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Cestovka – simulation game manual



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1 INTRODUCTION

The owner of the Czech travel agency Cestovka chose you as a management team that has the task of solving problems with cash-flow and bringing its company to long-term profitability. Initial management left the company after a year because it failed to achieve the expected results. You do believe, however, that you will be more successful.

Cestovka is a separate outgoing travel agency of medium size, which operates in Ceske Budejovice. For the first year of its operation, it has sold almost CZK 7 million in tours and has built a fairly stable position on the market, however, with a loss of over CZK 1.5 million. At the same time, it faces problems with cash-flow and its liabilities are rising, which may be very dangerous in the future.

The market on which Traveler operates is saturated with relatively strong local competition. The three most important competitors together have more than 50% market share.



1

¹ Získáno z https://farm5.staticflickr.com/4089/5187470260_4a92b2fc51_o_d.jpg.



2 DESCRIPTION OF THE SIMULATION GAME

As the company management you will need to make many decisions for each month (time step) of the game:

- **List price for summer tour package** - affects the amount of sold tour packages and total revenue
- **List price for winter tour package** - affects the amount of sold tour packages and total revenue
- **Last minute discount percentage** - affects the amount of sold tour packages and total revenue for the period when last minute is being applied
- **Number of months for the last minute discount application**
- **Deposit percentage** (max. 50%) - the deposit customers pay at the time of ordering, the rest is being paid in the month of the trip, it affects income, the amount of sold tours and revenue
- **Booking of FIX accommodation** - affects the availability of trips for a month +5 (eg. booking in January affects amount and price of available accommodation in June)
- **Booking of CONTINGENT accommodation** - affects the availability of trips for a month +5 (eg. booking in January affects amount and price of available accommodation in June)
- **Promotion budget** - influences the amount of sold tour packages, income and expenses

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

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

Total 24 months (2 simulated years) in which you will make your decisions. are waiting for you to make your decisions. Your decisions should be thoughtful and based on thorough economic calculations and planning. Also, consider changing the conditions in the external environment that you should respond to within 24 months - information about these changes will come automatically to you by email.

Do not forget to apply some principles of revenue management when setting pricing - tours are sold in advance and can be sold to different customer groups for different prices at different times.

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

2.1 Operation of the simulated enterprise

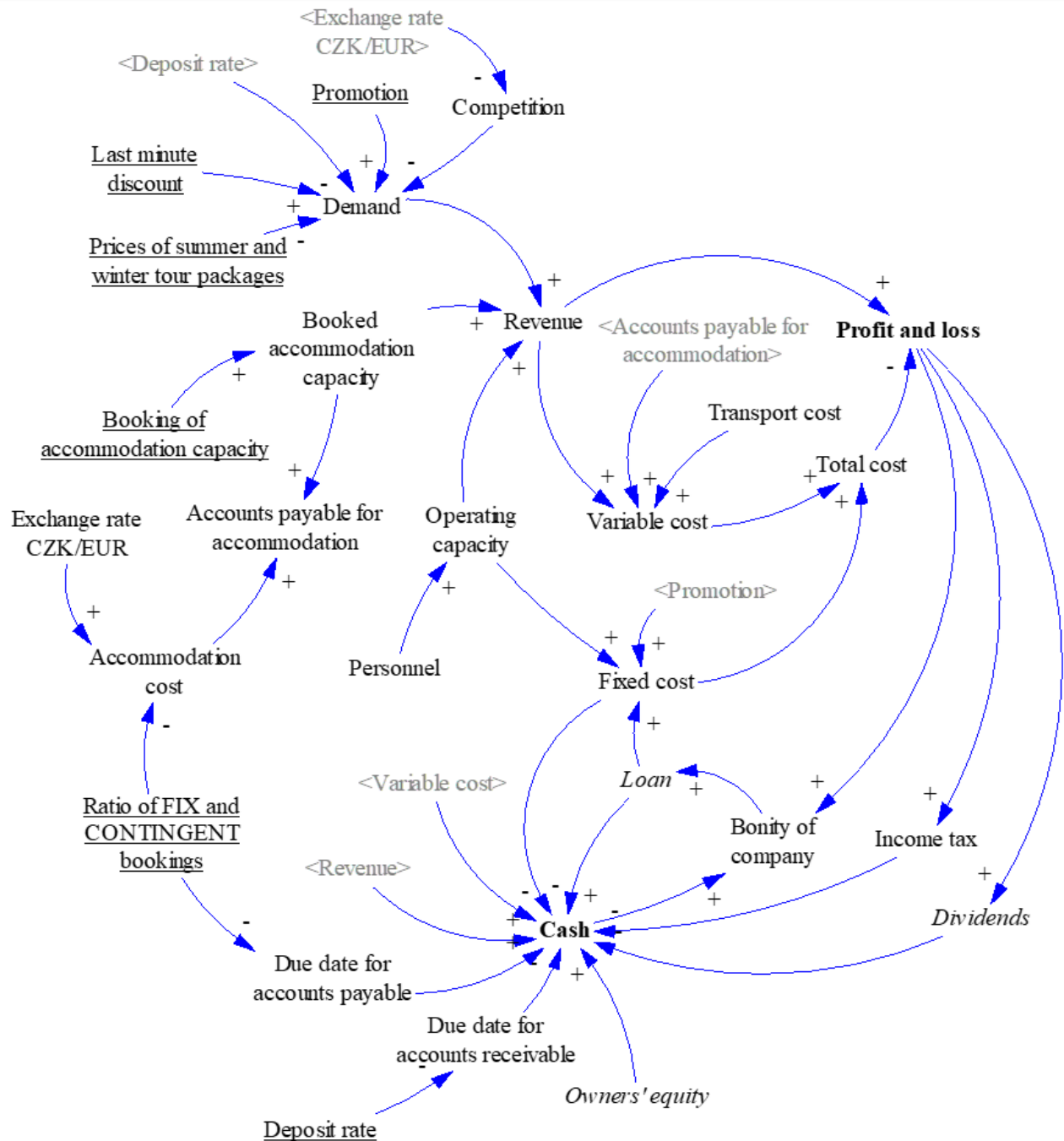
The following diagram shows causal relationships between the basic elements of the operation of the company Cestovka.

