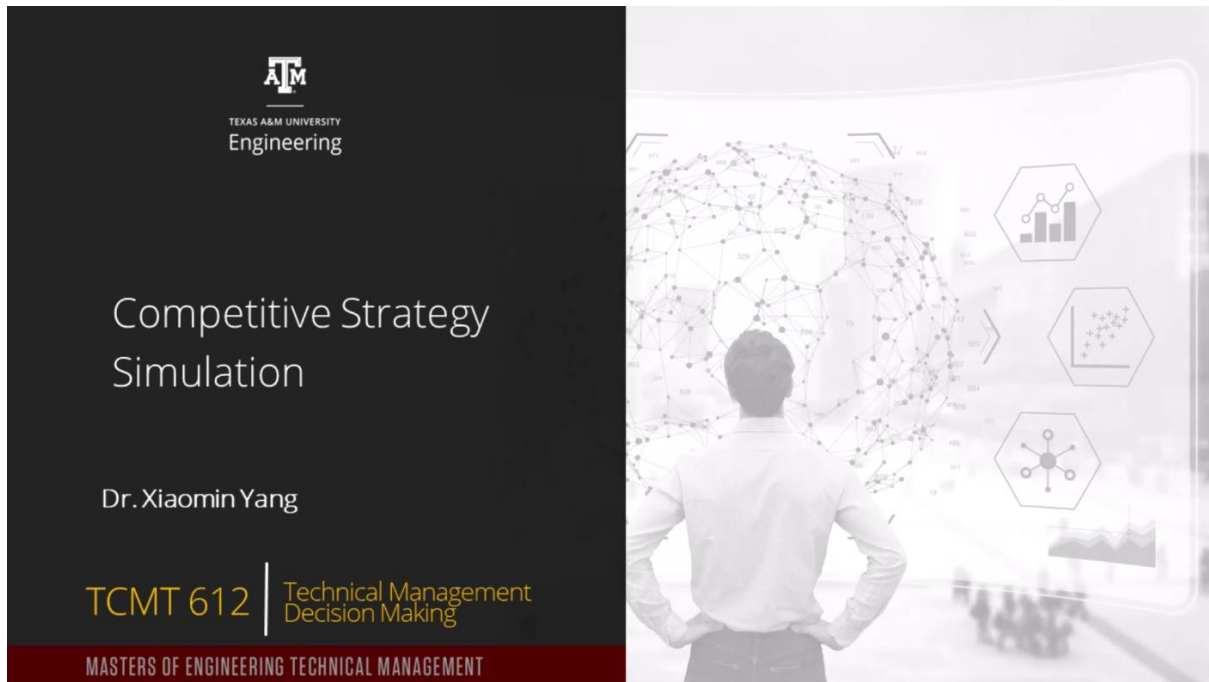


M5L28. Competitive Strategy Simulation

Slide #1



Upon the completion of the strategy module, you will practice strategic decision making through a Harvard Business School simulation project.

Slide #2

Competitive Strategy Simulation



From this project, you will learn how to define strategy based on the market dynamics, what customers need, and also the advantage of your own company.

In addition to that, you will learn how to make decisions in consistency with well-defined strategy.

Slide #3



Aligning decisions with your strategy entails a profound comprehension of customer needs, forming the cornerstone.

Clarifying and refining your strategy further solidifies the path ahead to thrive, cultivate, and fortify competitive advantages through continuous developments.

In the ever-shifting market landscape, staying attuned to customer preferences and competitor actions is paramount.

This alignment ensures a harmonious concentration of decisions.

Slide #4

Customers Segments

- Large customers account for 70% of MM's sales
 - Served primarily by MM's sales force
 - Further broken down into four sub-segments based on their needs and willingness to pay
- Small customers account for 30% of MM's sales
 - Served primarily by the channel distributors



Let's look at Marker Motion's customer segments.

A significant 70% of revenue stems from large customers thoughtfully serviced by MM's dedicated sales force.

