**Marketing Management: The Marketplace Simulation**

Your instructor will assign teams. Go to [www.marketplace6.com](http://www.marketplace6.com), click on "sign in as student." Enter the license number that your instructor has e-mailed you and follow the prompts to register for your game/simulation. Be sure to create an account in the *Marketplace Live:Advanced Strategic Marketing* simulation version.

To underscore the focus of this course, a realistic strategy exercise filled with tactical detail will allow students to experience the marketing process. Through computer simulation, this assignment will place you into a very realistic international business setting where you will run a marketing division for 2 years in compressed time (8 rounds of decision making, representing 8 quarters).

**Learning Objectives**

The *Marketplace Live* simulation is a transformational experience. You will learn what it will be like to compete in the fast-paced, competitive market where customers are demanding and the competition is working hard to take away your business.

In *Marketplace Live*, you start up and run your own marketing division, struggling with marketing fundamentals and the interplay between product, price, place, promotion, budgets, and financial performance. You are given control of a simulated business and must manage its operations through several decision cycles. Repeatedly, you must analyze the situation, plan a marketing strategy to improve it, select the tactical options to implement that strategy, and then execute the strategy and tactics out into the future. You face great uncertainty from the outside environment and from your own decisions. Incrementally, you learn to skillfully adjust your strategy as you discover the nature of your real-life decisions, including the available options, linkages to other parts of the business, conflicts, tradeoffs, and potential outcomes.

Here is a list of what players do:

* Analyze market research data.
* Design brands to appeal to different market segments.
* Devise advertising campaigns, sales force incentives, and price option.
* Allocate scarce funds to R&D, advertising, and distribution.
* Select and prioritize R&D projects, leading to new product features.
* Plan and roll out a marketing campaign.
* Manage cash.
* Compete head-to-head with other business teams.
* Adjust strategy and tactics in response to financial performance, competitive tactics, and customer needs.

The specific goal of the exercise is to develop your marketing management skills by giving you an integrated perspective of the entire marketing operation. In terms of specifics, the exercise can:

* Develop strategic planning and execution skills within a rapidly changing environment.
* Form the connections between marketing decisions and financial performance.
* Instill a bottom line focus and the simultaneous need to deliver customer value.
* Internalize how important it is to use market data and competitive signals to adjust the strategic plan and more tightly focus marketing tactics.
* Develop teamwork across functions, opening up new communication links.
* Promote better decision making by helping individuals see how their decisions can affect the performance of others and the organization as a whole.
* Facilitate learning of important marketing concepts, principles, and ways of thinking.
* Build confidence through knowledge and experience**.**

###### **Organization of the Exercise**

Exhibit 1 contains a summary of the game scenario and a chronological listing of selected simulation activities that you and a team of fellow students will encounter while competing in this exercise. Each quarter or decision period has a dominant activity and a set of decisions that are linked to it. These dominant activities take the team through the product and firm life cycle from introduction, to development, to growth, to near maturity.

Each quarter's activities not only result in new material being introduced, but also build upon the prior content so that there is considerable repetition. Business activities such as leadership, team management, value creation in product design, pricing, distribution and sales force management, ad copy design, media planning, budgeting, profit analysis, and strategic planning and management are not easily absorbed. They require repetitive exercise in order to set them into your natural thinking. For each new decision, there is supporting material in the accompanying text and readings.

**Team Effort**

You will team up with two to four other students to form an entrepreneurial division of an international electronics firm. During an 8-week period, you will take your business through the natural stages of business growth, including emer­gence, development, and maturity. Along the way, you will learn to develop and refine your marketing strategies and tactics.

###### **Virtual Teams**

The virtual firm is fast becoming a reality. In business today, you may work out of your home in Dallas, confer with your management team in London, coordinate shipments from the factory in Shanghai, all to service the customer in Montreal. You will use cell phones, e-mail, instant messaging, the Internet, and video conferencing to communicate with everyone up and down the supply chain. Each team can decide how they wish to communicate.

