

INTRODUCTION TO SALES MANAGEMENT SIMULATION

Welcome to the world of the *Sales Management Simulation* (SMS). SMS is an exciting business game that tests your skills against other players in a competition for fame and fortune. SMS challenges you to experiment with the sales management tools you have learned in a realistic decision making environment.

Simulations are a modern supplement to traditional methods of marketing education. They are dynamic exercises wherein players operate firms in a contest against one another. The games are played in rounds which represent successive periods of business activity. Team members review the game environment, identify opportunities and problems, and make a series of decisions for the next period of play.

The SMS operates in a simulated business environment, but the decisions are similar to those you would make in the real world. Simulation games force you to examine the rules that govern the way business operates. You learn that successful decision making requires identifying the factors that determine business results and understanding how those factors interact with one another.

As you gain experience and a better understanding of the game environment, rivalry among the teams escalates. Nothing succeeds like spirited competition to show you the importance of sound organization, careful analysis, and good decision rules. The frivolous, lackadaisical, or poorly organized team usually becomes the industry's weakling. One of the greatest appeals of business simulations is that players find them exciting, challenging, and enjoyable. You will discover that the competitive nature of the game challenges your knowledge and ingenuity while giving you quick feedback on results.

The SMS World

SMS places you in the position of sales manager for a medium-sized office machine company. You are expected to operate this firm profitably, just as you would a real business. However, because this is a simulation, you run no financial risk if your firm loses money!

At the beginning of the game, your instructor will divide the players into teams. The simulation can be played for up to 12 periods, with each period equivalent to 3 months of time (one quarter). However, salespeople are normally hired only during the first eight periods of the game. If desired, your instructor can extend hiring for all 12 periods.

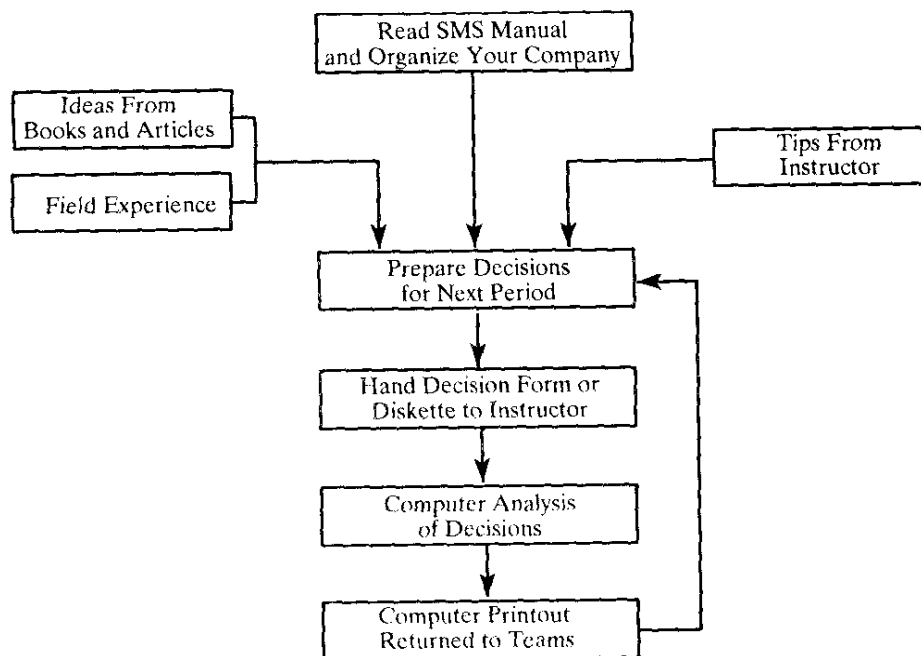
You will be competing in the SMS against two to four other companies for market share and profit. All of the firms produce and sell two models of a personal computer network server. During most rounds of the game you will be required to make decisions in the following areas:

1. Which salespeople to hire.
2. What regions to assign salespeople.
3. How to respond to salesperson complaint letters.
4. Which salespeople to retrain.
5. Whether to relocate salespeople from one region to another.
6. How to allocate salesperson time between pre-call planning and sales calls.
7. Which salespeople to fire.
8. Which models to emphasize.
9. How much to pay salespeople.
10. What price to charge for each model of server.
11. Whether to use a sales contest.
12. How many servers to produce.
13. What market research studies to purchase.

