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SuperMarketa – simulation game manual



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1 INTRODUCTION

The owner of the Czech company SuperMarketa chose you as a management team, whose task is to solve problems with cashflow and to bring his company to long-term profitability. The original management left the firm after a year because it failed to achieve the expected results. You do believe, however, that you will be more successful.

SuperMarketa is a separate medium-sized supermarket with a standard assortment that operates in Ceske Budejovice. In the first year of his operation, the company spent over CZK 79 million and built a fairly stable position on the market, but with a significant loss of almost CZK 3.9 million. At the same time, it faces cash flow problems and its liabilities are rising, which may be very dangerous in the future.

The market where the Supermarket operates is saturated with relatively strong local competition. Three of the most important competitors in large chains have together more than 50% market share.



1

¹ Source: https://farm4.staticflickr.com/3038/2405706336_88597c8fb7_o_d.jpg.



2 DESCRIPTION OF THE SIMULATION GAME

As managers of your business, you will make the following decisions for each quarter of your operations:

- **Assortment composition** - low / medium / high quality, attracting different segments of customers
- **The average mark-up² in %** - determines the pricing policy, ie it is reflected in profitability and sales
- **Number of employees** - customer service capacity, in the case of long cashier queues customers will be less likely to come
- **Change of employee wages in %** - affects employee satisfaction, store capacity and costs
- **Reliability of deliveries (service level) in %** - affects the availability of goods to customers and thus sales, and also affects the cost of acquiring goods
- **Safety stock** - none / small / medium / high, determines the amount of inventory in the warehouse and thus the tied funds
- **Investments in the appearance of stores** - it influences the demand in selected segments, the investment represents the cost
- **The quarterly promotion budget** - it influences revenue, is part of costs

You can influence also other business parameters indirectly, ie by negotiating with the game manager. These are in particular:

- The amount of the loan and the interest rate
- Increase of the registered capital by the owner of the company
- The amount of the share of the profit paid to the owner
- Other personnel costs - especially the management

Total 20 quarters (5 simulated years) are waiting for you to make your decisions. Your decisions should be thoughtful and based on thorough economic calculations and planning. Also, consider changing conditions in the external environment that you should respond to within 5 years - information about these changes will come automatically to you by email.

In the following section, the causal relationship between the various elements in your business are graphically described, the figure should help you to think about all the essential relationships.

2.1 Operation of the simulated enterprise

The following diagram shows the causal relationships between the basic elements of SuperMarketa's operation.

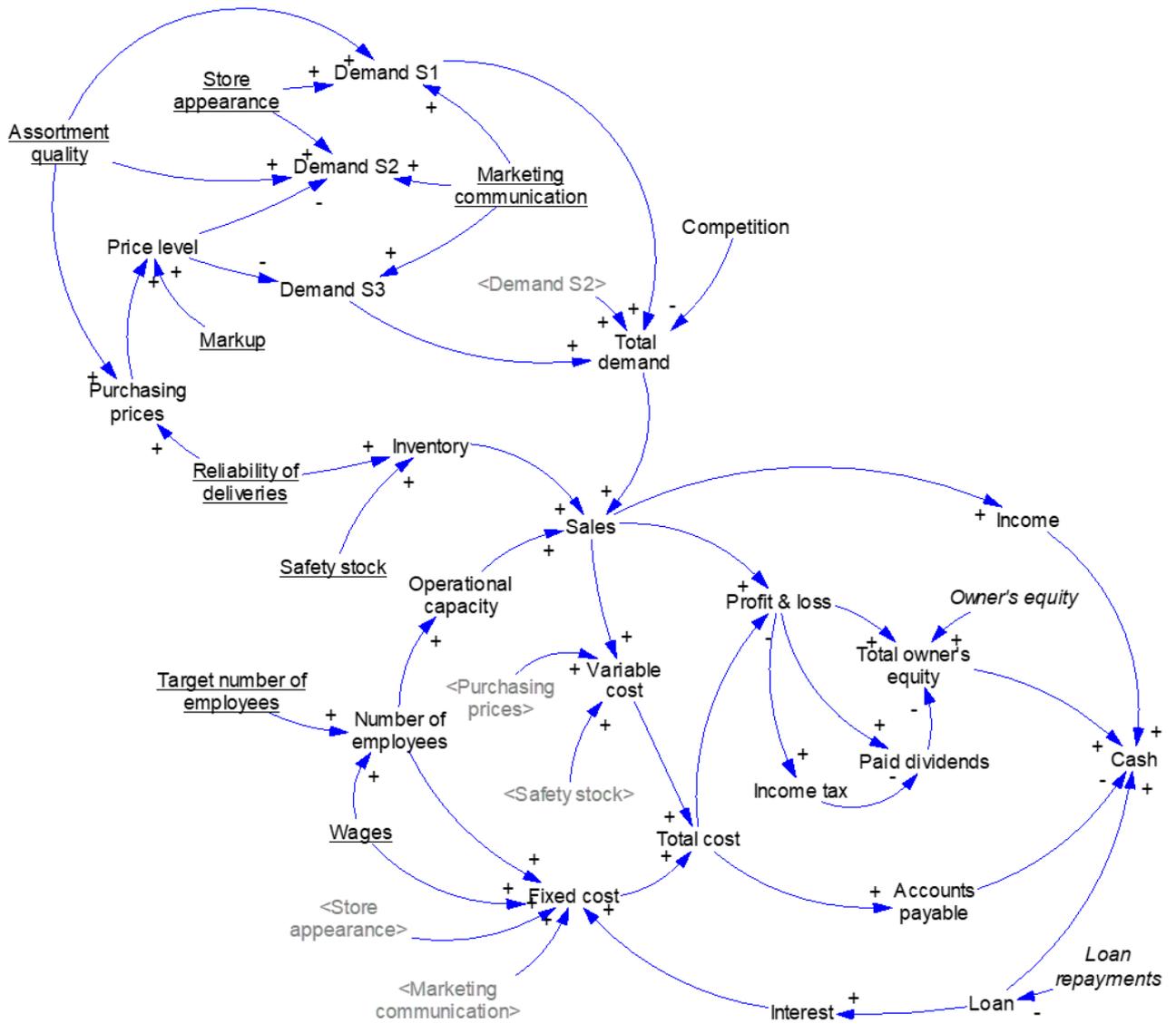
Arrows indicate causal relationships between factors, "+" indicates the same direction of action (ie, the more one, the more the other, or the less one, the less the other), "-" indicates the opposite direction of action. E.g. the higher the markup, the higher the price level, the higher the price level, the lower the demand.

However, some of the effects may be limiting - for example, sales in this case depend on the total demand, inventory and operational capacity. One of these factors is always limiting, and if the others increase, it will not lead to the overall increase in sales.

Underlined are factors that the management team can influence directly.