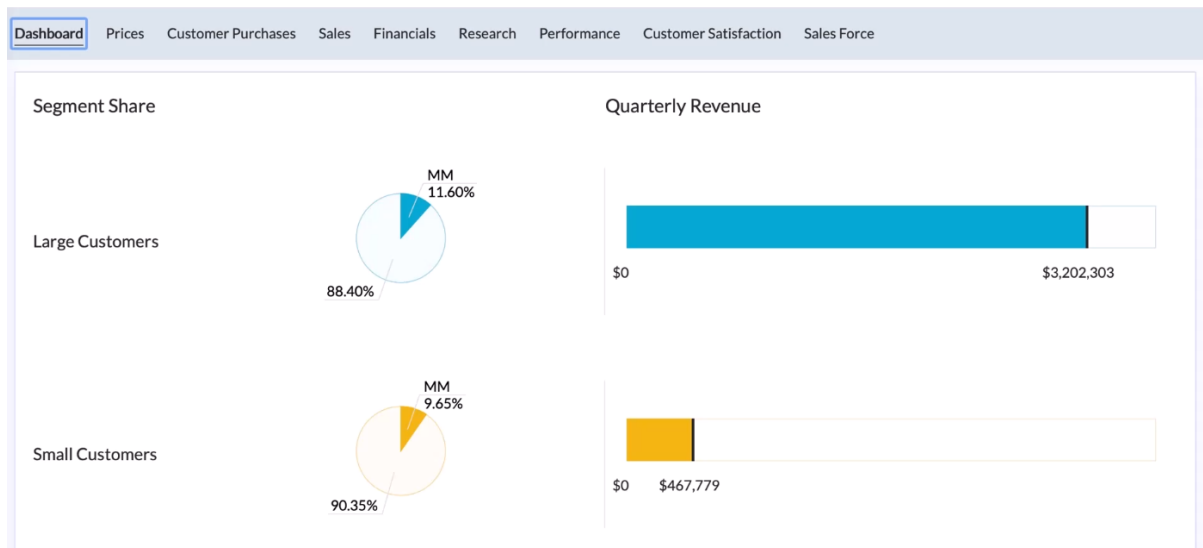
These are then further divided into four subgroups, each aligned with distinct needs and the spending capacities.

On the other front, 30% of all sales come from small customers efficiently managed by the trusted channel distributors.

This comprehensive approach enables Marker Motion effectively covers the market landscape.

Slide #5

Understand your customers

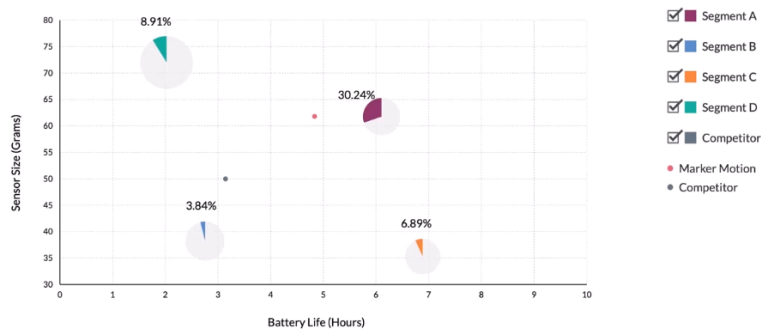


In terms of market share, Marker Motion holds a significant 11.6% slice in the larger segment, yielding a quarterly revenue of about 3 million dollars.

Transitioning to the smaller segment, Marker Motion maintains a 9.7% market share, contributing a quarterly revenue of roughly half million.

Slide #6

Understand Large Customer Sub-segments



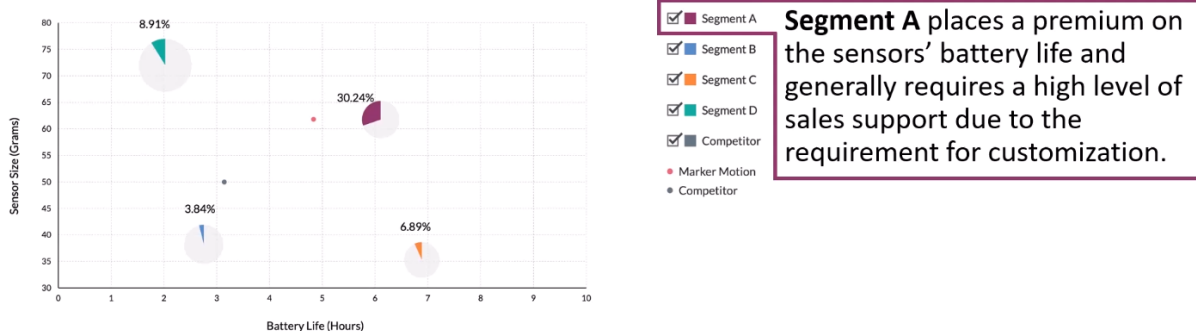
The chart shows the needs of the four subsegment customers in the large customer segment.

