

# Customer Centric New Product Development

*1ZSUAo - Markstrat Evaluation Report - March 2014*

## **Group 6: RockTech**

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# Initial Situation

## Strategic market analysis

The biggest opportunity in Industry Two is a yearly average growth rate prediction of 17.3% the next five years, which means that there will always be new customers to sell to and enough room for developing a bigger customer base, selling more products and make more profit. A thread in the market is that the Explorers segment will be the only segment that is going to shrink. So it is important to not only focus on the explorers market, but focus more on the growing consumer segments. When looking at the competitors and their current primary customers, it shows that the Todd company also focuses on the same consumer segments as RockTech does. It will therefore be important to make sure our products are marketed precisely to the wishes of the different segments and make that all the potential customers have enough awareness of RockTech's brand.

## Strategic firm analysis

In the initial situation the RockTech firm had two different brands both focussing on the high-end market. The main consumer segments for Rock are Professionals, High-Earners and Explorers. In the professionals market segment Rock is the market leader with a market share of 46%, but in the High Earner and Explorer market there are competitors with higher market shares. The segment in which the other brand (Roll) is significant is the Explorers market, although it only has a market share of 13% in that specific market segment, it is the only segment where Roll has a big market.

When looking at the needs for the customers in the segments in which RockTech sells the most products, the overlapping need for High Earners, Professionals and Explorers is the demand for high-quality and high-performance products. The big difference between Explorers and the other segments is that Explorers are more focussed on getting a good price for the products that they want to buy, where the other two customer segments think the quality is more important than the price.

# Intermediate Strategy Formulation

## Firm Objectives

To make sure there was a reasoning behind the decisions that were made each year, short- and long-term goals were determined. These goals were the common thread throughout playing the game and contributed to learning as much from the game as possible.

### Long-term goals

1. Becoming and staying the most successful company on the market. Criteria for this would be having the largest market share, the largest brand awareness and making profit out of the products. By being the most successful company, the understanding of the learning material and the ability to apply this material are shown. This goal should be reached at the end of the game.
2. Becoming and staying a customer focussed company. Discover customer needs and either introduce new products or adjust existing ones to meet these needs as much as possible. This was a continuous process, since customer needs were changing constantly. This goal should also be reached at the end of the game.

### Short-term goals

1. Keeping the product ROCK a “cash cow” (according to the Boston Consultancy Group matrix): a good selling product that would cause a stable revenue, which later could be used to innovate. This goal could be reached by creating brand awareness and adjusting the product in such a way that it would fit a certain target group better.
2. Producing a successful second product that would fit customer needs and increase our market share. This can either be done by adjusting ROLL (which did not sell well at the beginning of the game) or by introducing a new product.
3. Become a broadly orientated company by investing in the future and introducing innovative products for different customer segments.

## Strategy Formulation

In order to reach the company's goals, decisions had to be made for each period. These decisions were made based on the learning material, the results from the previous week, the theory in the Participant Handbook and discussions by the team. The most important decisions for each week are listed below, including how they contributed to reaching the determined goals.

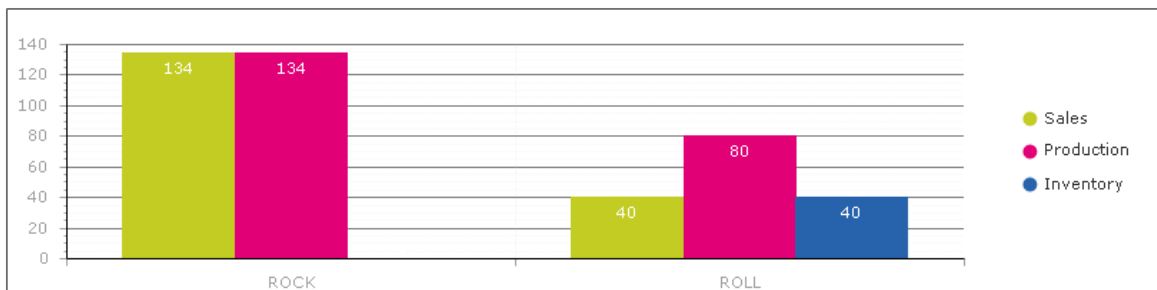
### Week 1: getting to know the market

#### Production Report – Firm RockTech – Period 0

The report below provides with information on production levels and production costs for each of the brands marketed in Period 0.