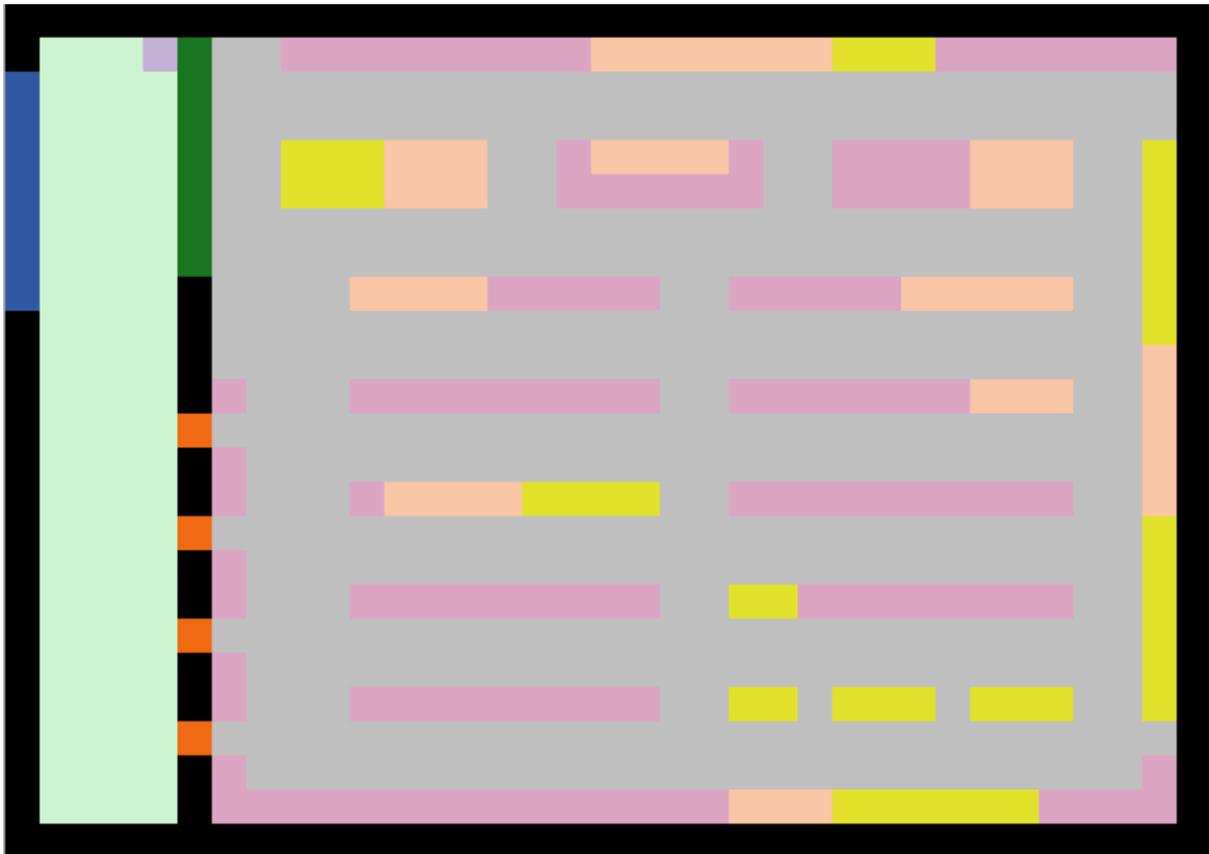
Highlighted in italics are factors that the management team can influence by negotiation.

² The mark-up is being used to determine the selling price. It is a percentage increase of the purchase price. E.g. if we purchase goods for CZK 100, with the 50% mark-up the selling price will be set at 150 CZK.



Generally speaking, profit can be increased by increasing sales through balancing of demand, markup, inventory and operational capacity or by decreasing fixed cost.

The simulated supermarket uses the standard layout of the sales area, which is seen from the bird's perspective on the following picture.



On the left there is a blue entry to the shop, the green is marked by the entrance to the sales area, the shelves in yellow contain the best selling goods (category A, about 20% of the shelf capacity, 80% of the sales), the pink colored shelves contain medium- about 20% of shelf capacity, 10% of sales), and purple-colored shelves contain least sold goods (category C, about 60% shelf capacity, less than 10% of sales).

Besides the sales area, there are also limited storage spaces, which are mainly used for short-term storage during handling of goods.

The shop has 4 cash registers and 150 shopping carts for customer service, the capacity of the car park is 80 cars. Indoor spaces do not allow rental to other business entities. The opening hours are twelve hours, from 08:00 to 20:00.

You will enter the above decisions in the online managerial simulator environment created in google docs. You will need a user account on Google to access it - you can create a new one for free (which we recommend) or use existing ones. The simulator will be available to you during the semester.

Based on your decisions and the computational model based on the above scheme, the simulator calculates each quarter's monthly sales and other business results you manage (revenue, costs, profit, cash flow, simplified balance sheet).

Besides your own decisions, you will also enter the initial SWOT analysis into the simulator, and in individual months the values that will be based on your own plan - the planned number of tours per month +5, the planned revenue and costs for the current month and the planned balance of funds at the end of the month .

In addition, you can also enter an additional requirement text that addresses the negotiations with the game manager. In this case, you will have to wait for the results to be solved by the game manager. You will automatically receive an email notification.

During the simulation, attention has to be paid to ongoing results and, on the basis of these, to adjust their decisions - especially with regard to booking the necessary accommodation capacities and pricing policy (catalog price and last minute discount in the relevant months).

Example of the simulation user interface:

The screenshot shows a Google Docs interface for 'MS 2017 SuperMarketa výchozí'. The main content area contains a 'SuperMarketa' logo and a text block describing the simulation scenario. The text mentions that the manager has chosen a team to solve cash flow and long-term profitability issues. It also states that the market is saturated and competition is strong. A list of steps for the user is provided, including situational analysis, goal setting, decision making, and final reporting. A sidebar on the right, titled 'SuperMarketa - zadávání rozhodnutí', contains various input fields for decision-making, such as 'Zacilení sortimentu - kvalita' (střední), 'Průměrná přírážka v %' (24), 'Počet zaměstnanců' (22), 'Měna mezd v %' (0), 'Spolehlivost dodávek zboží v %' (90), 'Pojistná zásoba' (malá), 'Investice do vzhledu prodejny' (0), 'Náklady na promotion za čtvrtletí' (350000), and 'Dodatečný požadavek'. The bottom of the interface shows a navigation menu with options like 'Úvod', 'SWOT analýza', 'Simulátor', and various graphs.

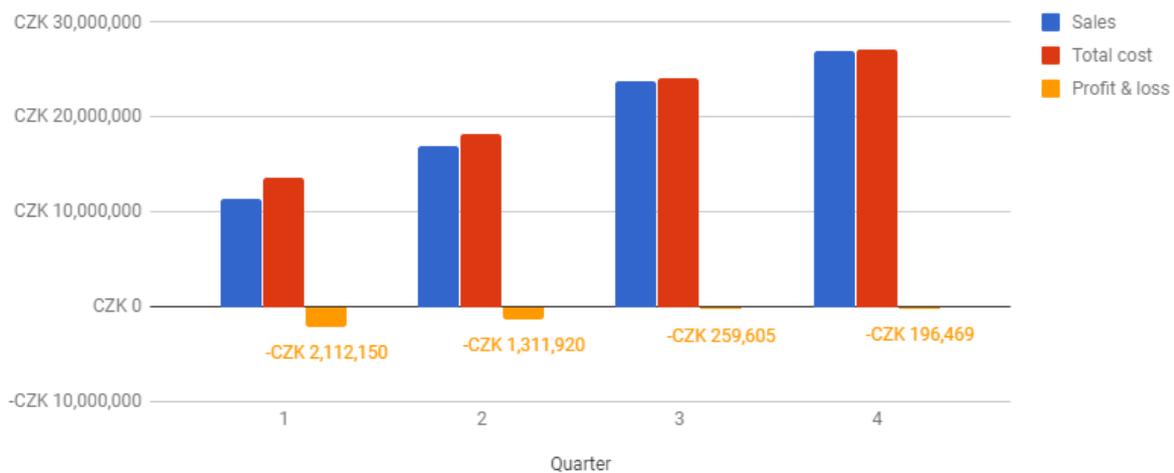
3 DESCRIPTION OF THE INITIAL SITUATION

3.1 Basic economic results after the first year

All revenue of SuperMarketa in the first year came from sales of goods, with the total revenue of CZK 79,182,205. Cost was higher than revenue throughout the year, and totaled CZK 83,062,350. The result for the whole year was CZK -3,880,145. The markup was constant at 24% in the first year.

