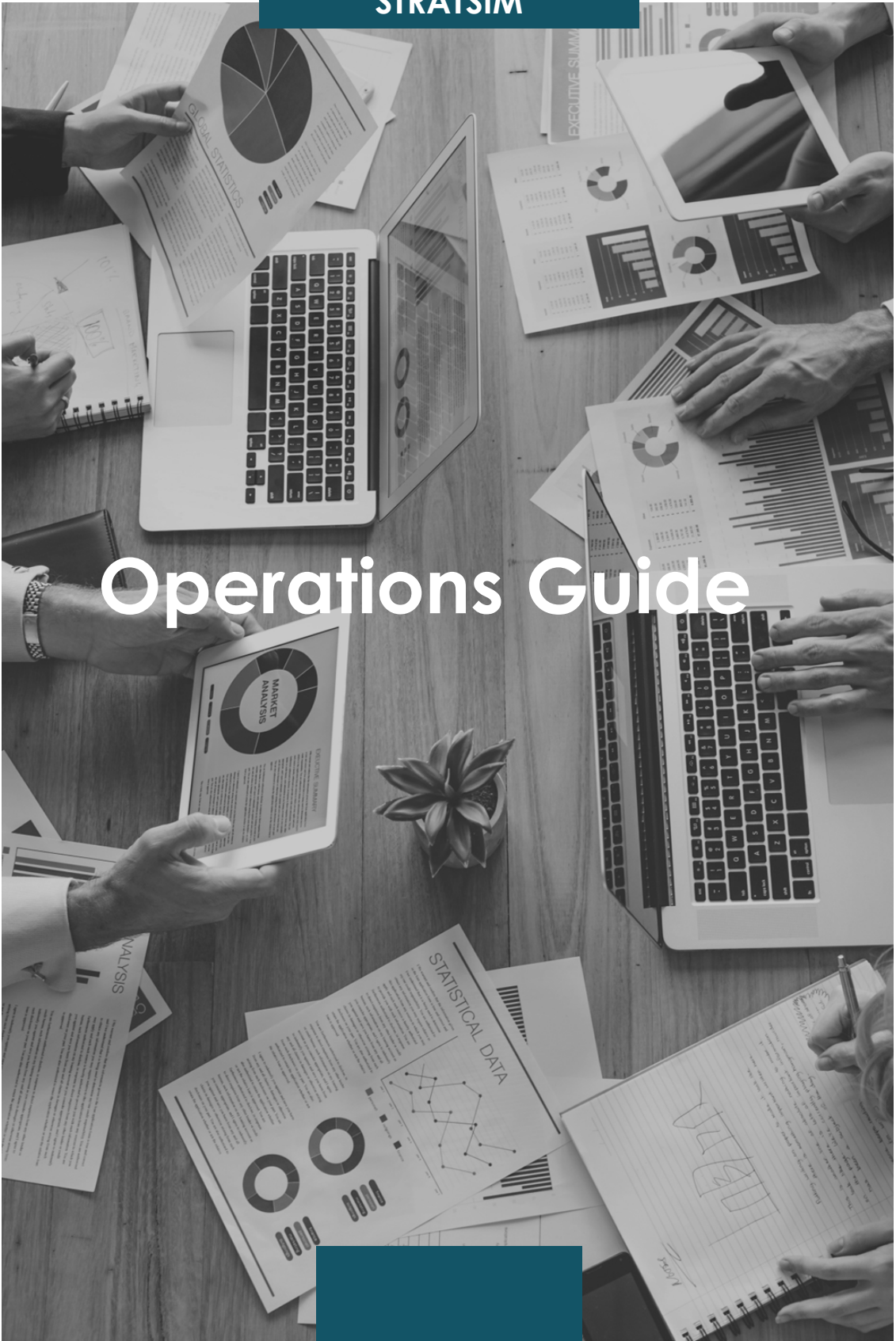




STRATSIM

Operations Guide

Simulation Navigation

This section gives an overview of the simulation interface.

The header of the simulation interface persists regardless of what page you're viewing. The header contains menu categories, the period selector, and four icons: Chat, Decision Alerts, Decision History, and User Menu. A link to the Showroom is connected to the header. Under the header, you may find additional options that depend on the page you're on.

The screenshot shows the StratSim simulation interface. The header includes the 'StratSim' logo, a 'Period Selector' with buttons for 'Past', 'Start', and years 1 through 7, and 'Header Icons' for Chat, Decision Alerts, Decision History, and User Menu. The 'Menu Categories' are listed as Introduction, Company, Market, Competition, Tools, and Decisions. The 'Showroom' link is circled and labeled as a 'Page-Specific Option'. The main content area displays the 'Company / Dashboard' for Firm A, featuring an 'Executive Dashboard' with various financial metrics and an 'Industry News' section.

	Previous	Current	Change
Net Income	\$10,373M	\$14,018M	\$3,645M
Cumulative Net Income	\$38,339M	\$52,357M	\$14,018M
Stock Price	\$243.98	\$318.79	\$74.81
Total Shareholder Return	26.0%	26.7%	0.7%
Revenue	\$84,397M	\$108,425M	\$24,028M
Cash	\$11,193M	\$25,088M	\$13,895M
Earnings per Share	\$27.96	\$38.40	\$10.45
Firm Preference	27.6%	28.5%	1.0%
Days Inventory	38	14	-24
Return on Sales	12.3%	12.9%	0.6%

Industry News

- Firm A launched Alux with an advertising campaign of \$170 million.
- Firm A launched AEVminus with an advertising campaign of \$80 million.
- Firm A launched AnImport with an advertising campaign of \$26 million based on an import agreement with Oceanic.
- Awesome has been upgraded.
- Camini, Climax and Cl4ssyV4n have been upgraded.
- Firm A's market share increased from 61.8% to 65.6%.
- Firm A's stock price rose \$74.81 to \$318.79.
- Firm C increased dealerships by 10 to 440.
- Industry marketing expenditures increased \$241 million to \$4,747 million.

Special Decisions

- New incident: Receivables/Payables.** (Be sure to handle this in the [Special Decision](#) screen.)

Menu Categories

This is the core of the simulation that gives you the information and tools you will need to analyze your current position, plan a strategy, and input your decisions. The categories are Introduction, Company, Market, Competition, Tools, and Decisions.

One of the easiest ways to find out more about an option is just to try it out. However, keep in mind that you share a common set of decisions and report purchases with team members. Report purchases cannot be undone, and there are restrictions on the quantity of each report a team can purchase. On the other hand, decisions can be changed as much as you like until the simulation advances to the next simulated year.

Period Selector

The period selector lets you choose which year, or period, in the simulation you would like to view. It defaults to the current year. Changing from the current year allows you to view historical information. You can only enter decisions in the current year (for the following year). You can look at the past using the period selector, but it won't let you change previous periods' decisions. Check your simulation schedule to see when the simulation will advance to each year.

Header Icons

Clicking the Chat icon allows you to communicate in real time with your teammates. You can also view a history of previous conversations here.

The Decision Alerts icon has a badge that shows the number of errors and warnings with your decisions. Click on the icon to see details of the alerts, which advise you of potential decision input errors. These timely messages to your firm may warn you of no changes entered in your product decisions, no launch information entered for new products, unused concepts that have not been put into development, production of zero units, and no changes in non-product firm decisions. While some of these may be your intent, it is always worth checking these messages so you can enter any necessary adjustments to your decisions before the simulation is advanced.

The Decision History icon gives you a full history of who made what decision when. The log also keeps track of advances, replays, and restarts.

The User Menu gives information about you (e.g., whether you have the leader role), let's you change your personal theme, and provides links to pages where you can export and print, en masse, pages from the simulation.

Showroom

Click on "Showroom" to open a side panel that shows a list of all vehicles firms currently have and information about the vehicles. The list of vehicles can be filtered by firm and class. Clicking on a vehicle name expands the side panel to show more information about the vehicle. The Showroom duplicates information from the Competition / Products report, making it easily available while you're making decisions.

Page-Specific Options

Most pages have a help icon. Click the question mark icon to open the operations guide to information about the page you're viewing. Most pages will also have a menu of other options. These options typically include the ability to view the page's contents in another window, print the page, and export the page's data to an Excel file. Decision pages have save and undo buttons.

Team leaders will see padlock icons they can click to lock decisions and purchases of reports. Locking prevents other team members from making changes. It isn't necessary to lock decisions.

Data in screenshots may not match your simulation. Also note that demand in a particular market may change at any time. Costs are not fixed; they may increase or decrease without notice as the simulation progresses.

Introduction

[Introduction](#)

This page helps orient you to the simulation.

[Case](#)

Prepare to make your first set of decisions by reading the simulation case, which presents the simulation's scenario in a form similar to a business school case. The time you invest in reviewing the information in the case will help greatly in your decision-making process. Please read it carefully.

[Tour](#)

The tour takes you through the simulation interface element by element and page by page, offering a brief description of each.

[Glossary](#)

The glossary provides a list of important terms (and their definitions) for learning the principles of strategy and competing in StratSim. The glossary also appears in the appendix of the StratSim manual.

[Accessibility](#)

Here you can enable the Accessibility View, which is helpful, for example, if you can interact with the simulation interface only with a keyboard or if you are visually impaired.

Company

Dashboard

The DASHBOARD has three parts: the Executive Dashboard, Industry News, and Special Decisions. The Executive Dashboard summarizes important performance measures for your firm and indicates the trend and relative rank within your industry for each measure selected. Industry News is a great place to start the external, or environmental, analysis process as it provides information on high level events shaping the industry. The Special Decisions section announces new special decisions and the results of your response to previous special decisions, if any.

Executive Dashboard

You may add performance measures to your Executive Dashboard (and are encouraged to do so!) based on what you find most important to monitor. Click the Edit button (top-right corner) to add to or remove previously selected performance measures. A brief explanation of each Dashboard performance measure is provided below. The first four measures are always shown in the dashboard. The others are optional and based on your objectives.

Net Income (\$)*	Net Income after taxes
Cuml. Net Income (\$)*	Total Net Income after taxes generated since the start of simulation
Stock Price (\$)*	Current stock price (in \$)
Total Shareholder Return (%)*	Annualized return based on the purchase of a firm's stock at the beginning of the simulation (included appreciation and dividends paid)
Cash (M\$)	Cash account balance from the Balance Sheet
Debt (M\$)	Combined short- and long-term debt outstanding from Balance Sheet
Firm Preference (%)	Percent of consumers surveyed that prefer your company
Dealer Rating	Dealer experience on a scale of 1-100 based on a survey of those who visited dealerships for service or new vehicle purchase.
Capacity Utilization (%)	Actual vehicle production divided by firm capacity
Days Inventory	Current estimate of how many days of inventory remain in stock at period end based on current demand for vehicle and inventory level.
Gross Margin (%)	The difference (as % of sales) between sales and cost of goods sold.
Revenue (M\$)	Sales Revenue for the firm
Value Market Share %	Sales Revenue for firm divided by sales revenue for entire industry
Unit Sales (000s)	Vehicles sold for the firm
Unit Market Share (%)	Vehicles sold for the firm divided by total vehicles sold for industry
Marketing (M\$)	Expenditures for corporate and brand advertising and promotion
R&D (M\$)	Expenditures in technology and product development for firm
Market Research (M\$)	Expenditures in market research and tools for firm
Earnings Per Share (\$)	Net Income divided by shares of stock outstanding
Shares Outstanding	Number of shares of stock outstanding
Return on Sales (%)	Net Income divided by sales revenue
Return on Equity (%)	Net Income divided by equity

Return on Assets (%)	Net Income divided by assets
Debt to Equity	Ratio of total debt to equity

Industry News

Industry News highlights significant events that occurred throughout the industry in the previous period and information about the state of the economy. News items include product launches and upgrades, planned launches of new products into new classes, new development centers, drastic changes in stock prices and market share, and other news of general interest. Finally, if there are any incidents to address in the current decision period, these will be listed here with a short description.

Less important information is not included in the report, such as minor fluctuations in stock prices or market share. Links to important information, such as new product attributes, are embedded in the text. New vehicle class launch plans of your competitors (3 year projects) are announced in *Industry News* in the period before the launch, and licensing agreements are shown in the period vehicles are launched.

Though the Industry News report is rather brief at the beginning of the simulation, you can be assured this screen gets considerably longer as the game progresses!

Executive Dashboard 			
	Previous	Current	Change
Net Income 	\$10,373M	\$14,018M	\$3,645M
Cumulative Net Income 	\$38,339M	\$52,357M	\$14,018M
Stock Price 	\$243.98	\$318.79	\$74.81
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Industry News	
- Firm A launched Alux with an advertising campaign of \$170 million. - Firm A launched AEVminus with an advertising campaign of \$80 million. - Firm A launched AnImport with an advertising campaign of \$26 million based on an import agreement with Oceanic. - Awesome has been upgraded. - Camini, Climax and Cl4ssyV4n have been upgraded. - Firm A's market share increased from 61.8% to 65.6%. - Firm A's stock price rose \$74.81 to \$318.79. - Firm C increased dealerships by 10 to 440. - Industry marketing expenditures increased \$241 million to \$4,747 million.	

Special Decisions	
New incident: Receivables/Payables. (Be sure to handle this in the Special Decision screen.)	

Product Contribution

The PRODUCT CONTRIBUTION page provides financial results at the product level. This report is particularly beneficial for comparing the profitability of various product lines and provides insight for pricing decisions from an internal perspective.

Four different analyses are accessible within this report via the tabs at the top: Total, Per Unit, Percent, and By Region. These provide product level insights into pricing and cost factors. However, it does not include any allocated overhead costs, only variable costs (COGS) and marketing costs directly attributable to a product.

Total Per Unit Percent By Region

Overall Contribution							
	Units (000's)	Dealer Revenue (mill.)	Direct Revenue (mill.)	Var. Costs (mill.)	Contrib. Margin (mill.)	Adv. & Promo. (mill.)	Contrib. (mill.)
Alec	235	\$2,950	\$0	\$1,961	\$989	\$70	\$919
Allaboard	151	\$3,104	\$0	\$2,225	\$879	\$70	\$809
Alpha	220	\$4,163	\$0	\$2,944	\$1,218	\$90	\$1,128
Overall	607	\$10,217	\$0	\$7,130	\$3,087	\$230	\$2,857

Total

Provides overall contribution based on total revenues for the product (dealer invoice multiplied by units sold). Sales made other than through your own dealers (B2B, licensing) will appear in the "Direct Sales" column. The sum of the "Revenue" and "Direct Sales" columns equals the "Sales" value from the *Income Statement*. The cost of goods sold (COGS) and expenditures on advertising and promotion are then subtracted to calculate the overall contribution of each product.

Per Unit

In this report, the focus now shifts to product line profitability on a per unit basis, removing the unit volume from the results. This answers the questions, what are my variable costs per unit, how much are we spending on advertising and promotion per unit (\$budget / volume), and what is per unit contribution. Not that this report includes direct sales; so this analysis is based on average revenue and margin over all sales including those to the B2B market.

Percent

The **Percent** button will now shift the report to a percentage basis which normalizes all values relative to price. This report calculates the margin percent and contribution percent which are helpful measures for pricing decisions.

By Region

Here, you can find the revenue and unit sales for each vehicle in each region, as well as direct sales numbers.

Income Statement

The INCOME STATEMENT shows the firm's overall results for the most recent year with major expenditures broken out. Each line item is also displayed as a percent of manufacturer sales (not retail sales) for year-to-year comparative purposes.

Sales	Sales are recognized at the time of purchase by the customer. The dollar amount is based on dealer invoice, not retail price or MSRP. Click the link to see the breakdown by product revenues.
COGS	Cost of goods sold (COGS) is the total manufacturing costs including fixed costs related to production. Click the link to see COGS details.
Gross Margin	The difference between sales and cost of goods sold. Shareholders often analyze the gross margin % year to year as one measure of profitability.
Marketing	The sum of corporate advertising, public relations, product advertising, product promotion, and sales force.
Research & Development	Research and Development are the costs associated with product development and technology increases.
General and Administrative	General and Administrative includes overhead from sales and the dealership network. Dealership training and the cost of changes in the number of dealerships are the result of your decisions, but most G&A expenses are not under your direct control.
Income from Operations	Results from deducting expenses from gross margin.
Interest Income	Interest generated from CDs held.
Interest Expense	Interest on long and short-term debt.
Extraordinary Items	Includes plant and inventory write-offs.
Income before Tax	Income from Operations less extraordinary items and interest expense.
Less Tax @ 35%	Taxes charged at the rate for your industry environment.
Net Income	Net Income less taxes.
Dividends Paid	The dividends paid to stockholders.

Income Statement for Year 0

	Millions	Millions	Percent of Revenue
Sales	\$21,886		100.0%
Cost of Goods Sold	\$(16,857)		-77.0%
Gross Margin		\$5,029	23.0%
Marketing	\$(378)		-1.7%
Research and Development	\$(1,029)		-4.7%
General and Administrative	\$(897)		-4.1%
Income from Operations		\$2,725	12.5%
Interest Income	\$0		0.0%
Interest Expense	\$(790)		-3.6%
Extraordinary Items	\$0		0.0%
Income before Tax		\$1,935	8.8%
Less Tax @ 35%	\$(677)		-3.1%
Net Income		\$1,258	5.7%
Dividends Paid (365M shares)		\$100	0.27/sh

Balance Sheet

The BALANCE SHEET shows the current account balances for assets, liabilities, and shareholder equity at the most recent year-end. A sample screen is shown below.

Assets & Liabilities			
Assets	Millions	Liabilities	Millions
Cash	\$5,250	Accounts Payable	\$1,809
Receivables	\$1,827	Short Term Debt	\$10,539
Inventory	\$1,418	Long Term Debt	\$0
Plant and Equipment	\$8,981	Total Liabilities	\$12,348
Accumulated Depreciation	\$(2,694)	Stock (\$1 par)	\$365
		Retained Earnings	\$2,070
		Total Equity	\$2,435
Total Assets	\$14,782	Total Liabilities & Equity	\$14,782

Asset Categories	
Cash	Current cash balance on the books. See the <i>Cash Flow</i> statement for more detail on how cash is generated (or used).
1 Year CD Inv.	Value of any CDs purchased for the year.
Receivables	Outstanding invoices unpaid by dealers.
Inventory	Current value of finished inventory.
Plant and Equip.	Original value of the plant and equipment used in production of the vehicles. This includes retooling investments.
Depreciation	Accumulated depreciation on assets. Plant, equipment, and retooling costs are expensed over 10 years using straight-line depreciation.
Liability and Equity Categories	
Accts Payable	Amount currently owed to vendors.
Short-Term Debt	Outstanding short-term lines of credit used to fund on-going operations, typically resulting from underestimating cash needs in the current year.
Long-Term Debt	Face value of long-term bonds that were issued.
Stock	Original value of any stock issued at \$1 par value.
Retained Earnings	Accumulated net income from previous years.

NOTE: Please refer to *DECISIONS: Financing in this operations guide* for more information on debt and stocks.

Cash Flow

The CASH FLOW statement shows the sources and uses of the firm's cash. Changes in the amount of cash in the firm can be calculated based on cash flow from operating, investing, and financing activities. Line items may have different context modifiers as indicated by parentheses. Using the **Inventory** line item as an example, a positive inventory cash flow amount indicates an increase in cash due to a decrease in inventory, and a negative inventory cash flow amount indicates a decrease in cash due to an increase in inventory. If a value is in parentheses, it refers to negative cash flow (cash out).

Cash Flow for Year 0		
	Millions	Millions
Cash Flow from Operations		
Net Income	\$1,258	
Depreciation	\$898	
Add Back Sale of Plant	\$0	
Decrease (Increase) in Inventory	\$554	
Decrease (Increase) in Receivables	\$841	
Increase (Decrease) in Payables	\$810	
Net Cash From Operations		\$4,360
Investment Activities		
Capacity Decrease (Increase)	\$0	
Plant Retooling	\$0	
Investment Maturing	\$0	
Investment Purchased	\$0	
Net Investment		\$0
Financing Activities		
Increase (Decrease) in Short-Term Debt	\$0	
Bailout Loan	\$0	
Bonds Issued	\$0	
Bonds Called	\$0	
Sale of Stock	\$0	
Dividends Paid	\$(100)	
Net Financing		\$(100)
Net Increase (Decrease) in Cash		\$4,260

Cash Flow from Operating Activities	Includes Income from Operations plus depreciation and any changes in inventory, accounts receivable, and accounts payable.
Net Income	This figure comes from the <i>Income Statement</i> .
Investment Activities	Related to manufacturing or cash investments, such as increases in capacity and retooling costs.
Financing Activities	Include proceeds from short-term loans and bonds or stock issues less interest and dividends paid (see following page).
Net Increase (Decrease) in Cash	Total of changes in cash from operating, investing, and financing activities.

