



## **CESIM SIMBRAND** **Introduction**

**Marketing management  
simulation game**

# What is Cesim SimBrand?



**Cesim SimBrand** is a web-based marketing management simulation game that develops students' understanding of the whole marketing decision-making process with a particular emphasis on profitability.

The simulation covers marketing topics including: segmentation, positioning, delivery channel investments, marketing budget allocation, customer care services and pricing. In addition, teams will make strategic decisions regarding their company's core competencies.

Students will work in teams and be in direct competition against other student teams. To encourage and enable unique strategy creation and execution, teams start their SimBrand companies fresh without any operations history.



# Learning Goals



Familiarize students with the whole marketing decision-making process, including brand portfolio strategy, segmentation strategy, positioning strategy, and their relationship with each other.

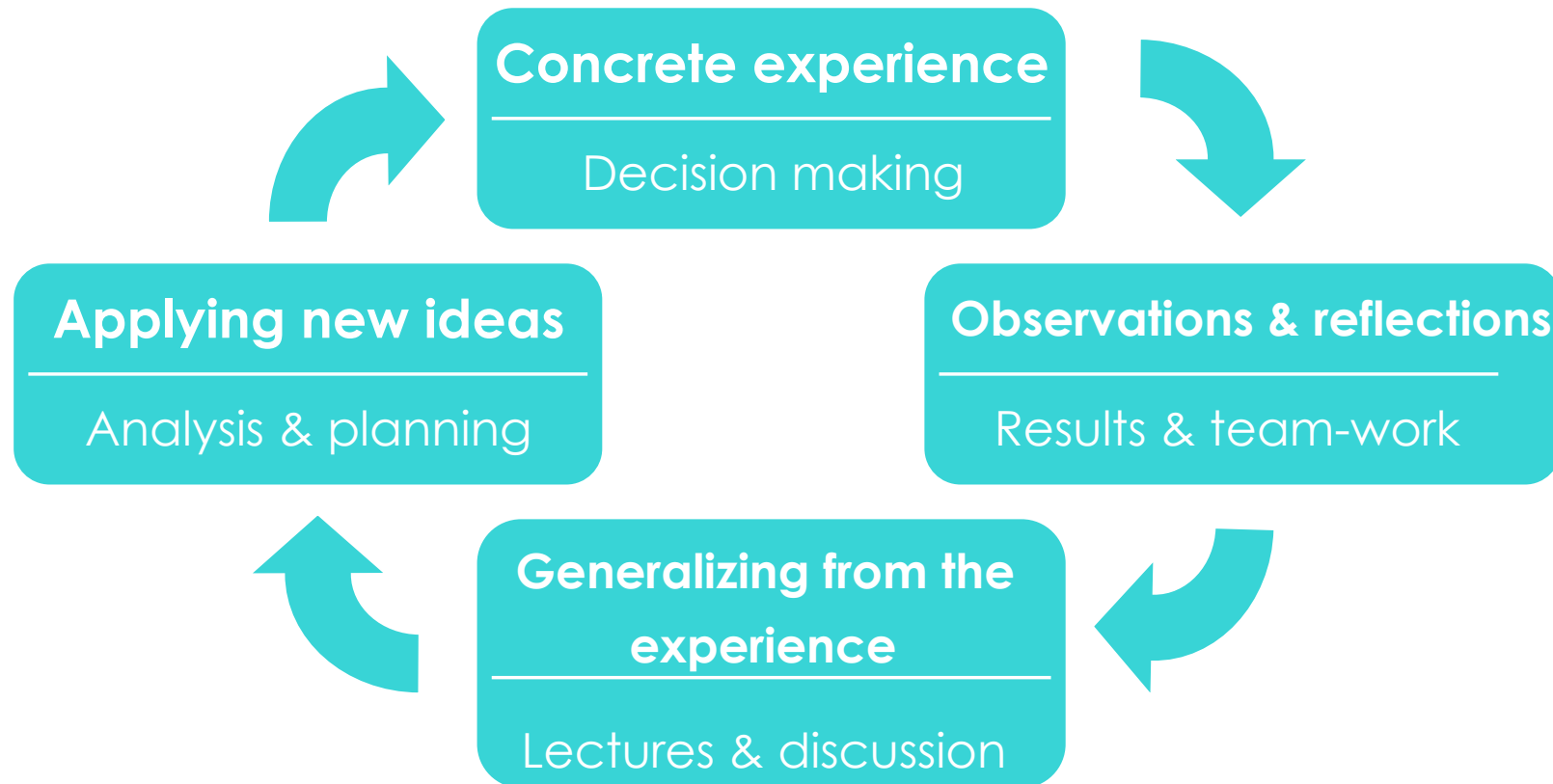
Develop capabilities in formulating, implementing, and adapting marketing strategies in a dynamic competitive environment over the course of several decision-making periods.

