

The success of the comdirect team as MARGA managers The MARGA business simulation

The MARGA Online Competition has been held since 1971. Currently the online-based business simulation is organised twice a year by MARGA Business Simulations GmbH in cooperation with the Handelsblatt publishing group and the European School of Management and Technology (ESMT). The basic idea is to provide a business simulation as a didactic method of providing on-the-job experience of business situations for up-and-coming managerial personnel working as a team.

In 2007 MARGA was transferred to the newly founded MARGA Business Simulations GmbH, which organises the competition and is constantly developing it further with customers and partners.

The competition is divided into two segments: MARGA Industry focuses on all central business decisions relating to the value-creation chain in the areas of Marketing, Production, HR, Finance and Controlling. In contrast the customer is the principal focus of MARGA Service, the simulation segment in which we participated. For a service company, targeted marketing and sales strategies have to be developed in relation to individual customer groups. In particular it is important to ensure long-term customer satisfaction, so that personnel and material resources can be converted into business success.

Our team for the MARGA Service simulation was a highly varied one: Christin Blume from Risk Management, Christine Kraszon from Marketing for Consulting Fields and Major Projects, Martin Schäfer from Controlling, Julian Prümer from Consulting and Stefan Heimsath from Direct Marketing and Sales.



F.l.t.r. Julian Prümer, Christine Kraszon,
Martin Schäfer, Christin Blume and
Stefan Heimsath)

We decided against nominating specialists for the individual corporate sections and instead opted for taking all decisions democratically as a team. Our team had the advantage that we all worked in the same location and were accordingly able to coordinate our cooperation efficiently. The principle behind our participation in the MARGA business simulation was "all or nothing", because we were determined to make it to the finals at the Schloss Gracht castle. We were therefore aware of the fact that we would need to invest a lot of time, especially in the initial stages, in order to understand the simulation.

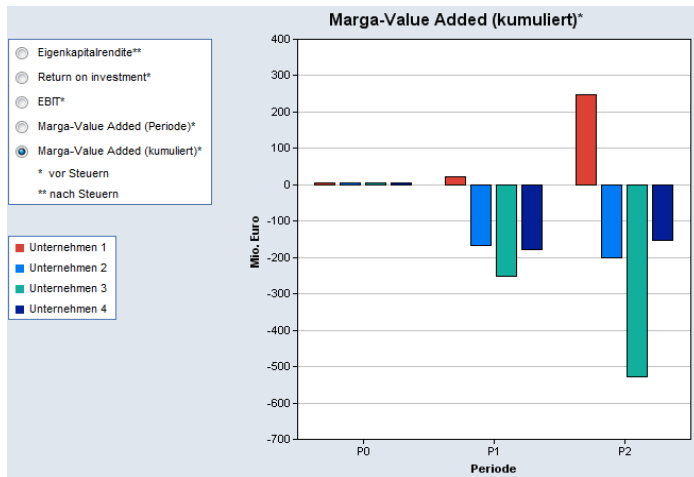
Our strategic approach

From the very start it was our strategy to react as flexibly as possible to changing market parameters, and to try and anticipate what the opposing teams would do. At the beginning of a new simulation round consisting of four or five periods, we first analysed the market potential offered by the individual target groups. As a rule we tried to establish a wide product portfolio in order to achieve the highest possible sales volume. Out of the various proposals put forward by members of the team, the most promising concept was decided on by a majority vote. It has been our experience that in the case of MARGA Service the key to success is product design, together with the distribution of products in terms of individual target groups. A wrong decision taken at the planning stage can only be corrected later with difficulty and at great expense. As a result, the team meetings held at the beginning of every new round of the simulation were the most time-consuming. In the later periods the amount of time which had to be invested was considerably less. We first decided on our product mix after a great deal of discussion, and were then faced with the next challenges. What strategy should we pursue over the coming periods? Should we try to achieve greater market penetration on the basis of low prices, or try to sell quality products at higher prices? As soon as we had agreed on a strategy as a team we then applied this strategy in every period of the simulation. Of course minor modifications had to be made to the strategy in order to respond to the actions of our opponents. Personnel planning was a further difficult component, because in the case of MARGA Service success is only possible with efficient capacity utilisation in terms of personnel. In addition to the current features of the market, many further aspects such as overall developments and trends on the employment market also have to be taken into account. However, with careful planning and a little luck even problems such as labour shortages and wage increases can be solved in the long term. In the marketing field our expenditure on advertising and mailshots was relatively high at the beginning, but the relevant budget was then gradually reduced in the course of the stages which followed. It was our experience that 'doing things by the book' proved highly successful. Price is a further decisive factor. A product will only be successful on the market if its price matches the quality and price expectations of the target group, and is not too high in relation to similar competing products. We avoided competing on prices as far as possible, and in contrast tried to acquire customers for our product by offering good quality at favourable prices.

