University of Malta

MSc Strategic Management and Digital Marketing

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MRK 5814 Marketing Strategy: Planning and Simulation.

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Team Alpha

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Team: Alpha

Firm: Blue Buddies

Report for period Years 40-49

Compiled by: Karsten Guenther, Abhishek Shah, Jashid munshi, Ekechukwu Chuks Finian, Olena Norin.

Our team was appointed with the management of Blue Buddies that operates in the video console market. Our task was to lead the company from year 41 to year 49, during these years new challenges shaped strategic decisions focusing around the main characteristics of the Blue Buddies' Micro and Macro-environment. Our teams' objective is to maximise our SPI for our stakeholders and thus we had to consider several indicators including market share and profits, as well as Blue Buddies' growth in terms of revenues and its capabilities. The members of our team were Karsten Guenther, Abhishek Shah, Jashid munshi, Ekechukwu Chuks Finian and Olena Norin. Every year we appointed a decision maker and every member in our team worked on developing their own separate strategy, then each member would present their strategies to the decision maker and discuss what is the most appropriate set of decisions and the decision maker will input all the decisions for the year.

Year 41 to Year 43 involved our team to manage Blue Buddies' existing product offering using competitive strategy tools as a basis for our decisions.

Year 43 to Year 46 involved our team to create a blue ocean offering by including fresh competing factors and boost demand by determining a rational price and refining Blue Buddies' offering.

Year 46 to Year 49 involved extending our Blue Ocean offering by using service and delivery platforms as a basis to attract new non-customers, as well as dealing with the threat new entrants.

Our team conducted a situational analysis for both periods when Blue Buddies was in Red Ocean and Blue Ocean situations. This involved our team to conduct an internal analysis outlining our core strengths and weaknesses and an external analysis consisting of opportunities and threats that lie within the video gaming market.

Our team understood that the video game market was growing in volume by a 1.9% from year 39 to 40 but was yielding less value when the projections of year 40 where compared with year 39.This resulted in our team to analyse what segment we would like to focus on. The 2 of the 3 segments of the video game market were declining, these represented the lower and medium level of quality required whilst the segment which was growing was the higher end of the video game console market.

Our team analysed the current product being offered by Blue Buddies during its Red Ocean phase. Red Box and since the product was not a market leader in terms of product features such as console power, graphics sophistication, graphics sophistication, controller sophistication, audio sophistication and multimedia add-ons but was ahead in online gaming a feature which appealed to the segment of gamers who are between the age of 6 and 21 which was the largest segment by volume. In addition to this, Blue Buddies had a delay in the design and development and launch a new video console, therefore no new technology will be added before year 43. Therefore, our team decided that the best way forward for our firm would be targeting the 6-21 segment and lowering the cost and price incrementally throughout the years till the Blue Ocean Phase.

The first 3 rounds of the simulation were handled by Abhishek Shah and Jashid Munshi. They were responsible on deciding for the decisions that needed to be taken for the Red Ocean Phase.

		Year 41	Year 42	Year 43
The Production Plan:		2,300,000 U	2,420,000 U	2,100,000 U
The Price:		400$	360 $	355$
The Marketing Budget:		90000$	90000$	98058$
The Segmentation Strategy:	06 - 21	45%	65%	60%
	22-35	35%	25%	30%
	35+	20%	25%	10%
Geographical Expansion:		60%/0%	100%/20%	100%/20%
Distribution Coverage:	Low Price Channels	40	64%	55
	Electronics Store	35	19%	28
	Video Game Chains	25	17%	17
Corporate Projects:		J. Campaign for internal cost consciousness K. Time management training for all managers	A. Relocating of manufacturing to a low labour cost count F. Comprehensive new IT system	J. Campaign for internal cost consciousness K. Time management training for all managers

Product Upgrades:	Year 41	Year 42	Year 43
Console Power	0	0	0
Graphics Sophistication	24	34	34
Controller sophistication	0	0	0
Audio Sophistication	0	0	0
Multimedia Sophistication	0	0	0
Online Gaming	18	35	60
Unit Cost	7	10	3

