



# MikesBikes Advanced Player's Manual

(2023 Rev C)



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## CHAPTER 1

# Overview

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## What is MikesBikes?

MikesBikes is an Online Business Simulation that gives you the opportunity to manage your own virtual bicycle manufacturing company.

You will analyze real market and financial reports to formulate your own cross-functional strategy. Implementation requires you to engage with all key functional areas of your company; including Sales, Marketing, Operations, Finance and Product Development.

Throughout the simulation students must continue to adapt their strategy based on the dynamics of the market and their competitors.

Your success is measured by the amount of Shareholder Value (SHV) you can create in comparison to your competitors.

## Learning Outcomes

At the conclusion of the simulation, you will:

- Understand core business terms and concepts.
- Be able to review market research and reports to formulate strategy.
- Gain experience in pricing and promoting products, and how to forecast sales.
- Understand how operations and finance decisions support product strategy.
- Have experience taking new products to market.
- Know how to adapt your strategy as you experience competition and market changes.
- Develop the skills necessary to work effectively in a team environment.
- Cross-functional management
- Assess competitive threats and opportunities in the market.

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## Single-Player & Multi-Player

MikesBikes features two versions; the Single-Player and the Multi-Player.

The **Single-Player** features at the start of the course and allows you to practice against a single computer-controlled competitor. In the Single-Player you move forward (rollover) through years (decision periods) at your own pace and in your own time. This enables you to become familiar with your company, the market, and test out different decisions. Your primary goal is to maintain a higher shareholder value (SHV) than your competitor.

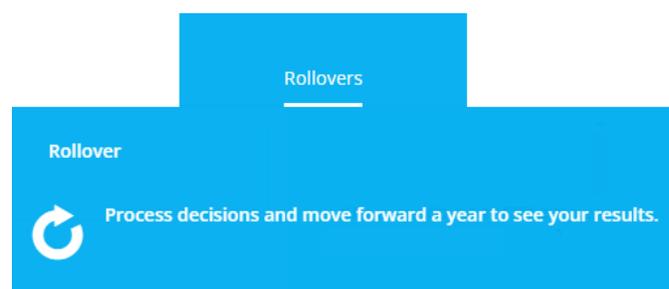
In the **Multi-Player** you will be competing against multiple competitors to achieve the highest SHV. Depending on your course settings, you may be competing against student-run companies from within your course, or against computer-controlled competitors. The Multi-Player simulation progresses according to a preset rollover (decision deadline) schedule. Before each rollover you must have your decisions entered into each of the decision screens within the simulation.

## Rollovers

A rollover is the term used to describe moving from one year (decision period) to the next. A rollover processes the currently entered decisions and then displays your results.

### SINGLE-PLAYER

Rollovers in the Single-Player are controlled by you through the Rollovers menu:



In the Single-Player you are also able to Rollback (move back one year) or Restore (reset the simulation back to the start).

### MULTI-PLAYER

Rollovers in the Multi-Player occur automatically on pre-set dates determined by your course instructor. There is no final submit process. Simply enter your decision changes into each decision screen and then click *Save*. A save notification will appear and the change will be shown on-screen. The change is now saved on our simulation server ready to be processed at the upcoming rollover.

If you are playing the Multi-Player in teams, only one team member needs to enter your final decisions.

You will see the next scheduled event on your company's Home page:

NEXT EVENT  
**Rollover: 9 hours, 36 mins >**

Click on the event to see all upcoming rollovers, as well as those already processed.

You can check all your saved decisions using the *Current Saved Decisions* report.

**Final Double Rollover:** Most courses feature a double-rollover to conclude the simulation. This ensures there are no end-game strategies to manipulate a company's final shareholder value.

Recommended Support Article: [How do I plan for the final double rollover?](#)

## Shareholder Value (SHV)

The objective in MikesBikes is to achieve the highest Shareholder Value (SHV).

SHV is the investment value over time of owning a single share in your company. It is calculated using your current share price (being the market value of one share in your company), plus the value and interest of all past dividends paid.

Share Price is driven by your company's profit over time, [earnings per share](#), [debt to equity ratio](#), and dividends paid. For more see the Support Center Article: [How Do I Increase Shareholder Value?](#)

### TRACKING SHAREHOLDER VALUE

Your company's SHV will be displayed via the pop-up notifications on log in, and on your company's Home page.

You can compare your SHV with other companies in the industry through the Industry Benchmark Report. You can also see your SHV rank across the course through the Course Scoreboard on the Home page (if this has been enabled by your course instructor).

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## The Simulation Interface

### Top-Menu Navigation

The MikesBikes interface utilizes top-of-screen navigation with the following main menu items:

- **Home:** This first screen serves as your company dashboard.
- **Marketing:** Product, Distribution, and Brand Promotion.
- **Operations:** Factory Capacity, Human Resources, Process, Supply Chain, Quality, and Sustainable Manufacturing.
- **Finance:** Debt, Equity, and Dividend Decisions.
- **Reports:** Access all company and market reports.
- **Rollovers:** Process a rollover, rollback or restore (Single-Player only).

Press CTRL + M to return to the Top Menu from anywhere else in the application.

### Home Screen

Your company's Home screen displays:

- Your company's name.
- The Year Ahead (the year you are making decisions for).
- A balanced scorecard displaying last year's finance, HR, market and internal results.
- The product carousel showing how your product/s performed last year. Click on the product square to go to the product's decision screen. From Year 2 you can also launch a new product through the product carousel.
- Key reports for the industry and your company.
- Alerts (items of concern that you should look at resolving).
- Videos to help you make your decisions.

Finance		Shareholder Value \$13.30	Profit \$1.79m	Cash \$5.06m
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<b>HR</b> Staff Turnover Rate ● 20.4% Employee Happiness ● 55.8% Productivity ● 53.9%	<b>Market</b> Market Share 50.0% Brand Awareness 14.4% CSR Rating 20.0	<b>Internal</b> Quality Rating ● 64.9 Idle Time 4.9% Manufacturing Cycle 5 Days Wastage ● 29.0%
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**My Products**  
 Review your product stats from last rollover and see if you can improve and better your competitors.

**My Mountain Bike**  
Mountain

- Estimated Market Size: 34,000 units
- Recommended Retail Price: \$1550 to \$1950
- There is currently one competing product in the Mountain segment. (Total of 2 products).

**Velocity**

Year Ahead: 2024

Key Reports (6) ▾

Alerts (5) ▾

Videos (1) ▾

## The Help Widget

A *Need Some Help?* tab features at the bottom right of all screens. Clicking on the tab expands the Help widget. You have the option to *Search* help articles, click on a screen-relevant *Frequently Asked Question*, view a screen-relevant *Suggested Video*, or *Contact Us* to send a message to the Smartsims Support Team.

You can also open the popup Help on each screen with the F1 key.

## Top-Right Icons

At the top-right of the simulation interface there are three icons:



- Saved Decisions:** Opens the *Current Saved Decisions* report so you can check all currently saved decisions. These are the decisions which will be processed at rollover.
- Alerts & Notifications:** Brings back the initial on-login notifications which provides key results and information for making decisions for the year ahead.
- Exit Simulation:** Exits the simulation interface and takes you back to the course page.

## Decision Screens

Your company’s decision screens can be accessed through the top menu. Selecting the Marketing, Operations or Finance menu items will open their corresponding decision screens.

Example decision screen:

**My Mountain Bike - Mountain (Existing)**

Pricing & Production

Advertising

Delete Product

### Pricing & Sales Forecast

Enter your Retail Price and Sales Forecast.

	Current Decision	Last Year
Retail Price (\$)	<input type="text" value="1,700"/>	1,700
Sales Forecast (Units)	<input type="text" value="16,000"/>	16,000

### Production

Enter the required Production to meet your Sales Forecast.