The rounds of the simulation

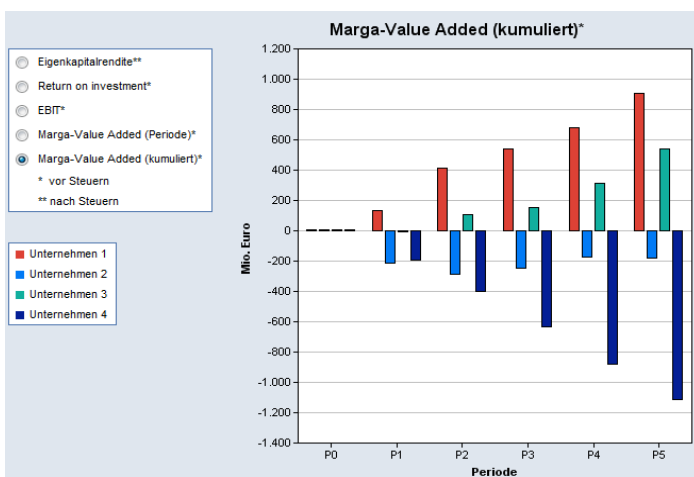
The game began with a test round. Each team had two periods in which to familiarise itself with the simulation and its contents. We all agreed that we would use this test phase in order to get to know the limits of the program and the system behind it. We compiled ideas on how we could test the program, for example the question of the impact which extremely high investment in sponsorship activities would have on brand awareness. In this way we tried to

analyse a number of saturation limits. At this stage the 'MARGA Value Added' level, which represents business success, was not important to us.



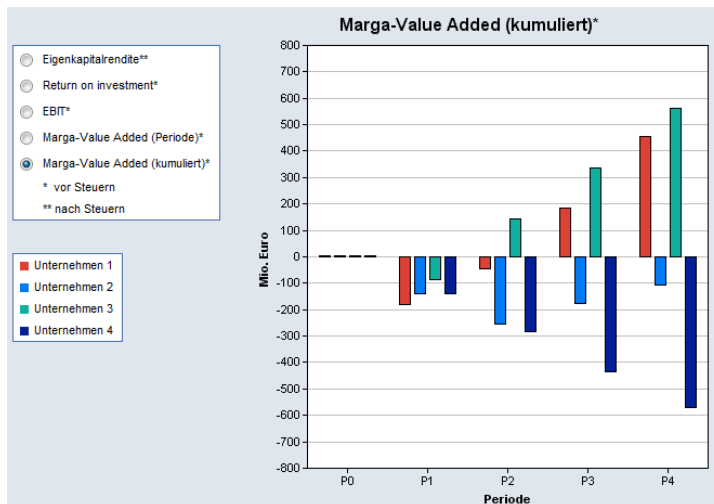
(Test round; company 3 (green bar) = comdirect)

After analysing the system of personnel allocation in the test round, during the first period of the qualification round we tried to put our findings into practice and employed a large number of staff. The results confirmed our assumptions. Our HR planning proved successful, and we had acquired a large enough workforce in order to deal with strong market demand. As a result, at the end of the first period we were the only company which was in the black, in spite of our high labour costs. Thanks to this solid financial basis we were able to maintain our marketing expenditure at a high level in the subsequent periods, too, and succeeded in increasing our lead. Following the first qualification round there was a feedback session with the MARGA team in the form of a web and telephone conference.



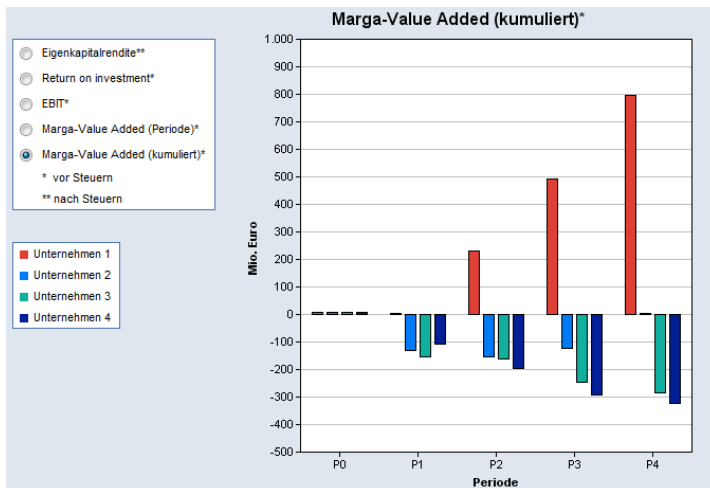
(Qualification round 1; company 1 (red bar) = comdirect)

With this successful start we then embarked on the second qualification round and found that different reactions were required for different conditions on the market. The HR policy we had applied in the first qualifying round did not prove successful this time, because we were unable to generate the hoped-for sales with our product portfolio, and therefore had excessively high personnel costs.



