

Final Report

[Group 24]

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Marketing Simulation

Telfer School of Management

University of Ottawa

[Group 24]: Final Report

1. Overall Outcome

Before this simulation started, we selected the outdoor user as our targeted segment, and we made our Strategic Marketing Plan focus on five main areas:

1. Product Quality: By cooperating with high-quality suppliers, to produce durable, functional and stylish backpacks.
2. Marketing Research: Through a variety of survey methods, to determine the outdoor user's demand for products.
3. Continuous Improvement: Through continuous product testing and user feedback, we further design our products to meet customer needs.
4. Brand Identity: Focus on brand building, establishing a strong brand identity and reputation for different fields.
5. Market Expansion: Keep developing and expanding our goals, exploiting the market share and reach of the business in both domestic and international markets after gaining a certain market share.

Overall, by implementing those plans efficiently, we have achieved great success in our simulation. our group has achieved first place in the six groups in the part of Net Profit, Marketing Share and Revenue. our total net profit is 19,611.80, total revenue is 100,329.80, and total marketing share is 27%. Those data can prove that we have rationally planned resources, designed excellent products, used effective marketing plans to sell products, and finally achieved remarkable results in the entire market. Moreover, in the field of customer satisfaction, we received 38%-40% of the customer satisfaction rate, and it didn't fluctuate much from turn to turn, which proved that we maintained the quality of our products stable.

On the other hand, in terms of return on marketing, we were not at our best. We did great on return on marketing in the first turn, but in later turns, we failed to go further and use richer marketing tools like different advertisements, so we didn't get the best results.

	Units Sold	Market Share	Revenue \$	Revenue Rank	Profit\$	Profit Rank	Return on Marketing	Customer Satisfaction
T1	228	34%	\$18827	1	\$7566.60	1	756%	38%
T2	122	19%	\$10438	3	\$947.70	3	23%	38%
T3	199	31%	\$17017	1	\$4054.00	1	155%	38%
T4	203	26%	\$16775	1	\$714.20	3	20%	39%
T5	203	24%	\$17311	1	\$3499.80	2	107%	40%
T6	244	28%	\$19963	1	\$2829.50	3	63%	39%

2. Turn Analysis Overview

Throughout the simulation, our decisions at each turn were based on the market feedback from the previous turns and the behaviour of our competitors. On the basis of selecting outdoor enthusiasts as the target segment, we continuously improve our product and use a variety of marketing strategies to achieve better marketing performance.

Major Turn Decisions

T1: In order to meet the picky requirements of outdoor enthusiasts and become the market leader, we decided to adopt a premium product strategy from the beginning. Through our marketing research, the

two main features that outdoor enthusiasts care about are capacity and waterproofing, so on these two features, we build our products to be impeccable. First, we adopted the Large Rectangular Model on our backpack to make its capability significant, but it also makes the bag a little bulky. To achieve the balance between capability and comfort, we use the Wide Padded as the backpack strap. Then, to meet consumer demand for waterproof performance, we use the Advance material for our backpack to maximize the waterproofing and durability features for the backpack. After building the basic form of the backpack, we adopt the Water Bottle and Waterproofing as extra features for our backpack to improve the capacity and waterproofing further. After finishing the product design, the production cost came to \$45, after considering both marketing and distribution costs, we decided to price the product at \$130. Although a little radical, it will allow us to distribute to more distributors and guarantee a certain profit margin. So, we added distribution deals with High End Outdoor, Online Discount Retailer, Department Store and Fashion Boutique; among them, we regard High End Outdoor as the main distributor. In the end, because we spend most of our expenses on product design, so on the aspect of marketing strategies, we decided to keep it simple to save cost. For the advisement, we only use Newspaper at frequency 1x to give the product a little publicity. Moreover, we used the positioning of Peak Performance to attract outdoor enthusiasts. By the end of this turn, Our results are impressive. We sold 228 products and earned a \$7566.60 net profit. The return on marketing achieves a staggering 756%.

T2: Due to the excellent performance in the first turn, we didn't make many changes in the second turn. After rewarding profit from turn 1, we decided to add Wilderness Cable Network at frequency 1x for our advertising to extend the market. On the other hand, after analyzing the distribution results of the first round, we have decided to cancel the distribution deal with Fashion Boutique. The reason is the high cost of the branch school and the lack of overlap with our target segment. However, by the end of the turn, due to the improved performance of our competitors, our sales dropped to 122 and our net profit dropped to \$947.70. Meanwhile, due to the decline in sales and the increase in advertising investment, our return on marketing decreased to 23%.

