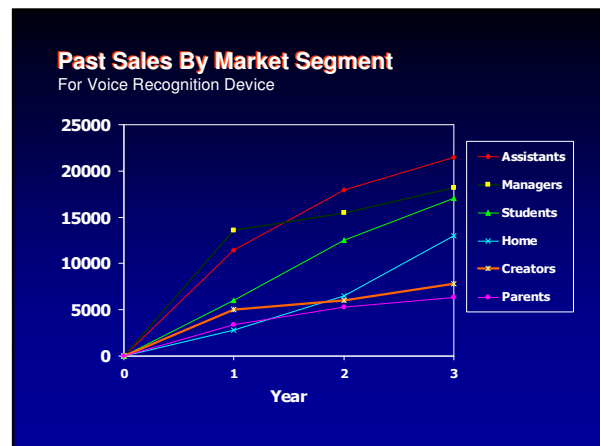
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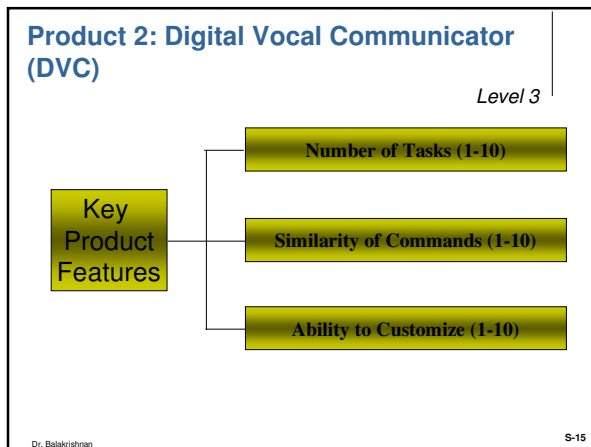
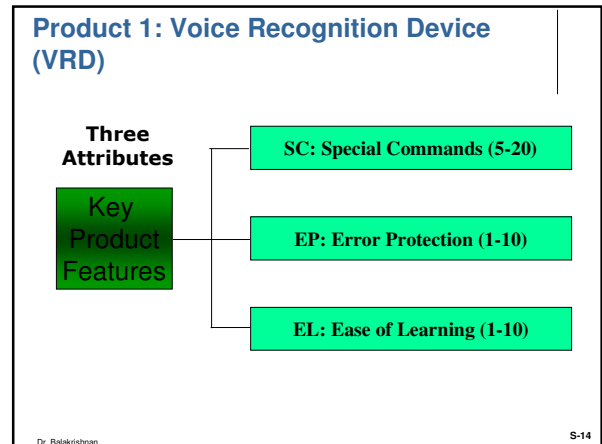
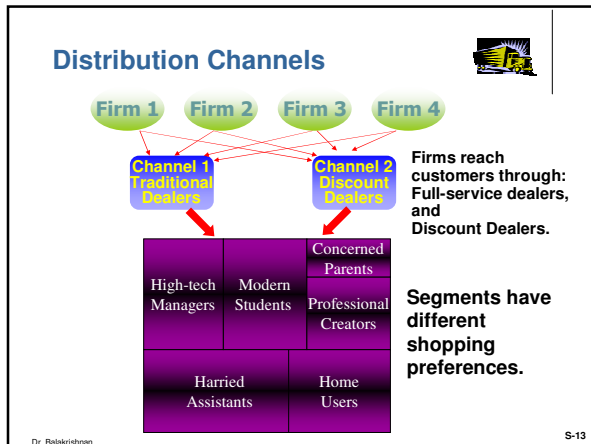
Six Key Product-Market Segments



Segments have different needs, preferences, situations, sizes, growth rates.

