



BUSS6000 Simulation B

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Tutorial: Thursday 2:30-4:00pm

Development of industry:

In round 1 and 2, the internal rivalry in this industry can be characterized as highly competitive in that products from four companies roughly share the five segments equally as it is shown in the chart 1.1, irrespective of company D with relatively small share in High-end segment. In fact, every company has invested plenty of funds on R&D to update the products, and sales budget as well as promotion budget has been paid attention to be financed.

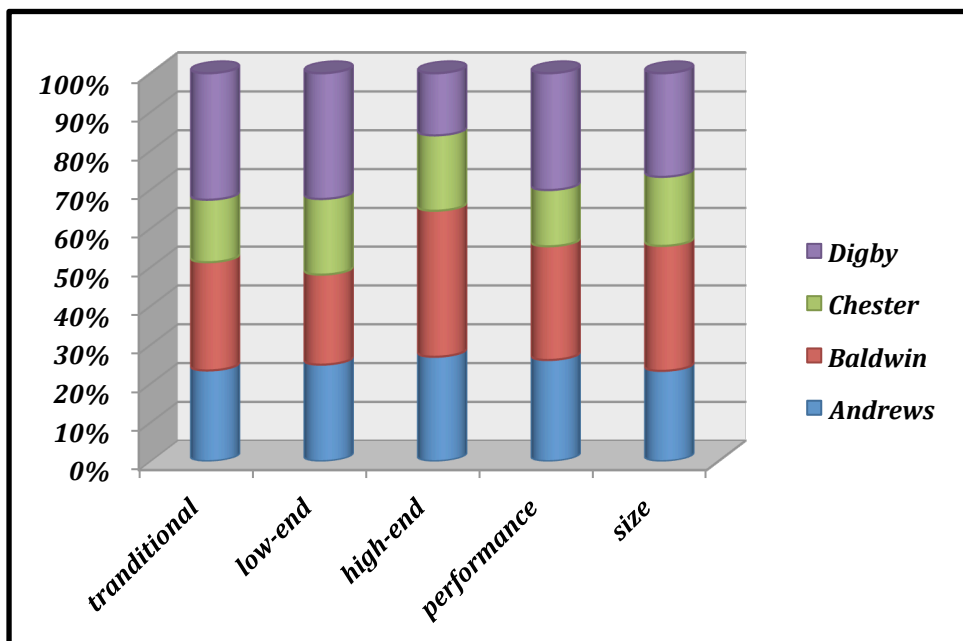


Chart 1.1 source from capsim

From the round 3 onwards, there has been change in the industry as it is demonstrated in chart 1.2. It can be found that products of Company D have accounted for at least 1/3 market share in all the segments in contrast that Company C has undergone its hardship that its market share has been grabbed by the other three competitors. Specifically, Company C has merely accounted for 7.7%, 8.5%, and 6.2% for high-end, performance and size segments respectively (Capsim 2013). In fact, the R&D department in Company C has failed to meet with customer buying criteria so that customers have not embraced its products. However, Company D has done well in R&D and their two new products issued have given a significant hand to achieve large market shares. Besides, Company A and B have operated as previously, therefore they seem not to take large paces to possess the market.

