

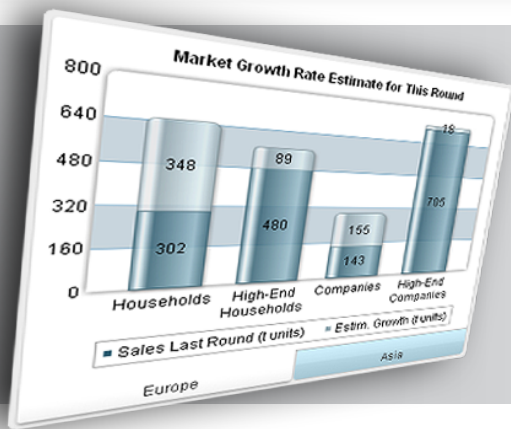


The smartphone market is about to explode in the near future. Right now several companies are established to benefit from the intensive market growth. You and your team have been appointed as the top management for one of these companies. The products combine all, or several of the following nits; cell phone, camera, PC, GPS, media player and various other useful features in a compact mobile handheld unit.

Your responsibility covers the marketing operations. A sister company is responsible for the production. However, as the marketing decisions, such as decisions about the product features, drive the production and production costs, the production company invoices your company for the appropriate costs.

Your company manages the European and Asian markets. The demand in Europe is at a promising level already. Moreover, the yearly growth will be quite substantial. At the moment the demand in Asia is clearly lagging behind European, but on the other hand, the demand growth in Asia is estimated to be extremely high.

SEGMENTS



Both the Asian and European markets can be divided into four segments: two corporate segments and two consumer segments. Both customer groups; consumers and companies can be further divided into high-end and low-end customers. Although the names of the segments are the same for the both areas, their preferences across the markets are clearly different.

The preferences of the Asian segments differ more from each other than the preferences of the European segments. For example, the price sensitivity of the Asian low-end consumer segment should be clearly more than that of the European one – or any other segment for that matter. The price is not much of a factor in the high-end corporate segment's choices – especially in Asia.



FEATURES AND DESIGN CHOICES



Extra features are important in high-end segments. The preferences for features are segment dependent and should be analyzed by the management. Again, in Asia the difference between the high-end and low-end segments' preferences is remarkable.

Sport design is rather famous in the consumer market. Low-end segments quite often go for classic design. Avantgarde is often high-end customers' choice. The differences in the design choices are moderate across the segments, however. If all the others are offering a certain well selling design to a segment, a more individual design that deviates from the others can manage quite well.



MARKETING COMMUNICATIONS

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	Households			High-End Households			
	This Round	Δ%	Last Round	This Round	Δ%	Last Round	
Sales Forecast	0	n/a	53	0	n/a	19	t units
* Unit Margin	57	-15	67	57	-15	67	€
Contribution Margin	0	n/a	3532	0	n/a	1272	t€
- Advertising	2	0	2	20	0	20	t€
Margin After Advertising	-2	-100	3530	-20	-102	1252	t€

	Companies			High-End Companies			
	This Round	Δ%	Last Round	This Round	Δ%	Last Round	
Sales Forecast	0	n/a	16	0	n/a	12	t units
* Unit Margin	57	-15	67	57	-15	67	€
Contribution Margin	0	n/a	1089	0	n/a	820	t€
- Advertising	2	0	2	20	0	20	t€
Margin After Advertising	-2	-100	1087	-20	-102	800	t€

Channel Investments	This Round	Δ%	Last Round	
Total Margin After Advertising	-44	-101	6689	€
- Specialty Stores	100	0	100	€
- Household Appliance Stores	100	0	100	€
- Department Stores	100	0	100	€
Margin After Marketing Communication	-344	-105	6389	€

Channel investments consist of personal selling efforts to the channels and everything that strengthens the product's position in the channel. These measures could be e.g. providing the channel stores with in-store advertising materials and arranging sales competitions for the channel's personnel with nice prizes for the best selling salespeople for the product in question.

The channel investments should be quite similar in their efficiency across the different channels, department stores, home appliance stores and specialty stores. The market shares of these channels often differ between the different segments. For example, specialty stores are often preferred by business customers



R&D is an important factor for success in the industry. The knowledge generated by R&D helps to decrease the production costs. Moreover, it enables the launch of new, better products. R&D has a long-term effect. The technical competence levels in compactness and battery life are based on the R&D investments made in previous years. The higher than necessary costs due to low competence levels decrease the margins of the products and thus leads to poor profitability. The enhancements in competitiveness take time, since investment in R&D this year will be realized in the cost and profit for the next year and beyond.

Larger screens, wireless connections, improved media playback, mobile games and all the other functions demand more and more power, keeping battery life a critical feature for the years to come. Battery life depends on the power efficiency of the device. The improvements in

battery technology and software solutions that disable unnecessary processes in the device when they are not needed can be applied to lengthen the battery life.

Compactness of the device is an important factor. If the devices were too bulky, the high-end market would favor a combination of portable computers and mobile phones. Asian markets react to compactness of products seemingly more than Europeans. And in both markets, high-end segments favor compact products more than the low-end segments. Generally, high-end segments are more demanding when it comes to compactness. Battery life is the most valued feature for companies and does not seem to be as important a feature to households in either of the markets.

