Let's Play a Game! (Competition Strategy — Lesson 2)

SUBMITTED BY: Leya Matthew

SUBJECT(S): Marketing

GRADE LEVEL(S): 9, 10, 11, 12

OVERVIEW:

In the second part of the competition lesson, students are introduced to a simulated market situation where they compete with others to sell the maximum number of units of a product. The resultant behavior is analyzed to understand how companies deal with competition, and ideally, how they should.

NBEA STANDARD(S):

- Marketing, I. Foundations of Marketing
- Marketing, II. Consumers and Their Behavior

WHARTON GLOBAL YOUTH PROGRAM ARTICLE:

- "Checkmate: Chess and the Game of Business"

Common Core Standard(s):

1. CCR Standard for Reading: Read closely to determine what the text says explicitly and make logical inferences from it.
2. CCR Standards for Listening: Prepare for and participate effectively in a range of conversations and collaborations with diverse partners, building on each other's ideas

and expressing their own clearly and persuasively. Evaluate a speaker's point of view, reasoning, and use of evidence and rhetoric.

3. CCR Standards for Speaking: Present information, findings and supporting evidence in such a way that listeners can follow the line of reasoning, and the organization, development and style are appropriate to the task, purpose and audience.

Objectives/Purposes: As a result of this lesson, students will be able to understand and analyze how companies handle competition.

Knowledge@Wharton Article: "The 'Myth of Market Share': Can Focusing Too Much on the Competition Harm Profitability?"

Other Resources/Materials: Internet access

Activity:

1. Let's play a game *(12-15 mins)*

The teacher begins the class by explaining the rules of the game and the objective of the activity. The class has to be divided into 4 groups — two groups of sellers and two of buyers. The teacher briefs each group separately. The first group of sellers is instructed that they have 10 shoes to sell, at the optimal price of $50 per shoe. The shoe cannot be sold for less than $25 and the objective is to make maximum profits. The second group of sellers is given the same instructions, but separately so that each group does not know how many shoes the other group has or the price they can set.

The buyers are also instructed separately that they have to buy as many units at the least possible price. The seller group may not interact with the other seller group, and they both get chances to sell their product to the buyer groups.

2. Analysis of game *(10 mins)*

The teacher asks each group to share with the large group how many shoes they sold/bought and at what price. Groups are asked to analyze their process of deciding the price and their negotiation process with each other. Using the information presented by the students, the teacher extrapolates the same processes onto market competitors for any product. For example, if you want to continue with the shoe example, with Nike and Reebok. What price was Nike offering, and what did the customer think about the price Reebok was offering? The teacher ends this section by asking students about how they should ideally deal with competition.

3. Work with Knowledge@Wharton article *(10-12 mins)*

The teacher distributes copies of the Knowledge@Wharton article: "The 'Myth of Market Share': Can Focusing Too Much on the Competition Harm Profitability?" The teacher asks each student to read the article individually, and then discuss it with his or her game team: *How they should have dealt with their competitor and by extension how a company should deal with its market competition?*

4. Discussion and Wrap up

The teacher asks students to share their discussion points and clarifies the concepts of market share and competitive pricing. *Market share refers to the percentage of the total market that is being serviced by a particular company. Competitive pricing refers to the setting of the price of a product or service based on what the competition is charging.*

In markets that are not monopolies, a price war can hurt every competitor. If one company starts offering ridiculously low prices, soon everyone has to follow suit and it might be impossible to get profit margins on such prices. On the other hand if you charge higher than your competitor, you may lose some clients.

Product differentiation can help you navigate prices as can a market orientation — where you charge the customer for the value or the perceived value, and build relationships. Though competition analysis is necessary, the focus of marketing should remain on the customer and profits, not on competition or market share.

Tying It All Together: In this lesson, students navigate a simulated market condition to understand how to steer one's way through market competition.

Practice Outside of the Classroom: When you purchase a product or a service, think of how the product has been priced in relation to its competition.

Another project extension of this lesson is to have students analyze the competition of a product or service. My students analyzed the local ice-cream market. We found that ice creams were priced similarly in particular segments. For example, the cheapest ice creams had the same prices, as did the more expensive ice creams. Within a particular segment, the prices were the same. Another strategy used by the companies was to make comparison difficult by marketing different sizes or types of ice creams. For example, it is difficult to compare the prices of a sandwich ice cream to that of a vanilla ice cream. Similarly, some companies offered 14 fl.oz while one company offered 12 fl.oz, making immediate comparison difficult. These were some of the strategies used by different companies to counter competition.

What Worked and What I Would Do Differently: For classes with larger numbers of students you may want to present the game for the class to analyze, instead of having all the students play the game. Also, you could use any variation of game theory like Barbers Street or the Prisoners Dilemma. You will find the descriptions of these games at: http://www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_11/PThy_Chapter_11.html