Enhance fact-based analytical decision-making and crystallize the financial implications of marketing decisions by linking the decisions to cash flows and bottom line performance.

Give practical experiences in team-work and problem solving and excite competitive spirits in a dynamically evolving marketplace.



# Learning Process



# Web Based Solution



The simulation is completely web-based. The simulation can be accessed from any computer that has an internet connection and there is no need to install any additional applications.

The simulation platform allows team-members to work virtually if they wish. Each team-member has her/his own account that enables them to make decisions and scenarios on their own and later combine the outcomes with the other team-members on the [decision checklist] -page.

The platform also includes a communications forum that can be used to communicate within teams and between all teams in one market.



# Simulation Platform Structure



The student interface of the platform includes the following pages:

**[Home]** - General info page with deadlines

**[Decisions]** - All decisions are made under 'Decisions'

**[Results]** - Results become available in this area after each deadline

**[Schedule]** - Simulation schedule is available on this page

**[Teams]** - Teams and team-members in your market can be viewed here

**[Communications]** - Access to discussion forums for team and market

**[Readings]** - Access to Decision-making instructions and case description



# Simulation Organization



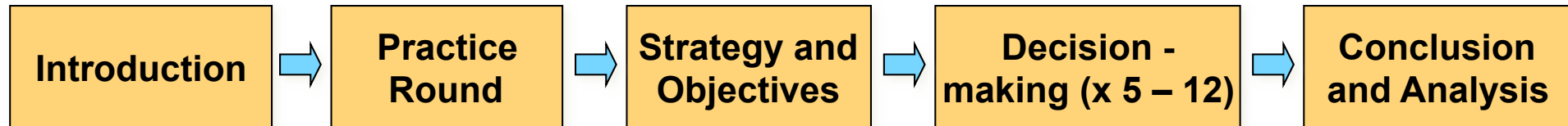
Each simulation market consists of 3-12 teams, with 1-8 members in per team. The number of parallel simulation markets is not limited, making it possible to utilize the simulation for any number of students in the class.

All teams are starting from exactly the same position, with similar market shares and profits. Equally, teams will be faced with the same market conditions during the simulation.

Note that **teams compete against other teams in their own market, not against a computer.** Each team's decisions influence the other teams' results and the market development overall.

