

AdSim

AN ADVERTISING SIMULATION



AdSim Players Manual (for WebSim)



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CHAPTER 1

Introduction and Overview

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What is AdSim ?

AdSim is a computer-based Advertising Simulation of the Digital Camera division of a Consumer Electronics Corporation. You get the opportunity to experience and understand many of the key decision required to plan and implement an Integrated Marketing Communications (IMC) Plan.

AdSim will give you the opportunity to have practical hands on experience at making critical advertising decisions and seeing the outcome in a live, interactive case study.

Learning Objectives

- By interacting in this simulated marketing environment you will learn:
- The key principles behind developing an Integrated Marketing Communications (IMC) campaign in a highly competitive market.
- Insights into Traditional Media selection, and how to use different media to target/reach different demographic groups
- Insights into Non-traditional media selection, and how to use direct mail and internet advertising as part of an advertising campaign
- Insights into using Sales Promotion, including both Consumer Sales Promotion and Trade Promotion
- Insights into Customer Relationship Management (CRM) including the use of CRM Database applications
- Basic budgeting and financial planning concepts
- Employing an Advertising agency to support the internal advertising staff
- Measurement of the effectiveness of IMC campaigns, including the use of Market Research
- Many key quantitative skills for advertising management.

The goal in AdSim is to maximize Cumulative Net Marketing Contribution.

The Multi-Player WebSim

This allows teams of students or business people to compete against one another in an industry consisting of several firms (4-7 firms), for control of the market. This competition will develop your advertising skills in a cutthroat competitive environment with other students from your course, while also improving your knowledge of information technology and team work/communication skills.

The WebSim works over the Internet. This allows you to login to make decisions for your firm from anywhere where you have a computer with access to the Internet.

Getting Started

If you want to get started quickly and to see what AdSim looks like, check out the screenshot demonstration on your course page. This will show you how to navigate the program and what to expect when you actually run it for the first time.

Company Overview

The section below gives you an overview about the history of your AdSim firm; it's organizational structure and how your performance will be measured now that you have been appointed as an Advertising Manager.

History

Your AdSim firm is the Digital Camera division of a larger consumer electronics corporation. Traditionally your corporation has been very strong in the household electronics market and your division was created to launch an assault on the Digital Camera market.

Your challenge is to take your existing starting position and to build your AdSim firm into the dominant player in the Digital Camera market as quickly as possible while exceeding your sales targets and maximizing your net marketing contribution.

Goals And Performance Measurement

In AdSim, you will be competing directly against several teams from your class (typically 4-7 teams). Each team will start in a similar position as you with the same type of firm, products, targets and results. Your course instructor will explain what the goals of the simulation are to you but typically, you can expect to be required to try and maximize cumulative net marketing contribution within a limited number of decisions.

In both versions of AdSim, the combined actions of all of the firms in the market affect the performance of the whole industry. For example, if everybody spends more on advertising then more consumers will buy Digital Cameras, and vice versa.

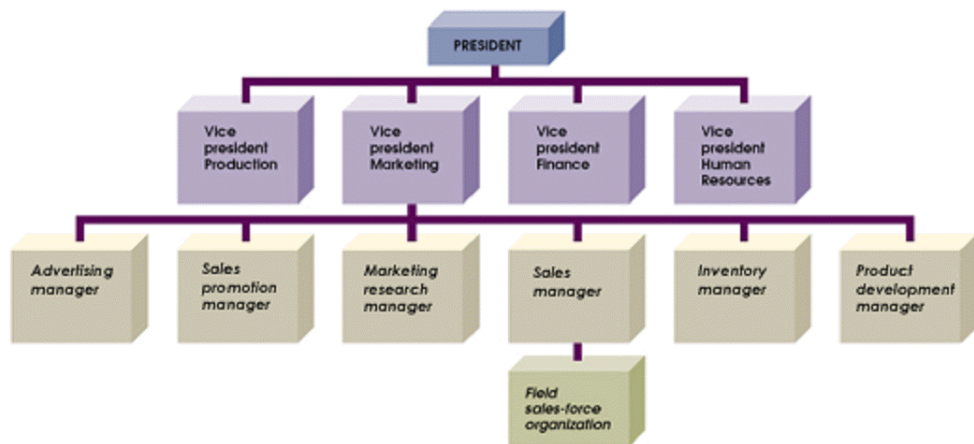
Organizational Structure

Before beginning to plan how to run your AdSim firm you need to understand how it is organized.

The structure of your division is shown in the figure below.

Figure 1: The Organizational Structure of the Digital Camera Division

Company organization embracing the marketing concept.



Your role is to take the position of Advertising and Sales Promotion Manager, and to oversee the planning, implementation and evaluation of the Advertising and Promotion budget of your firm's Digital Camera marketing plans.

Team Organization

If you using AdSim in your course then you will most probably be required to run your firm as a team. Time spent discussing your organizational structure and decision-making process early in the simulation will aid your team's performance later in the course once the competitive pressure has increased. Before beginning to make decisions in AdSim we recommend that you and your team write a team agreement and agree on an organizational structure.

TEAM AGREEMENT

A team agreement is a single document that should be arrived at jointly with all the members of the team. In general, it must outline the expectations that team members have of each other, and how those expectations are going to be realized during the AdSim simulation experience. In general, the kinds of things a team might want to articulate in their agreement include, but are not limited to, the following:

- Your team's mission statement
- Team expectations and goals
- What decision-making process will your team strive for?
- Who will facilitate/chair meetings? Will this role rotate?
- Expected leadership approach

- How will your team manage time expectations? i.e., time allowed for decisions.
- How will your team manage conflict?
- What will you do to ensure members are meeting their personal objectives?
- What will you do to ensure that the team agreement is met?