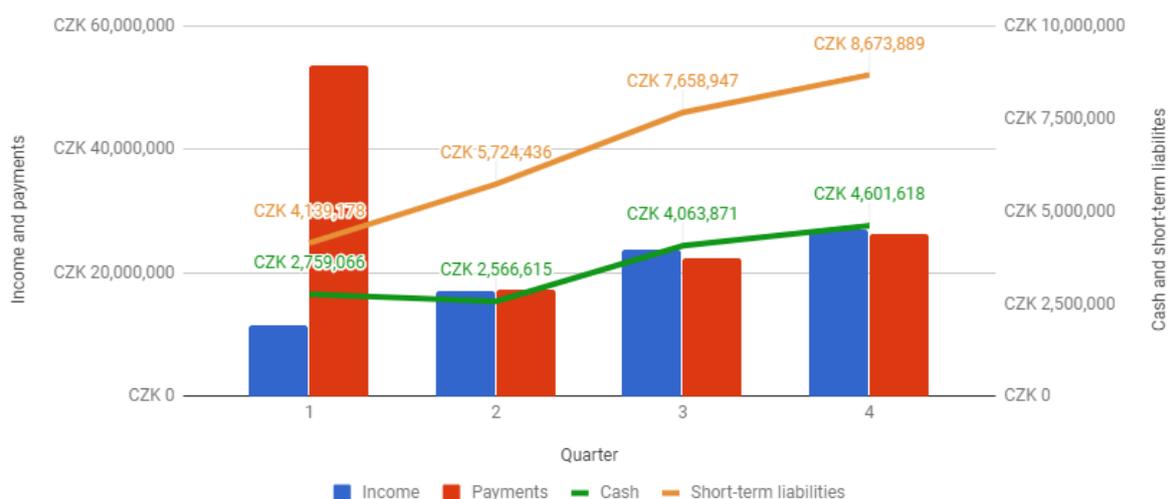
The partial earnings, costs and economic results for each quarter are shown in the following graph. The economic result improved during the individual quarters, but did not reach positive value at the end of the year.

Profit & loss



Not only was the Supermarket for the first year at a loss, it also faces a lack of cash flow at the end of the year. For now, it maintains a positive balance of funds, but liabilities are growing fast - this is dangerous in relation to suppliers because they can stop supplying at any time if the SuperMarketa does not pay them on time.

Cash-flow and liabilities





3.2 Initial investments

SuperMarketa owners have invested CZK 15 million and they expect a return of at least between 10% and 15% of this investment per year, ie the annual profit after tax should be optimally around CZK 3 million in order to create reserves and invest into future growth.

The SuperMarketa store was purchased as ready from a local developer last year, requiring an investment worth CZK 40,000,000 in fixed assets in the following structure:

- land: CZK 6,000,000
- building: CZK 28,000,000 with a depreciation for 30 years
- movable assets incl. software: CZK 6,000,000 with a depreciation for 5 years

For simplicity, the depreciation will be calculated as constant in the amount of CZK 933,000 / year for the building and in the amount of CZK 1,200,000 / year for other movable assets.

3.3 Budget of indirect cost for the last year

It was determined in the following breakdown:

Type of cost	Plan	Achieved results
Total consumption	CZK 2,650,000	CZK 4,485,000
... promotion	CZK 500,000	CZK 1,400,000
... energy, water and heating	CZK 1,100,000	CZK 1,205,000
... maintenance and services	CZK 600,000	CZK 980,000
... consumables	CZK 450,000	CZK 900,000
Depreciation	CZK 2,133,000	CZK 2,133,000
Interest on bank loans	CZK 2,340,000	CZK 2,340,000
Personnel costs	CZK 8,000,000	CZK 9,060,000
... management (4)	CZK 2,400,000	CZK 2,900,000
... sales staff (at the beginning 18, at the end 22 employees)	CZK 5,600,000	CZK 6,160,000

Deviations between the plan and reality were mainly caused by a bad estimate of the number of necessary staff (cashier + storers), also paid for original management and inaccurate estimates of operating costs.

3.4 Budget of indirect cost for the next year

Based on the experience from the first year of operation, it is possible to estimate the estimated cost for the second year as follows:

Type of cost	Plan
Total consumption	
... promotion	must be determined
... energy, water and heating	CZK 1,200,000
... maintenance and services	CZK 1,000,000
... consumables	CZK 900,000



Depreciation	CZK 2,133,000
Interest on bank credit	must be determined
Personal expenses	must be determined
... management	must be determined
... shop staff (depending on the number of employees)	must be determined

3.5 Direct cost

Direct cost include acquisition cost of purchased goods. This is not just the purchase price, but also the logistics cost that increases this price (see [Supplies and suppliers](#)). This cost does not arise at the time of purchase, but in the time of sale of specific goods. Until then, it only determines the stock price and the total value of inventory expressed in money.

Also, the costs of discounts, losses and theft, which account for about 1.5% of sales - are substantial - in the first year they amounted to CZK 1,187,733. In the next years, it is also necessary to count with a similar percentage in relation to sales.

3.6 Supplies and suppliers

SuperMarketa works with about 25,000 stock items that are stocked in shelves and handling warehouse. Replenishment of goods from a warehouse is addressed by supermarket employees, so it is included in their wages and does not separately generate additional costs. If an option with the safety stock is chosen, a certain amount of goods is maintained as a stock for the event of a supply outage.

There are many available suppliers with different service levels (reliability), which are reflected in their prices (1% increase in service level = 0.5% increase in purchasing price). Thanks to the use of a wholesale distribution warehouse (DC) and direct deliveries, the supplies are very flexible, for example for bakery products several times a day, for other goods, from ordering to the next day, in case of less frequent goods within 2-3 days.

Lower reliability of supplies can be offset by higher safety stock and vice versa. Standard average reliability of supplies (service level) was 90% in the first year. In order to satisfy all supermarket buyers, a medium level of safety stock should be used to compensate for this.

Suppliers offer products of varying quality that affect average purchase prices as follows:

- low quality
- medium quality + 10%
- high + 25%

Overall, suppliers prefer larger chains that have the chance to achieve higher turnover. Due to the size of the shop, the purchase price can not be expected to be significantly reduced by negotiation.

The variable component of the transport cost is thus already included in the purchase price of the goods, which are increased accordingly. Logistics and storage are dependent on the level of safety stock as follows:

- safety stock level - none: 3% of sales
- safety stock level - small (+5% normal inventory): 3.3% of sales,
- safety stock level - medium (+ 10% of normal inventory): 3.7% of sales,
- safety stock level - high (+ 20% of normal inventory): 4.2% of sales.

The value of inventory in the first year was around CZK 5 million. The SuperMarketa had a medium quality of goods throughout the year, the level of the safety stock was low. Average service level was 90%.



3.7 Cashflow³

For the operation of a company, it is necessary to maintain a minimum amount of cash at the store at a level of at least CZK 400,000. This was the case in the last two quarters last year. This amount of money is reserved, other free funds are always used to pay outstanding liabilities, unused funds remain in the bank account, and if they are sufficient, they can be used to reduce the amount of bank credit.

The maturity of new accounts payable is on average one month, receivables from customers are collected practically immediately.

3.8 Loan

SuperMarketa was granted a loan of CZK 30 million at the start of its business. At the beginning of this year, it is still worth of CZK 28 million. The maturity of this loan is 15 years, the principal is repaid after quarters in the amount of CZK 500,000, the interest is repaid at the same interval based on the interest rate of 8% pa. This interest rate is fixed for the entire period of repayment of the loan.

The loan is primarily intended for the partial financing of fixed assets and is secured by a lien on the property of SuperMarketa. This lien can be canceled only after repayment of the loan on the basis of negotiations with the bank.

The bank has also agreed to the possibility of one further increase of the loan in the case of a good profitability development under similar conditions to its initial arrangement, ie an increase of CZK 3,000,000, at 8% pa, with quarterly repayments of principal amounting to CZK 50,000.

3.9 Personnel

SuperMarketa is managed by the management, which is responsible to the owners. Store management is in charge of marketing, financial, supply and personnel decisions.

Personal management cost for the first year of operation of the supermarket was CZK 2,900,000 including 34% of the employer's contribution to social and health insurance.

The shop itself employs 7 full-time cashiers and other 12 employees serve customers, handle goods, deal with maintenance etc. The remaining 3 employees are in charge of administration, especially orders, stock-keeping and accounting. There were initially less employees but four new were recruited for operational reasons to ensure twelve hours of opening hours.

Personnel cost for these employees in the past year amounted to CZK 6,160,000, including 34% of the employer's contribution to the social and health insurance. For one employee, these costs now amount to CZK 280,000 / year, including 34% of the employer's social and health insurance contribution.

