



INTERNATIONAL
BUSINESS SCHOOL

MIB Decision-Making and Analytical Skills

Home Assignment

Decision Making Simulation

Blue Detergent Company

Student: Soheil Raeisi

Seminar leader: Zombor Berezvai

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Contents

| | |
|-------------------------------------|----------|
| Introduction..... | 2 |
| Current Status Summary | 2 |
| Strategy | 3 |
| Decision 1 – 2019 | 3 |
| Decision 2 – 2020 | 4 |
| Decision 3 – 2021 | 5 |
| Decision 4 – 2022 | 5 |
| Conclusion | 6 |

Introduction

Kelsey-White (k-w), is an American multinational consumer goods company, globally known, manufacture and sold a number of consumer packaged goods around the world. The one which is going to be analyzed is laundry detergent brand called Blue which possess 3 different formulation, namely liquid, powder and single-use pods. The product, in the previous years has been placed in a completely competitive market and despite not being on the top of the market, it has been steadily profitable.

Personally, as a new manager of the brand, I have been tasked to implement precise analysis according to the information provided by IT organization at K-W and make proper decisions for the upcoming 4 years in purpose of optimizing the profit of the detergent segment of the company.

Current Status Summary

Today, 11 percent of whole market shares belongs to Blue detergent which defines the manufacturer as the smallest in the market. In the previous years, company has made 225.3 million dollars revenue with expending 187.5 that leads to approximately 37.8 million dollars profit which is considerably lower than two dominant company, Turbo and Fresh, however takes the third place in the whole market in terms of profitability.

| Income Statement (in \$US) | | | | |
|-----------------------------|----------|----------|----------|----------|
| | 2015 | 2016 | 2017 | 2018 |
| Revenue | \$178.2M | \$179.7M | \$196.7M | \$225.3M |
| Costs | | | | |
| Variable Costs | \$53.5M | \$53.9M | \$59.0M | \$67.6M |
| Fixed Costs | \$87.0M | \$87.0M | \$87.0M | \$87.0M |
| Other Costs | \$30.0M | \$29.7M | \$30.0M | \$32.9M |
| Total Costs | \$170.5M | \$170.6M | \$176.0M | \$187.5M |
| Operating Profit | \$7.8M | \$9.1M | \$20.7M | \$37.8M |
| Cumulative Operating Profit | \$7.8M | \$16.9M | \$37.6M | \$75.4M |

Figure 1- income statement

Regarding the brand demand, the majority of demanders are under 35 years aged customers which mostly are located in southeast and west of the country. It can clearly be seen that the large number of demands are from the customers with income under 20,000 \$ that can be caused by the affordable pricing of the blue products.

Moreover, considering demand for different formulations, as can be seen from the data, Pod is the most popular and liquid form is the least amid the demanders, more specifically, pod formulation has gained more interests from small households with 1 member in comparison with larger households with 3 or more members.

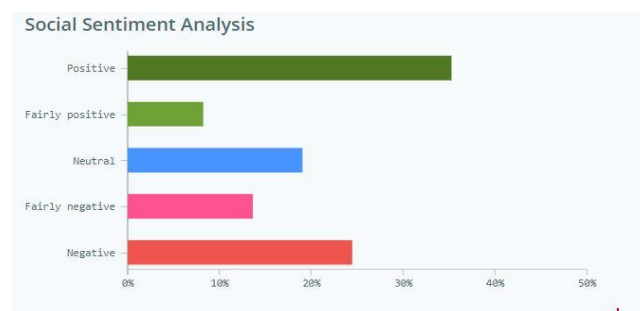


Figure 2- social sentiment Analysis

What's more, according to the consent survey, 35.1% of customer are completely satisfied with the brand and on the contrary 24.3% fully dissatisfied.

Strategy

From my point of view the best strategy is to initially determine a target market for our products customers. Therefore, after exploring the data provided in the simulator, the best customers for blue detergent goods are people who aged under 44 years old, the households with at least 4 members with income under 20,000\$ and in terms of region, our products in the south east and west of the country is in the highest demand. Currently, I believe that our decisions for upcoming years must be based on this target market.