ORGANIZATIONAL STRUCTURE

How you organize your team, is generally left up to you to decide unless your course instructor has a preferred structure that he/she requires you to follow.

Your key task is to decide how your team will make its decisions, and how you will resolve conflict. One possible approach would be to make every decision as a committee where everyone can contribute; another approach would be to assign key roles and tasks to individuals, e.g. market research analyst, TV media planner etc.

Managing Your Firm

The management process, as applied to Advertising and Promotion Planning, consists of:

- Planning an Advertising and Promotion Plan,
- Implementing it,
- Evaluating its performance.

This process is depicted in the figure below

Figure 2: The management process in Advertising Management

The circular relationship among management tasks.



The planning stage includes setting goals and designing both Advertising strategies and tactics to reach these goals.

The implementation stage entails Brand Positioning, Advertising Agency and Media Selection according to the plan.

The evaluation stage consists of analyzing past performance in relation to your goals. This third stage indicates the interrelated, ongoing nature of the Advertising management process. That is, the results of this stage are used in planning goals and strategies for future periods. So the cycle continues.

The rest of this manual will concentrate on taking you through the three steps of the management process in more detail.

Renaming Your Firm

The final task you need to complete before beginning to play AdSim is to select a firm name. You should select a firm name that reflects the character of your team and something that you will be proud to be known as. Be warned, you can only change your firm name in the first period of the simulation.

Select Firm Name Decision Screen

You change your firm name by entering it in the box in the bottom right hand corner. This decision is only available to you in the first decision period.

Figure 3 Select Firm Name Decision



CHAPTER 2

Marketing Plan

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Situation Analysis

Market Segments

Your market analysts have suggested dividing the market into two segments Existing Digital Camera owners and New Digital Camera owners.

EXISTING CUSTOMERS

This is the base segment of market demand and as stated above the simulation starts off with approximately 1.7 million Existing Customers with approximately half of them expected to purchase a new Digital Camera each year.

Each year the number of Existing Customers will increase by the number of New Customers purchasing Digital Cameras.

Existing Customers are characterized by being far more technologically savvy and more likely to be ready for a more complex Digital Camera with more features. They already know how to operate a Digital Camera so they are less impressed by firms' support claims and more interested in Consumer Sales Promotions, Loyalty Programs and Warranty Lengths.

The initial Existing Customer base will largely be made up of technophile early adopters, but this will change over time as the early majority swells the market from 1 million to 3 million annual sales per year. These adopters are less avid TV and Radio listeners than the general populations and they read more.

In general, Existing Customers are a little more "price sensitive" than New Customers, they are looking for a deal.

Your firm anticipates approximately 15% growth per year in this market segment.

NEW CUSTOMERS

The New Customers will initially be the early majority entering the market and by the end of the simulation it will be the start of the late majority.

These customers will largely be "Middle America", Families and Professionals wanting to digitally capture special moments in their life.

In general, New Customers are a little less "price sensitive" than Existing Customers; they are looking for an easy to use Digital Camera with good after sales support, and are prepared to pay a little more to guarantee that.

Your firm expects the number of new customers entering the market to grow by approximately 15% per year.

Advertising Media

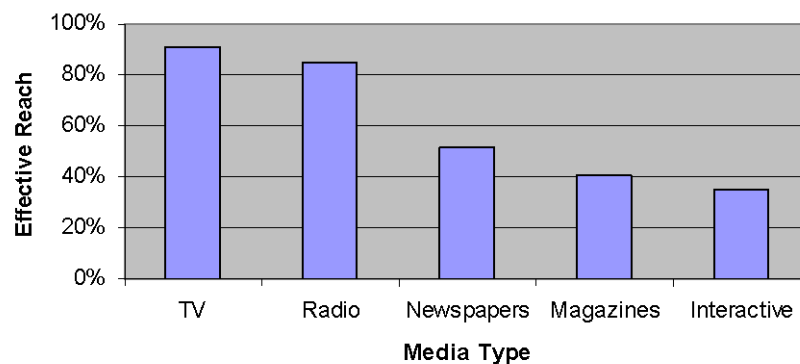
There are five main types of advertising media available for you to use in AdSim.

- Television
- Radio
- Newspapers
- Magazines
- Interactive Media

MARKET MEDIA PREFERENCES

The average customer in AdSim has the media preferences as shown in the graph below. E.g. approx 91% of AdSim customers can be potentially be effectively reached by Television adverts.

Effective Advertising Media Reach



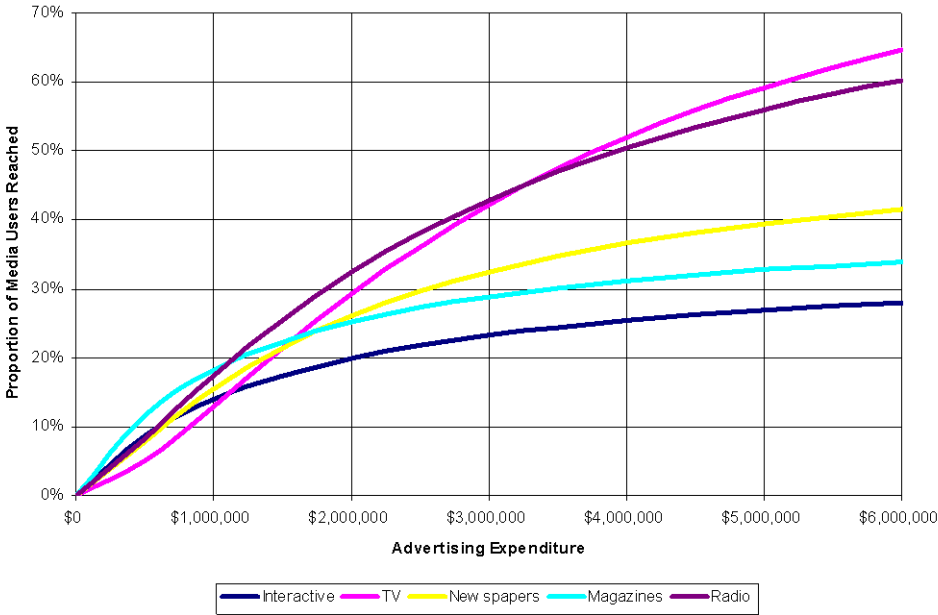
In AdSim, you have the option of purchasing the Market Media Advertising Reach report, which will give you a breakdown of effective media reach by market segment.

