

Form of the case

Snowflake (revised version)

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2. The Scenario	
<p>Refrigeration is the process of cooling an object to a set temperature, usually several degrees or more lower than the temperature of the room in which the refrigerator is situated. This not only has the effect of making the object cooler but, where the object would usually be subject to decay or other chemical processes at the normal room temperature, refrigeration can slow or halt the process; maintaining the object in its current condition for longer than would be possible naturally.</p> <p>Refrigerators are used to cool down perishable food items, thereby preventing action of mould, yeast and bacteria. Their market is one of the fastest growing segments of consumer home appliances industry worldwide as refrigerators have become a crucial item of every household.</p> <p>The technologies that have been applied to produce refrigerators have changed dramatically. Namely, the use of Freon in the manufacture of the refrigerators was discontinued, and since then, the companies have been using only ecologically clean raw materials and parts. The innovative technologies include R600a refrigerant, A+ and A++ energy efficiency indicators and the like, which are environmentally friendly and very easily determine electricity consumption. For instance, A + + energy efficiency refrigerator consumes up to 60 per cent less energy than other A class refrigerators. They could be equipped with automatic defrosting system, which vaporizes water. Differently from refrigerators with No Frost system, they always have optimal level of humidity to keep food fresh for a longer time. The new generation of refrigerators has got the antibacterial safety system, protecting against hazardous bacteria. It has been achieved by saturating the internal walls of the refrigerators with harmless special material with silver ions which constantly “attack” micro-organisms, remove water and inhibit their multiplication.</p> <p>The global refrigerator industry is dominated by a few giant players but there are quite a few nationally famous companies that produce different types of refrigerators and have been gaining pace in the expansion of their product range and new markets.</p> <p>The company <i>Snowflake</i> in the game is one of them. With the main production facilities in Lithuania, the company’s expansion policy has been focused eastward to such countries as Russia and Kazakhstan. The countries differ in terms of the number of potential customers, their income level and preferences. Therefore, the market entry strategy should be considered thoroughly. Market research discloses that in</p>	

each market there are at least three segments of customers. These groups differ in preferences (rationale), lifestyle (stylish) and purchasing power (budgeted). Thus, to be successful, the company needs to design and deliver a product that will meet their expectations, usability and price.

To make their refrigerators visible and recognisable in the chosen markets, the company has to use its marketing efforts accordingly by taking into account all three customer groups. Considering the means of promotion, the company should empower the advertising devices like ads in the press, TV commercials, social media or company website by estimating their impact on the targeted customers.

Participants of the game can grow their business in one of the assigned countries or in all markets simultaneously. The aim is to gain competitive advantage on the market share, effectiveness of the marketing activities, maximisation of the profit and potential business growth in the future.

3. The Company

The company *Snowflake* does already exist. It is a medium-sized company with the production and selling facilities in Alytus (Lithuania).

The production line is a small one with the output of 2000 basic standard refrigerators. There are 10 employees working on the line though the line is equipped to allocate 12 employees. The employees' satisfaction factor that is taken into consideration by the management of the company is salary. Moreover, the productivity of the line is also influenced by the benefits offered to the employees like hot meals, multisport cards or a sandwich bar as well as appropriate trainings including quality and time management or job skill improvement. There is a possibility to sell any production line and earn money for it. The changing of the size of the line development can go only upwards. The line capacity should be in accordance with the line actual output. The more different products are manufactured the lower is the output of the existing line. The inventories of the products cannot exceed the warehousing capacity.

The company has got one main supplier; however, there is a possibility to change a supplier for another one.

Initially, the company has got only one small sales office in Alytus with 4 salespeople and 3000 SKUs in stock there. Sales offices can be developed only upside. If the sales office is closed or sold additional money will appear on the company financial account.

The company in the game shall consist of the CEO (chief executive officer) and 2 to 4 other directors as well as the appropriate number of employees in the sales network. The first decision to be taken is to assign the areas of responsibility for the team members (production, marketing, sales and finance). Board of directors will have to choose target markets, to identify the company's strategic directions, to set up the company's most important objectives, namely, how the company's profitability is going to be measured (retained profits, the efficiency of the investment of capital, volume of sales or market share). The team will have to consider the costs related to hiring and retaining employees (employee benefits and training). Due to the expansion of the business, the management team members will have to think about the existing production line by either modifying the old one or installing a new more powerful line.