The figure 3 depicts current market share based on our target market until 2019 and it can be seen that 34.5% of the market share belongs to Blue products which the highest share. Now the graph implies that the market that has been chosen is out of main competitor's territory and Turbo has the lowest market share in it.

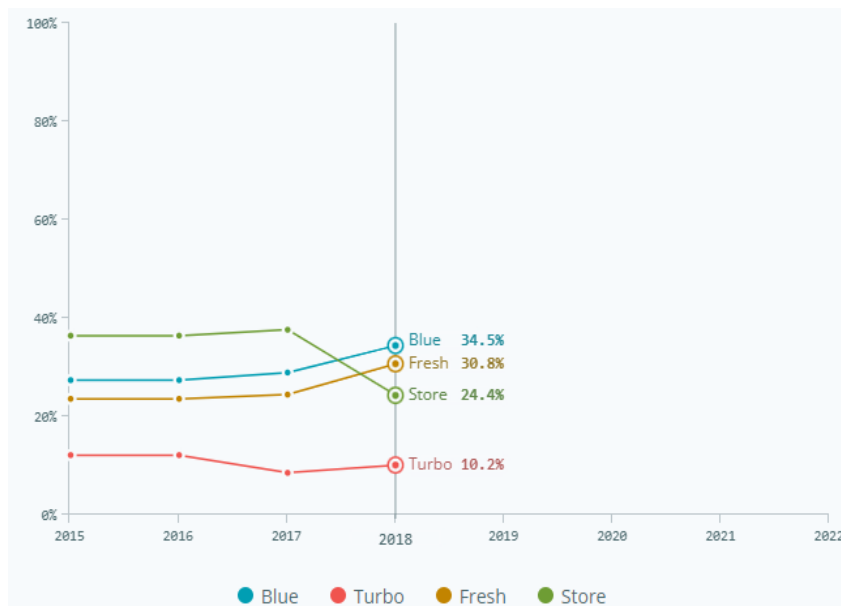


Figure 3- target market share


Decision 1 – 2019

To make the first decision manager must be very precise and cautious since if the decision is inaccurate, a lot of effort will be needed to turn the market back as it might be exactly opposite of what is anticipated, and of course a number of factors must be taken into the consideration. As the target market is already specified, we predict the market according to the target market demand. Therefore, graphs are filtered to the target market specifications. By checking the graph for formulation demand, it is illustrated that pods are in highest demand and powder in lowest, however there is no substantial difference between the numbers of pod and liquid demanders, and since we already know that the variable costs of pod are very higher than liquid formulation, next year concentration is put on liquid formulation. According to the media consumed graph, Digital adds are the mostly used by the people, Radio and TV have the same amount of consumption, so for the next year target digital ads must be fully focused by at least 40% and the printed ads are less important by 10% of fund allocation. On the other hand the odor elimination is the most popular attribute of blue detergent so the concentration is put on it. Trade channel for different markets are set as follow numbers, convenience 40%, club 30%, Mass 20% and grocery 10%, according to their importance shown on the trade channel graph of the target market. Regarding the pricing, there is no negative feedback about the price and it is accepted that the price has made the product affordable and the targets are customers with low income, so there is no intention to change the price for upcoming year. Setting the number of units to produce is the most risky decision to make. By using the forecast tool

and considering the target market regions the number of 40m is extracted, however just to be cautious the number 38 million is set to be produced.

Decision 2 – 2020

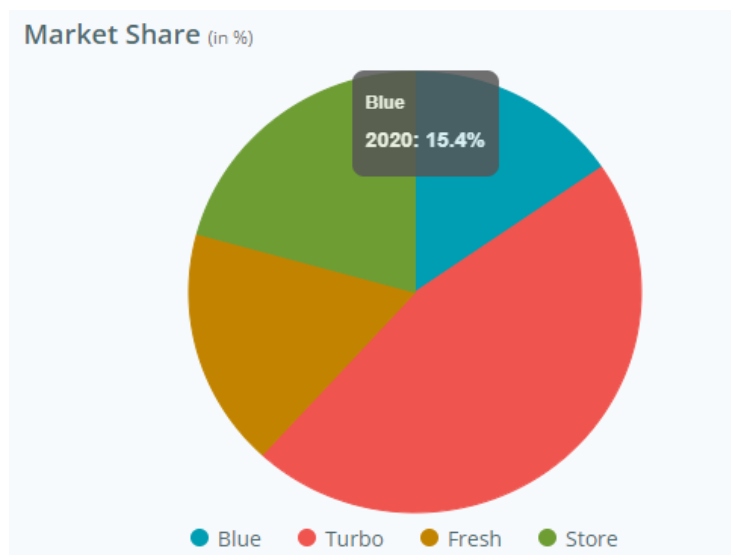
Firstly the sentiment of the market must be checked to reset the factors for target market in the next year and after good result of the last year there is opportunity to adapt a riskier approach toward making new decision for the upcoming year.