Advertising Tactics

Overall Media Allocation

Given an advertising media budget of \$5.3 million, your market research department has done an extensive analysis of the likely reach versus cost for the various media given a budget of less than \$6 million. Their results are shown in the graph below.

Advertising Reach Curve for All Media



For example \$6 million of TV advertising would effectively reach approximately 65% of the total market.

However given the size of your budget and the desire to reach as many people as possible, your team has come up with three potential media allocation splits to try and maximize the percentage of the market that sees at least one of your adverts. The three plans are detailed in the table below.

Plan	Advertising (\$)	Projected Reach (%)
Media Focused (default plan)		
TV	\$2,226,000	32%
Radio	\$1,060,000	19%
Newspapers	\$1,219,000	18%
Magazines	\$530,000	12%
Interactive	\$265,000	5%

New Customer Focused		
TV	\$1,590,000	23%
Radio	\$1,166,000	20%
Newspapers	\$1,113,000	17%
Magazines	\$1,166,000	20%
Interactive	\$265,000	5%
Existing Customer Focused		
TV	\$1,749,000	25%
Radio	\$1,378,000	24%
Newspapers	\$901,000	14%
Magazines	\$848,000	17%
Interactive	\$424,000	8%

The mixed focus or default plan is the plan in place when you start the simulation. If you want to target the New Customer or Existing Customer segment instead then you might want to consider one of the two other plans presented. Alternatively, it might be a very good idea to consider hiring an advertising agency and getting their suggestions on what the best budget split might be.

Television

Television is the most effective method of reaching a large audience. This is reflected in the fact that virtually every household in America has a television and that over 85% of all age groupings watch television at least once a day. The television medium also has the advantage of combining motion, sound and special visual effects into an advertisement. As such it offers wide geographic coverage and flexibility in which a message can be presented. However, TV ads lack permanence (so they must be seen and understood immediately) and are expensive relative to other forms of media.

In AdSim you have four types of television advertising available for you to advertise on.

- Network TV
- National Spot TV
- Local Spot TV
- Cable TV

Surveys have resulted in the following table of percentages of each segment likely to be effectively reached by each of the major TV advertising types. E.g. 35% of the New Customer segment can potentially be reach through Network TV adverts versus 32% of the Existing Customer Segment.

TV Type	New Customer	Existing Customer
Network TV	35%	32%

National Spot TV	28%	26%
Local Spot TV	20%	20%
Cable TV	17%	22%

NETWORK TV

Surveys have resulted in the following table of TV peak watching profiles for the two market segments.

TV Day Part	New Customer	Existing Customer
Early Morning	0%	5%
Daytime	0%	0%
Early Fringe	10%	10%
Prime Access	30%	20%
Prime Time	50%	40%
Late Fringe	10%	25%

For example, 5% of Existing Customer segment respondents said that Early Morning TV was their peak-viewing part of the day.

Newspapers

Newspapers reach a relatively large mass audience throughout a geographic region with a single exposure, at a relatively low cost per thousand. It is important to note that the readership of newspapers is heavily influenced by age.

In AdSim you have four types of newspapers available for you to advertise in.

- General
- Business
- Tabloid
- Sunday

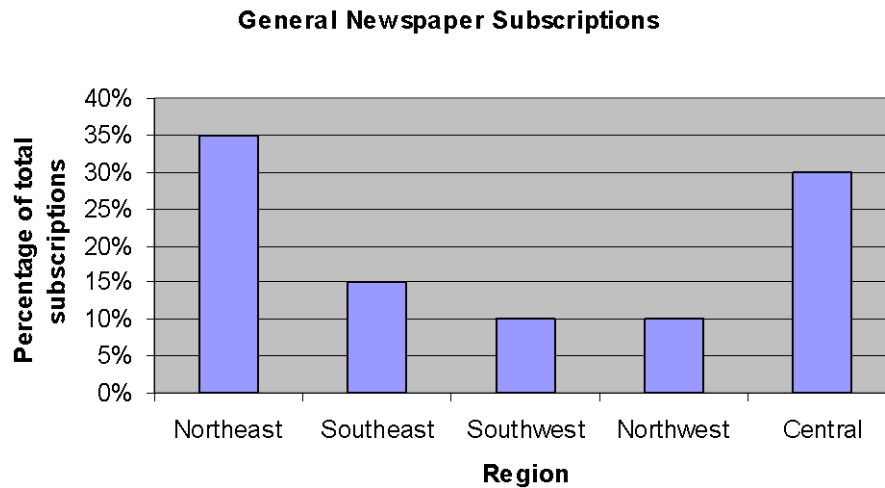
Surveys have gathered the following data about Newspaper reading habits between the two segments.

Newspaper Type	New Customer	Existing Customer
General	50%	52%
Business	10%	14%
Tabloid	10%	9%
Sunday	20%	25%

For example, 9% of Existing Customer segment newspaper readers identified Tabloids as their primary newspaper type.

GENERAL NEWSPAPERS

The current circulation spread of general newspapers is summarized in the graph below.



Magazines

Magazines can reach a national market at relatively low cost per reader. In recent years, the rapid increase in special-interest magazines and regional editions of general interest magazines has made it possible for advertisers to reach a selected audience with a minimum of wasted circulation.