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

However, some of the effects may be limiting - for example, yields in this case depend on demand, inventory and operating capacity. One of these factors is always limiting, and if the others increase, it will not do the overall increase in revenue.

Underlined are factors that the management team can influence directly.

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



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

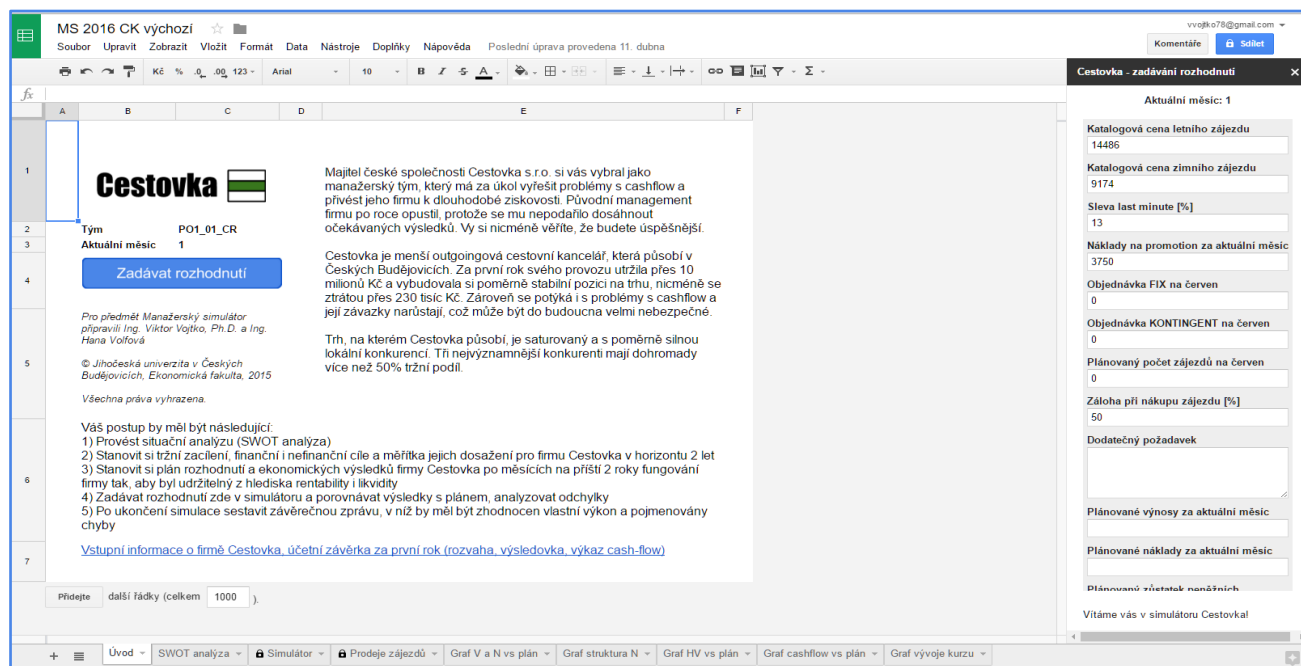
Based on your decisions and the computational model based on the above scheme, the simulator calculates each month's monthly sales and other business results you manage (revenue, costs, profit, cash flow, simplified balance sheet).

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

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

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

Example of the simulation user interface:



MS 2016 CK výchozí

Soubor Upravit Zobrazit Vložit Formát Data Nástroje Doplnky Nápvěda Poslední úprava provedena 11. dubna

Cestovka

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

Cestovka je menší outgoingová cestovní kancelář, která působí v Českých Budějovicích. Za první rok svého provozu utřila přes 10 milionů Kč a vybudovala si poměrně stabilní pozici na trhu, nicméně se ztrátou přes 230 tisíc Kč. Zároveň se potýká i s problémy s cashflow a její závazky narůstají, což může být do budoucna velmi nebezpečné.

Trh, na kterém Cestovka působí, je saturovaný a s poměrně silnou lokální konkurencí. Tři nejvýznamnější konkurenti mají dohromady více než 50% tržní podíl.

Tým PO1_01_CR
Aktuální měsíc 1

Zadávat rozhodnutí

Pro předmět Manažerský simulátor připravili Ing. Viktor Vojtko, Ph.D. a Ing. Hana Volfová

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Všechna práva vyhrazena.

Váš postup by měl být následující:

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

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

Přidejte další řádky (celkem 1000)

Úvod SWOT analýza Simulátor Prodej zájezdů Graf V a N vs plán Graf struktura N Graf HV vs plán Graf cashflow vs plán Graf vývoje kurzu

Cestovka - zadávání rozhodnutí

Aktuální měsíc: 1

Katalogová cena letního zájezdu
14486

Katalogová cena zimního zájezdu
9174

Sleva last minute [%]
13

Náklady na promotion za aktuální měsíc
3750

Objednávka FIX na červen
0

Objednávka KONTINGENT na červen
0

Plánovaný počet zájezdů na červen
0

Záloha při nákupu zájezdu [%]
50

Dodatečný požadavek

Plánované výnosy za aktuální měsíc

Plánované náklady za aktuální měsíc

Plánované vstřetání nadřazených

Vitáme vás v simulátoru Cestovka!