To help you learn to work within a virtual organization, the *Marketplace* exercise will be delivered over the Internet. In logistical terms, a common data set will be created for the team’s decisions and stored on an Internet-accessible file server. Thus, your team will be able to work from any location where there is a PC with an Internet connection.

Any member of the team will be able to log onto the server, review the current situation on the web, make decisions, and then save them for the next student to work on. As members complete their areas of responsibility, they will report the analysis and decisions to the rest of the team for consideration.

You and your team will still need to confer on your analysis, strategy, and tactics via virtual meetings. The advantage of this Internet system is that each team member will be able to work on the most up-to-date decision file so that everyone is looking at the same data set.

The file server setup will also facilitate the coaching role of the instructor. Just as you log on to *Marketplace Live*, the instructor will be able to log on at any time to review the current situation with any team or the exercise as a whole. Thus, the instructor can monitor activity and results, and adjust the content of any team or individual coaching efforts. It is requested that if communications occur by telephone, face-to-face, or instant messaging, minutes of the meeting be posted to the Team Forum so that the Instructor can keep abreast of a team’s activities.

# Software Demos and Signup Procedures

Three flash demos have been prepared to introduce you to the *Marketplace* software. Please go to <http://www.marketplace-simulation.com/sample-screens/flash-demo.php> for:

1. Student’s Overview
2. Student’s Signup
3. Simulation specific demo for *Marketing Live: Advanced Strategic Marketing*

Please ensure that you are signing up for the correct version on this program.

## **Reports**

Each team will deliver a written marketing plan (following Q-4 results, coincident to the Q-5 decisions) and a written Final Report to the Board of the parent company (following Q-8 results) with summary/lessons learned.

## **Individual Effort vs. Group Effort**

Each student must participate equally. Both the individual and the group will be graded on all assignments. Individuals can raise one letter grade above the group effort or drop one or more letter grades below the group grade depending upon their individual contribution to the team, as measured by peer reviews and time invested in the game.

# Peer Evaluations

A peer evaluation will be completed during the course for each person on the team. Significant deviation in performance above or below the norm will be used to adjust individual student grades for the activity being evaluated. That is, your grade on the Final Report to the Board and Simulation performance could be adjusted up or down depending upon the feedback the instructor receives from the rest of the team for each assignment.

# You Can Be Fired

It is permissible to fire a team member who is not making a substantive contribution to the success of the team. Missed meetings (e.g., absent from meetings, not participating in conference calls, failing to respond to e-mails or text messages, or not participating in the Team Forum, depending on the communications protocols agreed to by the team), poor preparation, and failure to complete assignments are all indicative of underperformance. Before a person can be fired, the team must give the student an opportunity to correct the identified deficiencies.

In terms of protocol, the team must provide the student with a written statement of the problems associated with the student's work. A peer evaluation may be used in conjunction with this statement and submitted to the instructor.

A person who is fired will be assigned to compete in another simulation where the student is responsible for all the firm’s activities, including weekly decisions and executive briefings, and the preparation of a Business Plan and Report to the Board. This new simulation will begin in Quarter 1 and continue through Quarter 8.

Being fired will also limit the student’s maximum potential grade for the simulation by one-and-one-half letter grade. Specifically, points will be deducted from the student’s final point score for the simulation assignment. Thus, if the student earned a final score of 95% (an “A”), then the adjusted final score would be 80% (a “B-” ). The final grade would be based upon the adjusted final score.

## **The same conditions will be applied if a person quits a team.**

## **Odds and Ends**

***Questions to the Instructor***

The HELP files in the software contain all of the directions you will need to participate in the marketing strategy simulation.

***Computation of Simulation Performance***

A Balanced Scorecard will be used to measure your firm’s performance. (See the assigned article, "Using the Balanced Scorecard as a Strategic Management System" on this subject for more information on the scorecard concept). The team’s total business performance will be based upon its financial performance, market effectiveness, marketing performance, investments in the firm’s future, and creation of wealth. A total score will be computed for each firm competing in *Marketplace*, with the final 4 quarters making up the final score.