T3: Due to the poor performance in the last turn, we decided to try some new changes in this turn. At first, we completely negated what we did in the last round, that is, removed the advertising for Wilderness Cable Network and added the distribution of Fashion Boutique back. Then, to further improve the product, we replaced the backpack straps Wide Padded with Advanced Support to improve comfort and durability. For the distributor, to further attract consumers, we started sales promotion and MDF spending with High End Outdoor, which is our largest distributor, accounting for 55 percent of our total sales. After a series of improvements, our sales went back to 199 and got \$4054.00 in net profit. Meanwhile, the return on marketing achieved 155%

T4: After a good performance in the third round, we continued to implement the same strategy in the fourth round, which was to improve the product and marketing strategy. On the aspect of product, we added the Solar Device for our backpack, to further meet the requirements of outdoor enthusiasts. On the aspect of marketing, we added Outdoor Adventure Magazine at a frequency 1x for advertising, and we started a sales promotion with Online Discount Retailer. Through these means, we hope to further increase sales and return on marketing. However, by the end of the turn, even our sales had improved a little to 203, but because of the cost of advertising and promotion, our net profit decreased to 714.20\$, and as a result, the return on marketing fell to 20%.

T5: In this turn, we decided to slightly modify our strategy to attract some commuter customers while maintaining stability. So after we removed the solar device and the advertising for Outdoor Adventure Magazine from the previous round, we added Professional, which is the most valued trait in commuter servants, as our positioning. Moreover, we added Financial Journal at frequency 1x for advertising, to attract more commuter customers to know our product. By the end of the turn, even though our sales maintained at 203, our net profit increased to \$3,499.80, and the return on marketing increased to 107%.

T6: In the last turn, we want to increase sales through a series of marketing activities at the end. At first, we decrease of price from \$130 to \$125. Then, we changed the advertising frequency to 2x for the Financial Journal. After lowering prices and increasing publicity, we started sales promotion with Department Store and Online Discount Retailer. Finally, in order to make consumers feel fresh, we recolored our backpack from black to red. By the end, our sales came to 244 and earned \$2829.50 net profit, meanwhile, the return on marketing was 63%.

3. Target Market

Our target market strategy revolves around catering to the needs of active individuals who enjoy outdoor activities such as sports, hiking, and camping. We aim to penetrate this market by offering high-quality, durable backpacks tailored to their specific demands. Our backpacks feature advanced support straps with load-filters and adjustable waist belt with mesh airflow padding for maximum support and load packaging, durable synthetic fibre with a polyurethane coating for enhanced weatherproofing and a lightweight design suitable for extended use. Recognizing the importance of price sensitivity, we provide competitive pricing that accurately reflects the quality of our products. Additionally, our backpacks include unique features such as water bottle, water-resistant materials, and compatibility to meet the varied needs of our customer base. Our goal is to become the go-to brand for adventurers seeking reliable equipment that complements their outdoor lifestyle. Based on our product design we decided to stick with outdoor enthusiasts without considering any other market segment, our initial market plan segment considered both outdoor enthusiast and university students but due to the market prices we focused only on outdoor enthusiast

Our backpacks are carefully designed to meet the needs of outdoor enthusiasts, focusing on comfort, eco-friendliness, and durability. They boast streamlined designs to reduce bulk while maximizing storage space, padded and adjustable straps for comfort, and premium materials like reinforced synthetic fibre with polyurethane coating for waterproofing. We've priced our backpacks as premium products, starting at \$130 and decreasing to \$125. This reflects the quality of materials and construction that goes into the designs of the bags. We emphasize premium components like strong textiles and weather-resistant finishes to justify this pricing. To incentivize purchases, we employ tactics such as time-limited discounts, bundle offers, and loyalty programs to generate urgency and foster brand loyalty.

In terms of promotion, we utilize integrated communications to reach our target market through printing financial journals, newspapers, social media, and national networks. But we noticed the cost of promotion was too high and it was affecting our profit, so we cut our media campaign to just financial journals and newspapers. Additionally, we employ promotion strategies like time-limited discounts and package deals to drive sales during key periods such as back-to-school season and holidays.

Overall, our goal is to establish our bag as a leader in the outdoor market by offering high-quality backpacks tailored to our target market's needs. We achieve this through competitive pricing, efficient distribution, and effective promotion strategies.

