

PharmaSim

The Marketing Management Simulation

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Charlottesville, Virginia, USA

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On the academic front, Stu is currently Visiting Lecturer at the University of Michigan (EMBA), and at the Colgate-Darden Graduate School of Business at the University of Virginia (MBA Core Marketing and Custom Executive Programs). In addition, Stu has served at the Allen Center for Executive Education at the Kellogg School of Business, the China Europe International Business School (CEIBS), and the Cheung Kong Graduate School of Business (CKGSB).

Along with his academic work at the above business schools, Stu has also worked with American Honda, CIGNA, The Davidson Institute, General Electric, Genworth Financial, Harvard Business School, Navy Federal Credit Union, Pearson Prentice Hall, and McKinsey & Company. He is co-

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Currently, Stu's primary focus is running Management by the Numbers, Inc. (MBTN), a new venture that he co-founded with Paul Farris of the Darden School of Business. MBTN provides a self-paced, on-line environment where students and executives can master the numbers side of marketing and business metrics.

Stu and his family reside in Afton, Virginia at the foot of the Blue Ridge Mountains. In his spare time, Stu enjoys playing and teaching Irish traditional music and competing in triathlons.

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*Michael Deighan
Stuart W. James
Thomas C. Kinnear
July 2008*

*This simulation is dedicated to Karen and Katherine,
Connie, Maggie, and Jamie,
Mary, Justin, Mikaela, Kathleen, and Sean.*

PharmaSim Introduction



PharmaSim is a challenging simulation covering brand management concepts.

PHARMASIM IS A MARKETING MANAGEMENT simulation based on the over-the-counter cold medicine industry. While it focuses on brand management, the issues raised apply to marketers in any industry. In PharmaSim, you will learn the importance of understanding customer needs, creating awareness for your products, finding the best distribution model, and deriving an appropriate pricing structure.

You compete against simulated competitors. All teams in your section face the same environment.

As a member of a marketing management team, you will make decisions regarding product mix, pricing, distribution, advertising, and promotion for Allstar Brands, one of five firms in the market. The four computer-simulated competitors will respond to your decisions and execute their own strategies. All the teams in your section compete within the same environment, allowing your instructor to compare results. The simulation covers a time-span of up to 10 periods, so you can observe both the short-term and long-term effects of your decisions.

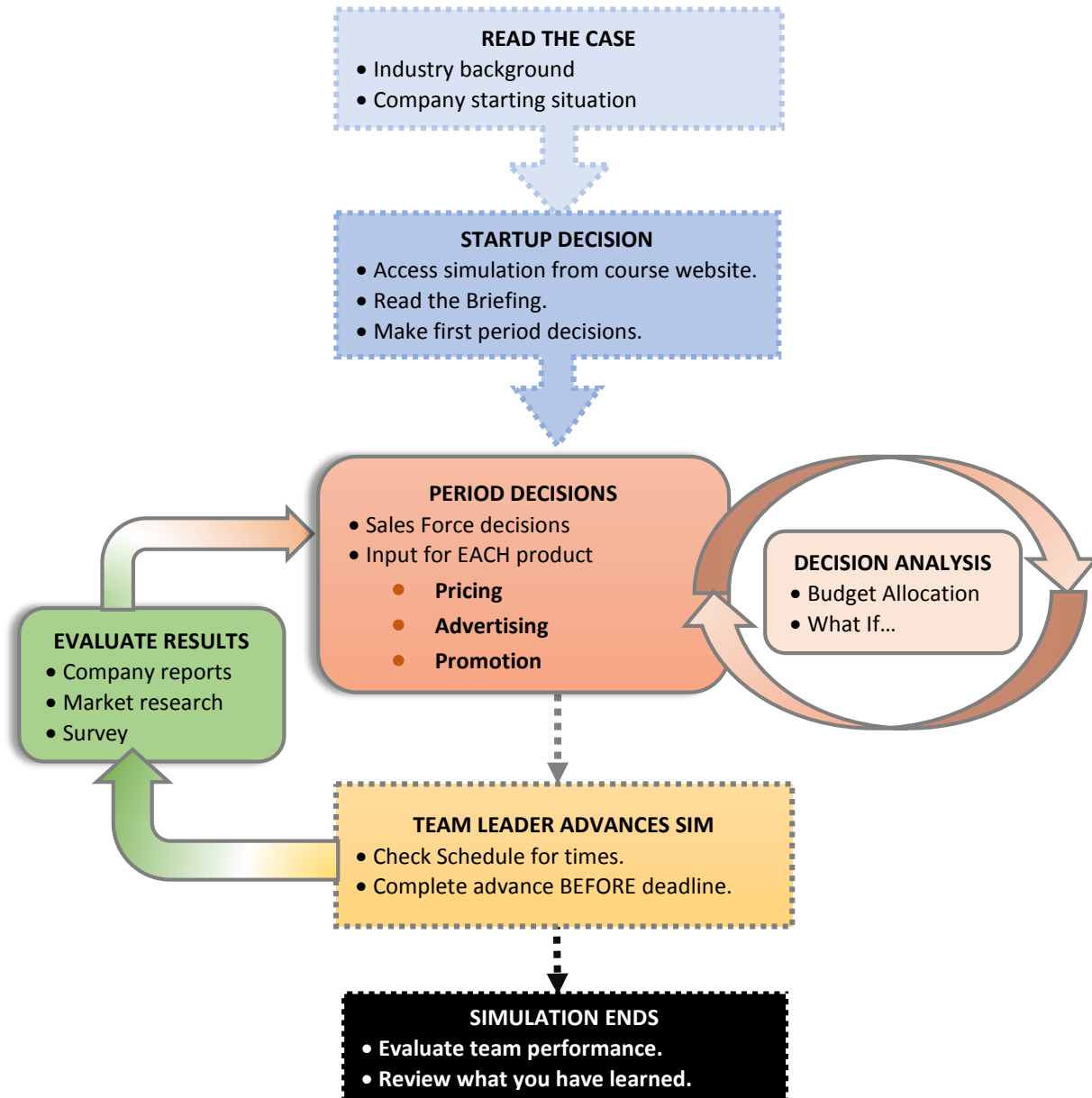
PharmaSim offers three playing levels with varying degrees of complexity. "Brand Assistant" has the fewest decisions and least number of reports available. "Assistant Brand Manager" is moderately complex. "Brand Manager" is the most complex, offering the greatest detail in the decisions and reports. Your instructor may choose to use one or more of the levels. In addition, you may have to respond to issues raised by "incidents" (mini-cases), and complete supplemental assignments chosen by your instructor.

You will gain experience with the 4Ps of marketing: product, price, place, and promotion.

Competing in the PharmaSim marketplace will require complex analysis and decision-making. Therefore, take some time to familiarize yourself with the case before beginning the simulation. While working through your decisions, you will find it helpful to refer to the manual for information and strategy tips.

To get the most out of the PharmaSim experience, we recommend the approach outlined on the following page.

PharmaSim Quick Start Guide



Your instructor may require additional assignments during the simulation.
Check the schedule and messages on your course website for details.

PharmaSim Manual

THE REMAINDER OF THIS MANUAL is divided into the sections described below. **Understanding and success in PharmaSim will be greatly enhanced by reading this manual before you begin the simulation.** The sections listed below will answer most of the questions students typically have during the simulation experience, and reading them has the added benefit of improving your competitiveness. Finally, the operations guide and PharmaSim case are also available on-line in the simulation software.

Section 1: PharmaSim Case contains background on the over-the-counter (OTC) cold and allergy remedy market, and the current situation of your firm, Allstar Brands. It also provides an overview of the decisions you will make and information on the reports and research available. A timeline of the product decisions you will face is also included.

Section 2: Marketing Management Process presents a general discussion of marketing management: situation analysis, the 5Cs, SWOT analysis, marketing strategy, and the 4Ps. It serves as a guide in developing and executing your marketing plan.

Section 3: Operations Guide explains how to use the PharmaSim software, including navigating the simulation, decision entry, and detailed description of the reports. This section also provides details on using the simulation decision analysis tools.

Appendix: This section provides supplemental materials to help you with the simulation experience. There are tips on using the simulation as part of a group. A description of the market segments and distribution channels in the PharmaSim environment may help guide you in segmenting the market and positioning your products. The glossary contains marketing terms that are used in the simulation. An index concludes the appendix.

NOTE: *The data shown in screenshots in the case may not match reports in your simulation. The values in the case and screenshots are taken from Period 0. Other periods may be similar, but one should rely only on the values shown in the simulation screens. Also, the level of detail of some of the information in the screenshots may not be applicable to the Brand Assistant's decisions (Level 1).*

1: PharmaSim Case



The Allstar Brands Medicine Group

ALLSTAR BRANDS CORPORATION IS ONE OF THE LEADING MANUFACTURERS of packaged goods in the world. Since its founding in 1924, the company has acquired or merged with a number of smaller packaged goods companies.

The Allround Brand

The management team at the over-the-counter cold medicine (OCM) group of Allstar Brands just completed its third presentation in the past month to the Pharmaceuticals Division manager regarding the status of the Allround cold medication. It is apparent, from all the attention the team has received, that the Allround brand it manages is of strategic importance to the company. Unfortunately for the team and the company, the fourth quarter performance reports for Allround were not as positive as management expected. Therefore, the OCM team has been under the intense scrutiny of senior management.

Allstar Brands Corporation is one of the leading manufacturers of packaged goods in the world. Since its founding in 1924, the company has acquired or merged with a number of smaller packaged goods companies.

Overview

Allstar Brands' Allround product is a market leader in the over-the-counter (OTC) cold and allergy remedy market. The consistent success of the brand in terms of profitability and sales has made it a critical component of the Pharmaceuticals Division's long-term strategic plan. The division anticipates that the brand's cash flow in the coming periods will allow the company to pursue new opportunities in emerging markets.

However, the division manager responsible for Allround has become concerned with the competitive nature of the OTC cold remedy market. In the past three years, the industry has seen several product introductions as well as major increases in promotional and advertising expenditures. There is concern among senior management that this competitive activity will lead to declining market share and profitability for Allround. The brand has lost one full share point in the last year. Senior management expects that skillful marketing will prove pivotal to the long-term success of Allstar Brands.

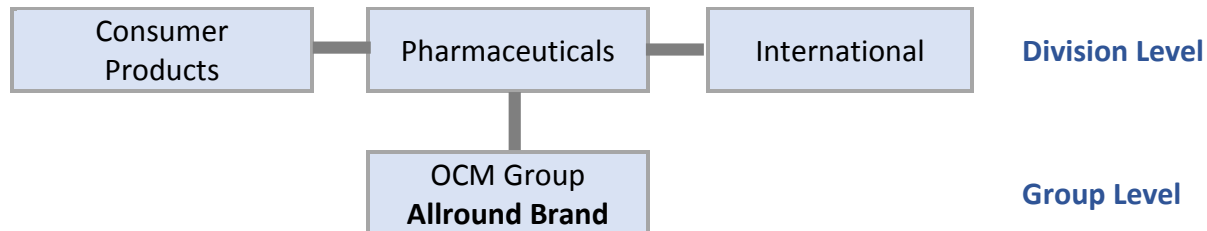
The Company

The company consists of three divisions: Consumer Products, International, and Pharmaceuticals. The Consumer Products Division handles a number of packaged goods, such as laundry detergent, shampoo, and bar soap. The International Division distributes Allstar products on a global basis and has a large presence in the European market. The Pharmaceuticals Division is responsible for the marketing and production of ethical and OTC medications. Ethical drugs are available through pharmacies with a physician's prescription, whereas OTC remedies are widely distributed without the need for a prescription.

The management of Allstar's Pharmaceuticals Division consists of a number of market related groups, one of these being the OCM group. This group is concerned primarily with the marketing activities of the Allround brand and any line extensions or new product introductions that might

fall under the same category. An overview of the corporate structure of Allstar Brands is presented in Exhibit 1.1.

Exhibit 1.1: Allstar Brands



The Brand Management Group at OCM

The marketing management group responsible for Allround consists of a brand manager, an assistant brand manager, and a brand assistant who is a recent business school graduate. They work together as a team on all of the marketing decisions related to the OTC cold and allergy remedy market. The three managers are concerned with developing the Allround marketing mix strategy each period, including any reformulation or line extension options. In addition, if Allstar's research department develops any promising new product ideas for the cold medicine market, this team will be responsible for the new product launch. Although all product and marketing decisions are made as a group, each member of the brand management group has a different role.

During the simulation, decision levels progress from brand assistant to brand manager.

The **brand assistant** has major input on decisions related to retail price, promotional allowances, consumer and trade promotional expenditures, advertising expenditures, and the number of direct and indirect sales force personnel committed to the Allround brand. The brand manager thought it would be best for the brand assistant to gain experience by understanding the basic marketing variables before becoming more involved in the detailed implementation of the marketing plan.

The **assistant brand manager** has input to the aforementioned issues but is also required to make more in-depth marketing decisions. For example, the assistant brand manager makes recommendations concerning the allocation of the sales force to retailers and across direct and indirect channels. This person is also concerned with the development of the pricing discount structure, as well as more of the specifics of promotional programs, including the advertising message, advertising agency, and trade and consumer promotions.

The **brand manager** is responsible for all aspects of the marketing decisions for the Allround brand. In addition to the decision areas above, the brand manager is responsible for more detailed aspects of the advertising message, including which competitor to position against, the

choice of target segments, and the details of how promotional allowances and promotions are allocated across various distribution channels.

In general, the brand management group is responsible for making effective marketing decisions in all marketing mix areas to maximize the long-term profitability of Allstar Brands' OTC cold and allergy remedy group.

Industry Overview

Allstar Brands competes with four other firms in the OTC cold and allergy market. These five firms offer a total of 10 brands in five different product categories (cold liquid, cough liquid, allergy capsule, cold capsule, and nasal spray) listed in Exhibit 1.2:

Exhibit 1.2: Company and Brand Summary		
Company Name	Sales \$ (millions)	Brands on the Market
Allstar Brands	355	Allround: 4-hr multi-symptom cold liquid
B&B Health Care	286	Believe: 4-hr allergy capsule
		Besthelp: 4-hr cold capsule
Curall Pharmaceuticals	199	Coughcure: 4-hr cough liquid
Driscoll Corporation	255	Defogg: 4-hr allergy capsule
		Dripstop: nasal cold spray
		Dryup: 4-hr multi-symptom cold capsule
Ethik Incorporated	396	Effective: nasal cold spray
		End: 4-hr cough liquid
		Extra: 12-hr cold capsule

The OTC Cold Remedy Market

Cold remedies are designed to address five basic symptoms: aches and fever, nasal congestion, chest congestion, runny nose, and cough. Although the cause is different, allergies share many of the same symptoms and are therefore often grouped with cold remedies. However, products formulated specifically for allergy relief medicines are available, and it is common in the industry to consider relief from allergy symptoms as a separate consumer need from virus and flu related illnesses. Chronic allergy sufferers tend to have different usage patterns and more concerns about side effects because of the duration of the symptoms.

Brand Formulations

Products vary in the ingredients they contain, their form, and the duration of relief. In general, various combinations of six basic types of ingredients are used to formulate OTC brands. Each ingredient targets one of the five basic symptoms or is used as a base for the other ingredients. The ingredients are:

-
- **Analgesics:** Provide relief for aches and fever. Common analgesics are aspirin and acetaminophen (an aspirin substitute).
 - **Antihistamines:** Reduce the secretions that cause runny nose and watery eyes.
 - **Decongestants:** Reduce nasal congestion by shrinking the blood vessels in the nose lining to clear the passages and restore free breathing.
 - **Cough suppressants:** Reduce the cough reflex.
 - **Expectorants:** Provide relief from chest congestion by loosening the phlegm, thereby making each cough more efficient.
 - **Alcohol:** Provides a base for the other ingredients in some products and helps the patient rest. (Some consumers view alcohol as a negative attribute.)

A brand can be made available in one of three forms: liquid, capsule, or spray. A consumer's choice with regard to form is usually based on personal preference, but some general differences are apparent. Nasal sprays contain only a topical nasal decongestant that provides faster relief from sinus congestion than other forms. Capsule and liquid cold medications might contain any combination of ingredients, although cough medicine is usually found in liquid form to help soothe throat irritation. According to a recent survey, most consumers find that capsule form is somewhat more convenient than liquid.

Two other basic considerations are duration of the product and possible side effects. Product duration is typically either 4-hour or 12-hour. The government regulates the amount of medication for various periods of relief, including the maximum for a 24-hour period without a prescription. The maximum dosage used in 4-hour formulations cannot be taken more than four times each day due to over-medication concerns. Twelve-hour formulations can contain twice the dosage as 4-hour formulations, or half the daily maximum medication. Nasal sprays are considered instant relief products because they act much faster than standard cold medicines, but their effectiveness wears off faster.

OTC side effects have become a greater consideration in recent times because of the emphasis on healthier lifestyles and concerns about performance under medication. Drowsiness due to antihistamines or alcohol is the most often mentioned negative side effect, especially when these products are used during the day. Other considerations include upset stomach, long-term effects of nasal spray, and excessive medication.

As can be seen in Exhibit 1.3, the Allround brand is a 4-hour liquid cold medicine that provides multi-symptom relief. It contains an analgesic, an antihistamine, a decongestant, a cough suppressant, and alcohol. Most consumers use this product for nighttime relief because of the strength of the medication and because the alcohol and antihistamine help the patient rest. Allround is viewed as one of the most effective brands on the market at reducing multiple cold symptoms. However, consumer groups and some physicians have attacked the multi-symptom "shot-gun" approach as providing excessive medication in many circumstances.

Exhibit 1.3: Current Brand Formulations							
	Anal- gesic	Anti- hist.	Decn- gest.	Cough Supp.	Expect.	Alco- hol	Description
Max Allow	1,000	4	60	30	200	20	(mg/4-hr dose)
Allround	1000	4	60	30	0	20	4-hr multi liquid
Believe	0	4	0	0	0	0	4-hr allergy capsule
Besthelp	0	4	60	0	0	0	4-hr cold capsule
Coughcure	0	0	30	30	0	10	4-hr cough liquid
Defogg	0	4	0	0	0	0	4-hr allergy capsule
Dripstop	0	0	60	0	0	0	cold spray
Dryup	1000	4	60	0	0	0	4-hr multi capsule
Effective	0	0	60	0	0	0	cold spray
End	0	0	0	0	200	10	4-hr cough liquid
Extra	0	0	120	0	0	0	12-hr cold capsule

Market Segmentation and the Market Survey

The trade typically segments the OTC cold and allergy market based on how the brands are labeled. The four standard product categories in the OTC market are cold, cough, allergy, and nasal spray. The brand management group often uses the information presented in Exhibit 1.4 as a basis for determining the brand's direct competition, but also realizes that the report fails to account for the cross-usage of brands (e.g., using a cold medicine to relieve allergy symptoms).

Exhibit 1.4: Market Share by Product Category					
	Cold	Cough	Allergy	Nasal	Total
Mfr. Sales (M\$)	879.7	366.4	126.1	119.1	1,491.2
Growth	6.6%	3.2%	5.9%	4.5%	5.1%
	%	%	%	%	%
Allround	40.4	0.0	0.0	0.0	23.8
Believe	0.0	0.0	50.7	0.0	4.3
Besthelp	25.2	0.0	0.0	0.0	14.9
Coughcure	0.0	54.3	0.0	0.0	13.3
Defogg	0.0	0.0	49.3	0.0	4.2
Dripstop	0.0	0.0	0.0	52.0	4.2
Dryup	14.9	0.0	0.0	0.0	8.8
Effective	0.0	0.0	0.0	48.0	3.8
End	0.0	45.7	0.0	0.0	11.2
Extra	19.5	0.0	0.0	0.0	11.5

A major marketing research firm offers a nationwide survey of OTC cold and allergy consumers. The market research firm claims that this survey provides a great deal more information on how consumers perceive and use cold and allergy products. The firm also suggests that demographic segmentation could reveal important information about the market. Survey data are provided with two segmentation options: illness (cold, cough, and allergy) and demographics (young singles, young families, mature families, empty nesters, and retired). The marketing research firm conducts this survey every period. (*A Sample Market Survey Questionnaire* concludes the case.)

Curious about possible new market insights, the OCM group obtained partial non-segmented results of the market survey on a "free to examine" trial basis. If the group finds the sample data informative, it may purchase the complete survey for \$100,000. The OTC cold and allergy market could then be analyzed based on any or all combinations of illness and demographics that the OCM group desires.

Survey Data

The consumer survey consists of the following reports: 1) market share based on consumer brand purchases; 2) purchase decision-making criteria used by consumers; 3) brand awareness, trial, and repurchase percentages; 4) brand satisfaction; 5) a comparison of intended versus actual purchases; 6) a comparison of brands based on consumers' perceptions of their ability to relieve symptoms; and 7) the tradeoff that consumers perceive between symptom relief and price. The sample data for awareness, trial, and repurchase are presented in Exhibit 1.5.

The survey results on Brands Purchased, Purchase Intentions, and Satisfaction are based on units sold. Brand Awareness, Decision Criteria, Brand Perception, and Tradeoffs are based on survey population. This distinction reflects multiple purchases from one survey respondent (usage rates).

Exhibit 1.5: Market Survey—Brand Awareness, Trials, and Repurchase					
Brand	Brand Awareness	Brand Trials	Most Freq. Purchased	Conversion Ratio	Retention Ratio
	%	%	%	%	%
Allround	74.1 %	47.1 %	21.8 %	63.6 %	46.3 %
Believe	18.9 %	9.2 %	3.8 %	48.5 %	41.9 %
Besthelp	56.6 %	30.0 %	13.0 %	53.1 %	43.2 %
Coughcure	49.0 %	29.0 %	18.4 %	59.1 %	63.6 %
Defogg	24.1 %	13.0 %	4.1 %	53.9 %	31.8 %
Dripstop	20.2 %	11.3 %	3.6 %	56.1 %	31.4 %
Dryup	23.2 %	10.9 %	7.2 %	47.0 %	65.6 %
Effective	22.0 %	12.0 %	3.1 %	54.5 %	26.2 %
End	46.9 %	30.6 %	15.6 %	65.3 %	50.8 %
Extra	60.1 %	31.8 %	9.5 %	52.8 %	29.9 %

The OCM group found the data insightful. They were pleased that Allround had very high awareness. The survey measures the percent of those queried who mentioned the Allround brand without prompting, which is considered "unaided awareness." In addition, the Allround brand had the highest trial level and was the brand most frequently purchased. Allround's conversion ratio (the percentage of those aware of a brand who have tried it) is also high. The brand manager noted that the retention ratio (the percentage of those who have tried the brand who now purchase it most often) for Allround was lower than that for several other brands. The OCM group wondered if this might be a signal of future problems, but the brand assistant recalled that new brands and brands that fill very specific needs often have higher retention rates than brands that are mature or not highly targeted.

Other Marketing Research

In addition to the survey data, other information about the market is available. Market trade publications, similar to Exhibit 1.4, are free to the OCM group and provide data for industry outlook on population, market growth rate, inflation, wholesale/direct distribution, and symptoms reported by consumers. Other data concerning competition and distribution are available for a fee. These include a comparison of relevant operating statistics for each company; competitive estimates of sales force allocation, advertising expenditures, and message and promotional programs; and studies of distribution regarding share of channel sales, pricing, consumer shopping habits, average shelf space, and physician and pharmacist recommendations. Assistant Brand Manager and above can also conduct test markets which allow you to experiment with different combinations of price, advertising, and promotion. In some cases, Brand Managers may be able to use a new conjoint study to help with product decisions.

The OCM group believes that the Marketing Research studies contain useful information, but that they also need to examine the trade-off between the cost of these studies and the information for decision-making that these studies provide. They also need to recognize that all marketing research studies have some error in them.

Industry Competition

The OCM group monitors competitive activity in a number of areas, including pricing and promotional allowances, advertising, consumer and trade promotion, and sales force allocation.

Pricing and Promotional Allowances: It is industry practice for manufacturers to suggest retail prices to retailers, although retailers ultimately set the price to consumers. Manufacturers commonly offer volume discounts of 15-40 percent of the manufacturer's suggested retail price plus an

additional "promotional allowance" of 10-20 percent. Allowances are necessary to gain retail distribution, obtain desired shelf facings in retail outlets, and gain retailer support for a brand in advertisements and promotions undertaken by the retailer. Allowances are usually discussed with retailers in conjunction with price levels but are also considered to be a type of promotional expense. Thus, allowances appear on the income statement as a separate variable cost line item. Exhibit 1.6 displays the current pricing policies for the Allround brand.

Exhibit 1.6: Price / Volume Discount Schedule for Allround (\$)					
By Discount Schedule	Volume Discount	Price to Channel	Units Sold (M)	Dollars Sold (\$M)	% of Total Sales
Direct					
Suggested Retail: \$ 5.29					
<250	25 %	\$ 3.97	10.5	\$ 41.8	11.8 %
<2500	30 %	3.70	35.4	131.2	36.9 %
2500 +	35 %	3.44	15.1	51.9	14.6 %
Indirect / Wholesale	40 %	3.17	41.1	130.3	36.7 %

NOTE: This information is only available at the Assistant Brand Manager level and above in the simulation.

The manufacturer's suggested retail price (MSRP) for Allround is relatively high with volume discounts ranging from 25–40%, not including promotional allowances. However, the OCM group believes that Allround's sales have not suffered because of the higher price. In fact, the brand's effectiveness, high recognition, and level of loyalty have allowed it to maintain a price leadership role in the market. Exhibit 1.7 provides the MSRPs for all brands in the market.

Exhibit 1.7: Manufacturer's Suggested Retail Prices			
Allround	\$ 5.29	Dripstop	\$ 4.29
Believe	4.39	Dryup	5.09
Besthelp	4.89	Effective	4.39
Coughcure	5.49	End	5.29
Defogg	4.29	Extra	4.49

NOTE: A market research report showing the average retail price by channel is available for \$20,000.

Advertising

Advertising plays a major role in establishing brand awareness among consumers and in helping to shape consumers' perceptions of products. Last period, \$20 million dollars was spent on Allround's advertising campaign, primarily for commercials aired on network television. Competitive advertising budgets for last period ranged from \$1 million for the Effective brand to \$16 million for Coughcure.

There are four basic advertising message types that the OCM group considers potentially useful for Allround: a primary demand stimulation to focus the advertising message on increasing overall demand for OTC remedies while increasing Allround's unaided awareness; a benefits approach that states the symptomatic relief properties of Allround; a comparison approach that positions Allround against another brand; and a reminder advertising message to maintain consumer awareness and stimulate the repurchase of Allround. The advertising message used in any period can be a combination of these types and Allround used all of them to some extent last period in their campaigns. The advertising message can also target product use (cold, cough, and/or allergy) and demographics (young singles, young families, mature families, empty nesters, and/or retired). This targeting provides guidance to the advertising agency for creative aspects of the ad design and selection of specific media placements.

The OCM group must make three basic advertising decisions each period: the amount of dollars allocated to the advertising budget, the content of the advertising message, and the choice of an advertising agency.

The OCM group is considering the selection of a new advertising agency. Allround's current agency is Brewster, Maxwell, and Wheeler (BMW). This agency is known for its high quality work but charges a 15 percent commission on media placements. There is some concern that BMW costs too much and is having an adverse impact on Allround's profits. The OCM group has received solicitation from two other advertising agencies. Sully & Rodgers (S&R) has a reputation of providing mid-range quality work but charges only 10 percent on media placements. Lester Loebol & Company (LLC) charges only 5 percent on media placements, one-third as much as BMW, but its advertising campaigns are of significantly lower quality. It could be argued that, since the Allround name is well established, a decrease in the quality of advertising might not hurt the brand significantly. Potential cost savings could result in an increase in profits, but the group is concerned that lower quality advertising might cause irreparable damage to Allround's brand image.