Four large circles illustrate the needs of customers of each segment.

The colored slice represents Marker Motion's market share of a specific subsegment.

Slide #7

Understand Large Customer Sub-segments

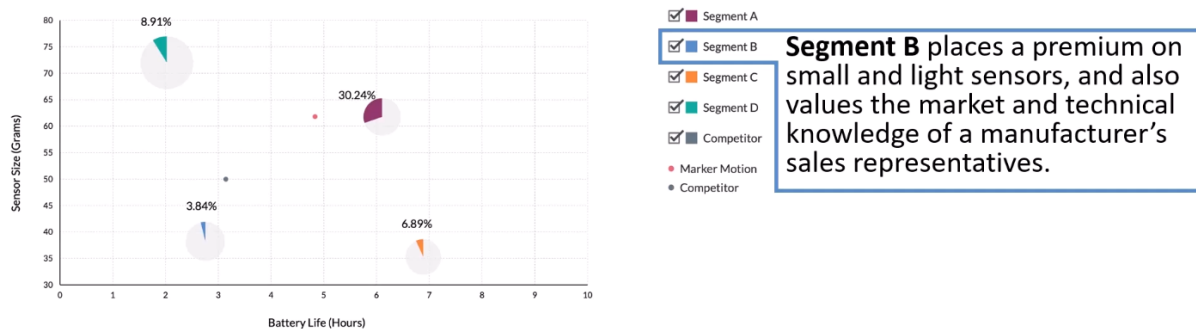


Segment A places a premium on the sensors' battery life and generally requires a high level of sales support due to the requirement for customization.

Segment A places a premium on the sensor's battery life and generally require a high level of sales support due to the requirement for customization.

Slide #8

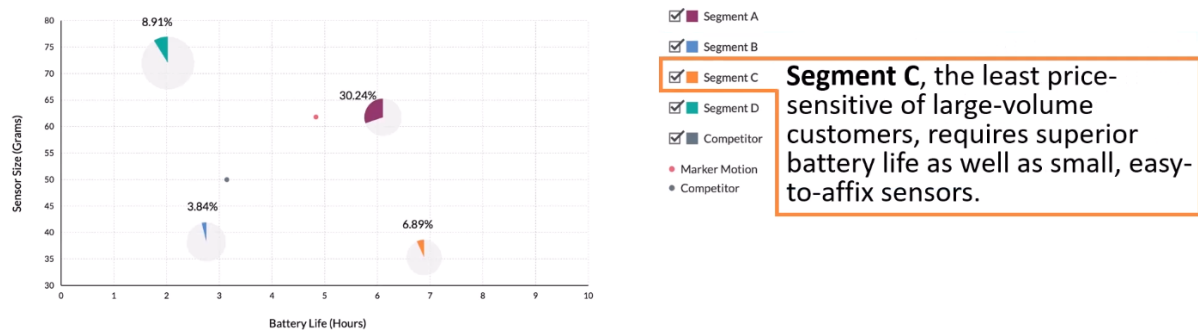
Understand Large Customer Sub-segments



Segment B places a premium on small and light sensors and also values the market and the technical knowledge of a manufacturer's sales representatives.

