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Departamento de Economía, Administración y Mercadología

MAESTRÍA EN ADMINISTRACIÓN



FINAL REPORT: BALDWIN COMPANY DEGREE BY "CAPSIM BUSINESS SIMULATIONS"

Trabajo recepcional que para obtener el grado de

MAESTRO EN ADMINISTRACIÓN

Presenta:

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Strategy of Baldwin Company

The strategy defined before year 0 for Baldwin Company was focused on the high technology segments.

- ▶ High End
- ▶ Performance
- ▶ Size

The executive Board decided to increase the R&D in these market segments during the years, to establish the products in the top of the market share.

In the other hand, the segments of Traditional and Low End were decided to take out from the market gradually during the years. Therefore was decided not to invest in R&D in these segments.

New products had to be launched during the first years in the High End, Performance and Size segment and also position them in the market. It wasn't defined from the beginning how many products and in which segment should be developed. The executive Board decided to wait until the first years finished, with the objective of detect market opportunities.

Furthermore, the company will gain a competitive advantage by distinguishing its products with an excellent design, high awareness, easy accessibility and new products.

The company decided to develop an R&D competency that keeps designs fresh and exciting. Products will keep pace with the market, offering improved size and performance.

R&D and Marketing department were defined as the core columns of the structure of Baldwin to achieve the strategy.

Strategy Analysis

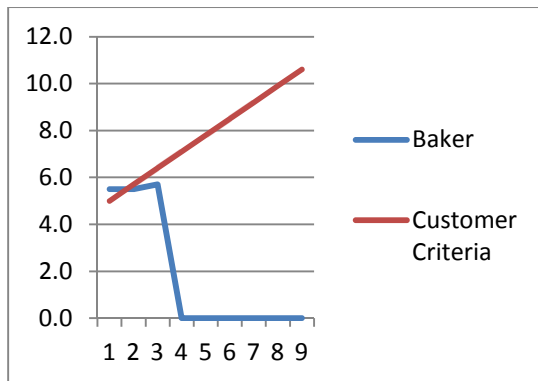
In this section of the Report, there will be described an analysis of the execution of the strategy during the years. With this analysis, the executive board has the complete picture to determine if the strategy defined from the beginning was really followed and if it was a success at the end of the simulation.

The analysis is focused in the most important departments, Research and Development and Marketing and divided by the 5 segments of the products.

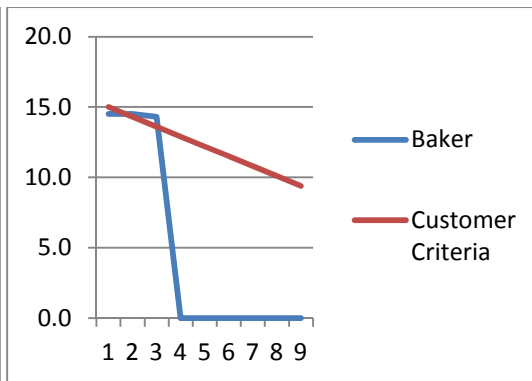
Traditional Segment

Research and Development

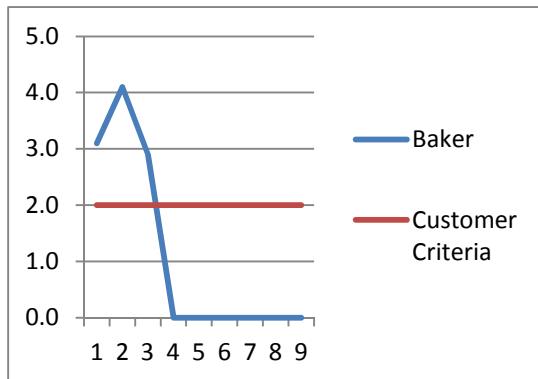
Performance



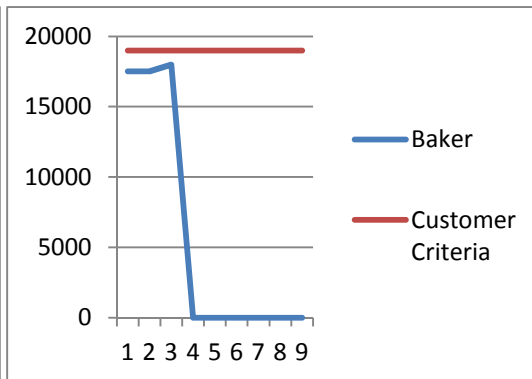
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Age