Targeted Segments

T1: Outdoor Enthusiasts

T2: Outdoor Enthusiasts

T3: Outdoor Enthusiasts

T4: Outdoor Enthusiasts

T5: Outdoor Enthusiasts

T6: Outdoor Enthusiasts

4. Marketing Mix

Our main marketing goal was to design a backpack that was specifically made for outdoor enthusiasts, so that it would be useful and appealing in challenging conditions. During the design process, we made sure that there was enough storage space for outdoor equipment, that have features like a water bottle holder which were integrated for the convenience of travellers, and the product was accurately waterproof to withstand weather fluctuations. In addition, we made it a priority to improve the backpack's reliability and the lifespan in demanding outdoor conditions by combining strong synthetic fibres with polyurethane coatings. The foundation of our product's attractiveness to our target demographic is its basic features and design components, which we identified early in our marketing plan and stuck with throughout our marketing simulations.

When deciding our pricing strategies for our backpack based on our initial target audience, we considered university students and outdoor enthusiasts, but we noticed for us to make enough profits and reach most distribution channels we would have to keep the price high, which was set to \$130. We only changed our pricing strategy once during the simulation, bringing the price down from \$130 to \$125 in the last turn. The observed growth of our rivals and changes in their marketing tactics, which had a big impact on market dynamics, had an impact on this choice. We were able to determine the need for adaptation by carefully examining their market share influence and gross profit. In the final simulation, we found that lowering our prices was beneficial, as seen by the significant improvements in gross profit, net profit, and market shares.

Based on place plan strategy we decided to use distribution centers which were able sell our products at the initial high prices we set, which were online discount retailers, department store, high-end outdoor and fashion boutique. While these channels generated a lot of revenue for us, we still decided to invest in market development funds which contributed to the expansion of our market shares.

The "Peak Performance" and "Professional" aspects of our backpack were the main messaging features we focused on with our target customers. This improved our competitiveness to about 95%, with 80% clarity and a marginal improvement in consistency. We started out using newspapers as our primary advertising channel, but as the simulated quarters progressed, we expanded our strategy to include financial journals, outdoor adventure publications, and wilderness cable. But even with these extra promotional expenditures, we saw very little change in quarterly sales and a great drop in both our gross profit and net profit. As a result, we switched back to concentrating on newspaper and financial journal promotions, which by the end of the simulation turned out to be very advantageous.

Initial Marketing Mix

Product: Premium backpack for outdoor enthusiast (features include tan colour, wide padded, water bottle, waterproofing, large rectangular base)

Price: \$130.00

Place: Online Discount Retailer, Department Store, High-End outdoor, Fashion Boutique

Promotion: Newspaper

Final Marketing Mix

Product: Premium backpack for outdoor enthusiast (features include: red colour, advanced support, water bottle, waterproofing, large rectangular base)

Price: \$125

Place: Online Discount Retailer, Department Store, High-End outdoor, Fashion Boutique

Promotion: Newspaper, Financial Journal

5. Competitive Analysis

The key decisions made in turn one can be understood through the differentiation strategy by understanding competitors position and product marketing based on durability and capacity waterproof features. These main features were targeted because it was noticed most of our competitors weaknesses lacked durability, capacity and waterproof features. According to our analysis we believed the combination of the features as the concept of our backpack would bring profitability. Unlike our competitors, our company had the highest price value for our product. This is because of the perceived value in which we view our product, we believe that the unique features and design element justify the price point and attract customers who are willing to pay for those distinguishing factors.

In the second turn, our team increases media spending on digital transformation on advertising platforms to adapt to changing consumer behaviours to match the functions of our product to the given demographic. This decision was made to reach the desired audience effectively. As a result advertising through wilderness cable networks attracts our desired target audience, the outdoor population.

At turn three several drastic changes were made towards production. After turning down wilderness cable network from its advertising network, major changes such as the distribution deal with fashion boutique, sales promotion with Direct and high end outdoor and MDF spending with high end outdoor were initiated. This was done due to the growing competition of increasing consumer demand among the market. After suspecting that our competitors could be susceptible to attracting new customers through sales promotion and distribution deals, a decision was made strike a deal with fashion boutique to attract a larger consumer audience.

MDF funding and sales promotion were particularly initiated towards high end outdoor in order to stimulate demand, attract a larger population and increase sales volume. At decision 4 concerns began to raise question on the features of our product, this is due to the decreasing customer satisfaction and profit among the key performance indicators. We began to regroup going back to our specific targeted population. Our organization began noticing our competitors began adding features to their products to make the product more appealing. This allowed us to be more innovative by creating a solar panel to appeal to the needs of our customers.