Manufacturing

The MANUFACTURING report provides actual production, sales, inventory, and days inventory for each product.

“Days inventory” is an estimate of the number of days of inventory available at year-end based on yearly sales; derived by the formula $(365 \times \text{units inventory} / \text{sales})$. Generally, auto companies aim for approximately 30 days of inventory, but this may vary based upon development, or upgrade, plans for a particular vehicle.

In the Comment column you may see, for example, a note about a new or upgraded product or if sales have exceeded planned production.

You may find this same information on your competitors under the COMPETITION: Manufacturing menu.

You can choose among the various available graphs by selecting the menu icon to the right of the graph title.

Production Results					
Capacity (000's)	1,000				
Production (000's)	1,432				
Coming on Line (000's)	0				
Utilization	143.2%				
Over Capacity Charge (mill.)	\$1,402				
Vehicle	Prod. (000's)	Sales (000's)	Inv. (000's)	Days Inv.	Comment
Ace	445	441	37	30	
Alec	274	301	25	30	
Alfa	713	710	59	30	
Total	1,432	1,452	121	30	

Market

Economic Outlook

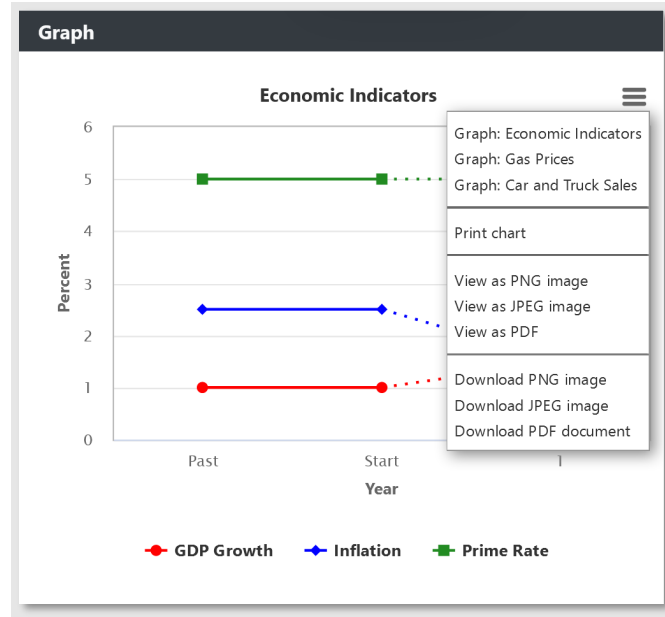
The ECONOMIC OUTLOOK report provides a very brief overview of the general economic conditions for the current year, past year, and a forecast for the coming year to help with financial decisions. Economic strength (based on GDP growth) and low interest rates typically have a positive impact on car sales. The inflation rate and increases in material and labor costs should be considered when making pricing decisions. The **Prime Rate** is the underlying index for most loans and therefore is the basis of the borrowing rate for firms along with duration and risk. The **Cash Rate** is the interest rate on short-term loans between banks.

Availability: Always Available | Free | No Restrictions

Dealer Truck Sales equals the sales of truck, delivery, and utility classes—though the utility class may not be available in your game, depending on how it was configured. The sum of sales in all other classes makes up **Dealer Car Sales**. If enabled, **B2B Direct Sales** total will also be shown in this report. Sales by vehicle class can be found in the MARKET: *Vehicle Sales* report.

Market Indicators			
Indicator	Past (Last)	Start (Current)	Year 1 (Forecast)
Real GDP Growth	1.0%	1.0%	1.5%
Inflation	2.5%	2.5%	1.5%
Prime Rate	5.0%	5.0%	5.0%
Cash Rate	3.0%	3.0%	2.0%
Materials Cost	2.5%	2.5%	1.0%
Labor Cost	2.5%	2.5%	1.5%
Gas Price (\$/gal)	\$3.00	\$3.00	\$3.15
Dealer Car Sales (000's)	2,909	2,960	2,889
Dealer Truck Sales (000's)	1,233	1,399	1,486

The graph displays data from this report over time. The default graph is a plot of the **Economic Indicators** over time, but you may also select **Gas Prices** or **Car, Truck, and B2B Sales** using the drop-down list box as shown in the example below.



Vehicle Sales

VEHICLE SALES provides more detail on two standard industry categorizations – Region and Vehicle Class. REGION ANALYSIS provides insights for distribution decisions while CLASS ANALYSIS will help your firm assess the relative attractiveness of the various vehicle classes.

Availability: Always Available | Free | No Restrictions

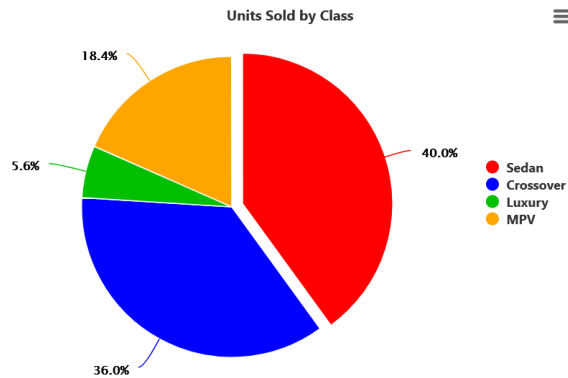
Class Descriptions

The CLASS DESCRIPTIONS report provides a graphic of the relative size of the vehicle classes based on unit sales as well as a description of each vehicle class.

In StratSim, there are multiple vehicle classes as shown in the graphic below, and other classes may be developed and introduced as the simulation progresses. Depending on which StratSim scenario your instructor has selected to use, the vehicle classes available in your game may be different than the ones referenced in this guide.

Click the graphic (e.g., the slice of the pie chart associated with a particular class) for a description of the vehicle class as displayed in the example below.

Vehicle Class Shares and Descriptions



Select a vehicle class to view its description.

Sedan ▼

Sedan

40.0% of Unit Sales

The sedan vehicle, a quintessential embodiment of automotive refinement, presents a fusion of elegant design and practical functionality. Distinguished by its three-box architecture (engine, passenger, and trunk), the sedan's sleek roofline gracefully envelops a spacious cabin, accommodating both driver and passengers in comfort. With a balanced synthesis of aesthetic allure and ergonomic ingenuity, the sedan stands as an enduring symbol of automotive sophistication, catering to diverse preferences while traversing the intersection of style and utility on modern roadways.

Sedans are typically in the more affordable and lower power quadrant of the StratSim world and typically range from 1 to 50 in size, and 80 to 200 in HP.

Examples of sedans are the Honda Civic and Accord, Nissan Sentra and Altima, Hyundai Sonata, Kia Optima, Volkswagen Passant, Toyota Corolla and Camry, Geely Vision, Skoda Octavia, Fiat Tipo, and Renault Clio.



Region Analysis

VEHICLE SALES summarizes vehicle sales by class, region, and B2B (if selected). Click a vehicle class (i.e., [Sedan](#)) to view details of product unit sales by region and a graph illustrating product market shares for that class (as shown on previous page). Click on a region (i.e., [North](#)) to view dealerships and sales by firm on a regional basis. Vehicle detail available on a pop-up basis.

Unit Sales (000's) by Region

Class	<i>North</i>	South	East	West	B2B	Total	Chg.
Sedan	252	252	228	252	0	984	+4.1%
Crossover	214	214	246	214	0	888	+3.2%
Luxury	27	27	55	27	0	137	-1.2%
MPV	112	112	119	112	0	454	+0.6%
Total	605	605	649	605	0	2,463	+2.8%

Vehicle Sales and Dealers by Firm in the North

Firm	Dealers	Unit Sales	Unit Share
Firm A	0	0	0.0%
Firm B	90	455	75.2%
Firm C	0	0	0.0%
Firm D	0	0	0.0%
Firm E	40	150	24.8%
Firm F	0	0	0.0%
Total	130	605	

Class Analysis

This report provides a selectable pie chart of unit market share by vehicle class. Clicking on a piece of the pie (or into the class from the list at right) will provide more detailed information about the products competing in that vehicle class. Several pull-down graphs are also available for the selected class.

The link to a vehicle class (such as Luxury) provides details of the vehicle class market share and marketing information. This information includes vehicle sales (in units), share of class, overall share for the vehicle, MSRP, advertising budget and theme, and promotional budget. It also will open up some of the graphical analysis tools for this report, which is described in further detail on the following page.

Clicking a vehicle name link will open a pop-up window with additional product details.

[Class Descriptions](#)
[Region Analysis](#)
[Class Analysis](#)

Units Sold by Class

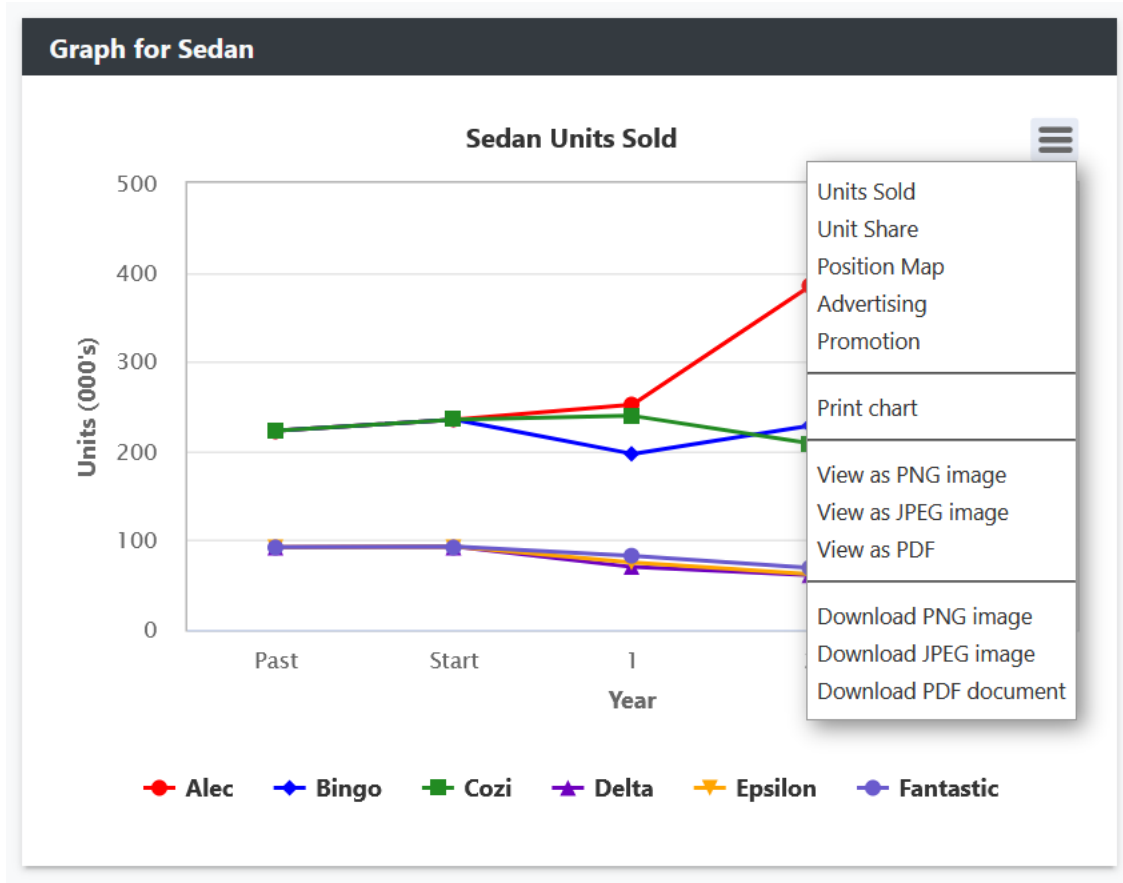
Class	Mfr. Sales (mill.)	Units (000's)	Chg.	A	B	C	D	E	F
Sedan	\$16,065	984	+4.1%	235	235	235	93	93	93
Crossover	\$20,426	888	+3.2%	220	220	220	76	76	76
<i>Luxury</i>	\$5,617	137	-1.2%				46	46	46
MPV	\$10,689	454	+0.6%	151	151	151			
Total	\$52,797	2,463	+2.8%	607	607	607	214	214	214

Vehicles Shares of the Luxury Class

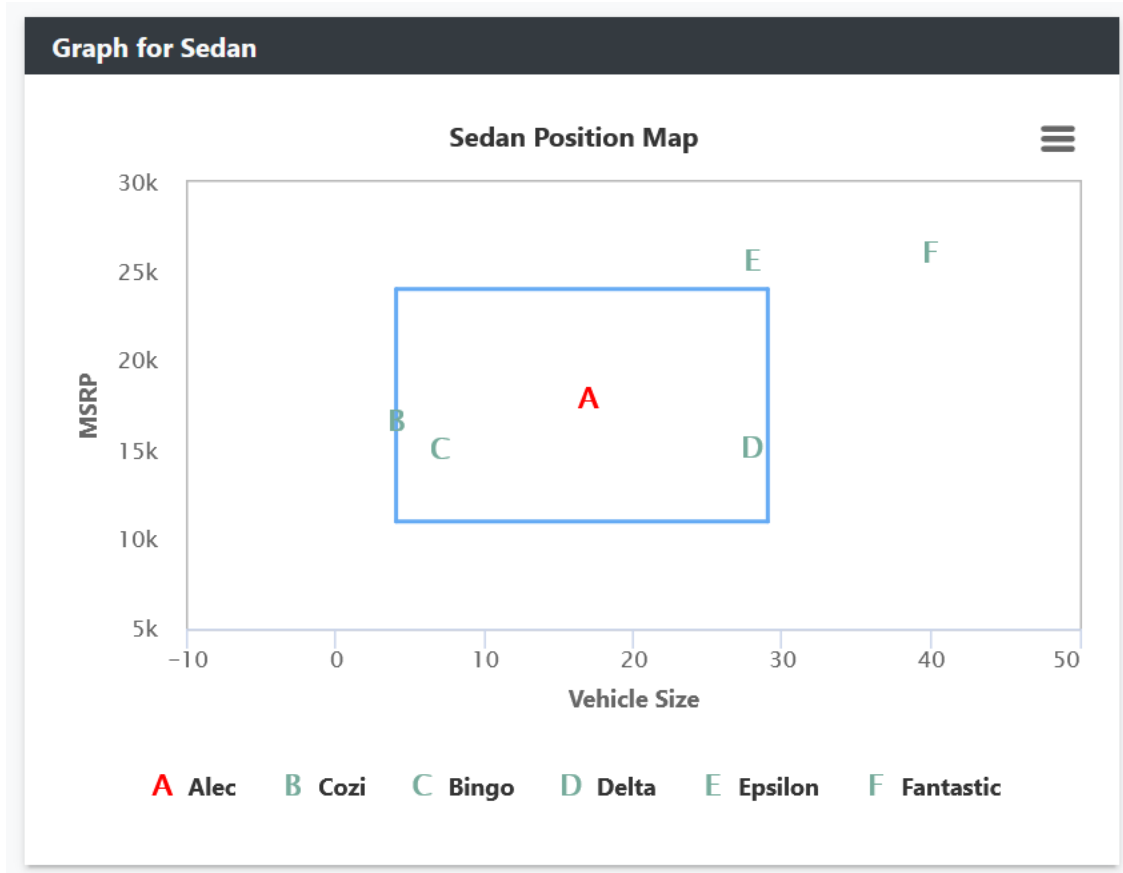
Vehicle	Units (000's)	Share of Class	Overall Share	MSRP	Adv. (mill.)	Adv. Theme	Promo. (mill.)
Deluxe	46	33.3%	1.8%	\$43,177	\$60	Safety	\$30
Empress	46	33.3%	1.8%	\$43,177	\$60	Safety	\$30
FirstClass	46	33.3%	1.8%	\$43,177	\$60	Safety	\$30

Class Analysis: Graphical Analysis

Associated with the vehicle classes are five analysis graphs: **Units Sold**, **Unit Share**, **Positioning Map**, **Advertising** and **Promotion**. All but the positioning map are fairly straightforward graphical aids.



The POSITION MAP provides a visual representation of expected **Vehicle Size** and **MSRP** ranges for a particular class, including how vehicles in that class are positioned on these two dimensions. In the example, the boxed area denotes the expected price and size ranges for the sedan class. The various sedan class vehicles are marked with letters and are listed in the legend in the order of sales. Thus, the sales leader for this class is Alec. Based on this plot, one can say that Alec is larger and higher priced than Cozi, that the expected price of a sedan class vehicle appears to be under \$20,000, and that the expected size of a sedan class vehicle is less than 35.



NOTE: Positioning maps can also be viewed at the microsegment level, which provides specific information for microsegments rather than for vehicle classes.

Consumer Segments

Purpose: CONSUMER SEGMENTS brings the consumer into your analysis at a high level. SEGMENT SALES provides information about relative attractiveness (sales, growth and preferred vehicle class) of each consumer segment and SEGMENT ANALYSIS provides information about segment preferences.

Availability: Always Available | Free | No Restrictions

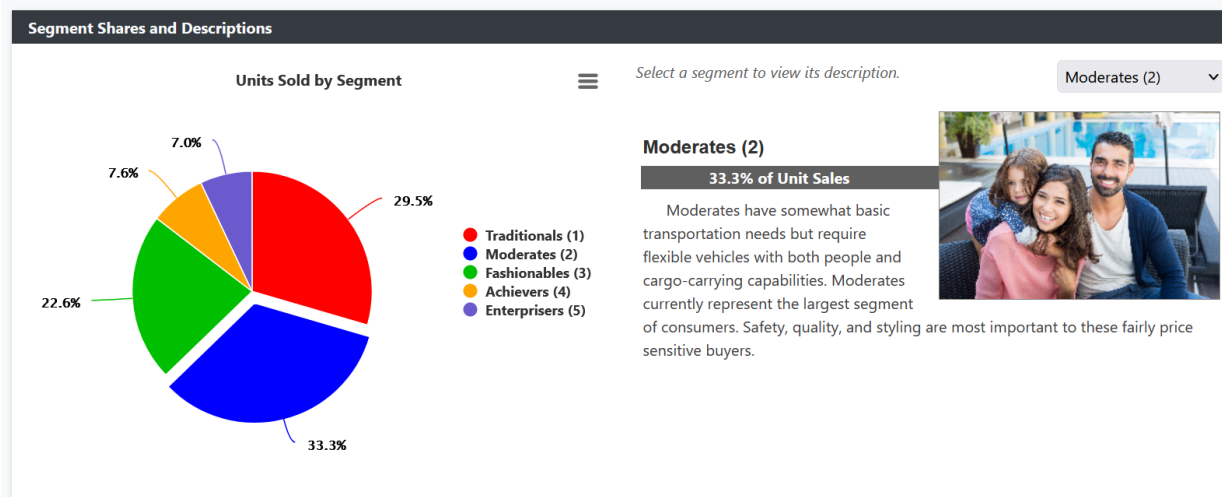
Segment Descriptions

The SEGMENT DESCRIPTIONS report provides a graphic of the relative size of the consumer segments based on unit sales as well as a description of each segment.

In StratSim, there are five consumer segments labeled 1–5. As with the vehicle classes, the names and characteristics of the consumer segments in your simulation may vary from the ones shown here based on the scenario you are using. Within each segment, there are multiple

microsegments with different transportation needs. Demographic and psychographic characteristics also vary by segment. Click the graphic (i.e., the slice of the pie chart associated with a particular segment) for a description of the segment as displayed in the example below.

To learn more about the preference of the various segments, use the SEGMENT ANALYSIS button as described on the following page.



Segment Analysis

SEGMENT ANALYSIS provides additional information about each segment including the retail sales, unit sales, and preferred vehicle class. Click a segment [link](#) (e.g., [Moderates](#)) for the **Preferred Vehicle Class** and **Firm Shares** reports. The first report provides more preference details based on the segment's preferred vehicle class(es), including expected price range, preferred vehicle size, most important vehicle attribute, and the top selling vehicle. The second report provides additional detail based on the firm, including retail and unit sales, market share, and top selling vehicles. You may find these reports sufficient for making decisions, or you may want to explore each segment more by reviewing information at the microsegment level.