In AdSim you have five categories of magazines available for you to advertise in.

- Women's Lifestyle, e.g. Cosmopolitan
- Men's Lifestyle, e.g. GQ
- Family, e.g. Readers Digest
- News, e.g. Time
- Entertainment, e.g. Rolling Stone

Surveys have gathered the following data about Magazine reading habits between the two segments.

Magazine Type	New Customer	Existing Customer
Womens Lifestyle	30%	32%
Mens Lifestyle	30%	32%
Family	20%	18%
News	0%	0%
Entertainment	20%	18%

For example, 18% of Existing Customer segment magazine readers identified Entertainment category magazines as their primary magazine type.

SEGMENT AGE DEMOGRAPHICS

The following information about the age of the customers in the market has been gathered to help you to determine what type of magazines to advertise in.

Age Demographic	New Customer	Existing Customer
WOMEN		
Youth 12-17	25%	21%
Adults 18-34	50%	50%
Adults 35-55	25%	29%
Adults 55+	0%	0%
MEN		
Youth 12-17	20%	20%
Adults 18-34	50%	55%
Adults 35-55	30%	25%
Adults 55+	0%	0%

Radio

Radio is a low cost per thousand medium because of its broad reach. Nearly 80% of Americans listen to the radio daily and, on average, adults 18 years of age and over listen to more than 20 hours a week. Radio commercials can be produced quickly at a cost far below television.

In AdSim you have a choice of six radio station formats available for you to advertise in.

- Contemporary Hit Radio (CHR)
- Urban
- Country
- Rock
- Adult Contemporary (AC)
- NewsTalk

Surveys have gathered the following data about Radio listening habits between the two segments.

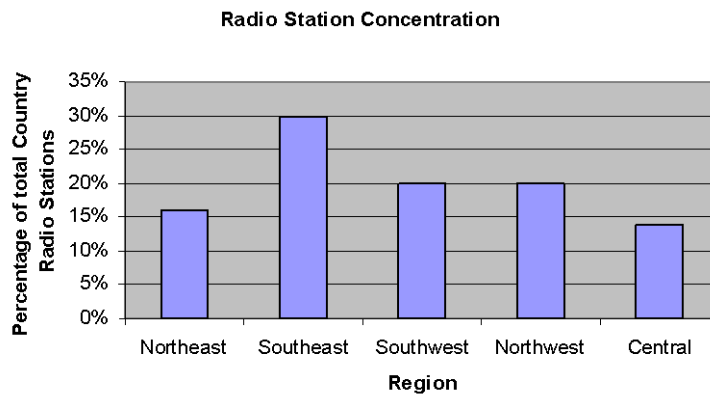
Radio Type	New Customer	Existing Customer
Contemporary Hit Radio	22%	23%
Urban	9%	10%

Country	9%	9%
Rock	9%	10%
Adult Contemporary	30%	33%
NewsTalk	9%	2%
Other	13%	13%

For example, 2% of Existing Customer radio listeners said that NewsTalk was their favorite radio station format.

COUNTRY STATIONS

The following data has been collected on the percentage of Country Music stations in each region of the country.



ADULT CONTEMPORARY STATIONS

Surveys have resulted in the following table of radio peak listening profiles for the market.

Radio Day Part	Peak Listening Preference
Morning Drive	25%
Daytime	40%
Afternoon Drive	25%
Nighttime	10%

For example, 10% of respondents said that Nighttime was their peak radio listening part of the day.

Interactive

Very little is known about the potential of interactive media in this segment. Current suggests that no more than 35% of the market can be reached through these media, and that of that 35%, the Internet would more effectively reach about 20-40% than by direct mail campaigns.

You will need to experiment with this new media type to try and gauge its effectiveness.

Strategies

Your first challenge is to use the information above and the information from the Reports and Market Research within AdSim to develop an Advertising and Promotions plan that achieves your Advertising objectives and allows your product to reach its sales target.

Your second challenge is to exceed your Sales Target to ensure that you have a higher Cumulative Net Marketing Contribution than your competitors by the end of the simulation.

CHAPTER 3

Implementation

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Decision Screen Overview

There are five types of decisions that you are required to make in AdSim:

- Agency Selection. This is where you can choose an advertising agency to assist you with your media selections.
- Media Planning. This is where you allocate your promotion budget to the various media types and sub-categories. E.g. how much money do you want to spend on Network TV advertising during primetime shows?
- Marketing Communications. This is where you allocate your promotion budget to the various Marketing Communications activities available to you. E.g. Consumer Sales Promotion activities.
- Customer Relationships. This where you allocate your promotion budget to the various Customer Relationship Management policies available to you. E.g. Warranty terms.
- Evaluation Research. Choosing which market research reports (if any) to order for next year.

In the rest of this chapter, we will describe these decisions in more detail.

Agency Selection

The first key decision you need to make for each of your products is whether you will employ the services of an advertising agency to assist you with your media selection.

You are given four options:

INTERNAL PLAN

The internal plan means trusting your own media selection ability and going it alone.

The default plan for each product is average at best. Approximately 30% of your promotion budget is being wasted on poor media selection. By carefully reading and analyzing the marketing plan and market overview/research for your product's target segment you should be able to greatly improve the effectiveness of your promotion budget.

TV MAGIC

TV Magic is a media-buying agency that specializes in producing TV advertisements and bulk purchasing TV advertising time.

TV Magic will suggest a TV advertising media plan that will be significantly better than following the default plan. They are less skilled at other media production/selection, but their suggested plans will still be noticeably better than the default plan.

PRINT WORKS

Print Works is a media-buying agency that specializes in producing print advertisements and bulk purchasing print advertising space.

Print Works will suggest a Newspaper/Magazine advertising media plan that will be significantly better than following the default plan. They are less skilled at other media production/selection, but their suggested plans will still be noticeably better than the default plan.