3 DESCRIPTION OF THE INITIAL SITUATION

3.1 Sales of the tours and revenue²

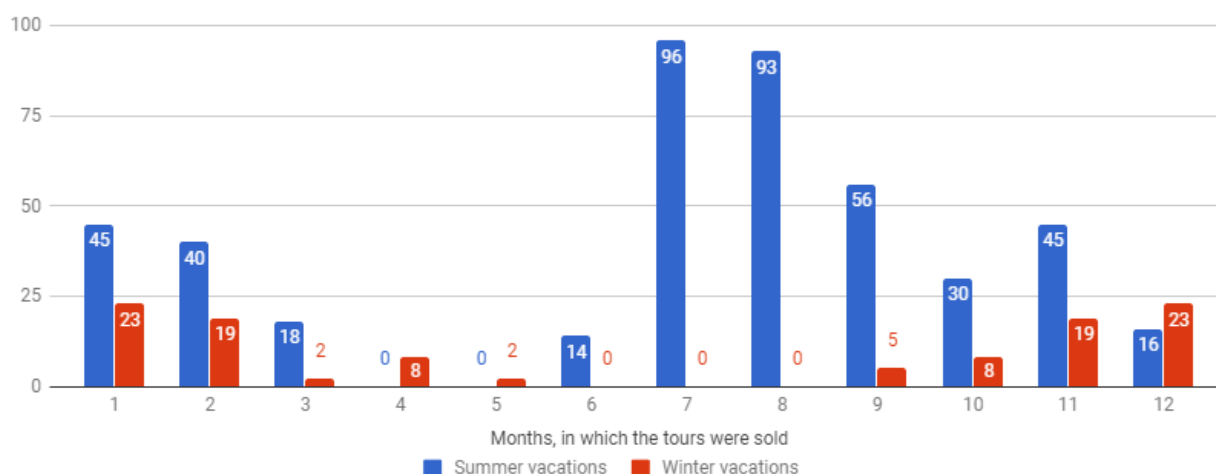
All revenue of the travel agency in the first year came essentially from the sale of the tours, with a total of 562 vacations, 453 summer and 109 winter.

Prices for individual vacations varied according to the time period. The following prices were set for the first year by marketing manager of Cestovka:

Average prices of trips (in CZK)	Summer vacation (SV)	Winter vacation (WV)
List price	CZK 14,486 / person	CZK 9,174 / person
Discounted last minute price	CZK 12,486 / person	CZK 8,360 / person

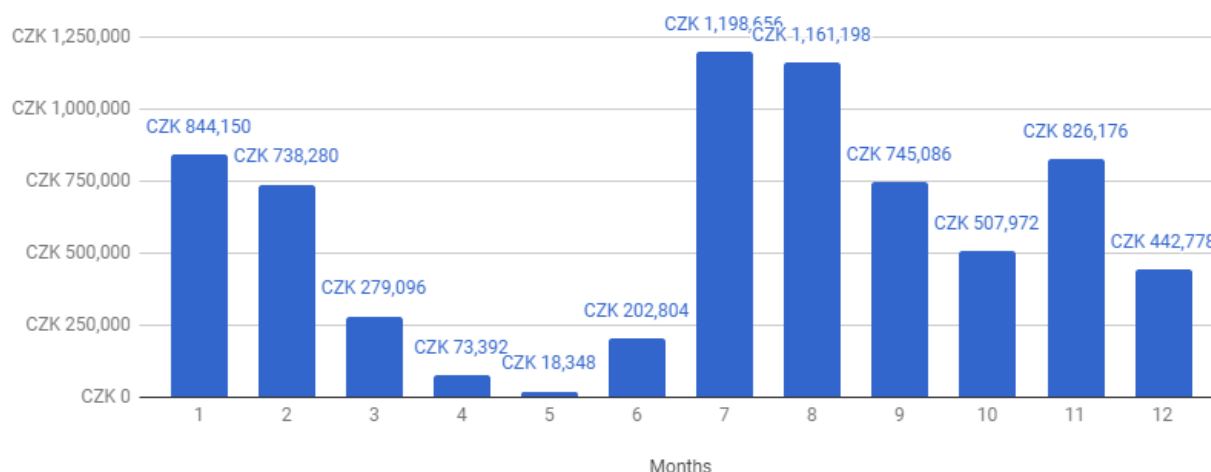
The last minute prices were applied when selling vacations during July, August and September for all trips to the end of the current summer season. The last minute prices for the winter vacations corresponded to the months of January and February. In the other months, tours were sold as standard at the list (catalog) price. The last minute discount averaged 13.3% in the first year.

Sales of tours in the first year

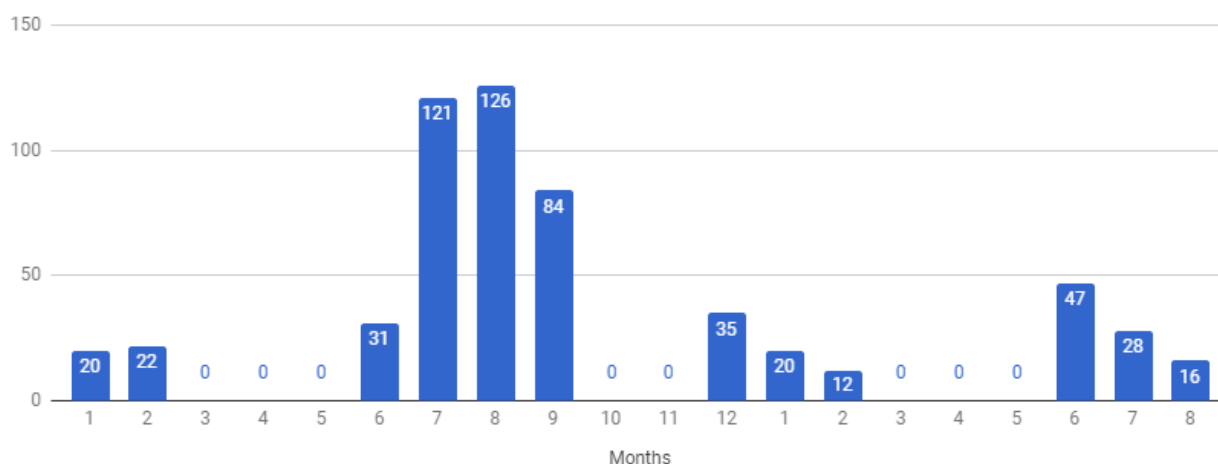


² Revenue for a given period is based on invoiced amounts, ie it may not be equal to income. The full price of a trip sold in January to June will be in revenue in January, but only the deposit will appear in income, the rest will be paid in the month when the trip is realized, ie in this case in June. From the time of sale to full payment, the unpaid part of the tour price is included in short-term accounts receivable.

