

Quickstart Guide

MikesBikes-Intro (MB-I) is an Online Business Simulation that will give you the opportunity to run your own company, managing all the key functional areas of a Firm. It is used as an interactive tool to enhance the integration and learning of the basic concepts of business in a real life context: the Bicycle Manufacturing Industry. You will get hands on experience at making critical price, marketing, operations, product development, and financial decisions.

Your team will take over an existing Bike Company. You start as Brand Managers, but the company President has announced his/her intention to retire in 3 years time. Your team has been selected to be the Executive Officers that will be gradually given full control over the company. Each year you will be given more control over the business.

Technical Requirements:

You will need one of the following web-browsers to use the WebSim:

- Internet Explorer 7
- Mozilla Firefox 1.5 or later
- Safari 1.3 or later

We recommend Firefox. For a free download of Firefox, please visit:

www.firefox.com

Your Goal – Creating Shareholder Value (SHV)

As the Managers/Executive Officers of your MikesBikes Firm, the primary goal for your company is to enrich its shareholders (owners) by paying Dividends and increasing Share Price. The measurement of this total return to shareholders is known as Shareholder Value (SHV), so the success of your company is measured by the amount of Shareholder Value you create compared to your competitors.

Shareholder Value is a measure of the current Share Price, including all past dividends paid, plus interest accumulated on these past dividends. It is the value to an investor over time of owning a single share in your firm (if you never pay dividends then SHV is the same as Share Price).

Your Share Price is driven by:

- **Profitability and Earnings Per Share (EPS)**
E.g. Firm A has 2 million shares issued and made \$1 million profit, $EPS = \$0.50$
E.g. Firm B has 20 million shares issued and made \$10 million profit, $EPS = \$0.50$
E.g. Firm C has 2 million shares issued and made \$2 million profit, $EPS = \$1.00$
- **Debt to Equity (D/E) Ratio**
A higher D/E ratio means higher risk which results in a lower share price
A lower D/E ratio means lower risk which results in a higher share price

Decision Areas

All of your decisions will have a direct or indirect effect on Shareholder Value. The 5 major areas you will make decisions in are:

- **Product Marketing (available from the first year)**
The marketing mix for each of your products, including design, price and promotion.
- **Firm Marketing (becomes available from year two)**
The branding budget and distribution strategy for your firm.
- **Operations Management (becomes available from year three)**
The capacity and quality strategy of your firm, plus how many of each of your products to produce.
- **Product Development (becomes available from year three)**
Decisions about developing and modifying your products to suit the needs of the marketplace.
- **Financial Management (becomes available from year three and four)**
Decisions about how to finance your firm, such as whether you want to increase debt or equity.

As noted above you will start with basic price, promotion, and production decisions, but as the simulation progresses you will gradually be given more control over the company.

When you login to your Firm you will be making decisions for the year ahead (click 'Apply' in a decision screen for these to be saved on our server) and at the decision deadline/Rollover, these will be processed.

In a typical MB-I year you will review your previous year's performance by reading the Industry Reports and Firm results reports, and formulate a set of decisions based on this data. You will then enter your decisions in each screen and review your Forecast Results reports. If you are not satisfied with your forecast results then you repeat the process of planning your decision set and forecasting sales.

We recommend that you focus on accurate forecasting. There are numerous reports available to aid in forecasting and to compare your actual performance to your previous forecasts.

Segments

MikesBikes-Intro models a bicycle industry in a fictional market but with market data based on a real World scenario in the US market. Consumers in these markets have high discretionary income, and will freely buy any bicycle that suits their individual needs. There are three market segments:

- **The Mountain Bike Segment:** This segment has matured but we are confident it has good potential if customers' preferences are met. Medium Priced (~\$650 each).
- **The Road Bike Segment:** Road bike consumers are not as sensitive to price and know what they want. High Priced (~\$1700 each).
- **The Youth Bike Segment:** The bike has to be inexpensive, durable, and have the best look on the block. Low Priced (~\$300).

Each Firm begins with one identical Mountain Bike that has been supplying the market for the last few years. Initially your focus will be on increasing sales and profitability on this original product, but after the third rollover all Firms will be given the option of redeveloping this original bike and/or producing a new Youth or Road Bike into these empty segments.

Each of these segments has unique customers with different product preferences, price sensitivities, and shopping habits. Depending on the segment, demand for a product can be determined by Product Attributes (Style and Technical Specs), Price, Product and Brand Advertising, Product Quality, Distribution Coverage, Delivery Lead Time, and how your products compare to your competitors.

See the Scenario Information Reports for more details about each Segment's preferences.

Promotion

There are three types of promotion available to you:

- **Product Advertising**
- **Product Public Relations (PR)**
- **Corporate Brand Advertising:** Corporate brand advertising increases the effectiveness of product advertising and results in increased product awareness. This is especially cost effective when your firm has multiple products in the market.