Sales by Consumer Segment					
Segment	Retail Sales (mill.)	Unit Sales (000's)	Change	Forecast Units (000's)	Preferred Classes
Traditionals (1)	\$13,255	712	+0.7%	753	MPV, Crossover, Sedan
Moderates (2)	\$15,888	835	+4.8%	711	Crossover, Sedan
Fashionables (3)	\$12,905	558	+2.9%	474	Luxury, Crossover
Achievers (4)	\$6,312	185	+2.2%	173	Luxury, AEV, Crossover
Enterprisers (5)	\$4,438	173	+2.7%	171	Performance, MPV, Truck
Total	\$52,797	2,463	+2.8%	2,282	

Preferred Vehicle Classes				
Class	Exp. Price Range	Preferred Veh. Size	Most Important Attribute	Leading Vehicle
Sedan	\$14,000-\$22,000	7-27	Safety	multiple
Crossover	\$18,000-\$26,000	39-59	Quality	multiple

Firm Shares				
Firm	Retail Sales (mill.)	Unit Sales (000's)	Unit Share	Top Sellers
Firm A	\$3,557	212	25.4%	Alpha, Alec
Firm B	\$3,557	212	25.4%	Beta, Bingo
Firm C	\$3,557	212	25.4%	Chi, Cozi
Firm D	\$1,739	66	7.9%	Delta, Discover
Firm E	\$1,739	66	7.9%	Epsilon, Excite
Firm F	\$1,739	66	7.9%	Fantastic, Fab4WD
Total	\$15,888	835		

Unit and Retail Sales by Region					
	North	South	East	West	Total
Unit Sales (000's)	214	214	192	214	835
Retail Sales (mill.)	\$4,137	\$4,137	\$3,475	\$4,137	\$15,888

Graph for Moderates (2)

Firm	Unit Share (%)
Firm A	25.4%
Firm B	25.4%
Firm C	25.4%
Firm D	7.9%
Firm E	7.9%
Firm F	7.9%

Microsegments

The MICROSEGMENTS report summarizes customer detail information, displaying overall sales to each customer, the percent change in sales during the most recent period, a forecast for next year, and the leading product (based on units sold to microsegment). This report is designed to assist you in assessing microsegment attractiveness based on relative demand.

Availability: Always Available | High Level – Free, Detail - \$25,000 each | No Restrictions

For all the microsegment detail reports you wish to see, check the corresponding boxes, and click the “Purchase the Selected Reports” button. After you’ve purchased reports, click a microsegment [link](#) to display customer detail information, as described on the next page. As with the vehicle classes and consumer segments, there may be different microsegments in your simulation from the ones shown here.

The screenshot below shows three **Potential New Consumer Segments** and initial data on these potentially emerging customers. In this sample, the **Traditionals** segment that would like to purchase a crossover (**1C**) is estimated to be the largest potential new customer in terms of expected units sold. The expected price range, vehicle size range, and most important attribute are also shown.

New customers may be looking for a new vehicle class, such as an AEV, or a significantly different configuration of an existing vehicle class. If a firm introduces a vehicle that "excites" these customers, a new customer may "pop," creating new demand in the marketplace. As a rule, in StratSim, at most only one new customer can "pop" or emerge each period. Additional new customer opportunities may be identified as the simulation progresses.

NOTE: It is important to understand that there are no guarantees when introducing products into new markets and StratSim reflects this risk.

For one of these emerging customers to generate significant sales, the vehicle must be designed to meet the needs for that customer. Without sufficient differentiation and marketing for the new vehicle, the necessary marketplace "buzz" will not be generated. The combination of unmet needs and successful development and marketing of a vehicle makes a new microsegment emerge as a viable market.

Microsegment Sales and Unit Forecasts					
Microsegment	Retail Sales	Unit Sales	% Change	Forecast (units)	Leading Vehicle
☐ 1M	\$8,959	256	-29.2%	462	Bliss
☐ 1S	\$8,390	328	-31.6%	669	Bingo
☐ 2C	\$14,501	412	-20.5%	863	Beta
☐ 2S	\$13,740	488	-31.6%	692	Cozi
☐ 3C	\$16,165	448	-29.7%	583	Beta
☐ 3L	\$3,291	79	-27.0%	115	Deluxe
☐ 4A	\$4,789	105	-6.6%	151	Excite
☐ 4C	\$5,752	132	-22.8%	219	Discover
☐ 4L	\$3,198	61	-39.8%	112	Deluxe
☐ 5P	\$8,079	203	+6.0%	279	Epsilon
☐ 5T	\$3,586	102	-34.2%	250	Etruck
Total	\$90,450	2,615	-32.4%	4,396	
Purchase the Selected Reports					

Purchasing Instructions					
To purchase reports, check the box next to the desired microsegments and then click the "Purchase the Selected Reports for this Firm" button.					
Each report costs \$25,000 to purchase.					
You have purchased no studies this year.					

New Microsegments					
Segment	Vehicle Class	Est. Units (000's)	Exp. Price Range	Approx. Veh Size	Most Important Attribute
1C Traditionals (1)	Crossover	240	\$17,000-\$25,000	19-39	Safety
5M Enterprisers (5)	MPV	68	\$30,000-\$46,000	70-80	Interior
3A Fashionables (3)	AEV	153	\$31,000-\$47,000	35-55	Styling
Research has identified the top 3 potential new consumer microsegments.					

Microsegment Detail (\$)

The MICROSEGMENT DETAIL report provides sales and consumer data at a finer level than either consumer segment or vehicle class. Use this information to decide if this is a microsegment your firm should target based on market attractiveness and competitive intensity or how to better meet your target customer's needs with an existing vehicle.

Availability: Always Available | \$25K per microsegment | No Restrictions

A microsegment is defined as a particular segment that has a preference for a vehicle class. Thus 1M = 1 (segment: Traditionals) who primarily prefer an M (vehicle class: MPV). In addition to repeating the microsegment demand information from the overview, this report also contains information relevant to a particular customer's purchase preferences including expected size, price, and engine ranges, microsegment hot buttons, and price sensitivity. In the portion on the right side, the report lists the primary vehicles competing for this customer, their microsegment unit market share, and some relevant marketing mix information.

Details for 1M

Region:

All Regions

Desired Class:

Primary=MPV, Secondary=Truck

Retail Sales (mill.):

\$7,955

Units Purchased (000's):

341

Change from Prev. Year:

0.7%

Projected Demand (000's):

353

Expected Price Range:

\$16,000-\$24,000

Preferred Size Range:

48-68

Preferred Engine (hp):

135-185

Hot Buttons:

Quality, Safety

Price Sensitivity

Medium

Products

Graphs

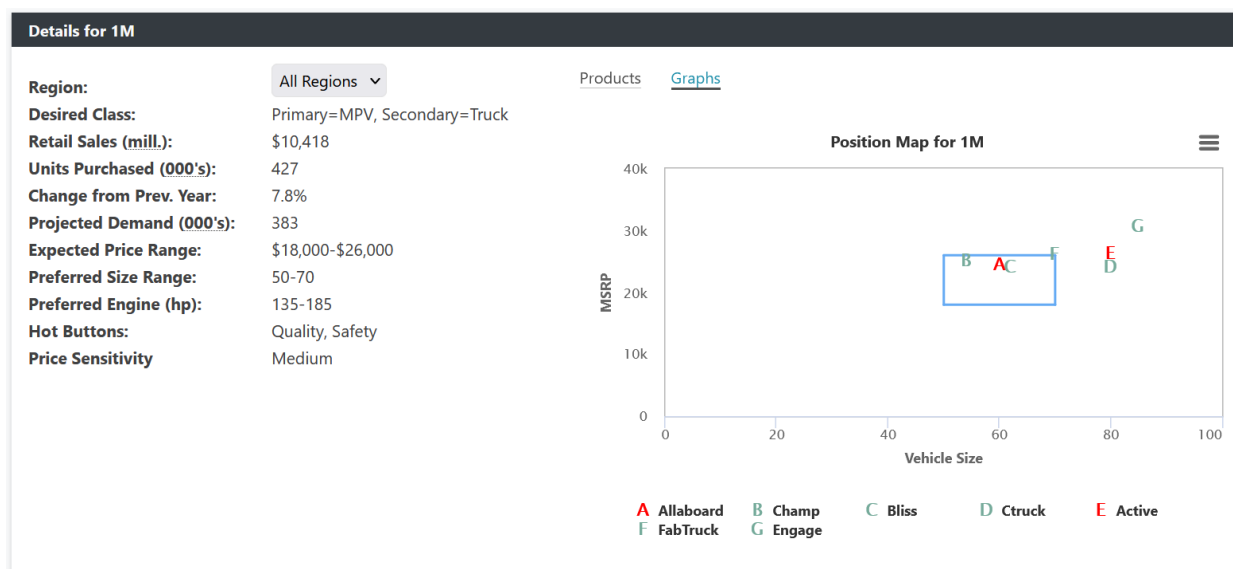
Vehicle	Class	Unit Share	Size	MSRP	Eng (HP)	Aware-ness	Adv. (mill.)	Adv. Theme	Promo. (mill.)
Allaboard	MPV	27.1%	62	\$23,305	180	69.0%	\$30	Performance	\$40
Bliss	MPV	27.1%	62	\$23,305	180	69.0%	\$30	Performance	\$40
Champ	MPV	27.1%	62	\$23,305	180	69.0%	\$30	Performance	\$40
Other		18.7%							

On the Graphs tab, there are three analysis graphs relating to the microsegment detail: A **Position Map** of the leading competitors for that particular customer, a scatter plot of **Price vs. Unit Sales**, and a scatter plot of **Awareness vs. Unit Sales**. These are described on the following page.

Microsegment Detail (\$): Graphs

The **Position Map** (default option) includes all vehicles in the primary or secondary class (or vehicles with greater than 5% of market share). The vertical axis maps the **MSRP**, while the horizontal axis maps the **Vehicle Size**. The boxed area represents the microsegment's price and size preference which one could think of as their "consideration set." Although similar to the positioning map previously discussed in the VEHICLE SALES: *Class Analysis* report, this map is focused on a particular microsegment, rather than a vehicle class. Generally, a microsegment's positioning map has a more narrowly defined focus than the vehicle class positioning map.

Click into the **drop-down menu** to change the graphical analysis. **Price/Sales** maps the relationship between price and the number of units sold for vehicles competing for this customer. **Awareness/Sales** maps the relationship between units sold and advertising awareness for the vehicles preferred by the selected customer.



Be careful not to use any one of these relationship graphs as the single predictor of sales. All must be considered, along with other factors such as the various vehicle characteristics (interior, styling, safety, and quality), distribution, etc., to fully understand sales results. However, the maps can be quite helpful in visualizing some of the key variables that impact market share by microsegment.

International

INTERNATIONAL compares economic conditions as well as vehicle production and delivery characteristics for the Domestic, Pacific, and Atlantic regions. This information helps you assess how attractive a region is for sourcing.

Availability: Instructor selected option | Free | No Restrictions

The quantitative comparisons among the regions update from period to period. All dollar values in the simulation are in domestic currency. Using the data in the table, you can estimate fixed and variable costs incurred for production in each region. Click the Pacific or Atlantic table headings to view qualitative descriptions of the regions; the descriptions don't change for the duration of the simulation. Although the regions may bear some resemblance to actual regions, one should carefully analyze the market information and not rely on perceived similarities with actual countries or regions.

International Markets Overview

	Domestic	Pacific	Atlantic
GDP Growth Per. 0 (current)	1.0%	7.5%	1.5%
GDP Growth Per. 1 (forecast)	1.5%	8.5%	1.0%
Inflation	1.5%	5.0%	2.0%
Plant Cost per 100k (\$mill.)	\$715	\$809	\$1,048
Production Cost Index	104	81	110
Labor Skill Level	5	3	4
Shipping Cost per Unit	n/a	\$546	\$525
Import Tariff	n/a	5%	0%
Export Tariff	n/a	5%	0%
Car Sales (000's)	5,058 (+0.1%)	310 (+22.1%)	582 (+3.5%)
Truck Sales (000's)	2,204 (+12.4%)	30 (+25.1%)	8 (+32.0%)

Note: Production cost measures are an indication of relative base costs, and do not take into account experience effects.

[Pacific](#) [Atlantic](#)

Show All Tabs



Description of the Pacific Region

The Pacific Market, with its large population base, offers high growth possibilities. However, people in this market still have a fairly low per-capita GDP (measure of a standard of living). Economists in the market expect this to rise considerably in the coming years along with vehicle ownership. Labor costs of production are lower in this market, and labor is less skilled but improving.



Units Sold By Class in the Pacific Region

Class	Mfr. Sales (mill.)	Units (000's)	Chg.	Xihuan	Yige	Zao
<i>Economy</i>	\$2,042	225	+18.2%	124	100	
Family	\$752	52	+25.7%		52	
Luxury	n/a	n/a	n/a			
Sports	n/a	n/a	n/a			
AEV	n/a	n/a	n/a			
Minivan	\$512	33	+48.4%	21		13
Utility	n/a	n/a	n/a			
Truck	\$526	30	+25.1%			30
Total	\$3,833	340	+22.3%	145	153	43

Economy Class Analysis in the Pacific Region

Vehicle Class	Demand Range (000's)	Size Range	HP Range	Price Range	5-Year Growth (Percent)
Economy	265 to 396	1 to 14	57 to 83	7,950 to 10,050	-2 to 2

B2B Contracts

This report displays a list of all B2B contracts and displays if you have hired sales force to target the contract, the segment (6, 7, or 8), the required class, and the guaranteed units (000s). The overview will help a company determine which B2B contracts may make sense to pursue. In addition, once firms bid and are awarded contracts, the sales for each company will be listed here as well. The report provides a helpful overview of contract potential and competitive activity in the B2B market.

Availability: Instructor selected option | High Level – Free, Detail \$25,000 each | No Restrictions

From the main screen, you may sort on the B2B segments, the required vehicle class, and the guaranteed units.

You can also enable checkmarks from this screen (as you can from B2B Segments screen) to purchase the corresponding contract detail report. This will provide your firm with the requirements for qualifying, as well as the current preferred and secondary suppliers. There are also links to hire/reallocate a salesforce to pursue the contract and a link to the B2B Marketing decisions screen.

To qualify for the contract, your vehicle must be the correct class, within the size and engine ranges, and must meet or exceed the interior, styling, safety, and quality ratings; for national contracts, your vehicle must meet or exceed the dealer coverage in ALL regions, while for regional contracts, you must meet the minimum dealer coverage in just that one region. The preferred supplier will be the vehicle that meets all the qualification criteria at the lowest price.

B2B Contracts

Contract	Sf.	Seg.	Req. Cls.	Gtd. Units	Units Awarded (000's)					
					A	B	C	D	E	F
☐ Eastern Rentals		6	S	20						
☐ Eastern Rentals		6	C	15						
☐ Eddie's Crazy Rentals		6	C	20						
☐ Elux Rentals		6	L	6						
☐ Elux Rentals		6	L	4						
☐ Extreme Rentals		6	A	8						
☐ International Rentals		6	S	65						
☐ Northern Rentals		6	S	20						
☐ Northern Rentals		6	C	15						
☐ Southern Rentals		6	S	20						
☐ Southern Rentals		6	C	15						
☐ Western Rentals		6	S	20						
☐ Western Rentals		6	C	15						
☐ Anywhere Transport		7	T	32						
☐ Anywhere Transport		7	D	48						
☐ EA Transport		7	M	12						
☐ EA Transport		7	T	30						
☐ EA Transport		7	D	30						
☐ EHaul It		7	D	40						
☐ NO Transport		7	D	25						
☐ SO Transport		7	D	25						
☐ WE Transport		7	D	25						

Details of the East Gov. Fleet (8) Contract

Contract: East Gov. Fleet (8)

Required Class: Sedan

Guaranteed Units (000's): North: 0
South: 0
East: 30
West: 0
Total: 30

Maximum Price: \$11,600

Required Size Range: 10-30

Required Engine (HP): 80-120

Minimum Interior: 1

Minimum Styling: 1

Minimum Safety: 2

Minimum Quality: 3

Minimum Dealer Coverage: North: n/a
South: n/a
East: 40.0%
West: n/a

Preferred Supplier:
None

Secondary Supplier:
None

Firms with Salesforce: none

Firm A Bid Status:

Your firm is not currently pursuing this contract. [Click here](#) to hire/reallocate a salesforce to pursue it.

You can review all contracts and bids in the [B2B Marketing decisions screen](#).

Competition

Products

The PRODUCTS report provides side-by-side comparisons of the main characteristics of each vehicle in the market. Each vehicle's class, price, size, engine, interior, styling, safety and quality are displayed along with its overall market share. Click a column title link to reorganize the data by vehicle Name, Class, Units Share, MSRP, or Size.

Availability: Always Available | Free | No Restrictions

View in-depth product details by clicking a vehicle name [link](#) (such as [Alec](#) or [Bingo](#)). The detail report includes all relevant information on a particular vehicle, including current attributes, prices, and marketing strategies, along with attributes over time.

All Products										
Vehicle	Class	Unit Share	MSRP	Size	Eng.	Int	Styl	Safe	Qual	
Alec 🔗	Sedan	9.5%	\$13,941	5	100	1	1	1	1	
Allaboard 🔗	MPV	6.1%	\$23,305	62	180	2	1	1	2	
Alpha 🔗	Crossover	8.9%	\$21,224	34	135	1	1	2	3	
Beta 🔗	Crossover	8.9%	\$21,224	34	135	1	1	2	3	
Bingo 🔗	Sedan	9.5%	\$13,941	5	100	1	1	1	1	
Bliss 🔗	MPV	6.1%	\$23,305	62	180	2	1	1	2	
Champ 🔗	MPV	6.1%	\$23,305	62	180	2	1	1	2	
Chi 🔗	Crossover	8.9%	\$21,224	34	135	1	1	2	3	
Cozi 🔗	Sedan	9.5%	\$13,941	5	100	1	1	1	1	
Delta 🔗	Sedan	3.7%	\$25,906	40	160	2	2	2	2	
Deluxe 🔗	Luxury	1.8%	\$43,177	70	225	4	4	3	3	
Discover 🔗	Crossover	3.0%	\$31,628	50	200	2	2	2	2	
Empress 🔗	Luxury	1.8%	\$43,177	70	225	4	4	3	3	
Epsilon 🔗	Sedan	3.7%	\$25,906	40	160	2	2	2	2	
Excite 🔗	Crossover	3.0%	\$31,628	50	200	2	2	2	2	
Fab4WD 🔗	Crossover	3.0%	\$31,628	50	200	2	2	2	2	
Fantastic 🔗	Sedan	3.7%	\$25,906	40	160	2	2	2	2	
FirstClass 🔗	Luxury	1.8%	\$43,177	70	225	4	4	3	3	

Current Results for Alec						
Manufacturer	Firm A	MSRP	\$13,941			
Platform	No change	Dealer Invoice	\$12,547			
Model Class	Sedan	Avg. Retail Price	\$13,244			
Engine (HP)	100	Advertising (mill.)	\$40			
Size Position	5	Advertising Theme	Styling			
Interior Rating	1	Promotion (mill.)	\$30			
Styling Rating	1	Units Sold (000's)	235			
Safety Rating	1	Unit Market Share	9.5%			
Quality Rating	1	Unit Share of Class	23.8%			
View Alec in the Showroom.						

Overall Trend for Alec										
Year	Sales (000's)	MSRP	Adv (mill.)	Promo (mill.)	Size	Eng (HP)	Int	Styl	Safe	Qual
Past	223	\$13,668	\$40	\$30	5	100	1	1	1	1
Start	235	\$13,941	\$40	\$30	5	100	1	1	1	1

Regional Trend for Alec						
Year	North	South	East	West	Direct	Total
Past	0	174	49	0	0	223
Start	0	184	51	0	0	235

Technology

This report displays the current Interior, Styling, Safety, and Quality (ISSQ) technological capabilities and the development center count for each firm. These values represent the maximum ISSQ the firm can achieve in the current period using product development. The current maximum feasible limit for ISSQ for any firm is also shown. The maximum limit may change over time if new breakthroughs are discovered and represents the highest value any firm can achieve long-term through investments in technology capabilities.