Production (Units)	<input type="text" value="16,000"/>	16,000
Opening Inventory	1,000	
Units Available	17,000	

Undo Changes

Forecast Profit: **\$1.7m (-5%)**

Forecast Cash: **\$6.98m (+38%)**

**\$1,700**  
Market Average Price

**16,000**  
Total Demand Last Year

**100%**  
Forecast Accuracy Last Year

Sales Information (Mountain Segment)

Product Summary - My Mountain Bike

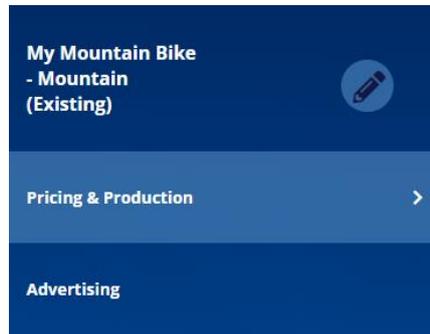
Market Summary

More Reports...

Need Some Help?

## LEFT-HAND MENU

Decision screens features a left-hand menu displaying the separate decisions available under each main menu.



## CENTER DECISION COLUMN

The center column is where your decisions are located; a decision field with the currently entered decision and last year's decision.

### Pricing & Sales Forecast

*Enter your Retail Price and Sales Forecast*

	Current Decision	Last Year
Retail Price (\$)	<input type="text" value="1,700"/>	1,700
Sales Forecast (Units)	<input type="text" value="16,000"/>	16,000

### Production

*Enter the required Production to meet your Sales Forecast*

Production (Units)	<input type="text" value="16,000"/>	16,000
Opening Inventory	1,000	
Units Available	17,000	

*Most screens provide additional information below the decision field offering live feedback on the potential consequence of your decision.*

## RIGHT-HAND COLUMN

The right-hand column is designed to help you make well-informed decisions. It features:

### 1. The Live Forecast

The Live Forecast widget is located at the top-right of all decision screens:



The Forecast Profit and Cash figures are based on your currently entered decisions and update in real-time as you save decision changes on any screen. This enables you to see the impact of individual decisions on overall performance.

Click on the Live Forecast widget at any time to view your *Forecast Results Summary*. This displays forecast sales revenue, gross margin and income for the year ahead, including a comparison with actual results from last year.

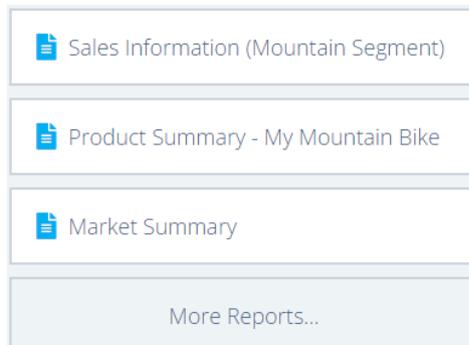
## 2. Screen-Relevant Information

Relevant key results from last year are displayed:



## 3. Screen-Relevant Reports

Relevant reports are listed, along with a *More Reports* link to the Reports menu:



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## Student Support

### **DIRECT EMAIL**

The Smartsims Support Team is available to answer any questions you have by emailing: [help@smartsims.com](mailto:help@smartsims.com)

### **CONTACT FORM**

Submit a [Contact Us](#) form through the Smartsims website.

### **INTEGRATED HELP**

All Smartsims Simulations feature popup help within the application. Simply click on the *Need Some Help?* tab on any screen to open the Help Widget, or press the F1 key.

### **SMARTSIMS SUPPORT CENTER**

The [Smartsims Support Center](#) is our simulation knowledgebase. This enables you to receive an instant answer to your question by simply typing your question into the search field. Alternatively, you can also [Browse All MikesBikes Support Articles](#).

## CHAPTER 2

# Market Analysis

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## Company & Market Reports

The reports available through your Home page, decision screens and Reports menu provide you with all the information required to be a successful company.

You should start the simulation by reading these reports to get to know your company, customers, the markets, and your competitors. Then read them again after each rollover to see how effective your decisions were, and how your results compare to your competitors.

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## Your Company

You start the simulation taking charge of an existing bicycle manufacturing company in a competitive industry.

All companies begin the simulation with a single product, a moderately successful Mountain bike. This is sold through three distribution channels; Bike Shops, Sports Stores and Department Stores.

You currently have the factory capacity to manufacture about 16,500 bikes annually. However, there are number of inefficiencies causing losses in your production capacity.

All companies start with identical financial positions. You have a cash balance of just over \$5m, existing debt of \$1.8m and two million shares issued.

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## Your Competitors

In the Single-Player version you compete against a single computer-controlled opponent. You both start with one Mountain Bike product with identical results.

The Multi-Player version features between four and ten companies in your industry. These may be student-run or computer-controlled depending on your instructor's preference.

## The Market Segments

This bicycle industry is categorized into five market segments; Mountain, Electric, Cruiser, Road and Kids bikes.

### Mountain Bikes

Mountain bikes are designed for primarily for rough terrain and off-road use. They tend to have wide handlebars, suspension, and wide tires. Customers in this segment are focused on fitness and the outdoors. They want a bike that will go anywhere and everywhere. They are prepared to pay more for a bike that meets their needs.

### Cruiser Bikes

A Cruiser bike is designed specifically for recreational use, popular at local parks and beaches. Easily identifiable by its low stance, wide raised handlebars, and a long wheelbase. This bike is all about style and comfort.

Cruiser bikes have a simple design which does not require complex parts or equipment. They often have a retro look with a simplified braking or gearing system to appeal to the casual rider.

### Electric Bikes

Electric bikes (also known as e-bikes and electric assist bikes) amplify your pedaling power thanks to an electric drive system. There are many kinds of e-bikes, but all of them use an electric motor and battery to help you power your bike. Most have a controller that lets you choose the amount of power the system provides.

In MikesBikes, the Electric market mainly use their bikes for transport around the city and suburbs. They are looking for an economical and reliable replacement for more expensive and less eco-friendly transport options.

### Kids Bikes

Kids bikes are designed to introduce cycling to kids. They are built for children aged 4 to 10 years old, but the purchase is made by their parents. From a parent's perspective the bike must be durable and stylish, but relatively inexpensive.

### Road Bikes

Road bikes are designed for speed. They feature light frames, low handlebars and thin tires. Customers in this market are passionate about cycling and are looking for a performance edge to get to the front of the pack. They are not sensitive to price if you have a market leading bike.

## Your Customers

Market research indicates there are seven key factors that drive a customer's decision whether to purchase your bike or a competitor's bike; Price, Awareness, Quality, Corporate Social Responsibility (CSR), Distribution, Delivery, and Product Specifications. In the simulation each of these correlates with a rating (0-100) displayed on your decision screens and reports. The *Market Summary* report lists all ratings for all products, therefore, enables you to compare your products against your competitors.

Not all factors are given equal weight by customers and the weighting differs by market (as indicated by Low, Medium and High on the tables below). You will need to identify which are more important to customers for the product/s you are selling to ensure your decisions are driving increased customer demand.

### Retail Price

Retail Price is the price that customers pay at the store and in MikesBikes is set by the you the manufacturer.

Price is always relevant, but it is less important in some markets than others. For example, customers in the Road market are happier paying a higher price for the right product. Whereas those in the Kids market are very price sensitive, therefore, a change in price can have a larger impact on sales.

Segment	Sensitivity to Price
Mountain	Medium
Electric	High
Cruiser	Medium
Road	Low
Kids	High

### Awareness

Awareness refers to the degree of knowledge that customers have about a product in the market. This is knowledge not only that the product exists, but also information about benefits, quality, price, design, and style; in particular as compared to its competitors.

In MikesBikes your product's awareness is a factor of both your Product Advertising expenditure and any Brand Promotion activities you have selected. This culminates in an Awareness rating.

Segment	Sensitivity to Awareness
Mountain	Medium
Electric	Medium
Cruiser	High
Road	Low
Kids	High

## Quality

Quality refers to the level of customer satisfaction in your product based on finish, workmanship, and the rate of product defects. This is measured using a Quality rating out of 100 which applies to all your company's products.

Your Quality Rating is a mixture of Internal Quality and External Quality.

A high level of Internal Quality is attained through training of people, maintenance of machines, good supplier relations, and quality systems technology. This corresponds to "quality at the source" and allows you to minimize the number of defective products you produce.

External Quality (and your Quality Rating) is based on how your customers perceive your products. So a high Quality Rating can be achieved either by investing in people and processes or by conducting extensive inspection to catch defects before they reach the customer.