Reliability

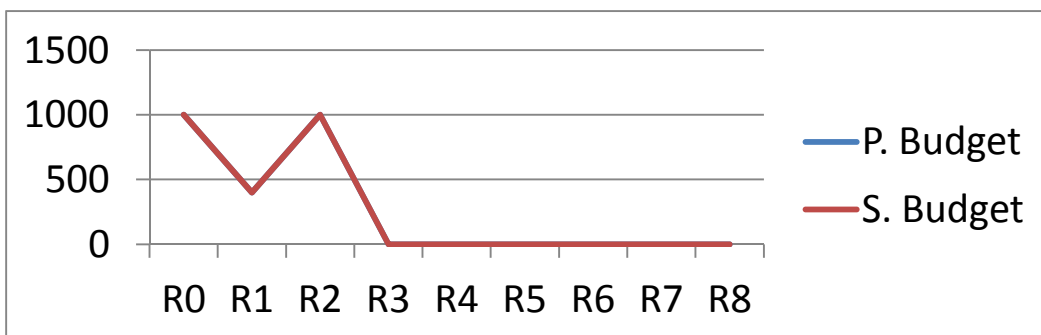
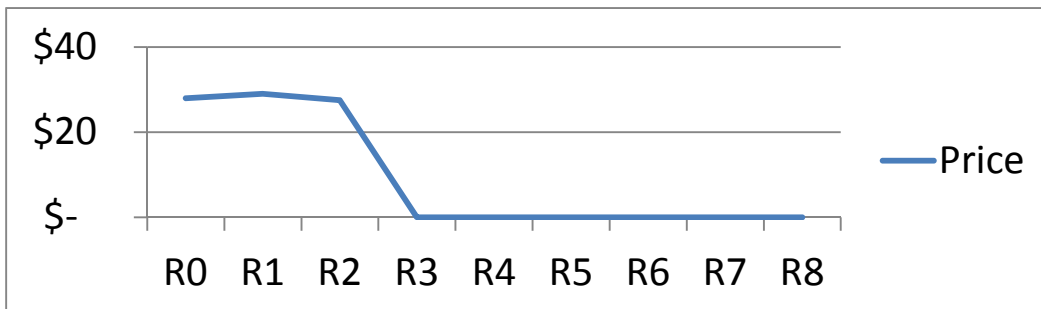
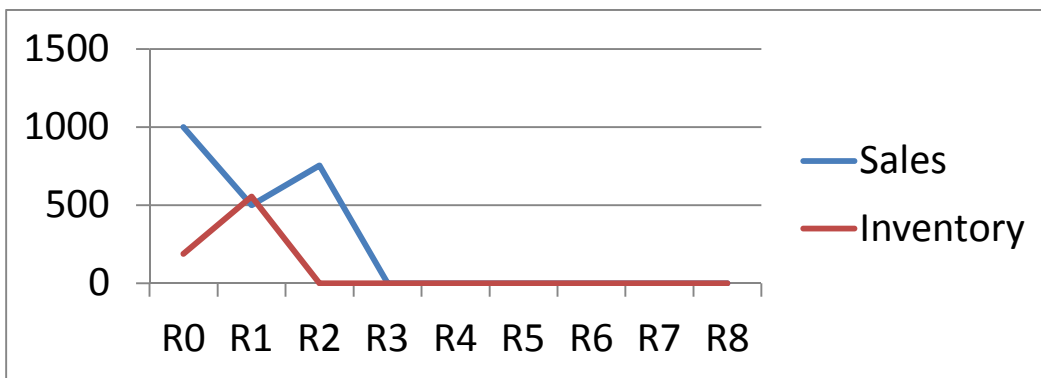


According to the strategy, traditional market wasn't one of the Baldwin's market objectives. In year 3 Baldwin decided to eliminate the Baker product, to concentrate on High Technology segments.

There was no investment in R&D on this product to avoid unnecessary costs.

Marketing

Baker

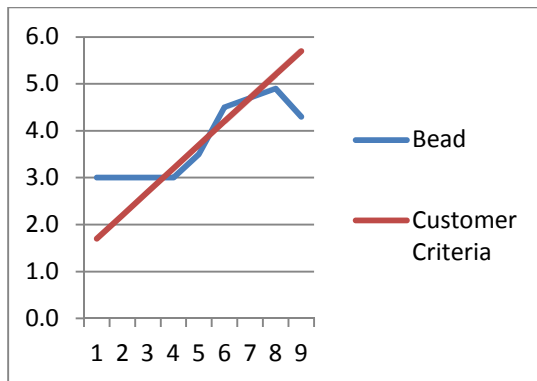


Baker was the product that from the beginning was decided to take out from the market. For 3 years, the product remains with some sales to eliminate the inventory and also maintain some revenue meanwhile the new products where in development.