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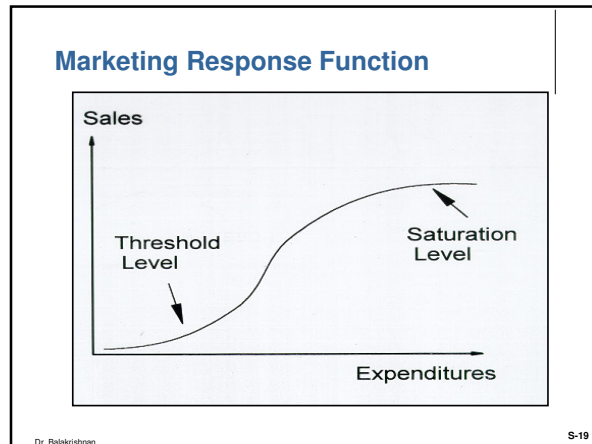




- ### Types of Advertising
- Pioneering
 - Direct Competitive
 - Indirect Competitive
 - Reminder
 - Corporate (Institutional)
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- ### Expanded Marketing Responsibilities
- **PRODUCT** Features (Product Modifications)
 - **PRICE** Wholesale Price in Each Channel
 - **PLACE** Distribution Intensity in each Channel
 - **PROMOTION**
 - Advertising \$ Spending/ Type
 - Selling Number of Sales Reps in each Channel
Percent Non-Selling Time
Commission Rate
 - Sales Promotion \$ Spending per Channel
 - **CUSTOMER SERVICE** \$ Spending
 - **MARKET RESEARCH** 7 Reports May be Purchased
 - **PRODUCTION** Number of Units
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- ### Budget Items
- R&D Product Modification Costs
 - Sales Force Salaries, Severance Pay
 - Advertising Expense
 - Customer Service Expense
 - Sales Promotion Expense
 - Market Research Reports Expense
- Quiz: BUDGET FOR FIRST PERIOD: ???**
•\$984K
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Computing Prices

- **Computing Retail Prices from Wholesale Prices:**

Formula: $\text{Expected Retail Price} = \frac{\text{Wholesale Price}}{1 - \% \text{ Markup}}$

Example: Wholesale price = \$105

Channel 1 Retail Price = $\frac{\$105}{1 - .50} = \210.00

Channel 2 Retail Price = $\frac{\$105}{1 - .35} = \161.54

Computing Prices

- **Computing Wholesale Prices from Desired Retail Prices:**

Formula: $\text{Wholesale Price} = \text{Retail Price} (1 - \% \text{ Markup})$

Example: Desired Retail Price = \$190

Channel 1 Wholesale Price = $\$190 (1 - .50) = \95.00

Channel 2 Wholesale Price = $\$190 (1 - .35) = \123.50

Retail Prices Charged Final Consumers

The retail price set by a dealer depends on :

- The wholesale price in the dealer's channel
- The customary markup used in the channel
- The portion of any sales promotion "deals" that the dealer passes along to consumers as a price reduction

A "Good" Wholesale Price

- Should cover the unit cost of the produce (given its features)
- Result in a profit margin that will contribute to other expenses and profit
 - 54° 40' or Fight! The HP Way.
 - 1844 Slogan in Pacific NW.
- Result in a retail price that will appeal to target consumers

Computing Costs of R & D for Product Modifications

Feature	Cost to Decrease	Cost to Increase
Special Commands (5-20)	\$0	\$8,000 x (change) x (change)
Error Protection (1-10)	\$0	\$5,000 x (change) x (change)
Ease of Learning (1-10)	\$3,000 x change	\$3,000 x (change) x (change)

R&D for Product Modifications: Computing Costs

Feature	Cost to Decrease	Cost to Increase
Special Commands (5-20)	\$0	\$8,000*(change) ²
Error Protection (1-10)	\$0	\$5,000*(change) ²
Ease of Learning (1-10)	\$3,000*change	\$3,000*(change) ²

Example				
Feature	Last period's product	This period's product	Change	Cost to Change
Special Commands	6	8	+2	\$8,000*2 ² =\$32,000
Error Protection	4	3	-1	\$0
Ease of Learning	3	5	+2	\$3,000*2 ² =\$12,000
Total modification costs:				\$44,000

Note: R&D for product changes is more expensive if you have to make big changes in a short period of time...

