

CAPSIM –Marketing Strategy

Promotion/Sales Budgets:

Aim for \$2,000 for promotion and sales budgets for Low End and Traditional, as above this point diminishing returns are experienced. Have budgets of \$1,500 in High End, Size, and Performance. Keep them at that level until the 3rd Round when you decide which of those segments you want to stay in. Increase the promotion and sales budgets to \$2,000 for the segments you want to compete in. Reduce the budgets for segments you are exiting to only \$0.

Continue at \$2,000 promotion budget each round until 100% awareness is reached. Then you can cut back to \$1,400 per round. Continue at \$2,000 sales budget for both sensors in the segment until 100% accessibility is reached, then scale back the sales budgets to \$1,650 for each sensor.

Important Note: The accessibility budgets for multiple sensors in a segment are combined together. So two sensors in traditional with \$2,000 accessibility budgets each will have a greater increase than one sensor with a \$4,000 accessibility budget. Promotion budgets are not combined in a segment.

Pricing

Each round you must lower all prices at least \$0.50 from the maximum of the previous round to keep up with customer expectations. Use the following pricing table to determine the ideal price points for each segment:

Round	Traditional	Low End	High End	Performance	Size
1	\$29.50	\$21.10	\$39.50	\$34.50	\$34.50
2	\$29.00	\$20.60	\$39.00	\$34.00	\$34.00
3	\$28.50	\$20.10	\$38.50	\$33.50	\$33.50
4	\$28.00	\$19.60	\$38.00	\$33.00	\$33.00
5	\$27.50	\$19.10	\$37.50	\$32.50	\$32.50
6	\$27.00	\$18.60	\$37.00	\$32.00	\$32.00
7	\$26.50	\$18.10	\$36.50	\$31.50	\$31.50
8	\$26.00	\$17.60	\$36.00	\$31.00	\$31.00

If your competitors are really undercutting you on price in Low-End or Traditional, and meeting that increased demand, you may need to lower the price more. However, what often happens when opponents lower their price too much is that they don't have the capacity to match the increased demand. Your undercutting competitors then stock out, and you get to steal their potential market share at a higher profit level. You don't need to compete on price in High End, Size, or Performance.

Sales Forecasting:

DO NOT TRUST THE COMPUTER SALES PREDICTIONS THEY ARE ALWAYS WRONG.

Here is a basic way to forecast next round's sales for each product:

Sales Projection For This Round =

Potential Market Share % * Segment Total Size * (1 + Segment Growth Rate)

Important Note: Make sure to use the Potential Market Share, which is how many units you should have sold, and not your actual market share. If you think you will get more or less potential market share than last round you can make an adjustment to the percentage.

Round By Round Strategy Breakdown

Round 1 Marketing

- Leave A/R Lag (accounts receivable) at 30 days, this will be increased in later rounds when profits have increased and more cash is available.
- Leave A/P Lag (accounts payable) at 30 days. This will always stay at 30 days.
- Set promotion and sales budgets to \$2,000 for the Low End and Traditional sensors.
- Set promotion and sales budgets to \$1,500 for the High End, Size and Performance sensors.
- Lower all prices at least \$0.50 as indicated in the pricing table.
- Use the sales formula to make your sales projections for all the sensors.

Round 2 Marketing

- Expect the new Low End sensor to sell about $0.2 * \text{Original Low End Sensor Market Share}$
- Lower all prices at least \$0.50 as indicated in the pricing table.
- Use the sales formula to make your sales projections for all the sensors.

Round 3 Marketing

- If you decide to exit a segment such as Size or Performance, keep the promotion and sales budgets at \$0.
- Whatever segment you decide to stay in, such as High End, increase the promotion and sales budgets to \$2,000.
- Expect the new Traditional sensor to sell about $(0.3 * \text{Original Traditional Sensor Market Share})$
- Lower all prices at least \$0.50 as indicated in the pricing table.
- Use the sales formula to make your sales projections for all the sensors.

Round 4 Marketing

- Increase A/R Lag (accounts receivable) to 46 days, this helps to increase demand.
- Once 100% awareness is reached for a sensor (in any round), you can scale back the promotion budget to \$1,400 to maintain 100% awareness.
- Expect the new High End sensor to sell ($0.75 \times \text{Original High-End Sensor Market Share}$)
- Lower all prices at least \$0.50 as indicated in the pricing table.
- Use the sales formula to make your sales projections for all the sensors.

Round 5 Marketing

- Increase A/R Lag (accounts receivable) to 61 days, this helps to increase demand.
- When the original Low End sensor is finished R&D upgrading, expect it to have the same potential market share as the new Low End sensor
- Lower all prices at least \$0.50 as indicated in the pricing table.
- Use the sales formula to make your sales projections for all the sensors.

Round 6-8 Marketing

- Once 100% accessibility is reached for a segment (in any round), you can scale back the sales budget to \$1,650 for each sensor in the segment to maintain 100% accessibility.
- Lower all prices at least \$0.50 as indicated in the pricing table.
- Use the sales formula to make your sales projections for all the sensors.