

NATIONAL INSTITUTE OF INDUSTRIAL  
ENGINEERING, MUMBAI



EMPRESARIO 2010

*...celebrating the spirit of entrepreneurship*

*Presents*

**Spardha'10**

*- The battle of nerves*

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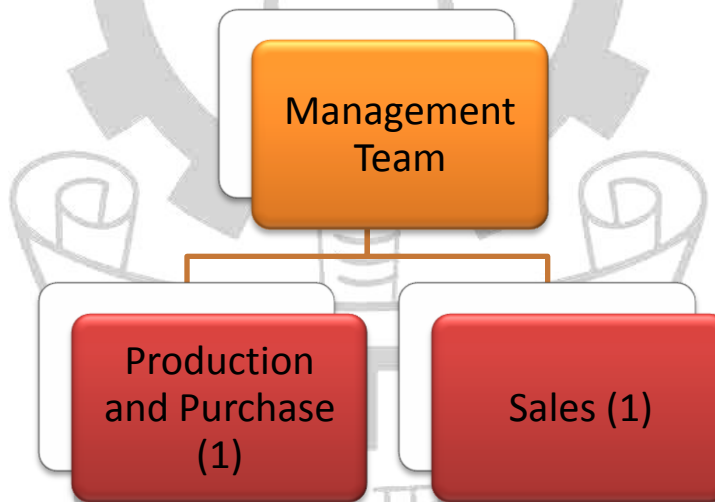
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# BELL's BUSINESS

## 1. Situation

- You are a member of the management team of a company which produces one product – **The “Bell”**
- In your assumed capacity you will be required to make a series of decisions affecting your selling price, marketing expenditure, buying price and purchasing policy.
- You may organize the work of your management team in whatever way you wish and keep whatever records seem most appropriate to you in order to accomplish your tasks as effectively as possible. However certain records should be maintained at the request of the Umpire.
- The structure of this management team (consisting of 2) can be described by the following chart:



- Your company obtains raw material and processes this into finished BELLS, which it sells to customers who expect delivery from stock.
- Advertising space is available in the trade journal, should your company wish to use it.
- The market for BELLS is competitive – other companies are also operating in this market.
- All the business is conducted in mythical currency – the UN.

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## 2. Detailed Responsibilities

- **Sales:** Responsible for fixing selling prices, placing advertisement with the trade journal, carrying out inter-company sales and maintaining good customer relations.
- **Purchase & Production:** Responsible for obtaining supplies of raw material, controlling stocks of raw material, fixing the production level (i.e. the quantity to produce), controlling stock of finished BELLS, carrying out inter-company purchases and maintaining good customer relations.

## 3. Sale of BELL's

- In an entirely different capacity the Umpire also represents the market to which you sell. It must be stressed that there is no connection at all between the Umpire acting as supplier and the Umpire acting as customer. He is acting under instructions and procedures which keep his functions quite separate.
- Unfortunately no accurate records have been maintained in the past; brief notes which are available, gives the following information regarding the pattern of sales demand (i.e. orders received from customers):
  - There appears to be no systematic pattern, demand is not heavier in any particular months of the year.
  - Demand does seem to respond favorably to reductions in selling prices.
  - Last year, when selling price varied around UN 50 per thousand units the following demand was experienced:
    - The highest was about 130,000 units in any month
    - The lowest was about 70,000 units
    - Most months' demand varied between 80,000 and 120,000 units.

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Normal terms of trade are such that customers expect orders to be met from stock, they suffer great inconvenience if their orders are not met immediately and it is customary to pay them compensation at the rate of UN 20 for every 1,000 units which cannot be delivered due to stock shortage. Orders which cannot be delivered due to stock shortage must receive priority for delivery in the following month. Sales are strictly cash on delivery.

If you have not adequately controlled your purchasing policy, your marketing policy could result in your company obtaining a share of the total market in excess of the total units you have available for sale. Should this unfortunate situation occur, you will lose the excess sale (unfulfilled demand cannot be carried forward) unless you can come to some **speedy arrangement** with one of your competitors who might have surplus stock available and so prepared to sell some to you at a mutually agreed price.