At the end of the exercise, each team will be ranked in the order of performance for the total score. A letter grade can be assigned depending upon your team’s ranking and how close it is to the team(s) above or below you. A scoring rubric will be provided.

***Workload***

The course requires a normal workload for any reading and lecture course. Once the simulation begins, the work on the simulation will vary according to the activities within the exercise. During the first quarter of play, the work is fairly light. However, it will increase each week up through the presentation of the Marketing Plan. Students report spending 3 to 7 hours per week in the simulation during Quarters 3 and 4. During the preparation of the Marketing Plan, each student might spend as much as 10 hours on the plan itself. It is not likely that an individual would gain much from the experience by spending less than 3 hours per week in the simulation during this time period.

The majority of students report spending about 2 to 2 ½ hours in the simulation per week following acceptance of the Marketing Plan. This reduction of time is due to familiarity with the software, game pro­cedures, market, and having a plan of action that requires modification rather than creation. That said, some students spend considerably more time as they dig deeper into the data available each quarter. There have been students who invested 10 or more hours per week throughout the simulation. It is noteworthy that there is a very definite positive correlation between team time invested and final Balanced Scorecard results. Note that the “time in the simulation” means time working in the practice or decision files and does not reflect time spent analyzing data transferred to excel spreadsheets, team meetings (conference calls, etc.), or the like.

***Time Management***

Time management will be vital to your success in participating in the *Marketplace Live* simulation. There is more work than any one person can do. In addition, it is not wise for everyone to participate in all aspects of the business. Too much time would be wasted. Therefore, it is necessary to divide up the work. There are suggestions on how to divide up the responsibility in the help files within the software. Feel free to depart from these guidelines if individual preferences, experiences, or workloads would allow a more equitable allocation of tasks. Also, do not hesitate to reallocate responsibility if conflicts arise or the workload is unevenly dis­tributed.

***Leadership***

Consistent with the MBA program, one of the goals is to develop the leadership skills of all students. For this reason, it is suggested that the leadership position change systematically during the course of the semester. A new leader could be selected for each of the following time periods and activities:

1. Start-up phase of the business (up through Quarter 4).
2. Preparation of the marketing plan.
3. The growth phase of the business (Quarters 5 through 8).
4. Preparation of the Report to Executive Board.

Changing leaders is not a requirement but a suggestion. Each team can organize as they see fit.

The president should preside over each executive meeting, making sure that the discus­sion does not wander from the business at hand. Each team meeting should begin with an agenda and a timetable. Conference calls or face-to-face meetings should not last more than 2 hours. Long drawn out meetings are not productive and raise frustration levels about not getting things done. The meeting should conclude with a set of action items for each executive. The outcome of these actions should be reviewed at the start of the next meeting. This may apply to synchronous Team Forums as well.

To facilitate executive meetings, each team member should prepare his/her work in ad­vance. The executive should know the ins and outs, problems, and tradeoffs of his/her area of responsibility. When the executive committee meets as a whole, each executive should have a plan of action to recommend to the team. The executive should be prepared to thoroughly discuss the options open to the company and be flexible on the final deci­sion of the executive team.

## Exhibit I: Decisions by Quarter

**Quarter 1: Organize team to do the job.**

• Focus on process of working as a team to achieve goals.

- Assess team members' skills, personalities, and work styles.

- Set organizational and personal goals.

- Organize the work.

- Determine how to manage the organization.

- Establish leadership.

• Determine desired image of company.

- Designate a company name.

**Quarter 2: Evaluate market opportunities, set up operations, and prepare for test market.**

• Analyze market opportunities—evaluate segments, geographic markets, and potential competition.

• Establish corporate goals and strategic direction.

- Specify and rank order corporate goals.

- Write mission statement.

- Select target segments.

- Establish strategic direction.

• Create customer value—design initial brands for test market.

- Match components to benefits desired (Quality Function Deployment [QFD]).

• Select test markets—set up sales offices.

