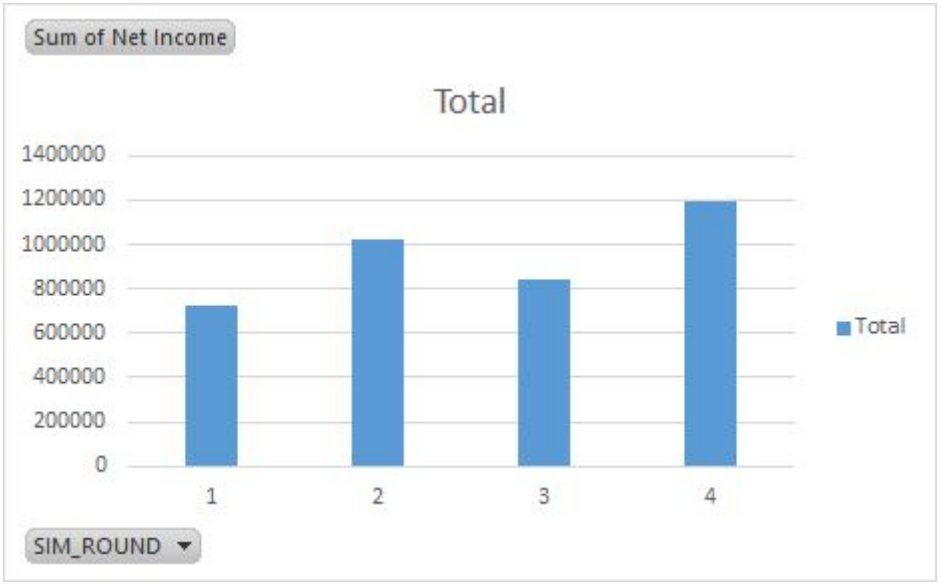
TOOL SUITE-STRATEGY

Summary:

Our company's current business strategy continues to focus on maximizing the sales for increased net income by sensibly pricing our products based on the key behaviour changes in the market. This strategy calls for "**Operational excellence**". Hence, we have been continuously aiming for steady production to meet our high sales expectations thus increasing our efficiency. To achieve this, we have invested in reducing our set up time and improving capacity. Further, we have figured the optimal productivity required for each of our products. This ensured that we have healthy stock to meet the current requirements and also reserve stock for the consecutive rounds. Through the measures, we aim to improve our productivity and sales correlatively thus ensuring we gain the maximum income possible.

The next area we focused is on **Product Innovation**. We looked at this strategy as we wanted to learn from the market. 1kg Blueberries was one of our products where we expected good sales numbers as our pricing for this product was comparitively lower than in the market. However, we observed the sales to be nearly stagnant. Upon comparing with the market leaders who were also selling the same product, we observed that they were not only able to sell more but also at a much higher price. Upon research, we observed that they had a better quantity of blueberries as raw material thus offering a specialised product. Hence, we have learned the importance of product innovation and they way market behaves when you offer something premium. Due to this observation, our strategy relatively changed in the later rounds, and Product innovation became one of our strategic approach which allows for increased sales of our products. The two tools we have designed aim to show our above strategies.