Availability: Always Available | Free | No Restrictions

This example shows the most appealing product Firm D can create is one with interior of 5, styling of 8, safety of 4, and quality of 5. All customers find higher values in these areas more appealing than lower values. Should a firm consider the investment worthwhile, increases in ratings can be achieved long-term through investments in technology capabilities up to the current maximum feasible of 9, 11, 9, 11.

For insight into a firm's possible future vehicle generations, click a firm [link](#). These details contain the history of the firm's investment in technology capability.

Technology by Firm					
	Dev. Centers	Firm Ratings (1=low capability)			
		Interior	Styling	Safety	Quality
Max. Feasible	5	9	11	9	11
Firm A	2	4	6	4	7
Firm B	2	4	6	4	7
Firm C	2	4	6	4	7
Firm D	2	5	8	4	5
Firm E	2	5	8	4	5
Firm F	2	5	8	4	5

Trend Information for Firm D					
	Dev. Centers	Firm Ratings (1=low capability)			
Year		Interior	Styling	Safety	Quality
Past	2	5	7	4	4
Start	2	5	8	4	5

Tech Dim	Considerations
Dev. Centers	Concurrent projects, development engineers, R&D facilities.
Interior	Comfort, vision, instrumentation, music systems, ergonomics.
Styling	General curb appeal, styling, handling, finish / workmanship.
Safety	Structural design, braking systems, safety features.
Quality	Overall reliability, durability, consistency of products.

Definitions	
Interior (I)	Flexibility of the cargo space.
Styling (S)	General curb appeal, styling, handling, finish.
Safety (S)	Structural design, braking systems, safety features.
Quality (Q)	Overall reliability, durability, consistency of product.

Marketing Communications

The MARKETING COMMUNICATIONS report summarizes information on marketing expenditures and firm brand equity as measured by market share and firm preference. **Brand Advertising** and **Brand Promotion** are the total of individual products. **Val. Market Share** equals firm sales (\$) divided by total industry sales (\$) at the manufacturer's level (not retail). **Unit Market Share** equals firm sales (units) divided by industry sales (units). **Firm Preference** is the measure of customers that showed an overall preference for doing business with a particular firm based on vehicles offered, dealership reputation, and other factors. Historical **Graphs** include **Communications Expense**, **Unit Share**, and **Firm Preference** all available using the drop-down box.

Availability: Always Available | Free | No Restrictions

Click a [Firm name](#) link to display that firm's marketing expenditures and decisions broken down by category, and vehicle-specific marketing mix decisions.

To re-display the firm level graphs after viewing details, click the **X** at the top right corner of the **Marketing Details** section.

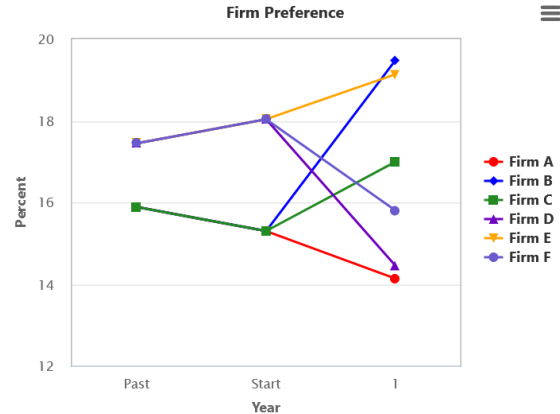
Click a vehicle name link (e.g., [Delta](#)) to display that vehicle's **Product Detail** screen, which provides information on key marketing details over time.

Marketing by Firm

Firm	Corp. Mktg.	Brand Adv.	Brand Promo.	Total Comm.	Val. Mkt. Share	Unit Share	Firm Pref.
Firm A	\$101	\$240	\$200	\$541	21.1%	24.4%	14.1%
Firm B	\$38	\$148	\$130	\$316	23.2%	26.2%	19.5%
Firm C	\$57	\$170	\$200	\$427	22.0%	24.9%	17.0%
Firm D	\$58	\$270	\$160	\$488	12.1%	8.6%	14.4%
Firm E	\$70	\$225	\$110	\$405	10.3%	7.1%	19.1%
Firm F	\$53	\$380	\$200	\$633	11.3%	8.9%	15.8%

Note: Dollar amounts are in millions.

Marketing Graphs



Detail for Firm D

Consumer	Budget (mill.)	Company Owned /Fleet	Budget (mill.)					
Regional Corp. Adv.		Direct Sales Force	\$0					
North	\$1							
South	\$20							
East	\$20							
West	\$1							
Social Media	\$6							
Direct Marketing	\$10							
Total	\$58	Total	\$0					
Vehicle	Val. Mkt. Share	MSRP	Dealer Disc.	Avg. Sell. Price	Adv. (mill.)	Adv. Theme	Promo. (mill.)	Days Inv.
Delta	3.2%	\$28,496	12.0%	\$25,729	\$50	Safe.	\$45	120
Deluxe	2.5%	\$43,177	15.0%	\$41,450	\$60	Perf.	\$30	0
Discover	3.2%	\$31,628	13.0%	\$29,061	\$80	Perf.	\$40	103
Dperformance	3.1%	\$38,000	15.0%	\$36,476	\$80	Perf.	\$45	14
Total					\$270		\$160	

Distribution

The DISTRIBUTION report summarizes information about the dealer networks for all firms. These include current and previous number of dealerships, scheduled openings, spending on dealer training/support, dealer ratings, and inventory data.

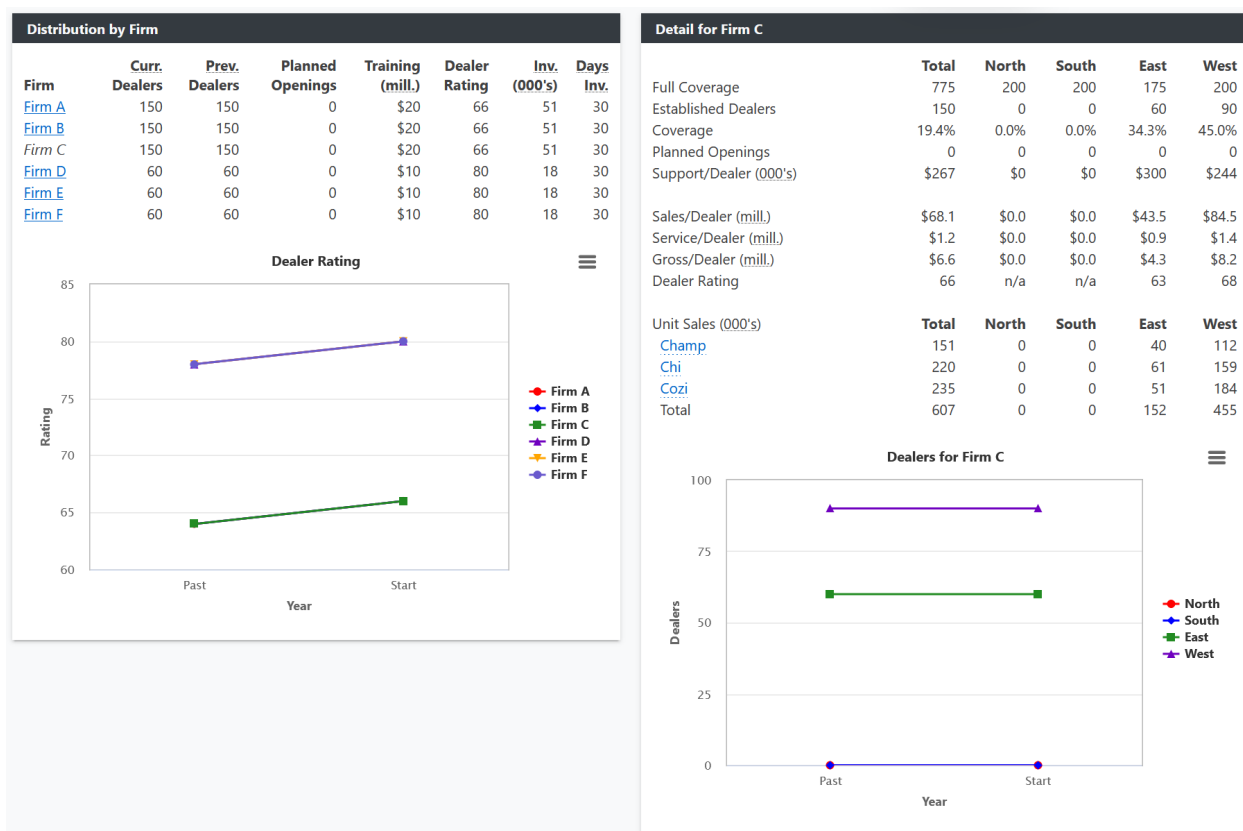
Availability: Always Available | Free | No Restrictions

Historical **Graphs** include **Dealer Rating**, **Inventory**, **Dealers**, and **Dealer Training** over time. **Dealer Rating** is a customer satisfaction index from a leading market research company and ranges from 1–100, where 100 corresponds to highest satisfaction. Dealer ratings provide insight into the success of dealerships based on the customer experience during sales and service visits.

To view a firm's **Distribution Details** report, which includes dealership performance on a regional basis, click the firm name link (e.g., [Firm A](#)). Details include the coverage ratio, planned openings, sales and support per dealer, dealer ratings, and specific vehicle sales by region.

Coverage is the number of dealers divided by the number of sales territories in a region. Thus, coverage of 45% would imply that 45% of the sales territories are served by dealerships in a particular region.

Gross/Dealer represents the average amount of money (gross) that a dealer has to operate their business.



Manufacturing

The **MANUFACTURING** report displays production capacity, actual production, capacity utilization, sales, and inventory (in 000s and days) for each firm. Comments may also be displayed including alerts for product shortages, production greater than demand, or demand being greater than capacity. **Graphs** including **Plant Utilization**, **Units Sold**, **Inventory**, **Production**, and **Capacity** display data over time for all firms in the industry.

Firm-specific manufacturing details can be viewed by clicking a [Firm name](#) link. The **Details** report provides **Production**, **Sales**, **Inventory**, and **Days Inventory** for each product line. **Days**

Inventory is an estimate of the number of days of inventory available at year-end based on yearly sales and is derived by the formula $(365 \times \text{units inventory} / \text{sales})$.

In the **Comment** field, a number of messages may appear including estimates of shortages, sales exceeding planned production, and if a product is upgraded or new.



Financial Summary

This report provides a comparison of key financial and market performance data for all competitors, such as market share, firm preference, sales, COGS, income, stock price, and debt level. Click a [Firm name](#) to access all three publicly available financial statements (*Income Statement*, *Balance Sheet*, and *Cash Flow* described earlier under Results and Decisions).

Mkt Value is the stock price times the number of shares outstanding. Note that each firm has a different number of shares outstanding at the start (and may issue or buy back shares).

Graphs display historical graphs on key performance data for all firms.

Finances by Firm						
	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F
Val Mkt Share	21.2%	21.2%	21.2%	12.2%	12.2%	12.2%
Unit Share	24.6%	24.6%	24.6%	8.7%	8.7%	8.7%
Preference	15.3%	15.3%	15.3%	18.0%	18.0%	18.0%
Sales	\$10,217	\$10,217	\$10,217	\$5,876	\$5,876	\$5,876
COGS	\$7,674	\$7,674	\$7,674	\$3,555	\$3,555	\$3,555
Marketing	\$253	\$253	\$253	\$283	\$283	\$283
R&D	\$558	\$558	\$558	\$550	\$550	\$550
G&A	\$267	\$267	\$267	\$164	\$164	\$164
Other	\$645	\$645	\$645	\$503	\$503	\$503
Income	\$820	\$820	\$820	\$821	\$821	\$821
Stock Price	\$17.46	\$17.46	\$17.46	\$17.49	\$17.49	\$17.49
Mkt Value	\$8,730	\$8,730	\$8,730	\$6,559	\$6,559	\$6,559
Total Debt	\$3,131	\$3,131	\$3,131	\$941	\$941	\$941
Note: Dollar amounts (except stock price) are in millions.						

Value Market Share

Firm	Past	Start
Firm A	21.2%	21.2%
Firm B	21.2%	21.2%
Firm C	21.2%	21.2%
Firm D	12.2%	12.2%
Firm E	12.2%	12.2%
Firm F	12.2%	12.2%

Financial Details for Firm A				
Income Statement	Balance Sheet	Cash Flow	Contribution Graph	
		Millions	Millions	Percent of Revenue
Sales		\$10,217		100.0%
Cost of Goods Sold		\$(7,674)		-75.1%
Gross Margin			\$2,543	24.9%
Marketing		\$(253)		-2.5%
Research and Development		\$(558)		-5.5%
General and Administrative		\$(267)		-2.6%
Income from Operations			\$1,465	14.3%
Interest Income		\$0		0.0%
Interest Expense		\$(204)		-2.0%
Extraordinary Items		\$0		0.0%
Licensing Fees		\$0		0.0%
Income before Tax			\$1,261	12.3%
Less Tax @ 35%		\$(441)		-4.3%
Net Income			\$820	8.0%
Dividends Paid (500M shares)			\$0	0.00/sh

Val Mkt Share	Firm sales divided by total industry sales at the manufacturer's level (not retail).
Unit Share	A firm's vehicle sales in units divided by industry unit sales.
Preference	Firm preference is a measure of customers surveyed who show a decided preference for a particular firm. This is based on overall vehicle offerings, dealership reputation, and firm awareness.
Sales (\$)	Sales are recognized at the time of purchase by the end customer. The dollar amount is based on dealer price, not retail price or MSRP.
COGS (\$)	Cost of goods sold (COGS) is the total variable manufacturing cost for the product sold. This is based on the R&D unit cost and the cumulative production.
Marketing	The sum of corporate advertising, public relations, product advertising, product promotion, and sales force.
R&D	Research and Development are the costs associated with product and technology development including process improvement costs.
G&A	General and Administrative includes overhead from sales and the dealership network. Dealership training and the cost of changes in the number of dealerships are the result of your decisions, but most G&A expenses are not under your direct control.
Other (\$)	Licensing fees, interest expense, plant and inventory write-offs, and income taxes.
Income (\$)	Income after taxes.
Stock Price (\$)	Current per share market value of the firm.
Mkt Value (\$)	Stock price times the number of shares outstanding. Each firm has a different number of shares outstanding and can issue new shares, so this is a better indicator of the relative value of the company than stock price alone.
Total Debt (\$)	Combined long and short-term debt.

Tools

Focus Groups (\$)

A focus group is typically a gathering of six to ten people with a facilitator designed to learn what participants think about particular product/service attributes, how they make purchase decisions, or any other information that may be relevant to the company.

Availability: Instructor selected option | \$50,000 each | No restriction on number of studies per period

Conduct a New Study

☒ 1E
 ☐ 1T
 ☐ 2E
 ☐ 2F
 ☐ 2M
 ☐ 3S
 ☐ 3T
 ☐ 3U
 ☐ 4F
 ☐ 4L
 ☐ 5L
 ☐ 5U

Please select a target microsegment for the study. Each study costs \$50,000.

 Purchased studies will be marked with a check.

Purchase the Selected Reports

Data is organized by customer microsegment and is summarized from focus group discussions throughout all regions of the StratSim world. The list of available reports is ordered by customer microsegment (e.g., [1E](#), [1T](#), etc.). To purchase a report, select the microsegment (e.g., [1E](#), [1T](#), etc.) and click on the **[Purchase the Selected Reports]** button to see the focus group results as shown below.

Study Results for 1E									
Vehicle	Unit Share	Class Fit	Size	Price	Performance	Interior	Styling	Safety (Hot)	Quality (Hot)
Delite	51.3%	E good	5 good	\$11k avg	85 underpowered	1 worst	1 best	1 worst	1 worst
Alec	47.5%	E good	14 big	\$15k worst	135 gas guzzler	2 best	1 best	3 best	2 best

The STUDY RESULTS show the market share and customer opinions for the top selling vehicles purchased by the particular microsegment during the most recent period. Their responses provide descriptive measurements about the attractiveness of various vehicles to aid in R&D and competitive analysis. The columns marked "hot" indicate the most important attributes for the selected microsegment.

Sales by Microsegment (\$)

The Vehicle SALES BY MICROSEGMENT tool reports which customer segments are buying a particular vehicle and how many they are buying. This information identifies those customers most interested in a particular vehicle.

Availability: Instructor selected option | \$25,000 each | Maximum of 10 studies per period

Data for this study is collected through a consumer survey of car buyers and broken down by customer microsegments. This report contains only information on the consumer market and does not include B2B customers.

Conduct a New Study

☐ Alec
 ☐ Alfa
 ☐ Awesome

☐ Beaut
 ☐ Boffo
 ☐ Buzzy

☒ Cafav
 ☐ Camini
 ☐ Climax

Please select a vehicle to show a report of sales by microsegment. You may purchase up to 10 studies at a cost of \$25,000 each.

Purchased studies will be marked in the list with a check.

You have purchased 0/10 studies this year at a total cost of \$0.

Purchase the Selected Reports

On the initial screen, select one or more vehicles from the list box. Clicking the **[Purchase the Selected Reports]** button will charge you for study and display the report, as shown below. Each column may be sorted by clicking on the column header.

Study Results for Cafav			
Consumer Microsegment	Units	Percent of Vehicle Sales	Unit Share of Segment
4F	67	48.0%	25.3%
2F	33	23.9%	3.3%
3S	14	9.7%	5.9%
3U	6	4.3%	1.7%
5U	5	3.4%	1.0%
5L	4	3.0%	2.5%
2M	3	2.4%	1.4%
2E	2	1.8%	0.5%
3T	2	1.4%	0.7%
1T	2	1.1%	0.4%
4L	1	0.9%	1.1%
1E	0	0.2%	0.1%
Total	139	100.0%	3.2%

Units are the unit sales to that microsegment. **Percent of Vehicle Sales** calculates the sales of a vehicle to a particular microsegment relative to all consumer sales of that vehicle (i.e., sales of a particular vehicle to microsegment / total sales of that vehicle). The **Unit Share of Segment** column calculates the sales of a particular vehicle sales relative to the total purchases by that microsegment (i.e., sales of a particular vehicle to a microsegment / all vehicles purchased by that microsegment). The **Other** microsegment contains outlying customers that purchased an insignificant number of units.

Concept Tests (\$)

CONCEPT TESTS allow firms to get early feedback on development products that are in the concept stage or already in development (upgrades and new products). Spending time with customers early in the process can save a tremendous amount of resources down the road.

Availability: Instructor selected option | \$100,000 each | Maximum of 10 studies per period

Concepts, upgrades, and new products must be first created under RESULTS & DECISIONS: PRODUCT DEVELOPMENT before a test can be run. Once created, development projects and concepts can be tested against one microsegment and price point at a time. Within the context of the CONCEPT TEST study, the MSRP and retail selling price is the same. In reality, the actual retail selling price is rarely the same as the MSRP as the dealer decides on the retail selling price, often on an individual basis.

To run a CONCEPT TEST, select the **Microsegment**, **Project (Concept)**, enter **Price** and click the **[Create Study]** button. Each price, microsegment, and concept combination is a new study.

Study Results provide two helpful pieces of information on the development project. First is a summary of the target microsegment's feedback on your vehicle similar to the focus group study. Second is the estimate of the percentage of people who are likely to purchase the product based on current competitive products and pricing. This estimate does not take into account competitive differences in distribution, advertising, preference, etc. Nor does it include potential sales to other microsegments. Use the "**Likely to buy**" result only as a starting point in product

launch production forecasts. For example, if the likely to buy is 20% and the target segment is forecast for 100K units, a good starting point for your forecast would be 20K (.20 * 100K) units.

Admin Report: 1E, Economy/1/50hp, \$15,000									
Vehicle	Class Fit	Size	Price	Performance	Interior	Styling	Safety (Hot)	Quality (Hot)	Likely to buy
AE-0001, 1, 50hp	Economy good	1 small	\$15k worst	50 sluggish	1 worst	1 best	1 worst	1 worst	14.2%

Competitive Mapping (\$)

The COMPETITIVE MAPPING tool is used to graphically track competitive movement on key decision variables over time, and becomes more valuable as the simulation progresses.