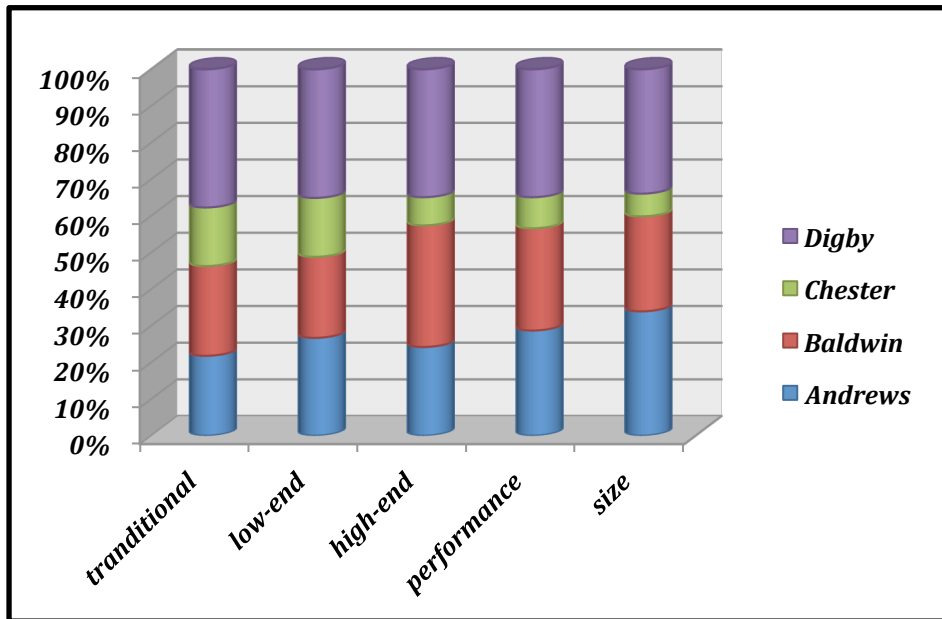


Chart 1.2 source from capsim

Before simulation comes to the last round, the mature industry structure has been evolved eventually. Basically, Company D has become the leader in the whole industry with \$433 million market capitalization in the round 5, followed by the \$104 millions (company B), \$75 millions (company A) and \$34 millions (company C) respectively. In the respect of Company D, its two new products have been successfully popularized for the customers in traditional and low-end segments by keeping undertaking its corporate strategy that is more focusing on traditional and low-end segments as well as remaining stable in the others. Regarding to company A and B, they both have been concentrating on the high-end, performance, size segments by creating new products (Capsim 2013). However, their products have not achieved extraordinary sales because of some issues in R&D, marketing and production schedule perhaps. According to chart 1.3, company B's products have had the largest market share in performance segment while company A's products have appealed to the most customers in size segment. In contrast, Company C has been sinking in its crisis since the round 3 although it has showed a little bit signals for recovery (Capsim 2013). In particular, less than 15% of market share has the Company C captured for each segment.

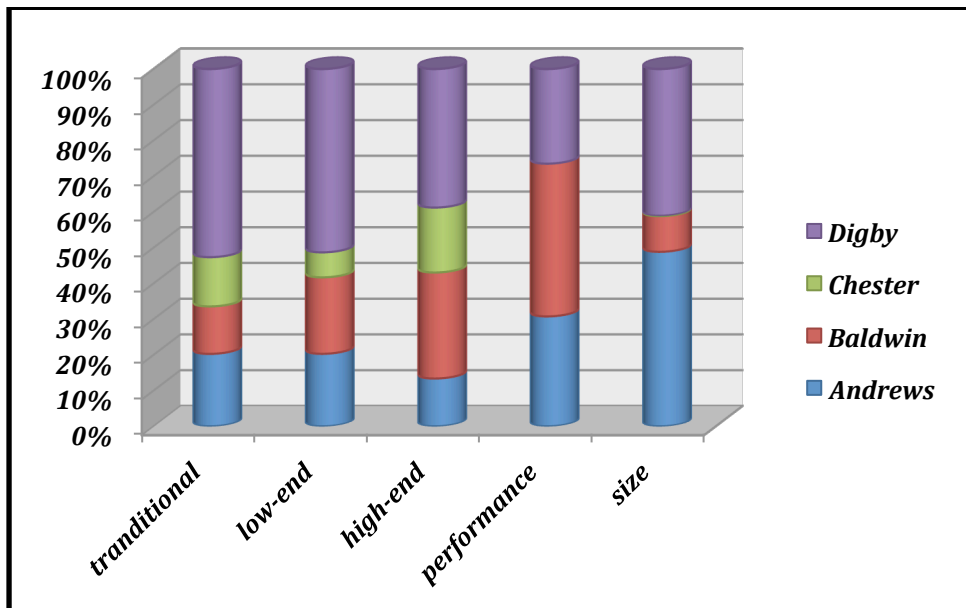


Chart 1.3 source from capsim

Industry structure in round 6:

At the end of round 6, it can be seen from the chart 1.4 that Company D captures less than half of total market share, with 25.13% and 22.27% respectively for Company A and B (Capsim 2013). However, company C accounts for less than 10% market share.