Sales of tours in the first year - financial value



Tours sold in the first year according to their date of realization



In total, the company in the first year sold tours for CZK 7,037,936 of which CZK 5,426,142 was the revenues of the given year and CZK 1,611,794 was the value of tours with realization in the second year. In addition, CZK 900 for interest on deposit related to insurance against bankruptcy can be added to the revenue of the first year.

The margin of the travel agency makes up the difference between the sales and the calculated cost of the trip, the amount of which depends primarily on the success of negotiations with suppliers. In the first year, Cestovka got a margin of CZK 1,245,768 (with an average markup of 29.8% added to direct costs).

The original management planned to sell the tours for about CZK 9 million, which did not happen.

3.2 Investment

The owner has put a capital of CZK 1,000,000 into the firm and expects a return on his investment of about 10-15% per year.

In the first year, the following investments were made by the management in the amount of CZK 368,000 in the following structure:

- movable asset (car): 280,000 CZK
- other assets: 60,000 CZK



It was also invested in the reservation system (software), this investment represented CZK 28,000.

In the first year, the depreciation amounted to CZK 49,800 and, in the future, the same amount should be taken into account.

3.3 Budget of indirect cost for the last year

It was determined in the following breakdown:

Type of cost	Plan	Achieved results
Total consumption	CZK 209,000	CZK 302,000
... promotion (incl. web and catalogue)	CZK 15,000	CZK 86,000
... office rental	CZK 135,000	CZK 153,600
... other overhead (energy, phones)	CZK 59,000	CZK 62,400
Depreciation	CZK 49,800	CZK 49,800
Interest	CZK 16,470	CZK 16,470
Personnel costs	CZK 2,000,000	CZK 2,202,960
... management	CZK 1,500,000	CZK 1,688,400
... salespersons	CZK 500,000	CZK 514,560

Differences between the plan and reality were caused mainly by bad estimate of rental prices for office space. Promotion was also underestimated at first and had to be significantly increased over the course of the year as the original amount could not stimulate demand enough.

3.3.1 Impact of exchange rate changes

Due to the unexpected exchange rate changes, additional loss of CZK 8,680 occurred in the first year.

3.3.2 Compulsory travel agency insurance against bankruptcy

Compulsory travel agency insurance is an important part of indirect costs, but it is helpful to quantify the individual steps of the process separately.

The insurance limit was set up at 30% of planned sales at the beginning of the year. Of the total amount of the planned sales, the insurance fees are usually between 0.9% - 5%, depending on the potential risk. For smaller travel agencies this rate is lower. In the case of Cestovka, the rate was set up by Generali insurance company at 2.65%.

At the same time, in the first year, the insurance company required a deposit of at least 2% of the planned sales, which was returned at the end of the year with interest of 0.5%. For the next years, this deposit is no longer required by the insurance company. The insurance limit is based on 25% of last year's sales and due to the loss and higher risk has increased to 3.5%.

Insurance against bankruptcy calculation	
Planned sales	CZK 9,000,000
Insurance limit	CZK 2,700,000



Insurance fee - paid in the beginning of the year	CZK 238, 500
Return of the excess fee at the end of the year (according to the real sales)	CZK 54,900
Payment of the deposit at the beginning of the year	CZK 180,000
Return of the deposit at the end of the year including the interest	CZK 180,900

3.4 Budget of indirect cost for the next year

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

Type of cost	Planned result
Total consumption	
... promotion (incl. web and catalogue)	must be determined
... office rental	CZK 154,000
... other overhead (energy, phones)	CZK 63,000
Depreciation	CZK 49,800
Interest	must be determined
Personnel costs	
... management	must be determined
... salespersons	CZK 520,000
Insurance against bankruptcy	
... fee	must be determined

Indirect cost is distributed in the course of the year in a uniform manner.

3.5 Direct cost

Direct cost includes costs related to organization of tours - ie accommodation, meals, transport and delegates. It varies by season, summer vacations have different cost structure than winter ones.

Total variable cost for tours realized in the first year was calculated at CZK 4,180,374. Therefore, the average markup was 29.8%.

Apart from accommodation and meals, which vary according to the type of contract, the other costs arise and are paid in the month when the trip is realized.

3.5.1 Accommodation and catering

With accommodation facilities, you have three options how to book capacity. When considering the share of these arrangements, it is advisable to consider several factors, such as *different cost*, *necessity to have enough accommodation capacity in a given month* (without ensuring the capacity in advance, the tour can not be executed and the travel agency has to return the money to customers) and *risk of not being able to sell booked accommodation capacity* (mainly for FIX



contracts). The accommodation capacity in attractive destinations is limited, so you need to think about booking sufficient capacity in advance, especially if the trips are already sold to customers.

The most advantageous are the prices of so called FIX booking (another name can be a "guarantee"), You order and pay 6 months in advance (ie in January for June). However, you have to be sure to sell it because you do not get the money returned when you return it back.

A little bit higher price is then applied when capacities are booked as CONTINGENT (another name can be "allotment") which are also contracted 6 months in advance, but they are paid later (2 months in advance). Their advantage is that the spare capacity can be returned without any charge and the amount is usually reimbursed. Cestovka for example did not use 6% of the contingent capacity in the first year but got it refunded.

The last one, AD HOC capacity booking has the highest price. It is not necessary to order it in advance. However, the risk of AD HOC booking can be in absent accommodation capacity in the destination - so, it is not possible to rely too heavily on AD HOC booking.

In the following calculation, the prices of accommodation and meals, which are paid in €, are translated at a rate of 27.50 CZK / €.