Availability: Instructor selected option | \$25,000 each | Maximum of 20 studies per period

Conduct a New Study

Please select two vehicles and two dimensions to use when creating the map. You may purchase up to 20 studies at a cost of \$25,000 each.

Products:

Alec

Delite

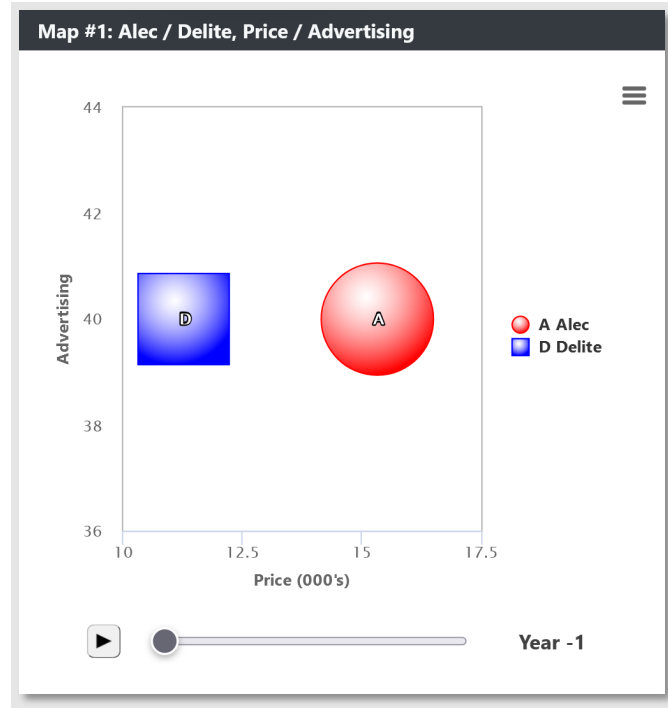
Dimensions:

Price

Advertising

Create the Study

Compare your product to a competitor's, or compare competitor products to each other. Select two products and two dimensions from among important marketing variables and product development specifications. Clicking **[Create the Study]** will charge you for the study and display the comparison grid similar to the example below.

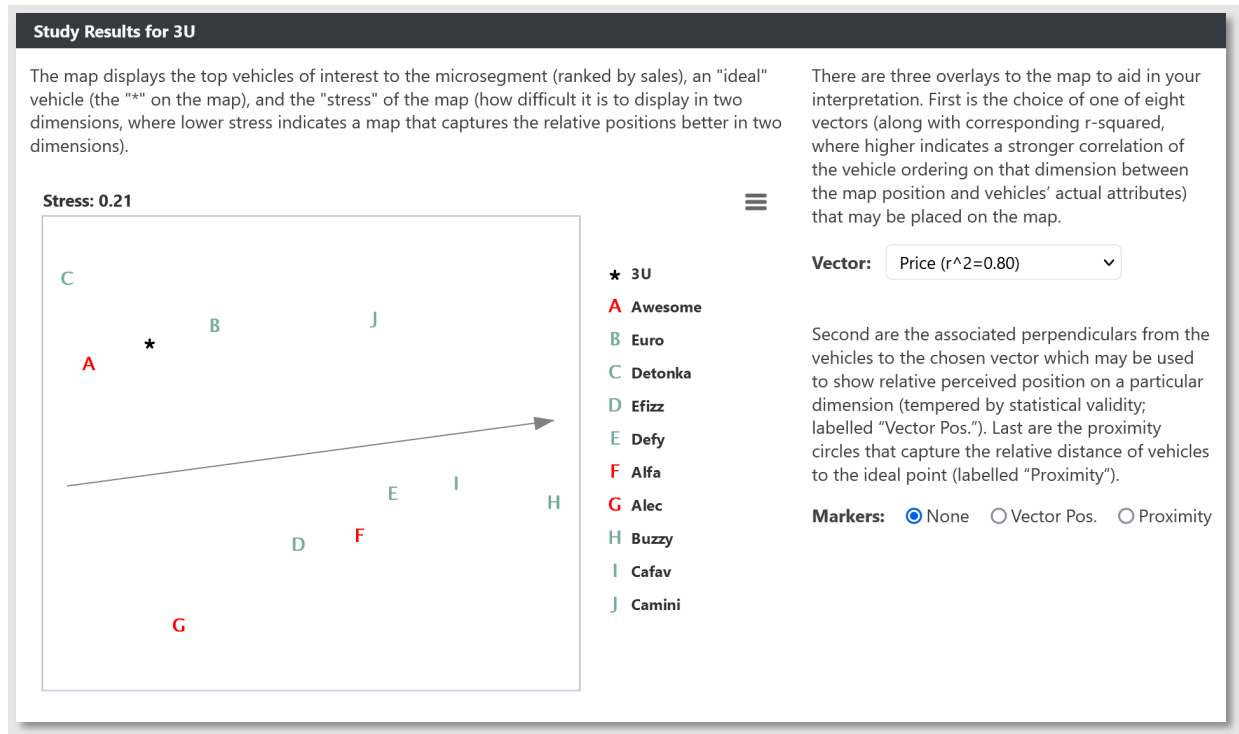


In the **Study Results**, selected products are represented as shapes and positioned based on the values associated with the dimensions chosen. Shape size scales with unit sales for the products selected. Movement reflects changing decisions by the associated company over time.

Perceptual Mapping (\$)

The PERCEPTUAL MAPPING tool uses multi-dimensional scaling (MDS) to display the relative positioning of brands and the ideal vehicle of a microsegment in a two-dimensional graphical space. The technique provides insight into relative vehicle positioning in the mind of a consumer microsegment, vehicle appeal to that microsegment, and potential drivers of vehicle perception. In addition, one may also use it to roughly estimate vehicle attributes based on consumers' perception of the vehicles.

Availability: Instructor selected option | \$250,000 each | Maximum of 8 studies per period



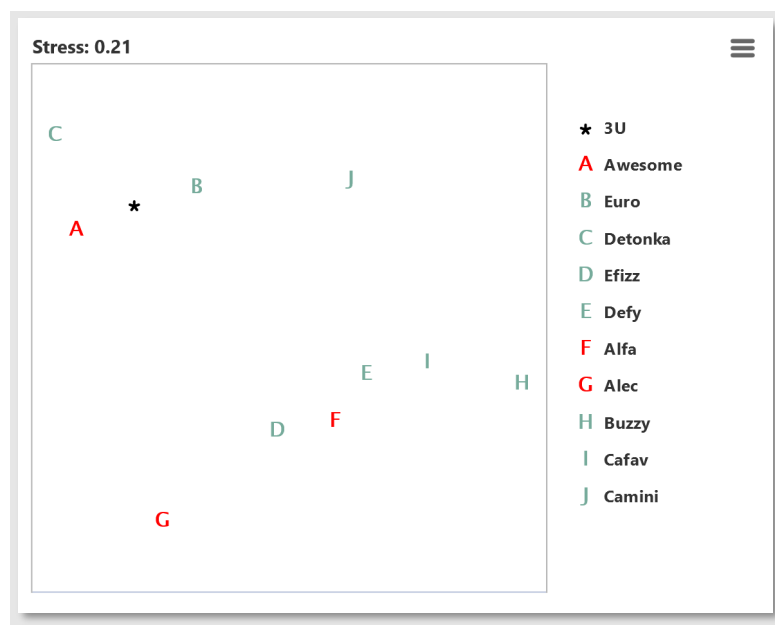
Study Results: To run the study, choose a microsegment and click on the [Purchase the Selected Reports] button to purchase the report and generate the map. Initially, the map will only show the perceived relative positioning of the vehicles in the minds of the microsegment selected along with microsegment ideal positioning. The map displays the top vehicles of interest to the microsegment (ranked by sales), an "ideal" vehicle (the "*" on the map), and the "stress" of the map (how difficult it is to display in two dimensions, where lower stress indicates a map that captures the relative positions better in two dimensions).

There are three overlays to the map to aid in your interpretation. First is the choice of one of eight vectors (along with corresponding r-squared, where higher indicates a stronger correlation of the vehicle ordering on that dimension between the map position and vehicles' actual attributes) that may be placed on the map. Second are the associated perpendiculars from the vehicles to the chosen vector which may be used to show relative perceived position on a particular dimension (tempered by statistical validity). Last are the proximity circles that capture the relative distance of vehicles to the ideal point.

Interpreting Perceptual Map Results

Perceptual mapping in StratSim uses multi-dimensional scaling (MDS) techniques to arrange vehicles in a two-dimensional space based on how similar (or dissimilar) respondents believe the vehicles to be. Three aspects of the map need to be understood: plotting of the brands and customer, addressing the issue of stress, and interpretation of the directional vectors.

First, consider the limitations of displaying relative positioning of vehicles with multiple dimensions in a two-dimensional* graphical space. For example, we know that automobiles have thousands of actual and perceived characteristics. Even with this constraint, generally one will find that when the vehicles are plotted on a two-dimensional perceptual map, vehicles that are perceived as similar tend to cluster together. In the example at left (for the 3U microsegment), we could say that people surveyed perceive the Awesome and Euro to be similar to each other and similar to the customer ideal (both are sports utility vehicles in this example), but much different from the Defy and Alfa. We could also say that this customer perceives the Defy and Alfa to be more similar to each other than the Alec and Buzzy are to each other, as the distance between the brands can be used to measure the degree of similarity. In addition, the "ideal" product for the 3U is also plotted, and, based on the graph below, we would expect the Awesome and Euro to be selling well to the 3U customer as they are close to this estimated ideal product.

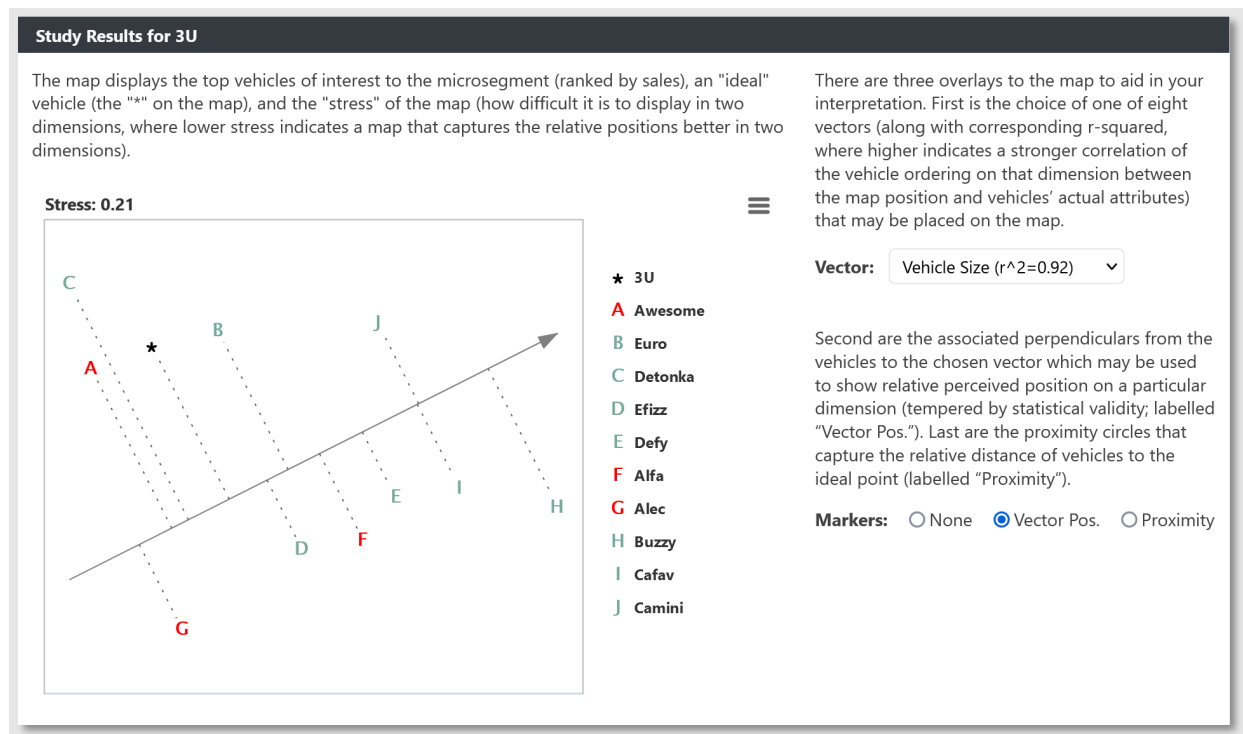


It is important to note that this plot is based on consumers' perception of the brands. For example, a manufacturer might market two physically identical vehicles under different nameplates. You might expect the two brands to be located in the same position, but this is unlikely to occur because of perceptual differences. These differences may be intentional, due to marketing strategy, such as advertising message, price, or distribution, or they may be unintentional, for reasons such as a lack of information.

**Practitioners generally refer to perceptual maps as being n-dimensional because the number of dimensions may vary. Perceptual maps are typically plotted in two- or three-dimensions for visual clarity.*

Perceptual maps generally portray similarities and differences accurately (such as in the above example), but other times they may be difficult to understand. Mathematically, this is represented by the stress factor value, which measures the ability of the mapping technique to solve all of the relationships among the brands. The closer the stress factor value is to zero, the better the map describes the similarities among the brands. It is unlikely that the stress factor value will be zero unless the number of dimensions matches the underlying number of dimensions (fairly large) or there are few brands.

The directional vector correlates brands with a particular characteristic. In the example shown at left, perceived size increases moving up and to the right on the graph in the same direction as the vector. The rank order of vehicles based on size can be determined by drawing lines perpendicular to the directional vector through the brand position. Thus, the expected order (from lowest to highest perceived size) moving from left to right perpendicular to the vector in the example below is Alec, Awesome, Detonka, 3U ideal, Efizz, Euro, Alfa, etc. This may or may not be the same order as the actual size. This is due to the underlying methodology used in creating the map as well as how the products may be perceived vs. their actual characteristics. The reliability of the vehicle placement is somewhat captured by the overall stress measure and the r-squared of the particular vector. Nevertheless, if managing the Awesome and targeting the 3U microsegment, we might conclude that the size should be increased to better meet the needs of the 3U microsegment.



The r-squared value for this vector equals 0.92, which indicates a very good relationship (1.0 would be a perfect relationship, 0 would be no relationship). Typically, the characteristics that are most important to the consumer also have high r-squared values; one would expect the

characteristics that are most important to a consumer type to differentiate the vehicles in the consumers' minds. This is not always the case, so be sure to consider the r-squared value before drawing any conclusions.

The perceptual map contains a great deal of information and can be of great value in determining who your competitors are in the mind of a particular consumer, providing an indication of what is important to a consumer, and potentially the changes needed to better target a particular microsegment. But it has limitations and requires an understanding of the underlying methodology used to create the map as well as how to interpret the results. StratSim uses true perceptual mapping techniques in this tool rather than a simplified model of mapping. This means that you will be able to transfer techniques learned with the simulation to actual perceptual maps of other industries. To see a more simplified approach, please see the positioning maps in the MARKET: *Vehicles Sales* report under Class Analysis or TOOLS: *Competitive Mapping*, both of which display a basic graph of two directly measured dimensions and are easier to interpret.

Test Market (\$)

The TEST MARKET tool estimates the impact of changes in price, advertising, and/or promotion on awareness, market share, and contribution based on either simulated test markets or city level experiments that scale well to the national level. The test market study should mainly be used for estimating the sensitivity to changes in these marketing variables, not as a forecast itself, as the sales forecast will be influenced by many other factors such as competitors' decisions, product upgrades, etc.

Availability: Instructor selected option | \$100,000 each | Maximum of 10 studies per period

Conduct a New Study

Please select a Product, then enter the test Price, Advertising and Promotion amounts. Changing more than one variable will make it difficult to interpret individual impact of the test values.

You may purchase up to 10 studies at a cost of \$100,000 each.

Product:	Baseline:	Test:
Alec	\$15,351	\$ 15,351
Alfa	\$40	\$ 40
Awesome	\$20	\$ 20

Run Study

Select a product and enter the price (MSRP), advertising, and promotion levels (as if done nationally). The maximum change in price is +/- 10%. Advertising and promotion can be run at

levels representing \$50 million or double the current levels, whichever is greater. Clicking the **[Run Study]** button will charge you for the test, run the test market, and display the results.

Test #1: Alec, \$15,451 / \$40 / \$20		
	Baseline	Test
Price	\$15,351	\$15,451
Advertising (mill.)	\$40	\$40
Promotion (mill.)	\$20	\$20
Awareness	47.8%	47.8%
Unit Market Share	13.6%	13.5%
Value Market Share	8.9%	8.9%
Net Contribution (mill.)	\$2,845	\$2,882
Net Contribution Impact (mill.)		\$37

STUDY RESULTS show the current marketing expenditure levels as a **Baseline**, but may vary from national conditions. The **Test** column will show the test market conditions and resulting awareness, market share, and net contribution.

Note that these results are only estimates based on the test market and don't factor in other changes in the market or competitive landscape that may occur in the decision period.

Conjoint Analysis (\$)

CONJOINT ANALYSIS helps marketers better understand the choices that consumers make. A well-designed conjoint analysis experiment provides an estimate of the relative importance and level of attributes to a particular consumer microsegment. Conjoint experiments require consumers to make trade-offs among various attributes to estimate a consumer's underlying choice structure.

Availability: Instructor selected option | \$500,000 each | Maximum of 4 studies per period

Before using the CONJOINT ANALYSIS tool, determine what attributes or dimensions are important to your target microsegment and the relevant ranges for those attributes. The particular attribute levels that are chosen have an impact on study validity. You must choose ranges wide enough to provide reasonable trade-offs, but not too wide as to be beyond the consumer's consideration set or beyond the scope of your product development capabilities.

Example: If you choose 3 price levels on a car of \$20,000, \$20,001, and \$20,002, most consumers, though they would prefer \$20,000, would be very happy to pay another \$1 or \$2 for an engine that they'd prefer. Thus, they aren't being forced to make a real trade-off between two choices. Without that trade-off, conjoint analysis isn't effective.

Click either the **[Guided Study]** or **[Standard Study]** button to select a microsegment and the most important trade-off attributes. In the **Standard Study**, your firm will have the ability to select three of five vehicle attributes: product **Class**, **Price**, **Engine (HP)**, **Specs (ISSQ)**, and **Size**. The **Guided Study** allows you to select only two of three options: **Price**, **Engine (HP)**, and **Size**.

Conduct a New Study

Conjoint analysis helps marketers better understand the underlying choices that consumers make. At its most basic level, conjoint analysis asks consumers to make trade-offs among various attributes to estimate a consumer's underlying choice structure. A well-designed conjoint test can provide important insights about what is most important to consumers and what particular attributes (or level of attribute) they prefer. A poorly designed study can be very misleading. Thus, with conjoint analysis, how one designs the study is as important, if not more important, than how one interprets the results.

If you want help designing the study, choose the "Guided Study" option. For maximum flexibility, choose "Standard Study".

You may purchase up to 4 studies at a cost of \$500,000 each.

Guided Study

Standard Study

Select a **Microsegment** and the appropriate number of **Dimensions** to use in the study. Choose dimensions that are important to both the respondent and to the product development process.

Based on the inputs selected in the sample below, there will be 4 x 4 x 4, or 64 different combinations of attributes. Participants will actually be asked to choose from among fewer than 64 different product combinations, thanks to statistical methods allowing fewer choices while still providing the trade-offs. For illustrative purposes, you can easily imagine a customer deciding between an MSRP of \$14,000 and an engine HP of 140 and an MSRP of \$12,000 with an engine HP of 100. In effect, are they willing to pay \$2,000 more for the extra 40 HP?

Conduct a New Standard Study

Select a target segment and three dimensions to use for the study. Choose attributes that are important to the respondent and to the product development process.

You may purchase up to 4 studies at a cost of \$500,000 each.

Microsegment:

1E
1T
2E
2F

Dimensions (check 3):

☐ Vehicle Class
☒ Price
☒ Engine Size
☒ Specs. (I/S/S/Q)
☐ Vehicle Size

Continue >>

[Cancel](#)

Conduct a New Standard Study

	Level 1	Level 2	Level 3	Level 4
Price	11000	12000	13000	14000
Engine (HP)	80	100	120	140
Interior	1	1	1	2
Styling	1	1	1	2
Safety	1	2	3	2
Quality	1	2	3	2

[<< Back](#)
[Run Study](#)
[Cancel](#)

Once the attribute levels have been entered, click the **[Run Study]** button to see the conjoint study results.