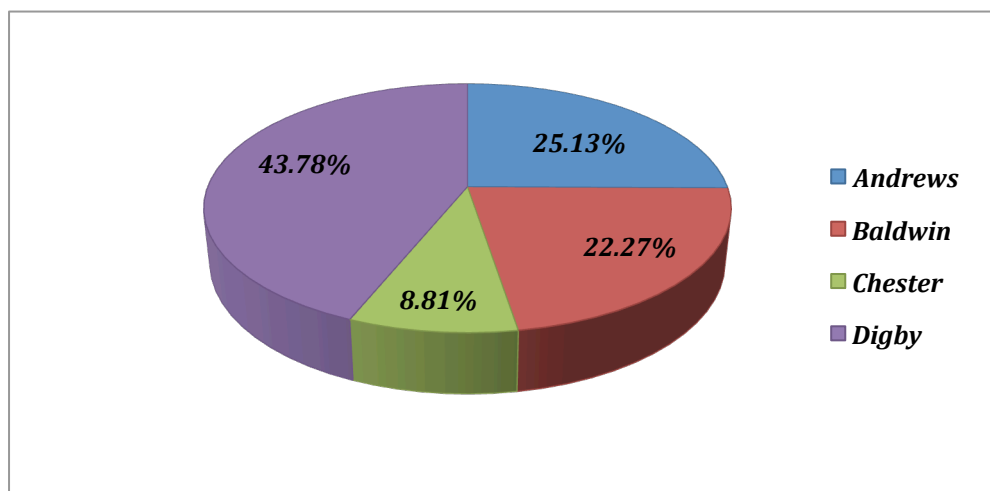


Chart 1.4 source from capsim

As depicted in the chart 1.3, Company D has dominated the traditional and low-end market segments, accounting for 52.7% and 51.3% respectively (Capsim 2013). It has still occupied a large share in both high-end and size segments. However, its products have not sold quite well in performance segment. For the company A, it has achieved excellent sales in size segment, achieving 48.9%

market share. However, in the other four segments, it has attracted small amount of buyers, being no more than 30% (Capsim 2013).

Company B has embraced quite sound sales in performance and high-end segments, with 29.7% and 42.8% market shares (Capsim 2013). In contrast, it cannot compete for larger volume in the other segments.

Apparently, it is easily found that Company C has been into a pessimistic situation. Although the company has performed much better in High-end segment than any of others, its market share has been still only 18.2% (Capsim 2013). It is interesting to note that it has stopped producing products for performance segment and has reduced a large volume of its production of product for size segment.

Evolution of our company strategy:

Initially, broad differentiator strategy has been employed as our company tactic, and we have reached the consensus that more concentration would have been put on the high-end, performance and size market segments. In the early stage, namely round 1 and 2, our company has spent money aggressively on research & development. Specifically, products in high-end, performance as well as size segments have been upgraded or improved to the maximum extent, which have cost more than \$1000 for each product. Also, marketing department has input a lot of funds in sales budget and promotion budget. As a result, high customer accessibility and customer awareness have been accomplished, which has made important contribution to sales (Capsim 2013). However, we did not create new products at that time since we presumed that new products would not grab significant market share to make profit due to the small size of those three market segments and definitely could give rise to high expenses.

When it comes to the middle stage (rounds 3 & 4), our company has basically followed and implemented the original strategy whereby developing new products. In accordance with broad differentiator strategy, three new products should have been created for high-end, performance and size segments. Nevertheless, only one product has been issued in round 4 since our company underwent serious issues in the business operation. Due to a sharp enhancement of automation rate and aggressive purchase of production capacity, the investing cash outflow has not been fully underpinned by operation and finance cash inflows, which has caused our company to fall into emergency loan (Capsim 2013). In this respect, there has been not plenty funds to create more new products.

In the ending stage (rounds 5 & 6), our company has continued to carry out the previous strategy. A new product for performance segment has been designed, and as a result of emergence loan our company has been unable to develop one more product. Consequently, our company, through 6 rounds, has successfully employed

the broad differentiator strategy to some extent thereby our products have dominated the size segment in the last round as stated previously.

