# MBA 670 Project 3

**Individual Analysis**

Team Andrews Products: Adam & Able

Market Countries: United States & Germany MBA 670 (9046)

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# Project 3 Analysis: Team Andrews

1. What strategy were you implementing? Give examples of any three decisions over the four

rounds that were consciously driven by your chosen strategy. Explain.

In the Capsim simulation, Team Andrews chose Local Broad Differentiator strategy. The focal point of this strategy is to maintain a presence in both segments of the market across only one or two regions. A company can concentrate on offering a product with unique characteristics to distinguish itself from competitors. A product can be tailored to attract and meet the buying expectations of local consumers by adding a region kit. Research and Development (R&D) competency ensures excellent product design, increase in awareness, and feasible accessibility.

To break into both United States (US) market segment with one product, Andrews decided to position Adam at a “sweet spot” with an initial increase in speed and accuracy in round 1. The strategy was to appeal to both customer buying criteria with one great product. In round 2, a US region kit was added to Adam to upgrade the product and tailor it to meet local customer demand.

In round 1, R&D decided to launch a new product, Able into the region. The idea was to break into the local market to gain more market share and tailor a product solely to the high-tech segment. R&D also decided to add another region kit to make the product more appealing.

1. Which country and customer(s) did you target with your product (high tech, low tech, or

both)? Why? Give examples of two decisions in R&D and two decisions in marketing that

you implemented over the four rounds to enable your desired targeting.

Team Andrews launched Adam into the US market. Adam targeted the higher end of the low- tech segment and the lower end of the high-tech segment. The strategy was to maintain a “sweet spot” between both segments to align with Local Broad Differentiator strategy. The team also decided to expand the product line by launching a second product, Able into the local market. Able solely targeted the high-tech segment.

For round 3, R&D decided to add a USA region to kit to upgrade Adam, and increase speed and accuracy to attain a better design score in the final round. This decision increased Andrew’s US market share in the high-tech segment. By increasing the speed and accuracy, R&D was able to position the product toward the desired spot on the perceptual map by the final round. This decision increased Andrew’s US market share in the low-tech segment from 2.7% in round 3 to 6.4% in round 4.

For round 3, Marketing decided to decrease the price of Adam from $42.50 to $40.00 to ensure the product maintained a presence in both segments and decreased the amount of money put into the promotional budget ($2500 to $1,400) since 100% customer awareness was achieved. In round 4, customer satisfaction in both market segments (low-tech and high- tech) slightly increased with Adam priced at $40.00. This decision also increased the design score from 22 to 64 in the low-tech segment of the US market, which was important since Adam had become more appealing to the high-tech segment.

Andrews’s second product, Able launched in round 3 of the simulation and targeted the high- tech segment of the Germany market. Marketing priced Able at €45.00, spent $2,500 for promotional budget, and $3,000 for the sales budget. This decision proved positive results with a design score of 90, reached 74% customer awareness and 31% customer accessibility.

Marketing decided to keep the price at €45.00 for the final round. The number of units sold in the high-tech segment increased from 1,200 in round 3 to 2,458 in the final round.

1. In the market segment that you were focused on, what do your customers want most? Did your

market share for the country where your products are sold change over the four rounds?

Comment on how it changed and why.

The low-tech US market segment had an ideal price range position of $15.00-$35.00 with a 55% importance rate, which was a consistent expectation in all four rounds.

The high-tech US market segment had an ideal positioning price that varied from one round to the next; however, the positioning criteria remained at a consistent 39% importance in all four rounds. Age was consistently expected to be 0 years with a 32% importance in all four rounds.

For the product Adam, the US market share among the low-tech segment remained below 10% yet fluctuated based on product changes in R&D and Marketing. R&D attempted to position Adam at a “sweet spot” to maintain a presence in both markets; however, Adam was more attractive to the high-tech segment. Marketing attempted to price Adam to attract both segments but since the low-tech had price as their top criteria of importance, the team did not attain a larger market share.