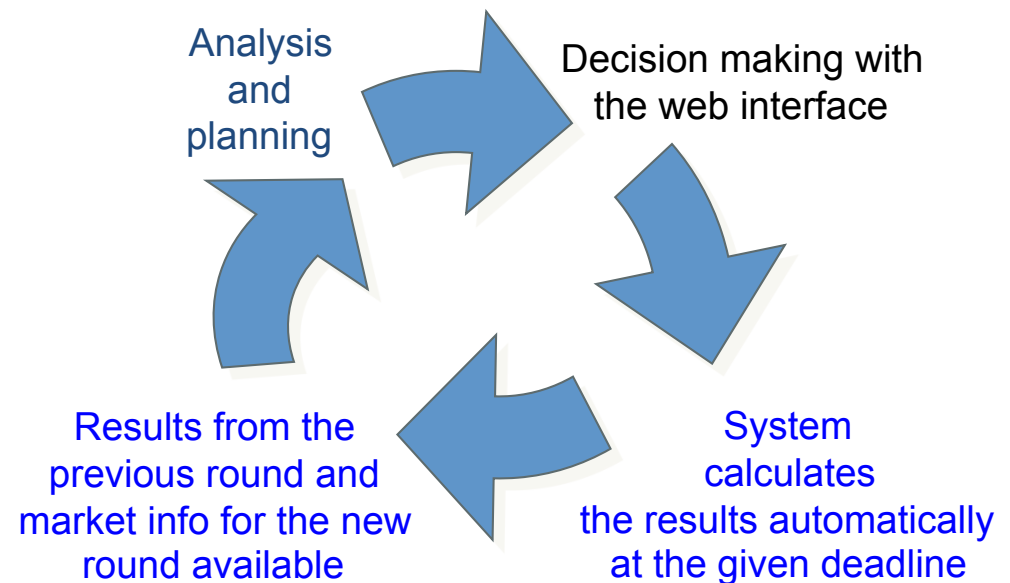


# Flow of Operations



After the introduction, the teams familiarize themselves with decision-making via a practice round. The practice round results will not have any influence on the actual game results.

The instructor decides the number of actual decision-making rounds (5-12) and decision-making follows the cycle on the right.



Note that it is not possible to modify decisions after the round deadline. If team has not saved decisions for a round, the system will automatically use its previous round's inputs.



# Main Objective and Winning Criteria



The main objective for the teams is to maximize shareholder value. This is measured by **the share price**. Share price is the same for each team in the beginning of the simulation and it will change during the simulation in accordance with the teams' success in the markets. Teams can not issue new shares or repurchase existing shares in this simulation.

The share price calculation is based on the discounted cash flow method and for the most part the share price is affected by the level of earnings. In addition, the level of R&D and marketing communications, the riskiness of the team's market portfolio, and the team's decision-making track record over time have influence in the share price.

In summary, teams should aim for:

**sustainable, profitable growth**



# Decision Making Fundamentals I



Decision making is round-based. One decision-making period is typically regarded as one fiscal year.

Teams start their SimBrand without any operations history. In the beginning of the game, market research and example results are available to support the start. Practice round precedes the actual decision making rounds and after the practice round, the situation is cleared back to the initial, and decisions will be made for the first round.

The manual, case description, and market research should all be read before the practice round. Market outlooks should be read before making decisions for each round. A new market outlook containing information about the market development becomes available as soon as the previous round has passed.

**Remember to save decisions before deadline.**



**Decisions** are entered in the **white cells**. These will be used in the actual calculation of the results.

**Estimations** are entered in the **blue cells**. These will not be used for the calculation of the results, but they are important because together with the decisions they form the basis for the budgets.

Different **buttons and checkboxes** are used in certain decisions where there are some specific options to choose from.

As a starting point in the simulation, teams have cash that has been invested as share capital. Some expenditure has already been made into R&D, market research, and service quality, but there is no product portfolio or market segment related decision history.