RADIO CAN

Radio Can is a media-buying agency that specializes in producing radio advertisements and bulk purchasing radio-advertising airtime.

Radio Can will suggest a radio advertising media plan that will be at least significantly better than following the default plan. They are less skilled at other media production/selection, but their suggested plans will still be noticeably better than the default plan.

Message Strategy

Once you have selected an agency then you need to determine a Message Strategy that will be used to position your brand using your advertisements.

The purpose of a Message Strategy in AdSim is to establish your brand position to ensure that you are effectively targeting your customers through media advertising with a message that they will respond to. You will be able to measure the effectiveness of your Message Strategy decision through two market research reports:

- The Advertising Evaluation report. Showing your adverts to a focus group from your market segment and asking them to rate your campaign's appeal.
- The Tracking Study report. A comparison of your product's top of mind brand awareness versus its unaided brand awareness. The better your brand positioning, the higher your top of mind brand awareness will be.

In AdSim you are required to make decisions about four elements of your Message Strategy:

TARGET

Who is the prospective customer that you are targeting and why would they want to buy your product?

BENEFIT

What is the special feature of your product that appeals to your target customer?

PROOF

What is the actual physical proof that you will promote that proves your product can deliver this benefit.

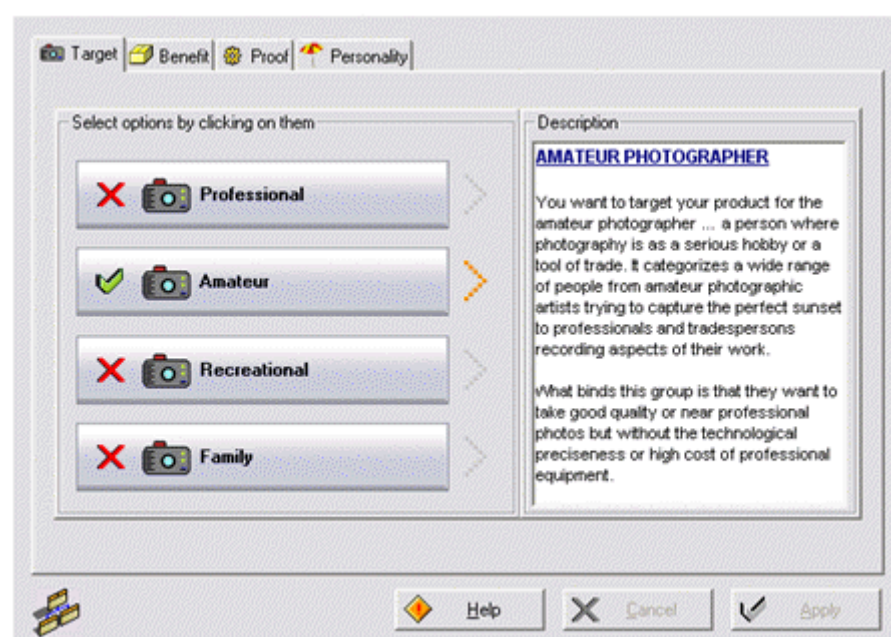
PERSONALITY

What underlying theme do you want your campaign to convey?

Message Strategy Decision Screen

The Message Strategy screen is used to determine how your brand will be positioned in your advertising campaign.

Figure 4 Message Strategy Decision Screen



On each tab of the decision screen, i.e. Target, Benefit, Proof and Personality, you are required choose to which option you think best describes the brand positioning you wish to implement for your product.

You can assume that all of the potential messages about your product are true and that it is a case of choosing the options that have the greatest resonance with your market. For example do you want to promote your products lens technology, focus software, digital processing chip or direct printing capability, as all four are true about your product, but you can only promote one prominently.

Market research reports are available for purchase to help you decide which messages to choose and to evaluate the effectiveness of your message at targeting each market segment.

Media Planning

When you select the Media Planning tree item you are shown the Media Planning decision screen.

Expanding the Media Planning tree item gives you access to the media choices available for advertising your product.

Normally those choices will be TV, Newspapers, Magazines, Radio and Interactive media. Each media type might have one or more subcategory decisions too. E.g. do you want to advertise on daytime or primetime Network TV?

NEW PRODUCT LAUNCH

If your product has only just been launched into the market, then the default decisions on this screen will depend on whether or not you chose to hire an advertising agency.

- If you chose Internal Plan, then the default decisions will be your internal staff's suggestions. These decisions will be approximately 40% less effective than the best possible decision in the simulation.
- If you chose an agency, then the agency's suggested advertising budget expenditure and media split will have already been entered onto this screen for you. So you will be editing their plan.

EXISTING PRODUCT

If your product is an existing product then the default decisions will be whatever you did last year, unless you changed agencies in which case your new agency's suggested plan will be in place.

DECISION FIELDS

The Expenditure field indicates the advertising budget for this product for the upcoming year. You then choose how to allocate this budget to the various media types on the section below. A higher budget will generally lead to higher levels of brand awareness and demand for the product, but the extra sales may not necessarily cover the extra cost of the advertising.

The Category section allows you to allocate the product's advertising budget to the various media types for the coming year. Choosing the media split should be based on your product's marketing plan, advice from your advertising agency and your market analysis.

Tv Allocation Screen

The TV Allocation screen is used to allocate the product's TV advertising budget to the various types of TV stations available to you. Choose the TV station mix based on your product's marketing plan, advice from your creative agency and your market analysis.

TV SUB-CATEGORY ALLOCATION SCREEN

Depending on the product and the period in the simulation you may be asked to further detail your budgeting decision for one or more of the TV station types.

For example you could be asked to decide how to divide your Network TV budget up amongst the various daytime time-slots available to you.