As a result of previous decision, there is a substantial rise in brand demand which was higher than the produced units. Therefore for the upcoming year I decided to produce a large number of units to both fulfill the next year demands and store them in inventory which may offers an opportunity to reduce production costs for the year 2021 and accordingly, make more profit. The expected demand for next year is 45 million but I set the goal on producing 50 million units. 

As another risky move, price of each unit is lowered to 6.5\$ to test the costumers interest to see whether it will be risen or not. By checking the brand demand graph filtered by region, it is shown that demand in the southeast rose significantly, nevertheless there is not any major change in the west but surprisingly central parts are impacted by the advertisement and probably the proper trade channel. Therefore, I will change the target market region to the southeast and central parts.

According the household size filter, the number of households with size of 3 had an upward trend so I added them to the target market. There were not any considerable change about formulation and brand attribute and as a result the same values are set for the new decision. A slight change in media spend is made to elevate more concentration on TV to see the result. And in the end as can be seen on the trade channel graph, there are higher sales on the convenience and club, and because of this I put more concentration on club than the last year.

- ❖ Rising market share after second decision



| Income Statement (in \$US) | | | | | | |
|-----------------------------|----------|----------|----------|----------|----------|----------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenue | \$178.2M | \$179.7M | \$196.7M | \$225.3M | \$266.0M | \$297.6M |
| Costs | | | | | | |
| Variable Costs | \$53.5M | \$53.9M | \$59.0M | \$67.6M | \$85.4M | \$102.9M |
| Fixed Costs | \$87.0M | \$87.0M | \$87.0M | \$87.0M | \$87.0M | \$87.0M |
| Other Costs | \$30.0M | \$29.7M | \$30.0M | \$32.9M | \$37.6M | \$44.4M |
| Total Costs | \$170.5M | \$170.6M | \$176.0M | \$187.5M | \$210.0M | \$234.3M |
| Operating Profit | \$7.8M | \$9.1M | \$20.7M | \$37.8M | \$56.0M | \$63.3M |
| Cumulative Operating Profit | \$7.8M | \$16.9M | \$37.6M | \$75.4M | \$131.4M | \$194.7M |

Figure 5- income statement 2020

❖ after second decision, because of producing more than demands, although sales are higher, profit did not have a major difference from the previous year

Decision 3 – 2021

To reassess the target market there are no major differences in comparison with last year so target market is determined as customers under the age 44 with income under 40.000\$, households with the size of 3 or more and this time all three west, central and southeast are taken into target. Blue Detergent has 43% of the market share which the highest among the competitors.

To set the number of units to produce in the next year, by using the forecast tool for regions and considering the 4 million units in the inventory, 43 million is set and with the 4 million inventory, 47 million units for the next year is available. Regarding the price, since there was no good result in lowering the price I set the price to 7\$ again, although it may has bad influence on the market.

Moreover, as the printed way of advertisement is the least effective, I decided to not allocate any budget to it this year which may give an opportunity to save some budget. And still focus on odor elimination as the brand attribute because there a profound between this and other attributes.

Decision 4 – 2022

2021 results clearly show that risky movies did not work and lead the company to an incorrect path. Currently it is proven that our target market is the only market that company can improve its sales and outside of this target there is no opportunity of growth. So the graphs are filtered by the same parameters of the **previous target market**. Since the demand as a result of focusing on the liquid formulation for every year, and also not distributing the products properly among the trading channels, has dramatically declined, best way to revitalize the our market to set all the parameters back to the 2019's decision, besides, instead of producing liquid, produce pod, because the inventory is stored with liquid detergent. And for the number of units for 2022, firstly check with the forecast tool and with considering the number of units in the inventory it is set to 25 million units to be produced.

