Marketing and Sales Simulation in the FMCG Retailing Context

RETAILER C

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.
- Retailer's profit is calculated as follows: Negotiated price* Negotiated Amount of each of the four potato chips brands* 0.1 (0.1 is the profit margin of both retailers for all markets).

INSTRUCTIONS FOR ROUNDS 1, 2 AND 3

You represent the purchasing department of Retailer C. Your company is one of the two biggest retailers in the market along with your competitor Retailer D. The overall success of your company lies in good purchasing decisions like the ones that you have to take for the Potato Chips category in your store.

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

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

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

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

- $\hat{q}_{BC}^P = 20{,}000 - 1{,}000 p_{BC}^P + 100\, p_{AC}^P + 10 p_{BD}^P + p_{AD}^P + (I_B^P - I_A^P)$
- Variables

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

- Your success is measured based on good price and quantities per product.
- You can independently decide on how many product units will buy from each manufacturer.
- Both companies create Normal and Premium potato chip bags. The Company A's and Company B's normal bags are very similar, the same applies to the Premium chips.
- In order to outperform your rival your success is measured based on your score as retailer that is calculated based on the overall costs of the units purchased (price*quantity).
- Your overall score will be calculated after the end of all three rounds.

You are going to have two rounds of negotiations with the two companies' sales department representatives, Company A and Company B.

The price per product (Normal and Premium) as well as the quantity that you are going to buy from each manufacturer will be decided after your negotiations with them.

You should take decisions based on the best offer, adjusting your quantities accordingly without exceeding the total market demands.