Moreover, the original management has not been very successful in working with staff, so corporate culture is relatively weak. At the same time, wages are not at a level that the employees could be satisfied with.

Currently, part-time employees are already employed and so in the future it can not be expected that their number could increase significantly, or that they could allow a reduction in staff costs.

3.10 Market and marketing

Market in which SuperMarketa operates is saturated and with a relatively strong competition.

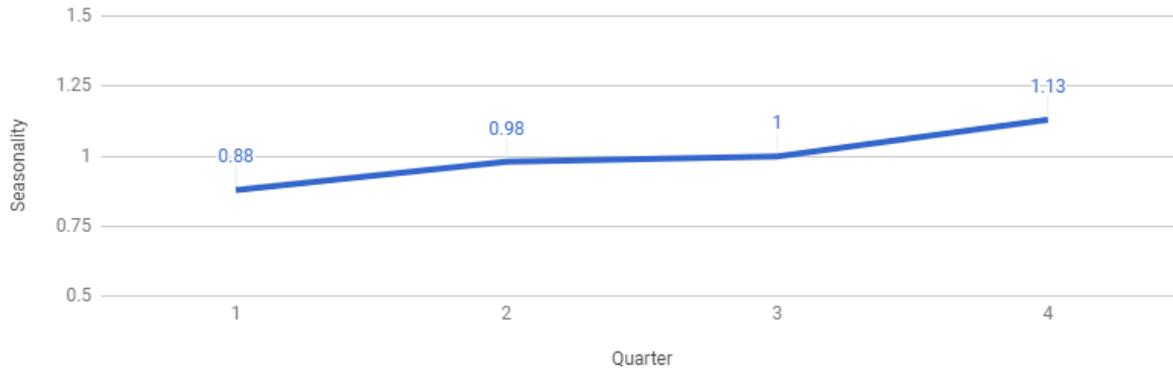
³ Cashflow expresses the flow of money in the company - ie income and expenditure over a certain period of time. In principle, every month you need to pay outstanding liabilities - source for that is either a financial balance from the previous period or the current income. If we do not have sufficient funds, unpaid liabilities are increasing and if they are not paid for more than three months, creditors can file a claim for insolvency proceedings and force the company to quit.

3.10.1 Demand side of the market - consumers and their segments

The relevant potential market represents 40,000 households, which on average spend around CZK 54,500 annually on the range of goods that SuperMarketa offers. Their total expenditures and hence the financial volume of the market in one calendar year is CZK 2.18 billion. Market share of SuperMarketa for the first year was about 4.5%.

The market has been stagnating in terms of volume over the long-term, with seasonality ranging between 88% and 113% of the average quarterly volume of purchases (see chart below).

Index of demand seasonality



There are three segments on the market - higher class (S1), middle class (S2) and lower class (S3). These segments are geographically distributed evenly throughout the catchment area of the shop and their share of the total population is as follows:

- S1 - 20%
- S2 - 40%
- S3 - 40%

These segments differ in purchasing power. While the S3 segment spends an average of CZK 47,350 a year, it is CZK 58,821 for segment S2 and CZK 68,713 for the segment S1.

When choosing a place to buy, households are affected by the following factors:

- price level, assortment quality and appearance of the store due to their preferences,
- promotion effects - the strength of the action is relative to the promotion of competition.

Segment S3 prefers the lowest price, segment S2 prefers the best value-for-money, and S1 prefers the best available quality. In terms of quality, not only is the quality of assortment important, but also the appearance of the store and its sufficient service (operational) capacity. For example, long queues at cash registers will discourage primarily S1 and S2 segments.

3.10.2 Supply side of the market - competitors

At the retail market in Ceske Budejovice with daily and frequent consumption items, these companies currently have a significant market position:

- Arnold (1 hypermarket, 3 supermarkets) - market share of 23%
- Global (1 hypermarket) - market share of 21 %
- Disco (1 hypermarket, 1 convenience store) - market share of 18%
- Riedl (2 discount stores) - market share of 12%
- SuperMarket (1 supermarket) - market share of 4.5%

The rest of the market is fragmented with a larger number of small retail outlets (market share of 21.5%).



Due to your focus on daily and frequent consumption items, there is no competition from online stores within the given time horizon of this simulation.

*Retailer profile - **Arnold***

This Dutch chain has entered the Czech market as the first foreign one in the 1992. It has partially bought original retail network from the Communist era, rapidly gaining a strong position. However, the inadequacies of original outlets and late responses to other competitors have led to losses and decreased competitiveness.

At present, it has a chain of 80 stores throughout the Czech Republic and is more profiled as a supplier of better quality goods. Supply at its supermarkets is at a higher price level, and this is also the case for a larger range of services.

In České Budějovice Arnold has one hypermarket and three supermarkets, making it locally the most important competitor in terms of turnover.

The Arnold chain is currently being consolidated, further expansion can not be ruled out, but due to the problems of the parent organization in the Netherlands, it is likely that the positive economic outcomes of the existing network of stores are likely to be demanded, so it is possible to expect closing of the non-profitable stores.

The reaction of this company to local competition is restrained.

Promotion focuses on communication of quality, prices and services. It can be estimated that the average cost of promotion per store amounted to CZK 1.5 million in the past year.

*Retailer profile - **Global***

This German chain entered the Czech market in 1996. It was the first one to introduce the hypermarket concept here. In Ceske Budejovice, the hypermarket was opened in 2003.

Global currently operates 15 major hypermarkets, which are primarily profiled by the range of products, additional services and the emphasis on better goods. Global was the last of major retailers in the Czech Republic to introduce private brands.

The reaction of this company to local competition is restrained.

Promotion focuses on communication of quality, prices and services. The promotion costs could not be determined.

*Retailer profile - **Disko***

British company Disco entered the Czech market ten years ago. Aggressive pricing, rapid expansion and acquisitions of other chains have led to the establishment of a network of 106 stores (hypermarkets, discounts) geographically covering virtually the whole territory of the Czech Republic, thus becoming the number one in the retail market.

The year 2010 was especially important for the company, as it achieved for the first time a positive economic result of CZK 26 million. Expansion has also been completed this year, and the company has announced that it will not build any other retail outlets in the Czech Republic and will focus primarily on streamlining operations and lowering prices for customers.

Disco is currently profiting primarily from low price strategy. This is related to both the private brands and limited depth of the assortment, and only basic services that are expanding over time.

The company applies an aggressive policy in relation to significant competition for it, and closely follows the prices of others, to which it responds strongly by changing the prices of its own. Both at the Czech and local levels.

As part of the promotion, it focuses primarily on price and new services. The promotion costs could not be determined.

*Retailer profile - **Riedl***

The German company Riedl entered the Czech market 8 years ago and has built 11 stores consistently each year according to a uniform concept, currently 88. Geographically, these stores are located almost all over the Czech Republic. This firm is going to definitely continue expanding, even though it's a question whether in the same pace.

The economic results and any further information this company can only be estimated to have been in profit for several years. Corporate culture is certainly not at a high level here, as evidenced by a number of scandals about the intimidation and humiliation of employees as appeared in the media.



As far as the market profile is concerned, it is a hard discount chain. The assortment is very shallow and everything, including private brands and services, is tailored to minimize costs and pricing.

The reaction of this company to competition is not easily foreseeable, sometimes it reacts aggressively, sometimes not at all.

As part of the promotion, it focuses primarily on price communications and special thematic events. It can be estimated that the average cost of promotion at the store amounted to CZK 1.6 million in the past year.

Independent stores

Independent outlets are quite different from each other, but they are not able to achieve prices such as bigger retail chains, so their price level is on average higher.

Their reaction to competition is completely fragmented and without a major effect on the market as a whole, promotion has purely local implications.

3.10.3 Marketing mix

Within the product policy, the quality level and composition of the assortment are based on the shop profile, however it can be changed. SuperMarket has been focused primarily on the S2 consumer segment from the outset, resulting in a medium level of quality.

Product policy also relates to the appearance of store and services that may lead to differentiation from competition, however, at the expense of increased cost.

