

Introduction to New Shoes Simulation

MKT 210

Marketing Principles



An Integrated Marketing Principles
Experience...with NewShoes

NewShoes

A computer-based **competitive** simulation
of the **athletic shoe industry** focusing
on the **four P's** of marketing:

- Pricing
- Promotion
- Product
- Place (distribution)



NewShoes

A computer-based **competitive** simulation of the **athletic shoe industry** focusing on the **Five P's**:

Uses Real Data



Product
Place (distribution)

NewShoes

Experiential learning that drives home the basic process of **marketing planning**:

- Design of a strategic marketing plan
- Use of simple marketing research
- Experience dynamic competition
- Learn about group decision-making
- Understand the financial implications of choices



Environment

Multiple markets with different dynamics and needs:

- Three **regions**: (SBU's)
 - Home
 - Domestic
 - Foreign
- **contract bids** for store brands



Competition

8-10 competitors in each industry
all starting from the same equal position

- Selling in **home** and **domestic** regions
- **No inherent advantages** of one firm over another at start
- Learn about competition through **market research**



Starting Position is the End of Period 2

Improved from Period 1 to 2,
but still major challenges!

		Period 2	Period 1
Revenue			
Home Sales	67.6K units X \$110.00 price	\$7,436,000	\$9,180,000
Domestic Sales	130.4K units X \$90.00 price	\$11,736,000	\$0
Special Income		\$0	\$0
Total Revenue		\$19,172,000	\$9,180,000
Cost of Goods Sold			
Total Cost of Goods	198K units X \$40.00 COG/unit	\$7,920,000	\$6,384,180
Gross Margin		\$11,252,000	\$2,795,820
Expenses			
Advertising		\$3,500,000	\$1,000,000
Consumer Promotions		\$4,000,000	\$2,000,000
Personal Selling		\$1,120,000	\$400,000
Dealer Promotion		\$2,200,000	\$1,000,000
Product Development		\$900,000	\$800,000
Market Research		\$0	\$0
Start-up		\$0	\$0
Special Expenses		\$0	\$0
Total Expenses		\$11,720,000	\$5,200,000
Net Profit		-\$468,000	-\$2,404,180



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Assume that the previous Managers DID NOT READ the Manual

Market Research

Insights about **competitor's decisions** plus **customer satisfaction**


- **3 levels of detail** by variable / region:
 - Industry averages (\$10K per item)
 - Range + averages (\$10K per item)
 - Detail by firm (\$25K per item)
- Weigh **cost vs. value** of information
- Some free information in **industry news and Performance Scores**



Financial

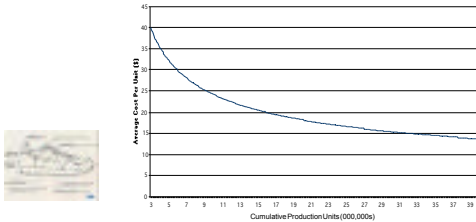
Make sure to consider the **financial implications** of decisions **Profit and ROS**

- Cost of **marketing expenditures** vs. the impact on sales / profitability
- **No budget constraints**, but limited marginal value on expenditures
- Impact of **experience curve on COG**
 - Impact due to B2B/ **contract bid** sales
 - Long vs. **Short-term** orientation

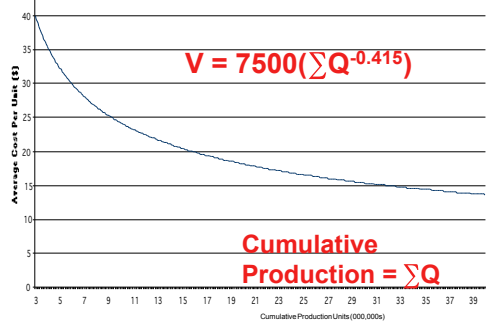


Experience Curve

What are the implications of decreasing unit costs due to the **experience curve**?



