

# OSTROM

Mannerheimintie 20  
00100 Helsinki  
Finland

## **Board of Executives:**

Participant Name 1  
Participant Name 2  
Participant Name 3  
Participant Name 4  
Participant Name 5

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## 3.1 INTRODUCTION

Market2Win presents participants the real-world situations of a corporate environment with the safety of a community of learning and growth. Developed by Edmund Bradford and Professor Malcolm McDonald the Market2Win simulation takes a well-rounded approach to teaching keys to marketing and business. In this simulation students were afforded the opportunity to plan, target, and implement our marketing strategy.

In our simulation we faced five teams made up of students from our class. Our goal was to generate and maintain revenue and profit. Our achievements were based on the figures in our final period. Throughout the game we were required to make decisions for each of the six Periods which represented six months. Our early decisions were crucial as they set up a solid foundation which our team would later need to maintain profitability later on in the simulation. With a combination of a strong market strategy and collective focus and effort as a team we hoped we could beat the competition and become the best players in our simulation, Game 3.

### 3.2 BACKGROUND

Our marketing team was made up of three sophomores and one junior. Three of the students were in the College of Business, with majors of Supply Chain Management and Marketing. One of the team members was in the College of Communications, majoring in Public Relations. As a team we felt like we had a good balance and would be able to view our marketing plans and decisions from different perspectives. We feel these different perspectives would give our team a distinct advantage that would be difficult to replicate.

In Game 3 our team was assigned to Ostrom. As we learned from our website, Ostrom is a Finnish company based out of Helsinki. According to the website, Ostrom “has always led the way in manufacturing products in a sustainable way and which are themselves kind to the environment.”, we also learned Ostrom focuses the consumer experience, making use of global road shows, showcase classes, partnerships with design and technology, and global workshops. Our key takeaways focused on Ostrom’s commitment to the customer experience as well as its dedication to environmental sustainability. With the information we gathered, our team decided to create a marketing strategy around Ostrom’s core principles.

### 3.3 MARKETING STRATEGY

As a team we went into the game acknowledging the warning Professor Edmund Bradford, “we can’t be good at everything”. With this in mind we tried to figure out what segments to focus on. We did this by looking at Ostrom as a company and the purchase of research reports. As previously stated Ostrom is a Finnish company with a focus in customer experience and environmental sustainability. From the reports we gathered information on what markets were profitable, when, and what our competition looked like.

Our main goal was to lead the segments we felt were suited best for us, while fighting to be in the second or third position in segments we weren’t so strong in. For example, our team felt it was in our best interest to target Electrical Systems, Maintenance, and later in the simulation Energy Recovery. Within those segments we heavily invested three areas, Cost Control, Quality of Product/ Service, and Supplier Relationship. We felt confident that by sticking to our corporate values we would excel in those areas and lead to profitability.

Along with targeting the product segments we heavily targeted the European Union. As a Finnish company we saw the European Union as a natural fit where we could gain some “home field advantage”. We also decided to invest in segments in the United States. Our decision to invest in the United States was a direct result of the Research Reports that we had purchases. We noticed that we were unlikely to face fierce competition in the United States and hoped that we could control the top on second to top position in the United States. We also invested money in China and Japan as a way to see how we might do in those markets.

In terms of Product Segments, we used the selective specialization strategy. From the beginning we decided to heavily invest in certain products while putting other products on the backburner. However, in terms of geographic planning we considered this to be full coverage strategy, investing in markets globally.

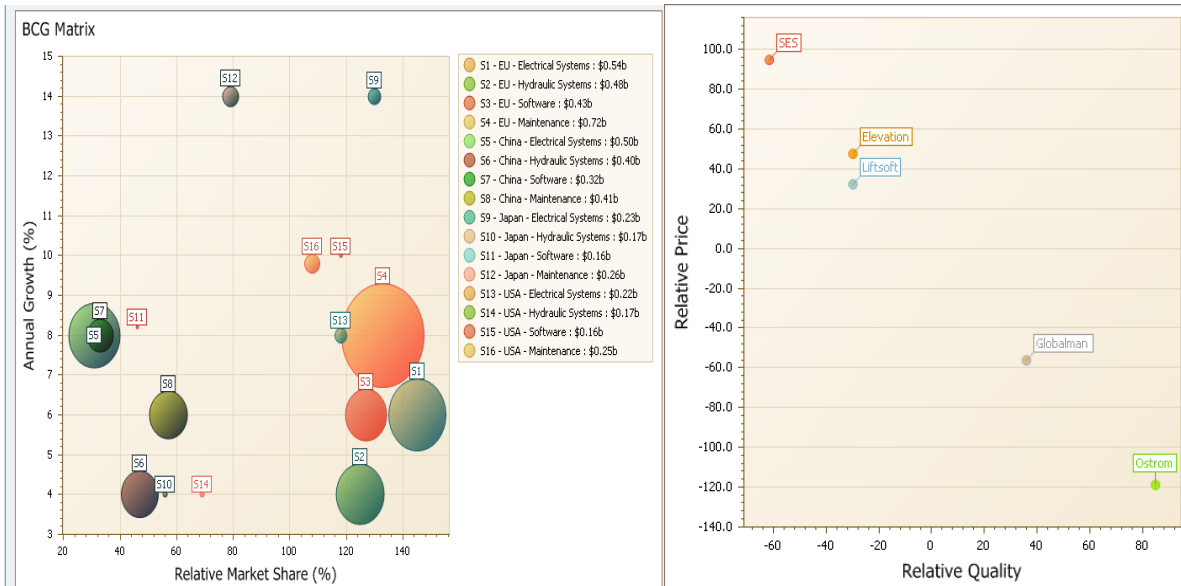
By focusing on Electrical Systems, Maintenance, and Energy Recovery our team felt that we had set up a solid foundation. We viewed these three products as our competitive edge. In the long term we planned and hoped that these three categories would be our “bread and butter”, areas that we are dominant in and would provide us with sustainable profit throughout the game.