Slide #9

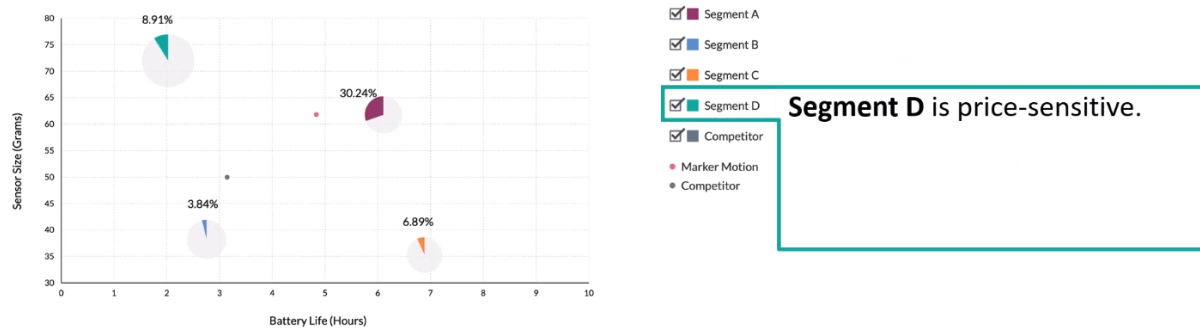
Understand Large Customer Sub-segments



Segment C, the least price sensitive of large volume customers, requires superior battery life as well as small sensors.

Slide #10

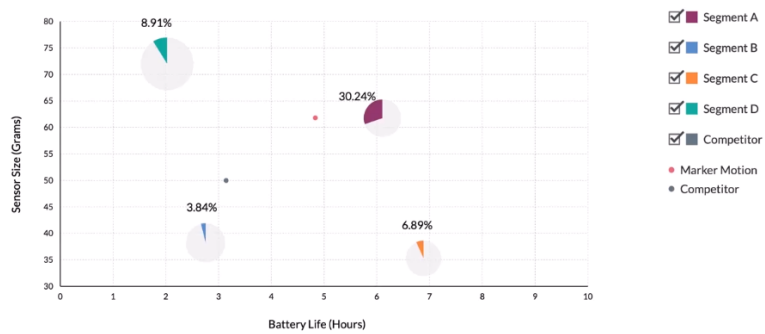
Understand Large Customer Sub-segments



Segment D is price sensitive.

Slide #11

Understand Large Customer Sub-segments

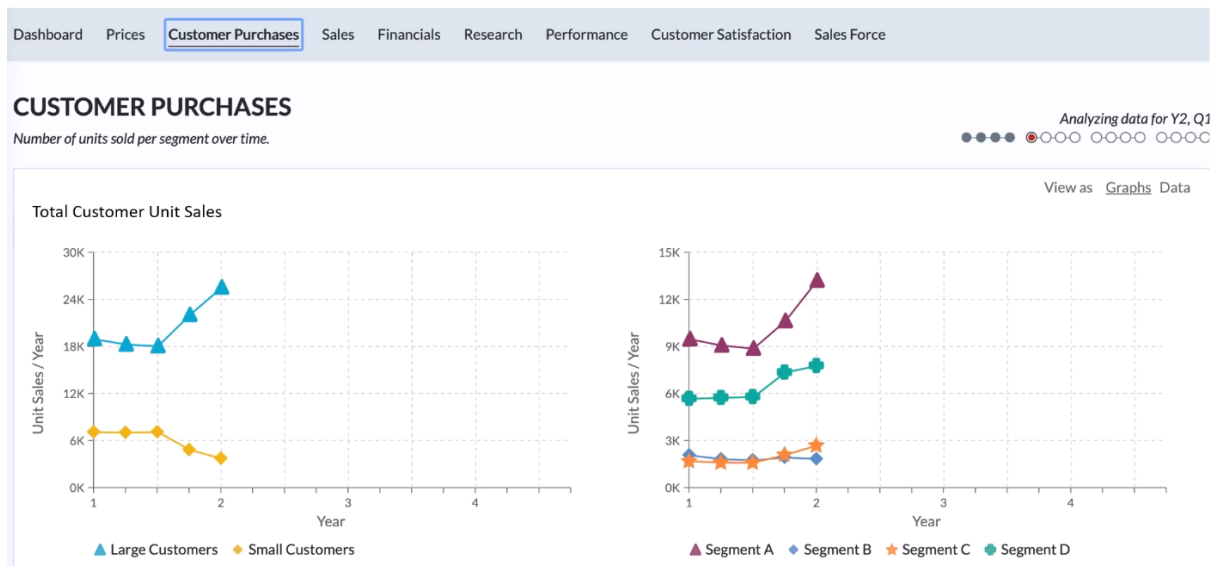


The orange dot illustrates Marker Motion's product position, and the green dot represents its competitor's position.