Computing Costs of R&D for Product Modifications

Example

Old Brand	New Brand	Change	Cost
6	8	+2	\$8,000 x 2 x 2 = \$32,000
4	3	-1	\$0
3	5	+2	\$3,000 x 2 x 2 = \$12,000
			<u>\$44,000</u>

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Production Economies of Scale

// the president decides to invest in new equipment, unit production costs will decline as cumulative production increases:

Competitor Analysis

- Estimate Competitor's Net Contribution
- Analyze Past Strategies / Likely Strategies
- Positioning and Target Segments

		Firms			
		1	2	3	4
Segments	1	X			
	2	?			X
	3		X		
	4			?	
	5			X	
	6				?

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TMGPlan Software

Easy to use for preparing and evaluating plans, managing reports

Submitting Marketing Plans

- Submitting marketing plans decisions
 - Policy on electronic file
- Each firm has a distinct industry and firm identification
 - Need to keep it straight!
- Passwords and the TMGPlan software
 - Remember password used to create Plan
 - It is case sensitive (upper and lower case make a difference) – email me with group membership.
 - Best to stick to one password!

DECISION FORM LEVEL 1

Industry: _____ Firm: _____ Period: _____

Channel 1 Channel 2

Number of Sales Reps: _____ _____
 Distribution Intensity: _____ _____

Customer Service: _____

Brand Name: _____

Brand Features: _____

Number of Special Commands (5-20): _____

Error Protection (1-10): _____

Ease of Learning (1-10): _____

Production Order Quantity: _____

Advertising Dollars: _____

Wholesale Price: _____

Marketing Research Reports (Y/N): 1 2 3 4 5 6

Check here if exceptional items are noted on back of form:

BUDGET PLANNING FORM 1

Financial Summary / Pro Forma

Industry: _____ Firm: _____ Period: _____ Brandname: _____

	Channel 1	Channel 2	Total
1. Estimated Units Sold:	_____	_____	_____
2. Wholesale Price:	_____	_____	_____
3. Base Unit Cost:	_____	_____	_____
4. Gross Sales (#1 x #2)	_____	_____	_____
5. Cost of Goods Sold (#1 x #3)	_____	_____	_____
6. Gross Margin (#4 - #5)	_____	_____	_____

BUDGET PLANNING FORM 2

Expenses:

7. Advertising:	_____	_____	_____
8. Sales Force Salary:	_____	_____	_____
9. Sales Force Firing Costs:	_____	_____	_____
10. Sales Force Commission:	_____	_____	_____
11. Customer Service:	_____	_____	_____
12. Sales Promotion:	_____	_____	_____
13. R & D for Product Modification	_____	_____	_____
14. Marketing Research:	_____	_____	_____
15. TOTAL EXPENSES (sum of #7 - #14):	_____	_____	_____
16. Net Contribution to Profit or Loss (#6 - #15):	_____	_____	_____
17. Total Spending against Budget (#15 - #10):	_____	_____	_____

Industry Sales Report

Brand	Unit Sales	Market Share (Units)	\$ Sales (retail)	Market Share (\$ Sales)
Firm 1	25,151	0.250	\$4,292,964	0.250
Firm 2	25,151	0.250	\$4,292,964	0.250
Firm 3	25,151	0.250	\$4,292,964	0.250
Firm 4	25,151	0.250	\$4,292,964	0.250
Total	100,604		\$17,171,854	

Channel	Unit Sales	\$ Sales
1	56,296	\$10,696,240
2	44,308	\$6,475,614

Product Features & Prices Report

Multimedia Software	Special Commands	Error Protection	Ease of Learning	Retail Price Channel 1	Retail Price Channel 2
Firm 1	8	3	3	\$190.00	\$146.15
Firm 2	8	3	3	\$190.00	\$146.15
Firm 3	8	3	3	\$190.00	\$146.15
Firm 4	8	3	3	\$190.00	\$146.15