**Remember to save decisions before deadline.**

# Assignment



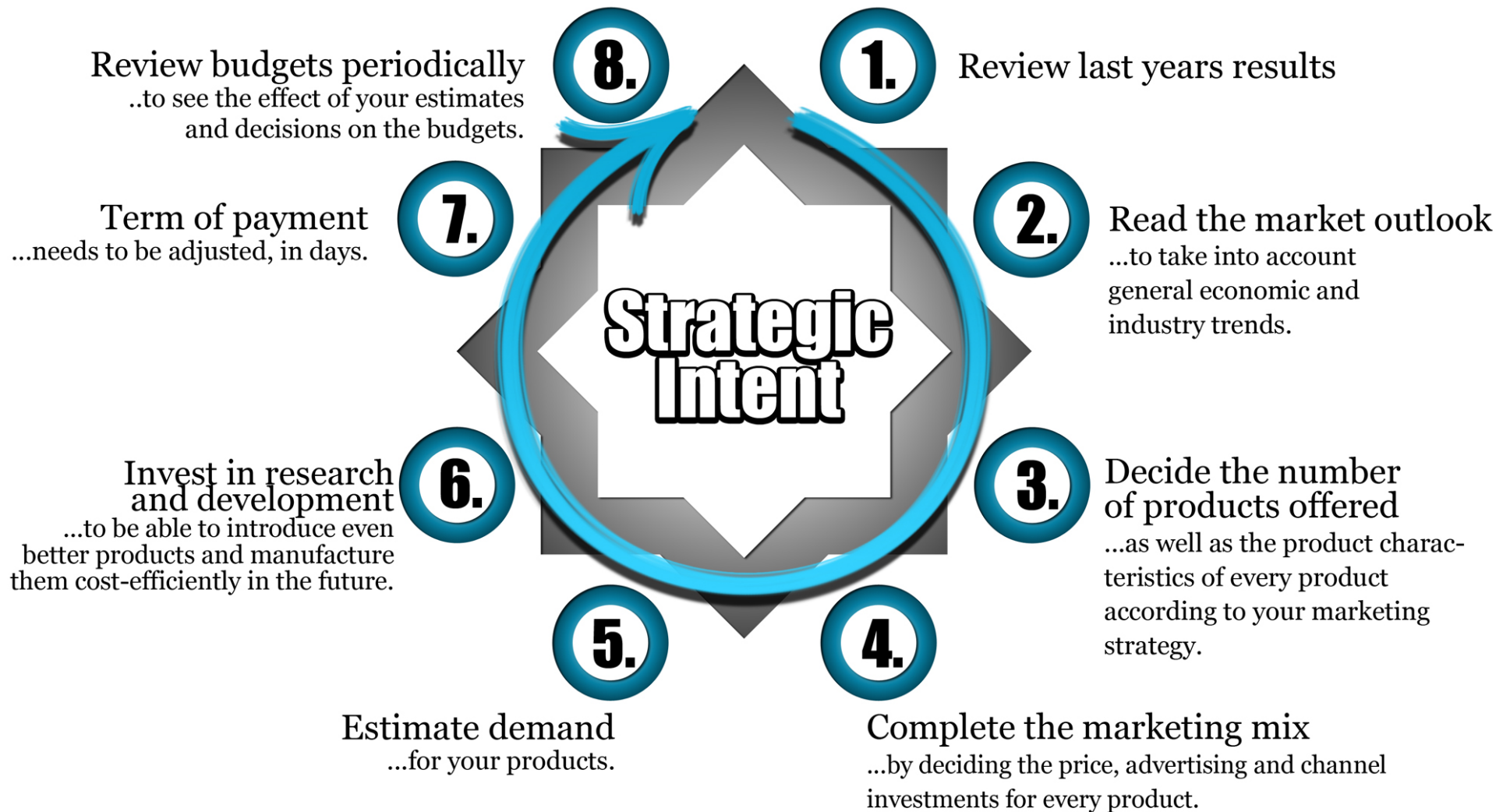
The team will take over as the new management team of a global mobile device marketing company. The team is responsible for developing and implementing the company's marketing strategy, including product portfolio, market segmentation, product positioning, channel decisions, and R&D.

The essence of the simulation is to mirror a fast developing, technology-based product market that is driven by short product life cycles and innovation; where constant attention to product development, good timing and successful positioning are the keys to success.

Teams manage PDA (personal digital assistant)/smart phone products and related after sales services. Product dimensions include capabilities, functionality, and design. The services includes warranties and repairs.



# Decision Making Overview



# Market Areas and Segments



The company can operate in two markets, *Europe* and *Asia*. The markets are of different size and have different growth rates.