Currently, Marker Motion's product is clearly differentiated from its competitor's product.

Slide #12

Understand your segments



Understand the segment.

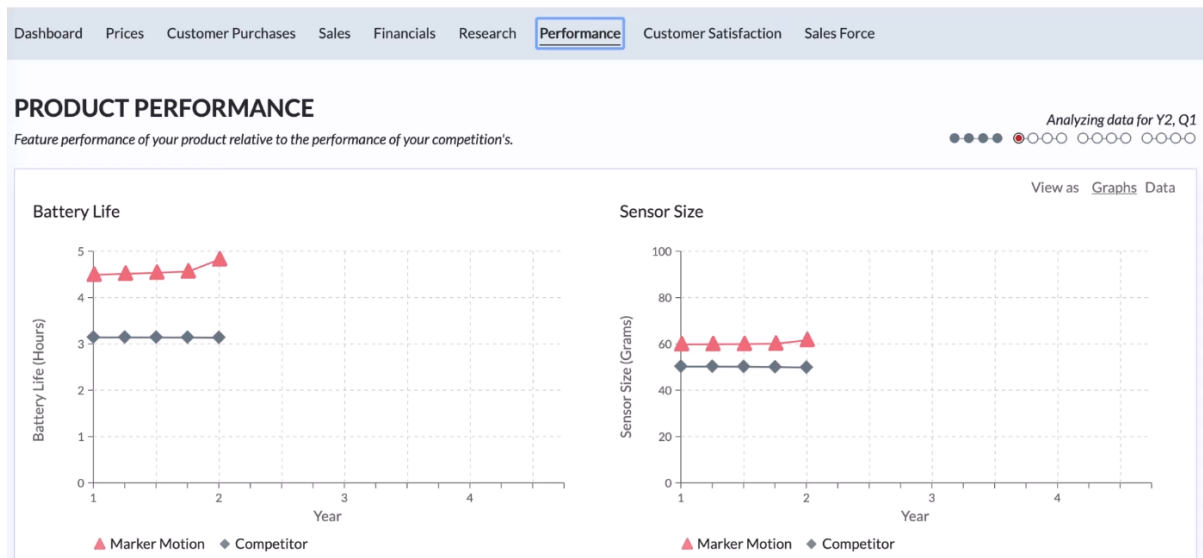
The left chart shows Marker Motion's quarterly revenue generated from the sales in large and the small segments respectively.

The right chart represents the contribution of each sub segment of the large customers to Marker Motion's quarterly revenue.

By analyzing the revenue distribution, you can measure the market response to your previous decisions and adjust your next decisions accordingly.

Slide #13

Understand your competitive advantages



Understand your competitive advantages.

The two charts illustrate the performance of Marker Motion's product comparing to competitors products.

For example, Marker Motion's battery life is longer than competitors' products, which is the advantage of Marker Motion's products.

However, Marker Motion's sensor size is slightly larger than the competitors.