Equally we used our geographic coverage as a “back up” plan. We wanted to invest everywhere geographically early that way we could easily jump into any market without having to worry about playing catch up with our competitors. Our thought was that it is much easier to start in a market and back out as opposed to not starting in a market and trying to jump in.

#### 4.4 IMPLEMENTATION

Early in the simulation our team saw extremely positive returns on our planning. For example, in Period 2 we controlled 8 of the 16 segments including three of four in the electrical systems, four of four in the European Union, three of four in the United States. However, we felt we had to improve our positions in Maintenance as we only held two of the four, which we felt was disappointing as it was one of our main focuses. Yet, overall, we had reason to smile as we were the top earners, earning a third more than our next closest competitor. Profit aside the 8 of 16 segments represented our solid foundation that was so vital to our marketing strategy and planning. Into Period 3 our goal was to simply maintain what we had and no over expand.

Our plan to maintain our position in Period 3 worked as scripted. We kept a hold of all the segments we controlled and even managed to move up a few spots into second and third in other segments. Again, we had reason to smile as our profits more than doubled the next closest competitor. However, upon looking at our value map we realized that our relative quality was scoring much better than our relative cost. Heading into Period 4 we focused on cost control in hopes of making the value map more balanced. We also used the BCG Matrix to make decisions on what areas to put more money into and what areas we should move out of. We saw that almost everything from the European Union and United States was either in the “Cash Cow” segment (High Market Share/Low Growth) or the “Star” segment (High Market Share/High Growth). Meanwhile almost everything from China and Japan was in the “Dog” segment, except for Japan Electrical Systems.



With our lackluster performance in China and Japan we made the decision to divest from those markets. We pulled a majority of our money out except in the segments where we were strong. According to the research reports Period 4 was set to have a slowdown in most markets. As we expected a slowdown, we again put money into our “bread and butter” areas in hopes of maintaining profitability. Period 4 also brought in the introduction of India as a new market and Energy Recovery in Europe as a new product segment. As we had achieved success in both Electrical Systems and Maintenance in other segments we decided to invest in those segments in India. Also, as a green company we felt that we could make money in Energy Recovery and since it was in the European Union, we felt we had a strong advantage. While we maintained high profits, SES who was last in Period 3 shot up to Period 4. The rapid rise of SES in such a short time concerned us. We attribute the success of SES to higher sales and a greater Return on Sale. Period 4 was where the playing field really evened out. Our team felt it was important to keep a closer eye on the competition.

Period 5 represented the teams greatest slip up. As we left a divested from China and Japan our competitors took full advantage. We lost four of the ten top segments we held in Period 4. This loss was made worse by the slow of growth in our key areas like electrical systems and a slowdown in the European Union. However, our team felt we weathered the storm as we were still top earners in our simulation with a little growth from Period 4 to Period 5.

In Period 6 the team decided to be extremely bold. We used our whole budget in Period 6 heavily investing in our strongest segments. We also changed some market entry strategies in hopes of getting more for our money even if it meant taking on more risk. We hoped that our early focus of Maintenance and Electrical Systems, along with the addition of Energy Recovery would carry us to victory. In the end that was the correct decision as our profits shot up and we maintained the top profit spot.

