

## How the Place-Price Sim Game Works

Round 1	Price and Channel Simulation Game									
	<i>You only need to enter data in the GOLD cells = new units to produce per channel and price per channel</i>									
Team Decisions	Team A	Team B	Team C	Team D	Team E	Team F	Team G	Team H	Team I	Team J
<b>New Units Produced</b>										
Discount Store Channel										
Dept. Store Channel										
Specialty Store Channel										
<b>Plus Units in Inventory</b>										
Discount Store Channel	0	0	0	0	0	0	0	0	0	0
Dept. Store Channel	0	0	0	0	0	0	0	0	0	0
Specialty Store Channel	0	0	0	0	0	0	0	0	0	0
<b>TOTAL Units Offered</b>										
Discount Store Channel	0	0	0	0	0	0	0	0	0	0
Dept. Store Channel	0	0	0	0	0	0	0	0	0	0
Specialty Store Channel	0	0	0	0	0	0	0	0	0	0
TOTAL Units Offered	0	0	0	0	0	0	0	0	0	0
<b>Price Offer</b>										
Discount Store Channel										
Dept. Store Channel										
Specialty Store Channel										

### Required Decisions

As indicated at the top of the image, each student team only needs to make an entry (or a decision) in the gold colored cells. And each team only needs to put in six numbers, which are:

1. the number of units they wish to produce for the discount store channel
2. the number of units they wish to produce for the department store channel
3. the number of units they wish to produce for the specialty store channel
4. the price of the units for the discount store channel
5. the price of the units for the department store channel
6. the price of the units for the specialty store channel

You do NOT need to compete in every channel and may choose to specialize in one or two channels only. The sim game spreadsheet calculated automatically, so teams could put pretend decisions in for their competitor teams and work out the optimal decisions.

### Sim Game Rules

The rules for playing the game are provided within the spreadsheet itself, but they are repeated here for completeness:

**Set-up** You play in teams against other teams - up to ten teams in total and the game runs up to 8 rounds

**Your Goal** Your objective is to maximize profits over the 8 rounds (or earlier if playing a shorter version)

**Decisions** You have three main decisions to make:

1. Which of the three channels to utilize (discount, department and/or specialty stores)?
2. What quantity of product for each channel to produce?
3. What price will you offer each of your product lines to your targeted retailers?

**Unit Costs** The unit costs for your products are:

- \$10 for products in the discount store channel
- \$25 for products in the department store channel
- \$40 for products in the specialty store channel

### **Other Costs and Inventory**

- You also have fixed costs of \$5,000 per round
- Any products not sold in that round go into your inventory for sales next round
- You incur the production costs in that round whether or not they are sold
- You incur an inventory holding cost of 10% of the stock value

### **Your Budget**

In round 1 you have a starting budget of \$25,000, which also must cover your fixed costs

In later rounds, your budget is your accumulated products (or a minimum of \$25,000)

### **Price Elasticity**

- Each channel, and its consumers, have varying degrees of price elasticity
- Products in the discount store channel = strong price elasticity
- Products in the department store channel = Moderate price elasticity
- Products in the specialty store channel = Slightly price elastic
- Please refer to the 'Demand' tab for more detail on market demand

*Important note: price elasticity only becomes a factor when supply exceeds demand - take care!*

### **Price Ranges**

Price points (that you can charge) vary by channel as well...

- Products in the discount store channel = \$25 to \$50
- Products in the department store channel = \$50 to \$100
- Products in the specialty store channel = \$100 to \$150

### **Data Entry and Checks**

You only need to enter unit quantities per channel and price per channel

The sim game automatically calculates all the other numbers

*Important: You should see two OK symbols if the data is correctly entered and within budget*

Remember to move to the next Round tab for each decision

### **Making Decisions**

The sim game - as it allows for automatic calculation, is an excellent tool for scenario testing

In other words, play around with potential decisions before finalizing

### **Final Tips**

This is a sim game - it reflects your market reality - follow the numbers/data - not guesses!

Have fun, use your team strengths, and learn some marketing concepts along the way.

