

Competitive Strategies


Overview and Orientation



What Is *GLO-BUS* All About?

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- *GLO-BUS* is an online exercise where you run a company that is racing for global market leadership in two product categories: wearable (and mountable) video cameras and camera-equipped copter drones suitable for a variety of commercial purposes.
 - Your company competes head-to-head against rival companies that design, assemble, and market these same two products and that are run by other members of your class.
 - Both products are made in a Taiwan assembly facility and shipped to buyers in North America, Asia-Pacific, Europe-Africa, and Latin America.

Your Company's Situation

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- All companies start out on the same footing—with equal sales volume, global market share, revenues, profits, costs, product quality, and so on.
 - Each decision period in *GLO-BUS* represents a year.
 - The company you will be running began operations as a maker of wearable video cameras 5 years ago. It entered the market for camera-equipped drones two years ago.
 - In Year 5, your company had worldwide sales of 840,000 video cameras and 140,000 camera-equipped drones. Revenues in Year 5 were \$327.8 million and net earnings were \$15 million, equal to \$1.50 per share of common stock.
 - Your company is in sound financial condition, is performing well, and its products are well-regarded by users.
 - You and your co-managers were hired at the end of Year 5 to take charge of the company's operations. The first set of decisions you and your co-managers will make is for Year 6.

The Decisions You Will Be Making

You and your co-managers will make decisions each period relating to


- R&D, camera/drone components and features, and product performance and quality, number of models (up to 21 decisions)
- Production operations and worker compensation (up to 8 decisions for each product)
- Pricing and marketing (7 decisions for cameras and 6 for drones)
- Corporate social responsibility and citizenship (as many as 6 decisions)
- Financing of company operations (as many as 8 decisions).

Competition Is Head-to-Head: Company against Company


The head-to-head competition among companies in each of the two worldwide product segments (wearable video cameras and camera-equipped drones) is based on such factors as:

- Price
- Product performance and quality
- The number of camera/drone models
- Annual number of weekly sales promotions
- The size of the discounts offered to retailers during weekly sales promotions
- Advertising
- Website improvement and web page displays
- Number of retailers stocking and merchandising the company's products
- Length of warranty period
- Company image/brand reputation

You Have Many Strategic Options

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- Company managers have wide strategic latitude in staking out a market position and striving for good performance. *There's no built-in bias that favors any one strategy.*
 - ❖ Companies can pursue a competitive advantage keyed to
 - ★ low-cost/low-price.
 - ★ top-of-the-line quality and performance.
 - ★ more value for the money.
 - ❖ Companies can have a strategy aimed at being the clear market leader in (a) wearable video cameras or (b) camera-equipped drones or (c) both.
 - ❖ Companies can focus sales activities on one or two geographic regions or strive for strong worldwide coverage.
 - ❖ Companies can pursue essentially the same competitive approach worldwide or craft different strategies for the Europe-Africa, Asia-Pacific, Latin America, and North America markets.


No One Strategy Is “Best”

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- Most any well-conceived, well-executed competitive approach is capable of succeeding, *provided it is not overpowered by the strategies of competitors or defeated by the presence of too many copycat strategies that dilute its effectiveness.*
 - In other words, *which strategies deliver the best performance hinges on the strength and interplay of each company’s strategy and decisions against the strategies and decisions employed by rival companies*—there positively is no hidden-behind-the-scenes “silver bullet” decision combination that players are challenged to discover.


A Company's Competitive Effort vis-à-vis Rivals Is Crucial

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- *All the sales and market share differences among companies are attributable to differing competitive efforts on price, product performance/quality, advertising, warranties, promotions, and so forth.*
 - *Hence, every company's strategic challenge is to craft a competitive strategy (consisting of its prices, performance/quality, advertising, models, warranties, promotions, and so on) that it believes will produce the desired sales and market share outcomes **when pitted against the competitive strategies of rival companies, region by region.***


The Contest in the Marketplace Is a “Battle of Strategies”

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- Following each year’s decisions, you’ll be provided with Competitive Intelligence reports containing information of the actions rivals took to capture the sales and market shares they got.
 - Armed with this information, you will be in pretty good position to figure out some of the strategic moves that rival companies are likely to make in the upcoming decision period.
 - Just as in sports where it is customary for every team to scout its next opponent thoroughly and develop a game plan to defeat them, you will need to scout the strategies of rivals, try to judge what they will do next, and come up with a competitive strategy of your own aimed at “defeating” their strategies and boosting your company’s performance.