Segment	Sensitivity to Quality
<b>Mountain</b>	High
<b>Electric</b>	Medium
<b>Cruiser</b>	Low
<b>Road</b>	High
<b>Kids</b>	Low

## Distribution

Distribution (place) relates to the ability of the firm to make products accessible to customers through retail stores.

The number of stores that decide to stock your products will depend on the retail price, margin, unit sales history, and extra support offered.

Segment	Sensitivity to Distribution
<b>Mountain</b>	Medium
<b>Electric</b>	Low
<b>Cruiser</b>	Medium
<b>Road</b>	Medium
<b>Kids</b>	Medium

## Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a concept which sees companies being responsible not just profit maximization but also to do what's best for people, the planet and society at large.

Your CSR rating is a measure of how well your company integrates social and environmental concerns with its business operations. In MikesBikes this relates to your Social Responsibility promotions (under Brand Promotions) and investment in Sustainable Manufacturing (under Operations. You can compare each company's CSR rating using the Market Summary report.

The higher priced markets are more concerned with knowing your company operates in a responsible and sustainable way.

Segment	Sensitivity to CSR
Mountain	Medium
Electric	Medium
Cruiser	Low
Road	High
Kids	Low

## Delivery Time

This is a measure of the time taken for new stock to be made available in retail stores. This can be influenced by your [manufacturing cycle time](#) and finished goods inventory. Delivery Satisfaction refers to the percentage of customers who were happy with the length of time that they had to wait before they could buy a product from a store.

High Lost Sales and long Manufacturing Cycle Times result in long wait times and low Delivery Satisfaction.

Customers in some markets may be willing to wait for the right product to be available in store, while others demand immediate availability or will purchase a competing product. If you are selling in markets with a high customer sensitivity to Delivery Time you will need to consider the impact of delays to sales revenue.

Segment	Sensitivity to Delivery Time
Mountain	Low
Electric	Medium
Cruiser	High
Road	Low
Kids	High

### Product Specifications

From Year 2 you can improve your bike’s Product Specifications through the Development screen by upgrading the bike components or adding accessories.

Your bike will be given a Product Spec Rating (out of 100) which shows how consumers perceive the design and/or technical features of your bike.

Customers in markets such as Road, Mountain and Electric will make their purchase based on the level of product specifications. Cruiser and Kids may consider this in their purchase, but it won’t be the determining factor.

<b>Segment</b>	<b>Sensitivity to Product Specs</b>
<b>Mountain</b>	Medium
<b>Electric</b>	Medium
<b>Cruiser</b>	Low
<b>Road</b>	High
<b>Kids</b>	Low

## CHAPTER 3

# Making Decisions

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## Start with a Plan

Before you embark on making decisions for your company you should start with a strategic plan. This process gives your company direction and makes it more likely you will be successful.

We recommend creating the following:

- 1. A Mission Statement**

A brief statement describing your business and its purpose.

- 2. A Vision Statement**

This is a forward-looking aspirational statement on what type of business or products you want your company to be known for.

- 3. Objectives**

Specific targets you intend to achieve within a defined time period.

- 4. Tactics**

Practical steps required to achieve your objectives.

Each year as you review your reports you should come back to these statements, objectives and tactics to see what is working and what is not. They can also be modified as you develop your strategy over time and learn more about your company, your customers, and the market.

Once you have a strategic plan you are ready to begin implementing your tactics through the functional decision areas of the company. These functions have been replicated through the top navigation menus:

- **Marketing:** Product Management, Distribution, and Brand Promotion decision screens.
- **Operations:** Factory Capacity, Efficiency, Quality and Sustainable Manufacturing decision screens.
- **Finance:** Debt, Equity, and Dividend decision screens.

## Corporate & Product Identity

When you first open the simulation interface you are given the option to give your company a new name:



### Your Company.

Name your company:

(You can edit your company's name at any time prior to the first rollover through the Home screen.)

As well as give your Mountain Bike a new name:



### Your Bike.

Name your Mountain Bike:

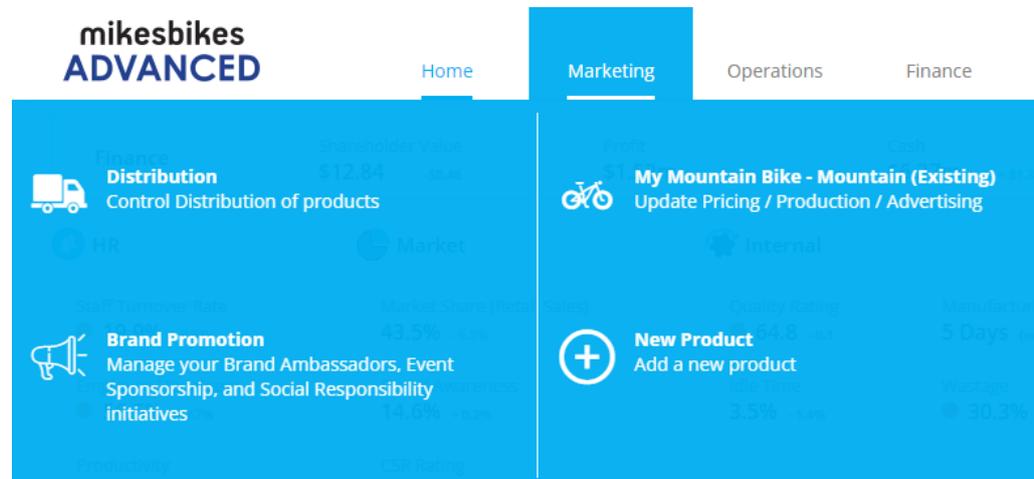
(you can edit your Mountain Bike's name any time prior to the first rollover through the Product screen.)

## Marketing Decisions

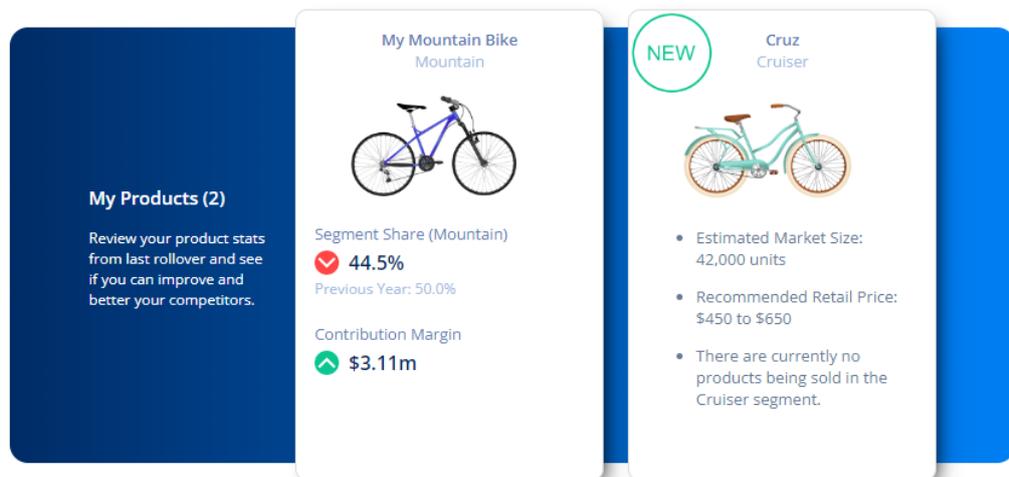
The Marketing menu is available through the top menu:

mikesbikes ADVANCED		Home	Marketing	Operations	Finance
Finance	Shareholder Value \$13.30	Profit \$1.79m	Cash \$5.06m		
HR	Market	Internal			

Selecting the Marketing menu displays links to the Distribution decisions, Product decisions and Brand Promotion (from Year 2):



You can also access your product decisions through the quick links on the Home page:



## Product Management

Selecting your product will you are able to make the following decisions for each of your products:

- A suitable **Retail Price**.
- A realistic **Sales Forecast**.
- **Required Production** units to meet this forecast.
- Allocating your **Advertising** budget across the five media channels.