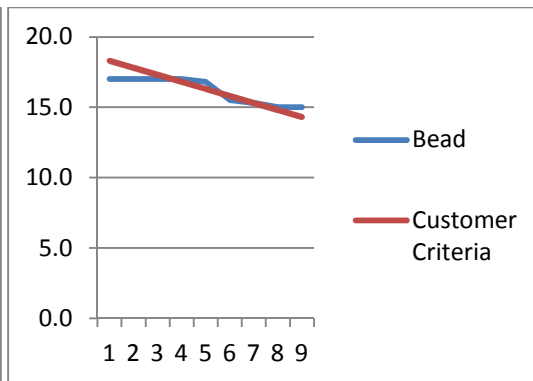
Low End Segment

Research and Development

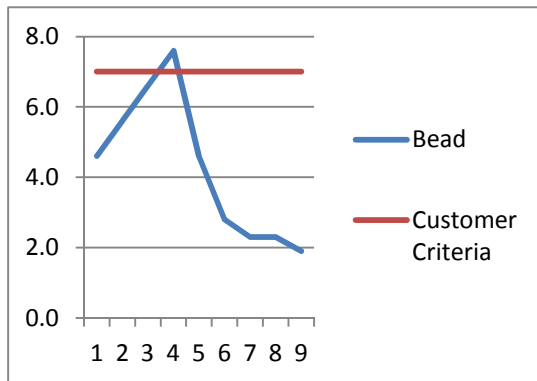
Performance



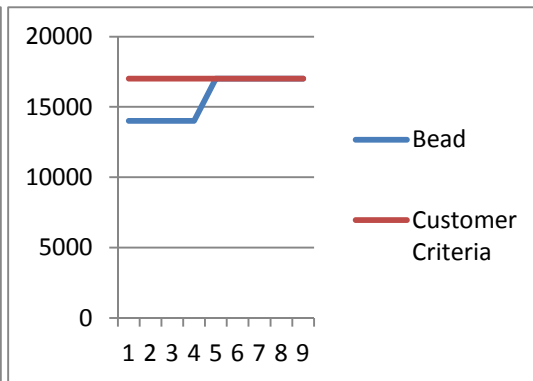
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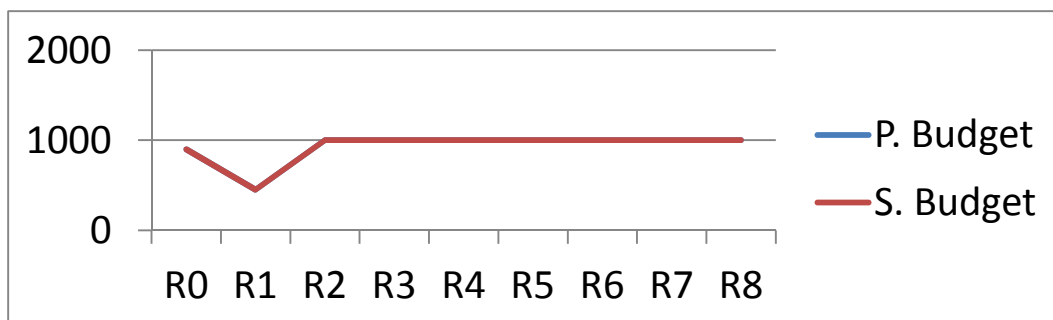
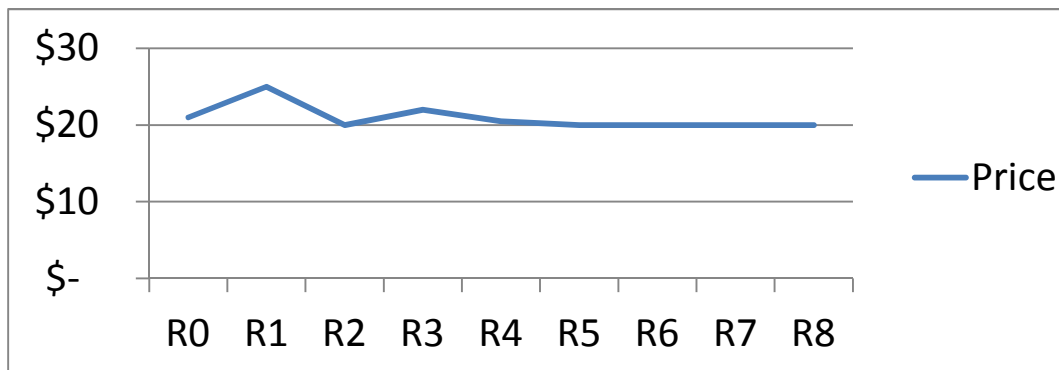
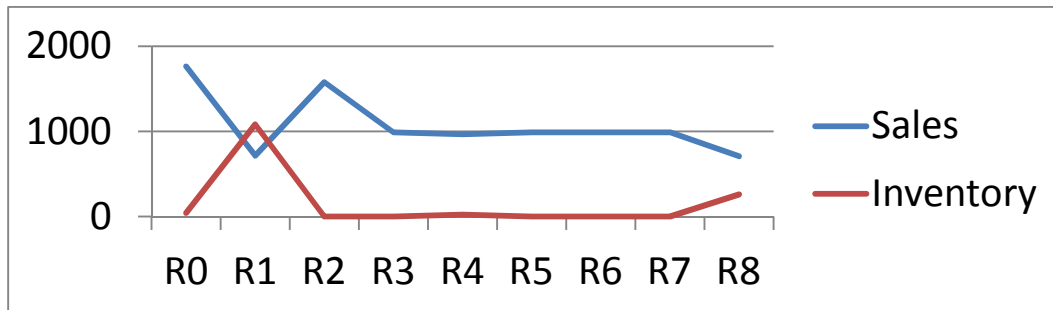


Bead product was detected to be a cash cow product, so the Baldwin executives decided to keep it in the market.

Only few R&D investments have been considered in the Low End Market to keep the Bead product into competition.

Marketing

Bead



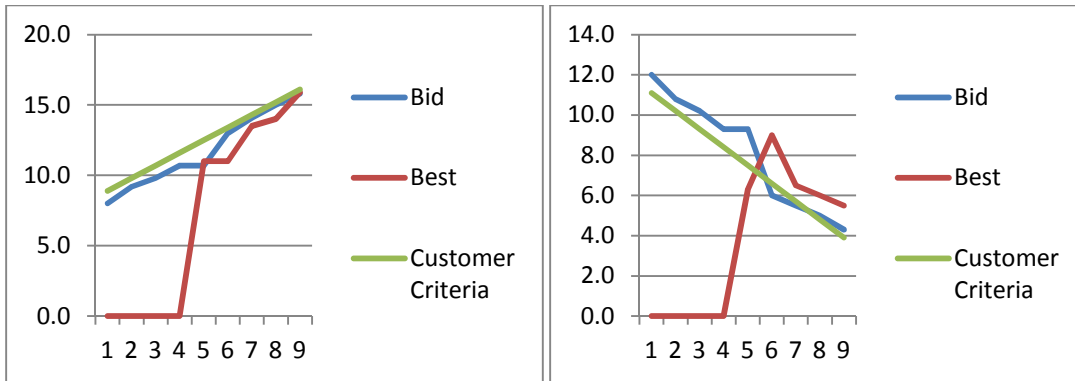
The bead product was also destined to be out of the market. However the executive board decided to remain this product because was detected to be a cash cow. The price was established en 20 USD and the Promotional and Sales Budget was established in 1000 KUSD just to keep the position in the market.

High End Segment

Research and Development

Performance

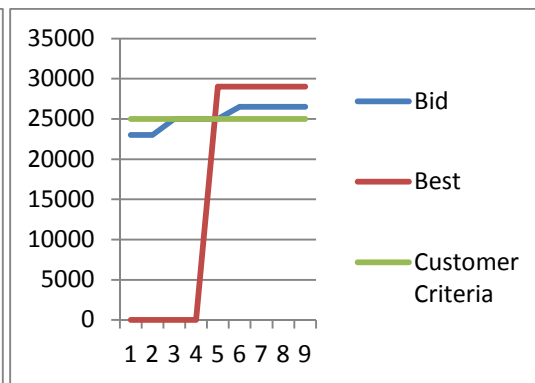
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Reliability