The price level of the assortment can be arbitrarily adjusted according to the management's decision - this decision depends on the markup. The initial average markup is 24%, which corresponds to the previous year, when the SuperMarketa tried to penetrate the market with the best ratio of quality and price.

Store location is fixed and can not be changed.

Promotion strengthens the image of the merchant and helps to attract customers to the store, so as a result, it strengthens the impact of customer decisions based on price and quality. At the same time, the power of promotion is always relative to competition, so if everyone does the same, the effect will remain the same as well.

The level of promotion is fully dependent on management's decision. However, it is necessary to realize that the volume of sales dependence on the promotion is not linear and it is also relative to the competition effort strength.

Last year, CZK 1.4 million was devoted for promotion. It was mainly the distribution of advertising leaflets, billboards and local advertising on the radio when opening the store.



3.11 Initial financial statements

3.11.1 Profit & loss statement for the year 1

P&L Statement

CZK

Product sales	79,182,205
Cost for purchasing goods	63,856,617
Margin	15,325,588
Inventory losses	1,187,733
Gross profit	14,137,855
Store employee costs	9,060,000
Store maintenance and improvements	980,000
Water, electricity and heating	1,205,000
Consumables	900,000
Marketing cost	1,400,000
EBITDA	592,855
Depreciation	2,133,000
EBIT	-1,540,145
Interest	2,340,000
Income tax	0
EAT	-3,880,145
Dividends	0



3.11.2 Balance sheet for the end of year 1

Balance Sheet

CZK

Total assets	47,793,744
Land and buildings	34,000,000
Machinery and equipment incl. software	6,000,000
Depreciation	-2,133,000
Property and equipment, net	37,867,000
Cash	4,601,618
Stock	5,325,126
Accounts receivable	0
Total current assets	9,926,744

Total liabilities and owner's equity	47,793,744
Owner's equity	15,000,000
Profit & loss from previous years	0
This year profit & loss	-3,880,145
Paid dividends and income tax	0
Total owner's equity	11,119,855
Long-term bank loans	28,000,000
Accounts payable	8,673,889
Total liabilities	36,673,889



4 GAMEPLAY

This business simulation game is divided into several parts:

1. **Division of roles and team work**
2. **Introductory situation analysis**
3. **Definition of objectives and preparation of plan**
4. **Setting the decision for the individual steps of the game and analyzing the results**
5. **Final report elaboration**

In the following section, these sections will be described in more detail, including examples that can be used for the decision-making.

4.1 Division of roles and team work

Successful mastering of this game lies not only in the right decision but also in teamwork. Team management and work is therefore an essential part of success.

To organize the team work, it is essential to assign roles that correspond with skills and ambitions of each team member.

Generally speaking, it can be said from experience that roles can be either assigned from the point of view of functional areas or skills. Functional roles are rooted in different areas that need to be addressed in the company. In principle, these are:

- Leadership as a whole, team organization and final decision-making in case of team conflict.
- Operations management - staff, supply.
- Financial management - profitability, cash flow, company financing structure.
- Marketing management - targeting, attractiveness for customers, marketing mix.

The second option is the role specialization set according to the activities and skills of the team members:

- Leadership and team organization.
- Analytical activities (planning, calculations).
- Collecting information, supporting other team members (minutes of meetings, preparation of documents).

The following principles are recommended for team work:

- The team leader is responsible for organizing the team's work - that is, planning the meetings and their content, dividing the work between the team members and setting deadlines.
- Each meeting of the team takes a record of the points discussed and assigns tasks to the individual employees according to their roles.
- The division of work in the team should correspond to the participants' skills, on the one hand, and the goal should be an even burden.
- Team members inform each other as soon as possible about the complications involved in performing the tasks to avoid unnecessary delays.
- Communication should be clear and effective, everyone should understand what is expected of them.

Partial task:

Distribute roles in the team and clarify what each team member is expected to do. Prepare the first minutes of meeting according to the above rules.



4.2 Introductory situation analysis

The purpose of situation analysis is to focus on how the managed company works, what it does and how external influences affect it. It consists of analyses of the internal environment and the external environment, which will then be linked together in the so-called SWOT analysis.

There are several approaches to analyze the external environment, such as PESTLE or Porter's model of five forces. Apart from external environment analyses, it is also necessary to look at how a managed company operates - particularly from the point of view of the financial performance, available resources, product portfolio and staff.

These analyses can be quite extensive and demanding, so the following template can be used to simplify them. It includes various questions about internal and external factors. These include an severity rating on a scale of -5 to +5, where -5 is a very serious negative impact and +5 is a very significant positive impact of the factor.

Therefore, it is advisable to think about how to work with them (examples see the table below), identify priorities and consider possible impacts. Not everything needs to be addressed, sometimes it is meaningful to undertake the risk associated with it.

The table gives examples of possible solutions to problems, and not only their effect, but also the costs and risks associated with them.

Factors for SWOT analysis			
Internal factors	Rating (-5 to 5)	Why?	How do you plan to respond?
How is a company performing economically (profitability)? Where is it in relation to the break-even point?			<i>Examples:</i> <i>Price increase / decrease.</i> <i>Increase sales, ie attracting new customers or increasing your existing customers' spend.</i> <i>Cost reduction.</i>
Does the company have sufficient funds available?			<i>Examples:</i> <i>Hold part of profit.</i> <i>Increase debts.</i>
How is the company interesting for investors / bankers?			<i>Examples:</i> <i>Improve profitability.</i> <i>Decrease debts.</i> <i>Secure loans using fixed assets.</i>
Does the company have sufficient capacity to meet demand?			<i>Examples:</i> <i>Increase / reduction of staff.</i> <i>Investments in new capacity-enhancing technologies.</i>
Is the company sufficiently equipped for future development?			<i>Examples:</i> <i>Investment into technology and personnel (education, entrepreneurship support).</i>
What is the position of the company with customers?			<i>Examples:</i>



			<p><i>Improving awareness (marketing communication).</i></p> <p><i>Better customization of the marketing mix to customers.</i></p> <p><i>Cooperation and mergers.</i></p>
What is the company's position with suppliers?			<p><i>Examples:</i></p> <p><i>Improving payment morale.</i></p> <p><i>Increase volume of purchases.</i></p>
Are the products of the company competitive?			<p><i>Examples:</i></p> <p><i>Product innovation.</i></p> <p><i>Reducing / increasing prices.</i></p> <p><i>Extend / narrow the portfolio of products.</i></p> <p><i>Cooperation.</i></p>
How does the company assume its risks?			<p><i>Examples:</i></p> <p><i>Insurance.</i></p> <p><i>Improve security.</i></p> <p><i>Timely response to changes.</i></p> <p><i>Sufficient reserves.</i></p> <p><i>Crisis planning.</i></p>
External factors			
Can competition be exacerbated / weakened?			<p><i>Examples:</i></p> <p><i>Focus on poorly satisfied market segments / niches.</i></p> <p><i>Using the opportunity to weaken competition.</i></p> <p><i>Creating barriers for new entrants (eg aggressive prizes).</i></p> <p><i>Defense of market share.</i></p> <p><i>Improving competitiveness.</i></p> <p><i>Cooperation.</i></p>
Can demand growth grow / fall?			<p><i>Examples:</i></p> <p><i>Customizing capacities and costs.</i></p> <p><i>Connect with competitors.</i></p>
Is there a room for new customers on the market?			<p><i>Examples:</i></p> <p><i>Extension of geographical scope.</i></p> <p><i>Using new distribution channels.</i></p>



			<i>Strengthening your own capabilities.</i>
Can regulatory changes be expected in the business environment?			<i>Examples: Creating reserves. Changing processes and investing in new information system.</i>
Can vendor price changes be expected?			<i>Examples: Rising prices. Optimizing additional costs. Changing the vendor portfolio.</i>
Can fluctuations in exchange rates be expected?			<i>Examples: Creating reserves. Natural hedging. Exchange rate hedging. Changing the vendor portfolio.</i>
Are there other opportunities and threats? For example, new technologies, subsidies, geopolitical risks, etc.			