## PRICING & PRODUCTION

The Pricing & Production screen is where you manage your product’s Retail Price, Sales Forecast and Production for the year ahead:

### Pricing & Sales Forecast

*Enter your Retail Price and Sales Forecast*

	Current Decision
Retail Price	<input type="text" value="700"/>
Sales Forecast (Units)	<input type="text" value="20,000"/>

### Production

*Enter the required Production to meet your Sales Forecast*

Production (Units)	<input type="text" value="20,000"/>
Opening Inventory	0
<b>Units Available</b>	<b>20,000</b>

### Retail Price

Retail Price is the price that you instruct your retailers to sell your product for.

Your pricing changes should be aligned to your current strategy and coordinated with other decision areas. For example, a decrease in price will usually require additional production and possibly factory capacity. Pricing is one of the more influential decisions on sales and profit, so changes should be well thought through.

Learn more about [Pricing Strategy in MikesBikes](#).

### Sales Forecast

A Sales Forecast is an estimate of how many units (bikes) you think you will sell over the coming year.

Your sales forecast should be made based on previous year’s demand, plus any changes based on the estimated impact of your current decisions.

Learn more about [How to Forecast Sales in MikesBikes](#).

### Production

Production quantity must be specified to ensure your factory produces sufficient units to meet your sales forecast for the year ahead.

Your production decision should be Sales Forecast *minus* any Opening Inventory (stock remaining from last year).

Produce too much stock and you will be charged large warehousing costs, produce too few units and you will have lost sales. However, you may want to consider adding a small number of units to act as a stock buffer to cope with fluctuations in demand and improve delivery responsiveness.

If you do not have sufficient factory capacity to satisfy required production you will need to purchase additional SCU through the Capacity decision screen.

## ADVERTISING (MARKETING)

There are five media channels to allocate your advertising budget across:

Media	Current Decision
Search (\$)	250,000
Digital Video (\$)	250,000
Social Media (\$)	250,000
TV (\$)	250,000
Print (\$)	250,000
<b>Total (\$)</b>	<b>1,250,000</b>

### Search

Search places paid advertisements within organic internet search results (examples: Google, Bing, Yahoo).

Your company’s advertisements will be shown when users type relevant keywords and phrases into their favorite search engine, enabling you to reach a very targeted audience.

### Digital Video

Digital video services allow viewers to watch on-demand content without charge (examples: Youtube, Hulu).

As the service is free, paid advertisements are played before, during or after the streaming content. Advertisements can be accurately targeted based on the viewer’s viewing preferred genres.

### Social Media

Social media platforms enable users to connect and share their stories with others (examples: Facebook, Instagram, Twitter).

These platforms provide companies with the ability to integrate paid advertisements within the user’s news feed. Very specific audience targeting is achieved based on the user’s interests.

### Television

Television (TV) advertising on cable and free-to-air broadcasts is still one of the most effective methods of reaching a large audience.

Live viewers do not have the ability to skip advertisements, so your promotional content is seen by most of the viewing audience.

### Print

Print advertising covers promotional content featured in magazines, newspapers, direct mail and out of home advertising (e.g. billboards, signage).

Print media covers a wide range of audiences including specialist bike and outdoor magazines.

### Advertising Media Viewing Habits

To get the most out of your advertising budget you will need to know the media viewing habits for each market (which media customers watch). Then, combine this with Advertising Reach (what percentage can be reached for a given spend). This provides an optimal advertising mix across the channels, as well as how much to spend on each.

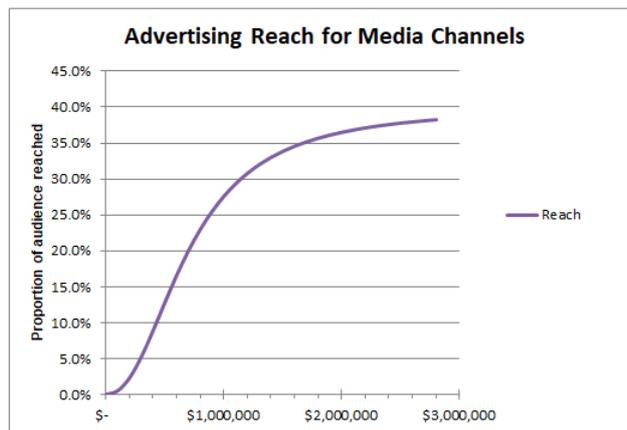
Your customer’s media viewing habits are displayed in the table below:

Segment	Search	Digital Video	Social Media	TV	Print
Mountain	35%	25%	45%	25%	15%
Road	50%	25%	20%	20%	30%
Kids	20%	50%	15%	35%	25%
Electric	10%	25%	30%	50%	30%
Cruiser	25%	45%	20%	35%	20%

Note: Each row will add to more than 100% as people watch multiple media channels.

### Advertising Reach

The Advertising Reach chart shows the proportion of the viewing audience that can be reached in each media channel at different levels of expenditure.



For example, an investment of \$1.2m in any channel will reach approximately 30% of the audience. Then by looking at the Media Viewing Habits table above, we can see that for the TV media channel this would reach  $30\% * 35\% = 10.5\%$  of the Kids market, and  $30\% * 25\% = 7.5\%$  of the Mountain market.

Note that the curve is initially steep, up to about \$1.5m expenditure (per channel). However, beyond that the curve flattens so the increase in audience reached becomes less as you spend more.

### Advertising Performance / Awareness

The effectiveness of your advertising budget and allocation (mix) is measured by a product-specific Awareness rating. This is the awareness of your product in the minds of customers. You can track your product's Awareness % and compare with competitors on the *Market Summary* report.

Note that Brand Promotion (from Year 2) makes customers aware of your company, and therefore more receptive to your product advertising. This helps to increase your product awareness.

## Development (From Year 2)

In Year 2 (after the first rollover) you are given the opportunity to modify the design of your Mountain Bike through a new Development menu:

My Mountain Bike  
- Mountain  
(Existing)

---

Pricing & Production

---

Advertising

---

Development >

### Development

You can only select one upgrade for your product OR choose to reduce cost each rollover

	Dev Cost	Specs
No Change	\$0	50
Wheels	\$500k	59
Brakes	\$400k	57
Tires	\$300k	55
Suspension	\$750k	62
Frame	\$1.5m	67
Cost Reduction	\$500k	50

**No Change**

Do not do any product improvements this year.

**Development Cost:** \$0

**Product Spec Rating:** 50 (no change)

**Prime Cost:** \$300.00 (no change)

**SCU:** 1.00 (no change)

Through the button list you have the option of making no change, investing in one of five product improvements, or conduct a cost reduction:

	Dev Cost	Specs
No Change	\$0	50
Wheels	\$500k	59
Brakes	\$400k	57
Tires	\$300k	55
Suspension	\$750k	62
Frame	\$1.5m	67
Cost Reduction	\$500k	50

**Important:** Only one option can be chosen each year.

Apart from *No Change*, all other options incur a development cost.

Product improvements boost your bike’s spec rating, but also require additional prime cost (cost of production) and SCU (factory capacity) to produce:



**Hydraulic Disc Brakes**

Hydraulic disc brakes give precise, effortless stopping power and control on those steep downhill and handle mud and water much better.

**Development Cost:** \$400k

**Product Spec Rating** increases from 50 to 57

**Prime Cost** increases from \$300.00 to \$312.00 per unit.

**SCU** increases from 1.00 to 1.04 per unit.

The Cost Reduction option doesn't change your product's spec rating but decreases both your product's prime cost and the required SCU to produce it:



**Cost Reduction**

Reduce the production cost of your product by improving the efficiency of your production process, and by using fewer or cheaper raw materials