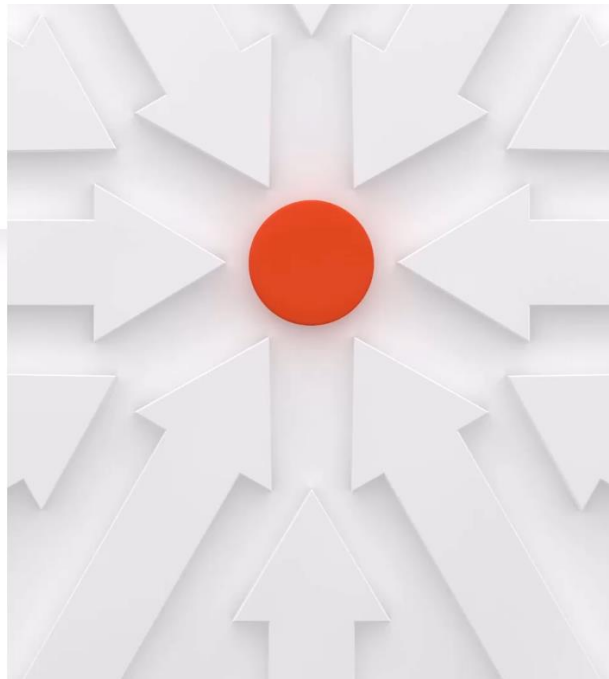
Slide #14

Define your strategy

Strategy 1: Target current segment(s) to grow differentiated business

Strategy 2: Further differentiate to become a high-end supplier

Strategy 3: Switch to be a cost leader



Define business strategy.

Based on your comprehensive understanding of customer's needs and market's advantage, you need to define your strategy.

For simplicity, you can choose one from three strategy options.

First, focus on current segments for differentiated business expansion.

Secondly, enhance differentiation to emerge as a premium supplier.

Third, transition towards cost leadership.

Your strategic decision shapes the direction and the objectives of your future quarterly decisions.

Slide #15



Develop competitive advantage

- **Segment A** places a premium on the sensors' battery life and generally requires a high level of sales support due to the requirement for customization.
- **Segment B** places a premium on small and light sensors, and also values the market and technical knowledge of a manufacturer's sales representatives.
- **Segment C**, the least price-sensitive of large-volume customers, requires superior battery life as well as small, easy-to-affix sensors.
- **Segment D** is price-sensitive.

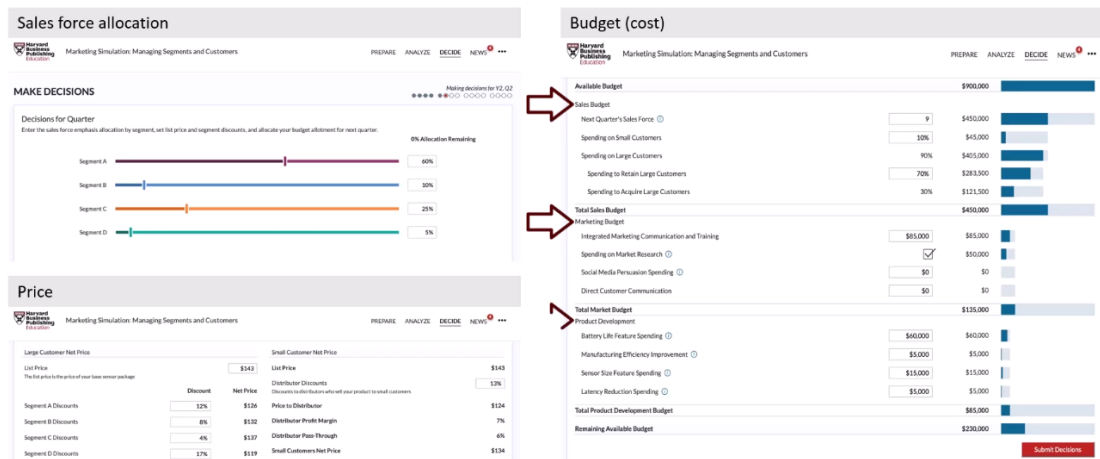
Develop competitive advantage.

Driven by your clearly defined strategy, you need to decide what competitive advantage you will progressively develop and sustain.

The advantage shall comprehensively adjust the needs of the target customers as your strategy has defined.

Slide #16

Align decisions with strategy



Align decisions with strategy.

Under the Decide tab of the simulation, you need to make business decisions in the three major categories.

One, sales force allocations to large customer segments. The allocation shall be consistent with your strategy and competitive advantage development plan.

Second, price of your product for different segments.

You need to first decide a base price, and then the specific discount for each of the four large customer subsegments, and also for smaller customer segments.

Note that you shall make pricing decisions based on the value creation and distribution principles discussed in the strategy module.

After that, you need to decide on budget for sales, market research, and product development.

Those three categories are important.

The budget allocation shall be consistent with your strategy.