Consumer and trade promotions are a significant part of marketing in the OTC cold and allergy remedy market.

Promotion

Trade promotions include promotional allowances and co-op advertising. Promotional allowances, also discussed in the pricing section, are an additional discount to the channel. Co-op advertising provides incentives to the channel to feature a specific brand in their own advertising. Money is made available to retailers to pay for a portion of the retailer's advertising when the relevant brand is promoted.

Allstar Brands spent significant amounts on consumer and trade promotions for the Allround brand last period. As was the case in advertising, the OCM group believes that Allround has more promotional support than any other brand on the market.

Consumer promotions include distribution of free trial size packages, coupons, and point-of-purchase displays. Trial sizes come in smaller packages and allow consumers to try a product before buying. Allround did not use trial size packaging last period but may consider this option in the future. As the name implies, trial size packaging usually contains a smaller dosage of medicine and is provided to potential consumers free of charge. This promotion can be used to attract potential consumers to the Allround brand.

Coupons distributed to consumers in special newspaper or magazine supplements offer additional discounts off the retail price when redeemed at the time of purchase. In the last period, a part of Allround's consumer promotion budget was spent on coupon support. This included money spent on printing, inserts, and mailings.

Point-of-purchase vehicles are special displays, such as retail sale racks, on-shelf advertisements, or end-of-aisle displays that promote a brand to the consumer in the retail store. The OCM group believes that these displays promote brand switching when the consumer is purchasing OTC products. Point-of-purchase money is paid to the retailer, but the promotion targets the end consumer. The brand manager may allocate these funds across retail channels depending on such factors as shopping habits and channel needs. Exhibit 1.8 is a summary of last period's promotional activity for the Allround brand.

Exhibit 1.8: Promotional Activity for the Allround Brand (in \$000s)	
Promo Allowances	\$ 60,400 (17.0%)
Co-op Advert	1,400
Point of Purchase	1,400
Trial Size	0
Coupons	4,200 (\$0.50 / ea.)

The OCM group not only allocates money for each of these promotional activities but also determines the promotional effort across all retail outlets within the various distribution channels.

Sales Force

The support of a manufacturer's sales force is critical to the success of a brand in the OTC cold and allergy market. Part of the sales force sells directly to retail outlets. This direct sales force is responsible for maintaining relationships with current retailers and for developing new retail accounts. The direct sales force also presents trade promotions, allowances, and new product introductions to retailers.

Manufacturers also maintain an indirect sales force, which includes wholesalers, merchandisers, and detailers, designed to sell into and support the indirect distribution system.

Wholesalers sell OTC brands to smaller, independent retailers that are not reached by the direct sales force of the manufacturer. Merchandisers provide special support to retailers for their in-store activities, such as shelf location, pricing, and compliance with special promotions. Detailers contact doctors and pharmacists to provide information about their brand, introduce new products, and encourage doctors or pharmacists to recommend their brand to consumers.

The OCM group determines the total size of the sales force, including the proportion of direct and indirect support. The brand manager allocates the direct sales force to each type of retail outlet and the indirect sales force to its three components (wholesalers, merchandisers, and detailers). The group must also be concerned with sales force hiring and training costs. The latter is critical to the pharmaceuticals business, even in OTC drugs.

Exhibit 1.9: Allround - Sales Force Allocation					
Direct		# SF	Indirect		# SF
Independent Drugstores	6		Wholesalers	15	
Chain Drugstores	28		Merchandisers	8	
Grocery Stores	43		Detailers	10	
Convenience Stores	3		<i>Sub-Total (Indirect)</i>	33	
Mass Merchandisers	14				
<i>Sub-Total (Direct)</i>	94		Total Sales Force	127	

Channel Choices

As noted above, Allround uses both direct and indirect channels of distribution. Generally, direct sales target larger urban and suburban stores, as well as chain retail accounts. Wholesalers typically serve smaller retail outlets and more rural areas, where the revenues generated for Allround do not support the cost of maintaining a salesperson. Wholesalers carry many product lines and therefore have a broader revenue base for supporting the cost of their sales force.

OTC cold and allergy remedies are sold at retail in independent and chain drugstores, full-line grocery stores, convenience stores (or small roadside markets, such as 7-11), and mass merchandisers (such as Kmart).

Gaining the support of the channel is an important part of a brand's success, and shelf space allocation and placement can have a significant effect on brand sales. The OCM group paid for a study of average shelf space in retail channels and found that Allround did not receive the best placement in all channels. The group wondered why Allround did not consistently receive the best placement, since the brand typically generated higher volume than any other OTC medication. Due to this concern, they asked their sales force to query retailers about shelf space allocation among brands. The results from this informal survey showed that retailers considered four basic factors regarding shelf space allocation: product turnover (number of units sold in a given period of time), promotional allowances, sales force support, and co-op advertising

allowances. In general, large grocery stores, mass merchandisers, and chain drugstores were more apt to focus on turnover and allowances, whereas independent drugstores paid greater attention to sales force support. The OCM group hoped that this information might prove useful in determining how to allocate their resources across distribution channels.

Internal Product Development

The OCM group has important product development and management decisions to make over the next decade and must work closely with the product research and development (R&D) area within Allstar Brands. R&D can provide three major types of product development for the Allround brand group: reformulation of the ingredients in Allround; line extensions of the basic Allround brand; and development of a new brand. New brand options may include ingredients currently available by prescription only should government regulations change. These proprietary prescription only medications may offer Allstar Brands competitive advantages in the OTC market.

After lengthy discussion, the OCM group and R&D agreed that the following schedule would frame the group's product development decisions. After the given period of time, these product alternatives will not be available to the OCM group because R&D will be busy with other projects. They simply will not have the time to work on these projects outside of this schedule.

Product Development Schedule

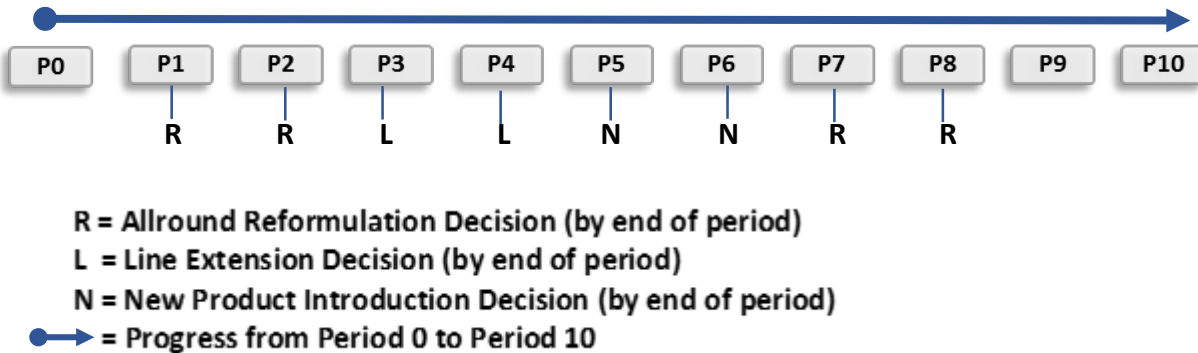
Two **reformulations** of the Allround brand will be available from R&D in Period 1 or 2. The two options under consideration are dropping the alcohol or replacing the cough suppressant with an expectorant. If used, the reformulation would replace the current product configuration. The OCM group must decide by the end of Period 1 or 2 between these two reformulations (for introduction in the market the following period). The opportunity to decide to reformulate will not be available to the OCM group after Period 2.

Three potential **line extensions** will be available from R&D in Period 3 or 4. The three options under consideration are a 4-hour cold liquid for children, a 12-hour multi-symptom capsule, or a 4-hour cough liquid. If introduced, the line extension will provide a new stock-keeping unit (SKU) in addition to Allround, but also take advantage of Allround's awareness. The OCM group must decide by the end of Period 3 or 4 from among these three choices (for introduction in the market the following period). The opportunity to decide on a line extension will not be available to the OCM group after Period 4.

Three **new product** formulations will be available from R&D in Period 5 or 6. The three options under consideration are a 4-hour allergy capsule, a cold spray, or one of the line extensions not previously chosen (to be determined by R&D). The allergy medication is based on a unique, non-drowsy product that is currently available by prescription only. However, the company is planning to submit the product for government approval. The OCM group must decide by the end of Period 5 or 6 from among these three new product choices (for introduction in the market the following period). The opportunity to launch a new product line will not be available to the OCM group after Period 6.

R&D will be available in Periods 7 and 8 to **reformulate** Allround. The OCM group must decide by the end of Period 7 and/or by the end of Period 8 (for introduction into the market the following period) whether or not to reformulate Allround.

Allround Reformulation, Line Extension, and New Product Introduction Timeline



Note: Decisions on reformulations, line extensions, and new product introductions must be made by the end of a given period (before advancing the simulation) for introduction at the beginning of the following period.

Financial Situation

An income statement is presented in Exhibit 1.10. Allround is a successful and profitable brand with sales of \$355.3 million at the manufacturer's level last period. The gross margin was \$172.3 million, and the margin after advertising and promotional expenses was \$145.3 million. The margin after all marketing expenditures, including sales force and administrative costs, was \$129.5 million. The Allround brand also carries its share of fixed costs, including the plant where Allround is produced and a share of corporate overhead charges. The OCM group knew that if demand warranted, the plant would be expanded and fixed costs would increase based on the increase in capacity. These fixed cost charges currently were \$62.4 million, leaving a net income of \$67.2 million. Senior management of Allstar Brands expects the OCM group to make even greater contributions in the future.

The OCM group has received a budget to make marketing decisions for the Allround brand. The marketing budget must cover all sales force, advertising, and consumer and trade promotion expenditures. In addition, any marketing research purchased is a budget expense. Promotion allowance, however, is treated as a price discount and is not charged against the budget. Each year, the marketing budget is adjusted up or down based on sales and net contribution performance. If a line extension or new product is introduced, the group will receive additional budget funds to help with the launch. Unused budget will not be carried forward to the next year, and budget deficits are not permitted. The brand management group must determine the best

way to allocate the available funds, and can use the marketing efficiency index (ratio of net income divided by marketing expenditures) to track performance.

Exhibit 1.10: OCM Group Income Statement			
	\$ (M)	\$ (M)	%
Manufacturer Sales	355.3		100.0
Promotional Allowance	60.4		17.0
Cost of Goods Sold	122.6		34.5
Gross Margin		172.3	48.5
Consumer & Trade Promotions	7.0		2.0
Advertising	20.0		5.6
Sales Force	6.0		1.7
Administrative	9.8		2.7
Total Marketing Expenses		42.8	12.0
Contr. after Marketing		129.5	36.5
Fixed Costs		62.4	17.6
Net Income		67.2	18.9

The Marketing Task

The task of the Allround brand management team is to maintain long-term profitability and market share in an increasingly competitive and changing environment. With great enthusiasm, the OCM group sets out to do the job. Each member has separate assignments, but all are concerned with the performance of the Allround brand and any new brands that might be forthcoming. It will be necessary to use the information presented in the exhibits and possibly other marketing research studies to assess Allround's situation. After completing its analysis of the situation, the group will then make decisions in the areas of product choice, distribution, promotion, and pricing. The group must keep in mind that all decisions are interrelated and must be considered in context. It will repeat this process over the coming 10 periods as it attempts to establish AllStar Brands as the leader in both profitability and market share in OTC cold medication.

Sample Market Survey Questionnaire

This market survey questionnaire was designed to be asked to consumers at the point of purchase (drugstore, grocery store, convenience store).

Market Survey Questionnaire			
PURCHASE INFORMATION			
1.	Did you purchase any cold medicine?	YES	NO
— If you answered "NO" above, go to question 5 —			
2.	Which brand of cold medicine did you purchase?	_____	
3.	Which brand of cold medicine did you intend to buy?	_____	
SATISFACTION			
4.	Overall, are you satisfied with the product you just purchased?	YES	NO
5.	Which brands of cold medicine have you heard of?	Allround	Besthelp
		Coldcure	Coughcure
		Defogg	Effective
		End	Other
6.	Which brands of cold medicine have you tried?	Allround	Besthelp
		Coldcure	Coughcure
		Defogg	Effective
		End	Other
7.	Which brand of cold medicine do you purchase most frequently?	Allround	Besthelp
		Coldcure	Coughcure
		Defogg	Effective
		End	Other

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(Continued from previous page.)

DECISION CRITERIA							
<p>8. Please rank the following product attributes in order of importance in your decision to purchase cold medicine:</p>							
_____	Product Effectiveness						
_____	Side Effects						
_____	Price						
_____	Form						
_____	Duration						
BRAND PERCEPTIONS / TRADEOFFS							
<p>9. Of the brands you mentioned having heard of (from question 5), how effective would you rate the _____ brand of cold medicine in relieving the following symptoms:</p>							
	< Not At All Effective					Extremely Effective >	
Aches	1	2	3	4	5		
Nasal Congestion	1	2	3	4	5		
Chest	1	2	3	4	5		
Runny Nose	1	2	3	4	5		
Cough	1	2	3	4	5		
Allergy	1	2	3	4	5		
10. What is your perception of the price of _____ brand?	Inexpensive				Affordable	Expensive	
	Price	1	2	3	4	5	
SEGMENT INFORMATION							
11. Age: _____							
12. Household Size: _____							
13. What illness are you suffering from?	Cold	Cough	Allergy				



2. Marketing Management Process



Marketing Management

PHARMASIM IS DESIGNED TO BE A CHALLENGING AND REALISTIC learning experience. **One goal of the simulation** is to provide you with the opportunity to apply your marketing knowledge in a dynamic environment over multiple years. It is in this setting—wherein customers, competitors, and the environment are constantly changing—that managers are challenged. Even with the constraints of limited decisions and time, you will find PharmaSim an excellent environment to experience these fluctuations.

A secondary goal of using PharmaSim is to gain decision-making experience in an ambiguous environment. This is very different than a multiple-choice exam where there is one right answer. In a simulation, there is no single correct answer and all "answers" (e.g. decisions) are interrelated. Remember, there is no ultimate solution for PharmaSim. Many different strategies, if implemented well and followed consistently, can be profitable.

Another learning goal is to experience making decisions in a group environment where you and your teammates will likely have different opinions on what your firm should do. If this is your first time experiencing a group decision-making process, you will likely find it challenging. That is part of the learning experience. However, be assured most marketing managers grapple with this environment on a daily basis. And no, it is not easy.

This section of the manual is designed to help you think through your decision-making process as a team. You may be using a textbook that also offers some advice, and your instructor will also have important insights to share. However, providing a simple framework for decision-making will help you think through the process.

Let's start with some typical questions that can help you frame your group's discussion. The questions below are grouped into three categories. We'll address what these categories mean in marketing terms soon enough, but spend a few moments now thinking about these questions. Discussing these questions within your group will provide the strategic direction for your firm.

WHERE ARE WE NOW?

- *Who are our customers? What do they value?*
- *Who are our competitors? What are their strategies?*
- *What are our goals and capabilities?*

WHERE DO WE WANT TO BE?

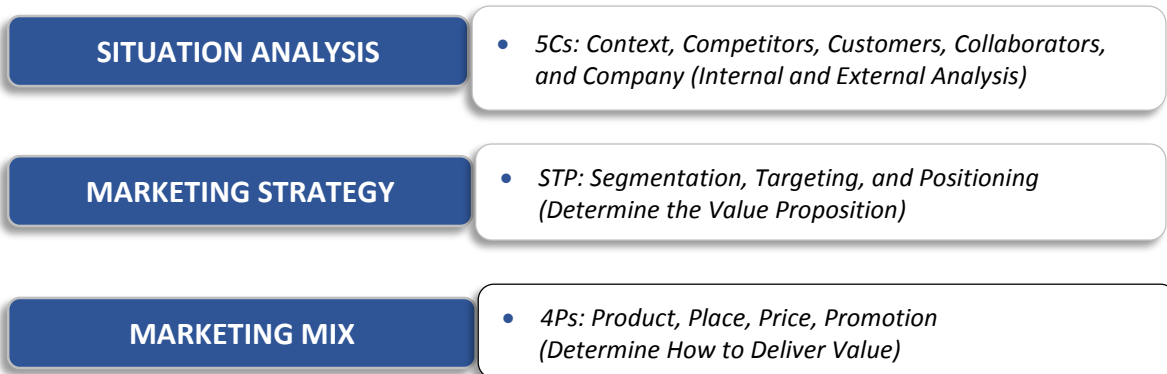
- *What value should we provide?*
- *To whom?*
- *Can we do it better than the competition?*

HOW SHOULD WE GET THERE?

- *How should value be created for the customer?*
- *From what products? Through what channels?*
- *With what communication? At what price?*

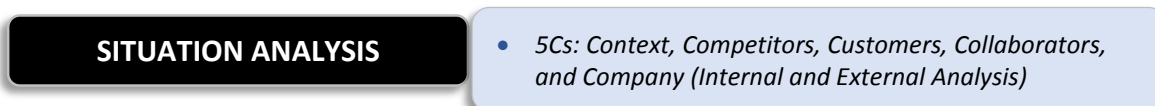
You will want to discuss these questions in the first few periods of the simulation. Coming to a common understanding in these areas will be important for your group decision-making process. If your group can agree on this analysis, then you will have a common perspective for decision-making. You will also want to review this periodically, as customers, competition, and your experience will change with time.

Let's translate these questions into terms that are commonly used in marketing management. So, the question, "Where are we now?" becomes Situation Analysis. The question, "Where do we want to be?" becomes your team's Marketing Strategy. And the question, "How should we get there?" becomes your team's Marketing Mix decisions. So, in effect, the situation analysis drives your marketing strategy, and your marketing strategy drives your marketing mix decisions. This process is graphically displayed below.



There is a tendency for many of us to jump right into the marketing mix decisions without first going through the situation analysis and marketing strategy stages. This is not surprising. The marketing mix decisions are the hard and fast deadlines and decisions that we must make on a daily basis, whereas the first two stages are more preparatory in nature. However, without the framework of situation analysis and marketing strategy in place, we make decisions in a vacuum, leading to reactive rather than proactive choices. It is essential that your firm does your preparatory work first. So let's spend a little time defining situation analysis and marketing strategy, before diving into the marketing mix decisions.

Situation Analysis



When marketers discuss situation analysis, they often use the term "5Cs." The 5Cs refers to completing an internal and external analysis of the circumstances of the firm or business unit, specifically, the context (environment), competition (current and potential), customers (needs,

buying process, etc.), collaborators (distributors, suppliers, alliances), and company (current products, image, resources, goals, etc.). The 5Cs analysis is where it all begins. Without a good understanding of the 5Cs, it is impossible to craft a successful strategy or make informed marketing mix decisions. Let's discuss each of the 5Cs in more detail. For a more complete discussion, please refer to your marketing textbook.

5Cs—Context

The environment (context) can have an enormous impact on marketing programs. Health concerns, waste disposal, energy shortages, and changes in commodities prices are some examples of "environmental" factors that have altered industries and marketing programs. A good example regarding children's cold medicine was the 2008 announcement from the government regarding the use of OTC cough and cold products for young children. An excerpt from the transcript is provided below.

The Public Health Advisory issued today, we strongly recommend that over-the-counter cough and cold products should not be used in infants and young children under two years of age because serious and potentially life-threatening side effects can occur from use of these products.

Obviously, an announcement such as this will have a significant impact on demand for families with young children. But it also may have an impact on other people's purchasing and use decisions. Think about how a manager might respond to this news.

In PharmaSim, there are multiple environmental factors that your firm should monitor. The demand for cold medicine is very much dependent on the number of people reporting various illnesses, as well as seasonal influences (e.g., increased occurrence of influenza or high pollen count). There may be some underlying changes in health concerns that may be monitored by tracking physician recommendations or the purchasing decisions of consumers. The effects of inflation on costs and pricing should also be considered.

5Cs—Competitors

Understanding the dynamics of competition is critical to the success of any marketing plan. Are you able to discern your competitors' strategies? How do you expect them to react to your actions?

By reviewing and tracking your competitors' marketing mix decisions, performance, and resources, one can develop an understanding of their competitive intent.

Another benefit of understanding the dynamics of competition is that through the analysis of competitive marketing programs, one can often gain insight into what may be a more effective use of marketing resources. For instance, you might be tracking advertising expenditures and messages and notice that your competitor has a new program in place. Furthermore, that competitor also had a jump in market share. Perhaps the change in market share was caused, in part, by the change in the advertising decisions. Now your team can have a discussion about the

pros and cons of potentially making a similar change and whether or not that is appropriate for your situation and strategy.

The most difficult facet of the dynamics of competition is anticipating the retaliatory moves of your competitors and deciding whether or not they might neutralize your marketing programs. One should consider the effects of changes in a competitor's price, sales force, promotion, or advertising approach on the success of your strategy. Before you make a decision that is likely to cause a retaliatory reaction, think through whether it is in your long-term best interest to begin this process. Sometimes the short-term gain is more than offset by a long-term chain of negative events that is difficult to reverse.

5Cs—Customers

The customer dimension of the 5Cs can be broadly partitioned into two areas for analysis. The first is the **nature of demand**. This includes understanding what benefits the customer is seeking, how they learn about products, what their motivation is for purchasing, where they buy the product, what they consider when choosing a product, and the like. The study of these types of issues is often called consumer behavior. The second analysis is the **extent of demand**. This includes market size and growth, purchase quantities and usage rates, etc. A more in-depth description of these two areas is provided below.

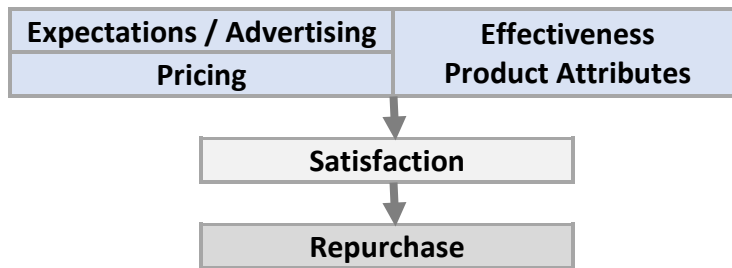
Understanding the **nature of demand** involves answering the question, "How do consumers make their purchasing decisions?" To understand this process, one should describe the purchasing behaviors and attitudes of the consumer. You may use your own experiences to some degree, but do not impose your personal purchasing preferences on your target consumers. Try to find out what makes their decisions different from yours. Marketing research can be of great assistance in analyzing these behavioral patterns. One framework that you may find useful is the five-stage model of the buying process as shown below.



In the above model, the final stage is post-purchase behavior. This is especially important with a consumer packaged-good because satisfaction and repurchase behavior are major drivers of future sales. If one assumes that a satisfied customer is more likely to repurchase and that the repurchase is fairly frequent (consider allergy medication during the spring, for example), then the impact of improving satisfaction and increasing repeat purchases is considerable.

Let’s consider these drivers of satisfaction and repurchase in more detail. Consumers will typically have some expectations about product performance based on advertising, word-of-mouth, etc. They will also likely have some expectation of the value received for that particular set of perceived benefits. How well the product actually delivers those benefits at the actual price paid relative to the perceived value will be a driver of customer satisfaction, and ultimately of repeat purchase. It may be helpful to think of this as depicted in the graphic below.

Drivers of Satisfaction and Repurchase in PharmaSim



Once you have a general idea of how consumers make decisions, it is important to determine if groups of consumers with similar decision-making paradigms can be identified.

Try to discover whether the market can be segmented or grouped based on "what they want" and "how they buy." One reason for doing this is to target your marketing resources at consumers with common needs and purchasing patterns. In most cases, this will lead to a more efficient use of your limited resources.

Some useful variables to consider for segmentation include age, family life cycle, geographic location, and product usage. Attitude-based segmentation and consumer psychographics are other, and perhaps more insightful, segmentation methods. In PharmaSim, one has the ability to segment based on illness (product usage) and demographics (family life cycle/age). In any period of play, any of the Survey reports may be viewed based on any segmentation scheme. When viewing these reports, one should ask whether the information is significantly different using different segmentation schemes. Do all segments view your product in the same way? If not, why? Again, this should provide more insight into the purchasing process of targeted consumers.

Finally, keep track of how the nature of demand changes over time. Consumers do not necessarily draw the same conclusion every time they make a purchase decision. Their needs may change,

their information level may change, and the environment may change. It is important to anticipate how these dynamics evolve over time, and how this may affect marketing decisions.

Extent of demand attempts to determine the current and future size of the market in units and dollars. This information is important to assess what market opportunities offer the greatest potential. How one measures or assesses potential, is a fundamental question. Some primary measures would include market size in units and dollars, market growth rates, and profit potential. Often, one will have to look at several dimensions and consider them in tandem. For example, a smaller, high-growth market may offer more long-term advantages than a larger, stagnant market.

When evaluating extent of demand, there are three additional issues to consider, especially in PharmaSim: market penetration (which is often related to stage in the product life cycle), usage rates, and segments.

Market penetration addresses the measurement of actual sales to potential sales. For example, it is likely that less than 100 percent of the people suffering from colds are buying cold medicine. Some people may choose to just suffer through the symptoms or use home remedies instead of cold medicine. Therefore, the actual percent of people suffering from colds who choose to use cold medicine might be only 60%. This value of 60% would be considered current market penetration. If market penetration increased from 60 percent to 80 percent, actual sales would climb significantly (33 percent). If the

current sales are 511 million units, increasing market penetration to 80% would increase sales to 681 million units.

Average usage also can have a significant impact on your extent of demand analysis. If the average usage in the current market is 2.7 (i.e., each person who buys cold medicine uses an average of 2.7 bottles/period) what happens if usage increases to 3.0? Sales would climb 11 percent. Therefore, one should go beyond the basics of unit sales to consider market penetration and usage when estimating market demand.

Finally, you may want to analyze markets on both an aggregate basis (i.e., the total market for OTC cold medications) as well as a segmented basis (e.g., the market for children's cold medicine). Often the values for the total market are readily available, but segmented estimates are more difficult to calculate. The SHARE OF MFR SALES option on the MARKET menu provides an estimate of cold, cough, allergy, and nasal spray sales in manufacturer dollars. However, you may prefer segmentation based on usage or demographics. Also, remember that in the Share of Manufacturer Sales report, these "segments" are defined by what label the manufacturer puts on the brand rather than a consumer's actual use. For example, you may have a brand labeled as "cold" which is often used for allergies.

Considering all of the factors discussed above, how might unit sales in a particular segment, such as older cold sufferers, be estimated? First, using the SEGMENTATION option on the SURVEY menu, click the box in front of "cold" and "retired." This selects the cross-section or segment to view. Then choose the BRANDS PURCHASED option on the SURVEY menu and identify the

percentage of the total population this segment represents. If this value is 8.7%, then sales to this market segment would be 44 million units/period ($511 \times 0.087 = 44$).

5Cs—Collaborators

The distribution structure of an industry plays an important role in marketing decisions. In some industries, manufacturers sell directly to the consumer, whereas in other industries there are multiple levels of distribution (brokers, wholesalers, retailers, etc.). It is important to understand the roles, strengths, and needs of each channel member. Typically, as more intermediaries come between the manufacturer and the consumer, the amount of control the manufacturer has in the marketplace decreases. In addition, the manufacturer may not receive important market feedback directly from the consumer, thus underscoring the need for marketing research.