**Please NOTE that no such arrangement must be made with an individual competitor unless the Umpire is present.** The Umpire will play no part in the negotiations but he will control the conduct of this Business Game. All approaches to competitors must therefore be made through the Umpire in the first place.

#### 4. Advertising

Your company needs to place an advertisement in the trade journal, which offers the following facilities:

Only one advert may be placed per month, which is either

- Quarter page cost                      UN 50 per insertion
- Half page cost                              UN 75 per insertion
- Full page cost                                UN 175 per insertion

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## 5. Material

Orders for raw material incur an administrative cost of UN 10 per order (Known as order placing cost). **Orders placed will be delivered in the following month.**

No order was placed on your behalf last month.

- 50,000 units      UN 12 per 1,000
- 100,000 units    UN 10 per 1,000
- 150,000 units    UN 9 per 1,000
- 200,000 units    UN 8 per 1,000

Orders are acceptable only for the above quantities. Terms are strictly cash on delivery.

## 6. Production

At the beginning of the game your factory is set up to produce at a production level of 95,000 units per month. Changes in production level, up or down, may be made each month and these have **immediate effect**. However the nature of production is such that changes can only be made in steps of 5,000 units, i.e. each change in production level will be a multiple of 5,000.

Once a decision has been made on a production level, the factory will automatically continue to produce at this level each month until the level is changed by subsequent decision.

There is unlimited production and storage capacity. However clearly production is not possible unless raw material is available in the appropriate quantity. Cost of production is as follows:

- UN 20 per 1,000 units produced.
- Plus UN 10 for every 1,000 units change in production level up or down (i.e. a change of 15,000 will cost UN 150)

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## 7. Stock

At the beginning of the exercise you have the following stock:

- Raw material ..... 150,000 units valued at UN 10 per 1,000
- Finished BELLS..... 50,000 units valued at UN 30 per 1,000

Further cost is incurred for unused stock carried over from one month to the next (“stock holding cost”) calculated on any stock on hand at the end of each month as follows:

- Raw material..... UN 2 per 1,000 units held in stock
- Finished BELLS..... UN 3 per 1,000 units held in stock

## 8. Overheads

In addition to any expenses referred above, your factory must pay overhead expenses at the rate of UN 2,000 per month.

## 9. Cash and Bank

At the beginning of the game you have a NIL cash and bank balance. You should avoid running into overdraft (i.e. negative cash balance) if at all possible but if you cannot avoid this you will be charged a nominal interest rate of 1% calculated on any negative balance at the end of any month.

## 10. Sequence of Operation

This Business game will adopt the following sequence:

1. You will make the necessary decision for month 1
  - a) Selling Price per 1000 : Integer between 1 to 100
  - b) Advertising: Full Page (UN175), Half Page(UN75),or Quarter Page(UN50)
  - c) Raw Material Ordered ('000s units): 50 (UN 12 per 1000), 100 (UN 10 per 1000), 150 (UN 9 per 1000),or 200 (UN 8 per 1000)
  - d) Change in Production Level ('000s units) : Multiple of 5
2. This sheet is then submitted to Umpire who will indicate your sales demand and return the sheet containing following information to you.
  - a) Raw Material Closing Stock ('000s units)

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b) Finished Goods Closing Stock ('000s units)

c) Closing Stock Shortage ('000s units)