**Development Cost:** \$500k

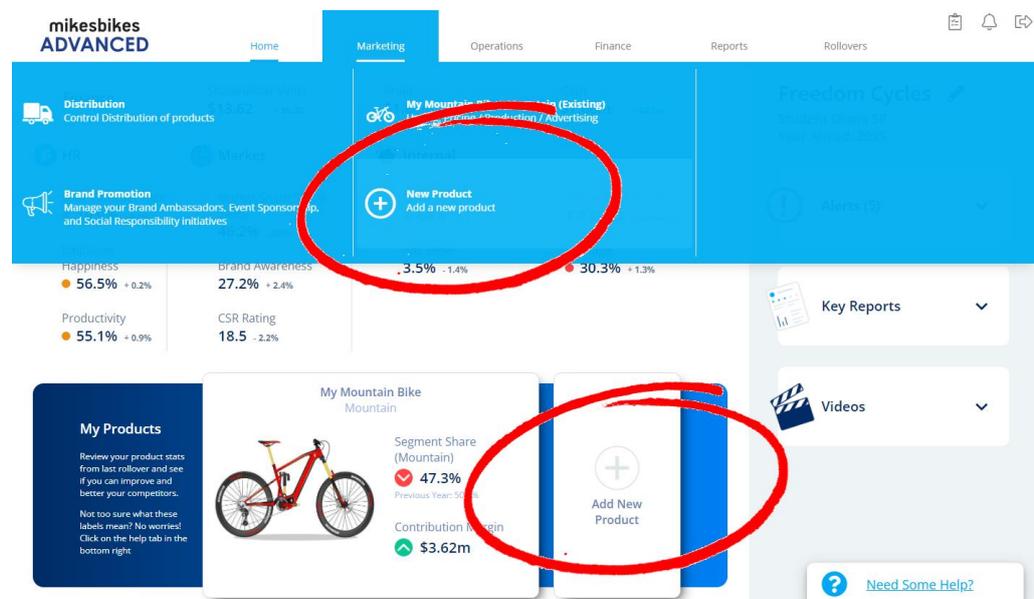
**Product Spec Rating:** 50 (no change)

**Prime Cost** decreases from \$300.00 to \$270.00 per unit.

**SCU** decreases from 1.00 to 0.90 per unit.

**Add New Product (From Year 2)**

In Year 2 you can launch a new product through either the Marketing top menu or your company's Home page:



The New Product screen enables you to add a second product in either the Kids, Road, Electric or Cruiser markets:

### New Product

Choose which market you want to create a new product for

Market	Size (Units)	RRP
Kids	53,000	\$375
Road	6,100	\$3,950
Electric	26,000	\$1,000
Cruiser	42,000	\$550

Clicking on one of the market options displays information on the market segment, launch cost, recommended retail price, estimated market size, product specification rating, prime cost and SCU per unit to produce.



### Road

Road bikes are designed for speed. They feature light frames, low handlebars and thin tires. Customers in this market are passionate about cycling and are looking for a performance edge to get to the front of the pack. They are not sensitive to price if you have a market leading bike.

There are currently no products being sold in the Road segment.

**Launch Cost:** \$1.00m

**Recommended Retail Price:** \$3700 to \$4200

**Estimated Market Size:** 6,100 units

**Product Spec Rating:** 50

**Prime Cost:** \$420.00 per unit

**SCU:** 1.40 per unit

All new products will cost you \$1m and may require you to increase your factory capacity. However, increasing your product range is key to future success.

Choose a product name and color then click *Save*. Your new product will now be available under the Marketing menu and on your company’s Home page. You will then be able to make decisions for your new product.

## Delete Product

If you have launched a new product by mistake or simply need to consolidate your product range, a product can be deleted through the Product screen by clicking on the *Delete Product* button at the bottom left of screen.

Any existing inventory will be dumped and incur a dump cost.

## Distribution (Marketing)

The Distribution screen enables you to set a Retail Margin and provide Extra Support for each of the three distribution channels; Bike Shops, Sports Stores and Department Stores.

Channel	Factor	Current Decision
Bike Shops	Margin %	<input type="text" value="50"/>
	Support (\$)	<input type="text" value="100,000"/>
Sports Stores	Margin %	<input type="text" value="50"/>
	Support (\$)	<input type="text" value="100,000"/>
Department Stores	Margin %	<input type="text" value="35"/>
	Support (\$)	<input type="text" value="100,000"/>

Retail Margin is the percentage of the retail price retained by distributors. A bicycle sold for \$1,800 with a retail margin percentage of 45% means the distributor earns \$810 on the sale and you as the manufacturer has a wholesale price of \$990.

Maintaining retail margins at the initial percentages will encourage distributors to sell your bikes, however you earn less on each sale. Ideally you will be able to generate consumer demand for your products, enabling you to decrease retail margins and increase your company’s wholesale revenue. Be careful as margins that are too low can result in stores stocking your competitor’s bikes over yours.

Extra Support provides additional return to your distributors. These take the form of product training, special promotions, point of sale displays, and extra sales staff training on your products.

## DISTRIBUTION CHANNELS

Vendors of bikes can be broken into three categories: Bike Shops, Sports Stores and Department. A brief description of each channel is given below.

Your company uses three distribution channels; Bike Shops, Sports Stores and Department Stores. These retailers keep a retail margin (a percentage) on each bike they sell. The table below shows the proportion of customers who purchase through each distribution channel:

Retail Channel	Bike Shops	Sports Stores	Department Stores
Mountain	40%	50%	10%
Kids	20%	20%	60%
Road	85%	15%	0%
Electric	10%	30%	60%
Cruiser	20%	40%	40%

**Bike Shops**

The bike shop is a specialty store dedicated to bicycles and bike-related products. Store assistants are trained bike specialists. People unsure of which bike to buy will usually go to a bike shop as staff tend to be enthusiasts themselves.

Bike shops generally stock more bikes in the mid to high price range and require a higher retail margin.

**Sports Stores**

Sports stores stock a wide range of sporting equipment including bikes. The staff at these stores are not as knowledgeable on technical aspects of each bike but can match a customer to the bike that meets their needs.

Consumers who buy from these stores generally know what they are looking for in a bike but not particularly a specific brand. As such, may be more inclined to choose a competitor’s bike if it is in stock and/or at a cheaper price.

**Department Stores**

Department stores (chain retailers) stock a wide range of products across all consumer goods, from refrigerators and televisions to apparel and kitchenware.

Their staff are not as informed about specific products or the bicycle industry, but they have the largest customer base. They typically stock low to mid-priced bikes, sell in high quantities and so generally require less retail margin. Customers often do not have a definite product in mind, so will purchase based on the bike with the best in-store appeal.

**DISTRIBUTION PERFORMANCE**

Distributors want to stock products that provide them with a high level of return. They receive this return through a combination of total sales revenue, retail margins and extra support. The effectiveness of your distribution strategy is represented by a Distribution rating.

The *Market Summary* report displays your company Distribution rating where you can compare this to your competitor’s rating.

## Brand Promotion (From Year 2)

From Year 2 (after the first rollover) new Brand Promotion decisions will be available under the Marketing menu.

You will the opportunity to invest in Event Sponsorship, Brand Ambassador, and Social Responsibility promotions:

**Brand Promotion**

- Brand Ambassador >
- Event Sponsorship
- Social Responsibility

**Brand Ambassador**

- Mid-Level Social Influencers \$150,000**  
You will partner with social media influencers with at least 10,000 followers. They will agree to post content featuring your products throughout the year. This is an affordable option to engage with a niche audience.
- Youth Champion \$250,000**  
Sponsor one of the youth winners of the National Bicycle Championship. They will ride your bikes and wear your merchandise. This promotion puts your brand in front of a wide age range.
- National Champion \$350,000**  
Your company will sponsor a winner of one of the National Bicycle Championship events. They will compete using your bikes and promote your brand, making the link in customer's minds between your brand and high performance.
- High-Level Social Influencer \$500,000**  
Engage a social media influencer with at least 1 million followers to promote your products. This option is expensive but has the potential to reach a very large audience throughout the year.

Brand Promotion makes customers aware of your company and more receptive to your product advertising. This is especially cost effective when your firm has multiple products. You can also invest in Socially Responsible initiatives to help improve your community and the environment.

**Important:** You can select more than one option on the Brand Promotion screens. However, remember to check the Live Forecast to see if your company can afford multiple options.

### BRAND AMBASSADOR

Brand Ambassadors are well known celebrities, sports people, or social media stars who are paid to endorse and promote your brand to their fans or followers in a positive way.

Choose one or more Brand Ambassadors:

- Mid-Level Social Influencers (\$150,000)
- Youth Cycling Champion (\$250,000)
- National Cycling Champion (\$350,000)
- High-Level Social Influencer (\$500,000)

Brand Ambassadors help to increase your Brand Awareness.

## EVENT SPONSORSHIP

Investment in Event Sponsorship places your brand in front of those attending local, state, or national events.