Because it is a game in which the rules must be the same for all to have the results comparable, there will be some simplifications and differences from the real world. So, to avoid suggesting something that is not feasible in the game, here are examples:

- You can not change the business model - that is to use existing premises for completely different business purposes.
- Store premises can not be leased to other entities.
- As a part of this business, it is not possible to have an online store, especially due to relatively significant investments in logistics.
- Demand and competition are defined here for the game only, so it is strictly necessary to use this document for the situation analysis, not the situation on the real market.

On the other hand, there are a number of factors that can be based on reality and can be considered in the game - especially in the area of macro-environment, it might be possible to find grant programs that can be beneficial. In such a case, it is necessary to discuss a specific intention with the game leader who decides on a specific implementation.

Sub-task:

In the team, prepare the situational analysis and summarize its conclusions. What are your most important opportunities and threats? Which factors are your strengths and weaknesses? What is their importance? And how would you like to respond to them?

After creating an initial situational analysis, **it is advisable to return to it periodically**, for example in the interval of each year, because the situation is constantly changing.



4.3 Defining goals and preparing the plan

The primary purpose of each business is to generate profits. Therefore, even when determining specific goals, it is appropriate to start with the **expectations of business owners about profitability**. This may vary depending on their long-term intentions - for example, if they want to sell the business in the future, they may not want to pay regularly. But usually the owners expect that their share of the profit in a certain amount will be paid each year.

The simplest approach to determining the specific amount of expected earnings is to take into account the amount of the investment that the owners have put into the enterprise, and, if necessary, the valuation of their further efforts (if they work for the enterprise).

In the case of the SuperMarketa it is possible to proceed as follows:

1. We will find out how much money have owners invested into the company (see Balance sheet, owners' equity of CZK 15 million).
2. We will determine the expected rate of return on the investment - usually about 10-15% per annum. This rate of return should respect business risk, therefore it should be higher than for less risky investments, for example when depositing money in a bank.
3. I.e. owners should earn a profit share of at least about CZK 1.5-2.25 million per year.
4. Since only profit after tax can be split, the minimum profit before tax on income tax of 19% must be adequately higher. In this case approximately between CZK 1.9 and 2.8 million.
5. At the previous point, we determined the amount of profit before tax if we only wanted to satisfy the owner and pay income tax. However, we sometimes need to generate profits also for reserves, reducing long-term debt and future investment. Therefore, it would be realistic to aim to earn at least about CZK 5-6 million in pre-tax profit per year.

After setting the target for profitability, it is appropriate to set **additional measurable targets** that will help to better manage the business. Examples of such goals are as follows:

- **Marketing goals** - revenue, market share and market position, customer attractiveness, customer satisfaction, claim rate.
- **Financial targets** - margins, indebtedness, amount of costs, overdue liabilities, average maturity to suppliers, cost of capital.
- **Goals in the field of operation** - capacity utilization, availability of goods, reliability of suppliers, turnover, sufficient staff, employee satisfaction.

These targets can be set, for example, on the basis of the previous achievement values, with the aim of maintaining them, or improving them adequately. If we plan to improve, then we need to work out how this improvement will be achieved. This is usually not without side effects, such as increasing certain types of cost, or needing to adjust internal processes and procedures.

For example, if we want to increase revenue, we should know how we'll do it - we'll try to get more customers with enhanced marketing communications (ie increased costs), lower prices (ie reduce our margin), or increase capacity in case of sufficient demand (again with increased costs)?

There should be not too many basic goals, it is good to concentrate on the most important ones, which should not be more than 3 - 4 for each of the above mentioned areas.

Sub-task:

In the team, discuss the situation analysis and determine:

- 1) What goals do make sense for business management?
- 2) How can these goals be expressed and measured?
- 3) What are the expected values of these goals?
- 4) When is the goal to be achieved?
- 5) How can these goals be achieved?



Defining objectives and formulating strategies to achieve them can not be successfully implemented without a clear **definition of the relevant market and the choice of appropriate market targeting**. This choice should again be based on situation analysis and understanding of the market structure and behaviour - both demand (customers) and supply (competitors).

In principle, we can choose from a few basic options - we can either try to reach the whole market with a single product offer (acceptable compromise for all) or we specialize in market segments, respectively niches that are large enough and economically interesting for us, reachable and significantly different from others.

Segmentation or niche market specialization makes the most sense in situations where competition is strong and, for example, has a cost advantage based on economy of scale - our competitive advantage can not therefore be at a better price and we need to avoid a price confrontation. However, the disadvantage of this strategy may be higher costs associated with adapting the marketing mix.

In the case of the SuperMarketa, it is therefore possible to choose either a target market option where there is a trade-off between the offered quality and the price, so that the offer is attractive to all segments - ie, medium quality goods and well-managed costs to make the price competitive. Or, it is possible to specialize in the lucrative but small segment S1. Or vice versa, for the S3 segment, for which the lowest price is key (which again needs to be subordinated to the lowest cost).

Partial Task:

Choose the most appropriate market targeting based on your situation analysis and core business goals. Under this selection, estimate the size of the relevant market (in CZK / year).

Obviously, setting realistic goals and planning based on this is not possible without careful thinking and economic calculations that will make possible to verify whether the real values of the objectives are realistic and not conflicting with one another. For these reasons, we will now focus on the **basic economic calculations needed for planning**.

As has been said, the enterprise's goal is to generate profit, ie the positive difference between revenue and cost. To achieve the same level of profit, we can therefore, depending on the company's situation, arrive at their different combinations - for example, high revenue and, similarly, higher costs of achieving that, or vice versa.

Because we are trying to plan here, we always work with estimates. Nobody can accurately predict the future. So, it is not important to have entirely accurate quantification of revenue and cost. We can do a lot of work with the precautionary principle - instead of a complex calculation that is accurate but very demanding for information and processing, we will make an approximate estimate that is slightly higher for costs and lower for revenue. If we can be satisfied with the resulting profit even in such a situation it is enough for quick verification and planning.

An example may be personnel costs. In reality, their calculation is rather complex - there are holidays, different overtime allowances, weekends and public holidays, etc. For planning purposes, it is therefore more appropriate to work with slightly higher wage rates.

Because both the revenue portion of the plan and the cost portion of the plan are interconnected, it is good to approach them in planning as such and create a simple model, preferably in a spreadsheet calculator (eg MS Excel). Such a model will then allow to simply examine what impacts various changes will have - by changing the selected parameters, the model is recalculated and we immediately see the impact of the changes.

How, then, should we proceed to create such a model? Perhaps the simplest approach is the gradual refinement of the following relationship to calculate the profit:

$$PL = S - \frac{S}{1 + m} - FC$$

where PL is the profit & loss, S is the sales of goods, m is the average markup to purchase prices and FC is fixed cost. Variable cost is expressed here from the total sales and average markup (formula $S / 1 + m$). Everything is always expressed for the same period. For a plan of this type, the one-year period is most often used, but it can also be done with shorter periods, such as quarters. In the case when revenue is not only generated by the sales of goods, it would be necessary to add other types of revenue and associated costs to the formula.

Let's try to show it on a concrete example based on the management of the SuperMarketa for the first year. If we expected the second year to look exactly the same as the first one, we can expect annual sales of goods of CZK 79 million, an average markup of 24% (this means the variable cost of acquisition of goods of about CZK 64 million) and fixed costs were 19 million. Once it has been put into the formula, it will yield a profit of less than 4 million crowns as it actually was.

In a spreadsheet calculator, a similar model may look like this (Table of formulas available [here](#)):

A. Determining the planned profit or loss	
We need to know in advance:	
... Revenue forecast	79,000,000.00 CZK
... Fixed cost for the one year period	19,000,000,00 CZK
... Average markup in %	24,00%
Can be calculated:	
... Margin in % of revenue	19,35%
... Forecast of variable cost	63,709,677.42
... Forecast of profit & loss	-3 709 677,42 Kč

As can be seen, **variable costs are involved**, which represent only the direct costs of acquiring goods. Therefore, they are linearly dependent on the volume of sales. However, there may be situations where other types of costs will depend on the volume of sales. An example could be revenue commissions, or revenue-related damage to goods. Then the solution is to extend the above formula accordingly, for example, as follows:

$$PL = S - \frac{S}{1 + m} - cr \times S - FC$$

where cr is the commission rate (eg 0.03 for commission 3% of sales). Fixed cost (FC) then represents all other costs outside the variable cost of goods and commissions.