Prices of accommodation and meals (in CZK, paid in €, conversion was made with exchange rate CZK / € 27,50)	Summer vacations	Winter vacations
FIX (GUARANTEE)	CZK 2,520	CZK 2,080
CONTINGENT (ALLOTMENT)	CZK 3,046	CZK 2,310
AD HOC	CZK 3,440	CZK 2,570

The share of individual types of contracts is not represented evenly, in the case of Cestovka the capacities were booked in the first year as follows:

Share of individual contracts in the total number of trips	Summer vacations	Winter vacations
FIX (GUARANTEE)	35%	29%
CONTINGENT (ALLOTMENT)	40%	48%
AD HOC	25%	23%

3.5.2 Transport

Transport and transfer rates (from and to airport) vary according to the destination distance for each type of tour. For the convenience of clients, mainly charter flights or comfortable buses were used for transport to summer destinations. Last year's winter vacations were exclusively served by comfortable buses.

Average transport cost per trip	Summer vacations	Winter vacations
Tickets, fare	CZK 5,429	CZK 700
Transfers	CZK 400	CZK 0



3.5.3 Delegates

During the first year there was a maximum of 9 delegates. The cost of these services was calculated for one trip of CZK 1,748.

3.5.4 Foreign exchange rate risk

The cost and revenue are also affected by exchange rate risk. This is particularly the case when the payment to the accommodation facility takes place in the month when the rate deviates from the calculated (CZK 27.50 / €). If the rate is higher, an exchange rate loss occurs, otherwise exchange rate profit.

3.6 Cash-flow³

For the operation of a company, it is necessary to maintain a minimum amount of cash at a branch at a level of at least CZK 50,000. This amount of money is reserved and other free funds are always used to pay outstanding payables. The maturity (due date) of the new trade payables is normally one month.

Receivables from customers are collected depending on the deposit policy - the amount of the percentage deposit can be changed, which affects both cash-flow and returns. In the first year of operation, the deposit was set at 50%, ie 50% of the tour package price was collected when the purchase agreement was signed. This deposit rate is also the maximum possible.

Cash-flow management is not entirely simple and requires careful planning and tracking of funds and flows of them. If there is a problem with the ability to meet your obligations, there is a real risk that the firm will face insolvency. It is therefore necessary to think of the financial reserves that should cover the period when the incomes are not sufficient to pay all the liabilities that are due at the time.

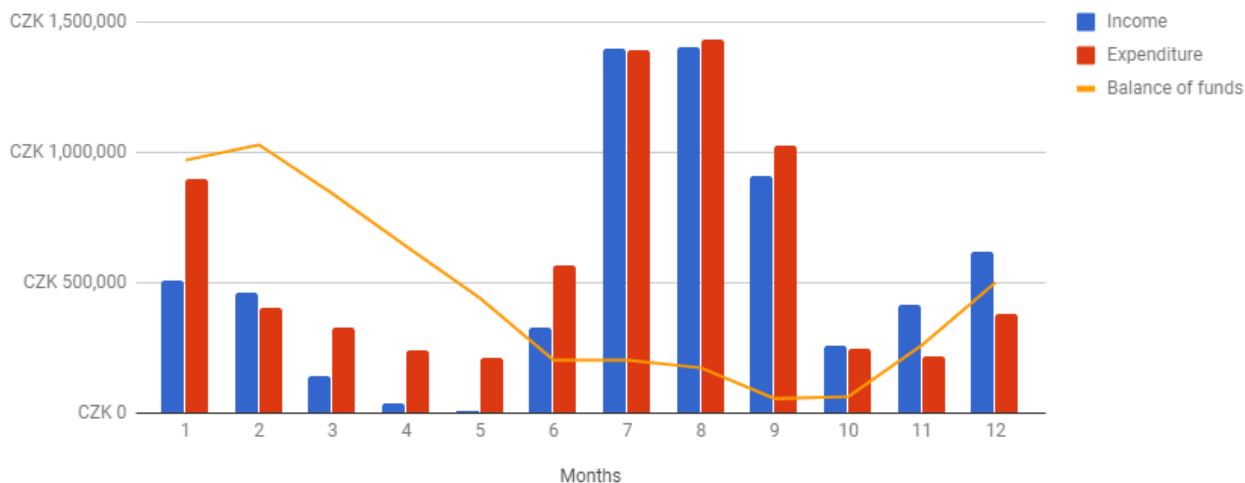
During the first year, Cestovka had cash-flow problems in September and October. The late payments were negotiated with the suppliers, the Social Security Administration and the health insurance companies, for a late payment they were charged with a penalty of CZK 6,000.

Eventually, Cestovka settled all its obligations to its suppliers by the end of the year, but it was a problem. In the coming years, this situation should not be repeated, which is a matter of planning the cashflow carefully.

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

The detailed development of the cash-flow in the months of the first year is in the following chart:

Development of income, expenditure and balance of funds



3.7 Loan

Since the start of the business, Cestovka had a loan of CZK 360,000. The maturity of this loan is 8 years, the principal is repaid after the quarter in the amount of CZK 11,250, the interest is repaid at the same interval based on the interest rate of 4.8% per annum. This interest rate is fixed for the entire period of repayment of the loan and the loan is primarily intended for partial financing of fixed assets.

The bank has also negotiated the possibility of one further increase of the loan in the case of a good cash-flow development under similar conditions as it was initially negotiated, ie an increase of 36,000 CZK, at 4.8% pa, with quarterly repayments of principal amount of 1,125 CZK.

3.8 Suppliers

Cestovka does not hold any permanent stock of goods as it mainly buys services.

The company's major suppliers include accommodation facilities (mainly hotels abroad). The booking principles and prices were already described earlier. The prices of each type of contract are negotiated regularly at the beginning of the calendar year and paid according to the type of contract.

Transport by comfortable buses is provided by the contractual company Autobusak with which individual prices are also negotiated at the beginning of each calendar year. The same is true of partner companies in transferring destinations.

Flights are sought after within the Columbus global reservation system, for which the license was paid at the beginning of the year of the first year of operation. This license is valid for 5 years.