##### Sales, Production and Inventory

The chart below shows the units sold, the production level and inventory level for each of your brands at the end of Period 0. All numbers are given in thousands of units.



The table below provides you with additional details such as planned production versus the actual one, and the inventory levels at the beginning and at the end of Period 0. All numbers are given in thousands of units.

	ROCK Sonites	ROLL Sonites
Units sold	134	40
Production Plan (your decision)	150	100
Production	134	80
Inventory at beginning of period	0	0
Inventory at end of period	0	40

It was immediately clear that ROCK was the successful product of the company. Everything that was produced, was also sold. It was one of the top selling brands and also the brand awareness was high. Since the Sonites market would grow, there was decided to produce slightly more of ROCK than in the previous period. Only half of the production of ROLL was sold, yet the brand awareness was approximately sixty percent. Decided was to buy a Multi Dimensional Scaling report in order to see on which target groups ROCK and ROLL were focused and thus to better meet the needs of the customer. For ROLL this would either mean adjusting it to fit to a certain target group, or deciding to stop the production and start a new product.

## Week 2: new target group

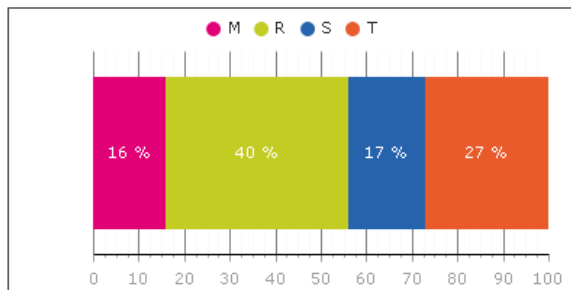
Perceptual Map – Economy X Convenience



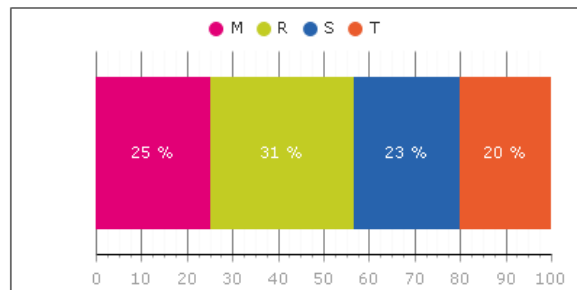
Again, ROCK was sold out while there were still thirteen thousand ROLLS in the inventory. However, this time the MDS report gave insights in the position of the products on the market. For ROCK, the decision was again made to increase production, since everything was sold and the Sonites market was still growing. In this way, the goal of becoming the most successful company could be reached. Notable was how no company came close to the Shoppers segment in the MDS, while this segment was a rapidly growing target group. Goal was to make a successful second product, which ROLL was not. Decided was to stop ROLL and introduce a new product focussed on the Shoppers market. The product characteristics were based on SOLO, which was close to the Shoppers according to the MDS.

## Week 3: largest market share

Value Market Shares



Unit Market Shares



The market share of RockTech was the largest, both in value and units market share. Also, ROCK had the largest brand awareness for the segments that it was focussed on: Professionals and High Earners. Being the most successful company on the market was now a reality, but it was important to keep it that way. This could be done by changing the brand perception so it would fit the targeted customer segments even better and by increasing the advertising for these customer segments. Decided was to introduce ROFL, a Sonites product focused on the Shoppers. To launch this product successfully, much money was spend on advertisement.