Market Activity Report - Level 2 -

	Firm 1	Firm 2	Firm 3	Firm 4
Adv. Dollars	\$250,000	\$250,000	\$250,000	\$250,000
Adv. Type				
Sales Promotion				
Channel 1	\$0	\$0	\$0	\$0
Channel 2	\$0	\$0	\$0	\$0
No. Sales Reps				
Channel 1	10	10	10	10
Channel 2	10	10	10	10
Commission	5%	5%	5%	5%
Customer Service	\$92,500	\$92,500	\$92,500	\$92,500

Market Share by Segment

Brand	Segment					
	1	2	3	4	5	6
Firm 1	0.250	0.250	0.250	0.250	0.250	0.250
Firm 2	0.250	0.250	0.250	0.250	0.250	0.250
Firm 3	0.250	0.250	0.250	0.250	0.250	0.250
Firm 4	0.250	0.250	0.250	0.250	0.250	0.250
Total Sales (units)	20,028	15,084	25,104	10,240	22,056	8,092

**Who's selling to who?
Who's buying what?
What is each firm achieving?
Which segments are buying?**

Market Share by Channel

Brand	Channel 1	Channel 2
	Firm 1	0.250
Firm 2	0.250	0.250
Firm 3	0.250	0.250
Firm 4	0.250	0.250
Total Sales (in units)	56,296	44,308

**Who's selling where?
Who's buying what?**

Consumer Preference Study

Segment	Special Commands	Error Protection	Ease of Learning	Price Range
Students	10-13	2-4	1-3	low
Home Assistants	7-10	2-4	6-8	low
Managers	10-13	6-8	6-8	high
Parents	12-15	2-4	4-6	high
	13-16	6-8	2-4	high
	5-8	2-4	7-9	low

**What kind of product would a segment prefer?
What reference price seems typical for the segment?
How are segments similar and different?**

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Report 3: Average Customer Preference

Segment	Special Commands	Error Protection	Ease of Learning	Approximate Price Range
Students	9.1	3.0	2.7	\$129.00 - \$159.00
Home Assistants	8.3	4.3	7.2	\$140.00 - \$177.50
Managers	12.4	6.0	8.9	\$206.00 - \$266.00
Artists	16.1	2.7	4.2	\$226.00 - \$286.00
Parents	15.7	6.1	3.7	\$246.00 - \$321.00
	4.7	3.3	8.9	\$151.43 - \$194.29

Marketing Effectiveness Report

	Index	# of Competitors with lower Index	# of Competitors with lower Index
Brand Awareness	0.550	0	3
Customer Service			
Consumer Group Rating	100%		
Industry Average Rating	100%		
Channel 1			
Sales Rep Workload	100%		
Dealer Satisfaction	1.00	0	3
Channel Strength ("Push")	.500	0	3
Channel 2			
Sales Rep Workload	100%		
Dealer Satisfaction	1.00	0	3
Channel Strength ("Push")	.500	0	3

Detailed Sales Analysis

Firm	Segment					
	1	2	3	4	5	6
Channel 1 1,086	896	1,109	5,602	1,808	4,363	
Channel 2 1,074	5,269	3,337	1,396	1,196	1,865	

**Unit Sales by segment and Channel
Are you reaching your target?**

Customer Shopping Habits

Segment	Percent of Shopping in Channel 1	Percent of Shopping in Channel 2
Students	?	?
Home	?	?
Assistants	?	?
Artists	?	?
Managers	?	?
Parents	?	?

- Where are our customers shopping?
- How do we deploy our Salesforce?