3.9 Personnel

Cestovka is managed by a management directly subordinate to the managing director of the travel agency.

The management has four members including the managing director. Three assistants are assigned to him, each of whom is in charge of one specific area of travel agency operation. Specifically, it is finance and controlling, marketing (sales, promotion, product management) and operational matters (HR, suppliers, negotiation of contracts, records).

Personnel management cost for the first year of operation amounted to CZK 1,688,400 incl. 34% of the employer's contribution to social and health insurance. The branch also employs 2 full-time tour salespersons, whose personal expenses, incl. 34% of the employer's contribution to social and health insurance was CZK 514,560 for the first year. The gross wage of one salesperson is now on average CZK 16,000 (fixed wage), but in some periods (with strong demand) last year the capacity in the branch was insufficient.



In addition, the original management has not been very successful in working with staff, so corporate culture is relatively weak and staff is not very satisfied.

3.10 Market and marketing

The market on which Cestovka operates is saturated and with a relatively strong competition.

3.10.1 Demand side of the market - consumers

The relevant potential market represents 40,000 households, which on average spend for recreation and culture on average 10.2% of their income (about CZK 11,823 per year). Their total expenditure and thus the financial volume of the market in one calendar year is about CZK 473 million. The market share of Cestovka for the first year was about 1.3%.

The market stagnates in terms of volume and it is seasonal which is typical for tourism products. There are two groups of customers on the market - those who buy in advance and those who buy in the last minute. The use of discounts on last minute trips should therefore primarily respect the availability and use of booked accommodation capacities.

When selecting a travel agency, potential customers are influenced by the following factors:

- vacation price level, the personal preference for individual destinations, the quality of the staff and the services provided, and the deposit policy of the travel agency
- effect of promotion (relative to the promotion of competition)

In addition, the demand is broken down for winter (December, January, February) and summer vacations (June, July, August, September) as follows:

Sale of tours (%)	Summer vacations	Winter vacations
January	25.74%	19.00%
February	8.05%	16.00%
March	2.25%	11.00%
April	0.00%	7.00%
May	0.00%	2.00%
June	2.07%	0.00%
July	17.03%	0.00%
August	18.51%	0.00%
September	10.12%	4.00%
October	7.01%	7.00%
November	6.80%	16.00%
December	2.42%	18.00%

3.10.2 Supply side of the market - competitors

At present, the following companies with significant market position are active in the relevant market of travel agencies in Ceske Budejovice:

- MIXE Tour (1 central branch, 2 branches in shopping centers) - market share 25.8%
- DOCEK (1 central branch, 1 branch in a shopping center) - market share 18.7%
- Fira Tour (1 branch in a shopping center) - market share 15.2%
- SCHNECKERMANN (1 branch in a shopping center) - market share 11.1%
- Herfish (1 branch in a shopping center) - market share 5.4%
- Cestovka (1 branch in a shopping center) - market share 1.3%

The rest of the market is fragmented and represents a number of small independent travel agencies or internet trade of companies without direct representation in České Budějovice (market share of about 22.5%).

Travel agency profile - MIXE Tour

This travel agency started its activity in 1993 and has long competed with DOCEK for a leading position on the Czech market which has MIXE Tour eventually got. This company has its subsidiaries all over Europe and MIXE Holding is therefore often presented as the largest Central European tourism giant.

MIXE Tour, as the first Czech travel agency, has started to operate separate long-haul charters, bringing the prices of exotic stays closer to the possibilities of clients from the Czech Republic. At the same time it debuted as the first travel agency with a millionth customer, and thus holds a record in the modern free travel business. With more than 41 branches in the Czech Republic, it is not represented the most, but it has the largest market share.

The strategy of the company's development is very active, it is constantly expanding its offer of air travel to the desired destinations and as the first one usually reflects the needs of demanding clients.

In the early stages of its development, it specialized in Egypt, and this is no longer the case. Its portfolio is extremely diverse, but the offer is very well targeted to individual segments of customers. At the same time, the services in the destinations are at a high level (according to the total level of the sold tours), the equipment with qualified delegates is currently the highest on the Czech market.

This company also significantly invests in promotion. It uses all communication mix tools, with emphasis on media presentation, press advertising and loyalty programs. The promotion costs per one branch are over CZK 200,000 per year.

Travel agency profile - DOCEK

This oldest Czech travel agency has a very long history of great trust and loyalty of its clients throughout the Czech Republic. Despite not very favorable development of outbound tourism, it still holds a very strong position, which is not endangered by the insolvency of the company.

At present, this brand is represented throughout the Czech Republic and with more than 50 branches is one of the strongest companies in the field of recreation. It has direct representation abroad.

In Ceske Budejovice, DOCEK has one central branch and another in a shopping center, making it locally the most important competitor in terms of turnover.

Profiles as a multifunctional travel agency, with a wide variety of destinations. The price is rather higher but the quality is the same as the range of services offered (eg own children's club in all the most popular destinations.)

The chain is currently stabilized in the long run, so it is more likely to be a passive tactic aimed at maintaining the market share rather than aggressively seeking new customers. The reaction of this company to local competition is not obvious, it rather reflects the overall policy of the company.

DOCEK communicates primarily in the form of billboards and other printed materials (catalogs, leaflets), but also invests in a media (especially web) presentation. At the same time, it operates its own loyalty system and the average cost of promoting one of the premises for the past year can be estimated at a budget of CZK 120,000.

Profile CK - Fira Tour

This travel agency has been operating on the Czech market since 1990 and it is currently amongst three largest chains. It now has 28 branches, but it publicly shows its interest in opening another 5 branches within 2 years. Therefore, the strategy of the company will be focused on the active acquisition of new customers.

The company's offer is also very wide and includes a relatively large number of destinations. He is very focused on the last minute, and he also communicates this type of tour very much.

The responses of this company to local competition are also not very noticeable, given the size.