Choose one or more events to sponsor:

- Local Fun Ride (\$100,000)
- State Bike Festival (\$200,000)
- National Bicycle Convention (\$300,000)
- National Cycling Championship (\$600,000)

Brand Ambassadors help to increase your Brand Awareness.

## SOCIAL RESPONSIBILITY

Social Responsibility choices create positive change for the people in your community and for the environment. You can choose one or more of these options:

- Bikes in Schools (\$115,000)
- Bikes4Good Charity (\$300,000)
- Bicycle Advocacy (\$400,000)
- Carbon Offset Tree Planting (\$500,000)

These choices help to increase your company's CSR Rating and Brand Awareness (although they are less effective at increasing Awareness than Brand Ambassadors and Event Sponsorship). Social Responsibility expenditure combines with your Sustainable Manufacturing expenditure (from Year 2) to give your CSR Rating.

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# Operations

The Operations menu will provide you access to the following decision screens:

- **Factory Capacity**
- **Human Resources**
- **Process**
- **Supply Chain**
- **Quality**
- **Sustainable Manufacturing**

## Factory Capacity (Operations)

The Factory Capacity decision sets the maximum production capacity of your factory, measured in Standard Capacity Units (SCU).

Each product requires a certain number of SCU to produce. The table below shows the SCU required per bike for the first year of the simulation.

Market Segment	SCU per Bike
Mountain	1.0 SCU per bike
Kids	0.25 SCU per bike
Road	1.4 SCU per bike
Electric	0.6 SCU per bike
Cruiser	0.35 SCU per bike

Note: A product improvement increases the required SCU per Bike, while a Cost Reduction reduces it.

Each year you can either purchase additional SCU or sell existing SCU:

Factory Capacity

*Buy or Sell Plant Capacity (SCU - Standard Capacity Units)*

Buy SCU   
  Sell SCU   

Cost of New Plant (\$)   

Factory Capacity (SCU)   

The cost to purchase additional capacity is \$160 per SCU and you can purchase up to a maximum of 25,000 SCU per annum.

Factory capacity can be sold at the end of any period. The sale price of each SCU will differ depending on the age of the plant and how well it has been maintained. Any difference between sale price and book value will be reported in your accounts as either a loss or gain on sale (see the *Factory Overhead Allocation Rates* report).

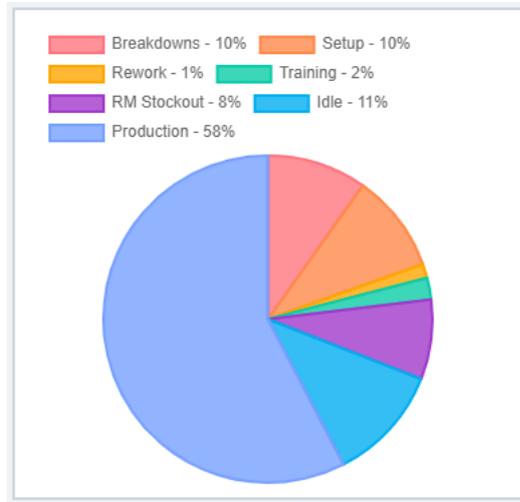
Note: Plant is depreciated in the annual accounts using the diminishing value method, at a rate of 20% per annum.

**FACTORY CAPACITY WASTAGE**

Your factory’s capacity is lost to several wastage factors:

- **Breakdowns:** Line stoppages because of plant breakdowns.
- **Rework:** Time spent reworking defective units instead of producing units.
- **Raw Material Stock Outs:** Line stoppages due to unavailability or poor quality of raw materials.
- **Set-ups:** Stoppages due to having to perform machine set-ups between batches.
- **Training:** Time lost because of worker involvement in training or improvement groups.

You can track maximum potential factory capacity and wastage factors through the forecast capacity usage pie chart on the right-hand side of the Capacity decision screen:



The other two factors on the pie chart are production (time spent actually producing bikes) and idle time (time that your factory did nothing). More details can also be found in the *Manufacturing Responsiveness Report*.

As you decrease wastage your usable factory capacity increases. In general, your goal should be to achieve a production percentage of at least 80%. This will require effective process decisions to minimize idle time.

## Human Resources (Operations)

The Human Resources screen enables you to set the average salary level for your staff and the number of hours allocated each year for training your workforce.

### AVERAGE SALARY

You will need to set the average salary amount which will be paid to your workforce for the year ahead:

Average Salary (\$)	40,000
Total Workers	62
Total Salaries (\$)	2,480,000
Staff Turnover Rate (%)	19.9 %
Employee Happiness (%)	56.5 %

The average salary level you set will affect not only your bottom line but also worker motivation and effectiveness. Workers are more motivated and productive when they are paid more and when they are well trained.

Poorly motivated and poorly trained workers can contribute to significant staff turnover. That becomes expensive because each worker that is replaced costs \$6000 to replace and each new worker arrives with a low level of training.

### TRAINING

You must decide how much time each worker spends training for their role. This is measured in number of hours per annum.

Training (hours per worker)	40
Training Expenses (\$)	80,160
Skill Rating	53.7
Productivity (%)	55.1%
Product Defect Rate (%)	3.75%

While training has the negative impact of taking staff away from day-to-day tasks, in the long-term it will increase the skill level of these workers making them more productive so you will require fewer workers to run your factory. In addition, training reduces the number of defects produced so will improve your internal quality.

Your factory operates for 2000 hours per year. So, if you provide your workers with 100 hours of training then that will use 5% of your factory's productive capacity. However be aware that this is a long term investment and it may take you several years and a few hundred hours of training to develop a highly skilled workforce.

### Process (Operations)

The process decision screen is where you will set your average batch size, your setup time reduction expenditure, and how much you want to spend on preventative maintenance.

Maintenance is another factor in your internal quality as well maintained machines maintain their tolerances better and produce fewer defective products.

Batch Size (units)	200
Setup Time Reduction (\$)	20,000
Manufacturing Cycle Time	5 days
Capacity Wasted on Batch Setups	11.3%

Maintenance (\$)	500,000
Capacity Wasted on Breakdowns	9.5%
Product Defect Rate (%)	3.75%

**BATCH SIZE**

Batch size reflects the average quantity of bikes produced in a single manufacturing run.

Larger batch sizes reduce the number of setups and hence increase available capacity. However, this comes at the cost of increasing factory lead-time and potentially delivery times. Conversely, smaller batch sizes increase setup time but reduce delivery times. The predicted Manufacturing Cycle time for your factory will update as you save your new batch size decision.

**SETUP TIME REDUCTION**

Expenditure on setup time reduction goes into developing more efficient procedures for setting up manufacturing batches and updating your plant to facilitate quicker changeovers.

Investment in setup time reduction increases effective capacity and enables you to run smaller batch sizes.

**PREVENTATIVE MAINTENANCE**

Preventative maintenance expenditure is the aggregate amount spent on servicing your plant machinery to reduce breakdowns and ensure maximum run time.

Preventative maintenance will also serve to reduce the number of product defects and so improves your internal quality. In addition, adequate maintenance also serves to maintain the resale value of your machinery if you ever need to sell capacity.

Note that as you increase your factory capacity, more expenditure is required to maintain the same level of maintenance.

**Supply Chain (Operations)**

The supply chain is a logistics system for converting raw materials into finished goods. As a manufacturer you must source raw materials from your suppliers to begin the production process.

Under the Supply Chain menu you will be setting an amount spent on Supplier Relations and the amount of Raw Materials Inventory you would like to maintain:

Supplier Relations (\$)	30,000
Raw Materials Inventory (weeks)	2
Supplier Relations Rating	51.1
Capacity wasted on Raw Material Stockout	9.1%
Product Defect Rate (%)	3.75%

### SUPPLIER RELATIONS

Investment in supplier relations improves the delivery and quality of raw materials to your factory.

Expenditure is directed at improving contracts with suppliers, improving communication systems between suppliers and your factory, paying incentives to suppliers and expedient transport options.

Investing in supplier relations reduces raw material stockouts, therefore, reducing manufacturing stoppages. Note that the level of accumulated supplier relations deteriorates over time.

Good Supplier Relations is also another important factor in improving your internal quality as a consistent supply of higher quality raw materials will help to reduce product defects.