***Note:** ISSQ specifications are considered in conjoint within StratSim as a unit. Thus, in the example above, one option is 1, 1, 1, 1, and another is 1, 1, 2, 2, etc. and the target microsegment considers that combination in its entirety rather than separately. This actually provides the conjoint designer more options for trade-offs with regard to ISSQ levels.*

Interpreting Conjoint Study Results

The STUDY RESULTS show the relative importance of each attribute to the microsegment. At the top of the results page is a **Weights/Importance** section with the relative importance of each type of attribute.

In the example below, for this particular microsegment, with this particular set of attribute values, price appears to be most important, followed by the specifications, and finally the engine performance ($70\% > 18.6\% > 11.4\%$). Remember that two other dimensions (vehicle class and vehicle size) that weren't considered at all and that results may vary considerably depending on the particular attribute levels selected. It may be insightful to rerun the study with different dimensions and/or attribute levels.

Study #1: Standard - 1E - Price, Engine Size, Specs. (I/S/S/Q)	
Weights/Importance	
Price	70.0%
Engine (HP)	11.4%
Specs (ISSQ)	18.6%
Parts-Worth Analysis	
Price (MSRP):	
11000	+0.36
12000	+0.14
13000	-0.12
14000	-0.38
Engine (HP):	
80	+0.00
100	+0.05
120	+0.00
140	-0.06
Specs (ISSQ):	
1/1/1/1	-0.11
1/1/2/2	-0.01
1/1/3/3	+0.08
2/2/2/2	+0.04

The next section of the STUDY RESULTS is titled **Parts-Worth Analysis**. This represents the preference associated with each level of attribute tested. Thus, in the example above, an engine horsepower of 100 appears to be most preferred (having a utility of +.05) and a price of \$11,000 (utility of +.36). It appears that for this customer, under this set of assumptions, having the price of \$11,000 is more important than having the right engine ($+.36 > +.05$). This is also reflected in the **Weights/Importance** values above.

Based on just these results, it appears that designing a vehicle that has HP of 100 and a cost that would allow it to be priced at around \$11,000 would be a good place to start the product development process for this microsegment. However, one must always be careful with pricing decisions to consider competition, customer expectations, and cost (margin). The pricing issue

is especially important because of the high importance placed on price by this customer. Apparently, the customer is unlikely to opt for more features at a higher price.

NOTE: All numbers in this example are for illustrative purposes only and should not be used as the basis of your own strategy.

Portfolio Analysis

The PORTFOLIO ANALYSIS displays your current product portfolio in a 2 x 2 growth-share matrix using the standard Boston Consulting Group (BCG) definitions (growth rate and relative market share) and terminology (star, cash cow, dog, question mark). The growth-share may be used to better understand the relative market and competitive position of the products in your portfolio and potentially to help determine resource allocation across a company's product lines. A considerable amount of information is captured in this single graphic including a product's:

- market attractiveness based on vehicle class or microsegment growth (vertical position)
- relative competitive performance based on relative market share (horizontal position)
- relative importance to the company based on sales (circle size)

This analysis may be run on a market definition of vehicle class or microsegment.

By Vehicle Class

Click the **[By Vehicle Class]** button to select the market definition to vehicle class. This view displays an overview of your competitive position relative to other products in the same vehicle class.



By Microsegment

Click the [**By Microsegment**] button to change your market definition to customer microsegment. Doing so will repopulate the analysis based on the customer segment that purchases the most of a particular vehicle. Growth and relative share are also adjusted accordingly.

Market Attractiveness: Growth rates for product classes are found in the MARKET: VEHICLE SALES reports and analysis. Growth rates for microsegments are found under MARKET: MICROSEGMENTS.

Relative Share: In this study, relative market share is used as the measure of a product's performance. Relative Share is calculated by dividing a product's market share by the market share of its largest competitor. Obviously, share of market would be dependent upon the definition of market (as described above). Share of each brand for a product class is found in the MARKET: VEHICLE SALES -> Class Analysis and then clicking on a vehicle class. Share of microsegment is found in the MARKET: MICROSEGMENT and then clicking on a particular microsegment.

As an example for how to calculate relative marketing share, if a utility vehicle has 47% of the utility class and its largest competitor has 19% of that same class, its relative market share is $47 / 19 = 2.47$, placing it to the left of the vertical line. Thus, those products that are centered to the left of the vertical line are market leaders; those to the right are market followers (based on this definition of market).

Decisions

Technology

TECHNOLOGY decisions consist of investing in the four basic technical capabilities of the firm, an important long-term decision. Higher technical capabilities bring two significant competitive advantages. First, your firm is able to develop vehicles with better characteristics, which is likely to be important to some customers. Second, the base cost of projects is lower with greater technical capabilities. In other words, a vehicle with attributes of 2, 2, 2, 2 (interior, styling, safety, and quality) costs less on a per unit basis for a firm with greater technical capabilities, given the same production levels.

Technology					
	Interior	Styling	Safety	Quality	Total
Maximum	10	11	9	11	
Firm Maximum	5	5	4	6	
Cost to Increase by 1 (mill.)	\$205	\$186	\$228	\$294	\$913
Est. cost savings of increase (mill.)	\$10	\$3	\$39	\$6	\$58
Increase Attribute:	☐ Yes	☐ Yes	☐ Yes	☐ Yes	
Curr. Expenditure (mill.)	\$0	\$0	\$0	\$0	\$0

Note: Investing in technology does not automatically increase the specifications of your vehicles.

Select the checkbox on the line "**Increase Attribute**" to invest in one or more of these areas. The cost of each of these enhanced capabilities in \$millions is provided in the "**Cost to Increase to increase by 1**" line. The estimated annual benefit of the increase in capability is also displayed. Note that the simulation uses the decisions you are in the process of making to estimate the benefits. For example, an increase or decrease in your scheduled production of a particular vehicle will be reflected in the estimated annual benefit. You may "undo" any changes to these decisions until the simulation decision deadline.

Product Development

Purpose: The PRODUCT DEVELOPMENT screen summarizes all activity in your development centers. Decisions include adding a development center, upgrading current vehicles, creating new vehicle concepts, and putting new concepts into development. Development costs are expensed in the current period, except multi-period development projects (major upgrades and new products) in which costs are spread over the time the project remains in the development center.

Decisions: Projects

The sample screen below shows a firm with two active development centers, one of which is being used to develop a new Economy class vehicle that will be called the Enigma when it is released into the market. The specifications of the Enigma are listed to the right as well as the cost (this period only) for developing the product. The second development center is currently available for another project and could be used for a major or minor upgrade, or for another new product.

Projects										
Dev. Center	Project	Class	Size	HP	Interior	Styling	Safety	Quality	Base Cost*	Current Expense (mill.)
1	Enigma New Vehicle Launching Y#3	Economy	(1-35) 1	(50-175) 50	(1-3) 1	(1-5) 1	(1-3) 1	(1-5) 1	\$9,580	\$281 ☐ Delete
2	— Vehicle — — Project Type —	— Project Type —	Create Project							
☐ Construct a new center for \$624 Million										
Total Expense:									\$281	

* Base cost only; use the Pro-Forma for a projection of the unit cost when you launch the upgrade.

To add a development center, click the checkbox labeled "**Construct a new center for \$XXX Million.**" You may add only one development center each period, up to the total maximum of 5 centers over the course of the simulation. There is a one-time cost associated with building a new center, and it takes one year to become operational.

To change one or more product specifications of a vehicle in a development center, choose an existing vehicle to upgrade, select the type of upgrade to implement (minor, major, or cost reduction), and click the "Create Project" button. An upgrade also attempts to reduce your per unit cost of goods sold. A minor upgrade allows you to change each of the four vehicle specifications by 1, HP by 5, and size by 2. A major upgrade allows a maximum change of 2 for the ISSQ attributes, 20 for HP, and 10 for size; small changes can be made to the specifications in the second year. A **minor** product upgrade is in a development center for 1 period and launches immediately. A **major** upgrade allows a wider range of changes for each attribute to the vehicle but is in the development center for two years (launched the following period). A **cost reduction** upgrade attempts to reduce only the unit cost of the vehicle through changes to the vehicle that do not impact specifications or perception in the market.

Note: In the period a major or minor upgrade is launched, any current inventory will be sold off at a loss, and your firm will also incur a retooling charge.

Decisions: Concepts

There are two categories of new product concepts—a new product within a class where the firm has experience, or a new product in a class that is new to the firm. The first step in launching a new product is the creation of a product concept. A concept in StratSim is a set of potential specifications for a vehicle to give to the R&D department for further study. Concept creation is not used to upgrade or change an existing vehicle; it is only used for new vehicles. There is no cost associated with the creation of a concept. Costs are only incurred once the concept is moved into development.

To create a concept, click the [Add a New Concept] button, select the vehicle class and specifications, and click the [Save] button. Once created, you will get feedback from R&D regarding the expected unit cost (at 100,000 units of production), the overall cost of the development project if you decide to move it from concept to development, and the number of years required for development.



Name / Class	Size	HP	Interior	Styling	Safety	Quality	*Est. Base Cost	Devel. Cost (mill.)	Devel. Time
EE-0002 Economy	(1-35) 1	(50-175) 50	(1-3) 1	(1-5) 1	(1-3) 1	(1-5) 1	\$9,580	\$843	3 Years

[Save](#) [Cancel](#)

[Add a New Concept](#)

* Estimated Base Cost is for 100,000 units.

Before deciding whether to further develop the concept (expensive!), you may want to see what your target market(s) think of the potential vehicle. You may do this using the TOOLS: *Concept Tests*. Please review the description of the tool elsewhere in this guide for details on how to run and interpret concept tests.

Based on the results from the concept testing process, you may decide to change the concept. There is no additional expense to modify a concept at this stage. Therefore, get it right before moving ahead to the product development stage.

Once you are satisfied with your concept and have decided it is worth the investment to put it into development, click the build button (to the right of the concept) which will move the concept into development and occupy one of your development centers for two or three years (depending on the length of the project).

Important: You must move a product from the concept stage into the development center; otherwise, the product will never come to market.

Concepts							*Est. Base Cost	Devel. Cost (mill.)	Devel. Time	
Name / Class	Size	HP	Interior	Styling	Safety	Quality				
EE-0002 Economy ▾	(1-35) 1 ▴ ▾	(50-175) 50 ▴ ▾	(1-3) 1 ▴ ▾	(1-5) 1 ▴ ▾	(1-3) 1 ▴ ▾	(1-5) 1 ▴ ▾	\$9,580	\$843	3 Years	☐ Delete <input checked="" type="button" value="Build"/>
Add a New Concept										
* Estimated Base Cost is for 100,000 units.										

When you move a concept into development, you will be asked to name the project. This will ultimately become the name of your product in the market and is limited to 12 characters. The product name has no impact on the sales of your product, although civility is appreciated in playing the game.

You may choose to cancel development at any time if you change your mind about the viability of the project. Remember that development centers are limited, and product development is a time-consuming and costly process, so choose wisely.

Analysis

The **Analysis** button provides a graphical view of past, present, and future use of development centers to aid with product development planning. Development centers in StratSim are among a firm's most valuable resources for strategic differentiation.

Importing & Exporting (Instructor Selected Option)

Part of the international component of StratSim, the IMPORTING & EXPORTING page allows you to source existing vehicles from firms in other regions for import to the domestic region, and it allows you to sell your vehicles to foreign firms.

Importing

You can choose up to four vehicles to import from a list of all vehicles available for import. The list includes the source, attributes, and base cost per unit for each vehicle. The base cost is unit cost in domestic currency for a purchase of 100,000 units, including shipping and tariffs. A firm can import from the Atlantic and Pacific regions. There are several computer-run firms in each region to choose from, and each firm produces multiple vehicles. Thus, there are many potential vehicles to choose from, each with different characteristics and costs.

To create a new import agreement, select the vehicle your firm has chosen; enter the number of units, in thousands, you'd like to order; and enter a name for the vehicle to sell under. Remember to enter marketing decisions for a newly-imported vehicle. Note that the same vehicle may be imported by multiple firms under different names.

After saving, you'll see the actual cost you'll pay per vehicle based on the number you're purchasing. The cost is in domestic currency and includes shipping and tariffs. You can change the status of an agreement to "cancel" if you don't want it to go into effect for the next period. Import agreements are automatically renewed each period unless you cancel them. At any point you may change the number of units requested in an agreement. Current inventory of imported vehicles is listed on the MANUFACTURING page.

While importing a vehicle from another firm, you may develop your own platform to bring production of the vehicle in-house. Imported vehicles show up on the bottom of the PRODUCT DEVELOPMENT page as transferrable products. You can create a development project for them in much the same way as you would create a project for a concept. When a project is ready, decisions for the imported vehicle will be transferred to the newly developed platform, and the import agreement will be terminated.

Decisions / Importing & Exporting



[Importing](#) [Exporting](#)



Save

Undo

Active Agreements (1/4)

Name	Product	Firm	Market	Class	Size	HP	I/S/S/Q	Units (000's)	Unit Cost	*Base Cost	Status
Axie	Xiexie	Xihuan	Pacific	M	45	140	1/2/1/2	300	\$16,283	\$18,454	Accepted

* Base Cost is the cost per unit based on purchasing 100k units. This includes per-unit shipping costs and import tariffs.

Create a New Import Agreement

Vehicle to Import: Number of Units (000's) to Order: Vehicle Name:

Select a vehicle to import, enter the number of units you would like to purchase and give the vehicle a name. When you submit the form, the partnering firm will determine a price to offer and a new agreement will be added under "Active Agreements". You can have up to 4 active agreements at the same time.

All of your firm's vehicles must begin with the letter A.

Available Vehicles

Product	Firm	Market	Class	Size	HP	I/S/S/Q	*Base Cost
Mizerly	Muggle Motors	Atlantic	E	12	110	1/2/2/2	\$15,259
Nana	National Motors	Atlantic	F	25	140	2/3/2/3	\$20,227
Omni80	Oceanic	Atlantic	T	80	225	1/1/1/3	\$19,997
Xing	Xihuan	Pacific	E	15	100	2/2/2/2	\$13,493
Yizhi	Yige	Pacific	F	25	120	1/1/2/2	\$16,146
Zing	Zao	Pacific	M	45	140	1/1/1/1	\$17,694

* Base Cost is the cost per unit based on purchasing 100k units. This includes per-unit shipping costs and import tariffs.

Exporting

You can sell into international markets by exporting to a firm that has agreed to sell your automobiles under its name. The exporting tab allows you to manage your export agreements and shows you the vehicles that are currently being sold by firms in the Atlantic and Pacific regions with their specifications, unit sales, and MSRPs.

You can create up to four export agreements with computer-run firms in the Atlantic and Pacific regions. To get started, enter your desired terms for the agreement: the foreign firm you'd like to sell to, the vehicle you'd like to sell, and the price per vehicle. The price you enter is your desired revenue per vehicle. The foreign firms are responsible for shipping and tariffs for any vehicles they import.

Once you save, you will immediately see the foreign firm's response in your Active Agreements: Accepted or Rejected. If the response has an "i" icon adjacent to it, you can click the icon to see additional comments from the firm. An accepted agreement shows the number of units the firm will buy at the price you offered. Make sure you have accounted for accepted export agreements in your manufacturing decisions by checking your pro-forma inventory analysis.

You may renegotiate the price on an accepted agreement to try for better terms, and you may offer a different price on a rejected agreement to see if you can get it accepted. To do so, click the price on the agreement. Whether the agreement is accepted or not, you can only make a total of three price offers on it; that is, after you create an agreement, you have two more chances to change the price. If your third offer is rejected, you have to wait until the next period to try again with that firm and vehicle—even if previous offers had been accepted.

Change the status of an agreement to "cancel" if you do not want it to go into effect or to remove a rejected "agreement" to make room for others. You can change the status to "restore" for a cancelled agreement to make a new offer on it and make it active again. If you've used up all your offers on an agreement, you will not be able to make it active again. So, if you have an agreement accepted on your final offer and then cancel it, you will have to wait until the following period to make the agreement active again.

Each vehicle can only have one active agreement in a region, so you can only have as many agreements in a region as you have autos. Each foreign firm will make a maximum of one agreement for each vehicle class. Therefore if you want to export in a period, you may wish to make that decision early so that you can establish agreements before your competitors potentially establish agreements with the same foreign firms and vehicle classes as you were planning.

When the simulation advances, sales from accepted export agreements will be reflected in your reports. Foreign and domestic sales are listed separately on the Product Contribution report, but they are combined on other reports, such as the Income Statement. Export agreements last only

one simulated year. Change the price on an agreement with the “Negotiating Renewal” status to make an offer for another year. You don’t get any special status with a foreign firm because they had accepted an agreement with you in the past; if you are slow to renew, it is possible that a competitor will take your place.

[Importing](#)
[Exporting](#)

Active Agreements (2/4)

Name	Product	Firm	Market	Class	Size	HP	I/S/S/Q	Base Cost	*Unit Price	Units (000's)	Negotiation Attempts	Status
M-Ace	Ace	Muggle Motors	Atlantic	T	70	190	2/2/1/1	\$13,034	12,000	0	0/3	Negotiating
X-Alec	Alec	Xihuan	Pacific	E	12	120	1/1/1/1	\$9,633	8,000	75	1/3	Accepted

** Unit Price is the revenue you receive for each unit. Buyer pays international shipping and export tariff.*

Create a New Export Agreement

Partner:
Vehicle (with Est. Base Cost):
Unit Price:

Select the partner, vehicle, and enter the unit price of the vehicle you would like to export. When you submit the form, the selected partner will determine the number of units to offer and a new agreement will be added under "Active Agreements." You can have up to 4 active agreements at the same time.

For each agreement, you have a maximum of 3 attempts at negotiating successfully. Once you have reached that limit, you will no longer be able to pursue that deal.

Foreign Competitors

Product	Firm	Market	Class	Size	HP	I/S/S/Q	Unit Sales (000's)	MSRP
M-Ace	Muggle Motors	Atlantic	T	70	190	2/2/1/1	35	\$24,800
Mizerly	Muggle Motors	Atlantic	E	12	110	1/2/2/2	202	\$13,900
Nana	National Motors	Atlantic	F	25	140	2/3/2/3	87	\$20,700
Omni80	Oceanic	Atlantic	T	80	225	1/1/1/3	8	\$27,100
Xing	Xihuan	Pacific	E	15	100	2/2/2/2	91	\$9,800
Yizhi	Yige	Pacific	F	25	120	1/1/2/2	86	\$14,400
Zing	Zao	Pacific	M	45	140	1/1/1/1	21	\$15,600

[Licensing \(Instructor Selected Option\)](#)

The licensing feature in StratSim allows you to negotiate an agreement to buy or sell a vehicle with another firm. The licensee requests to buy a number of units with particular specifications at a given price from another firm, which may accept or reject the offer. The LICENSING menu option allows the licensee to initiate a licensing agreement, the licensor to accept offers, and both parties to view existing agreements. Once an offer is extended by the licensee and accepted

by the receiving firm, it is a binding agreement between the two firms. A firm cannot license more than two vehicles from other firms at any given time, so make your offers with care.

Creating a New License

Generally, teams will either meet face-to-face, talk on the phone, or email each other during the negotiation process, and the software is only used to enter the agreement. Thus, the licensee would typically enter specs that have already been negotiated and then officially extend the offer to the licensor. The offer is made through the decision screen shown below by entering the terms and changing the status to “Extend Offer.” Until that status is set, the offer will not show up on the other firm’s license screen.

Active Licenses

You may license a vehicle from another firm by taking these steps:

1. Identify the vehicle you wish to license and contact the potential licensor outside of the simulation about the terms, including price and quantity.
2. Select a name for the licensed vehicle and enter the terms of the agreement in the form to the left. Check "Extend Offer" when you are satisfied with the terms.
3. The licensor must now accept the agreement. This is done from the licensor's input by clicking on the licensed vehicle link, then clicking the Accept button.
4. The licensee can now enter marketing decisions for the licensed vehicle. Production is done automatically based on the terms of the agreement.

Note: The terms of a license agreement are good for one year. For multi-year licenses, each agreement must be renewed by being offered and accepted each year.