A certain problem in determining **revenue forecasts** is that the expected returns depend on other management decisions and the market situation - for example, how high we set prices or how much we invest in marketing communications. Therefore, it is appropriate to use the historical value at the beginning, which decreases or increases in relation to other factors. In this case, the revenue from the previous year can be taken as the basic value, adjusted according to the market situation and investment in marketing communication.

Given a higher price sensitivity of demand due to strong competition, then a 1% increase in price can be expected to reduce the amount purchased by more than 1%. The sale price then consists of the purchase price plus the markup, ie we increase the surcharge by 1 percentage point (eg from 24% to 25%), it is not an increase of a full percentage (if the purchase price is CZK 100, then it is this increased the price from 124 to 125 CZK, ie by 0.8%). Under otherwise unchanging conditions, we can expect a very modest drop in revenue (e.g., a few tenths of a percent). In fact, this relationship is of course a little more complicated because each segment responds to a price change with a different sensitivity, but for rough estimation it should be enough.

In the case of a marketing communication budget, the estimate of the effect is more complex because this relationship is not linear. However, it can be said that if the marketing communication budget is about the level of competition, the demand will be standard, if this expenditure is double, the demand will be about 20% higher and at a maximum of 4 times the increase, ie 35% increase in demand.

Therefore, if we want to perform the revenue forecast in the best possible way, it is not enough to determine only the basic value, but we should adequately reconcile its value with the aforementioned decisions and the fixed cost budget, especially the volume of marketing communications. Again, we can use the precautionary principle and assume weaker positive effects and stronger negative effects.

Using this consideration in the table above, we can assume that an increase in the marketing budget of CZK 500,000 per year will, in otherwise unchanged terms, increase sales by 20%. Therefore, if we change the revenue forecast as well as fixed costs appropriately, we can easily verify how much this change will move us toward our goal. As you can see, this has improved, but not enough, compared to the previous one. So we should look for further adjustments to the decision that will bring us closer to the target.



A. Determining the planned profit or loss	
We need to know in advance:	
... Revenue forecast	94,800,000.00 CZK
... Fixed cost for the one year period	19,500,000.00 CZK
... Average markup in %	24,00%
Can be calculated:	
... Margin in % of revenue	19.35%
... Forecast of variable cost	76 451 612.90 CZK
... Forecast of profit & loss	-1 151 612.90 CZK

In determining the detailed **plan (budget) of fixed (indirect) costs** we have to proceed in a different way. These costs do not depend directly on the volume of revenue, so it is necessary to divide them into individual items (for example, the SuperMarketa has already been listed [above](#)). Therefore, their value is based on the objectives of the company, required capacity and need to ensure the operation - costs of personnel, consumables, energy, water, heating, rent, depreciation of fixed assets, loan interest, insurance, service costs (marketing communication).

For the sake of clarity, it is advisable to have individual items of fixed costs in a separate table.

The amount of fixed costs can usually be influenced by the management's decision, so the costs are not constant and the same over time. For example, staff cost depends on the management's decision, how many employees the company should have, what positions, and what wages should be paid to them. These costs will be based on the company's needs to ensure a certain amount of traffic and the labour market situation. Therefore, it makes sense to have more employees in periods with high demand for capacity, ie at high seasonal demand, than in periods of low demand. If we do not have enough capacity, we can limit ourselves.

The budget for marketing communication is usually set by management as well each year at its discretion to meet the communication goals - the higher budget will be used in a situation where there is a need to boost sales or to prevent competition, ie we want to achieve its positive effect on sales. And this positive effect should bring us more than the increased cost involved (here, if we increase our sales by CZK 1,000, we also automatically increase the variable cost of goods acquisition, at a markup of 24% by 806 CZK - ie if we have put 100 CZK in marketing communication, we will increase profit, if we have put more than CZK 194 in it, it will lead to a loss.

Partial Task:

Develop a model for calculating the planned profit based on revenue estimates, average markups, and fixed cost budget, following the core business objectives. Use this model to verify the realistic achievement of the target profit, preferably for 5 years of simulation, so you can gradually refine it according to the results you have achieved.

If we have to deal with a **higher level of risk and uncertainty**, it is also useful to work with a pessimistic and optimistic scenarios. These scenarios can be based, for example, on a certain percentage of reduced / increased sales, or changes in the amount of selected costs.

In principle, if there is at least some gain in the pessimistic scenario, we are moving in relatively safe areas. If the pessimistic scenario leads to losses, greater caution is needed when setting and tracking some parameters.

From the point of view of company survival, not only profit is essential, but also sufficient **cash-flow**. Insolvency is one of the basic problems that leads to business bankruptcy. In order to prevent cash-flow problems, it is therefore appropriate to analyze cash-flow separately and assess potential dangers.

For cash-flow calculation, it is first and foremost necessary to determine how revenue differ from income and cost differs from expenditure. Very often there is a time gap between them.



Income represents all payments we receive in cash or through a bank account during a given time period. Income will therefore include revenue from customers but may also be increased by loans or owners' equity increase.

Expenditure represents all the payments we pay for the period in question. This may include reimbursements to suppliers, repayment of the loan, payment of the share of profit or income tax. Not all expenditures have to be cost in the same time period. For example, in the case of acquisition of long-term assets, only depreciation enters the cost in one year. The loan principal payment is not cost at all, that's just interest. And the payment of profit and income tax is not cost too.

Expenditure for a given period may be higher than earnings only if we have a sufficient fund balance at the beginning of the period (cash). This is also one of the ways to address short-term cash-flow problems - if there is enough long-term capital as a reserve, short-term income outages will not jeopardize us. This applies only if the company is able to generate profit and there is no risk of incurring unpaid receivables (secondary insolvency).

This long-term capital can be earned in a number of ways - long-term loan, raising the capital (owner's contribution), or creating and retaining part of the profit, which usually takes longer.

To find out the necessary reserves, it is advisable to make a basic plan - to identify all future receipts and expenditures for the given period, for example, in the following way (in CZK thousand):

	1st quarter	2nd quarter	3rd quarter	4th quarter
Balance at the beginning	2,000	2,500	3,500	2,500
Total income	15,000	20,000	22,000	26,000
Total expenditure	14,500	19,000	23,000	25,500
Balance at the end	2,500	3,500	2,500	3,000

Income should be further refined and related to the forecast of sales and increase of the long-term loan or owner capital. Expenditure should include, in a more detailed form, payments for purchases of fixed assets, goods and services (trade payables), remuneration of staff, interest and principal amounts, payment of profit and income taxes.

At the same time, it is clear that full reimbursement is only possible if we have sufficient funds (start-up balance + earnings for the period). If, therefore, a negative balance had been made at the end of this calculation, it means that the company lacks long-term capital and would need to increase it accordingly, i.e. limit and shift some spending to the future.

Sub-task:

Process the cash-flow plan at least for the first year of operation. Identify the need for long-term capital and resources.

4.4 Setting the decision for the individual steps of the game and analyzing the results

It is very important in the decision making process to think about their **alignment and understanding of their impacts on the business**. It can easily happen that some decisions will be conflicting and will go against each other. We have already shown this in marketing communications, but the same is true for other decisions and their impacts, as can be seen from the following examples:

- Few employees can reduce capacity and revenue if demand is higher than capacity.
- Too many employees will increase costs and unused capacity.
- The low wage of employees will lead to their low satisfaction and higher exit rates, which may lead to the lack of necessary staff.
- Missing employees can be compensated either by raising wages or by increasing the target number of employees, but this leads to higher fluctuations.



