The Secret to Capsim Success

it’s all about the sweet spot...

Presented By Team Andrews: Brad White, Tim Fish, Christina Vance, Stephanie Bogan, & Anthony Vatterott
Vision Statement

To design and manufacture the world’s most cutting edge electronic sensors. To outperform and eliminate the competition in every segment of the market place. To triumph Team Andrews as the monopolistic company it once was.
Team Approach (Cont’d)

- Forecasting & Production
- Critical Investments
- Capital Acquisition
Team Approach (Cont’d)

• Strategy
  – Broad Differentiation
    • Presence in every segment (check)
    • Excellent design (5 of 5 segments)
    • Highest awareness (5 of 5 segments)
    • Easiest accessibility (3 of 5 segments)
    • Cutting edge R&D (3 of 5 segments)
    • Higher prices (1 of 5 segments)
    • Capacity expansion (3 of 5 segments)
Team Approach (Cont’d)

- Forecasting & Production
  - Calculated unit demand by grow rate and multiplied against the leading potential market share leader
  - Aggressively added 25% additional inventory against every sales forecast
  - Increased capacity referencing previous years demand
Team Approach (Cont’d)

• Critical Investments
  – Plant and Equipment
    • Cost YTD = $583M, 121% > competition
  – Total Quality Management
    • Started out very aggressive
  – Leveraging
    • Outstanding shares = 4.0M, 19% > competition
    • Long Term Debt = $125.7M, 35% > competition
Team Approach (Cont’d)

- Capital Acquisition
  - Leveraged stock and L-T debt
    - Maximized common stock in early years
    - Minimized long term debt
  - Never utilized current debt
What Went Right (Cont’d)

• Maximized capital expenditures by issuing max amount of stock, then investing capital in Plant, Automation & TQM
• Ensured leading edge in high performance, high end, and size categories
• Maintained a high margin while offering high quality at low cost.
What Went Right (Cont’d)

• Introduced a new product early in the simulation (Awesome), gaining extra market share in high end segment.
• Maintained a low end product with high production capacity (over 7000 units) and very low production costs, offering significant profits.
What Went Right (Cont’d)

- Developed a process utilizing all members strengths (Marketing, Technical, Engineering, Sales, Production) to make efficient decisions
- Analyzed competitors’ decisions and strategized not only on internal processes, but also hedged against the moves of other companies by being the first to market, best offering, and with high accessibility
What Went Right (Cont’d)

• Took early risks and took out long term debt, then paid off debt with increased sales, then made more conservative moves in later rounds to maintain lead
• Maximized TQM, Sales budget and Automation as soon as possible
• Capitalized on losing companies exiting markets to gain market share
What Went Wrong

- R&D - In every round, we may have exceeded the consumers expectations by having a MTBF that was too high on the Low End & Traditional products.

- R&D - In the later rounds, revision to existing products took several months due to highly automated productions lines resulting in mid-year Revision Dates.

- R&D - Also in the last few rounds, we failed to capitalize on the fact that the Size Market had the fewest products and was still a growing market.

- Marketing - In Round 1, products were released with very low Sales and Promo Budgets, giving Team Andrews the smallest % of overall Market Share.
What Went Wrong (Cont’d)

- Production-In Round 1, we invented a High-End product, “Awesome”, in R&D but did not purchase capacity/automation in Production so the product didn’t hit the market until Round 3.

- Finance-In Round 4, we had a $16 million Emergency Loan due to large carrying costs for Able (traditional).

- Forecasting-In Round 6, we again struggled with forecasting and suffered $29 million in carrying costs for Able.
Recommendations

• Have a panel of Webster MBA graduates act as a venture capital firm and award VC money based on results after rounds 2 & 6.

• Block out pro-forma Balanced Scorecard as sometimes our decisions were changed based on measurement and not what our strategy was.

• Have a pre-grade option that would allow teams to send in their decisions to CAPSIM for a review and recommendations before official submit.
Recommendations (Cont’d)

- Make winners not required to complete COMP-XM as part of their victory.
- Allow winning team (and all teams) to volunteer as graduate assistants to next class.