	Electrical Systems	Hydraulic Systems	Software	Maintenance	Energy Recovery	Key To Competitors		
EU	€107,027	€91,116	€73,604	€152,047	€15,995			
China	C¥163,168	C¥26,188	C¥0	C¥51,829	C¥0	Elevation	Globalman	Liftsoft
Japan	¥5,503,318	¥1,430,186	¥788,436	¥4,980,750	¥0	Ostrom	SES	
USA	\$44,572	\$24,753	\$31,819	\$54,561	\$8,100			
India	IR4,174,695	IR0	IR0	IR1,074,864	IR1,599,500			

Sector	Product	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7
EU	Electrical Systems	\$200	\$1,875	\$1,800	\$1,000	\$1,290	\$1,371	\$1,371
	Hydraulic Systems	\$200	\$1,500	\$1,450	\$1,125	\$1,125	\$1,125	\$1,125
	Software	\$200	\$800	\$475	\$475	\$800	\$605	\$605
	Maintenance	\$200	\$1,795	\$1,775	\$1,925	\$1,925	\$2,104	\$2,104
	Energy Recovery				\$1,000	\$1,120	\$1,148	\$1,148
China	Electrical Systems	\$200	\$165	\$165	\$240	\$580	\$580	\$580
	Hydraulic Systems	\$200	\$165	\$165	\$0	\$0	\$0	\$0
	Software	\$200	\$165	\$165	\$0	\$0	\$0	\$0
	Maintenance	\$200	\$245	\$245	\$0	\$0	\$0	\$0
	Energy Recovery						\$0	\$0
Japan	Electrical Systems	\$200	\$475	\$475	\$405	\$405	\$505	\$505
	Hydraulic Systems	\$200	\$200	\$200	\$175	\$175	\$155	\$155
	Software	\$200	\$200	\$200	\$175	\$175	\$175	\$175
	Maintenance	\$200	\$620	\$620	\$620	\$620	\$640	\$640
	Energy Recovery					\$0	\$0	\$0
USA	Electrical Systems	\$200	\$835	\$835	\$835	\$835	\$835	\$835
	Hydraulic Systems	\$200	\$620	\$600	\$350	\$350	\$350	\$350
	Software	\$200	\$600	\$250	\$250	\$250	\$250	\$250
	Maintenance	\$200	\$1,040	\$1,225	\$1,612	\$1,612	\$1,612	\$1,612
	Energy Recovery					\$715	\$715	\$715
India	Electrical Systems				\$270	\$495	\$710	\$710
	Hydraulic Systems				\$0	\$0	\$0	\$0
	Software				\$0	\$0	\$0	\$0
	Maintenance				\$300	\$300	\$300	\$300
	Energy Recovery						\$325	\$325
Reports		\$0	\$3	\$0	\$0	\$0	\$0	\$0
Budget	Spent in Period	\$3,200	\$11,303	\$10,645	\$10,757	\$12,822	\$13,505	\$13,505
	Allowed in Period							\$16,616
	Remaining in Period	\$6,825	\$5,548	\$76	\$41	\$341	\$0	\$3,111
	Spent in Year		\$14,503		\$21,402		\$26,327	\$13,505
	Allowed in Year		\$20,051		\$21,443		\$26,327	\$33,232
	Remaining in Year		\$5,548		\$41		\$0	

## 6.5 CHANGES

As a group we were very pleased with the outcome of the simulation. We achieved our goal of being top earner. We felt like we spent our money wisely and took full advantage of the opportunities we had. Due to our success we see very few areas where we would like to change. The only area we as a group felt we could have done better on was the Return on Investment. Despite our great profits we finished second in ROI at around 10%. On the one hand it speaks to our ability to maintain sales and market share and hold the highest spot. However, we felt with a high ROI we could have earned even more profit.

## 6.6 GROUP DYNAMICS

The group worked as a very cohesive unit throughout the entire simulation. From the moment we became a team, to the final period, our team functioned the best as one could hope. We did a great job of communicating throughout the simulation. We took time out of our day to meet with each other at least once a week, if not more, to discuss decisions. We met a few days before the decisions for any given period were due. This way, we gave ourselves enough time to think about each decision and allowed us to thoughtfully make the decisions. All our team members contributed and voiced their opinions regarding what they believed the best next step would be for our company. Our team had created a culture of open-mindedness, which allowed

for everyone on the team to not be afraid to voice their opinions. Every member in our team was extremely dedicated to the success of our company in the simulation and took it very seriously. We treated the simulation as if it was real-life and it allowed us to be successful because we analyzed every aspect of a decision before making one. Our team communicated and worked extremely well together which allowed us to be successful in the simulation.

## 7.7 LEARNING OUTCOMES

After reflecting upon the experience of being able to participate in this marketing simulation, we drew valuable lessons that will benefit us in the future. Not often in college do we get to work with groups in class, working as a group on this project we recognized that communication is the base for all success. Another way in which we were able to grasp the scope of the real world is how quickly changes can happen in a market segments and the need for adaptation along with consistently staying updated on market conditions.