There are four different customer segments in both markets (more detailed information in the *Marketing research report*):

- Households
- High-end households
- Companies
- High-end companies

Segments react in different ways to the marketing mix that consists of price, product, advertising, channel investments, and after sales (Customer care) decisions.

Note that the demand for services is calculated separately from the demand for products, but the services demand influences the demand for products and vice versa.



# Products and Services



The product is a personal digital assistant (PDA)/ smart phone and the company is able to offer between one and six differentiated products in both markets.



For every product, the team is able to decide whether it will be sold in Europe, Asia, or in both markets. Products that have very similar characteristics cannibalize each other's demand

The team does not make any production decisions. All products are acquired through contract manufacturing.

Teams can also sell after sales services. These services are titled 'Customer care' and decisions are made regarding warranty, investments in repair quality, and the pricing of repairs.

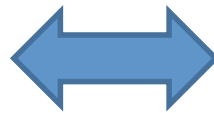
Detailed information is available in the *Decision-making instructions*.



## To unify developer dimensions with customer segmentation

### Three product developer dimensions

1. Capabilities dimensions  
Battery life, compactness
2. Functional dimensions  
Photo/Video, entertainment, bling-bling, locationing, security
3. Style dimensions  
Classic, avant-garde, sport



### Four segments in two market areas

1. Europe  
Consumers, high-end consumers, companies, high-end companies
2. Asia  
Consumers, high-end consumers, companies, high-end companies

Note that customer segments differ between Europe and Asia even though naming is the same



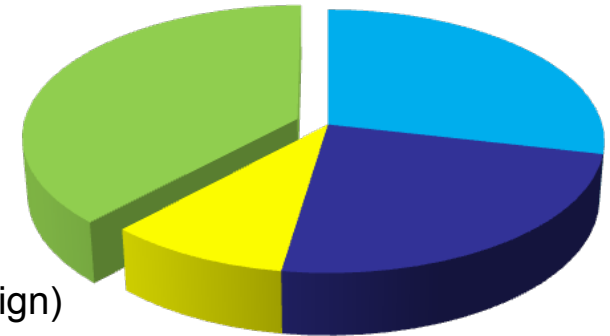
# Demand Structure

## Total market size is affected by:

- a. Total market growth rates (i.e., economic conditions, demographics)
- b. Average price level in the market
- c. Aggregate investments in advertising
- d. Total number of differentiated products available in the market

## Market shares for each team are affected by:

- a. Number of products in the company's portfolio
- b. Product characteristics (battery life, compactness, features, design)
- c. Price
- d. Advertising investments
- e. Channel investments
- f. After sales services (Customer care)
- g. Past market share