Conclusion

On the one hand, it must be noted that in order to make decisions for the future of any production in any company, there are too many factors involved and it is undeniable that in this simulator a lot of options are missing. For instance, more information regarding the competitors are required such as what are their advertisements details, what formulations they are using and how are their **making contracts with supermarkets**. Moreover, the social media report was a bit unpredictable and unusable, negative comments on a good and positive on a bad market. Additionally, another drawback of the simulator is that there are limited options for decision making, for example concentration on the formulation could be distributed on more than one formulation with percentages, and for the brand attributes as well.

On the other hand, to conclude from my decisions, there are a few points that must be discussed. Firstly, the target market was well chosen and the effects of the decision on it were evident. And it is noteworthy to say that ethnicity was not an important categorizing for making any decision.

Secondly, it is observed that the variety in formulation production is very crucial because it has a major effect on the market sentiment and one of the biggest mistakes was emphasizing on producing only liquids which caused a downward trend in the demand.

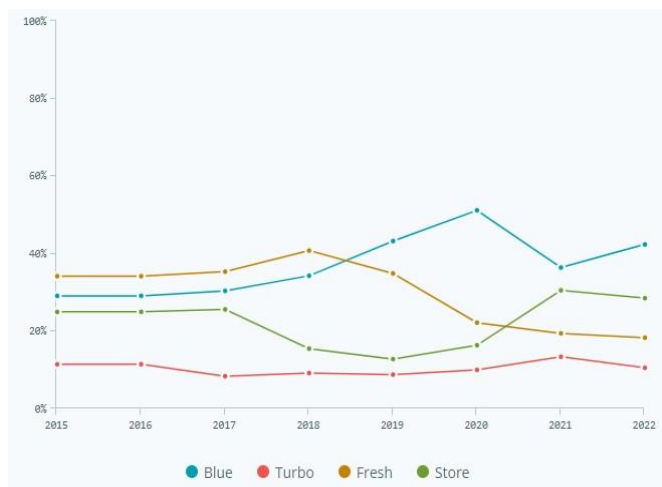


Figure 6- target market share

What's more, one of the most obvious incorrect measures was setting wrong numbers of unit production which was a result of poor probability assessment for future demands. And I noticed that although effectiveness of other printed advertisement was the lowest, it should not be neglected. I assume that pricing is a very delicate factor because if it enters other competitors price channel or more specifically, if it exits its own channel, the product sale may face consequences which cannot be fixed. Therefore, best strategy could be leaving the price intact and put the concentration on the raising the customers interests into our brand and as a result a rise in demand.

All in all, **despite the fact that blue detergent did not acquired considerable market share**, currently the production is placed on a promising direction. The company made acceptable profit during the past 4 years (192 million \$) which was considerably higher than the amount of profit during the 4 past years when the company was given to me. Market share for blue detergent rose to 13.2 but It went up to 15% in 2020.

| Income Statement (in \$US) | | | | | | | | |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenue | \$178.2M | \$179.7M | \$196.7M | \$225.3M | \$266.0M | \$297.6M | \$219.7M | \$278.5M |
| Costs | | | | | | | | |
| Variable Costs | \$53.5M | \$53.9M | \$59.0M | \$67.6M | \$85.4M | \$102.9M | \$70.5M | \$96.1M |
| Fixed Costs | \$87.0M | \$87.0M | \$87.0M | \$87.0M | \$87.0M | \$87.0M | \$87.0M | \$87.0M |
| Other Costs | \$30.0M | \$29.7M | \$30.0M | \$32.9M | \$37.6M | \$44.4M | \$48.9M | \$36.7M |
| Total Costs | \$170.5M | \$170.6M | \$176.0M | \$187.5M | \$210.0M | \$234.3M | \$206.4M | \$219.8M |
| Operating Profit | \$7.8M | \$9.1M | \$20.7M | \$37.8M | \$56.0M | \$63.3M | \$13.3M | \$58.7M |
| Cumulative Operating Profit | \$7.8M | \$16.9M | \$37.6M | \$75.4M | \$131.4M | \$194.7M | \$208.0M | \$266.8M |

Figure 7- income statement 2022