

GET TO KNOW

MARKSTRAT 3

THE STRATEGIC MARKETING SIMULATION

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Strat*X

What is MARKSTRAT3 ?

MARKSTRAT3 is a simulation that has been designed for teaching strategic marketing concepts. Used in combination with more traditional training methods such as lectures, discussions or case studies, MARKSTRAT3 is a very effective tool for learning strategic concepts; such as brand portfolio strategy, and segmentation and positioning strategies, as well as operational marketing.

Just as a flight simulator allows flight crews to practice in a risk-free setting, Markstrat 3 allows students and executives to practice their skills in a concentrated amount of time before trying them out in their real business environment. New alternatives can be tested without incurring the cost or the risk of implementing them in real-life situations.

Experience-based training has proven to be the most efficient training methodology. Students must go beyond strategy formulation and implement their strategic plan through decisions at the tactical level, a challenge not provided by traditional pedagogical methods. In particular, the possibility of assessing the success or failure of marketing implementation over time is an important benefit offered by MARKSTRAT3.

Main characteristics of MARKSTRAT3

MARKSTRAT3 has been developed by Jean-Claude Larréché and Hubert Gatignon, from INSEAD, in co-operation with Strat*X, a consultancy specialised in experience-based training. The philosophy and the overall structure of the original MARKSTRAT –a twenty year success story– have been retained in the newer version.

- **Strategic Perspective.** MARKSTRAT3 has been designed for teaching strategic marketing concepts. Tactical decisions cannot be effective without first defining explicit portfolio, market segmentation and product strategies.

Marketing mix decisions are secondary to strategic decisions.

- **Long-term Perspective.** Planning is essential in MARKSTRAT3. Teams have long-term objectives and they must develop and implement strategies over a significant number of simulated years, usually from six to twelve.
- **Extensive Treatment of Competition.** Teams are in direct competition in the simulated world. Detailed market and competitive data are available, and analysis tools are provided to turn market research data into coherent information.
- **Solid Theoretical Foundations.** The MARKSTRAT3 model incorporates the latest theories of market and competitive behaviour. The model was extensively tested by academics, students and executives from many industries.

Target courses and audiences

MARKSTRAT3 can be used for a variety of courses, from one-week residential training programs for groups of twenty-five executives, to eight-week academic courses for three hundred or more students.

Courses	Audiences
Operational marketing, Marketing principles, Marketing management, Marketing strategy	Undergraduates, MBAs, Doctoral Students
Operational marketing, Building a market-focused organisation, Marketing principles, Strategic marketing, Strategic management	Cross-functions mid-level or senior managers (Finance, R&D, Production, etc.) Key account managers, Marketing department

Benefits to course participants

Going through a MARKSTRAT3 course is usually perceived as a highly demanding but very enriching experience. At the end of the course, participants will have a better understanding of the following subjects:

- **Strategic marketing concepts.** Students will be confronted with real problems and will better understand key concepts such as: the relationship between market share and profitability, the experience effect, product/market portfolios, allocation of resources, market segmentation and product positioning, barriers to entry, competitive advantage, etc.
- **Business integration.** Students will have to use the knowledge acquired in many different business courses in order to succeed fully. Topics from finance, accounting, production, economics and marketing will all have to be integrated to form a coherent course of action.
- **Marketing tools.** Students will make an extensive use of a number of marketing tools which have been built in to MARKSTRAT3: perceptual mapping, conjoint analysis, portfolio analysis, marketing planning, multiple regression analyses, etc.
- **Market and competitive analysis.** To be successful, teams will have to analyse changes in markets, anticipate the moves of competitors, evaluate different courses of action, plan long-term and secure competitive advantages.

Organisation of a MARKSTRAT3 course

Course participants are grouped in *industries*, where four to six teams of around five members are in direct competition against each other. Each team must have access to a computer, loaded with the MARKSTRAT3 *Team software*, and a printer. Similarly, the course instructor must have access to a computer loaded with the MARKSTRAT3 *Instructor software*. The new network capabilities will simplify course administration.

The instructor and the participants will usually run through six to twelve *decision cycles*, intermixed with conceptual sessions, case studies and application work. The flow of a decision cycle is depicted below.

Instructor		Teams
1. The Instructor transfers to the teams the latest industry data, produced by the run of the previous decisions or by the industry creation.	→	2. The teams load their computer with the latest industry data.
3. The Instructor helps teams to formulate and implement their strategies. S/he grants loans and budget increases if necessary.	← →	3. The teams print their company report, analyse the available market, competitive and internal data, and finally, make decisions.
5. The Instructor loads his/her computer with the team decisions, makes a financial audit, and finally runs the simulation.	←	4. The teams transfer their decisions to the Instructor.

STOCK MARKET

Firm	Stock price index	Market capitalization	Net contribution (K\$)	
	base 1000	K\$	Period 7	Cumulative
A	3 551	1 070 178	166 855	586 952
U	2 456	534 408	60 238	252 231
I	2 116	787 854	107 363	341 981
E	2 090	294 189	42 575	107 307
O	1 279	205 863	16 837	136 252

The MARKSTRAT3 Stock Market chart offers a clear picture of the financial situation of each team.