(Qualification round 2; company 1 = comdirect)

In the following periods we tried to get these costs under control once more, but acquiring market share from the competition was very difficult and involved a high level of investment. In periods three and four we were then on the right track once more, but unfortunately there was no longer enough time to overtake the leading company. However, we were able to qualify for the semi-finals with second place. With the negative start of the previous round at the back of our minds, we approached the semi-finals with corresponding caution. However, in the course of the previous rounds we had developed what would be the optimum strategic approach for us. After the very first period we were ahead of the competition with more than 100 million euros in MARGA Value Added. Thanks to the experience we had gathered and our findings from the telephone conference we were in a better position to predict and meet the expectations of our individual target groups. As a result we had highly satisfied customers, and our competitors experienced significant difficulties in taking market share from us or taking advantage of the growth of the market. After the second period we had such a massive lead that we were able to reduce our marketing expenditure gradually, while at the same time maintaining customer satisfaction at a high level until the very end. Because of our decisive lead we were able to celebrate reaching the finals at an early stage.

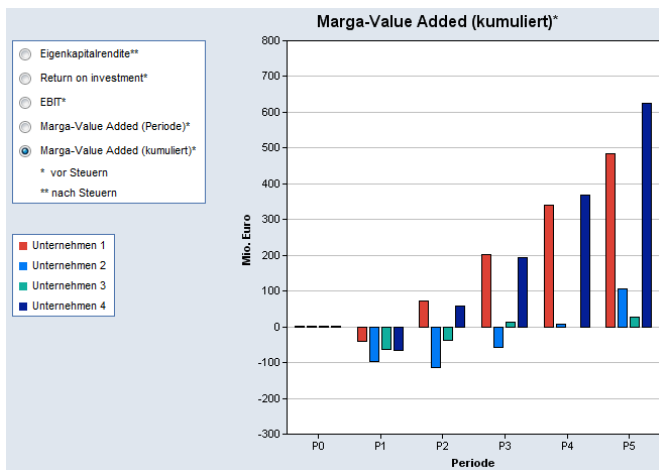


(Semi final; company 1 = comdirect)

The finals at the Schloss Gracht castle

All the time and energy which we had invested paid off, and we headed for the Schloss Gracht castle in Erfstadt full of expectations of an exciting final round. Initially there was an exchange of experiences between participants and the MARGA organisers. In addition to the MARGA Service finals, the finals of the MARGA Industry simulation were also taking place, which meant that there were eight teams participating altogether. After presentations of the eight companies, the second period of the finals was held, but under conditions which were different from those of the qualification rounds. Whereas similarly to the previous rounds the first period was still implemented online before the start of the finals, in the live final all teams were under time pressure, because in each case they only had two hours to make their decision in individual cases. At the beginning of this period we received the report on the results for the previous period, and found that we were actually in the lead. However, two other teams were close behind us, so all the signs were that the final would be an exciting one. The third period began the next morning, and the report on the second period which was displayed indicated that our lead had melted away to some extent. We were still in front, but it was a head-to-head race with the Deutsche Börse team. The differences in service spectrum were particularly interesting. Our virtual company covered a wide range in order to ensure appeal to all target groups, whereas the Deutsche Börse team concentrated entirely on the private sector. In the fourth period the Deutsche Börse team actually managed to overtake us. There had been strong growth in the private customer segment, whereas the market for corporate customers had collapsed. In the final period we staked everything on a single roll of the dice, because the forecasts indicated that the trend would continue during that final period. We reached decisions which contradicted our previous experiences, but had to take risks at the same time in order to have any chance at all of taking the lead once more. In addition, our lead over the third-placed team was not enough to enable us to lose a little ground. Early in the evening all the participating teams presented their strategies, and then received an in-depth insight into the structure of the business simulation from the MARGA organisers. This indicated that in

recent months we had identified many facets of the simulation and had built up a good understanding of it. In spite of this all participants realised that some of the interrelationships were only now becoming clear, which reveals the entire complexity and quality of the MARGA business simulation.



(Finals; company 1 = comdirect)

In the evening the finals were rounded off by a gala dinner, to which each team was able to invite a guest of honour from its own company. Between the individual courses the winners received their awards and, as we had expected, in spite of the risk we had taken we failed to achieve first place. We are really proud of our second place nevertheless, and can only recommend participation in the MARGA business simulation, above all when there is a prospect of reaching the finals in such a wonderful atmosphere.