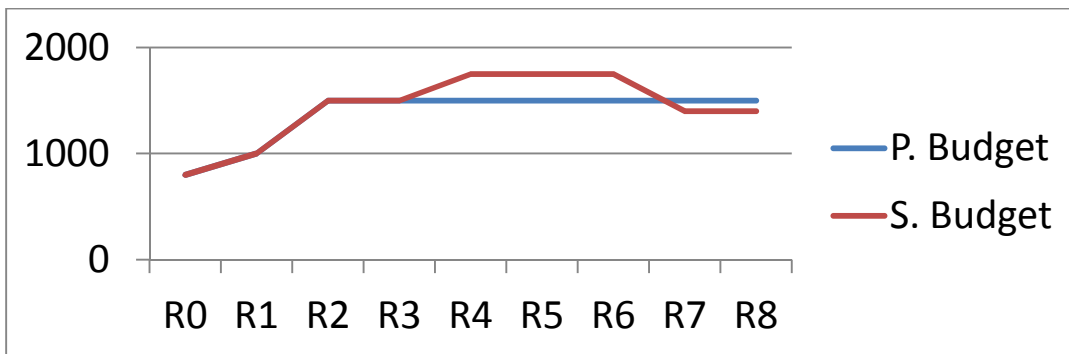
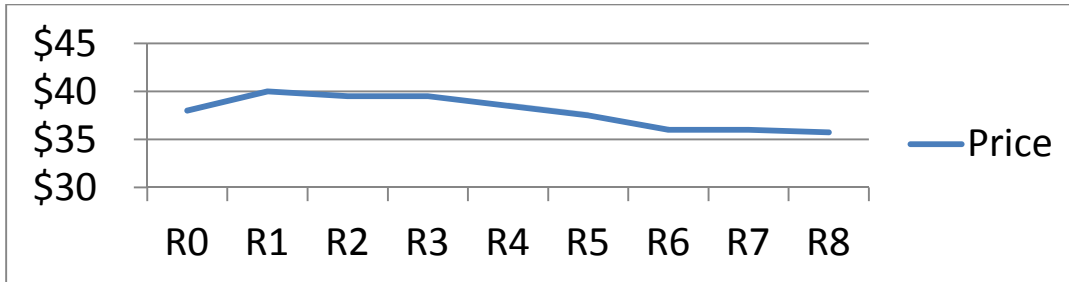
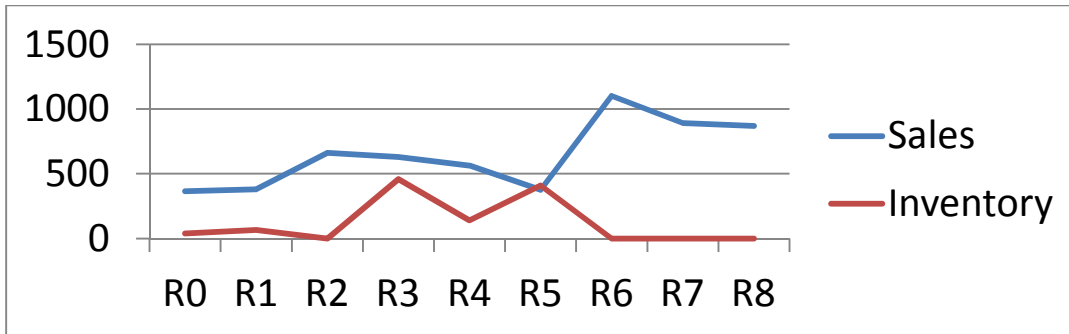
In year 3 was created a new product called Best to compete in the High End Market. The reliability was always above the required from the Customer and the competitors.

Many resources have been invested in this segment due to be one of Baldwin's strategies. However it was extremely complicated to meet the expectation of the Customer to have a product Age of 0.

It has been a big challenge and effort to keep the Customer's expectations.