Much of the information regarding channel policies (markup, use of wholesalers, needs, etc.) is found in the case at the beginning of this manual. Remember to consider where your target customers are likely to purchase your medication. Finally, think about the role of the sales force in motivating the channel to carry your product.

It is important to understand how to motivate the channel in terms of discounts, allowances, support, and turnover, all of which play a role in whether or not to stock your brand as well as a brand's visual placement on retail shelves.

Another group of people who influence your customers' decisions are doctors and pharmacists. They are more concerned with using the proper medication for the symptoms and situation and are less likely to be swayed by advertising. However, these influencers still need to be aware of a brand to recommend it, and if two brands offer similar relief, they may be more likely to recommend one brand over another if they are more familiar with it. So, advertising and sales force—especially the detailers (salespeople whose primary task is to inform clients about new products)—do influence doctors and pharmacists.

In summary, think about the buying behavior of your collaborators, just as you do with your customers. Of course, collaborators' motivations are quite different from those of the end user, but they are equally important to understand.

5Cs—Company

Now we arrive at the final C—the company. Most people begin situation analysis with the company because internal functions are more easily known than external issues. However, we have purposely left the company last because situation analysis, especially from a marketing perspective, should have an external focus.

For company analysis, consider your current and future products and brands. Are they successful? Are they growing? Good margins? Are they unique? Do they meet customer needs? Related to the product, think about your overall position and image in the marketplace with both customers and collaborators. Are you well known? Are you able to charge a premium price? Do you have strength in your distribution channels?

You'll also want to think about the resources available to your brands. In PharmaSim, this is your budget. Your budget is based on your overall performance on sales and profitability. Is your budget more or less than your competitors? Are you spending your budget wisely?

Finally, consider your actual team in the simulation. Do you work together well? Do you share a common vision for your firm and brands? How will you analyze information and come to decisions as a group? Is there trust within the team? Often this aspect of the simulation is overlooked, but it is typically one of the more important determinants of success. This also mirrors the real world. An effective management team and workforce is one of your most important assets.

SWOT Analysis

One fairly common approach to grouping all of the 5Cs information in a more manageable form is to group issues into four categories—Strengths, Weaknesses, Opportunities, and Threats (SWOT). Strengths and weaknesses are internal (company) factors while opportunities and threats are external factors. A brief description of each is provided below.

STRENGTHS	<i>Superior resources and/or skills that can be drawn on to exploit opportunities and diminish threats.</i>
WEAKNESSES	<i>Deficiencies in resources and/or skills that inhibit the firm's ability to capture opportunities or that must be overcome to avoid failure or underperformance.</i>
OPPORTUNITIES	<i>Environmental (consumer, competitors, channels, economy, technology, deregulation, etc.) states of being or trends with positive consequences. They provide a potential new basis for competitive advantage and provide a possibility of improved performance if pursued.</i>
THREATS	<i>Environmental states of being or trends with negative consequences. They may impede the implementation of strategy, increase the risks of strategy, increase the resources required, or reduce performance expectations.</i>

Marketing Strategy

MARKETING STRATEGY

- STP: Segmentation, Targeting, and Positioning (Determine the Value Proposition)

Defining your marketing strategy consists of choosing a segmentation approach, target markets, and positioning objective. This is known as segmentation, targeting and positioning, or STP for short. STP provides the overall strategic direction for your company—who will you serve, how will you serve them, and on what basis do you intend to compete. As an example, if you are

selling automobiles, a simple STP statement might be, "We intend to serve the high income market in Canada through high performance, all-wheel drive vehicles."

Your marketing strategy should be based on the 5Cs analysis you did in phase one (or a variation of that such as SWOT analysis). It is important to build upon previous analysis as you proceed through each phase. Failing to do so is easy; we often like to jump right into decisions or strategy without referencing the underlying assumptions. However, if we fail to properly build on the 5Cs analysis, our strategy will have flaws, and we will only have ourselves to blame. Statements such as, "The strategy is perfect except for the possible exception of X, but let's put that aside for now" reveal potential flaws that need to be addressed. Is "X" something that is essential to the success of the strategy? If so, don't ignore it or "X" will haunt you as you move forward. Address it up front. Make sure you have analyzed it, and if it still makes sense to proceed, do so knowing that you have done everything you can to take into account the impact of "X."

Often, one of Michael Porter's three generic strategies will be the underpinning of your marketing strategy. They provide a good starting point for discussing strategy and formulating a marketing plan. They are:

- **Overall Cost Leadership.** Here, the goal of the business is to achieve the lowest possible system cost (production, distribution, supply chain). Generally, a business that pursues this strategy will have the lowest prices and attempt to have the highest market share. This strategy works best for markets where price is the primary consideration in the purchase process. However, it is dependent on your firm being able to achieve the lowest cost position in the industry. If the industry is prone to technological advances that impact cost, it is difficult to achieve a sustainable advantage.
- **Differentiation.** For a differentiation strategy, the goal for the business is to establish superior performance in one or more areas that are of importance to the customer and typically charge a higher price for that superior performance. This strategy is effective in industries where price is not the primary driver and customers are willing to pay more for a product/service that provides superior benefits.
- **Focus.** Here the goal of the business is to leverage the customer relationship. By focusing on a more narrow range of consumer segments, a business can tailor products and services to best meet customer needs. This might be providing low costs or differentiation; whichever is appropriate for the target segment selected.

After your team has agreed on an overall strategy for your business, the next step is creating a marketing plan. You may be asked by your professor to provide this for PharmaSim after a period or two. There are many different ways to write a marketing plan, so make sure to follow the directions provided by your instructor. The marketing plan provided on the PharmaSim course website in essence asks you to go through the 5Cs and STP analysis, and then put your strategy into writing. Most marketing plans will also include financial projections (sales forecasts, expense

forecasts, product contribution) and variables that can be monitored to track the progress against the plan.

Monitoring Results Against Plan

What are the marketing metrics you will use in PharmaSim to track your progress? Net income and market share are good overall benchmarks of performance against other players. However, to determine if your marketing plan is working, you will need to use intermediate measures such as awareness, shelf space, recommendations, etc.

One reason to track intermediate measures is to help distinguish between a symptom and a root cause of a problem. A symptom is an obvious result of a specific problem. For example, you may see that sales or profits are down. You have identified a symptom. Now you need to determine the underlying problem that caused this symptom. Keep asking "why" until you find the root cause of the situation. An example:

SITUATION / SYMPTOM	WHY?	YES	NO
Profits are down	Sales are down		√
	Market Share is down		√
	Total Market Share is down		√
Problem (Root Cause)	Competitor product launch	√	

In many cases, more than one problem can cause a general symptom like "profits are down." In the example above, it might also be that total market sales are down, which would only compound the problem of a competitor’s product launch.

Marketing Mix

MARKETING MIX

- *4Ps: Product, Place, Price, Promotion (Determine How to Deliver Value)*

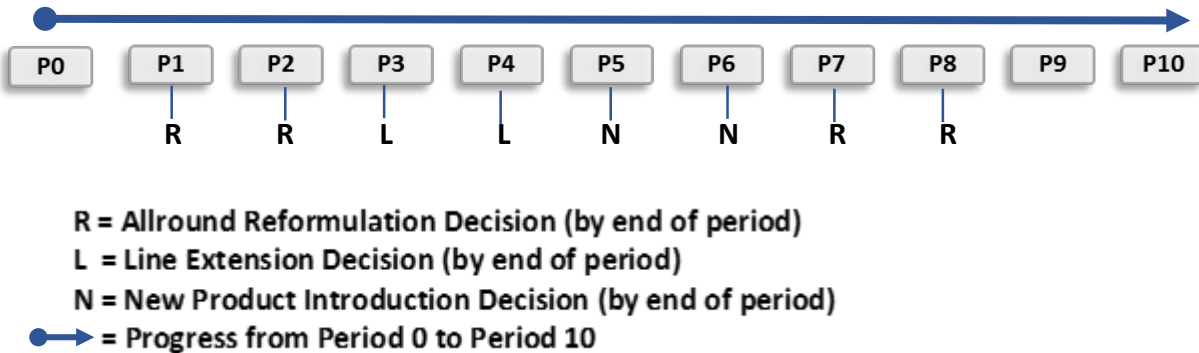
The marketing mix is the implementation of your marketing strategy. Often, these marketing mix variables are referred to as the 4Ps of marketing—product, place (distribution), price, and promotion. In PharmaSim, the 4Ps represent all of the decisions you make each simulated year. This consists of multiple decisions in each area. For example, the primary pricing decision is the MSRP, but there are many other factors to consider, such as volume discounts, promotional allowances, coupons, etc., which ultimately influence the final price paid by the consumer. Let’s look at each of the 4Ps in a little more detail.

Marketing Mix—Product

Recall the product development timelines discussed in the case. Every two simulated years, your firm will have the option to change the existing product or introduce a new product through (reformulation, line extension, or new product launch). These are important decision points for

your firm. In light of your strategy, your team must decide which product development decision is the best option. In addition, your team must decide the best way to implement its product decisions (for example, on the line extension, how best to minimize cannibalization).

Allround Reformulation, Line Extension, and New Product Introduction Timeline



There are several tools that you may want to use to supplement your analysis. Understanding customer needs is a good place to start—here, the Decision Criteria report in the consumer survey and the Conjoint Analysis are both helpful tools. Knowing the competitor’s products and their success is also important. Competitive formulations are provided in the Brand Formulations report. Also remember to take into consideration the potential margin which would include the likely selling price for, and cost structure of, the product.

Marketing Mix—Place (Distribution)

Understanding the needs of your distribution channels is essential to any well-thought-out marketing plan. For example, when trying to gain prime shelf space in grocery stores, it is necessary to find out what is most important to those retail outlets. Refer to the case to find out what factors influence the allocation of shelf space among brands. Typically, retailers will consider stock turnover rates (brand sales volume), profitability, promotional allowances, sales support (sales force), and trade promotion. If shelf space for your brand is low in the target channels, sales will suffer. Because brand decisions for cold medicines are often made in the store, brands that are at eye level or have special point-of-purchase displays usually have an advantage over those brands found on the bottom shelf.

In PharmaSim, how does one motivate channel partners in general, and then specifically emphasize one channel in particular over another? Some of the factors that your channel partners use to decide which brands gain prime shelf space include margin earned per unit, sales volume and turnover rate, sales force influences (direct and indirect), co-operative advertising, and other promotional activity.

In general, when considering distribution in PharmaSim, remember:

- Successful brands will gain prime shelf space
- Retailers have different needs/considerations
- Shelf space is essential to reach non-loyal buyers who make purchase decisions in store
- Shelf space in PharmaSim includes both breadth (% stocking) and depth (in-store attractiveness)

Marketing Mix—Pricing

When deciding on a price, many external as well as internal factors must be considered. Your price should reflect the strategy you have chosen, while taking into consideration competitors' pricing and the importance your target customers place on price. The most important price decision is the manufacturer's suggested retail price (MSRP). However, in setting that, remember that there are many more dimensions (and decisions) that drive the ultimate price that the consumer pays. Before those factors are incorporated, it is imperative that you review and understand the "marketing arithmetic" of prices.

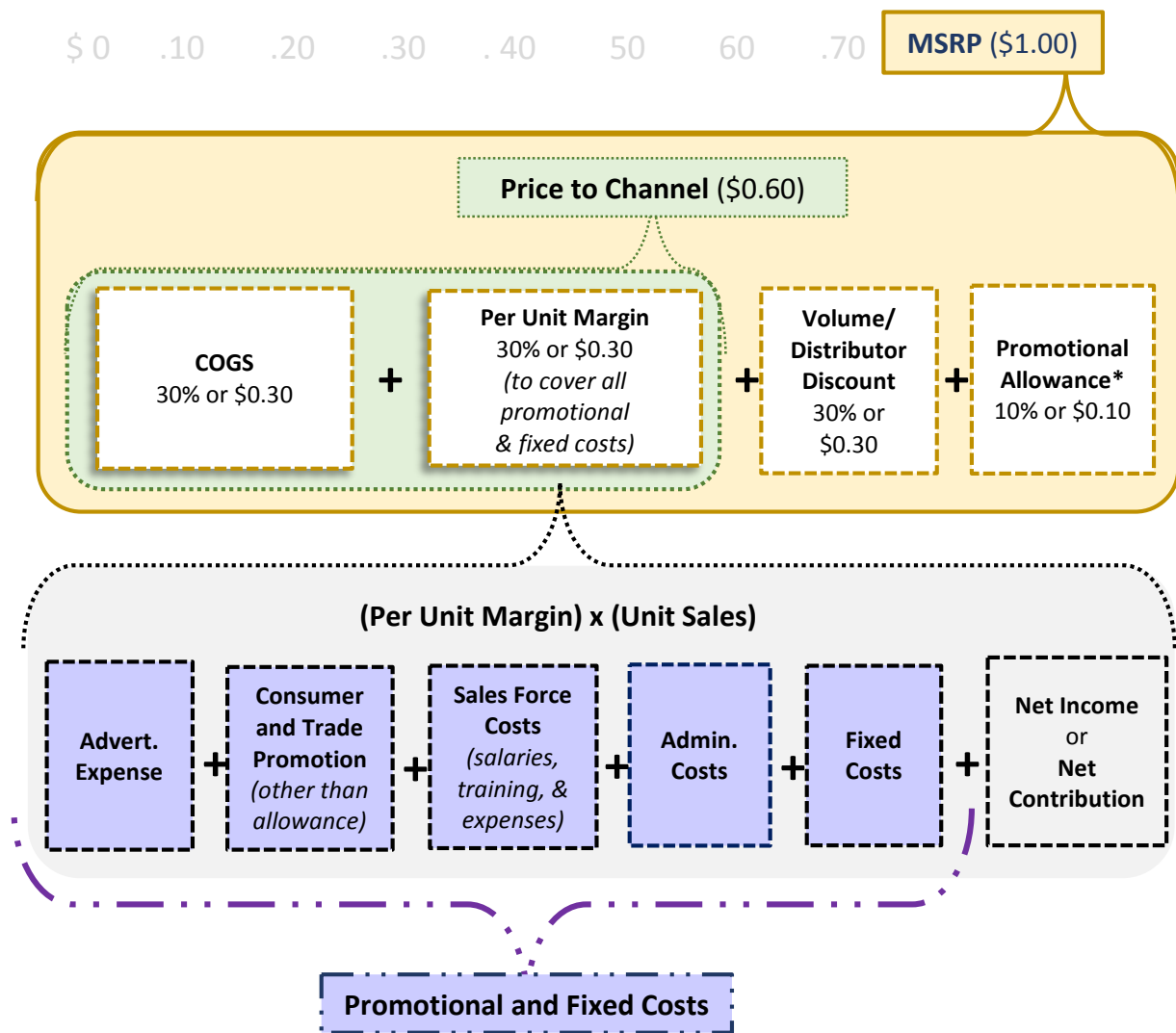
NOTE: A market research report showing the average retail price by channel is available for \$20,000.

- **Manufacturers' Suggested Retail Price (MSRP):** The MSRP is a "reference price" used by consumers and the channel alike to set expectations in the mind of the consumer (e.g., the value the manufacturer believes the product to have). The MSRP is also the starting point for calculating all discounts in PharmaSim. The volume discount is the percent off MSRP used to calculate the discounted price to the channel. Promotional allowance is then calculated as a percent of the discounted price.
- **Volume Discount:** This discount is a percentage (15%–45%) of the MSRP, which is subtracted from the MSRP to determine the selling price to the retailer. It depends on the volume of product a retailer purchases (higher discounts for higher volumes). The retailer then sets the actual selling price to the customer. Out of the difference between the actual retail price and the price paid to the manufacturer, the retailer must pay all of its promotional and fixed costs (and hopefully have a small profit left over).
- **Promotional Allowance:** Promotional allowances (sometimes called slotting allowances) are additional discounts offered to the retailer, beyond the volume discounts, with the goal of obtaining shelf space for a product. They are particularly important when trying to establish distribution channels for new products. In PharmaSim, promotional allowances range between 10%-20%. You are able to see what allowances your competitors are offering by looking at the Promotion report, which provides all of the major promotional decisions by brand.
- **Price to the Channel:** This is the actual revenue that your firm receives for a sale of your product. The price to the channel is the MSRP less volume discounts. The channel will then mark the product up from this price before reselling it (in the case of a wholesaler)

or selling it to the consumer (in the case of the retailer). This markup plus promotional allowances must cover their costs of selling the product.

- **Cost of Goods Sold:** Cost of Goods Sold is the variable cost of producing each unit. This amount includes all materials, labor, and production costs for the product.
- **Per Unit Margin:** This is the manufacturer’s margin on each product. Like the retailer’s margin, the manufacturer must pay all of its remaining costs (advertising, administrative costs, etc.) from this amount. A company’s gross margin is the aggregate of all of the per unit margins (each per unit margin multiplied by units sold).

The chart shown below breaks down the elements discussed above for a product whose MSRP is \$1.00. These amounts shown are for illustrative purposes only. It is helpful to do an analysis similar to this for your products as you determine their MSRPs.



***NOTE:** Allowance expense is shown here as a percent of MSRP. This is not the same as the promotion allowance entered in the PharmaSim marketing decision, which is a percent of the discounted price.

Price cuts as a competitive response are always a tempting way to respond to a downturn in sales. Why is this? First, customers normally prefer a lower price; thus, there is always the perceived "fix" that lowering your price will improve sales. It is also an easy change in the marketing mix to implement. However, there are many risks with using a lower price to spur sales. Consider the impact and potential responses by competitors if Allround, the leading brand, initiates a price cut. Philip Kotler and Kevin Keller cite four possible traps of price-cutting: (1) customers assume quality is low; (2) a low price buys market share but not loyalty because the same customers will shift to any lower-price firm; (3) higher-priced competitors match the lower prices but have longer staying power; and (4) a price war may be triggered.

Marketing Mix—Promotion

Advertising is important in establishing brand awareness and in shaping consumers' perceptions of products. In managing Allround, you will need to decide how much to spend on advertising and what the message should be for your target group(s).

When targeting specific demographic or product user groups, it is important to have a marketing plan that is consistent with the needs of the target group. This is especially important for line extensions and new product introductions because these are more likely to be marketed to a specific group. The advertising message should appeal to the target group and promote the benefits that are most important to them. When comparing with another brand, target the current leader in that segment. This will create an advertising campaign that communicates why your brand is superior to the competing brand. The promotional strategy should be consistent with the overall brand strategy.

Promotional levers available in PharmaSim can be broadly divided into *trade promotion* and *consumer promotion*. The purpose of trade promotion is to motivate your channel partners to a) carry your brand and b) provide your brand with good shelf space. In PharmaSim, trade promotion includes promotional allowances and co-op advertising. As discussed previously underpricing, promotional allowances are an additional discount to target channels. Co-op advertising provides incentives to the channel to feature a specific brand in their own advertising.

The purpose of consumer promotion is to motivate the consumer directly. Consumer promotion in PharmaSim includes distribution of free trial-size packages, coupons, and point-of-purchase displays. Trial-sized medication comes in smaller packages and is available at a lower price or provided free directly to consumers. Coupons are distributed to consumers in special newspaper or magazine supplements and offer additional discounts off the retail price when redeemed at the time of purchase. Point-of-purchase vehicles are special displays, such as retail sale racks, on-shelf advertisements, or end-of-aisle displays that promote a brand to the consumer in the retail store.

Marketing Mix—Push / Pull Implementation Strategies

PharmaSim is an excellent environment to test pull and push strategies. You will likely use both push and pull elements, but you may decide that for your product category and circumstances, one strategy makes more sense for you to emphasize.

To implement a push strategy, you will probably focus on trade promotions as the primary elements of your marketing mix. This would include higher-than-average promotional allowances and volume discounts, more emphasis on sales force support (especially merchandisers and your direct sales force), and some use of co-op advertising and point of purchase displays. All of these elements will help increase your shelf space and make your product more appealing to consumers at the point of purchase.

For a pull strategy, you will spend more of your budget on consumer promotion and advertising. The idea is to build your brand strength through greater awareness and knowledge of the benefits of using your brand. Thus, when consumers purchase a product, they will look for your brand. In a pull strategy, it is likely that more of your budget will go toward advertising, trial size, coupons, and detailers. Point-of-purchase displays and co-op advertising can also help to build brand equity.

It is important to note that these two strategies are not mutually exclusive. A strong brand will be more appealing to channel partners. They will want to carry your brand to help bring customers into their retail outlet. Also, strong brand equity can also work to your advantage for customers who are making their product choice at the point of purchase.

Marketing Mix—How Best to Allocate a Limited Budget Across Brands

In the example below, a division has four brands on the market. Sales, brand contribution, current market share, market share of the largest competitor, and market growth are listed for each brand. The division has a marketing budget of \$20 million. Based on this information, how would you allocate the division's budget?

Exhibit 4.1 Example data from a division with four brands on the market

	Last Yr. Budget	Sales	Contribution	Market Share	Comp. Share	Market Growth	New Budget
Brand A	\$ 10.0	\$ 75.2	\$ 15.6	18.3%	16.5%	2.1%	
Brand B	0.5	12.1	1.1	2.0%	22.3%	4.5%	
Brand C	8.0	172.5	3.7	27.3%	14.9%	16.2%	
Brand D	1.5	45.8	4.8	6.3%	12.5%	18.5%	
TOTAL	\$ 20.0	\$ 305.6	\$ 25.2				

The information presented here is limited, but you probably have some initial thoughts on an approach you might take. You might choose to keep the budget the same as last period. Budgets

are often based on last period's budget. You also might want to consider some other options, such as sales or contribution. Brands that have the highest sales or contribution will receive the highest budget. Some straightforward methods of allocating the budget lead to an interesting range of values, and these are presented in Exhibit 4.2.

Exhibit 4.2: Various allocation methods applied to data from Exhibit 4.1				
Total Budget to Allocate: \$ 20 Million				
Basis for Allocation	Brand A	Brand B	Brand C	Brand D
<i>Last Period's Budget</i>	\$ 10.0	\$ 0.5	\$ 8.0	\$ 1.5
<i>Sales</i>	4.9	0.8	11.3	3.0
<i>Contribution</i>	12.4	0.9	2.9	3.8
<i>Return on Expenditures</i>	4.2	6.0	1.2	8.6
<i>Market Size</i>	1.3	3.1	13.0	2.7
<i>Market Growth</i>	1.0	2.2	7.8	9.0
<i>Market Share</i>	6.8	0.7	10.1	2.3
<i>Relative Market Share (your share / largest comp.)</i>	6.3	0.5	10.4	2.9
<i>Range</i>	1.0–12.4	0.5–6.0	1.2–13.0	1.5–9.0

Example calculation for budget allocation based on sales:

Brand A represents 24.6% of the division's sales (75.2 / 305.6). If the budget were allocated based on sales, the brand would receive 24.6% of \$20 million, or \$4.9 million.

Each one of the example budget allocation approaches has some merit. It is important to note the wide range of outcomes possible based on simple allocation approaches. It is the job of the division manager to sort out priorities, potential, and risks to arrive at an allocation decision. This is not an easy process, but it is one of the essential parts of marketing management. Make use of the tools and market research available in PharmaSim to help you sort out options and priorities. There is no one right answer, only a good answer based on sound analysis. Accepting that level of ambiguity while making a decision takes courage and is a big part of being a manager. Use PharmaSim as an opportunity to become more comfortable in that role.

Conclusion

PharmaSim rewards those players who perform a thorough market and competitive analysis and develop marketing plans that are:

- customer-focused,
- reasonable in both the short- and long-term,
- consistent and integrated,
- financially sound, and
- responsive to competitive strategies.

If you follow these guidelines, your firm will likely have a prosperous 10 periods. Enjoy your tenure as a member of the Allstar Brands management team.

5Cs.....STP.....4Ps

3. Operations Guide



Simulation Navigation

PHARMASIM IS DESIGNED to be easy to use and is compatible with most Internet browsers. This chapter contains the information needed to make the decisions for each period and an interpretation of the results found on the reports. This section will first detail simulation access and then will give an overview of the decision-making process of PharmaSim.

Each page of the PharmaSim site contains an easy-to-use menu system consisting of three parts: (1) specific menu options and links to decision-making tools and input screens, found on the left side of the PharmaSim browser window; (2) navigation and general control buttons across the top; and (3) pull-down menu to show the current week in the upper right-hand corner. Refer to the informative sidebar to the right of each simulation screen for more in-depth information about that particular screen.

The screenshot shows the PharmaSim interface with several callouts:

- 7 Main Menu Categories:** A list of menu options: + Startup, + Decisions, + Analysis, + Company, + Market, + Survey, + Simulation.
- Navigation Buttons:** A row of icons for Back, Home, Print, Spreadsheet, Help, and Logout.
- Change the Period View:** A pull-down menu for selecting the current week.
- Industry, Firm, and User Info:** A sidebar showing current settings: Industry: sample123, User: sample123-LEADER, and Stock Price: \$32.50.
- Side Bar Notes:** A text box explaining the navigation system: "Each page of the PharmaSim site contains an easy-to-use menu system consisting of three parts: (1) specific menu options and links to decision-making tools and input screens, found on the left side of the PharmaSim browser window; (2) green navigation and general control buttons across the top; and (3) pull-down menu to show the current week in the upper right-hand corner. Refer to the informative sidebar to the right of each simulation screen for more in-depth information about that particular screen."



The navigation and general control buttons found at the top of the simulation screen are: Back, Home, Print, Spreadsheet, Help, and Logout. The [Print] button applies to the report currently on the screen. For instance, if you click on the [Print] button when viewing the **Product Contribution** report, the report will be sent to your default printer. Clicking the [Spreadsheet] button will export data to your default spreadsheet program. Clicking on the [Help] button brings up additional information. The [Back] button lets you reach the last page you visited and the [Home] button brings you to the homepage of the simulation.

PharmaSim

- Startup
- Briefing
- Case
- Glossary
- + Decisions
- + Analysis
- + Company
- + Market
- + Survey
- + Simulation

The links on the left of the PharmaSim window lead to information and tools you will need to analyze your current position, plan a strategy, and input your decisions. These links are divided into seven categories: *Startup*, *Decisions*, *Decision Analysis*, *Company*, *Market*, *Survey*, and *Simulation*. One of the easiest ways to find out more about an option is just to try it out. The menu system is expandable and collapsible. For instance, click on the button to the left of STARTUP, and the *Briefing*, *Case*, and *Glossary* will collapse back into STARTUP. The right-hand sidebar contains context-sensitive information.

Period

Brand Assistant
Industry : sample123
User : sample123-LEADER

The box in the upper right-hand corner of the simulation screen has a pull-down menu that lets you choose which period you would like to view. It will automatically default to the current period unless you change it. Changing this will show you your results for previous periods once the simulation has been advanced, which can be helpful for reviewing historical information. Also displayed is your current level of play, industry team name, user ID, and team leader status.

[Role of Team Leader In Entering Decisions](#)

When playing PharmaSim as a team, one member will be designated "team leader." The team leader is ultimately responsible for gathering the various decisions made by the team, making sure the decisions are entered correctly and within budget, and advancing the simulation. In addition, the team leader may exercise the option to "lock" out other team members from entering decisions. A sample decision screen showing the [Lock Decisions] button is displayed below.

