



First Person: What it's like to simulate a dairy business for class credit

by Laura Winger

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I belong to a group of ASU students that is running simulated multimillion-dollar dairy companies this spring.

We are involved in the Global Marketing Game, run by a company in Spain. Our performance in the game determines whether or not we receive course credit for our participation in the game.

The game, and thus the class, has neither right nor wrong answers. Nobody scores any points for answering questions correctly on a test. The decisions one team makes are compared to the other teams' decisions. Just as in a real market, the success of one company depends on the competition, so the simulated market performance determines which teams did the best.

The class is organized by management professor Lawrence Beer and economics professor Josef Brada. There are eight teams, made up of three students each, participating in the game through the course at ASU. Worldwide, more than 3,000 teams and individuals have been competing in the simulation game.

"Competing with other students and professional managers from around the world is an excellent experience," Beer said. The game gives students "an opportunity not often offered in a state university."

In addition to the benefits of learning and the class credit, there are cash prizes for the winning teams and a trip to Madrid, Spain for the teams competing in the last round. Last year, one of ASU's four competing teams "got as far as the pre-Madrid round," according to Brada, "so [they placed in] about the top 25 teams."

Brada said he thinks the game teaches how business strategy is approached by different people in different ways.

"Working out a consensus is not a matter of right or wrong, but of accommodating other peoples' attitudes and mindsets," Brada said.

The simulation consists of decision sheets, results and optional market research, as well as general information for players to consider while making their decisions. Each week, we might have to more than 200 decisions prior to sending in our decision files. Each week in the simulation represents a whole year, so all of one year's decisions have to be made at once.

Edward W. Miller, an accounting senior, got involved through a friend. He said the hardest part of the game is "attempting to predict the moves of the other teams."

CJ DeVoll, a supply chain management junior, is participating in the game because he thought it sounded interesting. He said that the hardest thing about the game is "spending time to find out all the costs."

The first round, which concluded March 2, included three sets of decisions for three hypothetical years. For the first round, each team competes with four other teams. The top three of the five teams move on to the second round, where they will start all over again with a clean slate.

There were several decisions for which DeVoll's team had to make a guess in the first round, but the second round would reflect what they've learned.

"Some marketing strategies were tested to find out if they work or not," DeVoll said, adding that his team will be more competitive in the next round.

Miller said he expects more competition, but his team intends to be aggressive and dominate the market.

"We have a very good model for predicting our unit price that we refined in the first round," Miller said. "We will use that to accurately price our product to capture market share."

Most of the decisions that the teams make are quantitative. In some cases there are minimums and maximums, and in other cases the numbers used to make a particular decision have to be integers or divisible by 500. Beyond those basic limitations, the teams are unrestricted in choosing salaries, prices, amount of raw materials to purchase, number of trucks to use for shipping and many more similar decisions.

There are 35 decisions that are purely checkbox options. They all cost at least a few thousand Euros, making each of the all-or-nothing questions tough to decide upon.

In addition, 27 decisions have multiple choices. The simulation designates the choices, and the teams have to weigh the advantages and disadvantages of each in order to choose the best option.

The Global Marketing Game breaks the decisions into five categories: production, finance, marketing, logistics and human resources. More than 75 percent of those decisions have to do with marketing, which includes prices of the products in up to three regions and three distribution channels, choices of advertising campaigns, media for advertising, and budgets for promotions.

If that doesn't sound hard enough, we had to predict the effect of each decision and how each decision interacts with others.

"Sometimes I don't think there is enough information given," Miller said, "to figure out the effects on pricing of a particular decision."

We're learning how to make efficient use of time and resources, which Brada said is just part of the game.

"In running a business you have to balance both the money and the effort that you spend on different activities," Brada said.

"Usually, none of the classes we teach force students to contemplate such conflicts and tradeoffs," he said.

The results of the second round will be available on March 31. I wish all the participants good luck.

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