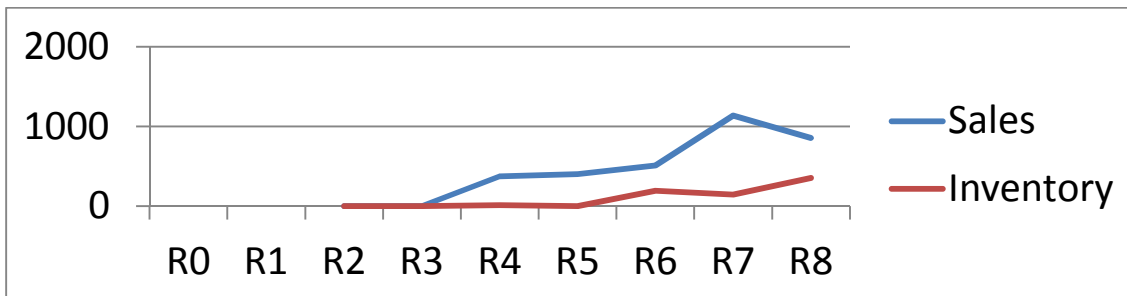
Marketing

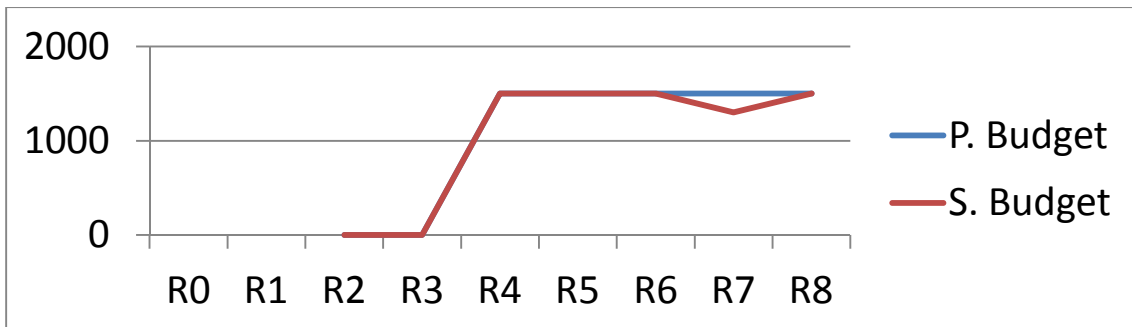
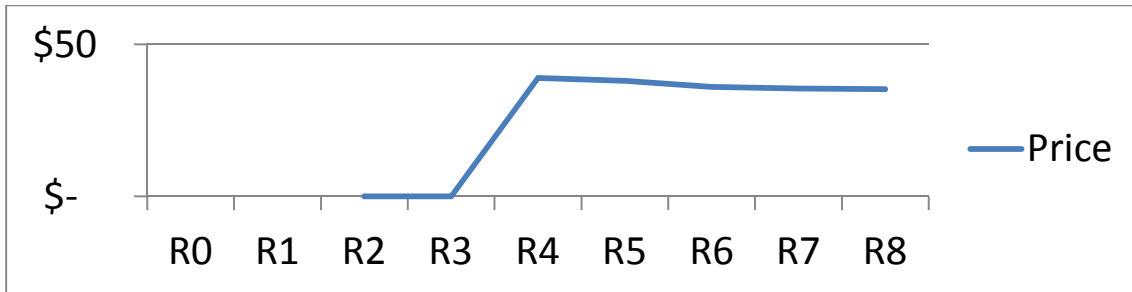
Bid



The bid product was one of the stars for Baldwin Company because it was in the High End segment. In some years there was a lot of inventory so the Product and Sales Budget were increased and the price reduced. It was a good strategy and it was no remain inventory in the last years.

Best



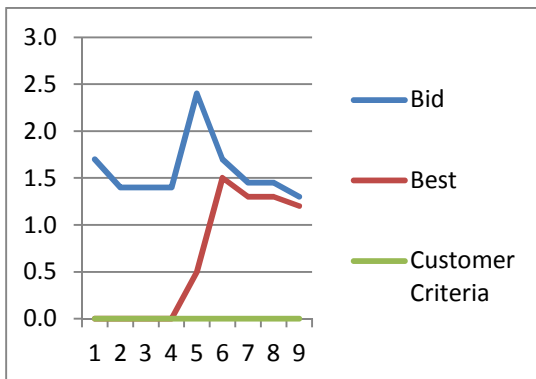


The Best product was the new one developed to enter in the High End Segment. At the end a lot of inventory remains on stock. A bad decision to keep the price and not increase the Price and Sales budget might have been de consequence of low sales.

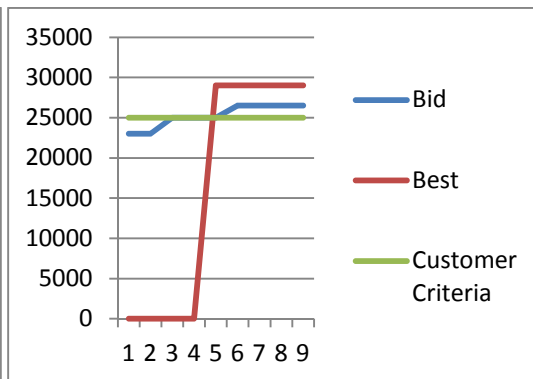
Performance Segment

Research and Development

Performance

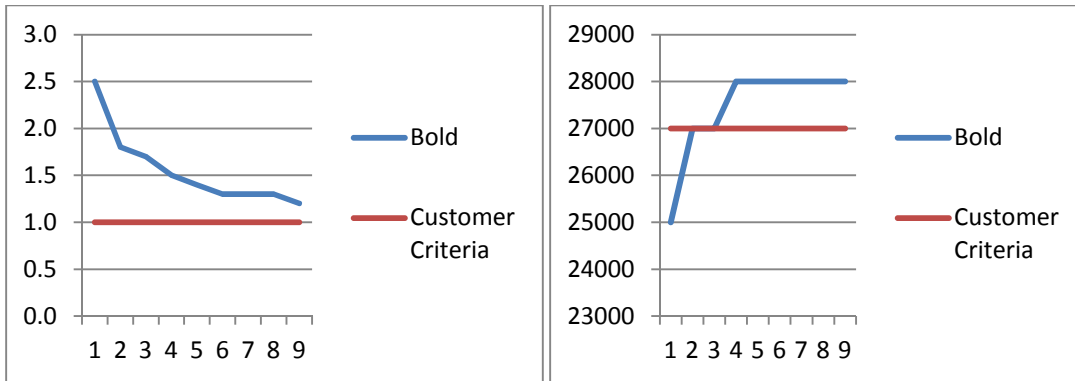


Size



Age

Reliability

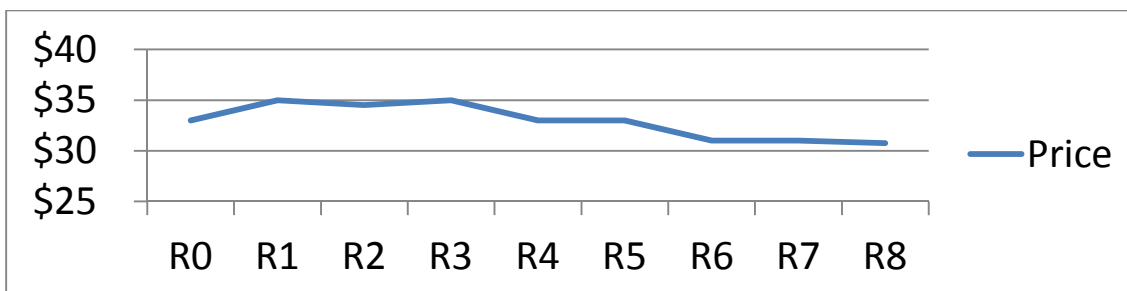
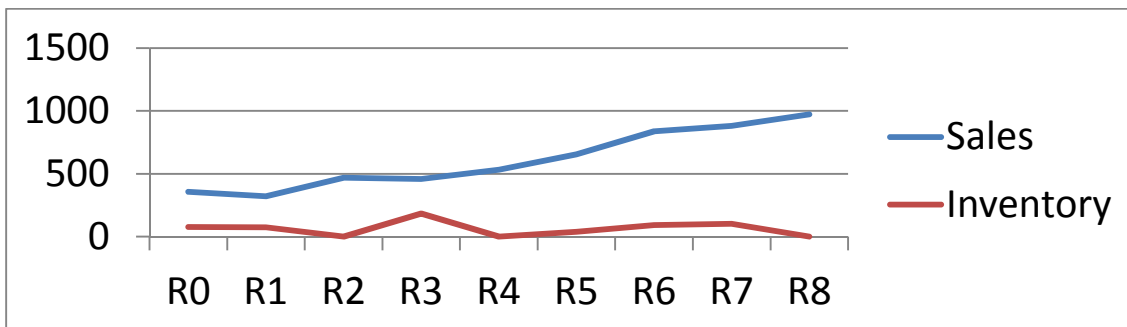