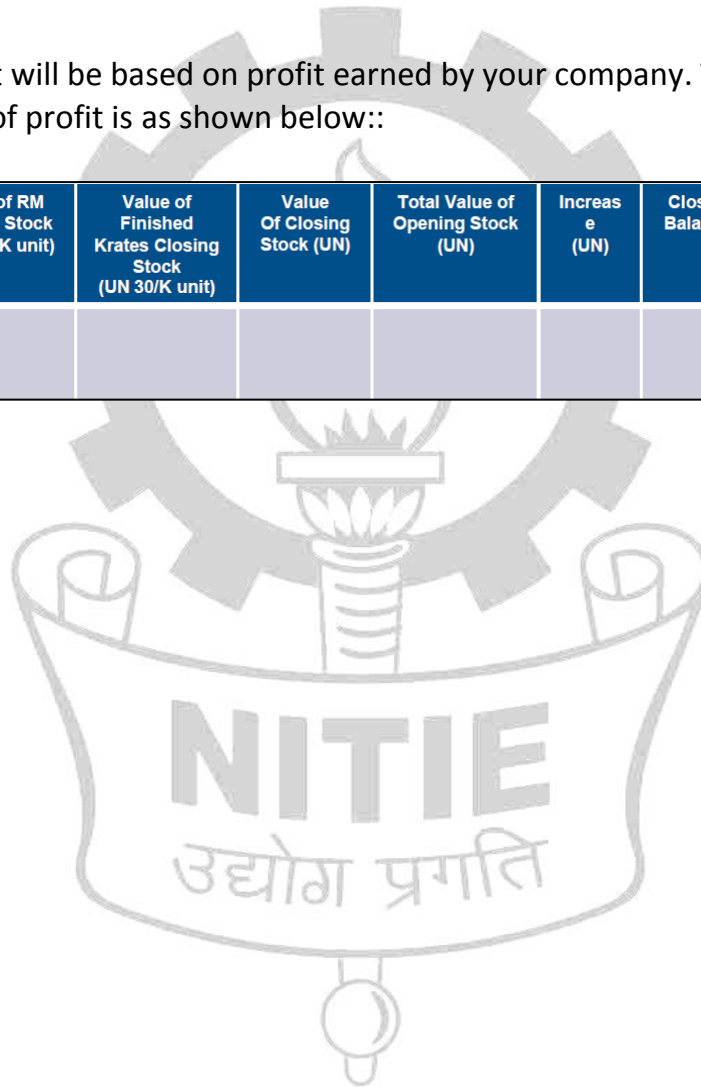
d) Closing Cash Balance (UN'000s)

3. Inter-company sales/purchases are performed if desired.

4. Sequence 1 to 3 is repeated month by month for unspecified number of months.

5. The result will be based on profit earned by your company. The basis for calculation of profit is as shown below::

Team	Value of RM Closing Stock (UN 10/ K unit)	Value of Finished Krates Closing Stock (UN 30/K unit)	Value Of Closing Stock (UN)	Total Value of Opening Stock (UN)	Increase (UN)	Closing Cash Balance Stock (UN)	Profit (UN)



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## Rules of the game...

1. Spardha is open to all students of management and technology institutes.
2. Each team should consist of exactly two members.
3. Members of a team need not necessarily be from the same institute.
4. There can be any number of participating teams from one institute.
5. The Member of a team can't register in more than one team.
6. Participants are required to register on the website <http://empresario.nitie.in> by **18<sup>th</sup> October 2010, 12:00 PM**.
7. Game will be played simultaneously by all the participating teams online. The link to the game will open on **18<sup>th</sup> October 2010 at 6:30 PM** on our site.
8. The online business game will start exactly at 7.00 PM.
9. Teams not sticking to the scheduled time will be considered out of the game.
10. Organizing committee will not be responsible for any technical failure during the game. The decision of the organizing committee shall be final in all respects and binding to all the participants.
11. For any queries send mail to [\*\*nitie.spardha@gmail.com\*\*](mailto:nitie.spardha@gmail.com)

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## Game Guidelines

1. Each team will have to play the role of two departments – Each department will have a **separate login**.
2. **Game Login Id & Password will be sent to participants by 4.00PM on 18/10/10**
3. Each of the participants shall have their own PC/Laptops with internet connection. Or the team can login in two different browsers – one per department (Firefox, IE, Opera) and play the game.
4. Each of the strategic screens would be displayed for **5 minutes only** before which the team needs to submit the details and wait for the game to progress to next level. Also values once **submitted cannot be changed again**.
5. No Queries regarding the concept of the game/ clarity in understanding game would be entertained; Teams shall play game with their perception of the situation as per the Case.
6. Organizing committee will not be responsible for any technical failure during the game. The decision of the organizing committee shall be final in all respects and binding to all the participants.
7. **Don't refresh your browser or hit the back button** when the game is in progress.
8. The result of the game would be displayed on the site on 20th October, 2010.

All the Best!!!

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