SMS Decision Cycle

Each round of decisions for the SMS is influenced by events from the past. You have to learn from your own mistakes and respond creatively to your competitor's brilliant moves. Therefore, you must monitor the behavior of the other players in the marketplace and be ready to head off rival actions. Sometimes you have to make painful short-term decisions in order to prosper in the long run. Most decisions for the SMS are made under time pressure and conditions of uncertainty. Just as in the real business world, you never have as much information as you would like.

Exhibit 1
SMS Decision Cycle



The decision cycle used in the SMS is described in Exhibit 1. First you need to carefully read this manual and then organize your team. You should base your decisions for each period of the game on tips from your instructor, ideas from books, and your own field experience. When you have completed a round of decisions, hand the completed decision form or diskette to your instructor at the designated time and place. Your instructor will then process the decisions using a computer model. Once you receive the SMS printout, you are ready to start the analysis for the next period. The total number of periods included in the SMS depends on the time available and on the preferences of your instructor. Some instructors prefer not to tell players the length of the game ahead of time to prevent teams from adopting unrealistic end-of-game strategies.

COMPETITIVE ENVIRONMENT

Players gain an understanding of how sales management variables interact in a business environment from this simulation. To allow you to focus on sales force issues, some variables have been excluded from the simulation. The key decision factors in the game relate to sales forecasting, selection of salespeople, compensation, pricing, and market research. Other elements of the marketing mix are held constant. All of the firms manufacture and sell similar servers. No dealers are involved in the distribution channel for this product. Companies sell direct to customers with their own sales forces. Advertising and trade promotion are used at the same basic level by each team and therefore should be considered constant throughout the simulation.

Your company's performance depends on how well you understand relationships among the key marketing variables in the simulated environment and on the quality of your decisions. The skill with which your team estimates demand, selects, deploys, compensates and supervises the sales force, uses market research, and sets price, will determine your success.

The Industry

The game involves three to five companies which make up an industry. Your team acts as sales manager for one of these companies. All companies are autonomous divisions of larger firms in the mushrooming business computer industry. Your company manufactures and distributes two models of PC servers designed for office operations.

Since the product is new, there are no established brand or company loyalties on the part of potential customers. Your company competes only with firms operating in your specific industry. No additional competition, foreign or domestic, will enter the market during the simulation.

The Company

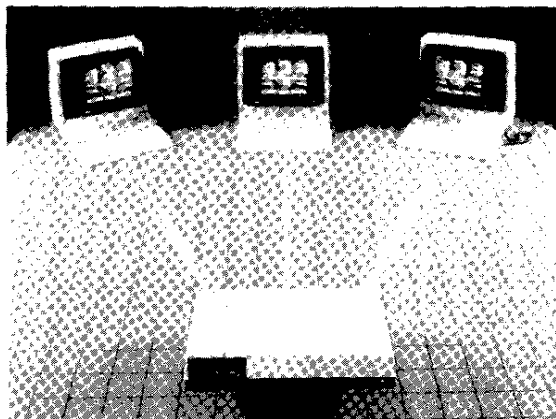
Each company in the *SMS* sells a similar line of servers. However, you only compete with the two to four firms that make up your particular industry. Actions by players assigned to other industries will have no impact on your results.

Remember that the success of your company depends on the unique approach that you recommend. If all players in your industry hire the same people and place them in the same territories, market share and sales will be identical. Your job is to implement hiring, deployment, pricing, and training plans that give your company a sustainable competitive advantage. Merely following actions of other firms is unlikely to lead you to the magic kingdom. You should operate your own distinctive sales program and keep it secret from other players in the industry. Only by establishing your own identity in the marketplace will you be able to grab and keep a larger than average market share. Also, you should be aware that the game administrator is likely to treat evidence of collusion among companies in the same industry with severe penalties.

The Product

Many offices are buying PC network servers to improve the efficiency of communications. These machines combine the features of a computer with special network software. Your company sells two models of servers. A base model can handle networks of 20 PCs and premium model will handle up to 50 PCs (Exhibit 2). Servers combine specially designed computers and software to speed communications among networks of business PCs. Servers replace simpler programs that allowed PCs to talk with one another but had limited capacity. The demand for servers is growing as business finds it is important for PCs to exchange data and messages. The servers sold by your company are small computers that do not require much space in the office. They weigh about 40 pounds.

