

Using BCG/SWOT In The Game

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- The Goal of the Simulation is to Maximize Cumulative Profit

Growth Matrix

		Products	
		Current	NEW
Markets	Current	Penetration Market Share	Product Development
	NEW	Market Development	Diversification

The Game Will Focus on Market Penetration
There is Product Development but NO NEW Products
There is NO NEW uses for existing products

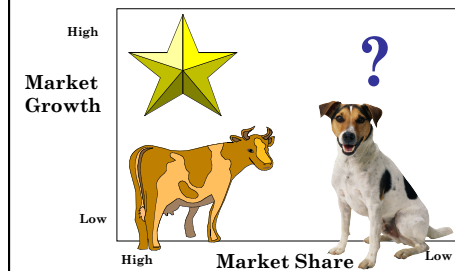
- There are Relationships
- Between market penetration and marketing effort
- Between market share and marketing effort
- Between profitability and market share

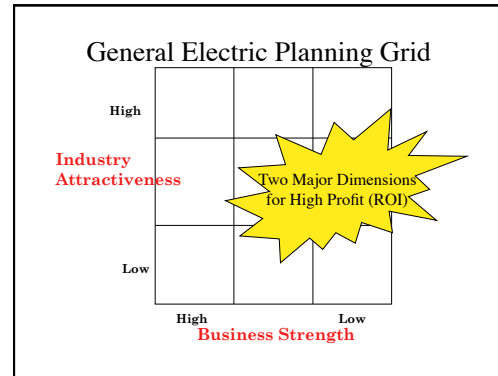
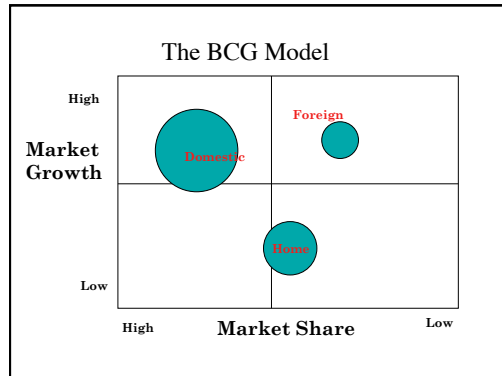
In The New Shoes Simulation

Three SBU' s (Strategic Business Units)

- Home Market Business
- Domestic Market Business
- Foreign Market Business

The BCG Model





The classic need for a Portfolio Model is?

To Allocate Scarce Corporate Resources across all the businesses in the firm in order to Maximize the Profits of the Corporation!

Profit as Return on Investment (ROI)

How to allocate resources among the three SBU's

- Give more resources to the business that has the best chances for a higher ROI
- What are key characteristics that make a market attractive for a high ROI.
- What are the key relative strengths and weaknesses that predict a high ROI?

Market Attractiveness for ROI

- **Market Size**
- Annual Growth
- Profit Margin
- Competitive Intensity
- Technological Requirements
- Vulnerable to Change
- Social/Political/Legal

All Three Markets have the potential for high profit

Business Strength for ROI

- **Market Share**
- Share Growth
- Product Quality
- Brand Reputation
- Distribution Effectiveness
- Promotional Effectiveness
- Unit Costs
- Material Supplies
- R & D performance

- In the Game You have unlimited resources to spend!!
- You do not have to worry about allocating scarce corporate resources to your three SBU's

- The BCG Model Tells Us
- 1) We can Predict our Profits From Our Relative Strength and Weaknesses
 - The Best Predictor is Relative Market Share
- 2) We can predict our profits from the size of the market.

- When you are manager in charge of the Home Market you feel that you are in competition with your fellow managers from the Domestic Market and the Foreign Market
- When you are a Brand Manager for Tide Soap at P&G you are competing against all the other P&G Brands of Soap

In The Game

- Convert the BCG Model of allocation into a Competitive Position Model where all the competitors are reflected not just the in-house competition

SWOT in the Game

- Strengths Relative to All Competitors
- Weaknesses Relative to All Competitors
- Opportunities: How to exploit our relative strengths and the competitor's weaknesses
- Threats: How to minimize our relative weaknesses and reduce the competitor's relative strength

SWOT in the Game

There are NO Strategic Opportunities or Threats in the game
NO Lawsuit for SKECHERS

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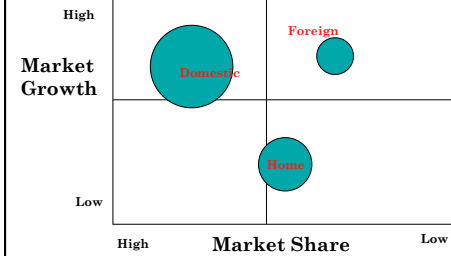
Relative Business Strength

- Relative Market Share
- Relative Growth of Market Share
- Product Quality-Relative Value
- Brand Reputation- Relative
- Distribution Effectiveness
- Promotional Effectiveness
- Unit Costs-Relative

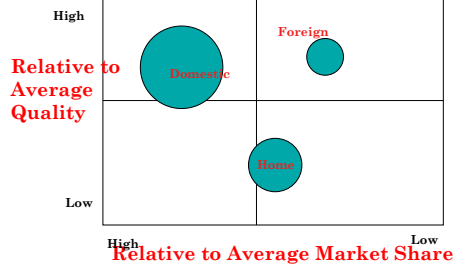
Relative Business Strengths are very important for choosing how much to allocate

- Relative Strengths ALSO help us Predict market share and profits

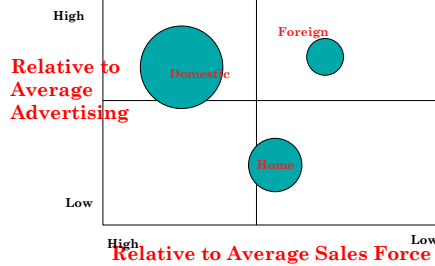
Switch The BCG Model to Competitive Position Model



Relative to The Competitors



Relative to The Competitors



- Here are Rules of Thumb for Relative Marketing Effort
- Relative to **the Average Effort or Expense** in Your Industry

Corporate Decisions

- Spend Above or At the Average Amount being spent on New Product Development
- Spend Above or At Average Product Quality
- Never Fall Behind in Product Quality
- Always BUY the Market Research
- If You Want an Average Grade Make Average Decisions

Spending in the Home Market

- Above or At the Average Selling Price
- Above or At the Average Advertising Budget
- Above or At the Average Consumer Promotion Budget
- Below or At the Average Sales Force Budget
- Below or At the Average Dealer promotion Budget

Spending in the Domestic Market

- Below or At the Average Selling Price
- Below or At the Average Advertising Budget
- Above or At the Average Consumer Promotion Budget
- Above or At the Average Sales Force Budget
- Below or At the Average Dealer promotion Budget

- You can calculate your Relative Market Share from your Relative Marketing Effort
- Relative Marketing Effort is the product of
- Relative Product Quality,
- Relative Advertising,
- Relative Consumer Promotion,
- Relative Sales Force
- Relative Dealer Promotion
- Inverse of Relative Price

Always

- Track Your Relative Profitability (Relative Cumulative Profits)
- Track Your Relative Product Development Expense
- Track Your Relative Market Share
- Track Your Relative Marketing Efforts