Vehicle Name	Partner	Class	Unit Price	Units (000's)	Fee (mill.)	Size (1-100)	HP (50-300)	Interior (1-9)	Styling (1-9)	Safety (1-9)	Quality (1-9)	Status
Ant	Firm D	Truck	16,000	100	1	66	185	1	1	1	1	Extend Offer

Create a New License

The licensee may continue to modify the agreement until it is accepted by the partner. Generally, however, any modifications should be made prior to selecting the “extend offer” status. After that point, it is as if you mailed a signed contract to the other firm in the mail.

From the perspective of the licensor (Firm D in the above example), once an offer is made to them by the licensee (Firm A in the above example), their licensing decision screen will show the offer. The licensor will see the details of the offer made, and the team may choose to accept the offer by selecting a vehicle that qualifies for the license and changing the status to “Accept.” The specifications for the licensed vehicle must exactly match the size and horsepower of the vehicle it’s based on—and interior, styling, safety, and quality for the licensed vehicle may be no more than the vehicle it’s based on. The licensor may initiate a minor upgrade on a vehicle to get it to qualify for a license agreement the same period; in this case, the minor upgrade may not be changed in a way that disagrees with the license nor may the upgrade project be deleted.

License Requests											
Vehicle Name	Partner	Class	Unit Price	Units (000's)	Fee (mill.)	Size (1-100)	HP (50-300)	Interior (1-9)	Styling (1-9)	Safety (1-9)	Quality (1-9)
Ant	Firm A	Truck	\$16,000	100	\$1	66	185	1	1	1	1
										Vehicle	Status
										Detonka	Accept

As soon as the offer is accepted, both the licensor and licensee screens will now show “accepted” status, and both firms are legally obligated to fulfill the license agreement. The licensee should remember to enter marketing decisions for a newly-licensed vehicle. License agreements can only be canceled by mutual consent, so both firms should be very careful about the negotiations and acceptance of agreements.

Renewing an Existing License

License agreements must be re-extended and re-accepted each period if the license agreement is to last more than one period. There is an opportunity to make changes to the agreement each period it is renewed. Note that period-by-period renewal does not preclude two firms making long-term agreements. However, they are outside of the scope of the simulation, and the obligations must be enforced in another manner as arranged by the instructor.

If the licensee requests and the licensor accepts any change to a licensed vehicle’s attributes, an upgrade project will automatically be created in one of the licensor’s development centers. The project cannot be edited, and it can only be removed if the license is terminated. A major upgrade project will be created for large changes. The first year of the major upgrade, the licensed vehicle’s specifications will remain unchanged. The major upgrade cannot be modified partway through. Remember that licenses must be manually renewed each period if you wish them to continue—even when a major upgrade is in progress for a licensed vehicle. While minor and major upgrades to a licensed vehicle must be initiated by changes to the license agreement by the licensee, a cost reduction upgrade may only be initiated by the licensor on the Product Development page. Note that upgrading the licensed vehicle does not upgrade the vehicle the licensed vehicle was originally based on and *vice versa*.

While licensing a vehicle from another firm, the licensee may develop their own platform to bring production of the vehicle in-house. To begin development of the platform, go to the Product Development page, view the Transferrable Products at the bottom of the page, and click the Build button next to the licensed vehicle that you want to transfer; the vehicle will then be moved to the Projects part of the page where development will proceed like any other project. When the project is ready, decisions for the licensed vehicle will be transferred to the newly developed platform, and the license agreement will be terminated.

Consumer Marketing

CONSUMER MARKETING decisions consist of corporate marketing decisions and vehicle product mix decisions. The marketing function is also responsible for product sales forecasts for the coming year. These forecasts will be used in generating Pro-Forma results.

Decisions: Corporate Marketing

Corporate marketing decisions are concerned with your firm's overall corporate image and message. Corporate advertising funds are allocated on a regional basis, helping to create awareness and preference for your firm, while also providing advertising support for your dealerships. You may select an overall corporate image **Ad Theme**.

Social Media expenditures help stimulate interest in your firm's new and future product offerings, allowing you to target particular consumer segments via various social media vehicles.

Direct Marketing funds target particular consumer segments, for example, postcards and emails telling them about dealership special promotions.

Decisions: Product Marketing

Product marketing decisions are the marketing mix decisions for each vehicle in your product line: price (MSRP), dealer discount, advertising budget and theme, promotional budget, and sales forecast (used in the pro-forma and analysis).

MSRP is important because it sets price expectations in the mind of the consumer (positioning) and is the basis for setting your firm's actual revenues after dealer discounts are taken. For example, if MSRP is \$20,000 and **dealer discount** is 10%, your actual revenues will be $\$20,000 \times (1 - 0.10) = \$18,000$. Typically, the retail price (what the customer pays) for the vehicle will be between the price to the dealer (\$18,000) and the MSRP (\$20,000), and will vary depending on promotional programs, demand / inventory, target markets, etc.

Product advertising and **advertising theme** play an important role in establishing vehicle awareness and shaping customers' perceptions of products. The majority of the advertising budget is spent on media buys, with the remainder on creative input and theme, and serves three primary purposes in StratSim:

- 1) **Creates general awareness for the vehicle and establishes brand/product identity:** Whether or not the consumer knows the product name and its general positioning in the market.
- 2) **Creates top-of-mind awareness:** Loosely interpreted as a "share of voice" measure. For example, if consumers are asked to name a utility vehicle, the utility vehicle(s) they are most likely to mention have the greatest awareness and share of voice.

- 3) **Establishes advertising message content:** A vehicle aspect that is emphasized in advertising (interior, styling, safety, quality or performance). Match your product's ad theme with what is most important to the target customer(s) and that represents that vehicle's competitive advantage.

Promotion budget is used for special dealer or consumer promotions, such as below market financing rates, consumer rebates (additional price discounts), and dealer incentives (i.e., additional dealer discount if certain sales goals are met). Some of the promotional budget will also be used to generate awareness through product brochures, mailings, contests, etc.

Check the **B2B Only**—sometimes called **Remove From Market**—checkbox to stop selling a vehicle to consumers. If you are discontinuing a vehicle, you may wish to sell off remaining inventory before taking the vehicle off the consumer market.

Decisions Analysis
Save Undo

Corporate Marketing

Corporate Advertising

	Millions
North	\$ 25
South	\$ 25
East	\$ 25
West	\$ 25
Social Media	\$ 12
Direct Marketing	\$ 2
Total	\$114

Ad Themes

☐ Interior

☐ Styling

☐ Safety

☐ Quality

☐ Performance

Segment Targets

☒ Value Seekers (1)

☒ Families (2)

☐ Singles (3)

☐ High Income (4)

☐ Enterprisers (5)

Product Marketing

Vehicle	MSRP	Dealer Discount	Advertising (millions)	Advertising Theme	Promotion (millions)	Sales Forecast (000's)	B2B Only
Efizz	\$ 18,869	14.0 %	\$ 80	Styling	\$ 40	399	☐ Yes
Estruck	\$ 21,843	12.0 %	\$ 60	Performance	\$ 20	322	☐ Yes
Euro	\$ 26,528	14.0 %	\$ 40	Quality	\$ 30	377	☐ Yes
Totals			\$180		\$90	1,099	

Analysis

The Consumer Marketing analysis projects your company product line's contribution using your decisions and your forecast, providing insight into price and volume options. You may want to use the **TOOLS: Test Market** to learn more about the sensitivity of price, advertising, and promotion changes on your sales volume. These projected contributions include any B2B sales and are displayed on both an overall and per unit basis.

[Decisions](#) [Analysis](#)

Product Contribution

	Proj. Sales (000's)	Dealer Revenue (mill.)	B2B Revenue (mill.)	Var. Costs (mill.)	Contrib. Margin (mill.)	Adv. & Promo. (mill.)	Contrib. (mill.)
Efizz	399	\$6,482	\$0	\$5,192	\$1,290	\$120	\$1,170
Estruck	321	\$6,188	\$0	\$4,310	\$1,878	\$80	\$1,798
Euro	377	\$8,610	\$0	\$5,711	\$2,899	\$70	\$2,829
Overall	1,097	\$21,280	\$0	\$15,213	\$6,066	\$270	\$5,796

Per Unit Contribution (includes direct sales)

	Per Unit Revenue	Var. Cost	Per Unit Margin	Margin Pct.	Adv. & Promo.	Per Unit Contrib.	Contrib. Pct.
Efizz	\$16,245	\$13,013	\$3,232	19.9%	\$301	\$2,931	18.0%
Estruck	\$19,276	\$13,427	\$5,850	30.3%	\$249	\$5,601	29.1%
Euro	\$22,839	\$15,150	\$7,689	33.7%	\$186	\$7,503	32.9%
Overall	\$19,398	\$13,868	\$5,530	28.5%	\$246	\$5,284	27.2%

B2B Marketing (Instructor Selected Option)

Competing in the B2B market is a three-step process that requires a minimum of 2 years before sales are generated. Step 1 is to research the market, typically by purchasing market information about the B2B contracts using the MARKET: B2B Contracts menu choice. Step 2 is targeting particular contracts with your salesforce to receive a request for quotation (RFQ). Step 3, done the period after targeting a contract, is to bid on a contract, presuming you have a vehicle that qualifies.

Decisions: Targeting Contracts

If you decide that you want to explore B2B opportunities and obtain an invitation to bid on a contract through an RFQ, the first step is to target specific contracts from the B2B decision screen as shown below. Target the contracts by clicking into the checkbox. This will automatically hire (or reallocate if you are changing targets from last period) sales people to establish a relationship and support the sales process with the B2B customer. Contracts will remain targeted until deselected.

Available Contracts

Rental Fleets (6)

☐ Cheapy Stu's	☐ Corp. Car Rental	☐ Euro Car Rental	☐ Funtime Fleets
☐ Go Green Cars	☐ Mavis	☐ Mertz Cars	☐ Mizer Mike's
☐ Parts-Worth Utes	☐ Specialty Rentals	☐ Sun Rentals	☐ Tom's Trucks

Parcel Carriers (7)

☐ Dareborn Distress	☐ LeXpress	☐ NETHing 4A Buck	☐ Packages R Us
--	-----------------------------------	--	--

Other Fleets (8)

☐ Dept. of the Gov.	☐ Forestry Service	☐ Gov. Services	☐ Green Gov. Services
☐ Hauliday Rentals	☐ Nat. Government	☐ Nat. Park Service	☐ Nationwide Limos
☐ Reg. Gov. Agencies			

Important: Unless your firm targets contracts by clicking on the [Select Contracts to Pursue] button and selecting specific contracts, you will not receive any requests for quotation after the simulation advances.

Purchase market research on the MARKET: B2B Contracts page to immediately find out more about contract requirements. Or, target contracts and allow your salesforce to collect the requirements for viewing next period.

Decisions: Bidding on Contracts

In the period after targeting a contract, a summary of each contract will appear under the "Contracts" section.

Contracts					
Contract	Units* (000's)	Req. Cls.	Max. Price	Dealer Cover.	Bid Vehicle Amount Preferred?
Corp. Car Rental (6)	25	F	\$16,200	70.0%	
<i>* Projected unit sales for qualified bids. Amount shown is the guaranteed minimum, or two times the minimum if you have indicated that your firm will be a preferred supplier.</i>					
Select Contracts to Pursue					

You may qualify for some of these contracts based on your current vehicles, but in many cases you will have to make modifications to your vehicle or distribution structure to qualify. Clicking on the contract name will bring up the contract details (the RFQ). The detail of the contracts shows the guaranteed number of units, the required class, the maximum price acceptable, and the required dealership coverage in all regions. If you click one of the contract names it will bring up more detailed information about the requirements, as shown below.

On the detailed requirements for a particular contract, you will see the required size range, engine range, minimum interior, styling, safety, quality, and dealer coverage. In addition, you can see your actual dealership coverage and, once a vehicle has been selected for a bid, the actual characteristics of the vehicle versus the requirements. Clicking on the **Choose** list box will bring up those vehicles in your portfolio that are of the required class and show their characteristics to compare with the RFQ. ***If you don't qualify for the contract by meeting all specifications, you will not sell any units.***

Contract Details

Corp. Car Rental (6) ▾

Units (000's):

25

Dealers	Required	Coverage
North	70.0%	50.0%
South	70.0%	52.0%
East	70.0%	46.7%
West	70.0%	40.0%

Your firm does not meet the dealer coverage requirements for this contract.

Attributes	Required	
Class	Family	—Choose— ▾
Offered Price:	≤ \$16,200	
Base Cost		
Size	35-55	
Engine (HP)	135-185	
Interior	≥ 3	
Styling	≥ 3	
Safety	≥ 2	
Quality	≥ 2	

Select a vehicle from the dropdown list to enter a bid.

Decisions: Analysis

Clicking on the Analysis button at the top of the B2B decisions screen will display an overview of all the contracts similar to what you would find under the MARKET: B2B Contracts.

B2B Contracts									
Contract	Sf.	Seg.	Req. Cls.	Gtd. Units	Units Awarded (000's)				
					A	B	C	D	E
Cheapy Stu's		6	E	33					
Corp. Car Rental	✓	6	F	25					
Mavis		6	L	15					
Tom's Trucks		6	T	6					
Dareborn Distress		7	D	40					
NEThing 4A Buck		7	M	20					
Dept. of the Gov.		8	E	16					
Hauliday Rentals		8	U	9					
Nat. Government		8	F	14					
Nationwide Limos		8	L	8					
Total				504	0	0	0	0	0

Note: All units are in thousands.

Distribution

Decisions

Enter dealership management decisions, such as opening or closing dealerships on a regional basis and setting an overall dealership training and support budget. It takes one year to build / staff a new dealership or close an old one. Not having enough dealerships can leave markets uncovered, but having too many dealerships can lead to poor results due to overly competitive pricing and sales being spread thin.

For each region, enter a change in the number of dealerships as a positive or a negative number. The maximum allowable change is 10% of your current total number of dealerships. So, if you have 600 dealerships, and you add 30 in one region and decrease by 30 in another region, you have reached your maximum allowable change (of 60 in the example).

Coverage (dealerships in a region / sales areas in a region or full coverage) is calculated in two places. One with the scheduled change (dealerships added in the previous period) as well as with the current decisions. Especially important for B2B coverage requirements.

Training and Support: These expenditures are spread equally across all dealerships. The allocation of this resource is targeted to improve the experience the customers will have at the dealership in the long run.

[Decisions](#)
[Analysis](#)



Dealers	Total	North	South	East	West
Full Coverage	800	200	250	150	200
Established	380	100	130	70	80
Sched. Change	0	0	0	0	0
Coverage	47.5%	50.0%	52.0%	46.7%	40.0%
Dealer Inc./Dec.	0	0	0	0	0
Coverage with Current Decisions	47.5%	50.0%	52.0%	46.7%	40.0%
Training and Support (mill.)	\$ 25	\$7	\$9	\$5	\$5
Per Dealer	\$65,789				

Note: The estimated cost of opening or closing a dealership is \$2 million. Average overhead per dealer is estimated at \$294 thousand.

NOTE: It takes 1 year to open or close a dealership. For example, if you make the decision to add dealerships in the initial period, it will not impact results until the results are generated for period 2. Pending dealership openings and closings will appear on the "Sched. Change" line.

Analysis

This screen provides further insight into the performance of your dealer network, including dealer coverage and financial performance by region, planned openings, sales and support per dealer, and dealer ratings.

Full coverage: The number of sales areas in each region. Thus, coverage of 45% would imply that 45% of the sales areas are covered in a particular region by dealerships.

Gross/Dealer: The average amount of money (gross) a dealer in a region has to operate their business. This amount equals the difference between the dealer invoice (what the dealer pays for the vehicle) and the actual retail price for all vehicles sold in their dealership. These are, in effect, the revenues for the dealership. The more revenues for the dealership, the better salespeople and support staff they can hire, the more they can reinvest in their facilities, etc. Thus, the gross/dealer amount is a good indicator of their success as a business, which, along with training and support, will likely translate into higher dealer ratings.

Dealer Rating: Customer satisfaction index from a leading market research company (range 1–100, with 100 corresponding to highest satisfaction). Dealer ratings provide insight into the success of dealerships. The success and coverage of your dealerships is an important aspect of your firm's overall success. Your firm should think of your dealership network as a key strategic partner who shares in your success. Generally, the more successful your dealerships are, the more successful you will be, and vice versa.

Unit Sales: Displays vehicle sales at the product level by region. Differences by region may be due to underlying demand overall, demand for a particular type of vehicle, differences in distribution, and differences in competitor intensity.

You may access this same information on your competitors under the COMPETITION: *Distribution* menu.

[Decisions](#) [Analysis](#)
Distribution Results

	Total	North	South	East	West
Full Coverage	800	200	250	150	200
Established Dealers	380	100	130	70	80
Coverage	47.5%	50.0%	52.0%	46.7%	40.0%
Planned Openings	0	0	0	0	0
Support/Dealer (000's)	\$329	\$316	\$258	\$423	\$378
Units/Dealer	2,974	3,042	2,913	2,909	3,043
Sales/Dealer (mill.)	\$57.8	\$59.0	\$56.5	\$56.5	\$59.4
Service/Dealer (mill.)	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
Gross/Dealer (mill.)	\$5.4	\$5.5	\$5.3	\$5.3	\$5.6
Dealer Rating	68	69	68	68	68
Unit Sales (000's)	Total	North	South	East	West
Efizz	403	111	130	78	83
Estruck	326	85	120	50	71
Euro	401	108	128	76	89
Total	1,130	304	379	204	243

Manufacturing

Use the MANUFACTURING menu to enter decisions for product line production and overall firm capacity. The decisions and analysis screens provide supportive information regarding previous sales, inventory levels, and projections based on previous results, your decisions, and your forecasts. Based on your decisions, you may incur retooling, over-capacity charges, and / or the costs associated with building new capacity, all of which will be displayed here. Analyze your manufacturing process including scheduled product line planned production, flexible production, and overall plant capacity.

Decisions: Production

At the product level, there are two manufacturing decisions to be made: Scheduled (or Planned) Production and flexible production. Previous sales and current inventory levels are noted to help in your planning process, as are retooling costs, if applicable. Flexible production increases or decreases production by up to 10% to meet demand if the box is enabled. In general, the car industry aims to have 30–60 days of inventory available, but may have less if a firm is planning to upgrade or discontinue a vehicle.

NOTE: *when upgrading a vehicle, the current inventory will not be sold in the market, but instead will be written off at a loss to the company.*

By default, the Flexible Production checkbox is enabled. Flexible Production will not change production if inventory levels are projected to be between 0 and 120 days. However, if anticipated demand is greater than supply, the simulation will attempt to make up the difference by increasing production up to 10%. If anticipated supply is greater than 120 days, the simulation will reduce production by up to 10% in an attempt to limit inventory to 120 days. Since Flex Production is based on anticipated, rather than actual, supply and demand, it is possible for production to flex too much or not enough. If the Flexible Production checkbox is disabled, your firm will produce exactly what you have entered in the Scheduled Production field.

NOTE: *If the sum of all production (including flexible) exceeds capacity, you will be charged any over-capacity charges that apply. The over-capacity charge represents running extra shifts and paying overtime.*

Retooling costs are based on new platforms or increases in the production of an existing model, where existing capacity needs to be changed from one model to another. Thus, careful planning with regard to forecasting demand and production helps keep retooling costs lower.

Decisions: Capacity

To build or sell off overall firm capacity, enter the change in capacity (positive or negative). A capacity increase takes one year to build and cannot exceed 50% of the current capacity. The cost of the increased capacity is depreciated over ten years. The estimated cost of an additional

100,000 units of production is displayed, though you are not restricted to blocks of 100,000 units. The additional capacity becomes available for production decisions the following period. You may decrease capacity by entering a negative number. This sells off the least efficient plant capacity at 50% of remaining book value (if any). Increases and decreases are limited to 50% of your current capacity.

Alternatively, you may choose to produce over capacity at a charge dependent upon the number of units produced beyond the firm's base capacity. This value is shown in the plant capacity section of the screen as "**Over Capacity Charge (\$M)**".