Exhibit 2 PC Network Server



The Market

Your company has segmented the server market into ten clearly defined geographical regions (Exhibit 3). The demand for servers varies from region to region. Your company's headquarters and manufacturing plant are located in the midwest (Region 3). All shipments are made direct to the customer from the factory by motor freight to eliminate the need for regional warehouses. Shipping costs vary according to the distance from the factory. Current shipping costs are shown in Exhibit 4 and are paid by the manufacturer.

Exhibit 3
SMS Sales Regions

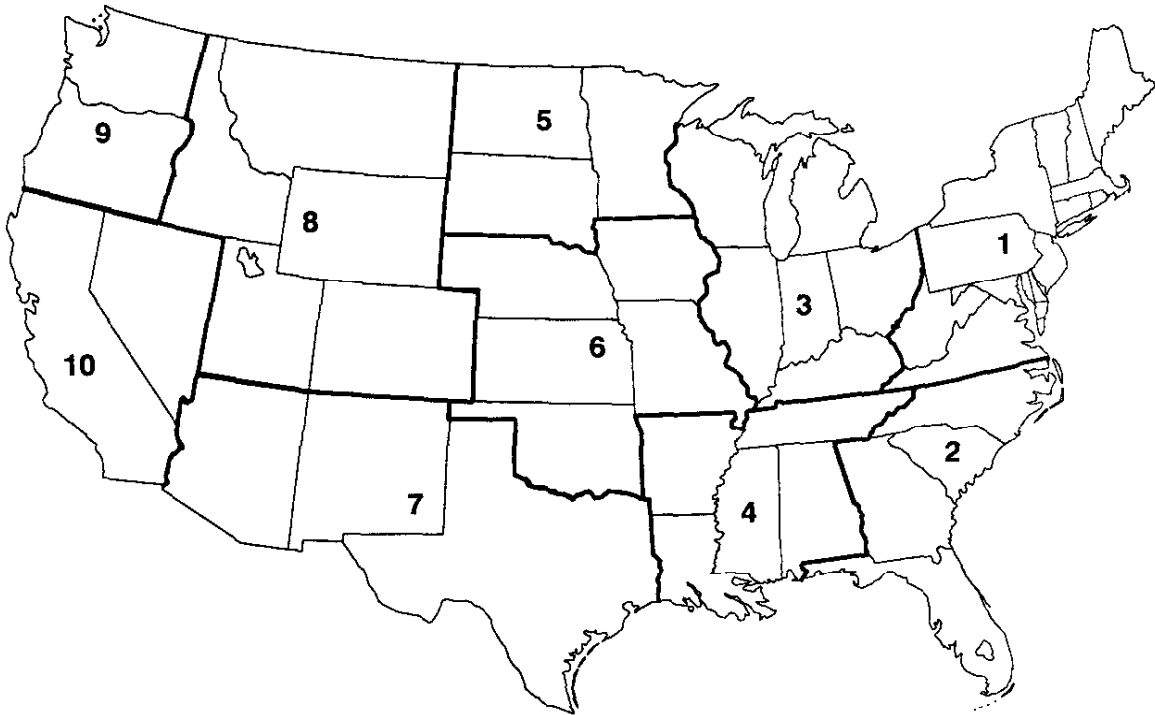


Exhibit 4
Server Shipping Costs

Destination Region	Cost Per Unit
Region 1 & 2	\$20
Region 3 & 4	\$10
Region 5 & 6	\$10
Region 7 & 8	\$20
Region 9 & 10	\$30

The two servers your company sells are useful in a variety of environments which are widely, but far from uniformly, dispersed throughout the 10 regions. While servers represent a technological innovation, only a few customers have had experience with them. In most cases acceptance will occur gradually and increase as cautious buyers become familiar with the uses of servers in their office environments. You can expect that target firms will experiment with one or two units before considering wider uses of servers. Therefore, server salespeople need a good grasp of product features, an understanding of office problems, excellent sales skills, and the drive and persistence to handle the "tough close" situations they are likely to encounter. Remember that customers can choose among a half dozen server suppliers.

While it is difficult to predict potential, your company invested in preliminary market studies before organizing your division. The market studies identified all the industries with office operations for which servers were designed. They then estimated the probabilities of penetrating these industries at various points in time and calculated the rate at which servers might be adopted. Next, a computer simulation of each target industry was developed to predict demand over a three-year planning horizon. The industry estimates were then allocated to reflect the dispersion of demand over the ten regions. Forecasts were summed within regions to produce quarterly sales forecasts. These forecasts are shown in Exhibit 5. Keep in mind that the forecasts are based on assumptions about future conditions which may or may not prove to be realistic.

