



RAPID RESPONSE TO A COMPETITOR'S BIG-SPEND ADVERTISING SAVES A BRAND – AND ITS BUDGET

THE SITUATION:

A brand manager learned that a major competitor was about to increase its significant media spending by 50% for the coming year, while maintaining all other spending. The brand under attack had built a clear number-one share position but was consistently battling this aggressive competitor in all regions.

THE CHALLENGE:

A significant “share of voice” change could lead to a decrease in product volume and severe damage to profitability. Additionally, this competitive attack was coming at a time when economic pressures had already put a squeeze on margins and marketing expenses over the past two years.

THE SOLUTION:

The brand manager had recently developed a calibrated MarketSim™ model to evaluate launch strategy alternatives for a new product. Within one day of the competitive rumor, the brand manager was able to review multiple scenarios and develop several possible responses. The new MarketSim evaluations revealed how market share and financial results would be impacted under these numerous scenarios.

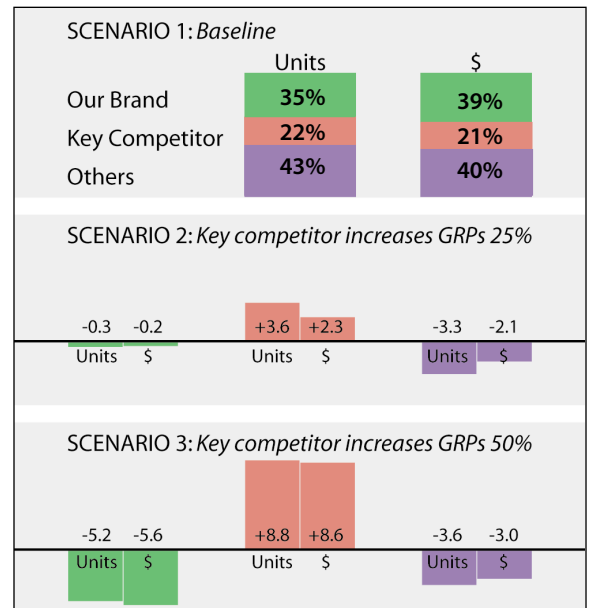
As a next step, several potential courses of action -- including “no response” -- were reviewed to determine what to do, where to do it and when.

THE RESULTS:

The brand manager rank-ordered the share and ROI impacts of each response, which included standalone media-spend changes as well as a combination of mix changes.

It was discovered that a small increase in overall spending would provide the highest ROI from all the responses evaluated.

With a small adjustment from this brand leader, the competitor’s “big spend” media actions would likely result in no long-term share loss. Further, the brand manager developed a set of “early warning signs” for monitoring future competitive threats.



The MarketSim analysis excerpted here evaluated three actions by the competitor: no change, a 25% increase and a 50% increase in media spending. This revealed an unanticipated “threshold effect” – a 25% competitive increase would have no significant impact on the brand manager’s line of business, but a 50% increase would decrease revenue by more than 5%.

For marketing executives, brand managers, new product developers and market researchers within Global 1000 organizations, DecisionPower provides its marketing analytics software – MarketSim -- to create real-world market models on the desktop. Decision makers use these models to simulate realistic consumer and competitive behavior and develop, test, refine and act on winning solutions to complex consumer marketing problems.

For more information, call 408.379.9200, visit www.decisionpower.com or email info@decisionpower.com.