#### Week 4: time to innovate

##### **R&D projects – Vodites Market**

The table below lists the projects which the R&D Department will develop in Period 7

Project	Budget	Is Feasibility ?	Is Min. Cost ?	Desired Cost	Resolution	Energy	Carbon	Connectivity	Apps
PERIPPED	10,090	False	True	0	60	60	20	6	60

(1) . From 20 to 100; (2) . From 10 to 100; (3) . From 5 to 50; (4) . From 3 to 10; (5) . From 5 to 100;

##### **Online Query – Vodites Market**

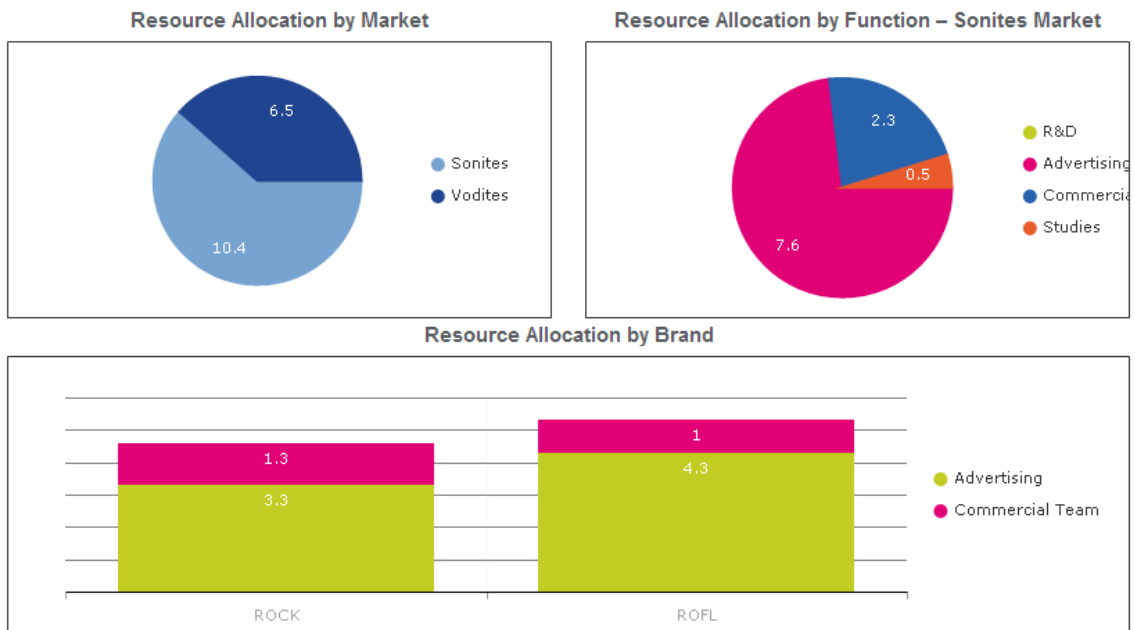
The table below lists the online queries made to the R&D Department while making Period 7 decisions

Project	Desired Cost	Resolution	Energy	Carbon	Connectivity	Apps	ReqBudget	MinUCost
PERIPPED	0	60	60	20	6	60	10,090	279

(1) . From 20 to 100; (2) . From 10 to 100; (3) . From 5 to 50; (4) . From 3 to 10; (5) . From 5 to 100;

Two products were successful and very close to the customers needs (ROCK for the Professionals and High Earners, ROFL for the Shoppers). Time to look at the third short-term goal: start innovating and become a broadly orientated company. The two successful products were a good basis to start a new project in the Vodites market. Here the planning could have been better, since there was not any research available about the Vodites market. Therefore the product characteristics were based on discussions with the group.

