APPENDIX TWO

Competitors in the MARKSTRAT World

The subjects in the experiment were decision-makers of company two in the MARKSTRAT world. They were marketing the two brands SEMI and SELF. The subjects had to compete with four other firms which were all marketing two brands. Each firm in the MARKSTRAT world had different strengths and weaknesses in period 0 of the simulation in terms of product characteristics, brand awareness and positioning, market shares, distribution coverage and profitability. The starting situation was, however, globally equitable for all five firms in terms of difficulties and opportunities, and no firm had a systematic competitive advantage. In particular, each firm had a strong brand and a more problematic one (Larréché and Gatignon, 1990). For the brands of each of the four competitors strategies were developed. These strategies were based on recommendations as made in the MARKSTRAT instructors manual (Larréché and Gatignon, 1990). In the following, we will shortly describe the starting situations and the strategies for these competing brands.

Firm 1 was marketing the brands SAMA and SALT. The positioning of SALT appeared to be weak. Firm 1 milked this brand to invest in SAMA. SAMA required substantial marketing support to keep its position. Therefore, the major part of the marketing budget was spent on advertising for SAMA. A smaller part was spent on advertising for SALT. Prices for both brands increased only a little because large increases would take these brands away from segments in which they were stronger, which would certainly result in a decline of the market share.

Firm 3 was marketing the brands SIRO and SIBI. Both brands were relatively strong, however, SIBI was the strongest of the two brands. therefore, the advertising budget for SIBI was higher than that for SIRO. To reposition the brands closer to the ideal points of their target segments, the price of SIRO was increased while the price of SIBI decreased.

Firm 4 was marketing the brands SOLD and SONO. SOLD was a large and profitable brand, while SONO was a small and not very profitable brand with a low awareness. Therefore the major part of the marketing budget was spent on advertising for SOLD, while only a smaller part was spent on SONO.

Finally, firm 5 was marketing the brands SULI and SUSI. SULI was a strong brand and a direct competitor of SEMI and SOLD. Therefore it was provided with much support, which resulted in a large advertising budget. The advertising budget for SUSI was much smaller. Since the sales force of the company was the smallest of all five companies, it was increased over the four periods.