Calculating Value Creation

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Constellation 1:

1. **Deal and why?**
   Supplier 1 or Supplier 2, Firm 2 and Buyer. This combination leads to maximum value creation.
2. **Total value creation.**
   150 (willingness to pay) - 10 (resource costs) = 140
3. **Player's shares.**
   Suppliers: 0 (Due to competition)
   Firm 1: 100 - 10 = 90 (Value creation)
   Firm 2: 140 - 90 = 50 (Added value)
   Buyer: If no buyer then 0 value creation. Single buyer: 140 - 50 = 90 (Added value of the buyer)
4. **Prices and/or price range (resource and product).**
   Resource = 10 (Due to competition)
   Product price range: 10-60 (10 due to competition, 60 (10 resource cost + 50 added value))

Constellation 2:

1. **Deal and why?**

Deal 1: Supplier1 or Supplier2 or Supplier3 or Supplier4, Firm1 or 2 or 3 and Buyer 1 or2

Deal 2: Firm 1 or 2 or 3(other then in deal 1) + Supplier other then already chosen in deal 1 and Buyer 1 or 2.

Each Firm is going to choose one supplier. Buyers 1 and 2 are going to choose product from one of the three firms.

Due to competition and the fact that there are more suppliers then firms, suppliers offer the same price. Firms also compete with each other since there are less buyers then firms.

Buyers are indifferent about where to purchase since there is no added value from the firms. Each buyer is going to choose product from one of the firms at the lowest possible price due to competition and no value added from firms.

2. **Total value creation.**
   100 (willingness to pay) - 10 (resource cost due to competition) = 90
3. **Player's shares.**
   Supplier1 = Supplier2 = Supplier3 = Supplier4 = 0 (Due to competition)
   Firm value creation: 100 - 10 = 90 (For all Firms)
   Firm added value : Firm1 = Firm2 = Firm3 = Firm4 = 0 (due to competition and the same pricings)
   Added value of buyer: 90 - 0 = 90

4. **Prices and/or price range (resource and product).**
   Resource = 10 (due to competition)
   Product price: 10 (due to competition)

Constellation 3:

1. **Deal and why?**
   Deal 1: Supplier1 or Supplier2 or Supplier3 or Supplier4, Firm 3 and Buyer 1 or 2.
   Deal 2: Firm 1 or 2 + Supplier other then already chosen by Firm 3 and Buyer 1 or 2.
   Since there are more suppliers then firms, and more firms than buyers, suppliers and firms with no value added are going to compete. Firm1 and Firm2 are going to compete for one of the buyers.
2. **Total value creation.**
   150 (willingness to pay) - 10 (resource cost) = 140
3. **Player's shares.**
   Suppliers: 0 (Due to competition)
   Firm 1&2: 100 - 10 = 90 (Value creation)
   Firm 1&2: 90 - 90 = (Added value)
   Firm 3: 140 - 90 = 50 (Added value comparing to Firm 1 and 2)
   Buyer: If no buyer then 0 value creation. Added value of the buyer: 140 - 50 = 90
4. **Prices and/or price range (resource and product).**
   Resource = 10 (Due to competition)
   Product price Firm 3: 60 (10 resource cost + 50 added value)
   Product price Firm 1 and 2: 10 (10 due to competition)