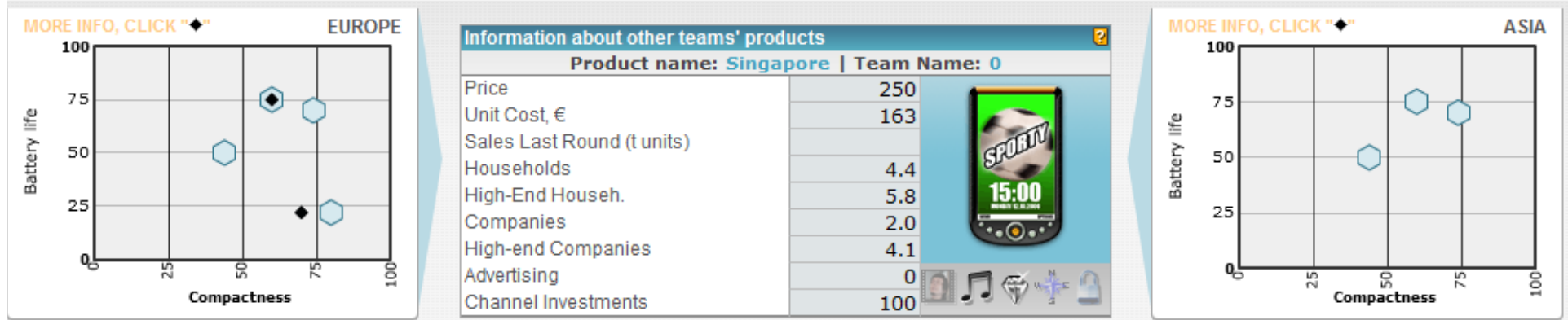


## Remember:

- All factors are measured relative to the competitors, meaning that customers will compare each of the team's marketing mix to the other teams.
- There is cross-elasticity between the demand for services and demand for products
- Products that are very similar cannibalize each other
- Advertising and channel investments have long-term impact
- The demand function is continuous, i.e. demand exists without discrete thresholds

# Positioning Maps

## Products



The Products page includes a product positioning tool that allows you to compare your own product positioning with that of the competing teams. Separate maps are available for both Europe and Asia.

The team's own products are presented with a light blue diamond and competitors' products are presented with a small black diamond. By clicking the black diamonds you can see more detailed information of the selected competitor's product in the middle of the screen.

# Product Portfolio Management



Product portfolio decisions are crucial. At any point during the simulation the team can have a maximum of 6 products in its portfolio. Products can be sold in Europe, Asia, or both.

## Product decisions:

- Product name
- Market selection
- Upgrade (if you want to keep existing product do not click upgrade)
- Design (one design only)
- Features (one or more features)
- Compactness level (higher is better)
- Battery life level (higher is better)

	iCone		SMART100	
	Europe	Asia	Europe	Asia
1. Products	New		New	
2. Click to Select Markets	Classic		Classic	
3. Click to Activate Upgrade.	Avant garde		Avant garde	
4. Click to Choose Design	Sport		Sport	
5. Click to Choose Features	[Icons]		[Icons]	
6. Set Compactness	80		10	
7. Set Battery Life	30		90	
8. Review Unit Cost	171.4		188.7	
9. Review Warranty Cost	5.94		6.08	
10. Review Production Line Cost	3 500		3 500	
11. Review Capability Usage	0% 78% 100%		0% 62% 100%	

The Capability usage indicator shows the level of capability usage with the current set of features . If the indicator is close to 100 and you want to add new features you need to decrease compactness or battery life levels.

Note that compactness and battery life capabilities can be improved through R&D decisions.



# Research and Development

By investing in R&D, teams can increase their compactness and battery life capabilities. When the capabilities are increased, the team is able to sell better products or provide existing products at a lower cost. R&D decisions are very strategic and long-term so they must be done carefully.

## R&D investment example

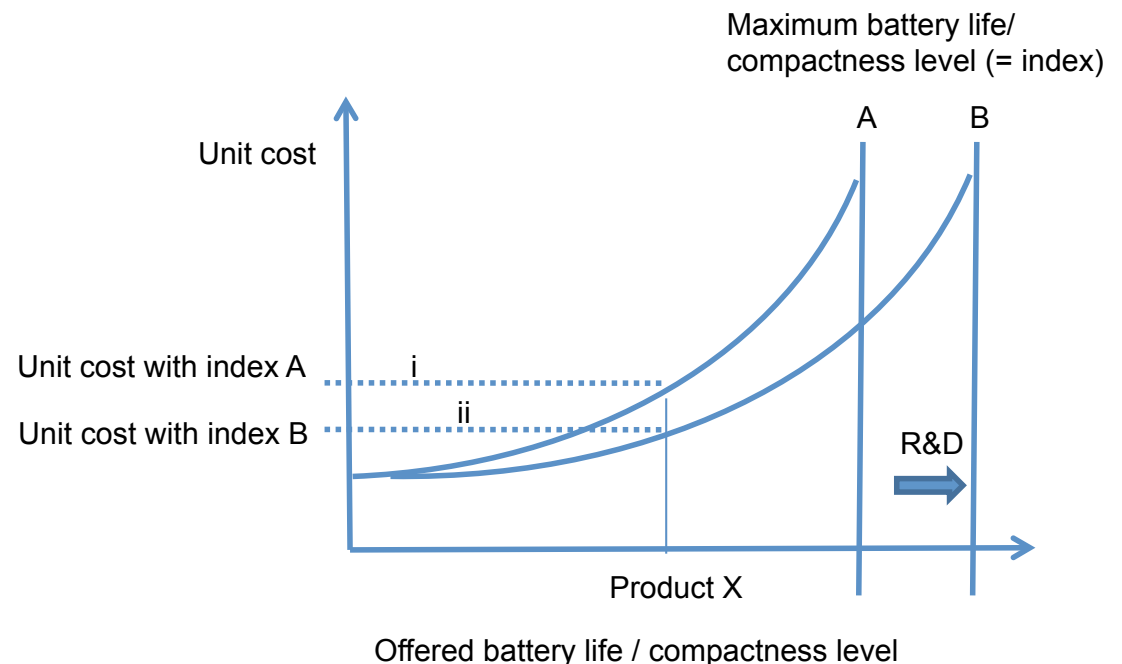
Vertical axis presents the unit cost and horizontal axis presents the battery life/compactness level.