- Insufficient availability of goods at the store can be offset by a higher insurance supply with lower reliability of supplies.
- If we do not have enough goods, we can reduce our sales in case of higher demand.
- If we want to keep our sales on the rise, we need to compensate for the cost of reward - for example, by strengthening marketing communication. However, it also has its limits and does not work linearly.
- A change in the quality of the goods leads to changes in purchase prices, ie the same price increases automatically. Similarly, this is also the case with a change in the level of insurance stock.
- Focus on individual segments should be attractive, but each segment reacts differently.
- If the enterprise does not have sufficient funds, the old unpaid obligations are growing. If there were two consecutive years, there would be a penalty due to insufficient cash-flow.
- The dividend policy is set at 30% of the profit after tax, which does not mean that negotiations can not be changed if necessary, especially in the case of cash-flow problems.

When making decisions, **beware of misspellings, such as numbers of zeros in entered numbers**. The software checks the admissibility of the input values, but not the correctness.

Simulator Technical Information

To get a simulator on your computer, you will receive an internet link to fill in with a Google account to which the simulator will be made available. Decisions and results are then accessed on a computer with internet access anywhere.

The computer version of the simulator is placed in the window to the right (see the following figure), the first time you need to start, you have to click on the button *Enter decisions* and confirm the assignment of the rights so that the simulator works properly. In the right-hand window below, another button *Send and move to the next quarter* to confirm and send the decision.

In the decision making window there are also other items that need to be filled in:

- *Additional requirement* - Allows you to insert a textual description of the additional requirement for the game manager beyond the standardized decisions. If something is filled in this field, the results will only be calculated after the manager has resolved this requirement. Usage applies to all cases where management can negotiate setting other parameters - such as projection of additional costs, use of subsidies, change of credits, increase of registered capital, change of dividend policy or discounts from suppliers.
- *Planned revenue and planned cost* - here are values of the plan, which are then displayed for comparison in the charts. These values do not affect the results. For a given period, values should always be entered from an updated plan rather than an initial one.
- *Planned cash balance* - here is an estimate of the amount of cash at the end of each period from the cash-flow plan. Again, it's just information and graphical. For a given period, values should always be entered from an updated plan rather than an initial one.

Once the decision has been sent, if no additional requirement has been entered, the results for the period are immediately calculated and available. These are available both in the form of a spreadsheet on the sheet *Simulator* and in the form of graphs on the other sheets (*Graph R and C vs plan*, *Graph C Structure*, *Chart PL vs plan*, *Cash-flow vs. plan chart*).

At the same time, if a major change occurs in the gameplay scenario (for example, a change in the macro environment or customers or competitors), the simulator generates an email with this information to the participants and sends it to them. Similarly, the alert email is sent even when the game manager handles the additional request.

You should only send a decision from one computer at a time, otherwise you may find that the form above shows you a different current quarter than it actually is. To validate the current quarter for which the decision is being entered, it is possible to click on the button *Enter decisions* again and the window will be updated.

MS 2017 SuperMarketa výchozí

Soubor Upravit Zobrazit Vložit Formát Data Nástroje Doplnky Nápověda Poslední úprava byla před 2 dny

100% Kč % .0_ .00 123 - Arial 10 B I A

SuperMarketa - zadávání rozhodnutí

Aktuální čtvrtletí: 1

Zacilení sortimentu - kvalita
střední

Průměrná přírůžka v %
24

Počet zaměstnanců
22

Změna mezd v %
0

Spolehlivost dodávek zboží v %
90

Pojistná zásoba
malá

Investice do vzhledu prodejny
0

Náklady na promotion za čtvrtletí
350000

Dodatečný požadavek

Plánované výnosy za čtvrtletí

Plánované náklady za čtvrtletí

Vítáme vás v simulátoru SuperMarketa!

Majitel české společnosti SuperMarketa s.r.o. si vás vybral jako manažerský tým, který má za úkol vyřešit problémy s cashflow a přivést jeho firmu k dlouhodobé ziskovosti. Původní management firmu po roce opustil, protože se mu nepodařilo dosáhnout očekávaných výsledků. Vy si nicméně věříte, že budete úspěšnější.

SuperMarketa je samostatný supermarket střední velikosti a se standardním sortimentem, který působí v Českých Budějovicích. Za první rok svého provozu utržil přes 79 milionů Kč a vybudoval si poměrně stabilní pozici na trhu, nicméně se značnou ztrátou téměř 3,9 milionu Kč. Zároveň se potýká i s problémy s cashflow a jeho závazky narůstají, což může být do budoucna velmi nebezpečné.

Trh, na kterém SuperMarketa působí, je saturovaný a s poměrně silnou lokální konkurencí. Tři nejvýznamnější konkurenti, kteří patří do velkých řetězců, mají dohromady více než 50% tržní podíl.

Váš postup by měl být následující:
1) Provést situační analýzu (Porterův model 5 sil, STEP analýza, finanční analýza, SWOT analýza)
2) Stanovit si tržní zacílení, finanční i nefinanční cíle a měřítka jejich dosažení pro firmu SuperMarketa v horizontu 5 let
3) Stanovit si plán rozhodnutí a ekonomických výsledků firmy SuperMarketa po čtvrtletích na příštích 5 let fungování firmy tak, aby byl udržitelný z hlediska rentability i likvidity
4) Zadávat rozhodnutí zde v simulátoru a porovnávat výsledky s plánem, analyzovat odchylky
5) Po ukončení simulace sestavit závěrečnou zprávu, v níž by měl být zhodnocen vlastní výkon a pojmenovány chyby

[Vstupní informace o firmě SuperMarketa, účetní závěrka za první rok \(rozhoda, výsledovka, výkaz cash-flow\)](#)

SWOT analysis is entered into a computer simulator also, the table is available on the sheet *SWOT analysis*. What is inserted into this table does not affect the results, the data are listed there for information only to be in one place.

Analysis of achieved results

The first step in the analysis of results should be to find out the achieved results (sheet *Simulator*), compare them with the planned values and analyze the deviations.

The results include non-financial indicators that suggest the attractiveness of individual customer segments compared to other competitors (values <1 indicate a lack of appeal for the segment), problems with employees (*missing employees*) and availability of goods for customers (*Availability of products at the store*).

Furthermore, there are financial indicators - the structure of revenue and cost (*simplified profit & loss statement*), income and expenditures (*simplified cash-flow statement*) and balance sheet (*assets and liabilities*), all complemented by further selected profitability and liquidity ratios.

If there are differences between plan and results achieved, it is good to examine in detail the reasons why it happened. The most often difference may be between planned and real revenue which also automatically results in variance in variable costs. Causes can be, for example:

- Not taking seasonality into account
- Poor estimation of influence of changes of other factors - prices, marketing communication
- Unexpected changes in the market
- Calculation error

Similarly, attention needs to be paid to deviations in the fixed cost and cash-flow budget.

Anyway, if any bigger deviation occurs, it should lead to a revision of the plan. Deviations are a source of better understanding - they indicate what we have missed out and what we need to improve when planning or understanding the impact of various factors.



Partial Task:

Analyze the variance in the team and summarize its conclusions. What caused the deviations? What remedies can you do in the future? How will your plan change into the future?

Review of situation analysis

Apart from the analysis of the results achieved, it is also appropriate to review the situation analysis and its objectives and measures at least once in the simulated year. Usually, it does not change much, but at times it is necessary to respond to significant changes both in terms of the internal situation of the company and of the external micro and macro environment.

Task:

In a team, review the situation analysis and summarize its conclusions. What are your most important opportunities and threats? Which factors are your strengths and weaknesses? What is their importance? And how are you going to respond to the situation?

4.5 Final report elaboration

After completing the game, it is advisable to think about the whole process and evaluate your performance, not only in relation to the results of the managed enterprise but also the team work.

The final report should be structured as follows:

1. Introduction of the team and defining the roles
2. Outputs of the situation analysis and recommendations for further development of the company
3. Decisions and results, including a comparison of the plan and a description of changes compared to the plan
4. Evaluation of results (profitability, cash-flow)
5. Specific evaluation of each team members (strengths and weaknesses)
6. Self reflection