### RAW MATERIALS INVENTORY

You will also decide the level of raw materials you require your factory to keep on hand at any given time. This is expressed in weeks of production.

Raw materials inventories provide a buffer to protect against current or unforeseen issues with suppliers to ensure there are sufficient materials to cover demand.

Keep in mind that this does incur a warehousing cost. So as your Supplier Relations Rating improves you could lower stocks of raw materials.

## Quality (Operations)

The quality of your finished products is determined by both internal quality decisions and a final external quality check.

Internal quality relates to the level of Quality Systems Technology implemented in your factory. Internal quality is also affected by the Average Salary and Training Hours of staff. Preventative Maintenance and Supplier Relations affect the number of defects resulting from machinery. These factors combine to give you a product defect rate.

External quality is determined by the proportion of finished bikes that are inspected before leaving the factory (Inspection Rate). This gives your company a Quality rating.

### QUALITY SYSTEMS TECHNOLOGY (INTERNAL QUALITY)

Investment in quality systems requires installing specialist equipment to monitor the manufacturing process and identify product defects at the source.

Quality Systems Technology (\$)	250,000
Quality Systems Rating	68.6
Product Defect Rate (%)	3.75%

This technology is expensive but is most cost-effective for high production volumes.

### INSPECTION RATE (EXTERNAL QUALITY)

Once your bikes have been produced, a final quality control inspection identifies product defects before they reach the customer. Not every product is checked, but instead a sample percentage is inspected.

Inspection (% of units)	15
Inspection Cost (\$)	1,529,163
Warranty Rate (%)	1.37%
Quality Rating	64.8

Keep in mind that a high inspection rate is expensive as production volumes climb, but inspection levels will have an immediate impact on your Quality rating.

## Sustainable Manufacturing (Operations)

Sustainable Manufacturing is a process which aims to produce goods with minimum wastage, energy, and natural resources, while maximizing benefit to employees.

You can choose one or more Sustainable Manufacturing options:

Sustainable Manufacturing



**Recyclable Packaging \$145,000**

Your company will adopt all recyclable materials in your product packaging. This minimizes waste reaching landfill and makes customers feel good about their purchase.



**Bio-degradable Lubricants \$325,000**

Many lubricants and cutting fluids used during the manufacturing process are highly toxic and hard to dispose of. Using bio-degradable lubricants greatly reduces the harm to factory workers and the environment.



**Capture Hazardous Waste \$425,000**

Manufacturing processes like Painting and Carbon Fiber fabrication use toxic chemicals and produce hazardous fumes and dust. Capture these harmful by-products during manufacture to improve worker safety and reduce your environmental impact.



**Sustainable Materials \$550,000**

Your bikes will use sustainable materials such as sustainably-sourced steel, and recycled aluminum and carbon. This means production of new bikes has a significantly less impact on the environment.

**Important:** You can choose multiple options. Click on an option to select or deselect it.

Relevant information and reports are available on the right-hand side of your screen:

**\$145,000**  
Sustainability Expenditure

**20.0**  
CSR Rating Last Year

**20.0%**  
Industry Average CSR Rating


CSR Summary


Factory Report


Market Summary

More Reports...

Sustainable Manufacturing expenditure combines with your Social Responsibility expenditure (under Brand Promotion) to give you a CSR rating. Your Sustainable Manufacturing choices do not affect your Brand Awareness.

Also note that the cost of your Sustainable Manufacturing options increases as you increase the size of your factory and buy more capacity. For example, if you double your factory capacity, then the cost of the sustainable manufacturing options will also double. So remember to keep checking your Live Forecast at the right of the screen to ensure that you can afford your selections.

## Finance

The new decisions available this year are:

- **Debt**
- **Equity**
- **Dividend**

### Debt (Finance)

All companies start with existing Debt of \$1.8m. The Debt screen enables you to either *Raise* additional debt or *Repay* existing debt.

<input checked="" type="radio"/> Raise (\$) <input type="radio"/> Repay (\$)	500,000
Total Long Term Debt (\$)	1,500,000
Debt / Equity Ratio	0.228
Interest Rate (%)	5.00
Annual Interest (\$)	75,000

Raising additional debt (cash) can be done to finance expenditure, such as product development or increasing factory capacity. However, this does come with an annual interest cost. Alternatively, you can repay some or all your existing debt to improve your [Debt/Equity Ratio](#).

### Equity (Finance)

All companies start with an existing balance of two million issued shares. The Equity screen enables you to either *Issue* additional shares to the public or *Repurchase* shares.

<input type="radio"/> Issue (\$) <input checked="" type="radio"/> Repurchase (\$)	100,000
Book Equity (\$)	8,145,842
Market Capitalization (\$)	15,989,725
Debt / Equity Ratio	0.186
Number of Shares	993,746

Issuing shares raises additional cash to fund decisions. However, this does have a negative impact on shareholder value. Whereas, repurchasing shares can be expensive, but by reducing the number of issued shares you will increase their value.

### Dividend (Finance)

The Dividend screen enables you to pay a dividend to your shareholders.

Dividend (\$)	1.20
Number of Shares	993,746
Total Dividend Paid (\$)	1,192,495

A dividend is an annual payment to provide a return on your shareholder’s investment in your company. The dollar amount paid is per outstanding share. Paying dividends can be costly, but it has a direct positive impact on Shareholder Value.

So if for instance you pay a dividend of \$1 per share, and you have two million shares issued, then you would pay a total of 2 million dollars in dividend payments.

## Corporate Takeovers (Optional Module)

Corporate takeovers is an optional module which gives companies an opportunity to invest in acquiring other companies in their industry, as well as facilitating higher performing companies to mentor those who may be struggling.

If this feature has been enabled by your course instructor a new *Takeovers* menu will appear at the top of your screen. This menu displays the companies available to bid on, which you have already bid on, which are owned by you, and which are unavailable for purchase.

**mikesbikes ADVANCED**

Home Marketing Operations Finance **Takeovers** Reports Rollovers

Owned by Me (0)	Bidding (0)	Available (4)	Not Available (0)
You do not own any firms	You are not bidding on any firms	<p>Cyco Min Bid \$35,800,000</p> <p>Hot Wheelz Min Bid \$29,600,000</p> <p>Wheelie Good Bikes Min Bid \$37,700,000</p> <p>Velocity Min Bid \$28,800,000</p>	All firms are available for purchase or are already owned by you

## Purchasing a Company

Purchasing an available company requires you to make a bid to all current shareholders to purchase their shares and become the company’s sole owner.

To make a bid select one of the available companies on the Takeovers menu:

**Takeover Bid**

*Bid for Velocity*

Minimum Realistic Bid (\$)

Profit Last Period (\$)

Your Bid (\$)

The right-side of the Takeover Bid screen lists financial reports for the target company so you can dig deeper into their current and past financial position.

All bids are processed at the rollover and results can be viewed through the Takeover menu. If successful, you will make the financial decisions for the owned company, its value will feature on your company’s balance sheet, you can pay yourself a dividend, and its share price will be added to your company’s own. This enables you to not only purchase an asset, but the opportunity to work with another company to help them grow, and in doing so, improve your performance too.

Note: The owned company retains control of all non-finance decisions.

## WILL MY BID BE SUCCESSFUL?

A successful bid is one that:

1. Is at least the minimum bid amount;
2. Is the highest bid (if there are competing bids); and
3. Does not breach Securities Commission Rules.

*How is the minimum bid calculated?*

The minimum bid is the market value (current market capitalization) of the firm plus a 40% premium to ensure you attract sufficient interest to acquire all current shares.

For example, if Firm A has 2 million shares outstanding at \$50 per share, then its current market capitalization is \$100m. The minimum realistic bid for Firm A would be \$140m.

This \$40m premium will appear as a one-off charge on your Income Statement. Be aware that this premium may cause you to record a large loss but keep in mind it is a one-off charge.

Note: You may wish to bid higher than the minimum to beat other potential bidders.

*What are the Securities Commission Rules?*

Regulations exist to protect competition in the bicycle industry by ensuring that one company does not have a total market share of greater than 50%. As such, you will not be able to make a takeover bid for a firm where the purchase breaches this rule. You will see these firms listed under the *Not Available* heading on the Takeover menu. However, it is possible to get complicated ownership chains where Firm A owns B who owns Firms C and D, provided that the Anti-Trust limits are not violated.