**Quarter 3: Go to market to test strategy, and market assumptions.**

• Marketing strategy—evaluate tactical options and choose marketing mix.

- Pricing and price promotions.

- Sales force management—number employed, training, and incentives.

- Advertising—ad copy design, media placement, and ad frequency.

• Market research—budget collection of information.

**Quarter 4: Evaluate test market performance, revise strategy, and become a learning organization.**

• Evaluate performance.

- Financial performance—profitability analysis.

- Market performance—customer opinion of brand designs, prices, advertising, and sales force.

- Competitor tactics—segments targeted and selection of marketing tactics.

• Revise marketing tactics as needed, and continue test marketing.

**Quarter 5: Seek external funding—prepare marketing plan.**

• Evaluate performance—financial, marketing, and competitive.

• Develop 2-year marketing plan (to be submitted to the instructor).

- Goals—marketing and financial.

- Marketing strategy.

- Financial strategy.

• Invest in R&D for new technology.

• Begin roll out of marketing plan.

**Quarter 6: Monitor, improve, and execute.**

• Evaluate performance—financial, marketing, and competitive.

• Skillfully adjust strategy.

• Marketing—make incremental changes in tactics.

- Use Activity-Based Costing (ABC) to evaluate profitability of brands and sales offices.

- Conduct demand analysis to estimate brand, price, advertising, and sales force elasticity.

- Continuously improve brand features (R&D).

**Quarters 7 and 8: Monitor, improve, and execute (continue).**

• Manage strategy.

• Skillfully adjust strategy to unanticipated competitive moves.

• Continuously improve brand features (R&D), pricing, promotions, and sales force.

• Adjust strategy within financial capability.

**Final Quarter: Report to the Executive Board.**

• Report on operations since presentation of marketing plan (submit to instructor).

- Market and financial performance.

- Departures from plan, justification.

• Present plan for the future.

* Lessons learned.

**Outline for the Marketing Plan**

The Marketing Plan should include the following components:

1. Executive Summary
2. Financial and Market Performance – Review of financial and market performance during the past year
3. Situation/SWOT Analysis – Assessment of current situation and the market
   1. Customers
   2. Competition
   3. Company’s strengths and weaknesses
   4. Major problems/opportunities to be dealt with next year
4. Marketing Strategy for the next year in business (What will it take to get ahead or stay ahead?)
   1. Brand strategy
   2. Pricing strategy
   3. Advertising strategy
   4. Sales channel
5. *Pro forma* financial projections (Quarters 1 to 8). Hint: Copy the pro forma in the simulation for Quarters 1 to 4 into Excel and then add information/data for Quarters 5 to 8.
6. Tactical plan (Quarters 1 to 8). Hint: The tactical plan should articulate in plain language what is planned for each quarter, e.g., Q6 – open three offices, Paris, London, New York. Staff with five each, one service and four sales personnel, with two sales staff for priority 1 and 2 target markets, at a cost of $xx,xxx. The reader should then be able to see the cost entry on the pro forma. In effect, every planned expenditure shown on the pro forma should have an explanation in the tactical plan. Revenue should be tied-out: How many units, at what price, are projected? What is cost of goods sold? The tactical plan can—in fact, should—be provided using an easy-to-read bullet presentation.

***Report to Executive Board of Corporate Headquarters***

The Report to the Executive Board should include the following components:

1. Performance Review-Review your financial and market performance during the second year.
2. Marketing Strategy – Highlight the key features of the business plan that was presented to the venture capitalists:
   1. Brand strategy
   2. Pricing strategy
   3. Advertising strategy
   4. Sales channel
3. Assess your business strategy and performance during the second year.
   1. Compare actions taken in regards to the marketing plan.
   2. Discuss departures from the marketing plan, justification, and outcome.
   3. Review significant events that affected the company and market.
4. Assess your current situation and the market. (What are your firm’s strengths and weaknesses?)
5. Investments in the future – Summarize how you have prepared your firm to compete in the future.
6. What were the lessons learned and recommendations?