Company positioning in the future:

In general, our company is expected to have an outstanding performance in the future rounds. Initially, it has repaid the entire emergency loan in the last round and has accumulated surplus cash that could be used to make further investments or to retire long-term debt in order to reduce interest payments every year. In this respect, our company should have plenty of funds to develop the new product in accordance with broad differentiator strategy. Furthermore, our newly-issue products have been much attractive and fantastic, which have appealed to a certain amount of buyers. In particular, our products have dominated the size market segment, accounting for 48.9% market share as noted previously (Capsim 2013). Meanwhile, more market share has been achieved in performance segment associated with new product's attractiveness. Hence, our sales in the future are anticipated to increase to a higher level. In addition, thanks to the enhancement of automation rate there would be such large cost savings in that ever-increasing labor cost would be reduced as a result of machines replacement. Last but not the least, since our company have encountered with stock-out issues for several times, a good sales forecast and efficient inventory management are highly expected or required when facing fierce competition in that sales forecast as well as inventory controlling can determine production schedule.

Most importantly, given the big picture of the whole industry, it is significant to note that the market sizes of those three segments (high-end, performance and size) substantially increase much faster than the traditional as well as low-end, by the difference of around 8%. Also, customers in those three segments have little concern about price thereby more profit would be realized by increasing selling price. Another thing is that there have not been new products in performance and size segments, which indicate less competition would be than the other segments. As our corporate strategy is to dominate those three segments and there has been a good sign that our products are quite attractive, it can be imagined that our products would be able to capture large portions in those two segments (performance & size) and strive to defeat the other products by aggressive R&D and promotion budgets (Capsim 2013). Therefore, our products are expected to dominate the size and performance segments in the short run.

Reflection:**Team performance:**

Generally speaking, our team has accomplished a good job since the simulation began although our company has not ranked the first by market capitalization. In fact, rules and regulations have been established at the first meeting. Specifically, roles as well as responsibilities have been allocated to each member at the beginning of the simulation, that is, each person focusing on each department. In particular, I am responsible for research & development. Also, we all have agreed that every team member should not only be accountable for his department but also care about how the other departments run. Furthermore, we have reached the consensus that group meeting should be held in every week after tutorial and each member is required to attend. At the same time, questions or issues are highly encouraged to report by anyone who could sport them via email or other methods. Meanwhile, when conflicts or disagreements occur our group has applied voting approach to resolve the issues.

It is quite pleased that each participant has followed that type of rules and has been highly motivated, cooperative and active. In particular, all the members have undertaken additional research upon the simulation in terms of some experiences from other simulation participant previously. We all have read the guidelines thoroughly and have understood what have been supposed to do. In some cases, if any team member has encountered with unexpected issues or problems our group have provided him with expertise and proposition to tackle the issues.

Nevertheless, our team could have done better if two members were accountable for two departments together. Since there's always been unavoidable biases in making decisions if only one person doing his or her job, two persons would have different opinions or ideas so that the biases could have been eliminated perhaps. In addition, we should have undertaken thoroughly SWOT analysis of how our company have been, what the expected performance in the future rounds and some potential opportunities as well as threats.

Self-assessment:

As the team leader, I have taken responsibilities of ensuring all decisions to be feasible in every round. Specifically, I have communicated with each member who has been in charge of his or her department, and have discussed about whether there has been some potential issues or problems that have been taken into consideration. In fact, when our company has confronted with emergency loan I have assisted one of members to manage the cash flow decisions to ensure that our company would not go bankruptcy again. When it comes to the production decisions, the member and I have reached the consensus upon inventory management

approach thanks to my finance knowledge. In this case, my expertise in finance has made significant contribution to department decisions, which has curbed the downward sloping of our company's operational performance.

Nevertheless, some decisions that I made have not brought benefits to our company. For instance, as a result of my incorrect understanding, the automation rating has been improved too late so that our firm has sustained a substantial amount of labor cost. Also, I have determined to invest aggressively on research & development in the early stage, which has not only imposed high variable cost on operation but also has delayed the development of new products as a result of insufficient accumulated funds.

Reference:

Capsim 2013, capstone courier, viewed 24 Oct 2013, Capsim capstone