[Decisions](#) [Analysis](#)

Production & Capacity Decisions					
	Prev. Sales (000's)	Current Inventory (000's)	Scheduled Production (000's)	Flex	Retooling Costs Mill. \$
Alec	593	49	553	☒ Yes	\$24
Alfa	353	29	333	☒ Yes	\$68
Awesome	332	28	335	☒ Yes	\$41
Total	1,278	106	1,221		\$133
Capacity (000's)			1,200		
Scheduled Production			1,221		
Over Capacity Charge (mill.)			\$41		
Est. Plant Cost for Add'l 100k Mill. \$			\$703		
Capacity Change (000's)			0		
Est. Plant Cost Mill. \$					
Est. Plant Sale Price Mill. \$					
Book Value Mill. \$					
Loss on Sale of Plant Mill. \$					

Decisions: Offshore Plants

Depending on how your instructor has chosen to configure the simulation, you may be able to produce vehicles offshore. Enabling the "Build" checkbox under the Pacific or Atlantic headings and entering the initial capacity you'd like to build will start a new plant in the corresponding region. The timeline and limit for capacity changes are the same for offshore plants as they are domestic ones. The initial capacity for each of the offshore plants may be as few as 50 thousand and as many as 1 million vehicles per year.

Click the region name in the vehicle production decisions to change the region in which the vehicle is produced. You can choose to transfer production to a plant the period after you choose to open it. A vehicle can only be produced in one plant at a time. Your firm must decide the best single location for manufacturing each vehicle. If production exceeds capacity for a plant, you will incur expenses for running over capacity. You will incur retooling costs when you switch plants, even if you do not change production levels.

[Decisions](#) [Analysis](#)



Save

Undo

Production & Capacity Decisions

	Prev. Sales (000's)	Current Inventory (000's)	Scheduled Production (000's)	Plant	Flex	Retooling Costs Mill. \$
Ace	491	0	458	Domestic	☒ Yes	\$0
Alec	305	0	301	Atlantic	☒ Yes	\$168
Alfa	816	0	784	Domestic	☒ Yes	\$117
Total	1,612	0	1,542			\$285
<i>Licensed Vehicles</i>						
Ant	0	100	+100			
Axie	0	300	+300			
				Domestic	Pacific	Atlantic
Capacity (000's)			1,000	☐ Build		300
Scheduled Production			1,241			301
Over Capacity Charge (mill.)			\$650			\$2
Est. Plant Cost for Add'l 100k Mill. \$			\$736		\$867	\$876
Capacity Change (000's)			0	500	0	
Est. Plant Cost Mill. \$						
Est. Plant Sale Price Mill. \$						
Book Value Mill. \$						
Loss on Sale of Plant Mill. \$						

* Production takes place in partner's plant—not included in Scheduled Production.

Analysis

This tab projects inventory levels based on your current decisions and forecasts. It is essentially a forward-looking version of the information on the COMPANY: *Manufacturing* page, and it is identical to the Product Inventory report on the DECISIONS: *Pro-Forma* page.

Decisions Analysis

Pro-Forma Inventory Analysis

Product Inventory

	Begin. Inv. (000's)	Sched. Prod. (000's)	Flex Prod. (000's)	Proj. Sales (000's)	Proj. Inv. (000's)	Proj. Days Inv.	Comment
Ace	0	329	32	361	0	0	
Alec	25	269	3	297	0	0	
Alfa	60	724	0	720	64	32	
Total	85	1,323	36	1,378	64	17	

Financing

Decisions

The financing decision screen is for all decisions related to the financial aspect of managing your firm, with a particular focus on cash flow and shareholder equity. You may select alternative financial instruments to raise funds, choose to invest extra cash in CDs, issue dividends to shareholders, and potentially buy back stock or call long-term bonds. Often, these decisions will be made after you have used the pro-forma [Analysis] to forecast your cash flow and financing needs. All values are entered in millions; thus, 2000 equals \$2 Billion.

Decisions Analysis

Save Undo

Cash

Current Cash Balance \$5,250M

Purchase 1 Year CD @ 3.0% \$ M

Stock

Current Stock Price \$48.72

Current Shares Outstanding 365M

Current Market Value \$17,783M

Issue/Repurchase Stock \$ M

Dividends Paid \$ M

Debt

Short-Term Debt

Loan Balance @ 8.5% \$10,539M

Loan Repayment \$ M

Long-Term Debt

Current Bond Rating B

Issue Bonds @ 6.5% \$ M

Total Debt \$10,539M

Cash: *Current Cash Balance* represents funds currently available for investment. Cash may be invested in a 1-year CD to earn interest.

Stock: Issuing stock is one method of raising cash for the company, however issuing additional shares may dilute shareholder value. If stock buy-back is enabled, cash may be used to repurchase up to 20% of the outstanding shares by entering a negative number. Enter shareholder dividend amount, should you choose to offer a dividend. The shares outstanding will remain constant unless your team chooses to sell or buy back stock.

Debt: **Short-Term Debt** represents a revolving line of credit at variable interest rates that is automatically issued if the firm runs out of cash. Reducing your short-term debt is a decision that you must make in the context of having sufficient cash available. **Long-Term Debt** bonds with a term of 10 years have lower interest rates than short-term loans. Bonds are eligible to be called after 3 years, but do not have to be. An interest penalty of 1 year is applied when they are called. Bonds must be paid off in full if called. No partial calls are allowed. Bond rating will vary based on the financial position of your company. Short- and long-term interest rates will vary based on your bond rating and general interest rates. Bonds are rated from D (lowest) to AAA (highest), where higher ratings correspond to lower interest rates. If your bond rating improves, the interest rate the market requires from your debt issues will decrease, all other things being equal.

Analysis

Results shown in the FINANCING: ANALYSIS reflect your decision inputs and projections from the current period using the format of the Cash Flow Statement, but adding the starting and projected balance in the cash account from the balance sheet. Review this report carefully to assess and forecast your cash flow and financing needs for the coming period.

[Decisions](#) [Analysis](#)
Pro-Forma Cash Flow

Cash Flow	Millions	Millions
Cash Flow from Operations		
Net Income	\$1,689	
Depreciation	\$912	
Add Back Sale of Plant	\$0	
Decrease (Increase) in Inventory	\$703	
Decrease (Increase) in Receivables	\$22	
Increase (Decrease) in Payables	\$(1)	
Net Cash From Operations		\$3,325
Investment Activities		
Capacity Decrease (Increase)	\$0	
Plant Retooling	\$(136)	
Investment Maturing	\$0	
Investment Purchased	\$0	
Net Investment		\$(136)
Financing Activities		
Increase (Decrease) in Short-Term Debt	\$0	
Bailout Loan	\$0	
Bonds Issued	\$0	
Bonds Called	\$0	
Sale of Stock	\$0	
Dividends Paid	\$(100)	
Net Financing		\$(100)
Net Increase (Decrease) in Cash		\$3,089

Special Decisions (Instructor Selected Option)

If your instructor chooses, you may be faced with special decisions based on "incidents." Generally, there is no correct answer as it often depends on your firm's particular situation as to what the best option would be. Some decisions have financial implications, others don't. A special decision is a required option—you must select one from the list of options available in that period. The full incident description will be shown when you select the Special Decision menu choice. There is also a short video related to the incident. Feedback on your choice will be displayed under Industry News on Company / Dashboard.

Distribution Management Challenges



The map shows a city layout with a 'Shopping District' highlighted in green. Two red pins labeled 'Existing Dealerships**' are located in a commercial area. A road leads from the shopping district towards the dealerships.

A recent internal analysis of the dealerships located near the city of Metropolis in the Eastern region point to needed improvements in facilities and locations. Specifically, the two dealerships in this area are located in commercial areas that were thriving 30 years ago when they were built, but now seem dated and are in less desirable locations relative to the new shopping districts. Furthermore, the dealership facilities are outdated.

The current owners of the dealerships are lacking the capital and desire to make the investment necessary to enhance their competitiveness. However, another group of investors has expressed interest in opening two new dealerships in these better locations. The owners of the current dealerships claim these new areas are in their existing territory and have indicated their unwillingness to let the new dealerships open.

The regional manager for the dealerships has offered the following options for addressing the dispute. Please choose one.

Watch Video

- ☐ 1. Make no changes. Do not approve the new dealerships, and do not press the existing dealerships to update their facilities.
- ☐ 2. Grant the new investor group the two new dealerships.
- ☐ 3. Encourage negotiations between the current owners and the new investors to transfer ownership to the new investor group.
- ☐ 4. Encourage negotiations between the current owners and the new investors, but make it clear to the current owners that if they do not sell the dealerships will be closed. The regional manager can use up to \$1 million to help close the deal.
- ☐ 5. Close the existing dealerships and grant the new investment group dealership rights to the new locations. There is no net change in dealerships.

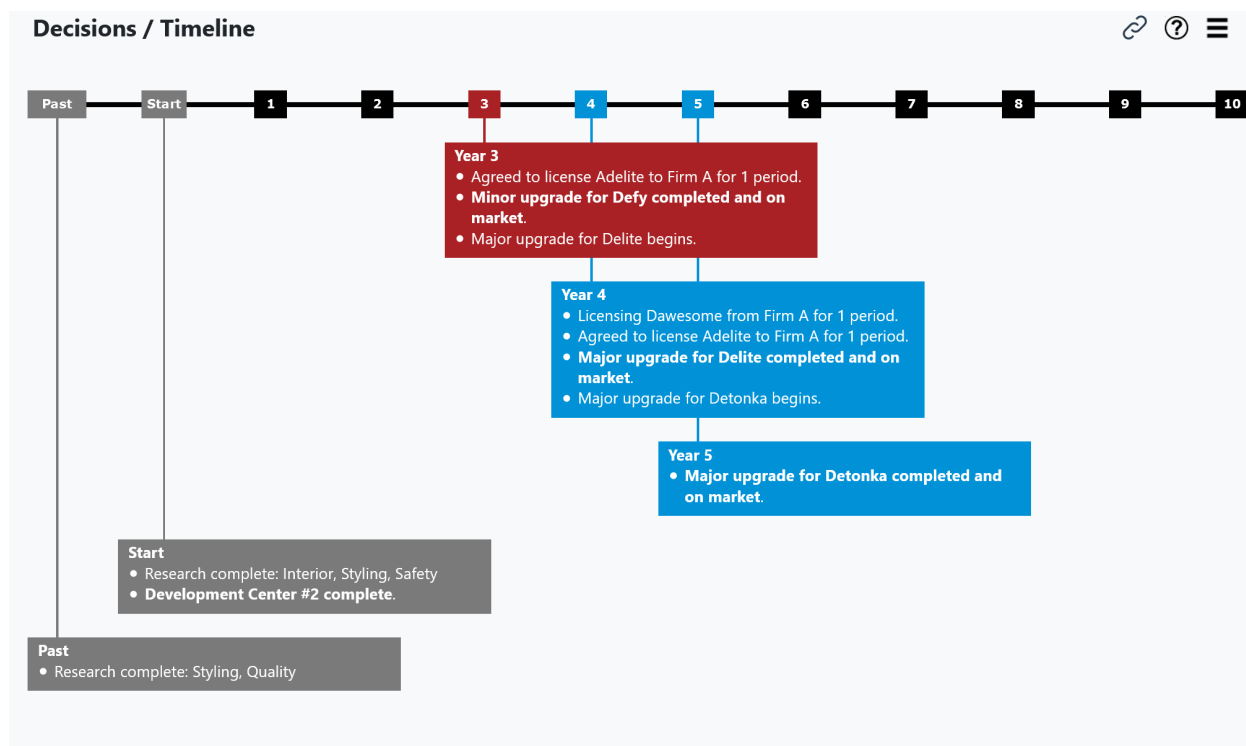
Decision Summary

The DECISION SUMMARY screen provides a summary of all your decisions for the current period. View this report at the end of your decision process and before the decision deadline, making sure all choices have been entered correctly. With the exception of the purchase of market research or tools, all decisions for the period can be changed until the simulation is advanced. After the simulation has been advanced, you will not be able to correct any input errors, so take the time to double check your entries before the deadline. You may also want to print out a copy. Select a different period in the top toolbar to view previous period decisions.

When the simulation has been advanced to the next period, your course website and the simulation interface will be updated with the latest results; refresh your browser window to view the updated results. The simulation will now be in the next period (reflected at the top of the StratSim window).

Timeline

The TIMELINE displays important events during the simulation related to decisions your company makes. The timeline may highlight dealership, production, development, manufacturing, and licensing decisions (if enabled).



Pro-Forma

PRO-FORMA uses your decisions and product forecasts to project inventory, income statement, balance sheet, cash flow, and product contribution for the upcoming year. Estimating the financial implications of decisions is an important part of the decision process. If the estimated values do not meet your expectations, you may want to reconsider your decisions or forecasts (or possibly, your expectations).

Forecast

Start the Pro-Forma process by entering your forecasts for each product. You may have done this during the decision process, but you may update those values here. The default forecasts are the sales during the prior year. Use the **Sales Forecast** inputs on this report to enter a forecast for each product. The forecasts represent your sales estimate (in units) for the consumer market for the coming year. When setting these forecasts, consider factors such as changes in your product (upgrades), price (MSRP or discounts), marketing support (advertising and promotion), expected demand, and, of course, the competition. Additionally, review any qualifying direct sales. Once forecasts have been entered, you can view the pro-forma *Product Inventory* report

that calculates your projected inventory and retooling costs (if any), and *Product Contribution* report. All pro-forma reports are based on your forecasts and production levels.

[Forecast](#)
[Reports](#)



Consumer Sales Forecast

Vehicle	Previous Sales (000's)	Sales Forecast (000's)
Alec	593	593
Alfa	353	353
Awesome	332	332

NOTE: These values are derived solely from your decisions and your forecasts; actual results will differ from the figures displayed here after the simulation is advanced. The pro-forma is for planning purposes only and has no actual impact on outcomes.

Reports

The Pro-Forma analysis provides five projection reports: *Product Inventory*, *Income Statement*, *Balance Sheet*, *Cash Flow* and *Production Contribution*. These reports parallel the ones in the Company menu but are based upon your forecasts and inputs. Please see those menus for a more complete description of the content. Select the Report tab to view the available reports.

Reports: Product Inventory

The inventory report levels on this report may be used to check planned production volume decision for the coming year. This report uses product sales forecasts, existing inventory (taking into consideration upgrades), and planned production volume to predict inventory levels for the upcoming year. Good forecasts are key to making accurate production decisions.

[Forecast](#)
[Reports](#)

[Product Inventory](#)
[Income Statement](#)
[Balance Sheet](#)
[Cash Flow](#)
[Product Contribution](#)

Product Inventory

	Begin. Inv. (000's)	Sched. Prod. (000's)	Flex Prod. (000's)	Proj. Sales (000's)	Proj. Inv. (000's)	Proj. Days Inv.	Comment
Alec	49	553	0	592	10	6	
Alfa	29	333	0	352	9	10	
Awesome	28	335	0	332	30	33	
Total	106	1,221	0	1,276	50	14	

Reports: Income Statement

The PRO-FORMA: *Income Statement* report shows projected overall financial results for the upcoming year, based upon your current decisions. Click a line category [link](#) on this page to view detail of the charges that comprise the total.

[Forecast](#) [Reports](#)

[Product Inventory](#) [Income Statement](#) [Balance Sheet](#) [Cash Flow](#) [Product Contribution](#)

Income Statement

[Income Statement for Year 1](#) [Sales Breakdown](#) [Cost of Goods Sold](#) [Extraordinary Items](#)

Income Statement for Year 1

	Millions	Millions	Percent of Revenue
Sales	\$21,886		100.0%
Cost of Goods Sold	\$(17,104)		-78.2%
Gross Margin		\$4,782	21.8%
Marketing	\$(378)		-1.7%
Research and Development	\$0		0.0%
General and Administrative	\$(910)		-4.2%
Income from Operations		\$3,494	16.0%
Interest Income	\$0		0.0%
Interest Expense	\$(896)		-4.1%
Extraordinary Items	\$0		0.0%
Income before Tax		\$2,598	11.9%
Less Tax @ 35%	\$(909)		-4.2%
Net Income		\$1,689	7.7%
Dividends Paid (365M shares)		\$100	0.27/sh

Reports: Balance Sheet

The PRO-FORMA: *Balance Sheet* report shows projected asset and liability account balances for the upcoming year, based upon your decision inputs and forecasts this period.

[Forecast](#) [Reports](#)

[Product Inventory](#) [Income Statement](#) [Balance Sheet](#) [Cash Flow](#) [Product Contribution](#)

Balance Sheet

Assets	Millions	Liabilities	Millions
Cash	\$8,339	Accounts Payable	\$1,808
Receivables	\$1,806	Short Term Debt	\$10,539
Inventory	\$714	Long Term Debt	\$0
Plant and Equipment	\$9,117	Total Liabilities	\$12,347
Accumulated Depreciation	\$(3,606)	Stock (\$1 par)	\$365
		Retained Earnings	\$3,659
		Total Equity	\$4,024
Total Assets	\$16,370	Total Liabilities & Equity	\$16,370

Reports: Cash Flow

The CASH FLOW statement shows the sources and uses of the firm's cash. Changes in the amount of cash in the firm can be calculated based on cash flow from operating, investing, and financing activities. Line items may have different context modifiers as indicated by parentheses. Using the **Inventory** line item as an example, a positive inventory cash flow amount indicates an increase in cash due to a decrease in inventory, and a negative inventory cash flow amount indicates a decrease in cash due to an increase in inventory. The modifier in parentheses corresponds to the negative cash flow amount.

[Forecast](#) [Reports](#)

[Product Inventory](#) [Income Statement](#) [Balance Sheet](#) [Cash Flow](#) [Product Contribution](#)

Cash Flow		
	Millions	Millions
Cash Flow from Operations		
Net Income	\$1,689	
Depreciation	\$912	
Add Back Sale of Plant	\$0	
Decrease (Increase) in Inventory	\$703	
Decrease (Increase) in Receivables	\$22	
Increase (Decrease) in Payables	\$(1)	
Net Cash From Operations		\$3,325
Investment Activities		
Capacity Decrease (Increase)	\$0	
Plant Retooling	\$(136)	
Investment Maturing	\$0	
Investment Purchased	\$0	
Net Investment		\$(136)
Financing Activities		
Increase (Decrease) in Short-Term Debt	\$0	
Bailout Loan	\$0	
Bonds Issued	\$0	
Bonds Called	\$0	
Sale of Stock	\$0	
Dividends Paid	\$(100)	
Net Financing		\$(100)
Net Increase (Decrease) in Cash		\$3,089

Reports: Product Contribution

The PRO-FORMA: *Product Contribution* report shows projected financial results at the product level, based on your current decision inputs and forecasts. This is an especially helpful report for setting prices relative to costs as it takes into account any product upgrades, production volume, and increases in material and labor costs for existing products and provides an accurate estimate of variable manufacturing costs for new products. The estimated contribution (\$) and percent is valuable to compare across product lines.

[Forecast](#) [Reports](#)

[Product Inventory](#) [Income Statement](#) [Balance Sheet](#) [Cash Flow](#) [Product Contribution](#)

Product Contribution							
	Proj. Sales (000's)	Dealer Revenue (mill.)	Direct Revenue (mill.)	Var. Costs (mill.)	Contrib. Margin (mill.)	Adv. & Promo. (mill.)	Contrib. (mill.)
Alec	592	\$8,277	\$0	\$6,151	\$2,126	\$60	\$2,066
Alfa	352	\$7,566	\$0	\$4,898	\$2,668	\$120	\$2,548
Awesome	332	\$6,043	\$0	\$4,643	\$1,400	\$90	\$1,310
Overall	1,276	\$21,886	\$0	\$15,692	\$6,194	\$270	\$5,924

Per Unit Contribution (includes direct sales)							
	Per Unit Revenue	Var. Cost	Per Unit Margin	Margin Pct.	Adv. & Promo.	Per Unit Contrib.	Contrib. Pct.
Alec	\$13,982	\$10,390	\$3,592	25.7%	\$101	\$3,491	25.0%
Alfa	\$21,495	\$13,916	\$7,579	35.3%	\$341	\$7,238	33.7%
Awesome	\$18,201	\$13,984	\$4,217	23.2%	\$271	\$3,946	21.7%
Overall	\$17,152	\$12,298	\$4,854	28.3%	\$212	\$4,643	27.1%

Projections are provided overall (top) and on a per unit basis (bottom).

Decision Rationale

Enter the reasoning for your decisions on the My Rationale tab of this page. Your entries do not affect your performance in the simulation, though your instructor can see them and may choose to grade them. Unlike all the decisions in the simulation, each member of a team can enter his or her own decision rationale. To see what your teammates have entered, click the View Rationale tab.