Variable Cost per Unit



Decisions

Market (**SBU**) decisions

- Price
- Consumer Advertising
- Consumer Sales Promotion
- Personal Selling (# salespeople)
- Dealer Sales Promotion
- What market research to purchase



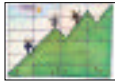
Company decisions

- Product Development

Tools

Multiple tools and reports to assist your decision process

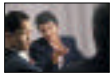
- Income Statement
- Market Share
- Return on Sales
- Breakeven Price Analysis
- Contract Bid Analysis
- Response Function Estimation



Assignments

Multiple assignments to reinforce concepts

- Strategic Plan (and revision)
- Forecasting
- Use of Market Research
- New Product Development



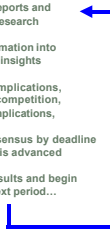
Basic Marketing Planning

Decision-Making Process

- Analyze current situation
- Problems and opportunities
- Generate alternatives
- Decision
- Monitor results

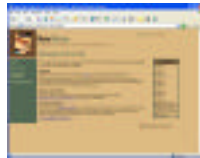
NewShoes

Company reports and marketing research
Distill information into meaningful insights
Marketing implications, Anticipate competition, Financial implications,
Group consensus by deadline
Simulation is advanced
See new results and begin again for next period...



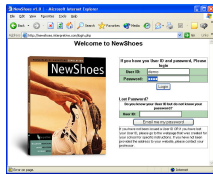
Course and Section Site

- Purchase Simulation
- Access Simulation
- View Performance across Industries



Login

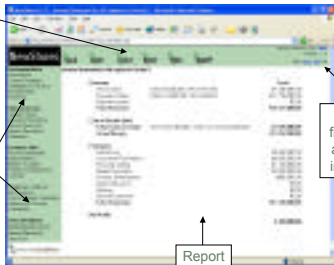
You will be emailed a user ID and password to purchase the simulation



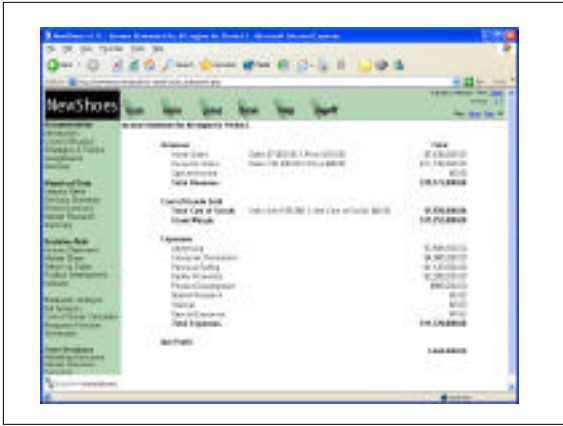
Navigation

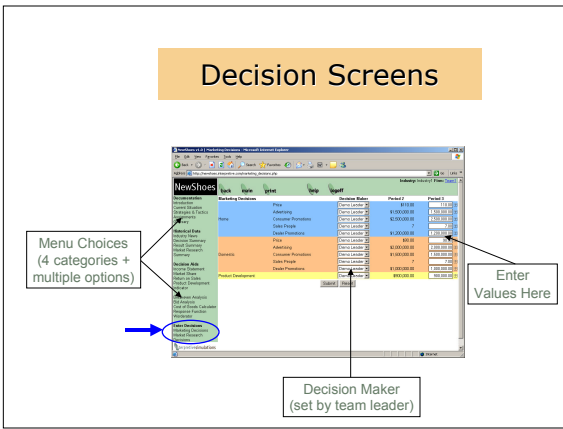
Navigation Buttons

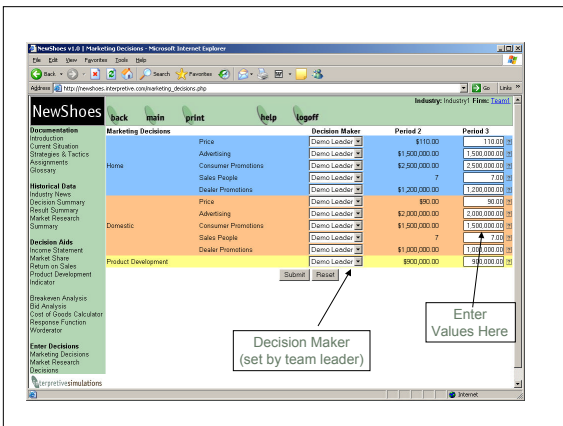
Menu Choices
(4 categories +
multiple options)



Industry,
firm, period
and region
information







Decision Screens

Decision Category	Decision Maker	Period 2	Period 3
Advertising	Demo Leader	No	Yes
Dealer Promotions	Demo Leader	No	Yes
Price	Demo Leader	No	Yes

Order Market Research Here

Don't forget to Order Market Research!