## Sim Game Outcomes

As mentioned, the sim game template automatically produces the outcomes – there are no calculations that need to be made outside of the spreadsheet.

In addition, spreadsheet has a built-in "data check" to ensure that all entries have been put in on a valid basis. Here is a sample of the output that you will see – this shows a sim Game for 10 student teams in round two:

Market Outcomes	Team A	Team B	Team C	Team D	Team E	Team F	Team G	Team H	Team I	Team J
<b>Units Sold</b>										
Discount Store Channel	1,500	0	0	1,880	0	0	1,539	1,880	0	1,000
Dept. Store Channel	561	0	500	0	740	600	0	100	500	500
Specialty Store Channel	0	700	400	0	0	550	200	100	200	200
<b>TOTAL Units Sold</b>	<b>2,061</b>	<b>700</b>	<b>900</b>	<b>1,880</b>	<b>740</b>	<b>1,150</b>	<b>1,739</b>	<b>2,080</b>	<b>700</b>	<b>1,700</b>
<b>Unit Market Share</b>	<b>15.1%</b>	<b>5.1%</b>	<b>6.6%</b>	<b>13.8%</b>	<b>5.4%</b>	<b>8.4%</b>	<b>12.7%</b>	<b>15.2%</b>	<b>5.1%</b>	<b>12.5%</b>
<b>Unsold Units (Inventory)</b>										
Discount Store Channel	0	0	0	2,120	0	0	1,461	120	0	0
Dept. Store Channel	39	0	400	0	260	0	0	0	700	100
Specialty Store Channel	0	0	0	0	0	0	0	0	0	0
<b>TOTAL Inventory</b>	<b>39</b>	<b>0</b>	<b>400</b>	<b>2,120</b>	<b>260</b>	<b>0</b>	<b>1,461</b>	<b>120</b>	<b>700</b>	<b>100</b>
<b>Sales Revenue</b>										
Discount Store Channel	37,500	0	0	65,800	0	0	61,560	65,800	0	50,000
Dept. Store Channel	50,490	0	50,000	0	51,800	45,000	8,500	50,000	50,000	50,000
Specialty Store Channel	0	84,000	50,000	0	0	82,500	29,800	13,500	29,000	30,000
<b>TOTAL Sales Revenue</b>	<b>87,990</b>	<b>84,000</b>	<b>100,000</b>	<b>65,800</b>	<b>51,800</b>	<b>127,500</b>	<b>91,360</b>	<b>87,800</b>	<b>79,000</b>	<b>130,000</b>
<b>Revenue Market Share</b>	<b>9.7%</b>	<b>9.3%</b>	<b>11.0%</b>	<b>7.3%</b>	<b>5.7%</b>	<b>14.1%</b>	<b>10.1%</b>	<b>9.7%</b>	<b>8.7%</b>	<b>14.4%</b>
<b>Profit for the Round</b>	<b>52,990</b>	<b>51,000</b>	<b>56,500</b>	<b>20,800</b>	<b>21,800</b>	<b>85,500</b>	<b>48,360</b>	<b>56,300</b>	<b>36,000</b>	<b>92,000</b>
<b>Profit for ALL Rounds</b>	<b>88,990</b>	<b>86,000</b>	<b>102,250</b>	<b>65,800</b>	<b>52,800</b>	<b>128,500</b>	<b>99,260</b>	<b>90,300</b>	<b>86,500</b>	<b>140,500</b>
<b>Profit Rank</b>	<b>6</b>	<b>8</b>	<b>3</b>	<b>9</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>1</b>
<b>Market Outcomes</b>	<b>Team A</b>	<b>Team B</b>	<b>Team C</b>	<b>Team D</b>	<b>Team E</b>	<b>Team F</b>	<b>Team G</b>	<b>Team H</b>	<b>Team I</b>	<b>Team J</b>

These market outcomes are produced automatically as the students' decisions are entered into the template. As you can see, the sim game automatically calculates:

- the number of units sold for each team by channel,
- the number of unsold units (which becomes inventory, which carries a holding cost),
- their revenue,
- market shares, and
- the all-important profit number and their profit ranking