Outcompeting Rivals Is the Key to Market Success


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- You'll have to stay on top of changing market and competitive conditions, try to avoid being outmaneuvered and put into a competitive bind by the actions and maneuvers of rival companies, and make sure your video cameras and camera-equipped drones are attractively priced and competitively marketed.
 - Just as you are trying to win business away from rival companies, some or all rivals are certain to be actively striving to take sales of cameras and/or drones away from your company.
 - It is the competitive power of your strategy vis-à-vis the competitive power of rivals' strategies that is the deciding factor in determining sales and market shares in the video camera and camera-equipped drone segments, region-by-region.

Some Features of the Market and Company Environment

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- *GLO-BUS* is modeled to closely approximate the *real-world* character of the globally competitive markets for wearable video cameras and camera-equipped drones used for a variety of commercial purposes.
 - Because *GLO-BUS* closely mirrors the competitive functioning of the real-world markets for cameras and drones, you and your co-managers should *run your company in a businesslike manner. You can safely assume that*
 - ★ *All revenue-cost-profit relationships are based on sound business and economic principles.*
 - ★ *All cause-effect relationships are rational and tightly-connected to how things work in “the real business world.”*

The central purpose of GLO-BUS is to provide you with a “close-to-real-life managerial experience”—one that provides you with a stronger grasp of what it takes to run a successful company in a globally competitive market environment.

Some Features of the Market and Company Environment (cont.)

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- The whole concept underlying *GLO-BUS* is to put you and your co-managers in as realistic a company and competitive market setting as possible and have you manage all aspects of the company's operations
 - ❖ This allows you to test your ideas about how to run a company in a competitive marketplace
 - ❖ And you will be provided prompt and detailed feedback on the outcomes of your decisions

Requirements and Mechanics

- You and your co-managers *can access all aspects of GLO-BUS at any time from any device (desktop, laptop, tablet, or smart phone)* connected to the Internet, provided the device has a Web browser (such as Chrome or Internet Explorer or Firefox or Safari or Microsoft Edge).
- You can either use the same device for all *GLO-BUS* sessions or you can use different devices.
- *GLO-BUS* automatically connects to your device and your work is saved on the server whenever you press the Save button.

The last decisions saved to the GLO-BUS server at the time of the decision deadline are the ones used to generate the results for your company.

How Company Performance Is Judged

The company's Board of Directors has set five performance objectives for management to achieve:

1. Grow earnings per share from \$0.75 at the end of Year 5 to \$1.00 in Year 6, \$1.75 in Year 7, \$2.75 in Year 8, \$4.00 in Year 9, \$5.25 in Year 10, \$6.50 in Year 11, \$7.50 in Year 12, \$8.50 in Year 13, \$9.25 in Year 14, and \$10.00 in Year 15.

2. Grow the company's average return on equity investment (ROE) from 14.5% at the end of Year 5 to 17% in Year 6, 20% in Year 7, 25% in Year 8, 30% in Year 9, and by an additional 2.5% annually in Years 10 through 15 (thus reaching 45% in Year 15).

3. Maintain a B+ or higher credit rating in Years 6 through Year 10 and achieve a credit rating of at least A- in Years 11-15.

4. Achieve stock price gains of \$5.50 per share in Year 6, \$12.50 per share in Year 7, \$30 per share in Years 8 -13, and \$20 per share in Years 14-15 (thus reaching \$250 per share in Year 15).

5. Achieve/maintain an "image rating" of 70 or higher in Years 6-9, 72 in Years 10-12, and 75 in Years 13-15. (the image rating is tied to the performance/quality of a company's cameras and drones, its market share penetration of both cameras and drones in each of the 4 geographic regions, and its actions to display corporate citizenship and social responsibility).