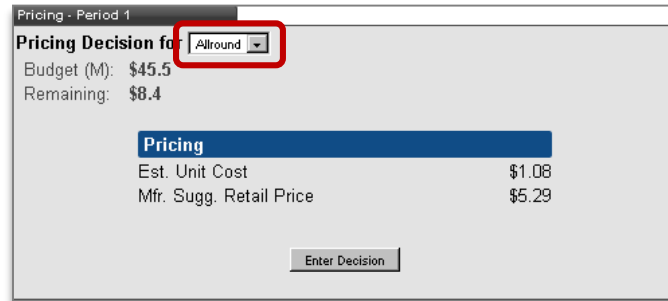
The Team Leader can opt to lock out other members' decisions by clicking into the "Lock Decisions" check box.

Lock Decisions

Drop-down Menus

Each brand or line extension on the market is listed as an item in the drop-down menu list. When multiple products are on the market (only an issue after Period 3), you can make a particular brand active by selecting it from the drop-down menu in the main decision screen. Refer to the screen shot below.

Select **brand** from the drop-down menu list.



The screenshot shows a window titled "Pricing - Period 1". Inside, there is a section "Pricing Decision for" with a dropdown menu currently set to "Allround". Below this, the budget and remaining amounts are displayed: "Budget (M): \$45.5" and "Remaining: \$8.4". A table titled "Pricing" shows the following data:

Pricing	
Est. Unit Cost	\$1.08
Mfr. Sugg. Retail Price	\$5.29

At the bottom of the window is an "Enter Decision" button.

Note: All the screen shots showing data that appear in this operations guide may or may not match your particular scenario. Also note that demand in a particular market may change at any time. Costs are not fixed; they may increase or decrease without notice, as the simulation progresses.

Startup Menu

The **Briefing** provides a quick introduction to the PharmaSim simulation.

The **Case** provides background information you will need to help you read the reports and make decisions.

Be sure to read the **Case** before entering your first decisions.

The **Glossary** provides a list of important terms used in the simulation.

Click the **Glossary** link to access the glossary document.

Briefing

The **Briefing** includes a message from Allstar's management regarding information on the Allround brand, industry competition, product distribution and pricing, and market survey reports, as well as decisions on pricing, advertising, promotion, and sales force.

PharmaSim Case

The **Case** provides in-depth information on the Allround brand, the OCM brand management group, the industry, the OTC cold remedy market, market segmentation and the market survey. You will also find information about industry competition, internal product development, the financial situation of Allround, and the marketing task of the OCM group. Remember that not everything described in the **Case** is immediately available to you. For example, you may not be able to reformulate or add a new product until that option is activated during a later period. Please make sure to carefully read the case before making ANY decisions.

The screenshot displays the PharmaSim software interface. On the left is a navigation menu with options: Startup, Briefing, Case, Glossary, +Decisions, +Analysis, +Company, +Market, +Survey, and +Simulation. The main window is titled 'Case' and shows a document titled 'The management team..'. The text in the document discusses the OTC cold medicine (OCM) group of All Star Brands and the status of the Allround brand. A red arrow points from the text 'For more background on the simulation, read the case before starting to make your decisions.' to a 'Glossary' link in the bottom right corner of the document. The top of the interface shows a red header with 'PharmaSim', navigation icons, 'Period #0', 'Brand Assistant', 'Industry: learn.a', 'User: sample123-LEADER', and 'Stock Price: \$38.35'. The right side of the document shows 'SECTION 1: THE PHARMA-SIM CASE' with sub-sections like 'The Allround Brand', 'Allstar Brands OTC Cold Medicine Group', and 'The Company'.

Glossary

The **Glossary** provides a list of important terms (and their definitions) for learning the principles of marketing and competing in PharmaSim. The Glossary also appears in the Appendix of the PharmaSim manual. Click the link to access the document.

Decisions Menu

Three levels of complexity allow the player to take on more responsibility as the simulation progresses.

In the default progression, the levels of play are as follows: Brand Assistant in Periods 0–1, Assistant Brand Manager in Periods 2–4, and Brand Manager in Period 5 through to the end of the simulation.

Your instructor may make adjustments to the default settings, so be sure to check your current level of play (displayed in the upper right quadrant of the simulation screen).

There are three levels of complexity in PharmaSim—Brand Assistant, Assistant Brand Manager, and Brand Manager. Some options may be active or inactive, depending on the level of complexity and/or period in which you are playing. Each level has a unique set of decision input variables. When the simulation begins, typically players start at the Brand Assistant level and are promoted to higher levels throughout the simulation. The default scenario plays two periods at the Brand Assistant level, three periods at the Assistant Brand Manager level, and the remaining periods at the Brand Manager level (described in greater detail in the PharmaSim case).

Brand Assistant

There are seven decisions to be made at the Brand Assistant level—**Sales Force** personnel (*Direct* and *Indirect*), **Pricing** (*MSRP*), **Allowance Percent**, **Advertising** expenditures, and **Promotion** expenditures (*Consumer* and *Trade*). All budgeted values are displayed in millions of dollars. Amounts for these variables are input through the corresponding menu link listed under DECISIONS; examples and descriptions follow.

Assistant Brand Manager

Decisions at the Assistant Brand Manager level offer much greater control over marketing variables. **Sales Force** may be allocated by *Channel* and *Support* function. **Pricing** adds *Volume* and *Wholesaler Discounts*. **Advertising** now requires a description of the message in terms of *Primary*, *Benefits*, *Comparison*, and *Reminder* emphasis, as well as choice of an *Advertising Agency*. **Promotion** includes more detail in the types of *Consumer* and *Trade Promotion* available.

Brand Manager

Decisions at the Brand Manager level enhance **Advertising** and **Promotion** decisions. However, the **Sales Force** and **Pricing** decisions for Assistant Brand Manager and Brand Manager share the same input screens. **Advertising** decisions at the Brand Manager level are subdivided into two input screens—*Target* (consumers) and *Message*. **Promotion** decisions are subdivided into two input screens—*Trade* and *Consumer*. Let's examine in detail the decisions available at each level . . .

Sales Force Decision

Use this decision to allocate sales force supporting all Allstar brands.

The direct sales force sells directly to retail channels.

The indirect sales force engages in merchandising, supports wholesalers, and influences doctors and pharmacists.

Sales force costs start at about \$60,000 per sales person.

Training costs are incurred for expanding the sales force as well as to train replacements for turnover.

The team leader may optionally lock decisions to prevent additional changes this period.

Some decision screens will differ, depending upon your current level of play.

Brand Assistant

The **Sales Force** decision is divided into *Direct* (account managers for channel customers) and *Indirect* (wholesalers, merchandisers, and detailers) sales personnel employed during the coming period.

Sales force expenditures include the amounts allocated for salaries, expenses, and training. A breakdown of sales force expenditures is shown near the bottom of the report. See the MARKET **Industry Outlook** report for per salesperson costs for the period. Keep in mind, these costs will increase over time due to inflation.

Typically, sales force turnover runs 10-20 percent each period. Note that new hires are not as effective as experienced personnel during their first period.

Click **Enter Decisions** to open the decisions entry screen.

Enter # of **Direct/Indirect Sales Force** personnel. When done, click **Submit**.

Sales Force - Period 1

Sales Force Decision for Allstar
 Budget (M): \$39.3
 Remaining: \$5.9

Decision	
Direct (#SF)	94
Indirect (#SF)	33

Sales Force Expenditures (M\$)	
Salary	\$3.8
Expenses	\$1.9
Training	\$0.3

Sales Force

Sales Force Decision for Allstar

Direct (#SF)

Indirect (#SF)

Lock Decisions

Sales Force Decision

Use this decision to allocate sales force supporting all Allstar brands.

The direct sales force sells directly to retail channels.

Wholesalers distribute to retailers who do not buy direct from manufacturers.

Merchandisers focus on special promotions and shelf space, and other in-store support.

Detailers distribute free samples and promo materials to influence physicians and pharmacists.

Sales force costs start at about \$60,000 per sales person.

Training costs are incurred for expanding the sales force as well as to train replacements for turnover.

The team leader may optionally lock decisions to prevent additional changes this period.

Assistant Brand Manager and Brand Manager

Direct sales force is the number of salespeople who sell to and support each direct sales channel. **Wholesaler** sales force is the number of people who support the wholesaler channel. **Merchandisers** are used as supplemental sales support and focus on channel activities, such as checking special promotions, improving shelf location, and performing other in-store support. **Detailers** distribute free samples and promotional materials to influence physicians and pharmacists.

Enter a number of sales force personnel for each category into the decision input screen, as shown below.

Enter amounts for each category of **Direct and Indirect Sales Force Personnel.**

Sales Force - Period 1

Sales Force Decision for Allstar

Direct (#SF)

Indep Drugstores

Chain Drugstores

Grocery Stores

Convenience Stores

Mass Merch

Indirect (#SF)

Wholesaler Support

Merchandisers

Detailers

Total Sales Force

Lock Decisions

Submit Cancel

Pricing Decision

Enter the *Manufacturer's Suggested Retail Price (MSRP)* for your product.

The price consumers pay will vary based on retail and wholesale markup, promotional allowance, and volume discount.

At the Brand Assistant level, volume discounts are calculated automatically.

The team leader may optionally lock decisions to prevent additional changes this period.

Brand Assistant

The MSRP is only a guideline as to what retail outlets should charge for a brand. The actual price paid by consumers depends on a number of other factors, such as retail and wholesale markup, promotional allowance, and volume discount. At the brand assistant level, volume discounts are calculated automatically.

On the main **Pricing** decision screen, select the product name, enter the MSRP for your product and then click the [Enter Decision] button.

Click the **Enter Decision** button...

...and enter **MSRP**.

Pricing - Period 1

Pricing Decision for Allround

Budget (M): \$39.3
Remaining: \$5.9

Pricing	
Est. Unit Cost	\$1.24
Mfr. Sugg. Retail Price	\$5.29

Enter Decision

Pricing - Period 1

Pricing Decision for Allround

Mfr. Sugg. Retail Price: 5.29

Lock Decisions

Submit Cancel

Pricing Decision

Enter Manufacturer Suggested Retail Price (MSRP) and set volume discounts.

The price consumers pay will vary based on retail and wholesale markup, promotional allowance, and volume discount.

Volume discounts must be between 10 and 50%.

Discounts cannot be higher for lower sales volumes.

Larger retailers tend to buy direct, while smaller retailers buy from wholesalers.

The team leader may optionally lock decisions to prevent additional changes this period.

Assistant Brand Manager and Brand Manager

Enter an MSRP, three volume discounts, and discount to the wholesaler. In all cases, the price to the wholesaler must be less than or equal to the volume discount prices, and larger volumes must be priced less than or equal to lower volumes. Standard discounts range from 15-30 percent for lower volumes to 20-45 percent for large volumes and wholesalers.

Typically, mass merchandisers and chain drugstores buy direct in large quantities, whereas independent drugstores tend to use wholesalers. Grocery and convenience stores use both direct and wholesale channels.

Pricing decisions are entered on the input screen, as shown below.

Pricing - Period 1
Pricing Decision for Allround

Mfr. Sugg. Retail Price

Volume Discounts (% of MSRP)

< 250 %

< 2500 %

2500+ %

Wholesale %

Lock Decisions

Submit Cancel

*Enter **MSRP** and **Volume Discounts**.*

Advertising Decision

Use this decision to set the advertising budget for a product.

Information on competitive advertising expenses is available on the MARKET Advertising report.

The team leader may optionally lock decisions to prevent additional changes this period.

Brand Assistant

Advertising expenditures are comprised of total media expenditures for the coming period, including the cost of the advertising agency.

Advertising - Period 1

Advertising Decision for Allround

Budget (M): \$39.3
Remaining: \$5.9

Decision

Advertising Budget: \$20.0 Million

Enter Decision

Click **Enter Decision...**

Advertising - Period 1

Advertising Decision for Allround

Advertising Budget: \$20 Million

Lock Decisions

Submit Cancel

... and enter **Advertising Budget** for the specified product.

Advertising Decision

Set advertising budget, agency, and message for a brand.

Advertising Budget: total media expenditure.

Ad Agency: Higher cost agencies produce higher quality ads.

Primary: creates awareness; stimulates demand.

Benefits: emphasizes product benefits.

Comparison: compares your product to a competitor's

Reminder: maintains awareness; stimulates repurchase.

Ad message percentages must total 100%.

The team leader may optionally lock decisions to prevent additional changes this period.

Shown in the chart at right is a list of ad types and a brief description of each.

Assistant Brand Manager

The decisions entered here include **Advertising** budget, message, and selection of advertising agency. The advertising budget is the total amount spent on media. Much of this budget goes toward network television time slots. The selected advertising agency then takes a percentage of the total budget for its services.

Each agency charges a different percentage for its services. The percentage your firm selects for *Primary*, *Benefits*, *Comparison*, and *Reminder* advertising determines the advertising message.

AGENCY	QUALITY	COST (% of Media Expend.)
Brewster, Maxwell, & Wheeler (BMW)	High	15%
Sully & Rodgers (S&R)	Mid	10%
Lester Loebol & Company (LLC)	Low	5%

The chart above shows a list of ad agencies, their quality level, and cost (shown as a percent of total media expenditure).

MESSAGE	DESCRIPTION
Primary	Creates awareness and stimulates primary demand
Benefits	Emphasizes product benefits to consumer
Comparison	Compares product with competitor
Reminder	Maintains awareness and stimulates repurchase

Advertising Decision

Set advertising budget, agency, targets, and message for a brand.

Advertising Budget: *total media expenditure.*

Ad Agency: *higher cost agencies produce higher quality ads.*

Targets: *target your ad message to a particular population and illness.*

Primary: *creates awareness; stimulates demand.*

Benefits: *emphasizes product benefits. (Select benefits to promote.)*

Comparison: *compares your product to a competitor's. (Select one competitor.)*

Reminder: *maintains awareness; stimulates repurchase.*

Ad messages percentages must total 100%.

The team leader may optionally lock decisions to prevent additional changes this period.

Brand Manager

Advertising decisions at the Brand Manager level are broken into two main categories—*Target* segments and ad *Message*. First, note the amount remaining in the total budget, then decide on an advertising budget amount. Click the [Change Target Decision] button and enter a figure for your Advertising Budget. Select an advertising agency, and select "Target Segments" check boxes to target your ad message to a particular population and symptomatic group. In general, it is best to target your advertisement to some degree. For example, it is rare to see an advertisement for a cough medicine that fails to mention that it is for coughs. It is also rare to see a children's cold medicine advertisement that does not mention that it is for children. In other words, tell potential consumers (target segments) that your brand is best suited for them.

Click the [Change Message Decision] button to allocate percentages among the four message emphasis categories (*Primary, Benefits, Comparison, and Reminder*). Use these percentages to specify how much emphasis to put on each type of advertisement. For example, the higher the *Comparison* percentage, the more often comparative advertisements will be aired. Next, use the "Comparison Target" drop-down menu to target a certain competing brand in your advertisement. Selecting one of the competitive brands directs the advertising agency to create an advertisement that explains to consumers why your brand is better than a competitor's. This attempts to change consumers' perception of your brand's effectiveness versus a competitor's. Finally, use the "Promote Benefits" area to help define your advertising message. Each box marked with a check mark directs the advertising agency to mention certain product qualities during the advertisement. Use the "Comparison Target" and "Promote Benefits" areas to help change consumers' perception of your brand. Refer to the **Brand Perceptions** option on the SURVEY menu to analyze consumers' perceptions of products.

(Screen shots on following page.)

Advertising Decision

Brand Manager

Advertising - Period 1

Advertising Decision for Allround

Budget (M): \$39.3
Remaining: \$5.9

Target Decision

Advertising Budget: \$20.0 Million
Ad Agency: Brewster, Maxwell, & Wheeler (15%)

Demographic Targets: all
Symptom Targets: cold

Message Decision

Ad Message:

Primary: 5%
Benefits: 45%
Comparison: 45% with Besthelp
Reminder: 5%

Promote Benefits: relieves aches, clears nasal congestion, reduces chest congestion, dries up runny nose, suppresses coughing, helps you rest

Change Target Decision Change Message Decision

Select **Brand**.

Target your ad and design your message by selecting the appropriate button.

Add Budget\$. Select Target Segment and Ad Agency.

Advertising - Period 1

Advertising Target for Allround

Advertising Budget: \$1 Million

Ad Agency:

Brewster, Maxwell, & Wheeler (15%)
 Sully and Rogers (10%)
 Lester Loebol and Company (5%)

Target Segments:

Young Singles Cold
 Young Families Cough
 Mature Families Allergy
 Empty Nesters
 Retired

Lock Decisions

Submit Cancel

Enter Ad Message % of budget. Select Comparison Product(s) and Benefits.

Advertising - Period 1

Advertising Message for Allround

Ad Message:

Primary: %
Benefits: %
Comparison: %
Reminder: %

Comparison with: Besthelp

Promote Benefits:

Relieves Aches Relieves Allergy Symptoms
 Clear Nasal Congestion Minimizes Side Effects
 Reduces Chest Congestion Won't Cause Drowsiness
 Dries Up Runny Nose Help You Rest
 Suppresses Coughing

Lock Decisions

Submit Cancel

Target Segments: If research shows that cough medicine is best suited for older people, select "Empty Nesters," "Retired," and "Cough." This directs the advertising agency to create an advertising theme that appeals to older people suffering from coughs and to air the advertisement at times when that target segment is most likely to be watching television.

Promotion Decision

Use this decision to set promotion allowance, trade promotion, and consumer promotion for a brand.

Enter Promotion Allowance (between 10–20%) to help gain shelf space.

Trade Promotion is used for co-op advertising with retailers.

Consumer promotion includes point-of-purchase displays, trial size mailings, and coupons.

Purchase the MARKET Promotion report to obtain competitive information.

The team leader may optionally lock decisions to prevent additional changes this period.

Brand Assistant

The **Promotion** allowance must be between 10 percent (the minimum allowance in order to gain shelf space) and 20 percent (the accepted industry maximum). Promotional expenditures represent all consumer and trade promotions, such as: point-of-purchase displays, co-op advertising, trial size mailings, and coupons.

Click the [Enter Trade Decision] button to enter selections pertaining to trade promotions; click the [Enter Consumer Decisions] button to enter decisions regarding consumer promotions.

Promotion - Period 1

Promotion Decision for Allround

Budget (M): \$39.3
Remaining: \$5.9

Decision	
Promotion Allowance (10-20%)	17.0%
Trade Promotion	\$1.4
Consumer Promotion	\$5.6

Enter Decision

Enter **Promotion Allowance%**, **Trade Promotion\$**, and **Consumer Promotion\$**.

Promotion - Period 1

Promotion Decision for Allround

Promotion Allowance (10-20%) %

Trade Promotion Million

Consumer Promotion Million

Lock Decisions

Submit Cancel

Promotion Decision

Use this decision to set promotion allowance, trade promotion, and consumer promotion for a brand.

Promotional Allowance: gains shelf space. (10–20% of MSRP).

Co-op Advertising: helps retailers promote your product; increases awareness.

Point of Purchase: displays promote the brand in retail outlets.

Trial Size: encourages consumers to try the product.

Coupons: stimulate repurchase; shopper trials.

The team leader may optionally lock decisions to prevent additional changes this period.

Assistant Brand Manager

Promotion decisions include the promotion allowance percent, co-op advertising, and consumer promotion. The promotion allowance percent is the percentage given to retailers for promotional expenditures. This value must range from 10–20 percent and is basically an additional price discount for the channel. The promotion budget is comprised of *Co-op Advertising Allowances*, *product/Point-of-Purchase displays*, *Trial Size promotions*, and newspaper *Coupons*.

PROMOTIONAL PROGRAMS	
Promotional Allowance	Gains shelf space and retailer promotion
Co-Op Advertising	Helps retailers promote product. Improves awareness
Point of Purchase Displays	Attempts to create consumer brand switching at purchase
Trial Size	Generates trial and awareness
Coupons	Stimulates repurchase and trials among shoppers

Enter **Promotion Allowance%** and \$ amounts for **Co-op** and **Consumer Promotion**.

Use the side menu bar to move among decision input screens or use the [BACK] navigation button.

Promotion Decision

Use this decision to set promotion allowance, trade promotion, and consumer promotion for a brand.

Promotional Allowance: *gains shelf space. (10–20% of MSRP). Enter by distribution channel.*

Co-op Advertising: *helps retailers promote your product; increases awareness. Choose retailers who can participate.*

Point of Purchase: *displays promote the brand in retail outlets. Designate channels for displays.*

Trial Size: *encourages consumers to try the product.*

Coupons: *stimulate repurchase; shopper trials. Select coupon amount.*

The team leader may optionally lock decisions to prevent additional changes this period.

Brand Manager

Promotion decisions at the Brand Manager level are subdivided into two main categories—*Trade* and *Consumer*. On the Promotion decision main screen, first select a product from the drop-down menu. Then click the [Enter Trade Decisions] button to display the *Trade* decision input screen. Enter a budget amount for *Co-op Advertising*, a promotion *Allowance* of 10-20 percent for each channel, and then select which channels may receive trade deals for *Co-op Advertising*.

Returning to the main **Promotion** decision screen, click the [Enter Consumer Decisions] button to display the *Consumer* decisions input screen. The Brand Manager level includes entering budget amounts for *Point-of-Purchase*, *Trial Size*, and *Coupons*. Select the channels that will receive *Point-of-Purchase* displays. Also remember to choose a *Coupon* amount.

The additional options for promotion at the Brand Manager level allow targeting specific channels of distribution. It is likely that some channels will be more receptive to particular forms of trade promotion. Consider using more resources where consumers are most likely to purchase the product. For example, if more people are likely to shop for cough medicine in independent drugstores, it may make sense to target co-op advertisements and/or product displays for these types of distribution outlets.

(Screen shots on following page.)

Promotion Decision

Brand Manager

Promotion - Period 1

Promotion Decision for **Allround**

Budget (M): \$39.3
Remaining: \$5.9

Trade Decision		Consumer	
	Allowance	Co-op Advertising	Point of Purchase
Budget (M)		\$1.4	\$1.4
Independent Drugstores	17.0%	✓	✓
Chain Drugstores	17.0%	✓	✓
Grocery Stores	17.0%	✓	✓
Convenience Stores	17.0%	✓	✓
Mass Merchandisers	17.0%	✓	✓
Wholesalers	17.0%		

Consumer Decision

Trial Size (M) \$0.0
Coupons (M) \$4.2 (0.50)

Enter Trade Decision Enter Consumer Decision

Select **Brand**.

Click **Trade** or **Consumer Promotion** to open the associated decision screen.

Enter Trade Promotion \$.
Allocate **Discount%** and **Co-op Advertising** per channel.

Promotion - Period 1

Trade Promotion for Allround

Co-op Advertising \$ Million

	Allowance (10-20%)	Co-op Advertising
Independent Drugstores	<input type="text"/> %	<input type="checkbox"/>
Chain Drugstores	<input type="text"/> %	<input type="checkbox"/>
Grocery Stores	<input type="text"/> %	<input type="checkbox"/>
Convenience Stores	<input type="text"/> %	<input type="checkbox"/>
Mass Merchandisers	<input type="text"/> %	<input type="checkbox"/>
Wholesalers	<input type="text"/> %	<input type="checkbox"/>

Lock Decisions

Submit Cancel

Enter Consumer Promotion \$
per promotion type and designate **Channels** for **Point of Purchase** displays and **Coupons**.

Promotion - Period 1

Consumer Promotion for Allround

Budget Amount \$ Million
Point of Purchase \$ Million
Trial Size \$ Million
Coupon \$ Million

Point of Purchase	Coupon Amount
<input type="checkbox"/> Independent Drugstores	<input type="radio"/> 0.25
<input type="checkbox"/> Chain Drugstores	<input type="radio"/> 0.50
<input type="checkbox"/> Grocery Stores	<input type="radio"/> 0.75
<input type="checkbox"/> Convenience Stores	<input type="radio"/> 1.00
<input type="checkbox"/> Mass Merchandisers	

Lock Decisions

Submit Cancel

Creative Design Decision

Upload graphic files (a JPG is best) to a website such as Shutterfly, Picasa, PhotoBucket, etc.

Logo images should be 64 pixels high, and between 64 and 220 pixels wide.

Ad images can be up to 460 pixels wide and 800 pixels high.

Copy and paste the "direct link to layout pages" into the boxes provided.

Your ad and/or logo will be made available to your instructor.

Creative Design

This option allows you to use your more creative side. For instance, you may create a logo and/or design an ad for your brand. This page will embed your logo and ad links to a site (such as PhotoBucket, Shutterfly, Picasa, etc.) where you've uploaded or saved your ad or logo. Links to these items will be made available to your instructor.

Once your ad or logo is uploaded, copy your graphic file address link and paste it into the link box on the Creative Design page in the simulation. Remember your ad and logo must be a graphic file to be seen (a jpg file is best).

Creative Design - Period 1

Creative Design decision for Allstar

Company Logo Link
No link has been entered.

Company Ad Link
No link has been entered.

Enter Decision

Creative Design - Period 1

Creative Design decision for A

Company Logo Link

Company Ad Link:

Submit Cancel

Paste a **link to your logo or ad** in the spaces provided here, and then click **Submit**.

Special Decision

Use this page to respond to incidents, reformulate Allround, and introduce a new product.

Read the incident mini-case and discuss with your team before making a decision.

Allround reformulation is available starting in P1 (decisions for P2).

In P3 (decisions for P4), you will have the opportunity to introduce a line extension.

A new product introduction is available in P5 (decisions for P6).

Final Allround reformulation is available in P7 (decisions for P8).

If you introduce a new product, you will get additional budget for the product launch.

For both reformulation and new product introduction, you have only a 2-period window to make that choice.

The team leader may optionally lock decisions to prevent additional changes this period.

All Levels (Overview)

At various times during PharmaSim, product development will indicate that a brand reformulation, line extension, or new product is available for introduction. This option activates the **Reformulate**, **Line Extension**, or **New Product** option on the **Special DECISIONS** input screen. There will also be a notification in the MARKET: **Market Update** report displaying the product choices. Line extensions and new product introductions will receive additional budget funds.

The **Reformulate**, **Line Extension**, and **New Product Introduction** decisions must be made by the end of a given period (before advancing the simulation) for introduction at the beginning of the following period. For example, a reformulation by the end of Period 1 would lead to the introduction of a reformulated product at the beginning of Period 2. Also, selecting a line extension by the end of Period 4 would lead to the introduction of a line extension at the beginning of Period 5.

Plant capacity expands in 20 million unit increments automatically when demand exceeds current capacity by 10%. Forecasting product demand is especially important in this context because fixed cost per unit is significantly lower at 99 percent versus 80 percent of capacity. There are also economies of scale to consider: assuming the same capacity utilization, per unit costs decrease as production and capacity increase.

NOTE: Flexible manufacturing techniques allow each company's plants to accommodate several product lines. Once capacity is built, however, it cannot be decreased.

Reformulation

Allround Reformulation (Period 1 or 2). Choose between two slight modifications of your original Allround brand (dropping the alcohol or switching from cough suppressant to expectorant) or opt to keep the same formulation. The ability to reformulate Allround is available for two periods. Therefore, if you do not reformulate Allround by the end of Period 1, there will be another chance by the end of Period 2.

(Screen shots on following page.)

Special Decision

Reformulation Decision

Special - Period 3

Special Decision for Allstar

"Cannibalization" Incident

Choice: None Selected

Read Incident Enter Decision

Reformulation for Allround

The two options for reformulation of your original brand are:

- switching from cough suppressant to expectorant or
- dropping the alcohol.