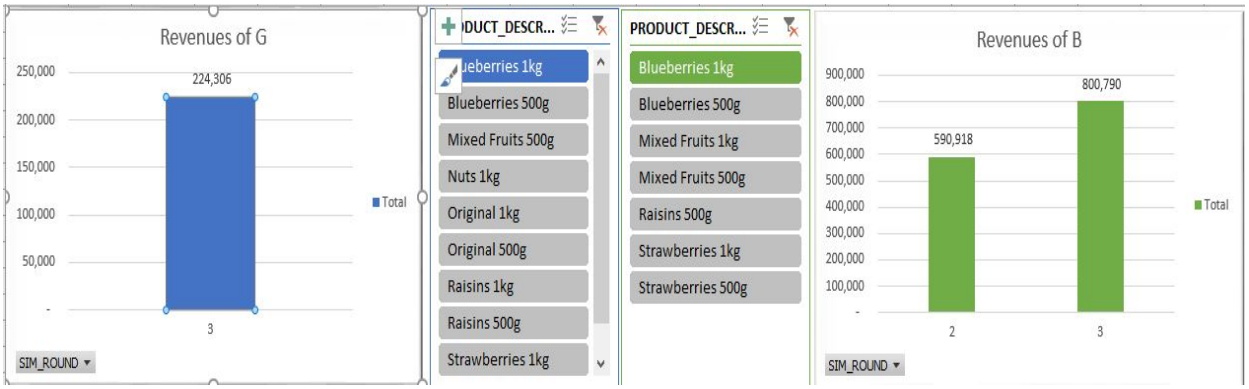
Our first key performance indicator (**KPI**) is **net income**. In the first 3 rounds, our average net income was 865,000. We were not satisfied with these numbers as we aimed to narrow the lead with the market leader. However, in round 4 our net income hit a high of 1,198,301. We understood that this was due to a huge reserve stock carried over from previous rounds. We capitalized on this and increased our sales by aggressively pricing our products as we had an advantage over the other teams due to more stock. But we do understand that this number is not possible in all the rounds. Hence, our primary target for net income is 1,000,000 for every round hereafter. We believe that this can be achieved by further increasing our production capacity and sales. Hence, increasing **productivity and sales** to meet our net income expectations is our second **KPI**. We are aiming to produce 700,000 products every round and selling at least 650,000 products in each round. Further, we are aiming to achieve production efficiency 93%. Our productivity in the last two rounds has been 90% and 91% respectively. We had also invested 1 million for additional capacity in the second round. Considering the cash we had obtained after 4th round, we are planning to invest another 1 million for capacity increase.



Net Income per round

Tool #1: The tool #1 that we established is used to address our product innovation. In round 3, our team was faced with the difficulty in selling Blueberries 1 kg products. Under this circumstance, our business strategy focuses on the product innovation to help increase our sales. The KPI for the product innovation is measured by the sales of the product in both quantity and revenues. In the first, second and third screen captures, we compared our sales in Blueberries 1kg products with sales of Company B regarding the revenues, quantities sold, the average price, and average margin of the product Blueberries 1 kg. The results show that we had much fewer revenues and quantities sold regarding the sales of Blueberries 1kg products even though we have much lower average price and average margin regarding Blueberries 1kg. Besides, we combined the data from the Sales table and Daily stock table, we figured it out the standard or minimum amounts of raw materials blueberries required to produce the amounts sold and remained in stock at the end of round 3. Furthermore, we calculated the actual amounts of blueberries purchased including the ending stock of raw materials blueberries. And we used those two amounts of blueberries and figured out the percentage of increase in the actual blueberries products to the standard blueberries products. Under this circumstance, our team had increased about 7% of blueberries in each blueberry product, while Company B had increased round 32% of blueberries in each blueberry product, which is about 5 times of the amount increased compared with our team and is shown in the fourth screen capture. Moreover, we excluded the effects of marketing because 1kg products are not sensitive to marketing. And the increase of the blueberries about 7% was just for our blueberries 500g products and none of increasing amounts for blueberries 1kg. Therefore, we conclude that we need to change our recipe regarding the blueberries 1kg products by increasing the amount of blueberries for each blueberry 1kg product if we plan to continue producing and selling the blueberries 1kg products. And the blueberries 1kg products with increased amount of blueberries will help increase our sales of these products, whihc will help us address the difficulty in selling the blueberries 1kg products.

1.


Revenues of G
250,000
200,000
150,000
100,000
50,000
-
224,306
3
Total
SIM_ROUND
Blueberries 1kg
Blueberries 500g
Mixed Fruits 500g
Nuts 1kg
Original 1kg
Original 500g
Raisins 1kg
Raisins 500g
Strawberries 1kg
PRODUCT_DESCR...
Blueberries 1kg
Blueberries 500g
Mixed Fruits 1kg
Mixed Fruits 500g
Raisins 500g
Strawberries 1kg
Strawberries 500g
Revenues of B
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
590,918
800,790
2
3
Total
SIM_ROUND

2.