### Scenario 1: before R&D investment

- Bar A presents the maximum battery life/compactness level before new R&D investments.
- Unit cost for manufacturing Product X can be read on the vertical axis (line i)

### Scenario 2: after R&D investment

- Investment into battery life/compactness R&D moves the maximum index from Bar A to Bar B
- Unit cost for Product X (with unchanged battery life/compactness level) decreases from i to ii



**Note that R&D investments come into effect with one period delay, i.e. the investments will increase in the next round's competence indices.**

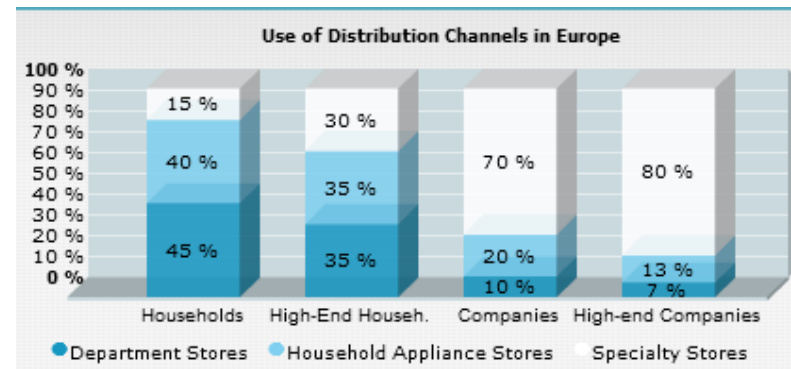
# Channel Investments

Channel investments are allocated between the three available distribution channels for every product.

An investment in the target customer's preferred distribution channel(s) has a positive effect on sales. This includes the number of outlets stocking the product, the way in which the product is presented in the outlets and the promotional efforts aimed at motivating the salespeople at the outlets.

Sales channels are:

- a. Specialty stores
- b. Household appliance stores
- c. Department stores



Channel investments have a long term impact. Different distribution channel investments yield different effect in different customer segments. Page 9 in *Marketing research report* gives more detailed information about the effects.

# After sales Services



After sales services are called customer care in this simulation and are formulated through decisions about extended warranty, investments in repair quality, and pricing of repairs. Term repairs in this case refers to repairs that fall outside the normal or extended warranty period.

**The extended warranty** has a positive impact on demand but results in higher costs. Also note that companies have product liability based on laws and conventions and as a result, even with no extended warranty period there are some warranty costs. The present value of all future warranty costs for every active product is automatically calculated and presented in the decision-making tool.

**Investment in repair** quality affects positively the demand for repairs. It also has some impact on the demand for products.

All repairs are outsourced and the **pricing of repairs** is decided as a margin, i.e., how much is charged on top of the price that is paid to the third parties that conduct the repairs. Besides pricing, demand for repairs is influenced by the repair quality and the company's product sales. Furthermore, the decision about extended warranty influences the demand for repairs. The longer the warranty period, the more the warranty replaces billable repair services.