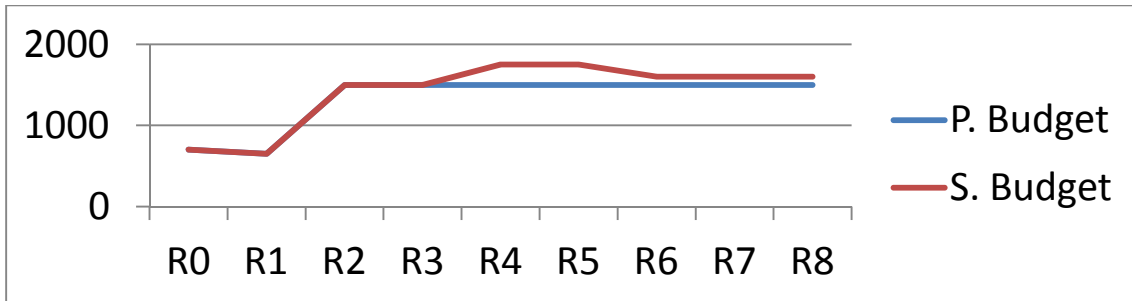
Performance Segment with the Bold product, has been the most stable R&D investment through each round.

Most of the rounds, Baldwin has achieved the Customer's expectations.

Marketing

Bold



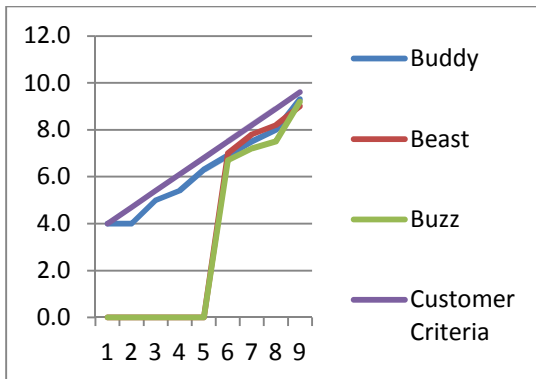


The Bold Product from the Performance segment was a product that to keep it in the market, the price had to be reduced in several years. The Promotional and Sales budget was stable.

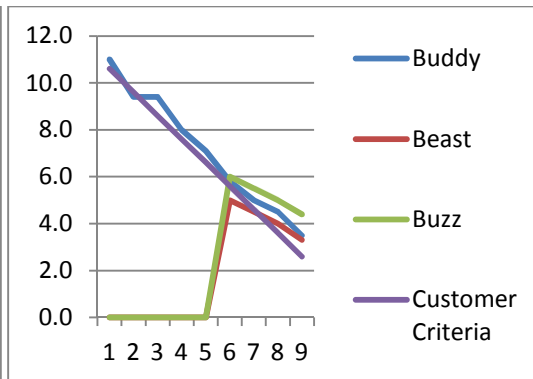
Size Segment

Research and Development

Performance

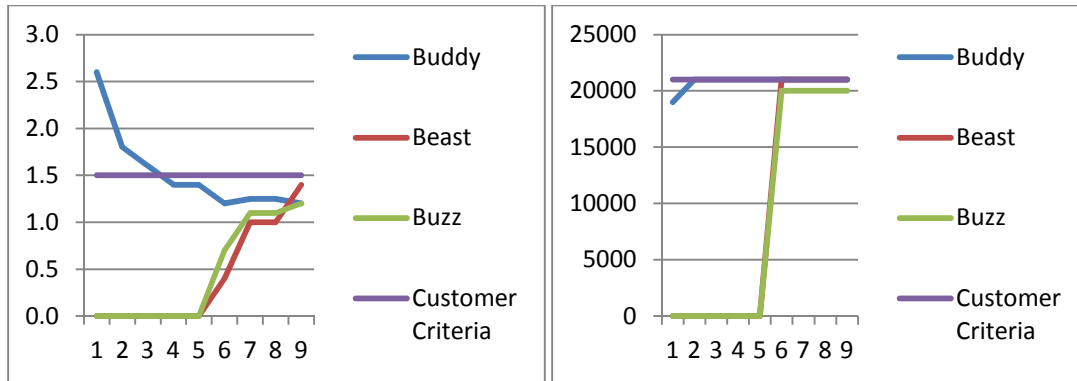


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Age

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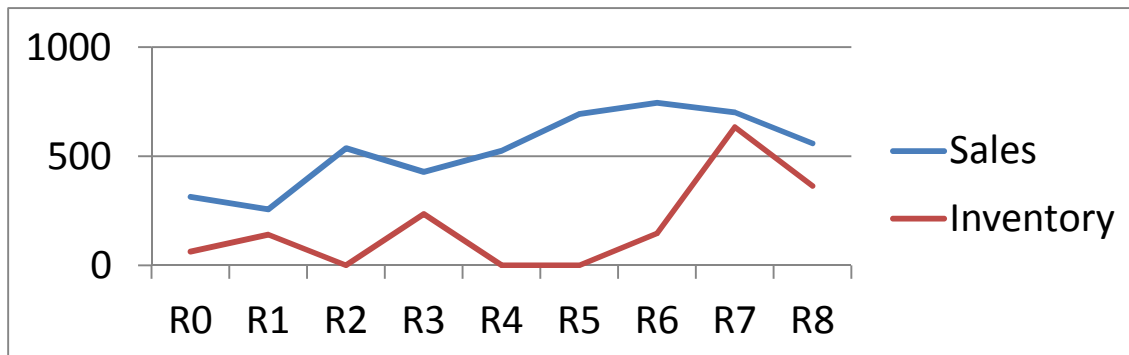
A good opportunity was found in Size segment because of the growing market and few products from competitors.