Quantity Sold of G
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
57,768
3
Total
SIM_ROUND
Quantity Sold of B
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
112,830
158,476
2
3
Total
SIM_ROUND
Average Price for G
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
-
3.88
3
Total
Average Price for B
5.30
5.25
5.20
5.15
5.10
5.05
5.00
4.95
5.24
5.05
2
3
Total

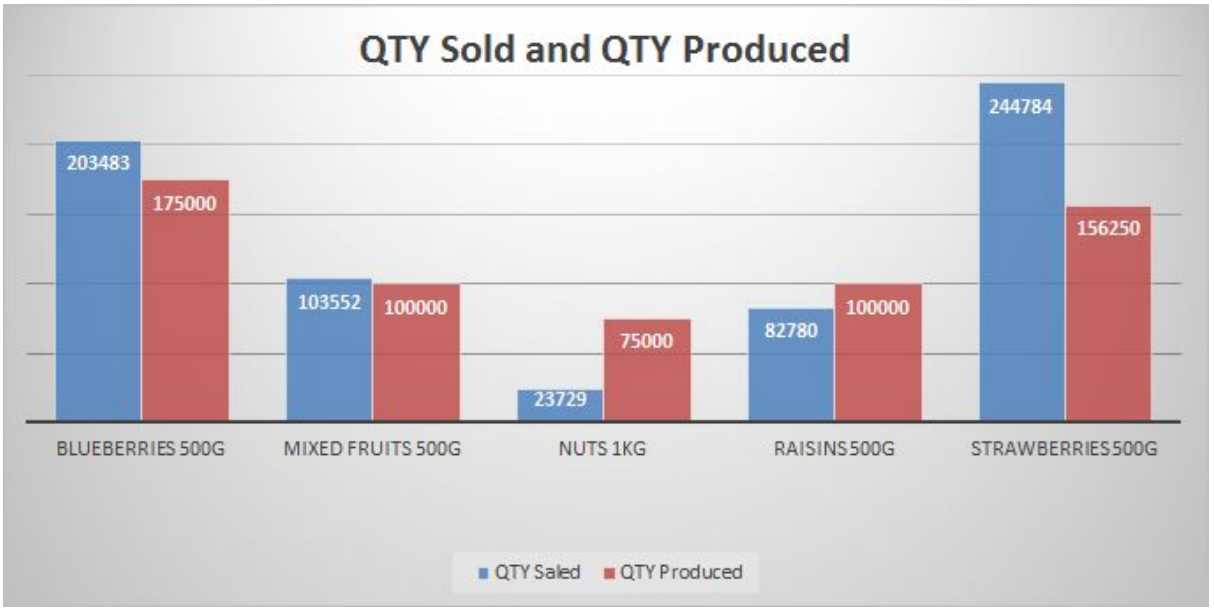
3.


Average Margin for G
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
-
1.40
3
Total
Average Margin for B
Plot Area
2.65
2.60
2.55
2.50
2.45
2.40
2.35
2.30
2.59
2.40
2
3
Total

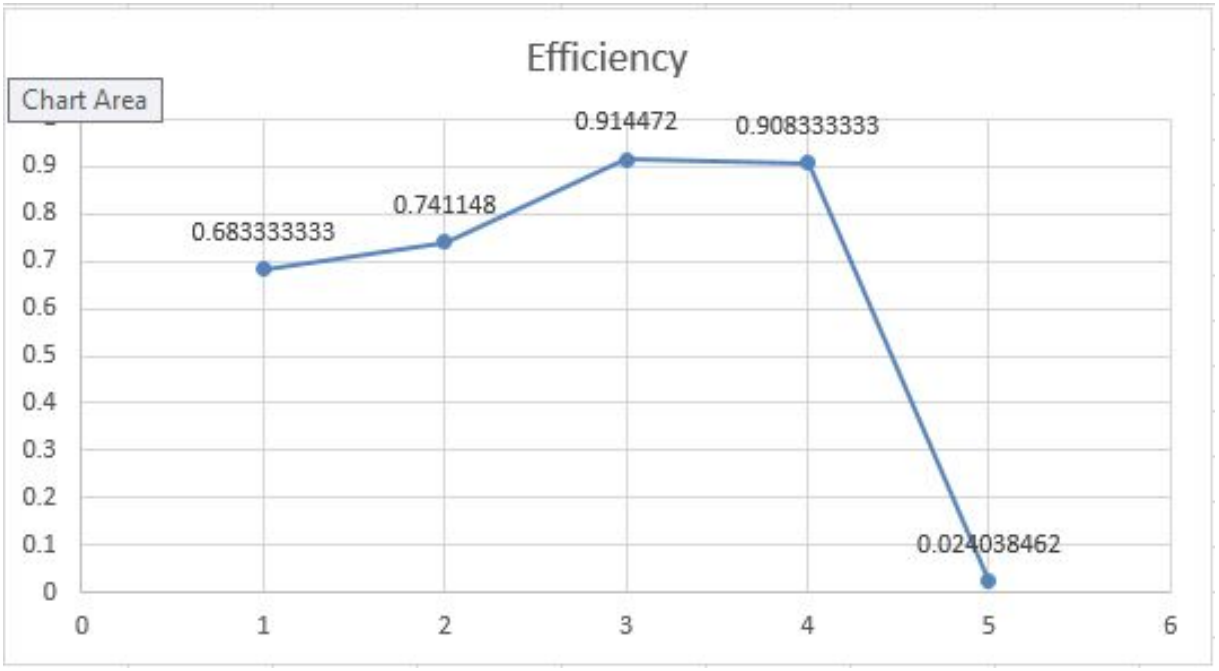
4.