Product Positioning Report

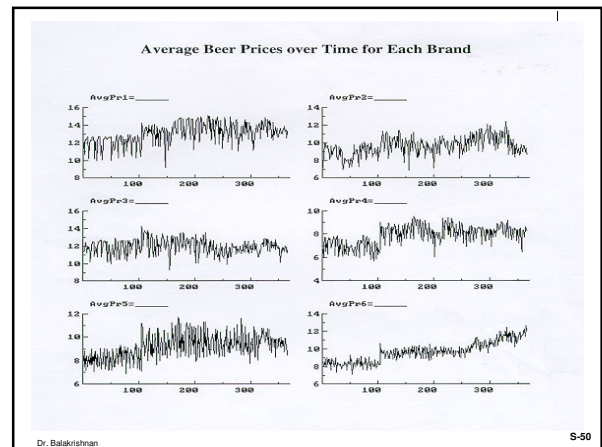
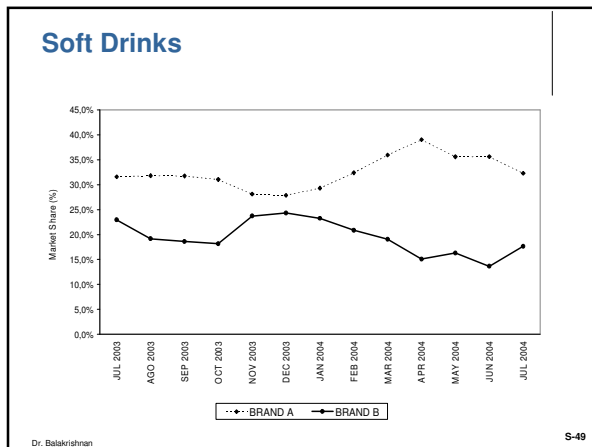
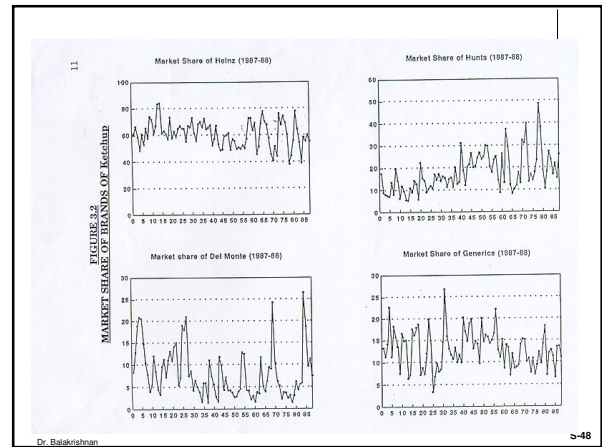
Brand	Segment					
	1	2	3	4	5	6
Firm 1	?	?	?	?	?	?
Firm 2	?	?	?	?	?	?
Firm 3	?	?	?	?	?	?
Firm 4	?	?	?	?	?	?

Which brands are closest to which segments?
Which segments have no close brands?

Example: Product Positioning Report

"Distances" (excluding price) to Segment Ideal or Preferred Product
 (Lower numbers are closer to ideal than higher numbers)

Brand	Students	Home	Assistants	Artists	Managers	Parents
MEDIA MATE	1.8	6.4	18.7	11.9	22.6	14.8
BRITEWRITE	1.4	7.3	13.3	8.9	15.4	15.1
BUSHI	1.4	7.3	13.3	8.9	15.4	15.1
MEDIA MAGI	2.0	6.9	14.7	12.0	20.5	15.0



Suggestions, Guidelines

- Develop a spreadsheet tracker
- Make sure of your submission
 - No Redo's
- Failure is a good teacher
- Business Law and Ethics
- **LBE to win**
 - Live, Breath, Eat

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Broad Objectives

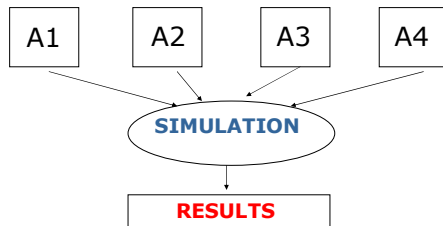
- To Develop the business
 - **Mission/Vision Statement**
- Grow and run the business:
 - **Adapt to changes in the environment by monitoring:**
 - changes in customer needs
 - changes in competition
 - changes in the company's own skills / resources
 - **looking for Opportunities & Threats that arise from these changes**
 - **initiate Tactical actions that "fit" the company's offering to these opportunities / threats.**

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Four to Tango

Submit Decisions on Time:



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