Within Product Advertising and Public Relations, there are three media choices available to you:

- **Television (TV)**
- **Newspapers:** It is important to note that the readership of newspapers is heavily influenced by age.
- **Magazines**
Each media choice offers different performance in terms of reach, ability to target and cost.

The decisions are found under Product Marketing → Adv1 → Pricing and Promotion

Corporate brand awareness, product awareness and the influence of product public relations (PR) depend on your current budget and the carry-over effect from previous periods.

Your average branding budget over time determines your level of brand awareness. Your new brand advertising adds cumulatively to a percentage of the previous years, so maintaining a constant level of branding expenditure will slowly improve your brand awareness over time.

Pricing and Forecasting

The **Product Pricing** tab screen is used to enter retail pricing and sales forecast decisions for your firm's selected product for the coming year. The purpose of the sales forecast is:

- It allows you to generate pro-forma financial statements for you under Forecast Results so you can tell how much profit you will make if all of your sales forecasts are accurate.
- It will also let you know how many sales to expect when you decide how many units to order on your Production Planner decision screen.

Capacity

The **Capacity Planner** tab decision screen is used to enter your desired level of capacity and production efficiency budget for the coming year.

The Capacity decision field is where you can enter your total factory capacity target for the coming year in terms of Standard Capacity Units (SCU). All of your products require a certain amount of SCU's to produce.

See Scenario Information → Other Scenario Information report.

The capacity planner will in turn determine the maximum number of bikes that can be produced in your factory. Keep in mind that too much capacity relative to production/sales demand will result in greater idle time (an inefficient use of resources causing higher average manufacturing costs per bike).

Quality

Quality relates to the number of warranty claims that you receive due to defects. The more money you invest in quality the higher your quality index, and thus the lower the number of warranty claims that you will receive leading to increased demand for your products.

Quality decisions are found under Operations Management → Capacity planner.

Equity

Under the Equity tab, you can issue shares to raise more capital (cash) by selecting the issue button and entering the amount of capital you wish to raise. The maximum amount of capital you can raise in a year is 50% of your market equity, so you can increase the number of outstanding shares by up to 50%.

The Equity Decisions have a direct effect on Share Price and SHV. For example if you have excess cash you may repurchase shares thereby increasing Earnings Per Share and Share Price. Or you may return those funds to shareholders by paying a dividend which will increase Shareholder Value (but not Share Price).

Product Development

After three rollovers you are able to modify existing products and/or launch new products.

The existing product decision screen is used to redevelop your existing products.

E.g. Product Marketing → Adv1 → Development

The Product Plan box at the top left of the screen is used to indicate your development intentions for this product. You have three choices:

- Keep the current design
- Update the product by changing it to a new design
- Abandon the product

The Available Designs box lists all the designs that you can use to redevelop your existing product. Each design has a:

- Cost to develop
- Unit Cost
- Style Value
- Technical Value
- SCU/Unit (how many units of capacity are required to make 1 of these bikes)

You will be offered three options:

- Productname_spec_year (improve the product's technical and style values)
- Productname_cost_year (reduce the product's unit cost)
- Productname_spec_cost_year (do both)

E.g. if next year is 2012 and your product's name is RCRockhopper, then option 1 above would be RCRockhopper_Spec_2012.

Empty product slots will appear after three years, these allow you to develop new bikes.

For empty product slots you have two choices:

- Launch a new product → Select the segment that you would like to enter, then select the design you wish to launch and press the apply button.
- Do nothing this year (the product slot will still be available to you the following year).

Distribution and Branding

This can be found under the Firm Marketing tab → Distribution and Branding.

Here you can enter your retailer margin and sales promotion support budgets for each retail channel. The number of stores in each channel that decide to stock your products will depend on the retail price, margin, unit sales history, and sales promotion support offered.

Extra Support is funding a promotion campaign to encourage retailers to stock and promote your bikes. Extra support is useful for achieving a short term boost in distribution coverage, e.g. to coincide with a new product launch. The Retailer Margin indicates the percentage of a product's retail selling price that the retailer receives as commission for selling that product. The number of retailers that choose to stock your product is partly due to the absolute amount of money that they gain from selling your product.

Consumers in the bicycle market can choose to purchase your products at one of three categories of retailer - bikes shops, sports stores and discount stores. The proportion of consumers purchasing from each retailer (by market segment) is given in the Scenario Information tab.

Where to From Here:

This Quickstart Guide is merely an overview of the decision areas that you will experience when playing MB-I. For a more detailed explanation, we advise you to consult the MikesBikes-Intro Players Manual which is available on our website.

If you experience any other difficulties, feel free to contact the SmartSims Support Team:

Email: help@smartsims.com

Website: www.smartsims.com

This Quickstart Guide applies to the WebSim version of MikesBikes-Intro