Actual Increased percentage for standard prod lueberry for G
Chart Area
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
-
0.07
Increased percentage for standard products for blueberry for B
0.35
0.30
0.25
0.20
0.15
0.10
0.05
-
0.32

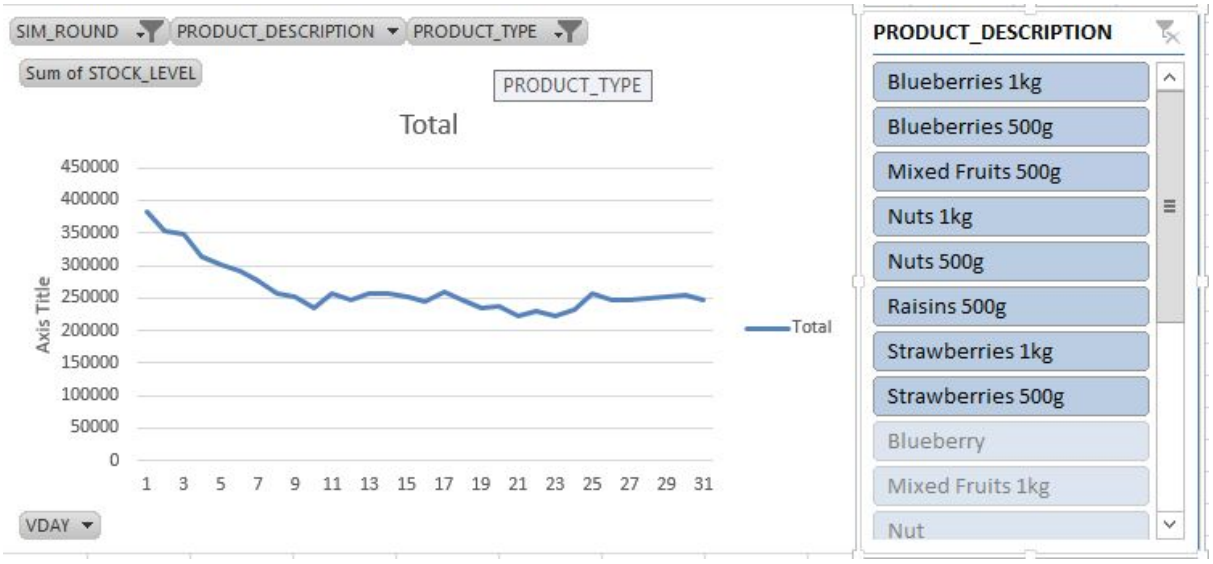
Tool#2: The purpose of Tool#2 is to figure out how much products we need to produce in the next round and show our productivity. In the previous game, we forcasted too much 1kg nuts during the game and little 500g strawberries and 500g blueberries which are our most profitable products.



This picture shows that the products QTY saled and QTY produced. From this chart, we can see which products we need to produce more and how many of them we need to forecast. In addition, if the total QTY saled is larger than QTY produced, that means we need to higher the price because we can not produce more based on our productivity.



This picture shows the efficiency in each round of our Company. Our targets of production efficiency is constantly above 90%.



This picture shows that the total products stock or each product stock of our company. In previous round, we have lots of products in inventory and we need to pay lots of money for that, which could impact our net income. From this chart, we can look at our stock and keep it in a “safe” number.