Schedule of a typical MARKSTRAT3 course

The table below shows the schedule of a typical three-day training program built around MARKSTRAT3 (assuming 1½ hours per session and 2 hours per decision cycle). Other scheduling ideas, with shorter or longer course duration, are provided in the Instructor's guide.

Day 1	Lecture/discussion: Introduction to MARKSTRAT3 Group work: Decisions for period 1
	Lecture/discussion: Operating a MARKSTRAT3 firm Group work: Decisions for period 2
Day 2	Lecture/discussion: Segmentation and Positioning Group work: Decisions for period 3
	Lecture/discussion: Marketing Plan Implementation Group work: Decisions for period 4
Day 3	Lecture/discussion: Allocating Marketing Resources Group work: Decisions for period 5

Menu bar to access specific data chart or graphics.

Navigate easily with function buttons explained with pop-up hints.

On-line context-sensitive help

Up to 12 periods.

Copy data to clipboard in Excel or Powerpoint compatible format.

Print charts or reports on any Windows-compatible printer.

Software configuration: network setting, French or English, ...

Excel-like, easy-to-read, colourful screens. more data on a singlescreen.

Red numbers signal potential problems !

INFORMATION ON SONITE MARKET - SALES AND MARKET SHARES

Firm	Brand	Volume sold				Retail sales			
		Period 6	Period 7	Change	Share	Period 6	Period 7	Change	Share
		U	U	%	%U	K\$	K\$	%	%\$
A	SACK	75 835	74 428	-1.9%	4.6%	12 589	12 429	-1.3%	2.0%
	SAMP	220 242	208 434	-5.4%	13.1%	115 003	109 553	-4.7%	17.6%
	SAP	20 000	19 000	-5.0%	0.9%	20 927	6 099	-70.9%	1.0%
	SAS	25 000	23 839	-4.9%	5.2%	25 080	23 839	-4.9%	3.8%
E	SEAL	207 367	225 326	+8.7%	14.0%	81 703	88 779	+8.7%	14.3%
	SEXY	27 497	35 685	+29.8%	2.2%	9 404	12 169	+29.4%	2.0%
	SEFA	109 175	144 593	+32.4%	9.0%	48 474	64 199	+32.4%	10.0%
I	SIGN	38 689	120 000	+210.2%	7.5%	14 160	43 800	+209.2%	7.5%
	SILK	189 769	173 187	-8.7%	10.8%	93 177	84 688	-9.1%	10.8%
O	SOAP	122 580	106 909	-12.8%	6.7%	63 006	54 951	-12.8%	8.8%
	SONG	98 144	92 219	-6.0%	5.7%	36 706	34 490	-6.0%	5.5%
	SOLO	24 837	47 663	+91.9%	3.0%	12 096	23 212	+91.9%	3.7%
U	SUCH	240 251	160 794	-33.1%	10.0%	66 309	41 485	-37.4%	6.7%
	SUMO	70 816	48 589	-31.4%	3.0%	8 356	6 608	-20.9%	1.1%
	SUBU	0	67 448	-	4.2%	0	15 648	-	2.5%
Total Sonite market		1 563 901	1 604 400	+2.6%	100.0%	606 989	621 951	+2.5%	100.0%

MARKSTRAT3 User Interface – Better than ever, simpler to use and administrate

MARKSTRAT3 software organisation

A typical MARKSTRAT3 screen is depicted above. Being based on Microsoft Windows, MARKSTRAT3 achieves a very high level of flexibility and ease-of-use. It includes modern features such as dialogue boxes, menus, tool bar, graphics, Excel-compatible charts and on-line help, but follows the same general logic as Markstrat 2, therefore representing an easy transition for users of the older software.. MARKSTRAT3 is organised in six modules.

- **Decisions.** This module is used by teams to make their decisions. It contains one easy-to-use dialogue box per category of decisions: *Brand portfolio*, *Brand marketing mix*, *Sales force & distribution*, *Market research studies*, *R&D*.
- **Results, Newsletter & Mkt Studies.** These three modules provide easy access to simulation results, such as *Stock market*, *Brand characteristics*, *Company performances*, etc. Results are presented with colourful Excel-like charts or with graphs.
- **Analysis.** This optional module provides a set of graphs on market and company results. It also provides a built-in portfolio analysis tool and additional tools using regression analysis.
- **Interface.** This module of the *Team software* serves as the interface with the course instructor, mainly to exchange data files or request loans or budget increases.
- **Instructor.** This module of the *Instructor software* is used to exchange data files with teams, to print team reports, to grant loans and budget increases, to run the simulation and to customise the amount of information available to teams.

OVERVIEW OF MARKSTRAT3 DECISIONS

Each period, the teams managing the simulated firms must make the decisions which are usually made by marketing managers. These decisions are organised in five easy-to-use self-explainable dialogue boxes such as the *Sales force & Distribution* one shown on the back cover.