Newspapers Allocation Screen

The Newspapers Allocation screen is used to allocate the product's Newspapers advertising budget to the various Newspaper formats available to you.

NEWSPAPERS SUB-CATEGORY ALLOCATION SCREEN

Depending on the product and the period in the simulation you may be asked to further detail your budgeting decision for one or more of the Newspaper formats.

For example you could be asked to decide how to divide your General Newspapers budget up amongst the various regional markets available to you.

Magazines Allocation Screen

The Magazines Allocation screen is used to allocate the product's Magazine advertising budget to the various Magazine styles available to you.

MAGAZINES SUB-CATEGORY ALLOCATION SCREEN

Depending on the product and the period in the simulation you may be asked to further detail your budgeting decision for one or more of the Magazine styles.

For example you could be asked to decide how to divide your Woman's Lifestyle magazines budget up amongst the types of magazines targeting the following age ranges, e.g. Women's Weekly versus Cosmopolitan.

Radio Allocation Screen

The Radio Allocation screen is used to allocate the product's Radio advertising budget to the various Radio station formats available to you.

RADIO SUB-CATEGORY ALLOCATION SCREEN

Depending on the product and the period in the simulation you may be asked to further detail your budgeting decision for one or more of the Radio station formats.

For example you could be asked to decide how to divide your Adult Contemporary Radio budget up amongst the various time-slots available to you.

Interactive Media Allocation Screen

The Interactive Media Allocation screen is used to allocate the product's Interactive Media advertising budget to the various options available to you.

Marketing Communications

Five periods into the simulation you will be given control of your firm's Marketing Communications strategy.

The purpose of a Marketing Communications strategy in AdSim is to decide what which activities you will implement to try and attract customers to purchase your Digital Camera. You will be able to measure the effectiveness of your Marketing Communications strategy through two market research reports:

- The Marketing Communications Evaluation report. Showing your adverts to a focus group of Retailers from your market segment and asking them to rate your campaign's appeal.
- Competing Products Marketing Communications Options. A comparison of your product's Marketing Communications Options with its competition.

In AdSim you are required to make decisions about four elements of your Marketing Communications strategy:

CONSUMER SALES PROMOTION

Consumer Sales Promotion activities that will attract customers to your product at the point of purchase, e.g. Cash Rebates on the packaging.

TRADE PROMOTION

Trade Promotion activities that will encourage Retailers to stock and promote your product, e.g. Co-op Advertising Allowances.

SPONSORSHIPS

Choosing to support events that your firm currently sponsors to gain wider exposure for your products, e.g. Fashion Week sponsorship.

PUBLIC RELATIONS

Choosing to hire PR consultants to try and promote journalist interest in writing stories/reviews about your products in the media, e.g. Photographic Media PR.

A description of the decision screen follows below.

Figure 5: Marketing Communication Decision Screen



On each tab of the decision screen, i.e. Sales Promotion, Trade Promotion, Sponsorships and Public Relations you are required to choose which option you think best targets your customers within your budgetary constraints.

Note that each option has a cost associated with it and that amount will be deducted from your Promotion Budget if you select that option. Generally the greater the cost of the option, the more appeal it will have to your market.

Customer Relationships

Three periods into the simulation you will be given control of your firm's Customer Relationship Management strategy.

Retention of Existing Customers is a key part of how to win AdSim and this is your main decision for keeping them satisfied with your Customer Service Level.

The purpose of a Customer Relationship Management strategy in AdSim is to decide what which policies you will implement to try and keep Existing Customers loyal to your Digital Camera brand. You will be able to measure the effectiveness of your Customer Relationship Management strategy through two market research reports:

- The Customer Relationship Management Evaluation report. Showing your adverts to a focus group of New and Existing customers and asking them to rate your current strategy's appeal.
- Competing Products Customer Relationship Management Options. A comparison of your product's Customer Relationship Management Options with its competition.

In AdSim you are required to make decisions about four elements of your Customer Relationship Management strategy:

CRM SYSTEM

Decide whether or not you want to invest in a Customer Relationship Management database system? And if so what type? e.g. Entry level, Mid-Level or Custom Built.

WARRANTY

What length of Warranty that you want to offer your customers? E.g. 90 Days, 180 Days, One Year or Two Years.

SUPPORT

What level of a customer service do you want to provide? E.g. A manual, a website too, an e-mail helpdesk, or a telephone helpdesk too.

LOYALTY

What type of customer loyalty program do you want to administer? E.g. nothing at all, a regular newsletter, a regular photo contest or even a photo school.

A description of the decision screen follows below.