## Week 5: introducing REROCK



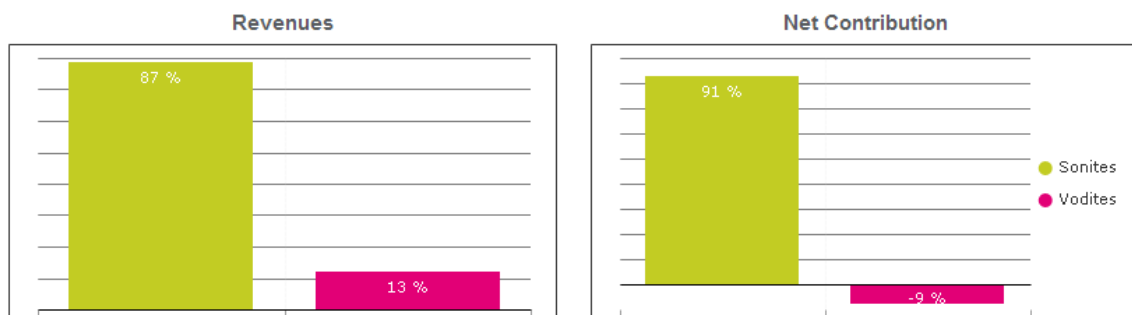
In this week, there decided to increase the advertisement costs for ROCK and ROFL, in order to keep the brand awareness high. It was also possible to introduce a new product in the Vodites market: REROCK.

## Week 6: keeping up the good work

### Market Contribution

The table below shows a comparison of the net contribution generated by the 2 markets where firm RockTech is marketing products.

	Sonites	Vodites
Revenues	157,553	24,159
Cost of goods sold	-64,314	-25,394
Inventory costs	-7	0
<b>Contribution before marketing</b>	93,233	-1,235
Advertising expenditures	-7,600	-5,500
Commercial team costs	-2,393	-624
<b>Contribution after marketing</b>	83,239	-7,359
Market research studies	-507	-436
Research and development	0	0
<b>Net contribution</b>	82,732	-7,795



Everything that was produced for REROCK was sold and the market share on the Vodites market was 63%. Two goals were reached at the same time: being a broadly

oriented company and being the most successful in the market. However, the company lost money on REROCK, even though everything was sold. According to the Participant Handbook, this was a normal phenomenon. Decided was to increase the price of REROCK with 10% to compensate for the loss that was made.



## Future Outlook

For the past six years the company focused on being the market leader when it comes to products on the Sonites market for Professionals and Shoppers and to become the overall market leader in the Vodites market. Hence this is a vast growing new market it's important to be represented as a company in the Vodites sector.

### Future Sonites market

Concerning ROCK, the top selling brand, it's important to be aware of the possible danger from the company T with the brand TONE. This brand can (according to the Perceptual Map of the Multidimensional Scaling of last year) become a danger to our established market of ROCK within the Professional and High Income segments of the total market. ROCK is now a mature brand and there is a balance between sold products and produced products. To keep Rock a top selling brand it may be necessary in the future to tweak a bit with the specifications of the product and to keep an eye on the development of the brand TONE from the company T.

The brand ROFL of the company has also become a top selling brand during the last years according to the industry dashboard. It's a brand that's currently focusing on the Shoppers. The company M with their brand Moon is also focusing on the Shoppers segment, that's why it's very important to keep a step ahead of Moon since they are a thread to our market.

### Future Vodites market

REROCK is our top selling brand in the Vodites market. Currently the production and the number of sold products has found a balance, though, since this Vodites market is growing very quickly there is a chance that the production of REROCK should be increased over the next couple of years. REROCK is still making a loss for the company, but when the market will grow (as expected) REROCK will eventually provides more income than expenditure. The selling price for this product will also be increased the upcoming year. The competition in this market is currently very low, according to the Multidimensional Scaling Perceptual Map . REROCK is still focusing

on all three customer segments within this market. Looking at the future it may be necessary for the brand REROCK to specify to the needs of a specific customer segment, since there is a decent chance other companies will follow our lead and also introduce new brands in the Vodites market.