Scoring Weights

The weights that will be placed on your company's achievement of each of the five annual performance targets are as follows:

- ❖ **EPS** 20%
- ❖ **ROE** 20%
- ❖ **Credit Rating** 20%
- ❖ **Stock Price** 20%
- ❖ **Image Rating** 20%

The Two Scoring Standards

Two scoring standards are used in calculating “performance scores” for each company:

- ❖ **The investors expectations standard** (Did you meet or beat the annual performance targets for each of the 5 performance measures?)
- ❖ **The best-in-industry standard** (How well does your company’s performance stack up against the company with the best EPS, ROE, stock price, and image rating and against an industry-best A+ credit rating?)

The scoring standards are explained in the Participant’s Guide and even more fully on the “Help” screens for pp. 1, 2, and 3 of the Camera & Drone Journal where the company scores are reported.

The Two Quizzes

There are 2 “open book” 20 multiple-choice question quizzes built into the exercise. The quizzes are taken online and scored immediately upon completion:

- ❖ **Quiz 1:** Covers the Participant’s Guide—its purpose is to spur you to read and absorb how things work in preparation for managing your company. There’s a 60-minute time limit for this quiz.
- ❖ **Quiz 2:** Covers information contained in the Camera & Drone Journal, the Competitive Intelligence Reports, and the Company Operating Reports, and various aspects of company operations—the role of this quiz is to check how well you understand the numbers in the reports and the operations of the company you are running. There’s a 75-minute time limit for this quiz.

Click on the links for the quizzes on your “Corporate Lobby” web page for more information—the three sample questions for each quiz give you an idea of what to expect.

The Peer Evaluations

- At the end of the exercise, you will be asked to complete a 12-question evaluation of each of your co-managers and a self evaluation of your own performance.
- These are completed online and can be reviewed by clicking on the Peer Evaluation Link on your Corporate Lobby web page.
- The peer evaluations are for your instructor only and are completely confidential.

What You Can Expect to Learn

Running your camera/drone company in head-on competition with rivals will give you a chance to put into play the very kinds of things you are reading in the text about crafting and executing strategy in a globally competitive marketplace—there is a very tight connection between the text for the course and *GLO-BUS*.

- ❖ You and your co-managers will have to chart a long-term direction for your company, set and achieve strategic and financial objectives, craft a strategy, and adapt it to changing industry and competitive conditions.
- ❖ You'll have to wrestle with a full array of industry statistics, company operating reports and financial statements, and an assortment of benchmarking data and competitive intelligence on what rivals are doing.
- ❖ You'll have to match strategic wits with the managers of rival companies, "think strategically" about your company's competitive market position, and figure out the kinds of actions it will take to outcompete rivals.

Learning to do all these things and gaining an appreciation of why they matter are the heart and soul of courses in business strategy.

What You Can Expect to Learn

In addition, *GLO-BUS* is designed expressly to provide you with an experience that will:

- Draw together the information and lessons of prior courses, consolidate your knowledge about the different aspects of running a company, and provide a capstone experience for your business school education.
- Deepen your understanding of revenue-cost-profit relationships and build your confidence in utilizing the information contained in company financial statements and operating reports. You'll see why you cannot hope to understand a company's business and make prudent decisions without full command of the numbers—it won't take you long to appreciate why shooting from the hip is a sure ticket for managerial disaster.
- Provide you with practice in sizing up a company's situation, making sound, responsible business decisions, and being accountable for delivering good results.

How Do You Register and Get Started?

The registration process consists of five steps:

- **Step 1:** Have your assigned company registration code handy (this code is used to put you into the database for this specific course and to certify you as a co-manager of your assigned industry and company). Your instructor provides this code.
- **Step 2:** Go to new.glo-bus.com
- **Step 3:** Click on the “Create Student Account” button and enter the company registration code provided by your instructor in the box.
- **Step 4:** Continue on to the next step of the registration process where you will need either a credit card or a Prepaid Access Code that came on a card bundled with your text.