Andrews was able to gain a better market share in the high-tech US market segment in all four rounds. The high-tech US market share slightly increased and decreased as a result of product positioning. For round 2, Adam had a design score of 72 and customer satisfaction or 60 mainly because the positioning of the product leaned toward the ideal for the high-tech US

market segment. For round 3 Adam’s design score dropped drastically (72 to 30) along with customer satisfaction (60 to 28), which continued to be an issue in round 4.

1. Did you meet your potential demand in Round 1? Round 2? Round 3? Round 4? Hint: Look at

Section 3 of the report (marketing). If you observed a stockout (inability to meet demand) in

one or more rounds, pinpoint the reasons behind each instance.

Team Andrews was able to meet the potential demand for round 1 and round 2 without observing a stockout for Adam and Able.

In round 3, Able had a stockout in the high-tech Germany market segment. Able had a potential sold of 1,375 and units sold at 1,200. Round 3 was the initial round Able (second product) was launched. This round was also the first round Andrews expanded to the Germany market. The reason why Andrews was not able to meet demand is because the team did not expect the demand would be so high and attempted to play it safe with the sales forecast.

In round 4, Adam had a stockout in the low-tech and high-tech US market segment. The low- tech segment had a potential sold of 469 and units sold were 474. Andrews projected a lower sales forecast based on the results of the previous rounds. Despite making changes to R&D, the team was not sure if the low-tech segment would find the new changes appealing and again, played it safe with the sales forecast. The high-tech segment had a potential sold of 1,236 and units sold at 2,021. Andrews assumed the high-tech segment did not like the product positioning changes based on a decreased design score in round 3 and therefore, projected a lower sales budget.

1. Based on Section 1 (High Level Overview) of the Round 1 Report, how did your sales results

compare to those of the other five teams? If your sales results were extreme (top two or

bottom two among the six teams), explain what other than sheer luck, caused that to happen.

In other words, what decisions in Round 1 might have caused your sales to excel or suffer in

comparison to its competition?

Unfortunately, the simulation report for round 1 is not displayed on Capsim. I will analyze the sales results of round 2 instead.

According to Section 1: High Level Overview, Andrews reported $67,044 in sales. Andrews and Chester were the two top performers. Erie and Ferris were the two bottom performers. Andrews and Baldwin were in middle; however, Baldwin had slightly more sales. The average for all the teams was $53.31.

Team Andrews attempted to break into both (high-tech and low-tech) market segments in the US and struggled a bit with doing that. The assumption was that a new product launched in the high-tech segment would eventually trickle down to the low-tech segment. The team attempted to make R&D changes for a better design score in round 2 and produce a product that satisfied customer demand in both segments. Product positioning (speed and accuracy) for Adam was increased in round 2. Marketing made the mistake of increasing Adam’s price in round to $42.50 from the initial $34.50. The increase should have only been by .50 cents.

1. Based on the Round 4 Report, were your sales after Round 4 higher or lower than your sales

after Round 3? How do you explain this change in sales in view of your team’s decisions in

Round 4?

In round 4,Andrew’s sales were at $200,324, which was an approximate $70,000 increase from round

3.Andrew’s second product, Able was launched in the Germany market in round 3, which explains the

dramatic increase in sales from round 2 to round 3. Able was a success in the Germany market with a design score of 90 and customer satisfaction of 51 in the initial launch. The team decided to initially launch the product with a speed and accuracy of 9.6, age at 0.8, and upgraded the product with a region kit. It is possible customer satisfaction was low because in the high-tech Germany market, the customer buying criteria placed a 43% importance on positioning and 33% importance on age. Able’s positioning was increased in round 4 according to the buying criteria and customer satisfaction also increased even though the design score slightly decreased. Marketing also decided to invest an extra $1,000 to increase customer awareness from 74% in round 3 to 99% in round 4.

1. Did you need an emergency loan in any of the four rounds? If so, why? If you did not need an

emergency loan in any of the four rounds, explain the decisions that you made to ensure that

your company would not need an emergency loan to survive.