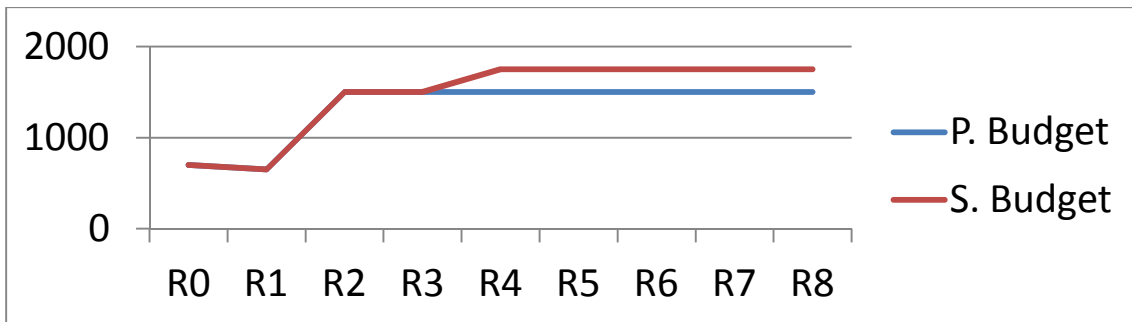
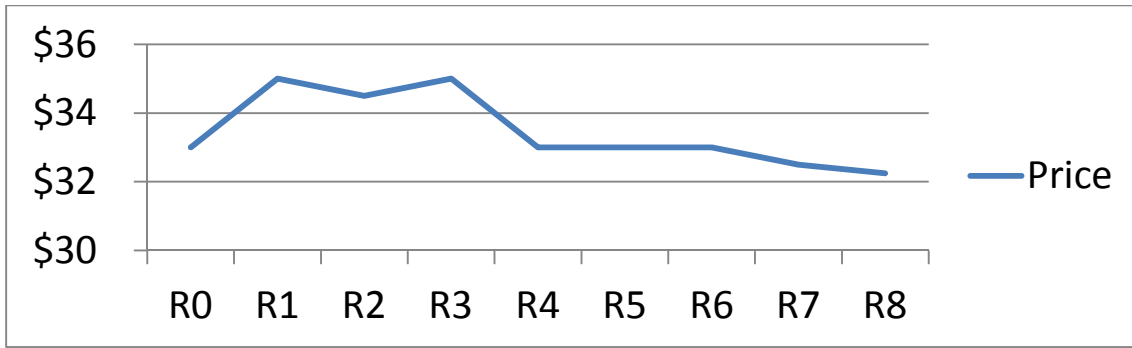
Baldwin decided to create and launch two products in this Segment called (Beast and Buzz since year 4)

Beast and Buzz have similar Performance, Size and Reliability with only some differentiation in order to position this product in different points of the Perceptual Map.

Marketing

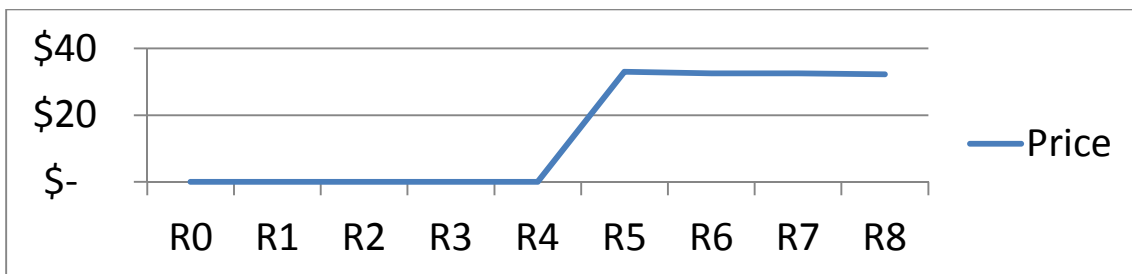
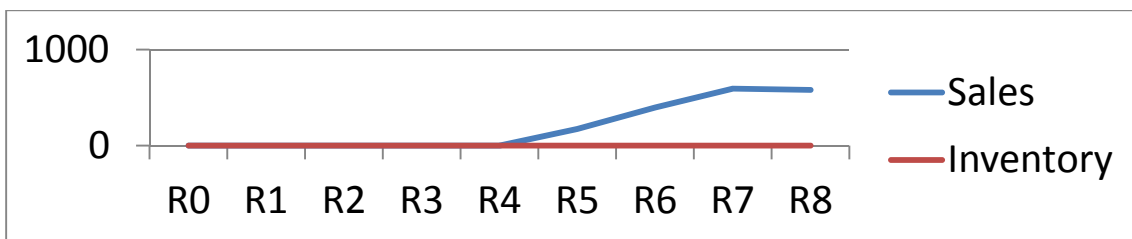
Buddy

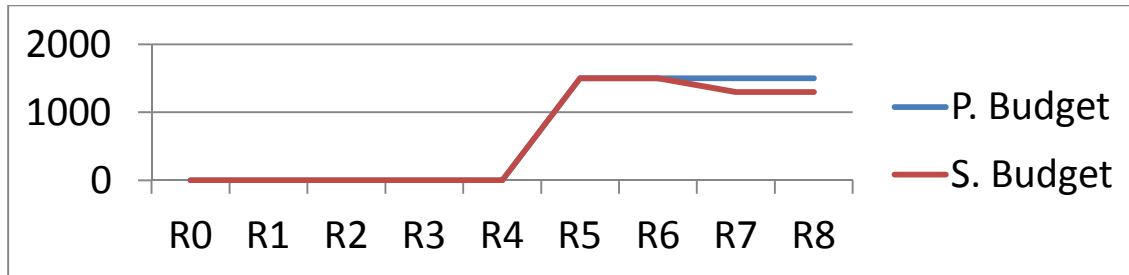




The buddy product was a very unstable product in terms of sales. That price was reduced drastically and the sales budget increased, but a lot of inventory was on stock in the last years.