How Do You Register and Get Started?


- **Step 5:** Complete the personal registration information (user name, password, and so on) and the credit card payment process (if not using the Prepaid Access Code on the card bundled with your textbook). The Web site for credit card payment is fully secured; you will receive a receipt via e-mail. If you have no credit card or Prepaid Access Code, the easiest way to complete this step is to arrange to use a friend's or co-manager's credit card and reimburse them directly with cash or a check.

Once you are registered, you have full use of the student portion of the GLO-BUS Web site and access to all of the information and materials you will need.


The Corporate Lobby Page

- Each time you log-on to new.glo-bus.com, you are automatically routed to your company's "Corporate Lobby" web page.
- The Corporate Lobby page is your *gateway to all GLO-BUS activities*. Near the top of the Corporate Lobby screen is a series of menu selections that provide instant access to all the necessary information, materials, and tools you will need:
 - ❖ Participant's Guide
 - ❖ Decision Schedule
 - ❖ Assignments
 - ❖ Enter Company Name
- Below these menu items are (1) a Decisions and Reports box for accessing the decision entry screens and viewing reports, (2) a message center and deadlines box, and (3) information showing the latest exchange rate adjustments, current interest rates, and a company performance scoreboard.
- You have anywhere, anytime access to your Corporate Lobby page from any Internet-connected device.


Naming Your Company

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- Shortly after registering, you and your co-managers should decide on a name for your camera/drone company.
 - Your company's name must begin with the letter of the alphabet that you have been assigned. Names can be up to 20 characters. To name the company, click on the Company Name menu item near the top of the Corporate Lobby screen, and enter your company's full name in the space provided.
 - All company names are “public” and appear in the *Camera & Drone Journal*; thus you should *select a name that you are proud of and that reflects the image you want to project* to your customers, shareholders, other company stakeholders, and the general public.

Some Procedures

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- See the Decision Schedule link on your Corporate Lobby Web page for the dates and deadlines for the decisions. The *decision deadlines are strictly enforced*, since the results are processed automatically on the *GLO-BUS* servers minutes after the deadline.
 - The results of each decision will be available online about 15-20 minutes after the decision deadline.
 - You will be notified via e-mail as soon as the results are ready. At that point you can log-on, see what happened, and proceed with the next decision.

Tips for Success


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- *Make use of the short Video Tutorials*—these are particularly helpful early on when you are trying to become familiar with the software, the menus, the information on the screens, and how to proceed.
 - *Whenever you want more in-depth explanations and details than contained in a Video Tutorial, click on the Help button at the top of a decision screen or report page.*
 - ❖ The Help sections for decision screens provide information about each decision entry, full explanations of cause-effect relationships, and tips/suggestions about what to do and not do.
 - ❖ The Help sections for any page of the Company Reports, the *Camera & Drone Journal*, and the Competitive Intelligence Reports explain what the numbers mean, how they are calculated, and how to use the information to good advantage.

Tips for Success

- *Learn as much as you can from the practice decision(s)*—the chief purpose of the practice decisions is to help you become fully acquainted with
 - ❖ All the menus
 - ❖ The decision entries
 - ❖ The on-screen calculations that appear when you make a decision entry
 - ❖ The information that appears on all the various reports that become available after each decision round is complete
- *After the first practice round, follow the Suggested Decision Procedures* (see the Participant Materials menu on your Corporate Lobby page)

*The more you learn from the practice rounds,
the better your chances for getting off
to a good start!*

Tips for Success

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- *Run the company in a serious, professional manner.* The overriding purpose of *GLO-BUS* is to give you practice in making business decisions, learning to craft winning strategies in a competitive market, and being held fully accountable for the results of your actions—just as managers in the real-world are held accountable for the performance of the companies they run.
 - *Be very wary of trying something that is imprudent or highly risky or un-businesslike* (things that would get a manager fired in a real company).
 - ❖ Students who resort to trying to “game the system” usually shoot themselves in the foot.
 - ❖ This is not the time to be a daring adventurer out to win some variant of a videogame by making wild decisions or extreme decision entries.