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Capsim® Results and Analysis

ndrew’s Sensors LLC

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2013

**Executive Summary:**

Andrew’s Sensors LLC was founded after the government breakup of the high-tech sensor production monopoly in 2012. Since inception, Andrew’s Sensors mission has been to “be a first mover organization that provides dynamic products that satisfies our customers’ expectations to the fullest extent in the competitive and growing sensor marketplace.” Following that mission, Andrew’s Sensors management team devised a general strategy which to a large extent was successful as Andrew’s Sensors achieved an 8 year cumulative profit of $144.4 million and an overall balance scorecard of 869.

Despite the overall success however, Andrew’s Sensors did experience some minor setbacks. Setbacks include competition (especially from Erie and Ferris) and an early positioning misunderstanding which both slightly detracted from its company’s goal of maintaining a 22% market share and year over year growing profits. Nonetheless, these problems were overall minimal and quickly addressed by upper management.

Due to management’s intervention, Andrew’s Sensors was able to fully compete in the sensor industry while greatly increasing both market share and profitability in the last three years. The company’s greatest achievements over the 8 year period includes a compound annual growth rate (CAGR) of 23.3% of its stock price, a 266.6% increase in sales, a 54.3% increase in market share, and round-averaged balanced scorecard of 83. Although Andrew’s Sensors was relatively successful in many ways, the management team traveled along the learning curve over the past 8 years and issues faced are addressed under “Revisions to Strategic Plan”.

**Team Successes:**

The successes at Andrew’s Sensors relied to a large degree upon the company’s initial strategy. Even with the success of their initial strategy, management implemented additional emergent strategies in order to deal with competition and the positioning misunderstanding. A brief overview of both intended and emergent strategies and their consequences are explained below.

***Intended Strategies:***

With a determination for success, Andrew’s Sensors management team devised a strategy to “cater to customer needs in the five segments we participate in” by positioning quality products and charging a premium relative to the customer’s price expectation. This policy was designed to have moderate sells while returning high margins and profits. In addition to this strategy, the management team decided to further improve margins by investing heavily in product automation.

As part of this intended strategy, the management team decided to review results and analysis for next round and implement changes accordingly. This strategy was quickly successful and for the first two years, Andrew’s Sensors recorded profits of over $9.9 million in 2013 and $12.0 million in 2014. Correspondingly, the company’s balance scorecard was also leading the industry with a score of 67 out of 82 in 2013, and 78 out of 89 in 2014. This was mainly due to it’s highly calculated and accurate sells forecasting methods and maximizing each segment of the balanced scorecard.

***Emergent Strategies:***

Although the intended strategy was originally very successful, both competition and a product positioning misunderstanding forced the management team to implement emergent strategies. First, competition from Erie and then Ferris drove the decision to increase automation even quicker than had been previously planned. This drive for further automation was due after analysis showing how competition was increasing capacity before automation. This hindered any further rival automation, as it was more expensive to increase automation after adding capacity, which would give Andrews’s Sensors an advantage. Due to this innate competitive advantage, Andrew’s Sensors decided to switch the focus away from the high end, performance, and high-end segments and focus on the traditional and low end. This trend of automation can be clearly seen as the average automation for segments in 2013 was 4.2 and in 2015 increased up to a 5.6 with the highest automation of 10 being in the low-end segment.

Second, management’s mistaken analysis of the positioning data in the annual Capsim® Courier reports caused Andrew’s Sensors to fall roughly a year behind intended positioning in four out of the five segments. The misunderstanding of the positioning diagrams coupled with the fact that Andrew’s Sensors automation ratings were slowing down its product placement, gradually eroded the company’s market share from a high of 19.4% in 2013 to a 13.5% in 2018. This in itself was Andrew’s Sensors greatest challenge and setback. Management’s solution to this issue was to take a one-year hit on the financials segment of the company’s balanced scorecard in order to reposition the products correctly and cost effectively. The result of this strategy was evident, by the end of 2018, Andrew’s Sensors saw a first and only loss of $1.3 million.

**Challenges and Setbacks:**

The challenge to reposition all of Andrew’s Sensors products in one year was met with increased competition from both Erie and especially Ferris. To combat these challenges, management enacted a massive repositioning of all products while trying to be as cost efficient as possible. The success of product repositioning was immediate. Andrew’s Sensors experienced sales growth from the year of repositioning (2018) to when the products were repositioned (2019) of 45.8%. Market share also increased significantly from 13.54% in 2018, to 20.13% in 2019 (year over year increase of 48.6%).

**Revisions to Strategic Plan:**

After reviewing the results of the prior 8 years, Andrew’s Sensors top management’s biggest revision to its strategy would be referring more with consultants at Capsim® on a weekly basis. The repositioning only occurred after discussing Andrews Sensors positioning with the consultants. Management strongly believes that by liaising with consultants on a weekly basis would have prevented this mistake and strengthened its company further.

**Conclusions:**

With the retirement of the current management team at Andrew’s Sensors, “we feel confident that the company is in a strong position to move forward for the long term and continue to produce great products and value for its customers and stakeholders.”