For more see: [Takeover Rules and Regulations](#) (also available within the Takeover decision screens)

**IMPACT ON YOUR COMPANY'S SHARE PRICE**

The share price of a parent company (the owner) is boosted by the share price of the subsidiary (owned company) and subsidiaries are treated as non-operating assets for the purposes of valuing a parent firm.

This contribution to the parent company's share price is:

*Subsidiary Market Capitalization / Parent Number of Shares Issued*

For example, if Firm A owns Firm B and:

- Firm A has 100 shares with an underlying Share Price of \$50
- Firm B has 50 shares with an underlying Share Price of \$40

Firm B's contribution to Firm A's Share Price is:  $50 * \$40 / 100 = \$20$

Meaning Firm A (parent) will have \$20 added to their share price.

ie. Firm A Share Price =  $\$50 + \$20 = \$70$

**Owner (Parent Company) Decisions**

Once you own a company you become responsible for all their finance decisions. Select the company you own through the Takeovers menu to make these decisions.

**EQUITY**

Increase or decrease your equity holding in the owned firm by purchasing shares from a share issue or selling shares back as a share buy-back. Enter the value of the shares you wish to purchase or sell back.

### Equity

*Invest to purchase Shares from Subsidiary or Divest to sell shares back to Subsidiary*

<input checked="" type="radio"/> Invest	<input type="radio"/> Divest	<input type="text" value="0"/>
Book Equity (\$)		7,127,524
Market Capitalization (\$)		34,124,121
Number of Shares		2,000,000

### DIVIDEND

Set an annual amount to be paid to shareholders as a cash payment.

#### Dividend

*Enter your Firm's Dividend Payment*

Dividend (\$)	<input type="text" value="0.40"/>
Number of Shares	2,000,000
Total Dividend Paid (\$)	800,000

### DEBT TO OWNER / DEBT TO BANK

Your subsidiary may require additional cash which can be sourced from either the parent company or the bank.

#### Debt to Owner

*Raise Loan to Owned Company or Repay Debt to Owner*

<input checked="" type="radio"/> Raise (\$)	<input type="radio"/> Repay (\$)	<input type="text" value="0"/>
Total Long Term Debt (\$)		0
Interest Rate (%)	<input type="text" value="0"/>	
Annual Interest (\$)		0

If you are unable or unwilling to continue to lend to a struggling subsidiary then you should cut your losses and sell your shareholding.

### Debt to Bank

*Raise or Repay Long Term Debt to the Bank*

<input type="radio"/> Raise (\$)	<input checked="" type="radio"/> Repay (\$)	450,000
Total Long Term Debt (\$)		1,350,000
Debt / Equity Ratio		0.213
Interest Rate (%)		8.00
Annual Interest (\$)		108,000

The Debt Equity Ratio determines how much banks are willing to lend to your subsidiaries.

### SELLING A SUBSIDIARY

You may sell the entire company back to the share market at large by choosing your subsidiary from the Takovers menu, and then clicking the *Sell Firm* button at the bottom left of the screen.

- The sale price is based on the share price of the subsidiary at the end of the period in which you choose to sell.
- This process takes a year. Any decisions you make for your subsidiary during the sale period will be void.
- Any loans outstanding when you sell your subsidiary will be written off as bad debt. Debt to bank is unaffected.

### What if it's my company that's been purchased?

You remain the managers of your MikesBikes company and retain control of all decisions except those under the Finance menu.

It is up to you whether you treat their purchase of your company shares as a merger or a hostile takeover. The company who has purchased your shares often has been more successful thus far. If you treat this as a merger this can be a great opportunity for you to work together to improve your company's performance as your improved performance feeds into their Share Price. So, we recommend discussing a partnership in where they can assist you with strategy and possibly invest further capital into your company (through a loan) to help your strategic position.

## CHAPTER 4

# Reporting

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## Report Shortcuts

### Company Home Page

Your company's Home page features shortcuts to your key reports:

**Industry Benchmark:** Compare key financial metrics against other companies in your industry; including Shareholder Value, Sales, Gross Margin, Profit and Cash.

**Market Summary:** Summary of the performance of all your products in comparison to your competitors.

**Product Summary:** The income, costs, and profit for each of your products.

**Market Research:** Key market research information covering market segments, customers, distributors, and operations. The information in this report is essential for making effective and competitive decisions.

**Saved Decisions:** Your currently saved decisions for the year ahead.

**Takeover Summary:** If takeovers have been enabled, then this shows all bids that were accepted or rejected and changes of ownership of companies.

**Scoreboard:** If enabled by your instructor this displays the course scoreboard which ranks all companies in your course by SHV.

### Top-Right Icons

At the top-right of the simulation interface the two icons below are shortcuts:



1. **Saved Decisions:** Opens the *Current Saved Decisions* report so you can check all currently saved decisions. These are the decisions which will be processed at rollover.
2. **Alerts & Notifications:** Brings back the initial login pop-up notifications which provides key results and information on making decisions for the year ahead.

### Live Forecast

Click on the Live Forecast widget at any time to view your *Forecast Results Summary*. This displays forecast sales revenue, gross margin and income for the year ahead, including a comparison with actual results from last year.

For more see the support article on [how to use the Live Forecast in MikesBikes Advanced](#).

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## Reports Menu

The Reports menu provides you with access to all your company's reports. Once selected, the left-menu categorizes reports according to the headings below.

### Key Reports

**Industry Benchmark:** Compare key financials of your company and your competitors; including Shareholder Value, Sales, Gross Margin, Profit and Cash.

**Market Summary:** See how your product(s) are performing in comparison to others in the industry.

**Product Summary:** The key results for your product(s).

**Manufacturing Responsiveness:** Summary of your factory capacity, capacity usage, and production process by year.

**Manufacturing Quality:** The key quality metrics and expenditures that combine to give your Quality Rating each year, including historical results.

**Market Research:** Important market information covering market segments and customers.

**Forecast Results Summary:** View forecast sales revenue, gross margin and income for the year ahead; including a comparison with actual results from last year.

**Market Share:** A pie chart showing market share for each company in the industry.

**Current Saved Decisions:** All of your currently saved decisions for the year ahead.

**Course Scoreboard:** See how your company ranks across your entire course (if enabled by your instructor).

### Marketing

**Market Research:** Important market information covering market segments and customers.

**Market Summary:** See how your product(s) are performing in comparison to others in the industry.

**Product Summary:** The key results for your product(s).

**Market Share:** A pie chart showing market share for each company in the industry.

**Distribution Summary:** View consumer shopping habits by market segment and your own distribution results.

### Operations

**Product Summary:** The key results for your product(s).

**Manufacturing Responsiveness Report:** A summary of your factory capacity, capacity usage and production process by year.

**Manufacturing Quality Report:** The main quality metrics and expenditures that combine to give your Quality Rating each year.

**All Firms Quality Ratings:** A line chart comparison the quality indexes for all companies in the industry.

## Finance

**Income Statement:** Sales revenue and costs of goods sold, finally calculating your Net Income (or loss). Also known as a Profit and Loss (P&L) Statement.

**Balance Sheet:** Statement of financial position, listing assets, liabilities and owner's equity.

**Cashflow Statement:** Statement of cashflows listing incoming and outgoing funds.

**Equity Movements Statement:** Details the change in owner's equity, including changes in share capital, dividends paid, retained earnings and other reserves.

**Economic Value Statement (EVA):** EVA is a financial metric which views the business as an investment which must produce a certain return on the capital invested in it. If it produces more than the required return, then the difference is the economic value created or added (EVA).

**Finance Information:** View finance related costs and decision limits.

## Forecast Results

**Forecast Results Summary:** Forecast sales revenue, gross margin and income for the year ahead, including a comparison with actual results from last year.

**Forecast Income Statement:** Based on currently entered decisions, a comparison of your forecast income statement against last year's income statement.

**Forecast Cashflow Statement:** Based on currently entered decisions, a forecast of incoming and outgoing cash for the year ahead.

## Historical Reports

A selection of key reports for each past year of the simulation.

## Search

The search feature enables you to conduct a keyword search across all reports.