At turn 5 our market target begins to switch from outdoor to more professionalism. The professional incorporation into our products message imply a focus on professionalism, expertise, and targeting a professional audience among the segment. The decision to include the financial journal in this publication is due to possible target audiences interested in financial news or topics.

At turn 6, we began to reduce the price of our product from \$130.00 to \$125.00. This pricing adjustment is aimed at making the product more competitive and attract customers to potentially stimulate sales and remain competitive in the market. The advertising frequency for the Financial Journal has been increased from 1x to 2x. This indicates a decision to amplify our advertising efforts in this publication, due to its effectiveness in reaching the target audience or achieving marketing objectives. Our company also initiated a sales promotion with a Department Store. This a strategic partnership aimed at driving sales through the Department Store's channels, potentially reaching a broader customer base. In addition to the promotion with the Department Store, our company also starts a sales promotion with an Online Discount Retailer. This indicates a multi-channel approach to sales promotion, leveraging the reach and customer base of online platforms.

6. Lessons Learned

Target Market:

Major strengths of our company include the ability to adapt to changing market conditions to attract a larger consumer base and strategic pricing to maximize revenue and profitability. This is evident in the marketing decisions made over the turn which include multiple deals, features, advertising strategy and price influence. By identifying opportunities and challenges, our company was able to adjust our price strategies as needed, and capitalize on emerging trends to drive profitability. Our company also

maintained strong financial stability as final balance shows we obtained the most amount of profit from our competitors.

Marketing Mix

Product- Although we obtained the most amount of profit are company found it hard to appease consumers and appeal to consumer satisfaction. This is as a result of product features of the bag. If our product included better features which improved safety and comfort there would have been satisfaction among our consumers. In other words theres a growing sense among the group to implement better features to our product to improve customer comfortability and safety.

Place- In addition to that, market positioning was not consistent enough due to poor messaging characteristics which made it harder to address the pain of our consumers. If we had to play again, our company would definitely choose to target commuters and focus on advertising deals and distributions in order to improve our message toward our targeted segment, commuters. This is better in order to save costs and maximize profit. The message of our product is based more on professionalism because the goal of our company is to create a professional bag suitable to travel with within work and home.

Pricing and Promotion- Our team would decide to to still maintain the same price level of \$130 however pricing level strategy may change due to competition. Instead of high-end outdoor abd discount retail chains as a source of promotion, our company would switch to other methods such as online discount retailers, direct, department stores and fashion boutiques. This is because these sources allow for our company's required pricing range.

