

Market Profiles For the Competitive Strategy Game

Profile of Market A

MARKET DESCRIPTION: Market A is moderate size, with good growth prospects. Consumers consider different brands to be usable substitutes if prices are sufficiently different, but they do have favorite brands, which they will buy if prices are close to one another. Entry costs for market A are fairly low, and vary only somewhat across firms. Production is capital intensive.

PRODUCTION COST INFORMATION:

Mean Entry Cost: \$50000 Standard Deviation: \$3000
 Mean Cost of one unit of Capacity: \$800 Standard Deviation: \$150
 Mean Marginal Cost: \$50 Standard Deviation: \$10

Percentage Depreciation of Capital in Period After Construction: 30%

Percentage Depreciation of Capital in Following Periods: 10%

Maximum Useful Life of Capacity: 4 periods

Scrap Value As a Percentage of Original Capacity Cost: 51%

Inventory Cost: 10 per unit per period.

Elasticity of MC with respect to output for output > available capacity: 20

DEMAND INFORMATION: The following demand information is for period 1. Growth or decline of the market in subsequent periods would affect aggregate quantities. **For the tables below, it is assumed that each firm has production plus inventory to supply the demand for its product at the indicated prices:**

Information on Market Demand and the Effect of Brand Proliferation: If there had been the indicated number of firms each charging the same indicated price, the cell shows the approximate market output that would have resulted:

Number of Firms in Market	1	2	3	4
Price 250	2047	2214	2383	2343
350	1020	1195	1314	1319
450	502	549	679	653

Information on Brand Substitution: With two firms in the market, if firm 1 charges the price shown in the lefthand column and firm 2's price differs by the amount shown in the top row, then the cell indicates the approximate market share of firm 1.

Price Differential of Firm 2	-20%	-15%	-10%	-5%
Firm 1 Price 250	14%	21%	29%	39%
350	10%	17%	25%	39%
450	7%	12%	26%	36%

OTHER MARKET INFORMATION:

Market Growth Rate in Period 1: 10%

Standard Deviation of Change in Growth Rate: 2.0 percentage points

Profile of Market C

MARKET DESCRIPTION: This is a small market now, but will probably grow quite rapidly. The outlook is promising, but there is very substantial uncertainty; growth could also slow down quite rapidly. There is very high differentiation between brands, with consumers having strong preferences. Production is capital-intensive and costs are similar across brands, so no firm is likely to have a significant cost advantage over its rivals. Entry costs are moderate.

PRODUCTION COST INFORMATION:

Mean Entry Cost: \$70000 Standard Deviation: \$10000
 Mean Cost of one unit of Capacity: \$500 Standard Deviation: \$100
 Mean Marginal Cost: \$20 Standard Deviation: \$2

Percentage Depreciation of Capital in Period After Construction: 40%

Percentage Depreciation of Capital in Following Periods: 20%

Maximum Useful Life of Capacity: 3 periods

Scrap Value As a Percentage of Original Capacity Cost: 38%

Inventory Cost: 3 per unit per period.

Elasticity of MC with respect to output for output > available capacity: 50

DEMAND INFORMATION: The following demand information is for period 1. Growth or decline of the market in subsequent periods would affect aggregate quantities. **For the tables below, it is assumed that each firm has sufficient production plus inventory to supply the demand for its product at the indicated prices:**

Information on Market Demand and the Effect of Brand Proliferation: If there had been the indicated number of firms each charging the same indicated price, the cell shows the approximate market output that would have resulted:

Number of Firms in Market	1	2	3	4
Price 100	427	467	496	509
200	268	357	376	367
300	182	268	261	300

Information on Brand Substitution: With two firms in the market, if firm 1 charges the price shown in the lefthand column and firm 2's price differs by the amount shown in the top row, then the cell indicates the approximate market share of firm 1.

Price Differential of Firm 2	-20%	-15%	-10%	-5%
Firm 1 Price 100	45%	46%	47%	49%
200	41%	46%	49%	49%
300	40%	44%	44%	47%

OTHER MARKET INFORMATION:

Market Growth Rate in Period 1: 20%

Standard Deviation of Change in Growth Rate: 4.0 percentage points

Profile of Market D

MARKET DESCRIPTION: This is a fairly large, very capital intensive market with a reliable forecast of moderate growth. There is very low brand identity, however. Most consumers buy on price. Entry costs are very high and similar across firms, but capacity costs are also substantial and vary a lot between producers.

PRODUCTION COST INFORMATION:

Mean Entry Cost: \$250000 Standard Deviation: \$5
 Mean Cost of one unit of Capacity: \$4000 Standard Deviation: \$1000
 Mean Marginal Cost: \$200 Standard Deviation: \$20

Percentage Depreciation of Capital in Period After Construction: 50%

Percentage Depreciation of Capital in Following Periods: 10%

Maximum Useful Life of Capacity: 6 periods

Scrap Value As a Percentage of Original Capacity Cost: 30%

Inventory Cost: The good is perishable. It cannot be stored.

Elasticity of MC with respect to output for output > available capacity: 2

DEMAND INFORMATION: The following demand information is for period 1. Growth or decline of the market in subsequent periods would affect aggregate quantities. **For the tables below, it is assumed that each firm has sufficient production plus inventory to supply the demand for its product at the indicated prices:**

Information on Market Demand and the Effect of Brand Proliferation: If there had been the indicated number of firms each charging the same indicated price, the cell shows the approximate market output that would have resulted:

Number of Firms in Market	1	2	3	4
Price 400	4176	4136	4202	4219
800	2953	3010	2949	2943
1200	1934	1997	2045	2106

Information on Brand Substitution: With two firms in the market, if firm 1 charges the price shown in the lefthand column and firm 2's price differs by the amount shown in the top row, then the cell indicates the approximate market share of firm 1.

Price Differential of Firm 2	-20%	-15%	-10%	-5%
Firm 1 Price 400	0%	1%	4%	13%
800	0%	0%	0%	4%
1200	0%	0%	0%	2%

OTHER MARKET INFORMATION:

Market Growth Rate in Period 1: 5%

Standard Deviation of Change in Growth Rate: 1.0 percentage points