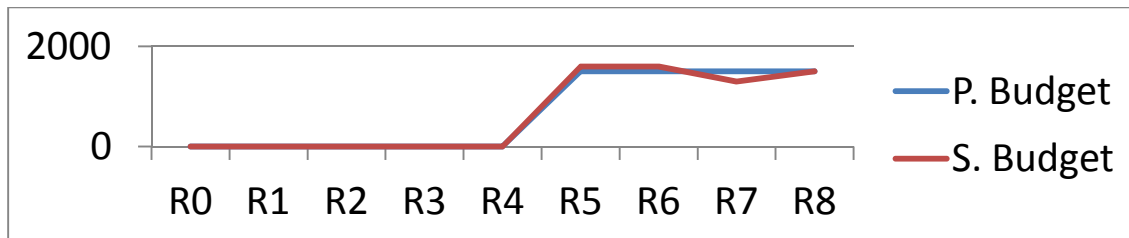
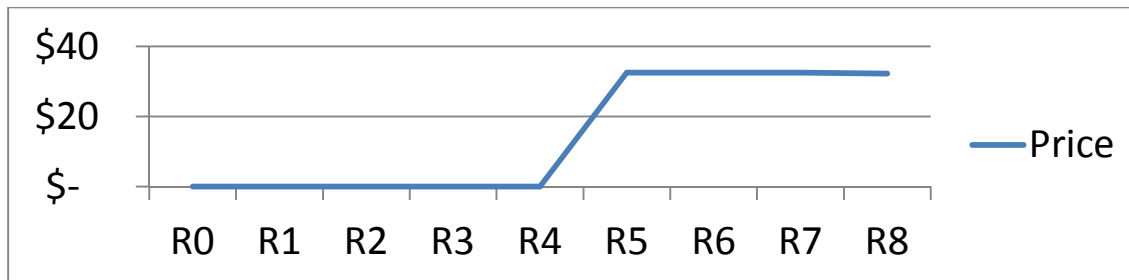
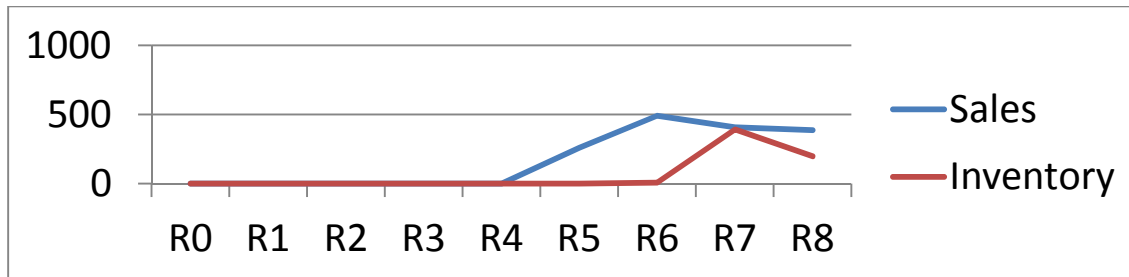
Beast





The best product was a new product launched in Year 4 with very good sales. Always was a stock out of the product and the end of the years. The price was well positioned.

Buzz



The buzz product also was launched in year 4. With good sales at the beginning but later with some difficulties to achieve the Sales forecast.

Lessons Learned

Baldwin Company had to follow closely to those competitors that have defined a similar High Technology Strategy. Once that the team understood the most important indicators to take into consideration, was easier to take better decisions.

Baldwin Company developed their new products late, compared with the competitors; therefore these products had to compete with a crowded segment. However, at the end most of the products were positioned and with good possibilities to keep growing.

One of the main keys was to keep investing in the new products in order to increase the Baldwin's market share on the interested segments. The objective of that was to maintain a constant refresh of all the products following the Customer Expectations.

Once that TQM department was opened, the Baldwin Company decided to keep investing in reducing the R&D life time cycle, to meet the High Technology Strategy, in order to launch to the market the products earlier. Other initiatives also were invested to optimize the operation of the company.

Baldwin Team

The team of Baldwin Company had an interesting competitive advantage. From the beginning when the roles of the departments were defined, every member could choose the area which its knowledge were deeper according to the experience:

- Sandra → Good background in Marketing
- Conrado → Good background in Finance
- Jorge → Good background in Production
- Rodrigo → Good background in Research and Development.

However all of us were able to participate in all the departments and discuss different points of view, regardless the department.

The team always agreed in decisions very easily and smoothly. Because of this, the meeting sessions were all the time very efficient and with no extra time consuming.

Personal Learning

Personally I feel that with this course and the simulator I was able to integrate the knowledge that I have been acquiring during my Masters. It is the first time that I have the opportunity to experiment the operations of a whole enterprise.

At the beginning was frustrating when bad decisions were taken and the numbers of the company were really bad compared to the competitors. But year by year and learning the different areas I began to understand all the departments and new concepts which help us to drive the company to a better position.

I feel comfortable to use this knowledge in the real life. I'm also sure that the complexity is much higher and more variables have to be taken into consideration. The information in real life compared to the simulation is not necessary in one document such as the Capston Courier.