Appendices

Figure 1. Cumulative Statistics

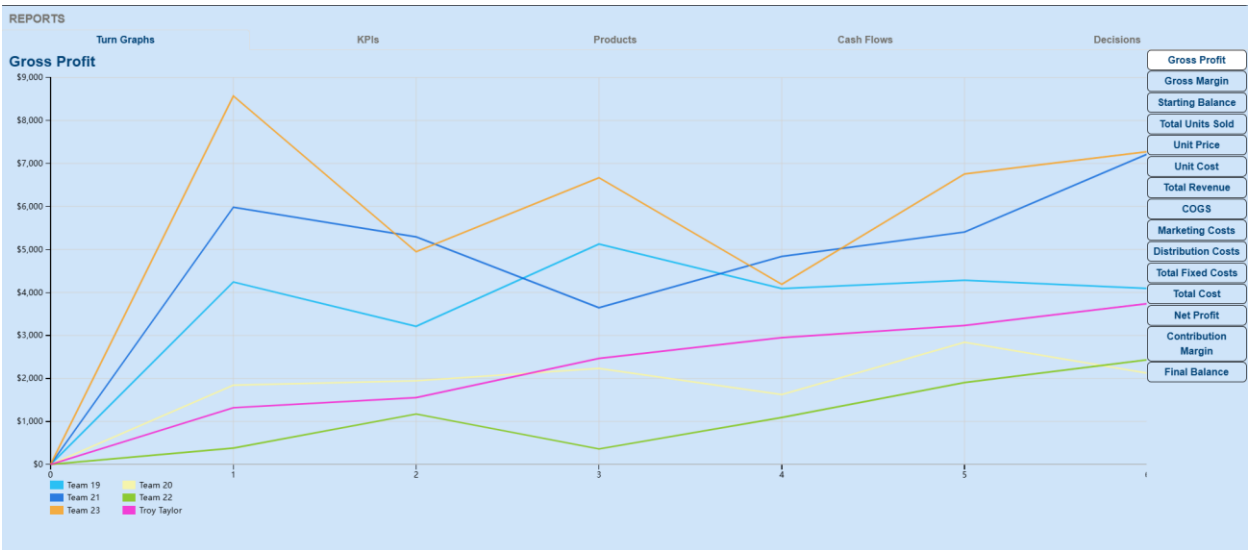


Figure 2. Gross Profit

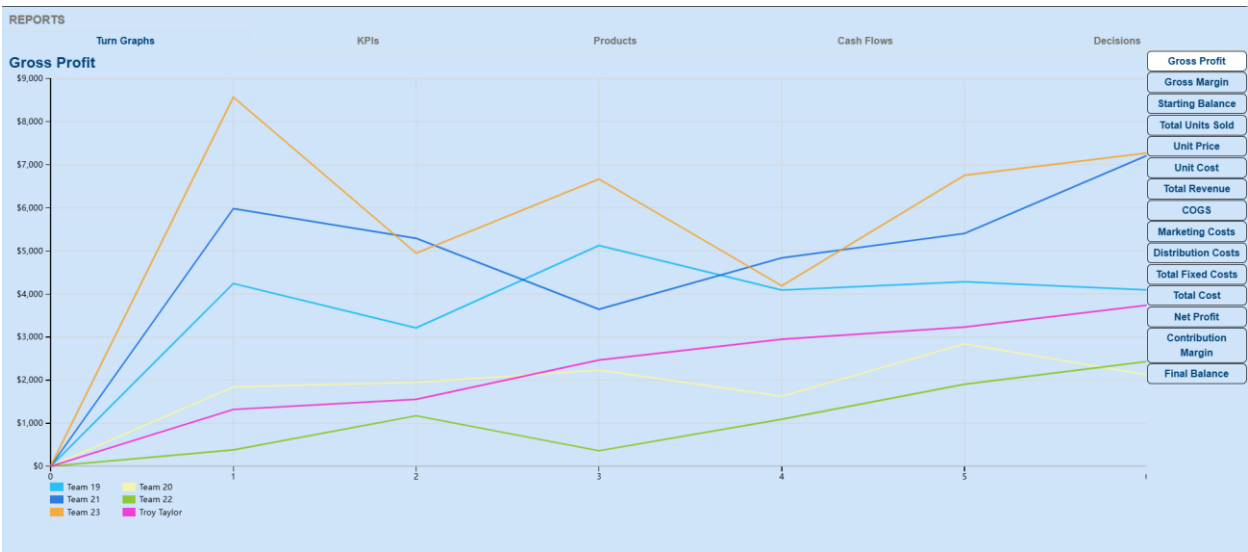


Figure 3. Net Profit



Figure 4. KPI Report

REPORTS

Turn Graphs

KPIs

Products

Cash Flows

Decisions

Key Performance Indicators: Turn 1

Turn 1

Corporations	Team 19	Team 20	Team 21	Team 22	Team 23	Troy Taylor
Target Segment	Outdoor Enthusiasts	Luxury Trendfollowers	University Students	Luxury Trendfollowers	Outdoor Enthusiasts	School Children
Characteristics Score	94	98	74	98	94	77
Features Score	77	18	0	62	68	31
Average Appeal Score	86	58	37	80	81	54
Price Score	3	4	3	4	3	4
Message Score	8	12	15	0	8	10
Interest Level	19	18	20	18	18	18
Media Spending	\$5,000.00	\$750.00	\$2,400.00	\$2,850.00	\$1,000.00	\$900.00
Average Margin	\$41.00	\$32.33	\$17.06	\$10.00	\$41.32	\$10.50
Distributor Deficit	False	False	False	False	False	False
Profit	\$-756.00	\$1,094.75	\$3,582.00	\$-2,470.00	\$7,566.60	\$420.00
Profit Rank	5	3	2	6	1	4
Market Share	20%	9%	23%	4%	34%	10%
Market Share Rank	3	5	2	6	1	4
Largest Distributor	True	True	True	True	True	True
Product Satisfaction	58%	40%	25%	54%	55%	37%
Customer Satisfaction	40%	30%	22%	36%	38%	28%
Return on Marketing	-15%	145%	149%	-86%	756%	46%