## 1. Variable production costs

- Completely variable costs that depend on the sales volume
- More advanced products (capabilities, features) create higher costs
- Product designs (classic, avant-garde, sport) have equal costs
- Subject to economies of scale, i.e., higher volume gives lower cost per unit sold
- Forecasting accuracy influences variable production costs, that is, the better the team is forecasting its sales, the lower the variable production cost per unit. Note that the impact of forecasting accuracy is limited

## 2. Administration

- Market presence creates administration cost
- Number of products in the portfolio creates administration cost

## 3. Production line costs

- Launching a new product results in production line costs
- Altering an existing product results in production line costs

# Financial Data



The screenshot shows a web interface with a navigation bar at the top containing 'look', 'Products', 'Markets', 'R & D', 'Financial Data', 'Market Reports', and 'Dec'. Below the navigation bar, there is a section titled 'INCOME STATEMENT, t€' with a help icon. Underneath, there are two tabs: 'Income Statement' (selected) and 'Balance Sheet & Key Figures'. Below the tabs, there is a table header with three main columns: 'Europe', 'Asia', and 'Total'. Each of these columns has two sub-columns: 'This Round' and 'Last Round'.

Budgets consist of profit and loss statements and balance sheets for the whole group and each market area separately. The balance sheet page also includes key financial indicators.

Current round figures update continuously as decisions are made. Actualized figures for the last rounds are shown on the right.

Note that all R&D and marketing (promotion) costs are expensed on the profit and loss statement during the period the investments are made. As a consequence, profit for the year may heavily fluctuate depending on the intensiveness of R&D and marketing investments.





# Key Financial Indicators



## **Contribution margin, % = Contribution margin / Sales**

This indicator shows how much margin the company makes after deducting variable production costs from sales. It can be used to make quick comparisons between teams in the same industry, e.g., higher contribution margin may indicate more effective product portfolio and/or more effective contract manufacturing.

## **Operating profit (EBIT) % = Operating profit / Sales**

Gives indication about the profitability that the company is earning from its operations. Calculated as sales revenue minus all operating expenses. Note that SimBrand companies do not own any fixed assets, thus there is no depreciation of assets.

## **Return on sales, % = Profit for the year / Sales**

Shows how much the company earns from every euro in sales. Also referred to as profit margin.

## **Return on investment, ROI% = Profit for the year + interest payments / (Total equity + loans)**

Indicates the efficiency and profitability of a company's use of its funds.

## **Equity ratio = Shareholder's equity / Total assets**

Indicates the company's financial leverage, i.e., what proportion of assets are financed with equity.



# Decision Checklist



## Decision Checklist

	My Team	Joanna Player	Gary Player
Save these decisions as your team's decisions		Save	Save
Go to another decision area	Go	Go	Go
<b>European Market</b>		Expand all	Collapse all

On the decision checklist page all team-members' decisions can be seen side by side. By pressing 'save' a team-member's decisions are moved to the team-decision column. At the deadline, the system reads the decisions from the team-decision column and calculates results for the round.

Team-decisions can be edited directly by pressing 'go' in the team-column. In addition, any team-member can access the other team-members' decision area by pressing 'go' in the respective column.

Note: Previous round decisions will be used if there are no saved decisions for the round.



# Results



After each round the system generates reports that depict the results of each team.

Results provide information about a team's own sales, operations, and finances. In addition, results can be used to benchmark performance between the competing teams in the same market.

Results consist of:

- a. **Summary report** with key financial ratios and capability indicators
- b. **Market research reports for Europe and Asia separately**; including selectors that allow you to pick selected products for comparisons
- c. **Income statements for Europe, Asia, and the whole company**
- d. **Balance sheet for the whole company**

Results can be downloaded to a spreadsheet by clicking 'download'. Results charts are available too.



# More Information



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