Slide #17

Align decisions with strategy

For sales force, decide:

- how many salespeople you want for the next quarter
- what percentage should be allocated to large segment
- what percentage of the sales force shall be allocated to retain existing customers



Remember, it's very important to retain your current customers while you try to grow new businesses. Your existing customers need your company's continuous attention.

For sales force, decide how many sales people you want for the next quarter and then decide what percentage shall be allocated to large segment.

The further allocations to sub segment have been decided at the top of the Decision tab.

You'll also need to decide what percentage of the sales force shall be allocated to retain existing customers and the remaining will be allocated to acquire new customers.

Remember, it is very important to retain your current customers while you try to grow new business.

Your existing customers need your company's continuous attention.

Slide #18

Align decisions with strategy



Highly capable salesforce with adequate training will play a large role to promote the products to customers and grow business, you need to allocate budget for marketing communication and training.

Highly capable sales force with adequate training will play a large role to promote the products to customers and to grow business.

You need to allocate the budget for marketing communication and the training for your sales force.

Slide #19

Align decisions with strategy

Market research will help you understand the market dynamics.

Product development budget allocation shall be directly aligned with your strategy.

You have limited resources, and you can only effectively meet your target customers' needs as your strategy has defined.

Marketing research will help you understand the market dynamics, where market motion is in the competitive landscape, and what features customers want.

Social media or direct customer communication may help to some degree.

Product development budget allocation shall be directly aligned with your strategy to help enhance the competitive advantage that you have decided.

Just remember, you have limited resources and you can only effectively meet your target customer's needs as your strategy has defined.

Be consistent with your strategic goal when making business decisions.

Slide #20

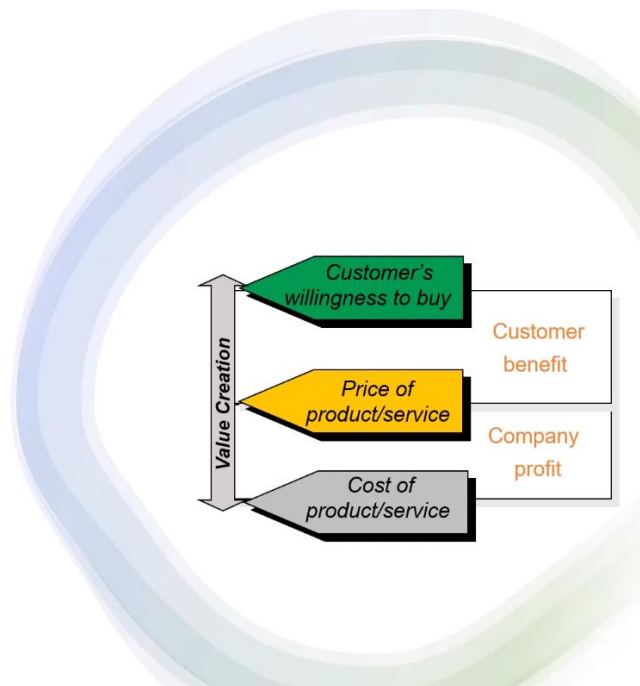
Pricing Strategy

Increase Prices

- If your product increases value for customers, manage customer benefit to strategically share the value

Reduce Prices

- If you lower the cost of product, manage company profit margin to strengthen your competitive advantage.
- Your competitors also react quickly to your pricing actions (remember game theory)



Pricing strategy.

This is just a quick summary of the pricing principles you have learned in the middle of this module.

You can raise prices.

One product creates additional value for customers.

By doing so, you thoughtfully share the enhanced benefit with your customers and improve your profit margin.

You may lower prices if costs decrease without losing company profit margins.

But be mindful of rapid competitor responses based on the dynamics in game theory.

Your competitors will quickly respond to your pricing decisions, so be strategic and think about the long-term effects when you make price decisions.

Adjust your decisions



PREPARE ANALYZE DECIDE NEWS ...

Making decisions for Y2, Q2

Progress bar: 4 grey circles, 1 red circle with a white 'x', followed by 8 empty circles.

- Dr. Xiaomin Yang

We will discuss more details of the simulation during my weekly office hour meetings.