	YEAR 40	YEAR 41	YEAR 42	YEAR 43
Key Performance Indicators		R1	R2	R3
Share Price Index	1,000	968	822	829
Market Share based on Volume (%U)	24%	23%	21%	22%
Market Share based on Value (%$)	20%	20%	16%	17%
Volume (Unit x 1000)	2,190	2,195	2,017	2,114
Sales (Mio $)	874	878	726	750
EBIT (Mio $)	334	320	197	234
Brand Contribution (Mio $)	404	395	261	299
Penalty for O/U Production (Mio $)	0	0	4	0

Decisions for the first year in Red Ocean was more of a trial run to check how the logistics in simulation works and to test what kind of competitive market we are in, we decided to compete with Yellow Bananas because it would not be wise decision to upgrade the product enough to compete with Shiny or Purple consoles, especially in an already matured market and where product is about to be changed later so we were fixated on competing with Yellow Bananas, we compared the statistics we differed and featured we lacked in comparison to them and Online Gaming was one of their most effective feature, so we decided to upgrade the online gaming and keeping the other features like console power moderate to make the product affordable and to finish production in the lowest possible cost. We also launched two projects to use up the budget and to check what difference they make in the simulation over time.

Round two decisions were taken after we received feedback on our first performance from Prof. Peter. He advised us to make our production plan and segmentation strategy game more focused on target audience of Yellow Bananas audience so we can get better sales, but we did not expect to have so much production and sell so few products, that we learned the hard way from second simulation results that in already mature market sales drop over time, we spent marketing budget and re did the segmentation and distribution coverage more focused in comparison to the first year, but made an error in over abundant production, we also launched two more projects with saved up budget for further stages.

By the end of round two, we realised that several things were not going as planned, the increment in the sales was not meeting our expectations, as a result we decided to reduce our price thinking that it might boost the sales eventually, since our target was cheaper market segment. But as per our previous strategy our manufacturing cost was a bit high. So, we had to remove several enhancements from our product to reduce the cost price so that we may still have a desirable profit margin even after cutting prices. We decided to sell more at a cheaper price to increase the revenues of the firm rather than selling less at higher margin, we realised that strategy would have been perfect if we would have chosen to compete in the high cost market. In round two we focused 65% on the 6-21 age segment and we thought we might have neglected the other two segments, we had a little debate on those decisions regarding which segment shall be given importance, since it was too obvious that the high cost market would not care to invest in a cheaper market we kept our focus on high cost segment unchanged which was about 10%. While on the other hand by looking at several graphs we realised that we dropped our market shares in the 22-35 age segment, so we increased our focus on the respective segment from 25% to 30%. The changes were insignificant since our main focus was the low cost sector, as of the distribution coverage in round two we focused on low price channels by majority and focusing a little on Electronic stores and Video game chains, which did not turn out as expected, it was a bit inappropriate to reduce the focus nearly by 50% from those sectors all of a sudden in round two which may have caused the decline in the sales. So, in round 3 we decided to increase our focus on electronic stores since our previous decisions affected the sales from the electronic stores. In round two we adapted path 3, but we realised that maybe we can do even better with completely focusing on part 3 with some of the specifications/features of path 5. So that we may be able to attract two segments at a time which would gradually increase the sale of our product. As a result we went through path 3 as well as path 5 and adapted the features of both paths, we implemented most of the things that were asked by the people, although the specifications were merely of low and average quality, We tried to keep the price in check since our focus was a low cost market. Our problem was we failed to predict the sales if only we predicted the sales accurately we would have done much better, we mostly overproduced we expected that if we cut our prices the sales had to go up, since our target was low cost market from the very start and we focused all of our strength on it. yet we failed to predict the sales accurately.

Years 44 till year 49 featured Blue Buddies' Blue Ocean Phase. During this phase, our team strived to create a differentiated and low-cost product offering by adopting competing factors beyond those on which the industry currently offers. Furthermore, we attempted to boost demand by determining the right strategic price and improving offering throughout the remaining rounds of the Blue Ocean phase. Towards the last 3 rounds of the Blue Ocean phase we tried to extend our Blue Ocean Strategy by using service and delivery platforms as a basis for creating unclaimed market space where the competition is irrelevant, as well as dealing with the presence of new low-priced competitors.