- **Research & Development.** The team must interface with the R&D department to specify new research projects. Specifications encompass the physical characteristics of future products and the target unit cost.
- **Brand Portfolio.** When completed, R&D projects can be used to launch new brands, to target new segments in existing markets or to enter entirely new markets. Alternatively, teams can decide to upgrade existing brands.
- **Production, Price & Advertising.** A number of more tactical decisions must be made for each marketed brand. Teams must plan production batches carefully in order to avoid stockout while minimising inventories. Prices must be set according to the expectations of target segments. Finally, communication budgets must be allocated to marketed brands according to their position in the product life cycle, to their sales potential, etc.
- **Sales Force & Distribution.** Sales force decisions include the size of the sales force, and its allocation on distribution channel. Guidelines can also be set regarding the effort to dedicate to individual brands.
- **Market Research Studies.** More than twenty market studies can be ordered each period. Teams must select the most appropriate studies to purchase in order to avoid information overload.

A typical decision dialogue box →

As in real life, decisions must be made under budget constraints. The marketing budget of each team is set each period according to the team's past results. In addition, a time constraint can be set to emphasise the importance of group dynamics and organisational behaviour. A typical time limit for a MARKSTRAT3 decision is two hours.

	Specialty stores	Depart. stores	Mass Merchandis.	Sales Force cost
Number of salespeople	20	25	30	
SEAL	33	45	47	K\$ 834
SEXY	14	8	10	K\$ 204
SEFA	19	27	43	K\$ 612
VETI	34	20	0	K\$ 308
Total	100%	100%	100%	K\$ 1 957

Overview of MARKSTRAT3 results

New industry results are produced at each run of the simulation, just after the team decisions have been entered and collected by the course instructor. New and past results can be accessed on-line through Excel-like charts and graphs. They can also be printed in the form of three documents: the *Company report*, the *Newsletter* and the *Market research studies*.

- **Company Report.** This document contains private data on a specific company: scorecard, financial performance at the company level as well as the brand level, brand market shares, distribution coverage, status of completed and uncompleted R&D projects, cumulative financial results since the beginning of the simulation, etc.
- **Newsletter.** This document provides general information on the industry: stock market results, key performance indicators of competitor companies, economic variables (inflation rate, GNP growth rate and others), physical characteristics of marketed brands, brand sales and market shares, etc.
- **Market Research Studies.** This document contains the results of the studies which were ordered at the beginning of the previous period. Up to twenty-three studies provide the following information: brand awareness, brand purchase intentions, shopping habits, brand market shares by segment and by channel, distribution coverage, semantic scales, perceptual map, conjoint analysis, market forecast, competitive information on communication and sales forces, competitive benchmarking, marketing experiments on advertising budgets and sales force sizes.

System requirements

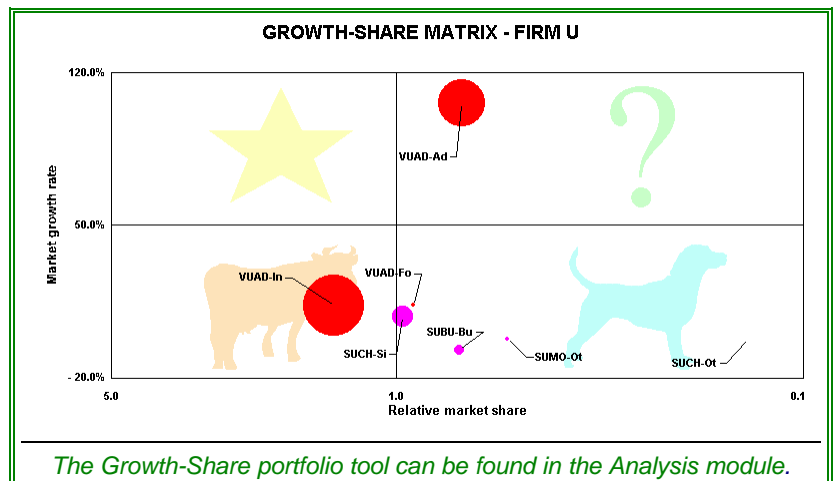
MARKSTRAT3 runs on PCs under Microsoft Windows. The minimum computer configuration required to operate MARKSTRAT3 is the following:

- IBM compatible PC;
- 486 or Pentium processor;
- 8 megabytes of memory;
- Windows 3.1, 95 or NT;
- Hard disk with at least 10 megabytes of available storage;
- Inkjet or laser printer;

MARKSTRAT3 client list

The MARKSTRAT simulations are used in over five hundred universities and business schools world-wide and have been in use since 1977. A list of the universities, business schools and corporations which have worked with us in past years includes: 3M, Coca-Cola, Columbia, Erasmus, ESADE, HP, IBM, INSEAD, LBS, MIT Sloan, Nestlé, North Western, SDA Bocconi, Stanford, Warwick, Wharton, Yale ...

How to order MARKSTRAT3



Different licenses are offered by Strat*X, depending on the program audience and type.

To determine which license is adapted to your situation or to obtain further information on MARKSTRAT3, please contact us at:

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