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Performance

- Profit
- Return on Sales
- Market Share
- Customer Satisfaction




Performance




• Cumulative Profit

- Return on Sales
- Market Share
- Customer Satisfaction

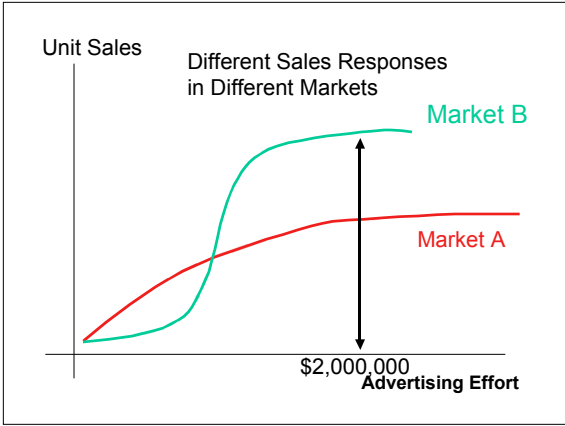


FAQ #1

- What are the three markets (or market segments)?
- Do different markets respond differently to different marketing mixes?

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- What are the three markets (or market segments)? **Home market, Domestic market, Foreign market.**
- Do different markets respond differently to different marketing mixes? **YES!**



FAQ #2

- What are the elements of the four P's that you can control for each market (or segment) ?
- Product?
- Price?
- Consumer Promotion?
- Place or Channel Effort?

FAQ #2

- What are the elements of the four P's that you can control for each market (or segment) ?
- Product? **Choose the amount of expenditure on product development. A Corporate Decision**
(Cost per unit as the indirect result of choices impacting Sales Volume)
- Price? **You can choose the price per unit in each market.**
- Consumer Promotion? **Customer Advertising and Promotions in each market**
- Place or Channel Effort? **Sales Force Expenditure and Dealer promotions in each market. Entering Each Market or not**

FAQ # 3

- What is the variable cost per unit at the start of the third period?
- What is the upper limit on effective product development expenditures per period?
- What is the upper limit on the effective size of the sales force?
- What is the upper limit on effective expenditures for consumer and dealer promotion?

FAQ # 3

- What is the variable cost per unit at the start of the third period? **\$40**
- What is the upper limit on effective product development expenditures per period? **\$2,000,000**
- What is the upper limit on the effective size of the sales force? **10 per market**
- What is the upper limit on effective expenditures for consumer and dealer promotion? **\$1,000,000 per period per market.**

FAQ #4

- What is the upper limit on Effective Advertising Expenditures in a market per period?
- How much does it cost to enter or re-enter a market?
- What is the upper limit on a realistic selling price?
- How many different types of market research reports can you purchase per period per region?
- How much does a research report cost?
- What information do you get?

FAQ #4

- What is the upper limit on Effective Advertising Expenditures in a market per period? **\$2,000,000**
- How much does it cost to enter or re-enter a market? **\$750,000**
- What is the upper limit on a realistic selling price? **\$150**
- How many different types of market research reports can you purchase per period per region? **6**
- How much does a research report cost? **\$10,000**
- What information do you get? **Industry averages**

FAQ #5

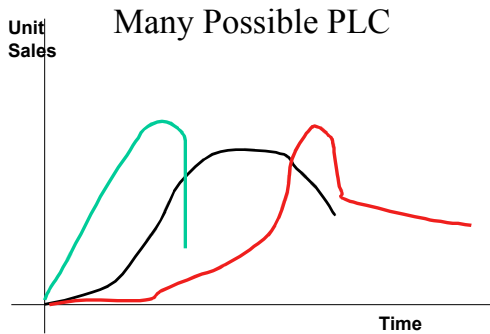
- Potential Research Reports
 - Price
 - Advertising
 - Consumer Promotions
 - Sales People
 - Dealer Promotions
 - Customer Satisfaction

FAQ #6

- What is the percentage learning rate on the experience curve?
- What is the cost per sales person?
- Forecasting Sales.

FAQ #6

- What is the percentage learning rate on the experience curve? **25%**
- What is the cost per salesperson? **\$80,000**
- Forecasting Sales. **Industry news gives a general direction(e.g., flat, slight growth, etc.), PLC, Moving averages**



Things to Keep in Mind

- Anticipate problems/solutions
- Manage both short and long-term
- Think about 4P's as market drivers
- Make use of market research
 - Don't wait for a pattern to emerge, anticipate the pattern from marketing theory
- Internal and external viewpoints and metrics
- Keep in mind costs vs. payoffs
- Three Pillars of Marketing Management:
 - 1
 - 2
 - 3

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- Three Pillars of Marketing Management:
 - Profit
 - Integrated 4P's (relative levels of response)
 - Customers Needs (customer satisfaction)