In the initial stage of the development, the company should focus on one or two target markets eventually carrying out expansion further on. Board of directors will have to determine in which direction the company will be heading - that is their long-term targets of geographic expansion, competitive strategy and competitive advantage.

Additionally, to its manufacturing processes the game team will have to build a distribution network in the form of sales offices. The management of the sales offices will become a very important business activity because the board of directors will be involved in deciding upon the recruitment of the sufficient number of salespeople, their salaries and benefits as well as the sales forecasts and the selling prices of the refrigerators in various markets. If the price of the products is not defined the product will be sold anyway but at zero price.

The initial assets of the company are already integrated in the game, while in the successive rounds there might a need for external funds that can be obtained from financial institutions. At the beginning of the

game the board of directors can invest 1 million Litass. In Round 4 of the game, the business team will have a chance to apply for 100.000 Litass from the European Structural Funds. There is also a possibility to get a loan from the bank of 800000 LT.

The game is composed of 10 rounds. After every round the teams will know the results of the previous round (market share, current balance etc.). Thanks to the reports that are provided after every accomplished round, teams can improve their performance and better customize their products, change the target group, diminish/increase production and employment, set up new sales offices or production line or close existing ones, develop production lines or warehouses.

For technical reasons it is important to submit every decision made within the team by clicking on SUBMIT DECISION.

4. The Product

Refrigerators are used to cool down perishable food items, thereby preventing action of mould, yeast and bacteria. Their market is one of the fastest growing segments of consumer home appliances industry worldwide as refrigerators have become a crucial item of every household.

In the initial phase of the production process, the line can produce two types of products – standard refrigerators and refrigerators with updated technologies like energy saving ones. In the next stages of business expansion, there will be a possibility to manufacture other modifications of the refrigerators with applying very up-to-date or even customised technologies.

In fact, refrigerators differ according to the amount of energy they are consuming (energy class), different auxiliaries like zero zone, freezer capacity, noise level, or specific size and colour.

The basic attributes of the refrigerators are:

- Energy saving
- Technology
- Customisation

Customers will have an opportunity to choose from, for instance, refrigerators of specific elegant design, size and colour to highly technologically equipped ones or simple standard energy saving devices.

5. Customers

Group name	Budgeted					
Description	Budgeted customers' main concern is the price. Certainly, they are also looking for the good combination of price and quality of the refrigerators. They would prefer to have an energy saving house appliance that is appropriate to the price they are ready to pay for the refrigerator. They are not very much concerned of the high technologies integrated in the refrigerators because they know that innovations increase the price of the refrigerator. They will be looking for the information about the refrigerators in various discount or sales brochures, ads in the press or TV commercials. In general the impact of promotion is rather low on them.					
Preferences		Very low	Low	Medium	High	Very high
	Energy saving				X	
	Technological			X		
	Customized		X			

		Price				X	
Group name	Rational						
Description	Rational is a group of customers who will pay the most attention to the energy saving and technological aspects of the refrigerators. The customers of this group are sensitive to the price but are ready to pay more for all technological innovations. They usually look for the information about the fridges on the company website, sometimes in the social media or ads in the press but are only partially impacted by the TV commercials.						
Preferences		Very low	Low	Medium	High	Very high	
	Energy saving				X		
	Technological			X			
	Customized		X				
	Price			X			
Group name	Stylish						
Description	Customers of this group especially appreciate the design, appearance and quality of the refrigerators. They prefer to have an appliance of specific shape (from modern to vintage style), quality paint of the whole appliance and/ or the front door of the specific colour or picture/print (like the Red Square print on the front door for the Russian customers) as well as various technological innovations (like LED screen on the front door with integrated temperature indicator and even radio set). For that, they are ready to pay a relatively high price for the product. The customers of this group rely heavily on the social media (various opinions on the product brands and company images) as well as accumulate a lot of information from company websites.						
Preferences		Very low	Low	Medium	High	Very high	
	Energy saving				X		
	Technological				X		
	Customized						X
	Price	X					
6. Markets							
Market name	Kazakhstan						
Localization	Astana						
Market shares		Group name			Market share (%)		
		Budgeted			55		
		Rational			15		
		Stylish			30		
Market name	Russia						

Localization	Moscow	
Market shares	Group name	Market share (%)
	Budgeted	60
	Rational	20
	Stylish	20
Market name	Lithuania	
Localization	Alytus	
Market shares	Group name	Market share (%)
	Budgeted	40
	Rational	40
	Stylish	20
7. The Game		
Suggested duration (in round)	10	
Suggested number of teams	3 - 5	