You may leave the brand as is or accept one of the modifications.

Description	Analg	Antihist	Decon	Cough Supp	Expec	Alcoh	Cost
switch to expectorant	1000	4	60	0	200	20	1.31
drop alcohol	1000	4	60	30	0	0	1.20
✓ original formula	1000	4	60	30	0	20	1.31

Select Reformulation

Click *Reformulation*.

Reformulation - Period 3

Reformulation for Allround

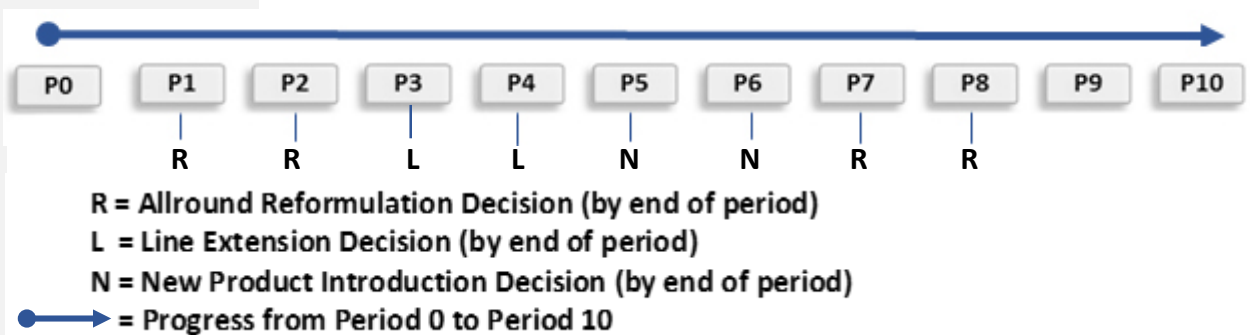
Description	Analg	Antihist	Decon	Cough Supp	Expec	Alcoh
<input type="radio"/> switch to expectorant	1000	4	60	0	200	20
<input type="radio"/> drop alcohol	1000	4	60	30	0	0
<input checked="" type="radio"/> original formula	1000	4	60	30	0	20

Lock Decisions

Submit Cancel

Make your *Selection*.

The anticipated timing of reformulations, line extensions, and new product introductions is illustrated below:



Special Decision

For more detail, refer back to the *Special Decision Overview* in the *Brand Assistant decisions* section.

Note: Plant capacity expands in 20 million unit increments automatically when demand exceeds current capacity by 10%.

Line Extension

Line Extension (Period 3 or 4). Choose from among three formulations (4-hour cold liquid for children, 12-hour multi-capsule, or 4-hour cough liquid) for a line extension or choose not to introduce one. Line extensions will receive additional budget funds.

Once multiple products and/or line extensions are available (only an issue after Period 3), you will see each of the products listed as a menu option (e.g., ALLROUND, ALLROUND+). This is how you will switch between product input screens once a second product is introduced.

New Product Introduction

New Product Introduction (Period 5 or 6). Choose from among three new product formulations (4-hour allergy capsule, a cold spray, or one other option). The allergy medication is based on a unique, non-drowsy product that is currently available by prescription only. The ability to introduce new products is available for two periods. If you do not introduce a new product by the end of Period 5, there will be another chance by the end of Period 6. New product introductions will receive additional budget funds.

Allround Reformulation (Period 7 or 8). Decide on your own formulation of the Allround brand.

Discontinuing a Product

Once two or more brands are on the market, you may use the **Discontinue Product** option on the **Special DECISIONS** menu to discontinue a product. This usually means that a brand is in a sad state. However, it also may be that resources could be better utilized on one or two remaining products. When discontinuing a product, take into account capacity considerations. Because production capacity cannot be decreased, hopefully another brand's increase in production will offset the discontinued brand.

Note that once capacity is built, it cannot be decreased. In other words, all the fixed production costs are still being carried even after the brand is discontinued. Because this is not in the product contribution statement, remember to account for this when analyzing the financial implications of discontinuing a product line.

Report Purchases

This screen summarizes which reports have been purchased in the report period.

The cost of each report is displayed.

You have the opportunity to order more for the current decision period.

Unlike your other decisions, you cannot "undo" a report purchase.

Some reports may not be available in a given period.

Report Purchases

Marketing research expenditures are included in the budget, and these expenditures are accumulated as reports are accessed and purchased. Some reports are free while others will be deducted from your marketing budget. This report displays a list of the reports that must be purchased to be viewed. The applicable cost will be adjusted by inflation as the simulation advances. Some reports or decisions are not available at the Assistant Brand Manager or Brand Assistant levels.

Report Purchases - Period 1	
Market Research Purchases	
Report	Cost
✓ Purchase Survey \$	\$100,000
✓ Operating Statistics \$	\$45,000
✓ Sales Force \$	\$20,000
✓ Advertising \$	\$35,000
✓ Promotion \$	\$35,000
✓ Channel Sales \$	\$25,000
✓ Pricing \$	\$20,000

Click a **Report Link** to open a detail report, as in the **Promotion Report** detail, displayed below.

Promotion \$ - Period 0			
Promotion Activity of Competitors			
	Promo Allow	Co-op Adv (000's)	Point of Purchase (000's)
Allround	17.0%	1,400.0	1,400.0
Believe	16.0%	100.0	300.0
Besthelp	13.0%	1,200.0	1,200.0
Coughcure	13.0%	1,100.0	1,000.0
Defogg	20.0%	400.0	1,200.0
Dripstop	17.0%	400.0	400.0
Dryup	20.0%	0.0	1,000.0
Effective	18.0%	300.0	900.0
End	15.0%	400.0	400.0
Extra	15.0%	800.0	800.0

Decision Summary

Use this report to view your current and previous period decisions.

Be sure to check this report at the end of your decision process to make sure all your choices have been entered and saved correctly.

You can change your decisions as often as you like until the simulation is advanced.

Use the [Period] drop-down menu to display sales reports from previous periods.

Decision Summary

Use the **Decision Summary** to review your decisions each period. It may also be worthwhile to print this out for your records, though you may always view old decisions by changing the period from the drop-down list at the top of the screen. This printout will contain the same information as in each decision menu for the period, but all in one place. Please refer to the appropriate sections of the operations guide for more information on the specifics for each decision.

IMPORTANT: Remember to review the **Decision Summary** screen at the end of your decision process to make sure all your choices have been entered and saved correctly. Also note that you can change your decisions as often as you like until the simulation is advanced.

Decision Summary - Period 1										
Decision Summary for Allstar, Input for Period 1										
Summary of Decisions										
	Allround									
Mfr Sugg Ret Price	\$5.29									
Allowance (%)	17.0%									
Advertising (M\$)	\$20.0									
Trade Promotion (M\$)	\$1.4									
Consumer Promotion (M\$)	\$5.6									
Direct Sales Force (#SF)	94									
Indirect Sales Force (#SF)	33									
% of Budget										
Sales Force	17.9%									
Advertising	59.9%									
Promotion	21.0%									
Reports Ordered										
all										
Brand	Analg	Antihist	Decon	Cough Supp.	Expec	Alcoh	Description			
Allround	1000	4	60	30	0	20	4hr multi liquid			
Period	1	2	3	4	5	6	7	8	9	10
Replays:	0	0	0	0	0	0	0	0	0	0
Restarts:	0									
Creative Design Decision										
Company Logo Link										
No link has been entered.										

Decision Analysis Menu

Decision Analysis

This analysis tool displays a summary of how the budget is allocated across brands and marketing expenditures.

Market research purchases, sales force, advertising budget, and total promotion are all charged against the period budget.

If the remaining budget is less than zero, the simulation cannot be advanced and expenditures must be cut.

To enter any adjustments, return to the Sales Force, Advertising, or Promotion DECISIONS screen.

A new budget is calculated for each period; unused amounts are not carried forward.

Budget Allocation

The **Budget Allocation** report displays a summary of how the budget is allocated across brands and marketing expenditures.

The **Remaining** budget line displays the remaining budget. This must be greater than or equal to zero. If less than zero, the simulation cannot be advanced, and expenditures must be cut. A message to this effect will be displayed when attempting to advance the simulation. Marketing research expenditures are included in the budget (**Research**) and are accumulated as reports are accessed and purchased.

A sample of this screen is displayed below.

Budget Allocation - Period 1		
Budget Allocation for Allstar		
Budget (M):	\$39.3	
Remaining:	\$5.9	
Remaining Budget is displayed here.		
Amounts (mill. \$)	Allround	Total
Promotion	7.0	7.0
Advertising	20.0	20.0
Sales Force		6.0
Research		0.4
Total Used		33.4
% of Total	Allround	Total
Promotion	21.0%	21.0%
Advertising	59.9%	59.9%
Sales Force		17.9%
Research		1.3%
Market Research expenditure.		

Decision Analysis

After entering decisions, use this analysis screen to project the results from your decisions.

The *What If. . .* screen is a helpful financial check on decisions, especially pricing. It may also be used as a sensitivity or breakeven analysis on price and unit sales.

The default unit sales estimates are the unit sales from the previous period; it is up to you to adjust the forecast based on how you think your decisions will impact results.

The *What If. . .* is only your projection of the results – you must advance the simulation to see the actual results from your decisions.

What If. . .

After entering decisions, it is a good idea to use the **What If. . .** option on the ANALYSIS menu to experiment with several scenarios. The **What If. . .** screen is a helpful financial check on decisions, especially pricing. It may also be used as a sensitivity or breakeven analysis on price and unit sales. However, it is up to you to determine whether the sales estimates are realistic. The default unit sales values are the unit sales from the previous period plus projected market growth. Thus, for a new product, this value would be zero. The software makes no attempt to forecast sales based on your decisions on this screen. Therefore, if you believe a significant decision will change your market share, adjust the sales estimate accordingly. Enter your projected unit sales and press the [Recalculate] button.

Most of the values in the **What If. . .** analysis are taken from the DECISIONS menu options. The average discount and promotional allowance are calculated using last period's sales patterns. Administration and fixed costs are calculated using the same method as that of the simulation.

What If... - Period 1

Projections for Allstar

	Allround	Total
Mfr. Sugg. Retail Price (\$)	\$5.29	
Average Discount (%)	34.2%	
Est. Unit Sales (M)	102.1	102.1
Est. Mfr. Sales (M\$)	355.3	355.3
Promotion Allowance (M\$)	60.4	60.4
Cost of Goods Sold (M\$)	126.4	126.4
Gross Margin (M\$)	168.5	168.5
Promotion	7.0	7.0
Advertising	20.0	20.0
Prod. Contrib. (M\$)	141.5	141.5
Sales Force (M\$)		6.0
Administrative (M\$)		10.3
Fixed Costs (M\$)		64.2
Net Income (M\$)		61.1
Capacity Utilization (%)		85.1%

Recalculate

Enter projected unit sales . . .

. . . and then click Recalculate.

Decision Analysis

The Test Market tool allows you to experiment with different combinations of price, advertising, and promotion.

Up to three test markets are available at a base cost of \$100k each.

Price change is limited to + or -10%.

Test advertising and promotion can be \$20 million or double the current levels, whichever is greater.

Baseline results represent current levels of price, advertising, and promotion.

Test results show impact on awareness, market share, and product contribution.

Results are only estimates based on the test market and don't factor in changes in the market.

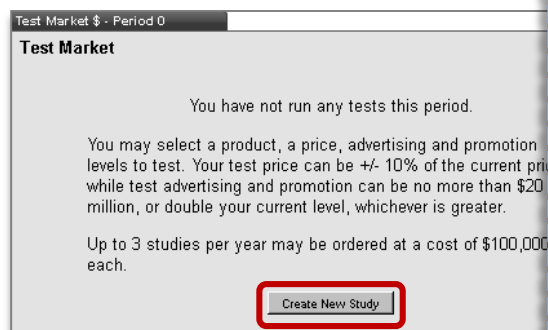
Test Market \$

The **Test Market** tool allows you to experiment with different combinations of price, advertising, and promotion. You may run up to 3 test markets at a cost of \$100,000 each. A test market condition is created in a particular city where levels of price, advertising, and promotion are adjusted from your national levels and the change in the sales in that market is measured. By extrapolating this change to national levels, a marketing manager can make better judgments on how much to adjust the marketing mix variables for the coming year.

On the first screen, you will select a product and enter the price, advertising, and promotion levels (as if done nationally). There is a maximum change in price of +/- 10%. Advertising and promotion can be run at levels representing \$20 million or double the current levels, whichever is greater. Clicking [Submit] will charge you for the test, run the test market, and display the results as shown below.

The baseline represents the current levels of spending on price, advertising, and promotion, and shows results in the test market based on those levels. (The baseline results in the test market may vary from national conditions). The "Test" column will show the test market conditions and results. You can quickly see the impact of the change in the marketing mix on awareness, market share, and net contribution.

NOTE: These results are only estimates based on the test market and don't factor in other changes in the market or competitive landscape that may occur in the decision period.



Base Cost: * \$100k
Available: Asst. Brand Manager & above

Graphs: Recommendations by Product Category and Brand

*The base cost represents the cost of ordering the report at the beginning of the simulation. This cost will be adjusted by inflation as the simulation advances.

To begin, click **Create New Study**.

(Screen shots continued on next page.)

A

B

Decision Analysis

Test Market \$

Test Market

Select a Product:

	Baseline	Test
Price	5.29	<input type="text"/>
Advertising (mill.)	20.0	<input type="text"/>
Promotion (mill.)	7.0	<input type="text"/>

Enter **Price**,
Advertising, and
Promotion, and
then click **Submit**.

Test Market \$ - Period 0

Test Market

Previously Run Test Markets:
Study 1: Allround/\$5.29/22.0/9.0

Allround	Baseline	Test
Price	\$5.29	\$5.29
Advertising (mill.)	20.0	22.0
Promotion (mill.)	7.0	9.0
Awareness	77.3%	77.7%
Unit Market Share	21.9%	22.1%
Share of Mfr's Sales	23.3%	23.5%
Net Contribution Impact (mill.)		-1.9

Company Menu

The **Dashboard** provides a graphical representation of performance measures.

You can also access the dashboard by clicking the **Stock Price** in the upper right quadrant of the simulation screen.

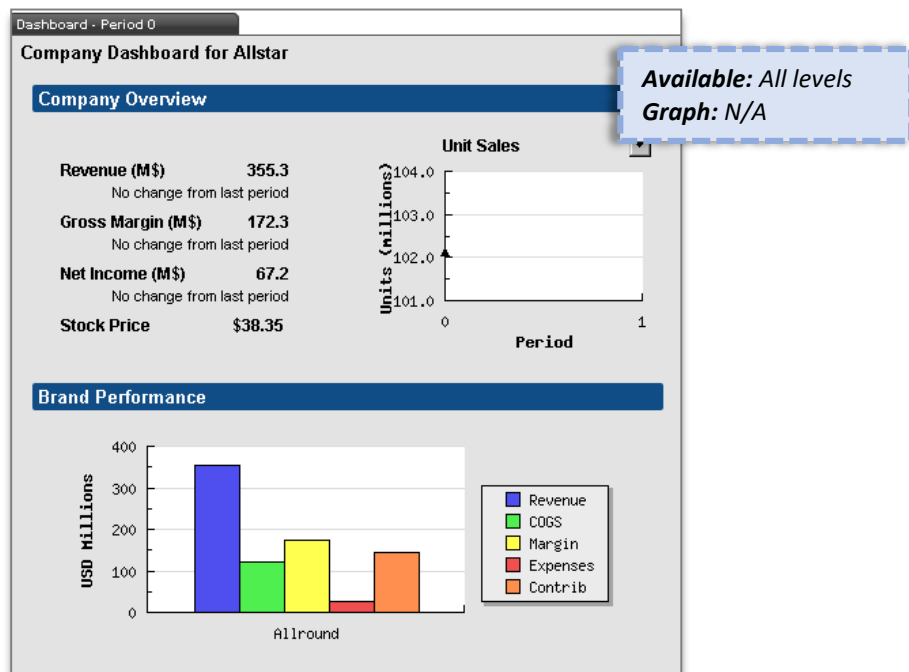
Use the drop-down menu to select a variable to graph from an array of graphing variables.

Feedback from the "Social Media" incident will also be shown on the Dashboard.

Dashboard

The **Dashboard** becomes available after the simulation has been advanced one period and provides a graphical representation of performance measures. Use the drop-down menu to select the graphing variable you wish to view, such as: revenue, cost of goods sold, gross margin %, unit sales, revenue, advertising, etc.

You can access the **Dashboard** in the COMPANY menu, or by clicking the dashboard image in the upper right quadrant of the simulation screen.



NOTE: You can also access the **Dashboard** by clicking the **Stock Price** in the upper right corner of your display screen.

Stock Price
\$38.35

Company

This report provides an overall summary of performance and the decisions that created that performance.

Compare your decisions with your results and try to understand what drove results.

*Were results due to a change in your pricing?
...advertising?
...promotion?
...sales force?
...competition?*

The summary also shows a list of reports ordered, periods played, periods replayed, and number of restarts.

Use the [Period] drop-down menu to view a summary of performance data from previous periods.

Performance Summary

The **Performance Summary** displays a summary of decisions and results for the current period. Performance includes sales, gross margin, product contribution, net income, stock price, marketing efficiency index, capacity utilization, share of retail sales, and customer satisfaction. Decisions are broken down by brand and include all of the decisions made for the appropriate level of complexity. In addition, there is a list of reports ordered, periods played, periods replayed, and number of restarts.

To view the **Performance Summary** data from previous periods, simply change the Period # by using the Period drop-down box (located in the upper right corner of the top menu bar) to the period you wish to view.

Performance Summary - Period 0		
Performance Summary for Allstar, Results for Period 0		
Summary of Results		
	Allround	Total
Mfr Sugg Ret Price (\$)	\$5.29	
Average Discount (%)	34.2%	34.2%
Unit Sales (M)	102.1	102.1
Manufacturer Sales (M\$)	355.3	355.3
Promo Allowance (M\$)	60.4	60.4
Cost of Goods Sold (M\$)	122.6	122.6
Gross Margin(M\$)	172.3	172.3
Promotional Expend (M\$)	7.0	7.0
Advertising Expend (M\$)	20.0	20.0
Product Contrib (M\$)	145.3	145.3
Sales Force (M\$)		6.0
Administration (M\$)		9.8
Fixed Costs (M\$)		62.4
Net Income (M\$)		67.2
Cum. Net (M\$)		67.2
Stock Price (\$)		\$38.35
Mkting Efficiency Index (\$)		2.04
Capacity Utilization (%)		95.1

Available: All levels
Graph: N/A

It is probably worthwhile to print a backup copy as a summary of key decisions and results. You will need this report if for some reason you need to reconstruct your current situation. Previous reports may be printed at any time by selecting the appropriate period number from the drop-down menu in the top right corner of the simulation menu bar.

Company

This report shows the company's overall results for the most recent period, with major expenditures broken out.

Each item is also displayed as a % of manufacturer sales for year-to-year comparative purposes.

The graph shows net income over time by default. Use the [Graph] button to select other measures.

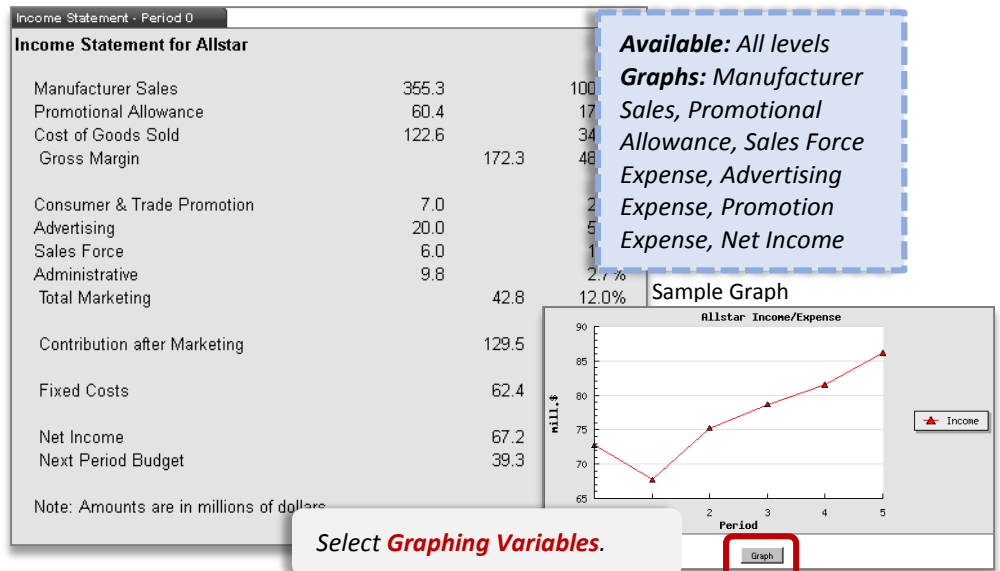
Use the Period drop-down menu to display income statements from previous periods.

Income Statement

The **Income Statement** report shows the overall results for Allstar Brands with a breakdown by major expenditures. Each item is displayed as a percentage of manufacturer sales (not retail) for comparative purposes.

Manufacturer Sales are receipts from all direct sales to distributors and wholesalers. The **Promotional Allowance** is based on the promotional allowance percentage for each channel (10-20 percent) and sales to that channel. The **Cost Of Goods Sold** is the total variable manufacturing cost of all brands combined. The **Gross Margin** is **Manufacturer Sales** less the **Promotional Allowance** and **Cost Of Goods Sold**.

Promotion, Advertising, and Sales Force are based on your firm's decisions and comprise budget expenditures. **Administrative Expenses** include some fixed overhead, some variable expenses, and some expenses related to the number of orders placed. In addition, all market research costs are included in this expense category. These are combined to generate **Total Marketing** expenditures that are subtracted from the **Gross Margin** to calculate their **Contribution After Marketing**. The **Fixed Costs** (plants and overhead) are subtracted to arrive at the **Net Income**. A significant portion of net income for the OTC division is applied to other corporate costs, such as R&D, typically an expensive item in pharmaceutical companies.



Company

This report shows brand results for the most recent period.

Each item is also displayed as a % of manufacturer sales for year-to-year comparative purposes.

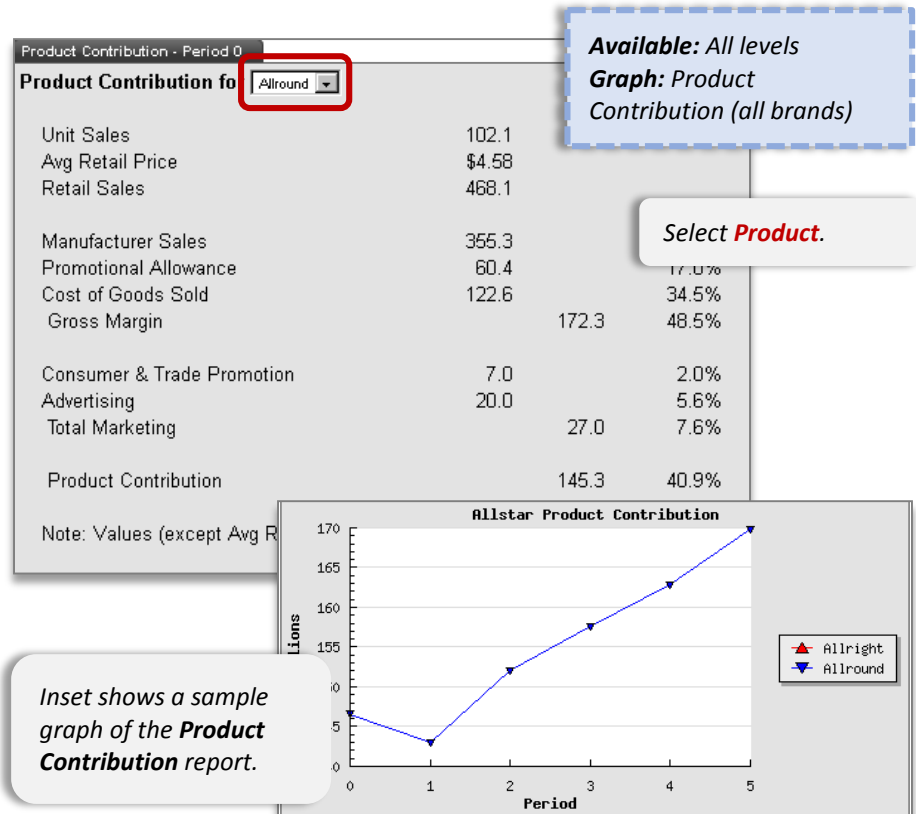
The graph shows product contribution over time by default.

Use the Period drop-down menu to display income statements from previous periods.

Product Contribution

The **Product Contribution** report shows a similar breakdown as the **Income Statement** report, but on a product level instead. Only costs that are linked directly to a particular product are displayed. Because this is an internal accounting report, only Allstar's products are displayed. Other products may be displayed using the product selection drop-down menu after they have been introduced.

Unit Sales represent the total amount of units purchased at retail stores across the country. The **Average Retail Price** is the average price paid for this brand by the consumer. These two values multiplied together equal **Total Retail Sales** in dollars. **Manufacturer Sales** include all direct sales to the channel and sales to wholesalers. Therefore, the difference between **Retail Sales** and **Manufacturer Sales** is the markup taken by retailers and wholesalers. The **Cost Of Goods Sold** is based on the number of active ingredients in the brand, as well as the form (tablet, liquid, or spray). **Advertising, Consumer, and Trade Promotions** are derived directly from the decisions.



Company

This report summarizes manufacturer sales by volume and distribution channel for a brand.

This report provides important feedback on how your decisions are impacting sales in each of the channels.

Unit and manufacturer sales for the brand are shown by channel.

Use the Channel Sales report for retail sales of product by channel.

Compare sales force allocation against sales in each channel.

Use the [Period] drop-down menu to display sales reports from previous periods.

Sales Report

The **Sales Report** summarizes the unit and dollar sales volume generated through direct and indirect distribution for each product. Direct sales are grouped initially by volume discount and then by retail sales outlet. This report provides important feedback on discount schedules and price to wholesaler, as well as direct and wholesaler sales force effectiveness. Other products may be displayed using the product selection drop-down menu after they have been introduced.

The sales breakdown by discount schedule reflects not only the effect of different price/volume discounts but also the type of retail outlet being served. For example, if the majority of direct sales are to independent drugstores (typically smaller accounts), it is likely that more sales will be at lower volumes. Likewise, if the majority of sales are to mass merchandisers (typically larger accounts), it is likely that larger volume discounts will be used.

The sales breakdown by distribution channel provides information on sales to distributors. Note that sales to the wholesaler ultimately are sold in the five retail outlets. Therefore, be cautious about using this report as an indication of retail sales of product and instead use the **Channel Sales** report. This report also provides data to help compare sales force allocation with sales by distribution channel.

Sales Report - Period 0				
Sales Report for Allround				
Mfr Sugg Retail Price		\$5.29		
By Discount Schedule	Price	Units (mill.)	Dollars (mill.)	% Total
Direct				
< 250	\$3.97	10.5	41.8	11.8%
< 2500	\$3.70	35.4	131.2	36.9%
2500+	\$3.44	15.1	51.9	14.6%
Indirect/Wholesale	\$3.17	41.1	130.3	36.7%
By Distribution Channel	SF#	Units (mill.)	Dollars (mill.)	% Total
Direct Sales				
Indep Drugstores	6	5.7	22.6	6.4%
Chain Drugstores	28	22.3	81.1	22.8%
Grocery Stores	43	24.3	89.1	25.1%
Convenience Stores	3	1.1	4.1	1.2%
Mass Merchandisers	14	7.7	28.0	7.9%
Indirect/Wholesalers	33	41.1	130.3	36.7%
Total		102.1	355.3	100.0%

Available: Asst. Brand Manager and above
Graph: Product Sales

Company

This report shows promotion results for the period.