1. Explain your capacity decisions, including whether or not to use a second shift in each round.

Compare the available plant capacity in each round (first and second shift) versus the number

of units produced. Was there idle capacity in any round? Is it possible that you could you have

used capacity more efficiently while increasing your plant utilization? Explain why or why

not.

A review of the Production decisions and results reveal there was no idle capacity in any round. A second shift was used for round 2, round 3, and round 4. The team decided to take shortages and defect rate into account. The shortages were roughly 200. The second shift was helpful to keep the plant utilization low since the team was gradually increasing automation.

In round 2, total plant investments were $14,700. Capacity was at 2,050 and automation was at 5. The team decided to invest in the plant by buying more capacity (2,300) for the next round. Plant utilization was at 118%. In round 3, capacity was at 3,100 with Adam at 2,300 and Able at 1,600. The plant utilization was 112% for Adam and 156% for Able. In round 4, capacity for Adam was decreased to 850 because the team needed to purchase more capacity for their highly demand product, Able that had a plant utilization of 164%. The total plant investment for Adam in round 4 was ($28,275).

Team Andrews should have taken the cash available from investments and applied it to fund plant improvement. The team did a fair job in maintaining the amount of capacity needed when compared to units sold except in round 2 with the 920 left over.

1. See Finance Section of the Round 4 report. At the end of Round 4, do you have any current

debt? Explain the presence or absence of current debt at the end of Round 4. At the end of

Round 4, do you have any long-term debt? Explain the presence or absence of long-term debt

at the end of Round 4.

In the final round of the Capsim simulation, Team Andrews had a current debt amount of

$ 26,933. The team was skeptical about another emergency loan situation arising since the team decided to spend more money on plant improvement with the launch of Able. Finance decided to borrow the extra money to avoid another emergency loan. Also, the team assumed since it was the last round of the simulation, it did not have to be paid back; however, they did not consider how it would affect the team’s overall performance and track record.

In round 4, the team had long-term debt in the amount of $38,700. Andrews did not consider paying off the long-term debt before the simulation was over. The focus was increasing sales and not how much money has to be paid back. Long-term debt was initially taken out because the team assumed it would not have to be paid back right away.

1. Did your team’s decisions in Rounds 1–4 always align with the chosen strategy? If you found

yourself deviating from your strategy, explain why. In hindsight, what decisions would you

have made differently? Explain.

Team Andrews decisions attempted to align with the chosen strategy; however, there were moments the team struggled to understand what they were doing wrong. Attempting to find the “sweet spot” was more difficult to achieve, which is why Adam’s market share ended up dominating in the high-tech segment and barely in the low-tech segment.

Andrews decided to introduce a new product into an untouched market; however, the revision date was overlooked. Andrews planned to launch a second product, Able with a speed and accuracy of 8.8 to target the high-tech Germany market segment early in the

simulation to gain extra market share. Able was upgraded with a Germany region kit to meet the local customer buying criteria. If the team had launched the product earlier, then the opportunity for the product to expand into the low-tech market could have been presented.

The team realized with only one round left that was not going to happen; therefore, the decision to keep Able solely in the high-tech market was made. Able did not align with the Local Broad Differentiator strategy since the team was not able to break into both segments; however, the team did manage to create a product that had a design score of 90, making the product unique.

In hindsight, the team could have launched one great product positioned perfectly between both segments or two separate products where one produce is aimed towards the low-tech segment and the other targeting the high-tech segment of one region. Also, it is possible that Andrews did not need to launch another product and could have worked on enhancing Adam to meet customer demands. Able may have increased sales; however, the team did not review the financials carefully. Initially, all kinds of loans should have been taken out. Dividends should not have been paid out in any round. Lastly, the Performa report was discovered a bit late in the simulation. If the team had realized the report serves as an excellent then perhaps Andrews would have been able to work on their product design score and meet the customer demands in both segments of the US market.