Figure 6: Customer Relationship Decision Screen



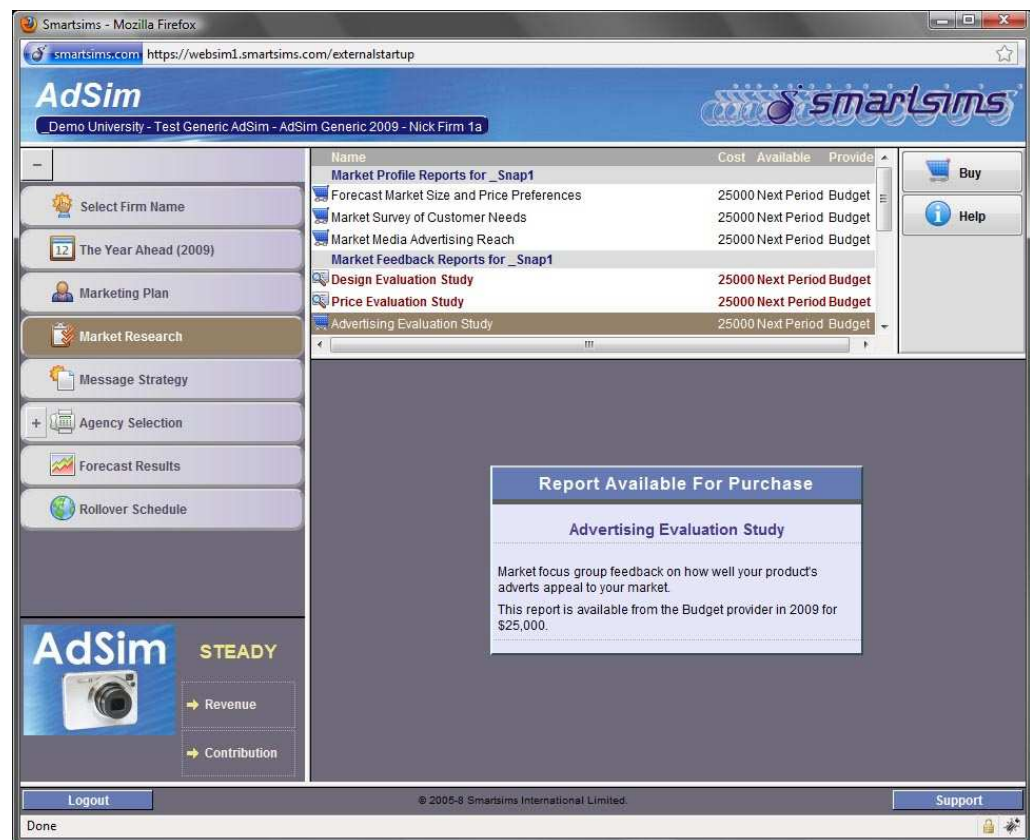
On each tab of the decision screen, i.e. CRM System, Warranty, Support and Loyalty you are required to choose which option you think best targets your customers within your budgetary constraints.

Note that each option has a cost associated with it and that amount will be deducted from your Promotion Budget if you select that option. Generally the greater the cost of the option, the more appeal it will have to your market.

Purchase Market Research

This decision screen allows you to choose which market research reports to purchase for next year. Purchasing market research wisely is a critical part of this simulation. If you have better information than your competitors then you can make better decisions.

Figure 7: Market Research Decision Screen



Important Note: You must buy your Market Research one year in Advance. You will pay for the reports this year, but you will not actually receive the reports until next year.

Market Research Reports Available

The reports available to you may change from period to period, but they will always be grouped into three following types of reports:

- **Market Profile Reports.** A set of reports giving you information about market size, price preferences, media reach and customer needs.
- **Market Feedback Reports.** Focus group and survey evaluation of your product giving you ratings report to evaluate how the market perceives your product.
- **Competitor Benchmark Reports.** Comparisons of your sales and advertising expenditure and decisions versus your competitor(s).

There will be a series of hints and suggestions in the Year Ahead reports as to which reports you should purchase and why.

Rollovers

In AdSim decisions are processed at set decision deadlines. We call these "Rollovers". When these rollovers occur, any decisions you have entered will be processed, and the simulation will move into the next decision period. Your course instructor controls the rollovers for your course and he/she will let you know when they are due to occur.

CHAPTER 4

Evaluation / Reports Overview

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The Year Ahead

When you select the Year Ahead tree item you are given access to a single report:

- The Year Ahead. A brief overview of changes in the scenario this year.

The Year Ahead report should be self-explanatory, but make sure you read it each year as it contains important market information that you need to know.

Industry Reports

When you select the Industry Reports tree item you are given access to a series of industry level reports:

- Industry Reports Overview. A memo summarizing the reports available.
- Industry Benchmark Report. A summary of all firms' net marketing contribution reports so that you can benchmark yourself against your competitors.
- Segment Sales in Units. A line graph of total units sold in each market segment. This allows you to see changes in total demand for each segment.
- Market Share. A pie chart of market share percentages for each firm based on retail sales revenue for the entire AdSim market.
- Multi-firm Wholesale Sales Revenue. A line graph of all firms' wholesale sales revenue over time.
- Multi-firm Net Marketing Contribution. A line graph of all firms' net marketing contribution over time.
- Multi-firm Cumulative Net Marketing Contribution. A line graph of all firms' net marketing contribution over time. This is a measure of how consistently each firm is maintaining high net marketing contributions over time. Note that it

only tracks from the moment that you took over management of your AdSim firm.

You should be able to interpret the line graphs and pie chart unaided, but further explanation of the Industry Benchmark Report follows below.

Industry Benchmark Report

The Industry Benchmark Report is a summary of all firms' net marketing contribution reports so that you can benchmark yourself against your competitors.

In real life, this information would be difficult to obtain, but this report has been made available to you so that you can learn from your competitor(s).

There are several key parts of this report that you need to understand.

SALES AND GROSS MARGIN

The Sales Revenue listed for each is the total wholesales sales revenue of all of the firm's products. The Cost of Goods sold is the total cost of goods sold of all of the firm's products that were sold, which is the number of units of a particular product sold multiplied by its manufacturing cost.

Gross Margin is the amount of profit that each firm made after the manufacturing costs were deducted.

You have no control over either the wholesale price or the manufacturing cost of your product, so your aim is to maximize sales revenue by running the most cost effective advertising campaign that you can.

PRODUCT MARKETING

This section shows the combined Market Research, Agency Fees, Media Advertising, Customer Relationship and Marketing Communications expenditure for each firm.

The Evaluation Research expenditure lets you know how much market research your competitors are purchasing.

The Agency Fees lets you know whether your competitors are using an Agency or not and how much it is costing them.

The Media Advertising expenditure allows you see how much money your competitors are spending on advertising but not how they are allocating it to each media type.

Customer Relationship and Marketing Communications expenditure lets you know how much your competitors spent on implementing their selected options.

NET MARKETING CONTRIBUTION

Net marketing contribution is the amount of profit remaining after manufacturing (cost of goods sold) and marketing expenditures have been deducted. The only costs still to be deducted are other functional overhead costs for your firm, e.g. finance, administration etc.