Promotional Allowance: The average promotional allowance for all channels.

Trade Rating: The trade rating value is scaled from 1 to 10, where 10 is the highest value.

Co-op Advertising: The budget available to retailers for advertising a product jointly.

Point-of-Purchase: The total budget allotted to point-of-purchase displays in retail outlets.

Trial Size: The total budget spent on trial size samples to households.

Coupons: The budget allocated to consumer coupons.

Promotion Report

The **Promotion Report** summarizes a firm's promotional results for the period. Five different types of consumer and trade promotions exist. This report offers feedback from the market as to the success of your promotional plan. Other products may be displayed using the product selection drop-down box after they have been introduced.

Promotion Report - Period 0			
Promotion Report for Allround			
Promotion Allowance	17.0%	Trade Rating	
Co-op Advertising (000's)	\$1,400.0	% Participating	1.2%
Point of Purchase (000's)	\$1,400.0	% Participating	5.2%
Trial Size Exp. (000's)	\$0.0	# Mailed (000's)	0.0
		Conversions (000's)	0.0
Coupon Exp. (000's)	\$4,200.0	# Redeemed (000's)	3,975.0
Coupon Amount	0.50	% of Total Sales	3.9%

Available: Asst. Brand Manager and above
Graph: Trade Rating

Explanation for terms used in the Promotion Report

Promotional Allowance: The average promotional allowance for the five retail outlets and the wholesaler. Promotional allowances are a non-budget item.

Trade Rating: A summarized result from a survey of retailers and wholesalers on trade support and practices offered by your company. The trade rating value is scaled from 1 to 10, where 10 is the highest value. This value is on a product basis and may be graphed.

Co-op Advertising: The budget available to retailers for advertising a product jointly. The cost of the advertisement is divided between the manufacturer and the retailer. The % Participating Rate represents the percentage of retailers that used a co-op advertising allowance with this brand.

(Continued on next page.)

A**B***Company***Explanation for terms used in the Promotion Report** *(continued)*

Point-of-Purchase: The total budget allotted to create, produce, distribute, and maintain point-of-purchase displays in retail outlets. The % Participating Rate represents the percentage of retailers that used a point-of-purchase display for this product at some point during the period.

Trial Size: The total budget spent on producing and distributing free trial size samples to households. The number mailed and conversion values represent the total number of trial samples mailed and an estimate of how many of these households converted to this brand.

Coupons: The budget allocated to print, distribute, and redeem consumer coupons. The total number of redemptions and the percentage of total unit sales attributed to coupons are also reported.

Company

The **Portfolio Graph** displays your current product portfolio in a 2 x 2 growth-share matrix.

The growth is the market growth of the segment where the brand competes.

The share is relative to the leading competitor in the segment.

Select graph to change the market definition.

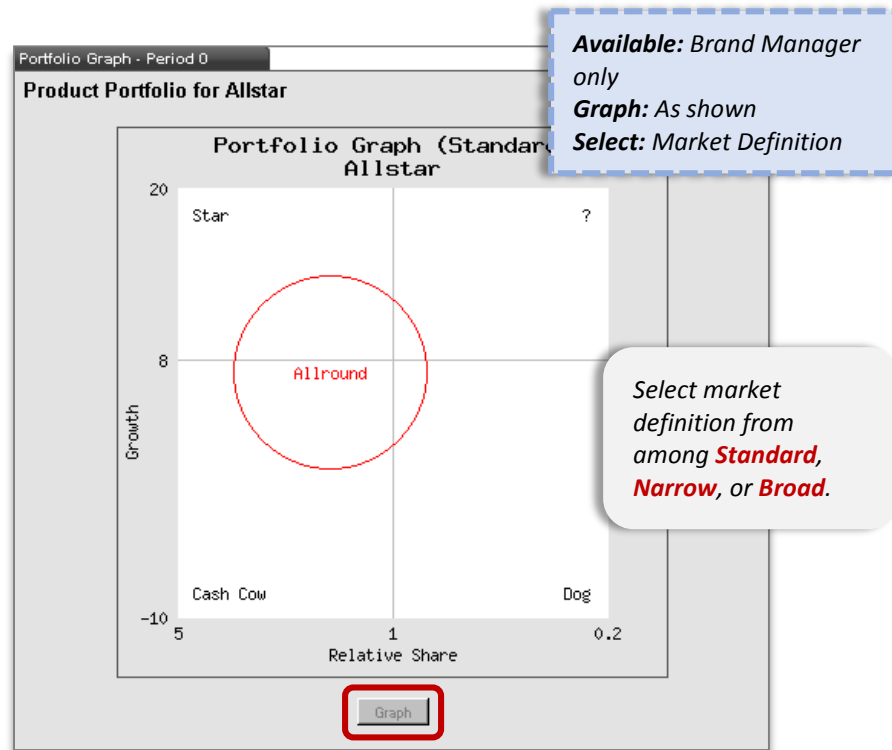
The Standard market is defined as cold, cough, allergy, or nasal spray segments.

A Narrow definition adds child cold and multi-symptom to the Standard definition.

A Broad definition is based on illness (cold, cough, allergy).

Portfolio Graph

The **Portfolio Graph** displays your current product portfolio in a 2 x 2 growth-share matrix. The [Graph] button allows you to experiment with three different market definitions, from "narrow" to "broad," and to see the impact on how the SBUs are positioned on the graph. A narrow definition may increase the relative share calculation but may leave out appropriate competitors. A broad definition may not be the appropriate competitive space as it may include competitors that customers don't consider along with your brand in the decision process.



Explanation of terms used in the Portfolio Graph

Market Definition: Each strategic business unit (SBU) corresponds to a brand or line extension. The market is defined as cold, cough, allergy, or nasal spray as shown in the *Share of Mfr Sales* report on the MARKET menu.

Growth: The market growth of the segment where the brand competes determines the position of the SBU on the vertical axis. In Period 0, the cold market grew at 6.6 percent, placing Allround just under the 8 percent market growth line.

(Continued on next page.)

A**B****Company****Explanation of terms used in the Portfolio Graph (continued)**

Relative Share: The relative share of a brand often indicates its strength in the marketplace. Dividing the brand's market share by the market share of its largest competitor determines the brand's relative share. In Period 0, Allround has a 40.4 percent share of the cold medicine market, whereas Besthelp, its largest competitor, has a 25.2 percent share. Therefore, Allround's relative market share is $40.4 / 25.2 = 1.6$, placing Allround to the left of the vertical line, which represents a relative share of 1. This indicates that Allround is a "cash cow" and should be a good source of funds for marketing expenditures and new brand introductions.

Market Menu

This report highlights some of the major events of the period and provides feedback based on your decisions.

*The **News** section announces changes in the competitive environment, such as new product introductions, overall levels of advertising and promotional spending, and total market sales.*

*The **Messages** section provides feedback and tips specific to your firm. Be sure to read the messages before you make your next set of decisions.*

*The **Incidents** section tells you what special decision you have to make this period, as well as providing feedback from the previous incident decision.*

Use the [Period] drop-down menu to display updates from previous periods.

Market Update

The **Market Update** has three sections: news of the period, messages to your company, and information about special decisions. Major news items include product introductions, changes in price levels, industry spending on promotion and advertising, and total market sales. Be sure to monitor the news section for changes in the competitive environment. Messages to your firm provide feedback or tips to help you understand the connections between your decisions and results. Under the special decisions section, look for issues your company must address in the current period, and results of special decisions made in the previous period. These will include any incidents that require your attention, as well as opportunities to reformulate Allround or introduce a new product.

Market Update - Period 0

PharmaSim Market Update

News

- Allstar announced a shakeup in the Allround management team.
- Driscoll announced the introduction of Dryup this period...
- Prices increased an average of 2.8% compared to an inflation rate of 3.1%
- Total advertising spending is up \$3.3 million while promotional spending increased \$1.1 million...
- Mass merchandiser sales showed the strongest growth this period with an increase of 9.0%...
- Retail sales grew by \$82.1 million, or 4.3%...

Messages

- Welcome to the Allround brand management team!
- Be sure to analyze your company's position in the marketplace before making your first decision.

Incidents

- New incident: Social Media (Be sure to handle this incident on the Special decision page.)

Available: All levels
Graph: None

Market

This report shows general economic and industry conditions, cost of sales force, and cost of market research.

The general economic variables of population growth, industry growth, and inflation may provide a basis for evaluating the overall strength of the market.

Values are shown for the current period.

The forecast for population growth, industry growth, and inflation are the best estimates available.

Use the [Period] drop-down menu to view data from previous periods.

Industry Outlook

The **Industry Outlook** report is a trade publication of general economic and industry conditions, cost of sales force, and cost of market research. All of the values represent costs or estimates for the current period. Use the Period drop-down menu to see data from previous periods.

The general economic variables of population growth, industry growth, and inflation may provide a basis for evaluating the overall strength of the market. The report also displays the cost of a salesperson's salary and expenses, as well as training costs for new hires. Sales force turnover runs 10-20 percent annually. Therefore, maintaining the current sales force personnel level will incur a training cost for the new hires to cover turnover losses.

The estimated cost for each of the competitive and market research reports is also presented. Each report offers insight into the competitive dynamics of other firms and feedback from distribution channels. The charge for each report is assessed online when the study is ordered and will be subtracted from the current period's budget.

Estimates of the percentage of sales distributed directly to retailers and through wholesalers represent total industry sales of all five firms. As with all market research studies, some error is to be expected. These values often result from a survey or sampled information that is subject to some distortion.

Industry Outlook - Period 0			
Economic Outlook for the Industry			
	Current	Forecast	
Population Growth	0.9%	0.9%	
Industry Growth	4.3%	Higher	
Inflation Rate	3.1%	2.5%	
Cost of Sales Force (000's \$)			
Sales Rep Salary	\$30.0		
Avg Expenses	\$15.0		
Training	\$10.0		
Cost of Marketing Research (000's \$)			
Consumer Survey	\$100.0	Operating Statistics	\$45.0
Sales Force	\$20.0	Advertising	\$35.0
Promotion	\$35.0	Share of Channel Sales	\$25.0
Pricing	\$20.0	Shopping Habits	\$15.0
Shelf Space	\$25.0	Recommendations	\$20.0
Conjoint Analysis	\$100.0		
Distribution			
% Direct	63.3%		
% Wholesales	36.7%		

Base Cost: No charge
Available: All levels
Graph: None

Market

The Symptoms Reported publication gives an overview of the basic cold-related symptoms reported.

The percentages shown are for the entire population, not just those purchasing OTC medicine.

View the Brand Perceptions report of the survey to see how consumers perceive the effectiveness of each brand for relief of these symptoms.

Use the [Period] drop-down menu to view data from previous periods.

Symptoms Reported

The **Symptoms Reported** publication gives an overview of the basic cold-related symptoms reported during the past period. The percentage shown is for the entire PharmaSim population. This estimate is published yearly and is available in trade journals.

This report provides the percentage of demand for the products that address these symptoms but does not account for medication usage that may affect demand considerably. For example, fewer people suffer from allergy symptoms than from nasal congestion, but the usage of allergy medication per person is considerably higher than that of cold medicine in general.

Each brand attempts to relieve some or all of these symptoms. The **Brand Formulations** report provides a listing of the ingredients in each brand, whereas the **Brand Perception** report (under the SURVEY menu) shows how consumers perceive the effectiveness of each brand with regard to these symptoms.

Symptoms Reported - Period 0	
Symptoms Reported in Past Year	
Symptom	% Reporting
Aches	60.6%
Nasal Congestion	50.8%
Chest Congestion	62.1%
Runny Nose	47.0%
Coughing	62.1%
Allergy Symptoms	20.0%

Base Cost: No charge
Available: All levels
Graph: None

Market

This report displays current formulations for all products on the market.

The maximum allowable limit for each ingredient (based on four doses in a 24-hour period) appears at the top of the column.

Each brand is shown with the amount of active ingredients and a brief description.

Twelve-hour formulations are allowed to have twice the maximum because the dosage frequency is two times per day.

Previous reports can be viewed by choosing the period from the [Period] drop-down menu.

Brand Formulations

The **Brand Formulations** report displays the amount of active ingredients in each brand on the market, as well as the maximum allowable limit for each ingredient (based on four doses in a 24-hour period). This report will highlight any new changes in form or content.

The first letter of each brand signifies the company that manufactures the product. For example, Driscoll manufactures all brands starting with D. Brand line extensions are denoted with a "+" following the name. For example, if an Extra+ were on the market, it would be a line extension to the Extra brand. These line extensions typically offer similar benefits to the original brand. Each brand has one or more active ingredients that cannot exceed the maximum allowable dosage in a 4-hour period (or four doses in a 24-hour period). Twelve-hour formulations are allowed to have twice the maximum because the dosage frequency is two times per day. Packaging for the 12-hour capsules contains half as many capsules as packaging for the 4-hour capsules (so that pricing is equivalent per 24 hours of relief).

	Active ingredients
Analgesics	Reduces fevers and relieves head and body aches.
Antihistamines	Relieves itchy eyes and sneezing.
Decongestant	Reduces nasal congestion by shrinking swollen nasal passages.
Cough Suppressant	Suppresses the cough reflex.
Expectorant	Loosens chest congestion to improve the effectiveness of coughing.
Alcohol	Helps people rest and numbs pain.

Brand formulations for all competitors can be found in this report, along with the maximum allowable limit for each active ingredient.

	Analg	Antihist	Decon	Cough Supp.	Expec	Alcoh	Description
	1000	4	60	30	200	20	MaxAllow(Mg)
Allround	1000	4	60	30	0	20	4hr multi liquid
Believe	0	4	0	0	0	0	4hr allergy capsule
Besthelp	0	4	60	0	0	0	4hr cold capsule
Coughcure	0	0	30	30	0	10	4hr cough liquid
Defogg	0	4	0	0	0	0	4hr allergy capsule
Dripstop	0	0	60	0	0	0	cold spray
Dryup	1000	4	60	0	0	0	4hr multi capsule
Effective	0	0	60	0	0	0	cold spray
End	0	0	0	0	200	10	4hr cough liquid
Extra	0	0	120	0	0	0	12hr cold capsule

Base Cost: No charge
Available: All levels
Graph: None

Market

This report shows estimates of total manufacturer sales by product category and each brand's market share.

Brands are placed in categories (cold, cough, allergy, or spray) based on their labeling.

Multi-symptom brands, such as Allround, are listed in the cold category.

Compare shares by manufacturer sales with shares in Channel Sales and Brands Purchased reports.

The default graph displays the market share for each product over time. Click the [Graph] button to choose a different measure.

Select the period number from the [Period] drop-down menu to see market share data from previous periods.

Manufacturer Sales

The **Manufacturer Sales** report contains estimates of each brand's market share by product category. Each brand can be in only one category in this report. Therefore, multi-symptom brands, such as Allround, are listed in the cold category despite also being used for cough or allergy symptoms. For purposes of this report, if the brand is labeled for a particular use, it is placed under that category.

This report provides an estimate of total manufacturer sales in each product/market category. Product market shares in this report differ from the values estimated from retail sales because of different sources of data and different price/discount schedules among brands. Retail sales estimates are based on end user prices, whereas manufacturer sales are based on sales to distribution channels. The market shares calculated in the market survey of brands purchased will also be different because the values are based on unit sales and exclude price differences. Therefore, three different measures of market share exist: share of manufacturer sales (\$), share of retail sales (\$), and share of consumer purchases (units).

Manufacturer Sales - Period 0

Market Share Based on Manufacturer Sales

	Cold	Cough	Allergy	Nasal
Mfr Sale (\$M)	\$879.7	\$366.4	\$126.1	\$119.1
Growth	6.6%	3.2%	5.9%	4.5%
Allround	40.4%	0.0%	0.0%	0.0%
Believe	0.0%	0.0%	50.7%	0.0%
Besthelp	25.2%	0.0%	0.0%	0.0%
Coughcure	0.0%	54.3%	0.0%	0.0%
Defogg	0.0%	0.0%	49.3%	0.0%
Dripstop	0.0%	0.0%	0.0%	52.0%
Dryup	14.9%	0.0%	0.0%	0.0%
Effective	0.0%	0.0%	0.0%	48.0%
End	0.0%	45.7%	0.0%	0.0%
Extra	19.5%	0.0%	0.0%	0.0%

Base Cost: No charge
Available: All levels
Graph: Sales by Segment, Share of Mfr. Sales, Share by Product Category (4)

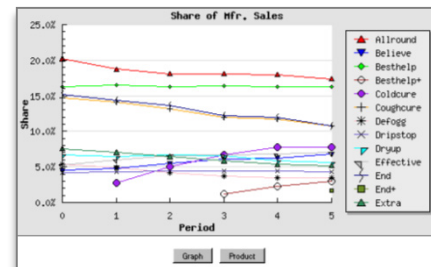
Select **Graphing Variable**.

Manufacturer Sales Selection

Select the data to view.

- Mfr. Sales by Segment
- Share of Mfr. Sales
- Share of Cold Sales
- Share of Cough Sales
- Share of Allergy Sales
- Share of Spray Sales

Click **Submit** to create graph.



Market

This report shows an estimated contribution statement for each firm in the industry.

The base cost of the report is \$45,000.

Estimate competitors' marketing budget by adding expenditures for sales force, advertising, and promotion.

Use the estimated capacity utilization to anticipate potential changes in competitors' marketing strategies.

Stock price can be used as a measurement of firm performance.

The default graph shows net income for the 5 firms over time. Click the [Graph] button to select a different graphing option.

Available Graphs Include:
 Share of Mfr. Sales
 Mfr. Sales by Firm
 Promo. Allow. Expend.
 Cons. & Trade Promo.
 Adv. Expenditures
 Sales Force Expend.
 Net Income
 Stock Price
 Capacity Utilization

Use the Period drop-down menu to view data from previous periods.

Operating Statistics

Competitive research on the **Operating Statistics** report shows an estimated contribution statement for each of the five firms. This information may be used to analyze differences in resource allocation and costs.

The **Operating Statistics** report provides information similar to that of your firm's **Income Statement** report but also includes your competitors' operating statistics. There are three differences, however. First, there is no value for your competitors' budgets. One possibility for estimating this value is to base it on last period's budget expenditures for each competitor. This would involve adding the spending for advertising, promotion, and sales force. Second, this report includes an industry consultant's estimate of capacity utilization. This could have strategic implications for your firm. For example, if your competitors are under capacity, you might expect them to try to gain share through aggressive pricing or heavy marketing expenditures. Third, this report includes a stock price, which can be used as a possible measurement of your performance over time.

Operating Statistics for All Competitors					
	Allstar	B & B	Curall	Drisco	
Retail Sales (M\$)	468.1	385.5	278.4	348.0	
Manufacturer Sales (M\$)	355.3	286.0	199.0	255.0	
Promotional Allowance (M\$)	60.4	39.1	25.9	49.0	
Cost of Goods Sold (M\$)	122.6	72.6	55.1	65.0	
Gross Margin (M\$)	172.3	174.3	118.0	140.0	
Cons. & Trade Promo (M\$)	7.0	6.3	5.5	9.0	
Advertising (M\$)	20.0	18.0	16.0	16.0	
Sales Force (M\$)	6.0	9.2	10.7	7.0	
Administration (M\$)	9.8	8.4	6.6	7.0	
Contrib. after Mktng (M\$)	129.5	132.5	79.2	100.0	
Fixed Costs (M\$)	62.4	60.2	42.8	64.0	
Net Income (M\$)	67.2	72.3	36.4	36.0	
Stock Price \$	\$38.35	\$33.02	\$11.36	\$19.10	
Capacity Utilization (%)	85.1	91.2	91.8	83.0	

Base Cost: \$45k*

Available: All levels

Graphs: Share of Mfr. Sales, Mfr. Sales by Firm, Promotion Allow. Exp., Cons. / Trade Promotion, Advertising Expenditure, Sales Force Expenditure, Net Income, Stock Price, Capacity Utilization

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Market

This report contains estimates for the current period of the number of the sales personnel for each firm.

The base cost of this report is \$20,000.

At the Brand Assistant level or higher, details are provided for each distribution channel.

The default graph shows total sales force for each company, over time.

Use the Period dropdown menu to view data from previous periods.

Sales Force \$

The **Sales Force** report on the competitive research of sales force estimates displays information on the allocation of each firm's sales personnel. Sales force personnel include direct sales and indirect/support functions. This report provides information as to which channels the competition is targeting and what levels of channel/wholesaler support might be necessary to be competitive.

Sales Force \$ - Period 0				
Sales Force Estimates for All Competitors				
	Allstar	B & B	Curall	Dr
Direct (#SF)				
Indep Drugstores	6	12	23	
Chain Drugstores	28	36	50	
Grocery Stores	43	64	71	
Convenience Stores	3	8	4	
MassMerch	14	20	16	
Total Direct	94	140	164	
Indirect (#SF)				
Wholesaler Support	15	20	27	
Merchandisers	8	12	18	
Detailers	10	24	18	
Total Indirect	33	56	63	
Total Sales Force	127	196	227	

Base Cost: \$20k*
Available: All levels
Graphs: Total Sales Force, Sales Force for each company, over time

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

The **direct sales force** includes sales reps and in-house sales personnel who support the retail channels. The direct sales force takes orders and provides administrative assistance, whereas the field sales force aids the retail channels with services, such as stocking and pricing products. Both groups distribute large amounts of product literature and educate the retail channels with industry and company information. They also attend regional trade and association meetings.

The **wholesaler (Indirect) support sales force** provides similar services but tailored to the wholesale channel. Typically, fewer support personnel are needed for wholesalers because they are more concentrated and provide a number of services of their own. Merchandisers and detailers represent auxiliary sales personnel not directly involved in selling products. Merchandisers maintain point-of-purchase displays and manage retail shelf space. Detailers work directly with doctors and pharmacists to generate product support and recommendations for a company's brands. Merchandising and detailing are important for successful new product introductions.

Market

This report estimates advertising expenditures for each brand.

At Assistant Brand Manager and above, agency and message percentages are also shown.

The base cost of this report is \$35,000.

The graph shows Advertising Expenditures over time.

Use the Period drop-down menu to view data from previous periods.

NOTE: In reality, an advertising agency would not work with competing companies because of conflict of interest. For simplicity, these three agencies represent the different options with regard to quality of message and cost.

Advertising \$

The **Advertising** report on the competitive research of advertising estimates compares media expenditures, advertising agency, and the basic message for each brand. The analysis of the advertising message is derived from a compilation of each of the advertising campaigns for the brands.

Media expenditure is estimated through a compilation of network and spot television charges and uses. This value is then verified through industry and company sources. The agency listed is the company that manages a particular brand's accounts.

An industry media analyst compiles the percentage of each type of message in the report based on the content of each brand's commercials. The strategy behind each approach is:

Ad Message Type

Primary: Creates awareness and stimulates primary demand

Benefits: Emphasizes product benefits to consumer

Comparison: Compares product with competitor

Reminder: Maintains awareness and stimulates repurchase

Advertising \$ - Period 0					
Advertising Estimates for All Competitors					
	Media Expend (mill.\$)	Agency	Primary	Benefits	Compare
Allround	\$20.0	BMW	5.0%	45.0%	45.0%
Believe	\$3.0	S&R	40.0%	10.0%	10.0%
Besthelp	\$15.0	BMW	5.0%	45.0%	45.0%
Coughcure	\$16.0	BMW	8.0%	42.0%	8.0%
Defogg	\$4.0	LLC	22.0%	28.0%	22.0%
Dripstop	\$4.0	LLC	22.0%	28.0%	28.0%
Dryup	\$8.0	S&R	38.0%	12.0%	12.0%
Effective	\$1.0	S&R	30.0%	20.0%	20.0%
End	\$4.0	BMW	15.0%	35.0%	35.0%
Extra	\$12.0	BMW	15.0%	35.0%	35.0%

Base Cost: \$35k*
Available: All levels
Graphs: Advertising Expenditures by Brand

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Table of Ad Agency Expense and Ad Quality Level

AGENCY	QUALITY	COST (% of Media Expend.)
Brewser, Maxwell, and Wheeler (BMW)	High	15%
Sully & Rodgers (S&R)	Mid	10%
Lester Loebol & Company (LLC)	Low	5%

Market

This report estimates promotional activity for each brand.

The base cost of this report is \$35,000.

Promotional allowance is the average allowance for all channels.

Co-op advertising displays the amount used for joint advertising between the manufacturer and retailer.

Point-of-purchase expenditures estimate the amount spent on displays in retail outlets.

At Assistant Brand Manager and above, information on trial size and coupons offered is shown.

The graph shows Promotional Allowance over time.

Use the Period drop-down menu to view data from previous periods.

Promotion \$

The **Promotion** report shows competitive research of promotional activity and monitors retail outlets and trade sources to estimate each brand's promotional expenditures on allowances, co-op advertising, and point-of-purchase displays. The report is unable to estimate expenditures on coupons or trials but does indicate whether these approaches were used during the past period.

The promotional allowance is the average allowance for the five retail outlets and wholesalers for each brand. The minimum value that an outlet will accept is 10 percent, whereas the industry's accepted maximum promotional allowance is 20 percent. This allowance is given as a percentage of the price to the retail channel and typically is used for the cost of stocking, price discounts, and brand promotion in the outlet. In many ways, this can be viewed as an additional discount to the channel. Co-op advertising displays the amount used for joint advertising between the manufacturer and retailer. The estimate is from retail channel sources. Point-of-purchase expenditures estimate the amount spent on creating, producing, distributing, and maintaining point-of-purchase displays in retail outlets. The trial size and coupons listings indicate whether these promotional approaches were used during the past period, as well as the face value of the coupons.

Promotion \$ - Period 0				
Promotion Activity of Competitors				
	Promo Allow	Co-op Adv (000's)	Point of Purchase (000's)	Trial Size
Allround	17.0%	1,400.0	1,400.0	
Believe	16.0%	100.0	300.0	yes
Besthelp	13.0%	1,200.0	1,200.0	
Coughcure	13.0%	1,100.0	1,000.0	
Defogg	20.0%	400.0	1,200.0	yes
Dripstop	17.0%	400.0	400.0	
Dryup	20.0%	0.0	1,000.0	yes
Effective	18.0%	300.0	900.0	yes
End	15.0%	400.0	400.0	
Extra	15.0%	800.0	800.0	

Base Cost: \$35k*
Available: All levels
Graph: Promotional Allowance

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Market

This report displays industry retail sales and shares by channel.

The base cost of this report is \$25,000.

Compare retail shares shown here with the Share of Manufacturer Sales report. Compare unit shares in the Brands Purchased report of the survey.

At Assistant Brand Manager level or higher, clicking on a brand shows detail by volume discount and channel.

The default graph displays retail sales by channel over time.

Use the [Graph] button to view brand shares of retail sales.

Use the Period drop-down menu to view data from previous periods.

Channel Sales \$

The **Channel Sales** report on distribution displays information on market share by retail channel. This report is based on retail sales, not unit sales or manufacturer sales. There is also an estimate of total sales and sales growth rate for each retail channel.

