Marketing and Sales Simulation in the FMCG Retailing Context

SALES DEPARTMENT - Company B

The Marketing Simulation Game that you are going to play imitates the real-life decision-making process within a company and the company's communications and negotiations with its retailers.

The class will be divided to six teams:

1. Company A Sales Department	3. Company B Sales Department
2. Company A Marketing Department	4. Company B Marketing Department
5. Retailer C	6. Retailer D

The teams must be consisted of at least 3 members each. Therefore, the Game can be played in classes that have a minimum of 18 students.

The Game will have 3 rounds.

INTRODUCTION

- The Game will have two winners: one manufacturer (including both the company's marketing and sales teams) and one retailer. That is, Company A competes against Company B and Retailer C competes against Retailer D.
- The Sales and the Marketing teams should cooperate to reach decisions after discussion.
- To avoid the "cartel case" the two retailers are not allowed to communicate. They are rivals and any form of cooperation is not acceptable.
- Each company sells two brands, Premium and Normal.
- In the potato chips market, there are quality seekers buying the premium potato chips and normal consumers that buy the normal brand.
- Quality Seekers are focused on the quality and for them a relatively high price is not relevant. Some of the quality seekers are loyal to a brand while some of them are brand switchers.
- Investments in advertising cause brand switching and it is the way to increase company's market share.
- Normal consumers are price sensitive and advertising to attract them is not effective.
- If a manufacturer (Company A or Company B) produces more units than it can sell, the profit margins are diminished.
- Sales Department executives that manage to sell more product units will receive a higher bonus.
- Sales Department Negotiates with both the retailers and thus decides about the final price and quantities sold to Retailer A and Retailer B.

INSTRUCTIONS FOR ROUNDS 1, 2 AND 3

You work for Company B's sales department. You have to sell the Premium and Normal Chips units to the two biggest retailers of your market, Retailer C and Retailer D.

- The demand for Company B's Normal potato chips bags sold by Retailer C is:

- $\hat{q}_{BC}^N = 50{,}000 - 45{,}000p_{BC}^N + 25{,}000\ p_{AC}^N + 2{,}000p_{BD}^N + 1{,}000p_{AD}^N$
- The demand for Company B's Normal potato chips bags sold by Retailer D is:

- $\hat{q}_{BD}^N = 50{,}000 - 45{,}000p_{BD}^N + 25{,}000\ p_{AD}^N + 2{,}000p_{BC}^N + 1{,}000p_{AC}^N$
- The demand for Company B's Premium potato chips sold by Retailer C is:

- $\hat{q}_{BC}^P = 20{,}000 - 1{,}000p_{BC}^P + 100\ p_{AC}^P + 10p_{BD}^P + p_{AD}^P + (I_B^P - I_A^P)$
- The demand for Company B's Premium potato chips sold by Retailer D is:

- $\hat{q}_{BD}^P = 12{,}000 - 1{,}000p_{BD}^P + 100\ p_{AD}^P + 10p_{BC}^P + p_{AC}^P + (I_B^P - I_A^P)$
- Variables

$\hat{q}_{BC}^N$	Quantity demanded of Company B's Normal chips sold by Retailer C
$\hat{q}_{BD}^N$	Quantity demanded of Company B's Normal chips sold by Retailer D
$\hat{q}_{BC}^P$	Quantity demanded of Company B's Premium chips sold by Retailer C
$\hat{q}_{BD}^P$	Quantity demanded of Company B's Normal chips sold by Retailer D
p_{AC}^N	Price of Company A's Normal chips sold by Retailer C
p_{BC}^N	Price of Company B's Normal chips sold by Retailer C
p_{AD}^N	Price of Company A's Normal chips sold by Retailer D
p_{BD}^N	Price of Company B's Normal chips sold by Retailer D
p_{AC}^P	Price of Company A's Premium chips sold by Retailer C
p_{BC}^P	Price of Company B's Premium chips sold by Retailer C

p_{AD}^P	Price of Company A's Premium chips sold by Retailer D
p_{BD}^P	Price of Company B's Premium chips sold by Retailer D
I_A^P	Company A's investments in advertising of Premium chips
I_B^P	Company B's investments in advertising of Premium chips

- The production cost for Normal Chips is 0.5€ and 0.85€ for Premium Chips.
- Your Company B and your rival, Company A, cover 100% of the market demand.
- The marketing department will inform you about the amount of Normal chips and Premium chips available for the upcoming season. They will also inform you about recommended prices for both brands.
- You are then responsible to negotiate with both retailers and agree on prices and amounts sold.
- You as a sales department have to determine the price for Premium and Normal potato chips.
- The Price of Premium Chips should be between 1 and 4 Euros, while the Price of Normal Clips will be between 1 and 4 Euros.
- Your bonuses are based on the amount of chips sold during the upcoming season.

After a discussion with your colleagues from the marketing department regarding their season decisions for investments in product advertising and the production of potato chips bags' units, proceed to negotiations with the two retailers about the price and the quantities of your products to reach an agreement.

Round 1		
Product	**Quantity**	**Price (Between 1 and 4 Euros for normal chips and between 1 and 4 Euros for premium chips)**
Normal chips		
Premium chips		

Signature of Company B Sales Director   Signature of Retailer C

Round 2		
Product	**Quantity**	**Price (Between 1 and 4 Euros for normal chips and between 1 and 4 Euros for premium chips)**
Normal chips		
Premium chips		

Signature of Company B Sales Director   Signature of Retailer C

Round 3		
Product	**Quantity**	**Price (Between 1 and 4 Euros for normal chips and between 1 and 4 Euros for premium chips)**
Normal chips		
Premium chips		

Signature of Company B Sales Director   Signature of Retailer C

Round 1		
Product	**Quantity**	**Price (Between 1 and 4 Euros for normal chips and between 1 and 4 Euros for premium chips)**
Normal chips		
Premium chips		

Signature of Company B Sales Director   Signature of Retailer D

Round 2		
Product	**Quantity**	**Price (Between 1 and 4 Euros for normal chips and between 1 and 4 Euros for premium chips)**
Normal chips		
Premium chips		

Signature of Company B Sales Director   Signature of Retailer D

Round 3		
Product	**Quantity**	**Price (Between 1 and 4 Euros for normal chips and between 1 and 4 Euros for premium chips)**
Normal chips		
Premium chips		

Signature of Company B Sales Director   Signature of Retailer D