# M5L28. Competitive Strategy Simulation

## Slide #1Competitive Strategy Simulation

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

## Slide #2Competitive 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 #3Align decisions with your strategy

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 #4Customers Segments

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 #5Understand 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 #6Understand 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 #7Segment A

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 #8Segment B

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 #9Segment C

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

## Slide #10Segment D

Segment D is price sensitive.

## Slide #11Understand 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 #12Understand 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 #13Understand 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 #14Define your strategy

Define business strategy.

Based on your comprehensive understanding of customer's needs and marker motion'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 #15Develop competitive advantage

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 #16Align 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 #17Align decisions with srategy

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 #18Align decisions with strategy

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 #19Align decisions with strategy

Marketing research will help you understand the market dynamics, where marker 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 #20Pricing Strategy

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.

## Slide #21Adjust your decisiions

Across 11 quarters, you need to practice informed decision making while staying attuned to shifting market dynamics.

Your adaptability must align with your strategy to ensure consistent and effective choices throughout the journey.

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