As mentioned above, promotion is primarily aimed at communicating the advantage of last minute trips, but the company all year long communicates the specific benefits that travels with it and has its own loyalty system for a long time. However, promotion costs can not be determined in this case.

Profile CK - SCHNECKERMANN

This foreign travel agency is a subsidiary of ThomasLook, the second largest player in the industry across Europe. More than 2400 travel agencies with more than 31,000 employees are under ThomasLook.

This company has only recently entered the Czech market, building its image at the moment. That is why marketing communication - focused on society rather than on products itself - is adapted.

At the moment, its greatest competitive advantage is the possibility to choose from many European airports to travel to the destination, which is extremely advantageous for clients outside of Prague due to lower prices and higher travel comfort. It also has the largest selection of exotic and remote (US, Japan, etc.) destinations.

What development strategy will be chosen by the company in the future is currently very difficult to predict, mainly due to its current beginning of operation on the Czech market.

Profile CK - HERFISH

This Czech travel agency has been operating since 1990 when it entered the market in order to significantly increase the comfort of travel. It did, but a number of inappropriate steps and poor marketing campaigns pushed it out of the forefront of client interest.

In the long run, it therefore focuses primarily on maintaining a share in the most popular destinations and communicates above all cost-effectively for cost-sensitive customers.

In recent years, however, it has embarked on a strategy of significant differentiation, and it works more at the level of its subsidiaries. The most important of these is the NEV-GAMA, specializing in winter holidays, which have become more successful in recent years. Another successful daughter is CK Privilegium, which focuses on traveling the most prolific customers.

Overall, therefore, it is very difficult to predict what strategy the company will rely on, it is necessary to monitor in the long term the development of the most successful daughters. For this reason, it is not possible to estimate how much it spends in promotion.

Independent travel agencies

Independent travel agencies are quite different from each other, but they are not able to achieve prices such as bigger ones, so their price level is on average higher. They therefore focus more on local clients only, with an emphasis on making the most profits at the time of last minute tours.

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

A fairly large share of the market share is taken by Internet companies whose success in the future significantly determines the development of the travel agency market as they are able, thanks to lower costs, to achieve significantly lower final vacation prices.

Their development is currently only hampered by the rigidity of clients, which is expected to decline steadily, given the development of consumer confidence in online shopping.

3.10.3 Marketing mix

Destinations to which Cestovka organizes tours are automatically adapted to the preferences of their customers. Therefore, the choice of destinations does not need to be done in the simulation, although in reality it would be one of the most important decisions.

However, the price level of the tours can be changed arbitrarily, in the form of a surcharge. The markup for the first year results from the financial statement data and reflects the market's basic requirements and, above all, the quality oriented client segment at a reasonable price.



The location of the branch is not meaningful to change because it is at a very advantageous position in a frequently visited shopping mall with a constant flow of customers and a reasonable negotiated rental price, even though the rental costs for the first year were estimated much lower.

Promotion boosts sales of tours and, at the same time, partly the image of the company. It strives to act on the customer not only with the price but also with the quality. However, the force of its action is always relative. It depends on the strength of the competitors' promotion; if all maintain the same force of action, the distribution of the total force remains the same.

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

In the past year, CZK 45,000 was issued for promotions, which mainly covered printing of catalogs directly for the branch (non-distributed outside), internet advertising (banners, SEO), creation and management of the company's website and printed advertising in the immediate vicinity of the branch.



3.11 Initial financial statements

3.11.1 Profit & loss statement for the year 1

P&L Statement

CZK

Product sales	5,426,142
Cost for purchasing travel services	63,856,617
Margin	15,325,588
Inventory losses	1,187,733
Gross profit	14,137,855
Store employee costs	9,060,000
Store maintenance and improvements	980,000
Water, electricity and heating	1,205,000
Consumables	900,000
Marketing cost	1,400,000
EBITDA	592,855
Depreciation	2,133,000
EBIT	-1,540,145
Interest	2,340,000
Income tax	0
EAT	-3,880,145
Dividends	0



3.11.2 Balance sheet for the end of year 1

Balance Sheet

CZK

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

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

4 GAMEPLAY

This business simulation game is divided into several parts:

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

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

4.1 Division of roles and team work

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

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

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

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

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

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

The following principles are recommended for team work:

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

Partial task:

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

4.2 Introductory situation analysis

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

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

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

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

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

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



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

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

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

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

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

Sub-task:

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

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

4.3 Defining goals and preparing the plan

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

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

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

1. We will find out how much money have owners invested into the company (see Balance sheet, owners' equity of CZK 1 million).
2. We will determine the expected rate of return on the investment - usually about 10-15% per annum. This rate of return should respect business risk, therefore it should be higher than for less risky investments, for example when depositing money in a bank.
3. I.e. owners should earn a profit share of at least about CZK 100 - 150 thousand CZK per year.
4. Since only profit after tax can be split, the minimum profit before tax on income tax of 19% must be adequately higher. In this case approximately between CZK 123 and 185 thousand.
5. At the previous point, we determined the amount of profit before tax if we only wanted to satisfy the owner and pay income tax. However, we sometimes need to generate profits also for reserves, reducing long-term debt and future investment. Therefore, it would be realistic to aim to earn at least about CZK 350 - 600 thousand in pre-tax profit per year.

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

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

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

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

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

Sub-task:

In the team, discuss the situation analysis and determine:

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

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

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

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

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

Partial Task:

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

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

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

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

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

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

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

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

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

Let's try to show it on a concrete example based on the first year's results of Cestovka. If we expected the second year of business to look the same as the first one, we can expect annual revenue from the sales of tours in the amount of CZK 5.4 million with an average markup of 29% (this is the variable cost of services acquisition of about CZK 4.2 million) and

fixed costs were CZK 2.6 million. Once it is put into the formula, the profit is at the level of CZK -1.4 million, which is close to what it actually was.