This report addresses three issues. First, it provides information about the volume and growth of sales through particular retail channels. These values are displayed at the top of the report.

Second, this report addresses each product's share of sales in each channel. Share by channel is likely to vary due to consumer shopping habits, pricing policies, and sales force distribution. To gain further insight into these data, your firm may want to look at the market research report on shopping habits and pricing or the competitive research report on sales force.

When playing at Assistant Brand Manager level or higher, clicking on a brand will break down unit sales by price discount and channel (the same detail report available in the **Pricing** report). Many of your decisions will influence your share and volume in a particular retail channel. Volume discounts, promotion, and sales force all affect how much support and shelf space your brand receives.

Channel Sales - Period 0

Market Share Based on Retail Sales

	Indep Drug	Chain Drug	Grocery	Convenience	Mass Merch
Ret. Sales (mill.\$)	\$437.0	\$559.8	\$731.6	\$80.5	\$187.5
Growth	0.3%	4.5%	5.5%	4.0%	9.0%
Allround	22.6%	22.1%	24.6%	23.2%	25.0%
Believe	4.9%	5.4%	3.3%	3.7%	2.7%
Besthelp	13.2%	13.2%	17.3%	16.7%	16.3%
Coughcure	16.7%	16.3%	10.9%	12.3%	12.9%
Defogg	5.1%	5.6%	3.4%	3.9%	2.8%
Dripstop	3.7%	3.7%	4.9%	4.7%	4.6%
Dryup	7.5%	7.8%	10.1%	9.5%	9.6%

Channel Discount Detail for Besthelp

	< 250	< 2500	2500+	Whole-Sale
Volume discount	25.0%	30.0%	35.0%	40.0%
Indep. Drugstores	3.0	0.5	0.0	8.3
Chain Drugstores	0.2	10.5	3.1	3.3
Grocery Stores	3.0	9.1	5.8	11.9
Convenience Stores	0.6	0.2	0.0	1.9
Mass Merchandisers	0.3	3.4	1.5	2.3

Base Cost: \$25k*
Available: All levels
Detail: Asst. Brand Manager & above
Graph: Sales by Channel, Share of Retail Sales, Sale of Retail Sales by Channel (5)

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Market

This report shows pricing information for each product on the market.

The base price of the report is \$20,000.

MSRP is the Manufacturer Suggested Retail Price.

Actual retail prices depend on volume discounts, promotional allowance, and retail markup.

At Assistant Brand Manager level or higher, clicking on a brand shows detail by volume discount and channel.

The graph shows MSRP for each brand over time.

Use the Period dropdown menu to view data from previous periods.

Pricing \$

The **Pricing** report on average retail price displays the MSRP and actual selling price of the brand by channel. This report indicates discount levels in the industry across brands and channels.

Competitive pricing is a key issue in PharmaSim. Comparing MSRPs is a good indicator of where your brand is positioned on a price basis. However, it is also important to analyze the actual retail price on a channel basis because consumers ultimately pay this price for the product.

Each retail channel has a different pricing structure and uses different markups for different brands. Furthermore, most brands have different volume discounts and promotional allowances that also affect actual retail prices.

When playing at Assistant Brand Manager level or higher, clicking on a brand breaks down unit sales by price discount and channel (the same detail report available in the **Channel Sales** report). Analyze how each retailer uses the volume discounts. Remember that many retail stores use wholesalers, so your pricing structure to wholesalers must also be considered.

Pricing \$ - Period 0					
Average Retail Price by Channel					
	MSRP	Indep Drug	Chain Drug	Grocery	Convenience
Allround	\$5.29	\$4.99	\$4.40	\$4.36	\$5.11
Believe	4.39	4.07	3.58	3.56	4.16
Besthelp	4.89	4.79	4.23	4.15	4.88
Coughcure	5.49	5.46	4.81	4.78	5.59
Defogg	4.29	4.27	3.75	3.73	4.37
Dripstop	4.29	4.27	3.75	3.73	4.37
Dryup	5.09	4.83	4.43	4.26	4.91
Effective	4.39	4.37	3.84	3.82	4.47
End	5.29	5.06	4.46	4.43	5.18
Extra	4.49	3.97	3.49	3.47	4.06

Base Cost: \$20k*
Available: All levels
Detail: Asst. Brand Manager & above
Graph: MSRP by Brand

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Market

Channel Sales / Pricing —Detail

The detail report from either the **Pricing** report or the **Channel Sales** report provides in-depth information on sales by channel and level of pricing discount. Rather than provide a "slice" of information across brands, this report provides more detailed information on channel sales by brand. This report is available for all products in the market.

The report also provides information on how sales of each brand flows through direct and wholesale distribution channels. Sales by volume discount vary considerably depending on the distribution channel. Overall sales by distribution channel are also provided. This information may be used to help determine sales force allocation, pricing discounts, and promotional allowances.

Channel Sales - Period 0

Market Share Based on Retail Sales

	Indep Drug	Chain Drug	Grocery	Convenience	Mass Merch	Total
Ret. Sales (mill.\$)	\$437.0	\$559.8	\$731.6	\$80.5	\$187.5	\$1996.4
Growth	0.3%	4.5%	5.5%	4.0%	9.0%	4.2%
Allround	22.6%	22.1%	24.6%	23.2%	25.0%	22.9%
Believe	4.9%	5.4%	3.3%	3.7%	2.7%	4.4%
Besthelp	13.2%	13.2%	17.3%	16.7%	16.3%	15.4%
Coughcure	16.7%	16.3%	10.9%	12.3%	12.9%	13.7%
Defogg	5.1%	5.6%	3.4%	3.9%	2.8%	4.6%
Dripstop	3.7%	3.7%	4.9%	4.7%	4.6%	4.3%
Dryup	7.5%	7.8%	10.1%	9.5%	9.6%	9.3%
Effective	3.5%	3.4%	4.6%	4.4%	4.3%	4.1%
End	13.5%	13.2%	8.8%	10.0%	10.4%	11.2%
Extra	9.2%	9.2%	12.1%	11.6%	11.4%	10.7%

Channel Discount Detail for Believe

	< 250	< 2500	2500+	Whole-Sale	Total
Volume discount	25.0%	30.0%	35.0%	40.0%	34.0%
Indep. Drugstores	1.3	0.2	0.0	3.6	5.3
Chain Drugstores	0.1	5.0	1.5	1.6	8.4
Grocery Stores	0.7	2.0	1.3	2.6	6.7
Convenience Stores	0.1	0.1	0.0	0.5	0.7
Mass Merchandisers	0.1	0.7	0.3	0.5	1.5

Base Cost: Part of Channel Pricing report*

Available: Asst. Brand Manager & above

Detail: Asst. Brand Manager & above

Graph: None

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Market

This report estimates shopping preferences for consumers with each type of symptom.

The base cost of this report is \$15,000.

Use the report to help with sales force allocation and promotional strategy for each brand.

Use the [Period] drop-down menu to view data from previous periods.

Shopping Habits \$

The **Shopping Habits** report estimates shopping preferences for each type of illness. The report may be used to help determine sales force allocation and promotional strategy for each brand.

The outlets where consumers shop for cold medications should be an important factor influencing your firm's strategy. For example, a brand targeted for cold sufferers might be placed more heavily in grocery stores than a brand targeted for allergy sufferers. In the above example, over 42 percent of cold medication is purchased in grocery stores, whereas allergy medication is more likely to be purchased in drugstores.

Just like consumers, different channels have different needs. For example, mass merchandisers may prefer discounts to sales force support, whereas independent drugstores may appreciate the additional support services of salespeople or wholesalers.

In addition, be aware of how competitors use channel support. Sometimes opportunities arise in distribution because of neglect (or over-emphasis) of a particular channel by other companies.

Shopping Habits - Period 0			
Consumer Shopping Habits			
Retailer	Cold	Cough	Allergy
Drugstores			
Independent	18.1%	22.0%	24.0%
Chain	24.6%	31.1%	30.0%
Grocery Store	43.1%	34.6%	30.0%
Convenience Stores	4.2%	3.8%	5.0%
Mass Merchandisers	10.0%	9.3%	5.0%

Base Cost: \$15k*

Available: Asst. Brand Manager & above
Graph: None

**The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.*

Market

This report estimates how much space the retail channels allocate to each brand.

The base cost of this report \$25,000.

Shelf space is shown in linear feet.

Volume discounts and promotional allowances can have a significant impact on the shelf space retailers allocate to a brand.

The default graph displays overall shelf space by brand, over time.

Use the [Period] dropdown menu to view data from previous periods.

Shelf Space \$

The **Shelf Space** report estimates how much space the retail channels allocate to each brand. This can be important feedback for promotional allowances and other trade and consumer promotions.

Gaining prime shelf space is one of the key strategic ingredients for an OTC brand. Retailers typically give more shelf space to the most profitable brands. The retail outlet usually considers profit in terms of the margin earned per unit (including volume discounts and promotional allowances) and product turnover (the number of units sold in a period). However, some retailers also take advantage of co-op advertising to draw customers into their store. The sales force, especially merchandisers, can also influence the amount of shelf space retail outlets allocate to brands.

Shelf Space \$ - Period 0						
Average Shelf Space by Channel						
	Indep Drug	Chain Drug	Grocery	Convenience	Mass Merch	All Chanr.
Allround	1.2	1.1	1.1	1.2	1.1	1.2
Believe	1.3	1.4	1.4	1.1	1.3	1.3
Besthelp	1.2	1.1	1.1	1.1	1.1	1.1
Coughcure	0.7	0.5	0.5	0.8	0.7	0.6
Defogg	1.2	1.4	1.4	1.1	1.3	1.2
Dripstop	1.2	1.4	1.4	1.1	1.3	1.2
Dryup	1.3	1.5	1.5	1.2	1.4	1.4
Effective	0.6	0.5	0.5	0.7	0.6	0.6
End	0.7	0.5	0.5	0.8	0.7	0.7
Extra	0.7	0.5	0.5	0.7	0.6	0.6

Base Cost: \$25k*
Available: Asst. Brand Manager & above
Graph: Average Shelf Space by Brand, over time.

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Market

This report provides information on doctor and pharmacist recommendations for treatment of major symptoms.

The base cost of this report is \$20,000.

The recommendations are a good indicator of the underlying medicinal value of a brand for specific symptoms.

Physicians and pharmacists may be influenced by a manufacturer's detailer sales force.

Use the [Period] drop-down menu to view data from previous periods.

Recommendations \$

The **Recommendations** report provides information based on a survey of several hundred family physicians and pharmacists regarding the brands they would recommend to patients reporting particular ailments. The respondents rated which brand was most effective against a particular illness, taking into consideration side effects, such as drowsiness, as well as alcohol content or whether it was unnecessary medication. This report is useful for companies that target consumers who are more inclined to request a recommendation from a doctor or pharmacist.

The **Recommendations** report is an indicator of the underlying medicinal value of a brand without the effects of advertising, promotion, or pricing on the consumer. Physicians and pharmacists typically have good knowledge about most brands and are not overly influenced by consumer promotions. Of course, like consumers, they may be more aware of some brands than others. Physicians may also be influenced by the manufacturer's detailer sales force, which provides free samples and product literature.

Recommendations - Period 0		
Physician and Pharmacist Recommendations		
% who recommend brand to treat major symptoms		
	Cold	Cough
Allround	17.1%	11.8%
Believe	7.6%	0.0%
Besthelp	19.8%	0.0%
Coughcure	5.2%	43.7%
Defogg	6.8%	0.0%
Dripstop	4.2%	0.0%
Dryup	14.5%	0.0%
Effective	4.2%	0.0%
End	5.5%	44.4%
Extra	15.1%	0.0%

Base Cost: \$20k*
Available: Asst. Brand Manager & above
Graph: Recommendations by Product Category and Brand

**The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.*

Survey Menu

Conjoint Analysis provides information about consumer choices based on product/price combinations.

The base cost of this report is \$100,000.

Consumers rank products at different prices, indicating which they most prefer.

The rankings are used to estimate the product and price utilities.

Relative importance of price and product is shown as a percentage.

Positive utilities show a preference for the price or product.

Negative utility values are less preferred.

Different consumer segments will show different preferences for price and product.

Conjoint Analysis \$

The first step in **Conjoint Analysis** is to decide which relevant attributes to use. This should take into consideration the potential importance of an attribute to a consumer segment, as well as the cost to implement. In PharmaSim, this step is done for you. The study has been designed to help your team with pricing and new product choices by asking consumers to rank different combinations of prices and ingredients. The conjoint data can be segmented in the same way as the market survey.

The **Conjoint Analysis** report contains two tables of information. One is the raw rankings for the product/price combinations of all Allstar brands currently on the market plus any options for new product choices. The second table shows the importance of price vs. effectiveness (or product) and the estimated utility for each choice/price level. The utility values may be negative or positive. Positive utility values mean that these particular attributes are preferred relative to the other choices. Negative utility values are less preferred. (Refer to Purchase Survey & Segmentation section for details on cross section options.)

Conjoint Analysis \$ - Period 1				
Conjoint Analysis				
Cross Section: all respondents (100.0%)				
Rank Products @	\$3.74	\$4.49	\$4.99	\$5.49
Allround original	4	7	10	10
expectorant	3	6	9	9
drop alcohol	1	2	5	5
Product Utility (25%)		Price Utility		
Allround original	-0.107	\$3.74		
expectorant	-0.040	\$4.49		
drop alcohol	0.147	\$4.99		
		\$5.49		
		\$6.24		

Base Cost: \$100k*
Available: Brand Manager only (only during product choice decisions or after 3 lines are on the market)
Graph: Price and Effectiveness Utility

**The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.*

Conjoint analysis helps marketers to better understand the underlying choices that consumers make. Unlike some direct measurement studies, such as semantic scale estimation (where consumers are asked to rate particular attributes directly on a scale of 1 to 7), conjoint analysis instead asks survey participants to rank different



Survey

combinations of attributes (e.g., potential product/price combinations) in order of preference.

This technique requires that consumers make trade-offs and choices in a manner more similar to their actual purchase process.

The **Conjoint Analysis** option is only available at the Brand Manager level and when three product line options are either on the market or available for launch. Therefore, conjoint is not available in Period 0 but will be available for the reformulation decision, the line extension decision, and the new product decision. In addition, should you have three lines (Allround, Allround+, and Allright) on the market after Period 6, the conjoint data will be available for these lines.

Survey

The consumer survey contains the following reports: Brands Purchased, Purchase Intentions, Satisfaction, Brand Awareness, Decision Criteria, Brand Perception, and Tradeoffs.

Data on these reports can be analyzed by illness or demographic group or by all respondents.

Use the report data to learn more about your target customers.

After purchasing the survey, there is no limit to the number of cross-sections or reports you may analyze during that period.

The base cost of this report is \$100,000.

Use the Period dropdown menu to view survey data from previously purchased reports.

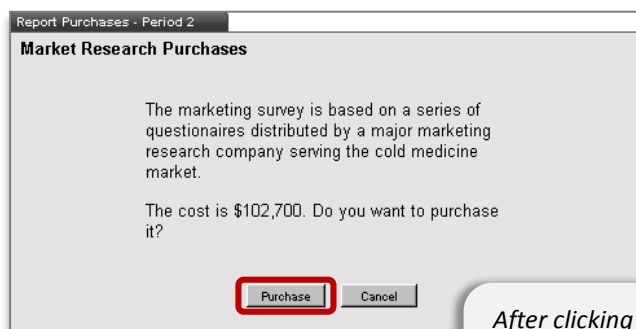
Purchase Survey \$ and Segmentation

The **Purchase Survey** option on the SURVEY menu allows you to purchase the survey reports, which are a tabulation of results from a series of questionnaires distributed by a marketing research company serving the cold medicine market. The survey consists of a consumer database that may be analyzed through seven different reports. The entire survey must be purchased to access any of these reports. Segmentation is not available at the Brand Assistant level.

You may select more than one segment. Selecting two or more segments in the same column displays data on respondents who meet any one of those criteria. Selecting segments from separate columns displays data on respondents who meet both criteria. The chosen cross-section will be displayed at the top of each market survey report. Once the database is purchased, there is no limit to the quantity of cross-sections or reports in a given period.

Reports 1–3 are based on unit sales, which account for usage rates (i.e., multiple purchases by a consumer are counted multiple times), whereas reports 4–7 are based on the purchasing population (i.e., multiple purchasers are only counted once).

The [XSection] button on any of the market survey reports provides data segmented by any target group. The two segmentation schemes are illness and demographics (household/family). This cross-sectional analysis may provide a better understanding of the consumer needs that are driving the market.



After clicking **Purchase**, you will be able to access the market survey reports applicable to your level of play.

Survey

Base Cost: \$100k*

Available: All levels

Graph: See reports on the following pages

Market Survey Reports:

1) Brands Purchased (by consumers)

2) Purchase Intentions (as well as actual purchases)

3) Satisfaction (with brands)

4) Brand Awareness (as well as trials and repurchases)

5) Decision Criteria (used to make purchase decisions; penetration and usage)

6) Brand Perception (of product effectiveness for various symptoms)

7) Tradeoffs (between price and effectiveness)

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Purchase Survey \$ and Segmentation

Brands Purchased - Period 0

Marketing Survey of Brands Purchased

Cross Section: all respondents (100.0%)

Brand	Cross Section	Overall
Allround	22.0%	22.0%
Believe	4.6%	4.6%
Besthelp	14.6%	14.6%
Coughcure	13.0%	13.0%
Defogg	5.0%	5.0%
Dripstop	5.0%	5.0%
Dryup	8.3%	8.3%
Effective	4.2%	4.2%
End	11.2%	11.2%
Extra	12.1%	12.1%

XSection

Click **XSection** to begin.

Cross Section Selection

Illness

Cold

Cough

Allergy

Demographic

Young Singles

Young Family

Mature Family

Empty Nester

Retired

Submit Cancel

Then, select any combination of **Illness** and **Demographics**.

NOTE: Selecting 'Cold' and 'Mature Families' displays data on those respondents who meet both criteria. Selecting 'Cold' and 'Cough' views data on cold or cough sufferers from any demographic segment (or all non-allergy respondents). If no segments are selected, then data based on all respondents are displayed.

A sample Market Survey Questionnaire is included in the student manual (see **PharmaSim Case**). Below is a brief description of market survey population segments:

Market Survey Cross-Section Descriptions	
Young Singles	young consumers without families
Young Families	families with small children
Mature Families	families with older children (8-20 years old)
Empty Nesters	adults with no children at home, but still working
Retired	adults in retirement

Survey

This report estimates the unit purchases for each brand, based on survey respondents.

This report is part of the \$100,000 Market Survey.

The **Purchases %** is based on units sold, and differs from both share of manufacturer sales and share of retail sales.

At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

At Assistant Brand Manager and above, click a brand to show detailed segmentation information for that brand.

The graph shows the % of consumers purchasing brands over time.

Use the Period drop-down menu to view data from previous periods.

Brands Purchased

The **Brands Purchased** report estimates market share for each brand based on unit sales. This analysis can be segmented to view a brand's strengths or weaknesses across different consumer demographics. The survey differs from both the manufacturer market share and retail sales market share because it is based on units sold and product price has no impact.

Brands Purchased - Period 0

Marketing Survey of Brands Purchased

Cross Section: cold (74.2%)

Brand	Cross Section	Overall
Allround	25.4%	22.0%
Believe	3.0%	4.6%
Besthelp	17.0%	14.6%
Coughcure	9.5%	13.0%
Defogg	3.0%	5.0%
Dripstop	6.2%	5.0%
Dryup	9.8%	8.3%
Effective	5.0%	4.2%
End	7.3%	11.2%
Extra	13.9%	12.1%

XSection

Click for **Detail** of Purchase information.

Base Cost: *Part of the \$100k Market Survey
Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: None

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

The example above shows that Allround and Besthelp have a higher market share of cold sufferers than overall. This is to be expected because few Allround users seek allergy relief and few Besthelp purchasers use the medicine for coughs. Conversely, allergy and cough medicines show lower market share in this cross-section. The report also indicates that cold sufferers represent 74.2 percent of all cold medicine purchases, much larger than cough or allergy purchasers.

Survey

Brands Purchased –Detail

The **Brands Purchased Detail** report provides in-depth segmentation purchase information. Rather than provide a "slice" of information across brands, this report provides a summary of segmentation purchase information for the market and a particular brand.

The top two lines of the report show the total units of cold-related medication sold in the market during the past period and the total units sold for the selected brand. Dividing the brand units sold by the total market will calculate the overall market share for the brand that matches the **Brands Purchased** report.

The table in the second half of the report summarizes information on population, share, and percentage of brand sales data for the selected product for each segment. However, the **Brands Purchased** report still must be used to get cross-sectional data (e.g., Young Singles who purchase allergy medication).

Purchases Survey Details for Allround			
Market units purchased:	511.4		
Allround units purchased:	112.4		
	Pct of Market	Brand Share	Pct
Cold	74.2%	25.4%	8
Cough	14.4%	18.1%	3
Allergy	11.5%	4.5%	2
Young Singles	14.6%	13.6%	3
Young Family	26.6%	30.5%	2
Mature Family	29.7%	20.5%	2
Empty Nester	14.8%	14.6%	
Retired	14.2%	25.5%	

Base Cost: *Part of the \$100k Market Survey
Cross Section: Asst. Brand Manager & above
Graph: None

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Explanation for terms used in the detail report:

Percent of Market: Percentage of total purchases made by a segment. In the screen above, 74.2 percent of OTC cold medication purchases were for cold usage, 14.4 percent for cough, and 11.5 percent for allergy. Likewise, Young Singles purchased 14.6 percent of all OTC cold medication and so on.

(Continued on next page.)

A



B

Survey

Explanation for terms used in the detail report (continued)

Brand Share: Share of units purchased for a brand in a particular segment. For example, Allround has a 25.4 percent share of cold sufferers and a 13.6 percent share of Young Singles.

Percent of Brand: Percentage of the brand's total unit sales purchased by a particular segment. In the above example, 85.8 percent of Allround's sales come from cold sufferers, and 36.9 percent come from Young Families. Each group (symptom/illness and stage of life) adds to 100 percent.

Survey

The *Purchase Intentions report* displays what consumers are most likely to purchase before they actually enter the retail outlet.

This report is part of the \$100,000 Market Survey.

This survey will help to determine to what extent point-of-purchase promotions and pricing are affecting consumer demand.

At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

The graph shows the % of consumers intending to purchase brands over time.

Use the Period dropdown menu to view data from previous periods.

Purchase Intentions

The **Purchase Intentions** report displays what consumers are most likely to purchase before they actually enter the retail outlet. Consumers often switch to a different brand due to price discount or other point-of-purchase promotions within the outlet. This survey will help to determine to what extent point-of-purchase promotions and pricing are affecting consumer demand.

Purchase Intentions - Period 0

Survey of Intentions vs. Actual Purchase

Cross Section: cold (74.2%)

Brand	Intended	Bought
Allround	24.3%	25.4%
Believe	3.5%	3.0%
Besthelp	17.3%	17.0%
Coughcure	8.8%	9.5%
Defogg	2.4%	3.0%
Dripstop	6.7%	6.2%
Dryup	8.7%	9.8%
Effective	4.5%	5.0%
End	8.2%	7.3%
Extra	15.7%	13.9%

XSection

Base Cost: *Part of the \$100k Market Survey
Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: Cross Section of Purchase Intentions by Brand

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

In the example above, Allround picks up significant sales while the consumer is in the store (25.4 percent purchases vs. 24.3 percent intentions). This is likely due to Allround's good shelf space and point-of-purchase promotions. Note that this example shows the cold sufferers segment rather than the overall market. In this report, as in the other market survey reports, any cross-section can be chosen for more segment specific information.

Survey

This report estimates consumer satisfaction with each brand.

This report is part of the \$100,000 Market Survey.

Satisfaction is the % of respondents who purchased the brand and report they are satisfied with the product.

At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

The graph shows the satisfaction with brands over time.

Use the Period drop-down menu to view data from previous periods.

Satisfaction

The **Satisfaction** report estimates the percentage of purchasers of each product who are satisfied with their product choice and are likely to repurchase. In PharmaSim, those who are satisfied are likely to be brand loyal. This survey is based on purchases, so heavy users are weighted more than light users.

Product satisfaction is a significant advantage that will lead to a greater number of repurchases and more word of mouth recommendations for that brand over other brands.

Satisfaction - Period 0

Survey of Satisfaction with Product

Cross Section: cold (74.2%)

Brand	Cross Section	Overall
Allround	57.7%	58.3%
Believe	45.4%	46.2%
Besthelp	53.3%	53.1%
Coughcure	46.1%	48.8%
Defogg	43.4%	44.2%
Dripstop	47.5%	45.5%
Dryup	54.8%	54.4%
Effective	46.1%	44.3%
End	47.6%	49.7%
Extra	46.3%	44.6%

XSection

Base Cost: *Part of the \$100k Market Survey
Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: Cross Section of Satisfaction by Brand

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

This report above shows that 57.7 percent of cold sufferers are satisfied with the Allround brand. This is the highest among all brands, as is its rating of 58.3 percent overall.

Survey

This report estimates consumer awareness, trials, and repurchase of each brand.

This report is part of the \$100,000 Market Survey.

Awareness: the % of respondents who recognized the brand prior to purchase.

Conversion Ratio: Trials divided by Awareness

Retention Ratio: Most Frequently Purchased divided by Trials.

At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

Cross-section percentages are based on the number of consumers reporting, not usage as in other survey results.

The graph shows consumer awareness of brands over time.

Use the Period drop-down menu to view data from previous periods.

Brand Awareness

The **Brand Awareness** report of awareness, trial, and repurchase indicates what percentage of consumers is aware of a brand, have tried a brand, and most often purchase a particular brand. The conversion ratio shows the percentage of those who are aware of a brand and have tried it, whereas the retention ratio calculates the percentage of those who have tried a brand who now purchase it most frequently.

Conversion Ratio = Trials / Awareness, or of those aware of a brand, what percentage have tried it.

Retention Ratio = Most Freq. Purchased / Trials, or of those who have tried a brand, the percentage that purchase it most frequently.

Brand Awareness - Period 0

Survey of Brand Awareness, Trials and Repurchase

Cross Section: cold (69.5%)

Brand	Brand Awareness	Brand Trials	Most Freq Purchase	Conversion Ratio
Allround	78.3%	49.6%	24.8%	63.3%
Believe	18.5%	9.9%	3.7%	53.4%
Besthelp	62.8%	38.3%	17.2%	61.0%
Coughcure	42.8%	22.3%	11.5%	52.0%
Defogg	24.3%	14.6%	3.8%	60.0%
Dripstop	24.2%	15.2%	4.9%	62.7%
Dryup	27.7%	14.0%	9.6%	50.7%
Effective	26.7%	16.0%	4.2%	59.9%
End	40.8%	23.5%	8.2%	57.7%
Extra	67.2%	40.4%	12.4%	60.2%

XSection

Base Cost: *Part of the \$100k Market Survey Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: Cross Section of Awareness by Brand

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

NOTE: In this report, cold sufferers represent 69.5 percent of the market rather than 74.2 percent. This is because this study only counts each consumer once rather than taking into consideration repeat usage. The difference is especially apparent on allergy sufferers.

Survey

This report indicates what factors are most important to the consumer's brand preference.

This report is part of the \$100,000 Market Survey.

The five factors considered are product effectiveness, side effects, price, form, and duration.

At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

The graph shows changes in decision criteria over time.

Use the Period drop-down menu to view data from previous periods.