To tackle this phase our team had to use multiple blue ocean strategy tools such as the strategy canvas, the four actions framework and the six paths for a successful blue ocean strategy. Karsten Guenther was responsible to make key decisions for the Years 44 to 46 and Ekechukwu Chuks Finian and Olena Norin were responsible for years 47 to 49.The team agreed that to effectively carry out a Blue Ocean strategy and reconstruct conventional market boundaries we must first use the six paths framework. The steps carried out for this step are the following:

1. We looked across alternative industries where we understood the competitors alternatives and other substitutes that might hinder the performance. Four major organizations that operate in the video game industry and these are Yellow Bananas, Shiny Apples, Purple Plums, and our organization Blue Buddies. The Red Box, which was our offering during the Red Ocean phase is a generation behind that of Shiny Apples and Purple Plums from a perspective because the performance of the graphic, sound and gaming needed improvement. Together with this, the capability of the Shiny Station and the Purple Player of relentlessly investing in the technology of their consoles over the year 44 and year 46 while simultaneously decreasing their price posed a threat to our success.
2. We looked across strategic groups within industry to identify the group which is most compatible with our core competencies and improve our offering to increase demand and revenue. We questioned why non-customers would trade down from consoles being offered by our better positioned competitors or for what they would trade up. By doing this we had a task to improve our price and performance.
3. We looked across buyer groups which Blue Buddies aimed to focus on. The team had two target buyer groups which were defined into 2 paths. Our blue Ocean offering was initially designed to attract two of the noncustomer types and searched for commonalities across noncustomer types allowed our organisation to capture a greater share of non-customers however this proved to be not doable since it would have been tough to satisfy full all the non-customers at a low price. Our team had to keep in mind to satisfy the requirements of one buyer group at the lowest price possible.
4. We looked across complementary product and service offerings and our team at Blue Buddies thought of what could happen before, during, and after the purchase of our console and decided upon strategies that can aid the demand of our product throughout the last 3 years of the management.
5. We looked across the functional-emotional appeal for buyers regards delivery and extras we offered that added to the cost of our product without enhancing functionality and tried to reduce those factors. Our team deemed that a functional appeal approach is best and therefore the functional utility of our console was based utility and price.
6. We looked across time to shape trends and tried to be as proactive as possible and match the requirements of our market and anticipate competitors' efforts to gain market share.

Product Development Strategy for Years 44 to 49

	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49
Online Gaming	Average	Average	Average	Eliminate	High	Low
Extended Warranty	Average	Average	Average	Low	High	Average
Warranty Offer	Average	Average	Average	High	High	Low
Loyalty Card and Rewards	Average	Average	Average	Eliminate	Eliminate	Average
Manufacturer's Insurance	Low	Low	Low	Eliminate	Average	High
Ability to Trade-in Console	-	-	-	High	-	-
Deals and Price Promotions	High	High	High	High	Eliminate	High
No. and Complexity of Bundles	High	High	High	Eliminate	Eliminate	Eliminate
Informed Salespersons	Very Low	Very Low	Very Low	Average	Very Low	High
Dedicated Stores	-	-	-	-	Average	-
Direct Sales on the Internet	-	-	-	High	-	-
Easy Guide to Online Services	-	-	-	-	Average	-
Gaming Cafes	-	-	-	Low	-	-

Decisions for the years 44 to 49

Year	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49
Production Plan (Unit x 1000)	2,250 U	800 U	850 U	950 U	800 U	750 U
Price ($)	385	355	365	390	320	400
Marketing Budget (Mio $)	54	54	58	50	4	10
Geographical Expansion						
RoundLand %	30%	40%	70%	100%	100%	100%
StarLand %	0%	0%	0%	20%	70%	60%

Key Performance Indicators

Year	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49
Share Price Index	823	852	866	771	738	729
Market Share (%U)	21%	23%	24%	20%	20%	19%
Market Share (%$)	17%	19%	19%	17%	16%	16%
Volume (Unit x 1000)	2,124	2,328	2,406	2,069	2,132	1,953
Sales Mio $	765	827	862	756	733	717
EBIT (Mio $)	121	220	216	141	125	153
Brand Contribution (Mio $)	229	295	284	225	196	213
Penalty for O/U Production	59	0	0	2	0	0

During the Year 44 to Year 46 our team aimed to focus their efforts on just the product and noncustomers of the industry. The team focused on satisfying the requirements which were outlined by the organizations executives in which our decisions led us to have a scatter gun effect on the market in which our offering was appealing to a broad spectrum of our non-customers but was below their expectations. The value factors therefore needed to be more concentrated on one path outlined by the executives and of higher value so that the targeted customer's requirements are met.