Net marketing contribution is a measure of how profitable your firm is as a result of its strategic marketing plan. There is only one way that you can improve it, increase your Sales Revenue per dollar of Marketing Expenditure.

How you achieve that is the challenge of AdSim.

Marketing Plan

When you select the Marketing Plan tree item you are given access to three reports:

- Marketing Plan Overview. A brief written overview of your firm's goals for this product for this period.
- Marketing Plan Targets. The sales targets that your firm is trying to achieve this period.
- Marketing Plan Budget. The promotion budget that you have available to spend this period.

The Marketing Plan Overview report should be self-explanatory, but the other two reports are discussed in more detail below.

Marketing Plan Targets Report

The marketing plan targets report shows you the sales target that your firm is aiming to achieve this year.

Your goal is to achieve the product awareness goals listed the overview to try and ensure that your sales targets are reached.

Marketing Plan Budget Report

The forecast marketing expenditure budget shows you how much money you have available to spend this year.

There are three key parts of this report that you must understand.

BUDGET LIMIT

Your budget limit is set as part of your product's marketing plan. It is up to you to decide whether you spend your entire budget or not.

How much you spend of this year's budget has no effect on your budget for next year.

BUDGETED EXPENDITURE

The first column shows you how much you spent last year.

The second column shows how much money you currently have allocated to evaluation research, Agency fees and product advertising. Changing any of your decisions in these areas will automatically update this report.

AVAILABLE TO SPEND

This is how much unallocated budget you have left, i.e. how much money you still have available to spend if you want to. Any money you spend will be deducted from your net marketing contribution, so you should only spend money on activities where you think the return will more than cover the cost.

If this number is negative that means that you have exceeded your budget and you need to choose which advertising activities to cut back. If you do not do so yourself, then AdSim will automatically reduce your media advertising expenditure during the rollover to bring you back within budget.

Current Results Reports

When you select the Current Results tree item, you are given access to a series of product level financial performance reports:

- **Current Results Overview.** A memo summarizing the key information and the reports available.
- **Product Contribution History.** A table comparing the production contribution history of your product over time. The purpose of this report is to review whether or not your advertising campaign has improved your sales revenue and profitability.
- **Last Period's Decisions.** A report detailing the decisions that you entered last year.

You should be able to interpret the Last Period's Decisions report unaided, but an example of the Current Results Overview and the Product Contribution report are discussed in more detail below.

Current Results Overview Report

This report is a financial summary of the performance of your product this period. It also tells you whether or not you achieved your planned sales target.

Your aim each year is to exceed your sales target, however the targets have been set aggressively and if you fail by no more than 5% then you are still doing well. However, if your sales are more than 10% below forecast then you tend to seriously reconsider your current IMC plan, as you are obviously not reaching your target audience effectively.

Product Contribution History Report

This report is a comparison of your product contribution results for your product over time. The purpose of this report is to review whether your current advertising campaign is improving your sales revenue and/or increasing profitability. It also allows you to track your performance versus your sales targets.

The key components of this report are explained in more detail below.

SALES

The Sales Target displayed is the one set in the marketing plan that you are trying to achieve for your product. The Actual Sales shows what you were able to achieve that year.

Revenue is actual sales multiplied by the wholesale price and the cost of goods sold is actual sales multiplied by the manufacturing cost.

GROSS MARGIN

Gross Margin is the amount of money left over after you deduct your manufacturing costs from your revenue. This is how much profit you make before any costs for marketing, management and distribution are added. If the Gross Margin was less than zero then that would mean that it is not even profitable to manufacture that product let alone spend money trying to sell it.

The Gross Margin % is gross margin as a percentage of sales. Consumer durable manufacturers typically expect to make gross margins of 15-45% due to the high cost of the machinery involved, while software companies would often expect 80% or higher since most of the cost involved is people.

PRODUCT MARKETING

Product Marketing is how much money from your budget that you spent on evaluation research, agency fees and media advertising.

CONTRIBUTION

Contribution after Product Expenses is how much profit remains after your advertising expenses have been deducted from the Gross Margin. At a company level they would deduct further marketing, sales and distribution, and management expenses to arrive at the Gross Profit of your firm.

Market Research Reports

The Market Research tree item allows you to both purchase new market research, and to view any reports you have purchased previously about your product and its competitor(s):

- Market Research Overview. A memo summarizing the key information and the reports available.
- Total Market Size. The total market size last year, i.e. the prices and total sales figures of every product.
- Product Designs and Market Preferences. A report detailing magazine reviews of all products style and technical ratings in comparison to the perceived segment ideal ratings.
- Purchased Market Research Reports. Any reports that you purchased from the Purchase Research screen last year.

You should be able to interpret the all of these reports unaided.

Forecast Results

When you select the Forecast Results tree item you are given access to a series of pro-forma financial performance reports for your product for next year based on your current decisions and assuming that you meet your marketing plan's sales targets.

- Forecast Results Overview. A memo summarizing the reports available, and your current position relative to your targets.
- Forecast Product Budget Expenditure Report. This report is repeated from the Product Reports tree item head above and highlights what your remaining budget is for this year for this product.
- Forecast Product Net Marketing Contribution. Compares your forecast results for next year versus your actual results for this year so that you can review how much your current decisions are predicted to improve your product's net marketing contribution.
- Product Current Decisions. Details of all of the decisions that you have entered for next year for this product.

Except for the overview report, then content of all of these reports has been explained in earlier sections so you should be able to interpret them effectively unaided.

Forecast Product Results Overview Report

This report compares your actual results for last year versus your target results for this year.

The purpose of this report is to give you a summary of how much you need to improve your products performance this year to meet its marketing plan's sales targets.

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