Decision Criteria

The **Decision Criteria** report indicates what factors are most important to the consumer's brand preference. The five factors considered are product effectiveness, side effects, price, form, and duration.

Market penetration is the percentage of people in this cross-section who use medication to relieve a cold related symptom.

Average purchases per period are the purchases of cold medicine by consumer segment. This is often referred to as usage.

The cross section variables selected in the example below are all respondents and all illnesses.

Decision Criteria - Period 0

Survey of Decision Making Criteria

Cross Section: all respondents (100.0%)

Approximate Mkt. Penetration 64.2%
Average Purchase per Year 2.7

Decision Making Criteria	1st	2nd	3rd	4th
Product Effectiveness	65.2%	34.8%	0.0%	0.0%
Side Effects	17.3%	23.7%	59.0%	0.0%
Price	17.5%	41.5%	41.0%	0.0%
Form	0.0%	0.0%	0.0%	57.5%
Duration	0.0%	0.0%	0.0%	42.5%

Respondents were asked to rank product attributes (decision making order of importance). The report shows the percentage of respondents associating each criterion with each ranking.

XSection

Base Cost: *Part of the \$100k Market Survey
Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: Cross Section of Average Rank of Decision Criteria

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Survey

This report summarizes consumers' opinions of the effectiveness of brands on the market.

This report is part of the \$100,000 Market Survey.

Respondents were asked to rate each brand's effectiveness for a number of different symptoms.

Ratings are on a scale of 1 (not effective) to 5 (extremely effective).

At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

Use the [Product] button to select up to six brands for graph comparison.

Use the Period drop-down menu to view data from previous periods.

Brand Perception

The **Brand Perception** report summarizes consumers' opinions of a brand's effectiveness. The report compares the perceived strengths and weaknesses of a brand against various symptoms. Use the [Product] button to compare brands. Use the [XSection] button (shown here) or the [XSection] button on the Purchase Survey menu option for a cross-sectional analysis of illness and demographic group. Select up to six brands to compare. Select "Submit" to view the Perceptions graph.

Brand Perception - Period 0

Survey of Brand Perceptions

Cross Section: all respondents (100.0%)

Brand	Fever	Nasal	Chest	Runny	Cough	Aller
Allround	3.8	3.3	2.6	3.8	3.6	3.4
Believe	1.8	1.8	1.8	3.3	1.4	3.4
Besthelp	1.8	3.5	2.6	3.9	1.4	3.8
Coughcure	1.8	2.5	1.8	1.4	4.0	1.8
Defogg	1.8	1.8	1.8	3.3	1.4	3.4
Dripstop	1.4	4.2	1.4	2.2	1.4	2.2
Dryup	3.8	3.4	2.2	3.8	1.4	3.7
Effective	1.4	4.2	1.4	2.2	1.4	2.2
End	1.8	1.4	3.9	1.4	3.2	1.4
Extra	1.8	3.4	2.6	1.8	1.4	2.2

1 = Not at all effective, 5 = Extremely effective.

Cross Section Selection

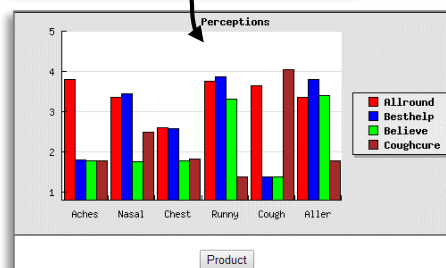
Illness

Cold
 Cough
 Allergy

Demographic:

Young Singles
 Young Family
 Mature Family
 Empty Nester
 Retired

Submit Cancel



Base Cost: *Part of the \$100k Market Survey
Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: Cross Section of Symptoms and Brands

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

Click **XSection**.
Select **Illness** & **Demographics**.
Click **Submit**.

NOTE: In the example above, the Allround brand is viewed as more effective than Besthelp against fever and cough but less effective against nasal congestion, runny nose, chest congestion, and allergy symptoms. As brand manager of Allround, your firm might decide that the advertising message should be to improve Allround's perceived effectiveness against runny nose or nasal congestion (this detailed advertising message is only available at the Brand Manager level).

Survey

The Tradeoffs report shows how consumers make trade-offs between price and effectiveness.

This report is part of the \$100,000 Market Survey.

The line displayed at an angle across the grid represents their expected price for a given level of effectiveness.

Brands above and to the left of the line are not as effective as consumers expect for the price.

Brands below and to the right of the line have a lower price as anticipated and therefore, a higher value.

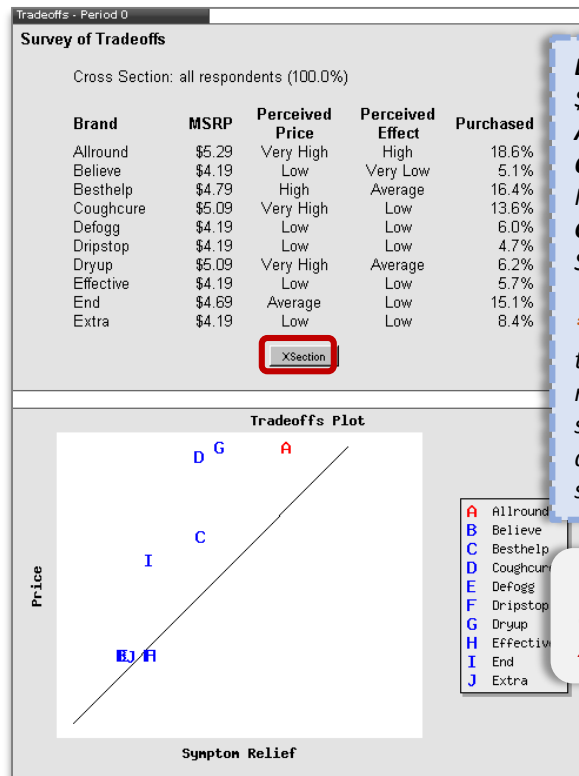
At Assistant Brand Manager and above, click [XSection] to view data for different consumer segments.

Use the Period drop-down menu to view data from previous periods.

Tradeoffs

This report shows how consumers make trade-offs between price and effectiveness. Information is displayed in tabular and graphical form. The line displayed at an angle across the grid represents their expected price for a given level of effectiveness. Each brand's perceived price and effectiveness is plotted in relation to this line. Higher priced brands are on the top part of the grid. Brands with the highest perceived effectiveness are on the right-hand side of the grid. Use the [XSection] button shown here or the [XSection] button on the **Purchase Survey** menu option to change the variables of illness and demographic groups for cross-sectional analysis.

Brands located below the line have a lower price than anticipated and therefore a higher value. Those brands to the left of the line are not as effective as consumers expect for the price. The location of brands and the tradeoff line will vary considerably depending on the segmentation chosen. These differences may provide insights into price sensitivity versus the need for symptom relief.



Base Cost: *Part of the \$100k Market Survey
Available: All levels
Cross Section: Asst. Brand Manager & above
Graph: Cross Section of Symptom Relief / Price

*The base cost represents the cost of ordering the report at the start of the simulation and will be adjusted by inflation as the simulation is advanced.

To change cross-section analysis variables, click **XSection**.

Simulation Menu

Simulation

This section of the menu contains links that control the game. The [ADVANCE], [REPLAY], and [RESTART] buttons may or may not be available during your simulation. If your instructor chooses, the advance, replay, and restart of the game may be turned off.

If your instructor does allow students to use these options, only the team leader can perform them.

Advance

After entering and checking all decisions, use the **Advance** option to advance the simulation to the next period. Be sure that you are satisfied with your decisions and that you are within the budget limit before using this menu option. If you fail to review any of the decision screens or are over budget, you will be notified when you attempt to advance the simulation.

Advancing the simulation to the next period moves the calendar ahead one period, generates an updated set of reports, and creates a **Market Update** screen, which highlights some of the major events of the simulated period. These include product introductions, overall levels of advertising, promotional spending, and total market sales. The **Market Update** report is available every period under the MARKET menu.

Sales Force + Adv + Consumer & Trade Promo + Research ≤ BUDGET

Once the **Market Update** is completed, all of the reports reflect what has occurred in the simulated period. The upper right corner of your screen will display the new period. If you are using the default scenario, your player level may have changed as well.

Before proceeding, we suggest that you use the **Performance Summary** on the COMPANY menu to print a report. This will provide you with a hard copy of your decisions and a summary of your results. Save this printout as a record of your decisions and performance.

Restart

Your team leader may use the Restart option to erase the current game and reset all data to Period 0. A warning message indicates that you will destroy simulation data before the game is restarted. Therefore, you must be certain that it is your intent to destroy all of your simulation data before selecting this option. Use this option to start over; there is no undo. This option may not be available if you are using a customized version.

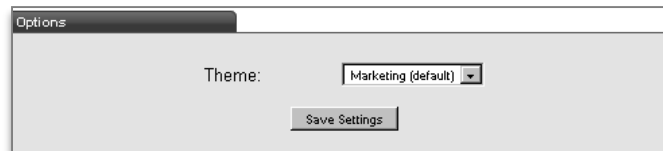
Simulation

Replay

The team leader may use the **Replay** option to return simulation play to the previous period. Think of it as an "undo" option for running the simulation. This can be very important if you made an error in entering your decisions or if you want to experiment using different decisions. If you are in a classroom situation, you may be asked to inform your instructor why it was necessary to rerun a period. This option may not be available if you are using a customized version of PharmaSim.

Options

This menu item allows you to select a color scheme for your game. Use the drop-down menu to select a different color scheme from the current default setting.



Logout

Select the **Logout** option to exit PharmaSim. All current decisions and results are saved automatically. When you re-enter PharmaSim, the program will return to the point at which you left the simulation.



Appendix



Using PharmaSim in a Group

Group work is the way business is most often conducted today. It can be rewarding and frustrating. Thus, it is critical that you learn how to make every group experience a success.

IF YOU ARE USING PHARMASIM IN a classroom setting, you may be asked by your instructor to work in groups. Each group will pool its skills and resources to manage collectively as a brand manager, assistant brand manager, or brand assistant for over-the-counter cold medicines. Thus, your group will make specific decisions depending on the management position you are assigned.

One of the most frequent complaints with group work is the amount of time wasted in trying to get organized and make decisions. There are also complaints that individual members are not "pulling their weight." To reduce these problems, your group should answer the following questions in their first meeting:

- 1) When, where, and how often should we meet?
- 2) How should we efficiently and effectively conduct our meetings?
- 3) Should we choose a general manager?
- 4) What authority should this person have?
- 5) How should we divide the marketing tasks among group members?
- 6) How do we resolve marketing issues and make final decisions?
- 7) How do we encourage and maintain a high quality of contribution?
- 8) How will we deal with personal conflicts among group members?

Over time, the group should assess whether it is functioning efficiently and effectively. As your product portfolio changes, new competitive situations arise, and more information becomes available, the group may have to reorganize to best meet the current needs of the business.

Dividing Decision Responsibilities in PharmaSim

When playing PharmaSim as a team, one member will be designated as "team leader." The team leader is ultimately responsible for making sure the decisions are entered correctly and within budget, and advancing the simulation. The team leader also has the option to "lock" decisions so as to block other team members from changing them before the simulation is advanced to the next period. Thus, it is important that the team leader be carefully chosen by the team and that they be a capable leader and be accessible to all team members and your instructor. Additionally, if your instructor has allowed the REPLAY or RESTART options, your team leader is the person who will implement these options. The REPLAY option allows your team to replay the last period, whereas restart will erase all previous periods and decisions, and restart the simulation from Period 0.

Conclusion

Of course, the competition will be following their own strategies and reacting to your decisions. The simulation always starts from the same position, but each game will proceed on a unique course depending on the strategy that each player chooses. This will allow competitive comparisons and illustrate how markets can evolve differently.

Using PharmaSim should be an exciting and rewarding experience. You will gain a practical understanding of marketing components and how various factors interact and affect one another. By analyzing information, making decisions, and observing the results, you will experience firsthand the challenges and rewards of marketing.

Market Segment Descriptions



In the over-the-counter cold and allergy market, segments are typically based on how products are labeled. This segmentation approach, however, fails to account for cross-usage of products. For example, a cold medicine might be used to relieve allergy symptoms. In PharmaSim, the customer survey allows you to view the market using two additional segmentation options: illness and demographics. This section describes each of the segments in the simulation.

Product Segments

The trade segments the market based on product labels. This is the segmentation approach used on the Manufacturer Sales report for calculating market shares in each category. See the Brand Formulations report for a description of how brands are labeled.

Cold

Cold products are designed to relieve one or more cold symptoms. They tend to have a decongestant for nasal congestion, with an antihistamine for runny nose. Some will have an analgesic to relieve aches and fever, and some might add a cough suppressant or expectorant to relieve both cough and cold symptoms. All products labeled for colds, except nasal sprays, are included in this category on the report. You could broaden the cold category by including the sprays, or narrow it by breaking out the multi-symptom products (such as Allround) and children's cold medicines.

Cough

Cough medicines contain a cough suppressant or an expectorant to relieve cough symptoms. Cough suppressants work by inhibiting the cough reflex. Expectorants help improve the effectiveness of a cough by loosening phlegm in the throat. All brands labeled as cough medicine are included in this category.

Allergy

Allergy products contain an antihistamine to relieve sneezing, itchy eyes, and runny nose. Although some cold medicines may contain an antihistamine, only products labeled for allergy use are included in this category.

Nasal Spray

This category is based on the delivery method, rather than the symptoms it is intended to relieve. Nasal sprays contain a decongestant to reduce swelling in the nose from increased production of fluid and mucus. They provide quick relief compared to a capsule decongestant, but should not be used for extended periods of time.



Illness Segments

Segmenting consumers based on illness, or how they want to use the product, is useful for identifying groups of customers who have similar needs and shopping habits. When the survey data is collected, users are asked what illness they are suffering from, and results can be viewed for each category or combination of categories.

Cold

Colds have a wide range of symptoms, including sore throat, cough, runny nose, sneezing, stuffy nose and head. A slight fever, and some aching or tiredness are also possible. Cold sufferers use a wide range of products for relief, including products not labeled for colds. They may take medication for specific symptoms, for example, an antihistamine for runny nose or a pain reliever for aches, or they may take a multi-cold medicine for relief of a full range of symptoms. Users seek cold products in capsule, liquid, or spray form, depending on the symptoms and how they are used. For example, capsules are easily carried around, and are most convenient for use away from home, while liquids might be fine for home use. Adult formulas are not recommended for children, but some parents may give them a reduced dose of a liquid cold medicine if a children's product is not available. Some cold sufferers may use home remedies, while others may just put up with the symptoms until they get over the cold.

Cough

A cough can occur with a cold or other infectious diseases, or it may be in response to environmental conditions. Sufferers may take a cough medicine by itself, or along with a cold product. Some may prefer a multi-symptom product to relieve cough and cold symptoms. For a dry cough, users may prefer a cough suppressant. If a cough is accompanied by a buildup of mucous, users may prefer an expectorant to help relieve the congestion. Expectorants may also be preferable for children for a more productive cough, and reduced risk of side effects.

Allergy

Allergies are caused by a wide range of environmental factors, including foods, pets, and pollens. Symptoms include sneezing, runny nose, and itchy, watery eyes. Symptoms may also include congestion. Most sufferers look for an antihistamine, though it may cause drowsiness, which is an issue for use when working or driving. There may be some cross-usage of cold medicines, especially if allergy medicines are priced high and lower priced cold medicines with similar formulas are available.



Demographic Segments

Demographic characteristics are useful for identifying potential users of your product. In PharmaSim, the demographic segments are based on family life cycle and age. Consumers in each of the segments will tend to be looking for a different mix of OTC cold and allergy medicines.

Young Singles

Consumers in this segment are young adults living on their own, and without families to care for. About half the purchases made by young singles are to help them get through the day at work, when convenience and minimizing side effects are important. When using a product at home, they usually just want something to relieve their symptoms and help them rest.

Young Family

Young families are made up of adults with small children, typically under ten years old. These consumers buy products for a variety of users: children, working adults, as well as those staying home to recover from illness. Most parents prefer liquid medicines with appropriate dosage for their children, and are concerned about side effects. Convenience and effectiveness may be more important for adult users.

Mature Family

Families with older children, typically 8-20 years old, are in this segment. There is a smaller need for children's products compared to the Young Family segment, since older children will be using adult formulas. For working adults, convenience and minimizing side effects will be important. This category tends to have many at-home users, since older children will likely stay home from school if they are sick.

Empty Nester

The empty nest is made up of adults with no children at home. Usage is split between products for use at work, and products for getting rest at home. For work, convenience and minimal side effects are important. On the other hand, taking a product at home that makes the user drowsy can be a plus.

Retired

Consumers in this segment are older, retired adults. Retired users have a higher preference for liquid medicines compared to other adults, and price can be an important factor in their decision. They tend to be brand loyal in their purchase of OTC cold medicines.

Distribution Channel Descriptions



Getting your product to where your target customers shop is important to the success of your brand in PharmaSim. To allocate marketing resources efficiently, you will need to understand your collaborators in the channel.

Independent Drug Stores

These retail stores consist of small pharmacies selling prescription and OTC medicines, as well as other household items. They tend to order from the manufacturer in smaller volumes, or buy product through a wholesaler. Markups are high. Co-op advertising can be important for independent drug stores, since their marketing budgets are limited.

Chain Drug Stores

Chain drug stores are pharmacies that have a single owner with some central management and a shared distribution system. Smaller chains buy through a wholesaler or in small volumes from the manufacturer. Most larger chains will buy direct. Sales force support and promotion allowances tend to be important for these retailers. Markups are in the mid-range for retailers.

Grocery Stores

Grocery stores primarily sell food to consumers, but may also sell medicine and household items. Some smaller grocery stores will buy through wholesalers, but most will buy direct in medium to high volumes. Like chain drug stores, sales force support and promotion allowances are important factors in their decision to carry a brand. Markups are in the mid-range for retailers.

Convenience Stores

These stores are small retailers that stock a range of items, with long hours and locations that are convenient to their customers. Shelf space is limited, so turnover is important when deciding on the brands to carry. Some stores may buy direct, but most will buy through a wholesaler. Markups are high.

Mass Merchandisers

Mass merchandisers are large retail outlets that generally offer discount prices on items and have a high level of sales. Most buy product direct from the manufacturer in medium to high volumes. Mass merchandisers attract customers with low prices, and turnover is important when allocating shelf space.

Wholesalers

Wholesalers do not sell to the end consumer, but buy product from different manufacturers and resell it to retailers. They serve smaller retail outlets and more rural areas, providing their own sales force to sell the many product lines they carry. High volume discounts and promotion allowances are important to wholesalers.

Glossary

Administrative Costs	Expenditures arising from the administration of a product, including some fixed overhead costs, some variable expenses, and some expenses related to the number of orders placed.
Advertising	Any paid form of non-personal presentation and promotion of ideas, products, or services by an identified sponsor.
Advertising Message	The point that an advertisement is trying to make, whether to stimulate overall demand for a product group, stress the benefits of the product, compare with other brands, or maintain awareness.
Average Retail Price	The average price for a product charged by retailers, including both those stores with higher prices due to increased personal service, exclusive merchandise lines, attractive store atmosphere, special promotions, convenient location, or special services, and those who offer a no-frills, low-price approach.
BCG Growth-Share Matrix	A business portfolio matrix developed by the Boston Consulting Group in the 1960s to view marketing competition focusing on cash flow among businesses. The matrix displays strategic business units (SBUs) on a two-dimensional grid. The horizontal axis gives market share relative to the industry's largest competitor, whereas the vertical axis represents the growth rate of the market. Positions of SBUs in the portfolio representing cash flow are signified as Cash Cows, Dogs, Question Marks, and Stars.
Brand Awareness	The level of consumer familiarity with a product, brand, or promotional vehicle.
Brand Formulation	The physical structure or ingredients of a product or service.
Brand Image	The meaning consumers give to a product, based on the perceived benefits that the product provides.
Brand Loyalty	A favorable attitude toward, and exclusive purchase of, a brand over time.
Break-even Analysis	An attempt to determine the volume of sales necessary (at various prices) for the manufacturer or merchant to cover costs or to make revenue equal costs. Break-even analysis is useful to help set prices, estimate profit or loss potentials, and help determine the discretionary costs that should be incurred.
Cannibalization	Sales of a new product that decrease sales of another product in the product line.
Capacity Utilization	The extent to which the physical production ability of a plant facility is being used. Normally described as a percentage of total capacity (i.e., 50 percent of capacity).

Channel of Distribution	Any firm or individual participating in the flow of products and services as they move from producer to user (consumer or industrial).
Cooperative (Co-op) Advertising	An agreement in which a manufacturer pays a portion of a retailer's local advertising costs.
Consumer Promotion	Promotional activities aimed at the consumer, including trial sizes of brands, coupons, and point-of-purchase displays.
Conversion Ratio	Of those consumers aware of a brand, the percentage that has tried the brand (i.e., % trials / % aware).
Contribution after Marketing	The dollar amount remaining after subtracting total marketing expenditures from the gross margin.
Cost of Goods Sold	The total variable manufacturing cost of producing a product.
Coupons	A promotional technique designed to convince consumers to purchase a product by offering an individualized discount on the price of the item.
Demand	The desire of consumers for a certain product.
Demography	The study of people in the aggregate, including population size, age, income, occupation, and gender.
Detailers	Part of the indirect sales force that calls on doctors and pharmacists to provide information about their brand and to introduce new products to consumers.
Direct Channel	The distribution flow of a product directly from manufacturer to retail outlet.
Direct Sales Force	Portion of sales force selling directly to retail outlets. The direct sales force maintains relationships with current retail accounts, develops new retail accounts, presents trade promotions and allowances, and introduces new products to retailers.
Experience Curve Pricing	A price-setting method using a markup on the average total cost forecast by cost trends as sales volume accumulates.
Fixed Costs	The unchanged financial obligations of a firm regardless of the number of units of a product that are produced and marketed, including amortization charges for capital equipment and plant, as well as such charges as rent, executive salaries, property taxes, and insurance.
Geo-demographics	The neighborhood clustering of people with similar economic and cultural backgrounds and perspectives.
Gross Margin	Revenue less the cost of products sold. $(\text{Price} - \text{unit cost}) \times \text{units sold}$.
Income Statement	A report of a firm's overall results for a period, including a breakdown of major expenditures and a calculated value of the net income.
Indirect Channel	Distribution channel from manufacturer to retail outlet by way of a wholesaler, merchandiser, or detailer.

Industry Attractiveness-Business Position Matrix	A complex nine-cell business portfolio matrix dealing with a combination of factors in addition to the market growth and relative share factors used in the BCG matrix.
Inflation	A general rise in the prices that people must pay for products and services.
Line Extensions	The introduction of new flavors, sizes, or models to an existing brand within an existing product category.
Manufacturer Sales	Receipts from all sales, both direct and indirect, net of volume discounts.
Margin	The difference between the price of a product and its per unit cost.
Market	People or businesses with the potential interest, purchasing power, and willingness to buy a product or service that satisfies a need.
Market Penetration	The percentage of actual sales of a product category in relation to the total sales possible in a market.
Market Share	The percentage of sales of a product in a market in relation to other products in that market (i.e., Brand X / Total sales in market).
Marketing	The process of planning and executing the conception, pricing, promotion, and distribution of ideas, products, and services to create exchanges that satisfy individual and organizational needs or wants.
Marketing Efficiency Index	The ratio of net income divided by marketing expenditures (budget spent on advertising, promotion, and sales force). This does not include promotional allowances because it is viewed as a discount to the channel.
Marketing Research	The systematic and objective approach to the development and provision of information for marketing decision-making.
Markup Pricing	A price-setting method common in wholesaling and retailing that adds a markup to average total or variable cost.
Mass Merchandisers	Very large retail outlets that generally offer discount prices on items and have a high level of sales.
Media Type	The distinction between broad classes of media, such as newspapers, magazines, television, radio, etc.
Merchandisers	Part of the indirect sales force that provides special support to retailers for in-store activities, such as shelf location, pricing, and compliance with special programs.
Net Contribution	The contribution after marketing less fixed costs.
Net Income	The profit remaining after all costs are subtracted from revenues.
Point-of-Purchase Promotion (POP)	Special displays, racks, signs, banners, and exhibits placed in a retail store to support the sales of a brand.

Portfolio Analysis	A way of classifying businesses or products, normally using the dimensions of market attractiveness (e.g., growth) and business position (e.g., relative market share).
Price	The amount of money a seller requires to provide products or service to a customer.
Price Structure	The use of discounts, allowances, and freight cost absorption in determining price.
Primary Demand Stimulation	Advertising intended to affect demand for a product category and not a specific brand.
Product Life Cycle	The stages that a product goes through during its time on the market, including introduction, growth, maturity, and decline.
Product Mix	All of the products available from an organization.
Promotion	The communication mechanism of marketing designed to inform and persuade consumers to purchase.
Promotional Allowance	Reduction in the actual price paid by a channel member resulting from an agreement to participate in promotional activity. In PharmaSim, promotional allowance is entered as a percent of the discounted price.
Purchase Intentions	A product or brand consumers intend to purchase before they actually enter the retail outlet to make a purchase.
Quality	All features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.
Reformulations	Changes in the physical formulation of a brand to make the product more desirable to the consumer.
Reminder Advertising	An advertising message designed to maintain awareness and stimulate repurchase of an already established brand.
Research and Development	A portion of a firm designated to research, analyze, and design products to meet consumer and market needs.
Retailer	A merchant whose main business is selling directly to consumers for personal, non-business use.
Retention Ratio	The proportion of consumers who have tried a brand and repurchase the product.
Return on Marketing	The ratio of net income divided by marketing expenditures (as a percent). Marketing expenditures are budget spent on advertising, promotion, and sales force.
Return on Sales	The ratio of net income divided by manufacturer sales (as a percent).
Sales Force	Employees hired to promote and sell a manufacturer's product through direct or indirect channels.
Segmentation	The process of dividing large heterogeneous markets into smaller homogeneous segments of people or businesses with similar needs and/or responses to marketing mix offerings.

Sensitivity Analysis	Calculating the financial effect of various sales and cost scenarios, usually through "what if..." assumptions.
Share of Channel Sales	Market share segmented by the type of retail outlet.
Shelf Space	The amount of space allocated to a product for display on retail store shelves. Shelf space often depends on the sales and profit potential of the product, as well as special arrangements between the store and manufacturer.
Shopping Habits	Consumer shopping preferences, including product and retail preferences.
Strategic Business Unit (SBU)	A unit within an organization that includes a distinct set of customers and competitors, has separate costs, and has the ability to undertake a separate strategy.
Trade Publications	Publications that target a particular industry. Often these are generated by trade associations and contain articles of interest to the industry, as well as general market research and competitive information.
Trade Rating	A summarized result from a survey of retailers and wholesalers on trade support and practices offered by your company. The trade rating value is scaled from 1 to 10, where 10 is highest.
Unit Sales	The total volume of units sold by a manufacturer in a market.
Usage Rates	How often a product is used/purchased per period.
Variable Costs	Costs tied directly to production, including direct labor and raw materials charges.
Volume Discount	Reduction of list price based on the quantity a buyer purchases. May be based on a specific purchase (non-cumulative) or on total purchases over a period (cumulative).
Wholesale Price	A special discount price offered to wholesalers to encourage them to purchase and sell merchandise in large quantities.
Wholesaler	A business unit that buys and resells merchandise to retailers, other merchants, and/or industrial, institutional, and commercial consumers.

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