This led to overproduction in the first year resulting with the organisation of incurring a substantial loss for the surplus in production. The costs could have been reduced by streamlining the value factors that truly mattered for our targeted consumer group which would have enabled us to further reduce our price and unlock further demand. The geographical expansion should have been more aggressive, and this is because our team was forecasting on the demand for blue box offering with the price and features at that point in time and therefore only incremented the expansion rate incrementally as demand slowly increased. This effected negatively the market share Blue Buddies could have gained together with forgone brand contribution and company earnings.

In the year 47 our organization has to focus on a blue ocean offering that is designed to attract all of the noncustomer types revealed by the second visual exploration (path 4- Services and path 5-Delivery), which we consider appropriate since our decision will not exceed the capabilities of our organization, in the Year 48 and Year 49 we missed out, because we priced too high and also eliminated the Value Factor "(D) No. and Complexity of Bundles" from our Blue Ocean offering, and the factor is appealing to a large proportion of noncustomers. As a result of this, we failed to generate all the sales that we would have been able to achieve.

Furthermore, we did not get our strategic decisions right, because our blue ocean offering does not include the new Service or Delivery value factors necessary to unlock demand from noncustomer identified during the second visual exploration path 4 and 5. Assuming we got our decisions right, Blue box would have become the only console which was offered in the entire market in both continents, One of the main key strategic points for the blue ocean is the 'Strategic pricing', which we failed to consider earlier enough. Without right pricing one cannot open mass of non-customer demand. We did not reduce our price strategically as expected on yearly basis, while there was significant competitive attack, but our aims were simply to increase the market share, EBIT.

Over the years in the management of BlueBox we kept enhancing our console as per target audience requirements, we tested few approaches and we concluded that the price is an important aspect in our targeted segment. So it is advisable for the new management team to enhance the console while keeping the price in check, if the price is high the sales would not meet the expectations, since our main competitor Yellow Console have a very low price which might influence our target sector. We also implemented several projects which would reduce the cost of production this will ultimately benefit the company in the future. Our team chose to implement all the decisions while considering path 3 as the main focus and few aspects of path 5 its advisable that the new team should focus on the same paths since that is what our targeted audience expects. The distribution channels are settled by looking at the market conditions and which specific channel is most likely to boost the sales of our console as per our console's specifications. The major problem that we had was we failed to expand our reach in the market while other teams were at 100% and 20% potential, we were merely at 70% and 0% potential at the beginning (we tried expanding but the system was not accepting the decision, technical error) we had $30k budget left if we had used that in expansion at an early stage it would have been much better, it is advisable to the new team that spent the allocated budget instead of conserving it. When we realized our mistake we increased our expansion all of a sudden to 100% and 60% at the end such major changes may affect the sales positively by increasing the sales to a certain extent but the cost of expansion is to be taken into consideration if it is more than the increased revenue the company may suffer loses in that specific year. The sales forecast should be done very precisely if the production is more the expected profits may result into loss it is to be kept in mind that the market is uncertain so the production should not be increased more than 20-30%. As over production might result in penalties and the unsold products act as excess burden on the firm. Last but not least it is to be made sure that the expected earnings are appropriate the price of the console should be determined in such a way that the expected revenue is sufficient, company should not take desperate measures to increase the sales at the cost of severe losses.

Our team was assigned to undertake the decisions for the firm BlueBox, overall, all it was a learning experience. After this we were careful with the production but mostly, we still were unable to forecast the sales accurately. Although we implemented several projects which did not show immediate results in the respective year but were very essential in the long run. We learned from the mistakes that we incurred during this stimulation and we made sure that we did not repeat the same mistake twice. After experiencing this stimulation strategy, we sure would be able to take better informed decisions in any competitive market. We learned how to optimize our product as per the customer's expectations along with generating considerable revenue for the firm. In terms of SPI we were not the best but what we learned from this stimulation is excellent for our career and we can undertake decisions for an actual company in much better way than we would have before the stimulation session.