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

A. Determining the planned profit or loss	
We need to know in advance:	
... Revenue forecast	CZK 5,400,000
... Fixed cost for the one year period	CZK 2,600,000
... Average markup in %	29,00%
Can be calculated:	
... Margin in % of revenue	22,48%
... Forecast of variable cost	CZK 4,186,047
... Forecast of profit & loss	-CZK 1 386 047

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

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

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

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

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

In the case of a marketing communication budget, the estimate of the effect is more complex because this relationship is not linear. However, it can be said that if the marketing communication budget is about the level of competition, the demand will be standard, if this expenditure is double, the demand will be about 25% higher and at a maximum of 4 times the increase, ie 50% increase in demand.

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

Using this consideration in the table above, we can assume that an increase in the marketing budget of CZK 130,000 per year will, in otherwise unchanged terms, increase sales by 50% (from CZK 7 million as achieved in the first year).

Therefore, if we change the revenue forecast as well as fixed costs appropriately, we can easily verify how much this change will move us toward our goal. As you can see, this has improved, but not enough, compared to the previous one. So we should look for further adjustments to the decision that will bring us closer to the target.

A. Determining the planned profit or loss	
We need to know in advance:	
... Revenue forecast	CZK 10,500,000
... Fixed cost for the one year period	CZK 2,730,000
... Average markup in %	29,00%
Can be calculated:	
... Margin in % of revenue	22,48%
... Forecast of variable cost	CZK 8,139,535
... Forecast of profit & loss	-CZK 369,535

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

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

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

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

Partial Task:

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

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

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

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

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

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

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

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

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

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

	Month 1	Month 2	Month 3	Month 4	...
Balance at the beginning	2,000	2,500	3,500	2,500	...
Total income	15,000	20,000	22,000	26,000	...
Total expenditure	14,500	19,000	23,000	25,500	...
Balance at the end	2,500	3,500	2,500	3,000	...

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

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

Sub-task:

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

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

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

- Lack of ordered capacity can mean a refund for unrealized tour.

- If it is clear how many capacities are needed, it is advisable to order them at the lowest price (FIX / GUARANTEE). AD HOC should be used only for unexpected last minute sales.
- Last minute discount makes sense especially if there are unsold capacities.
- Keep track of exchange rate development, based on exchange rate profits and losses. Depending on the exchange rate estimate, it is possible to change prices while maintaining the same margin.
- If we want to keep revenues on the rise, we need to compensate for the cost of reward - for example, by strengthening marketing communication. However, it also has its limits and does not work linearly.
- If the enterprise does not have sufficient funds, the old unpaid liabilities are growing. If they rise for three consecutive months, there will be penalties due to insufficient cash-flow.
- Dividend policy is set at 30% of the profit after tax, but this does not mean that negotiations can not be changed if necessary, especially in the case of cash-flow problems.

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

Simulator technical information

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

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

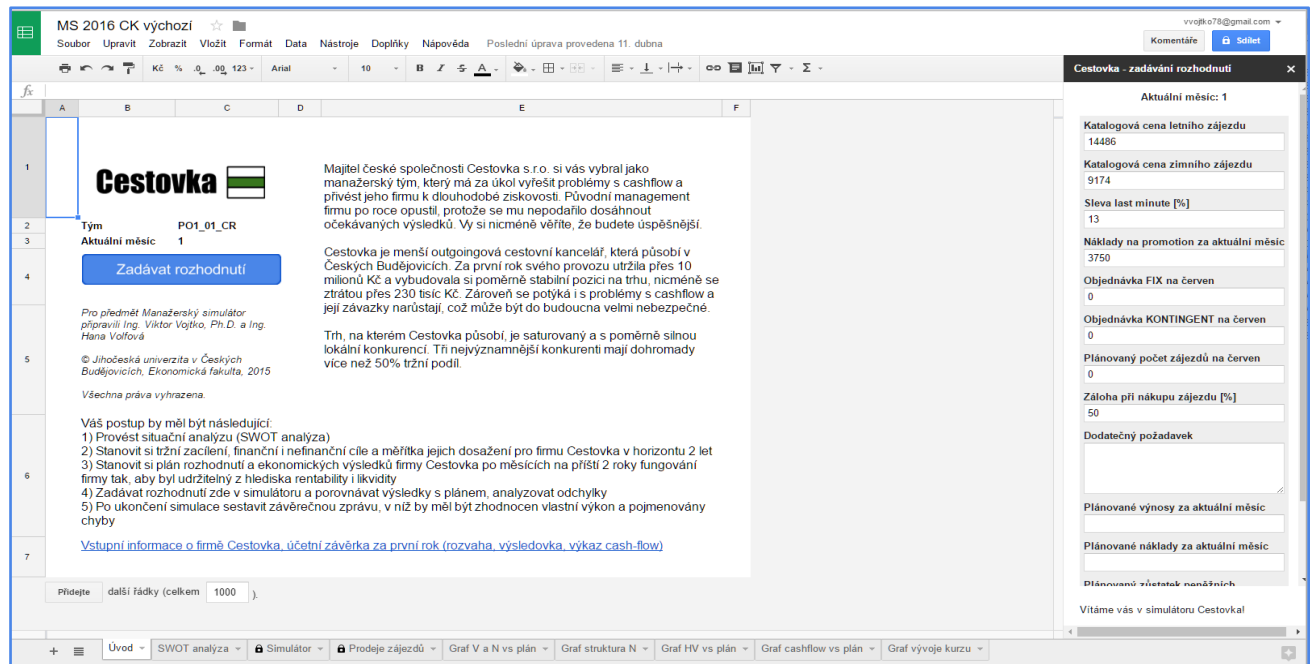
In the decision making window there are also other items that need to be filled in:

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

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

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

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



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

Analysis of achieved results

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

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

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

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

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

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

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

Partial Task:

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

Review of situation analysis

Apart from the analysis of the results achieved, it is also appropriate to review the situation analysis and its objectives and measures at least once in the simulated year. Usually, it does not change much, but at times it is necessary to respond



to significant changes both in terms of the internal situation of the company and of the external micro and macro environment.

Task:

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

4.5 Final report elaboration

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

The final report should be structured as follows:

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