The three-year planning horizon was based on a consensus among electronic experts that servers will be rendered obsolete by a new generation of machines in five years. Your company and your competitors have already begun development of a third generation of equipment to replace the current servers. The transition will not occur during your participation in this simulation. The forecasts in Exhibit 5 should be employed cautiously in determining your initial sales forecasts. They also should be checked against actual industry sales as the simulation continues. Updated market research can be purchased beginning in period 1.

Exhibit 5
Preliminary Three-Year Forecast of Server Sales by Region

Yr	Qtr	Regions										Estimated Total* Server Sales For Your Industry	
		1	2	3	4	5	6	7	8	9	10		
1	1	300	310	310	310	300	300	300	300	300	300	300	3030
	2	340	390	360	340	320	330	330	320	330	410		3470
	3	490	760	580	520	440	460	460	440	450	810		5410
	4	610	920	840	730	470	520	540	470	490	930		6520
	5	840	980	950	910	520	660	710	520	580	990		7660
	6	960	1030	1030	990	630	860	900	630	750	1030		8810
	7	1030	1070	1060	1050	800	980	1000	800	920	1080		9790
	8	1090	1120	1110	1100	960	1060	1070	960	1020	1120		10610
	9	1140	1160	1160	1150	1060	1120	1120	1060	1090	1170		11230
	10	1190	1210	1200	1200	1130	1170	1180	1130	1160	1210		11780
	11	1240	1260	1250	1250	1190	1230	1230	1190	1210	1260		12310
	12	1310	1300	1300	1250	1280	1280	1250	1270	1310	1310		12860

*Includes models A and B, assume five companies per industry. If your industry has only four companies, multiply all numbers by .8 to calculate your industry's forecasts. If there are only three companies in your industry, multiply the table values by .6. In estimating your sales forecast, remember to consider your firm's market share (total quarterly sales X% estimated market share = company sales forecast).

Server Sales Force

Personal selling is the primary tool used to sell servers to the business market. The General Sales Manager (GSM) for your firm has responsibility for directing the activities of the field sales force. The GSM spends considerable time in the headquarters office, traveling only when necessary to keep in touch with field problems. The GSM personally conducts the "inside" portion of the sales training program. With the aid of an administrative assistant, the GSM develops sales strategies and "keeps a finger on the pulse" of sales operations. As the game begins, a single Field Sales Manager (FSM) supervises all active salespeople and conducts the "on the job" portion of the sales training program. The General Sales Manager automatically hires a second Field Sales Manager as soon as the number of field salespeople reaches ten.

The GSM's salary is \$64,000 per year (\$16,000 per quarter) and travel expenses are \$10,000 (\$2,500 per quarter). The salary for the FSM is \$48,000 per year (\$12,000 per quarter) and expenses are \$14,000 per year (\$3,500 per quarter). The costs of maintaining the sales

office include salary and benefits for an administrative assistant, a customer service coordinator, secretarial support, plus rent, telephone, and office supplies. These expenses currently run \$200,000 per year (\$50,000 per quarter).

Getting Started

Because you want to penetrate the market quickly, you may hire an initial sales force of up to ten people, train them and assign them to sales regions in period 1. Select highly qualified salespeople from the initial pool of 20 applicants and give them an extensive training program prior to sending them into the field. These people will receive close support from the FSMs and technical people during the first quarter. All salespeople, beyond the initial ten, are required to complete a three-month training program. Training programs start at the beginning of a quarter so that "trainee graduates" can be assigned to a specific region at the beginning of the following quarter.

After you hire the initial sales force, you may hire an additional five salespeople for the training program each quarter. Thus, you must decide at the beginning of each round if none, one, two, or up to five trainees will be hired. These rules apply to the first quarter of operations, so you may hire five trainees along with the initial ten salespersons. Appendix B contains 20 applications from people who passed an initial screening by the corporate personnel manager. A number of applicants who lacked either the basic communications ability and/or the education needed to acquire selling skills quickly were rejected by the personnel department. You also have the personnel manager's evaluation of each candidate after an interview.

Applicants in the first group of 20 whom you reject normally cannot be hired during the following quarter. Rather, a new group of five applicants will apply each quarter. Remember that, following the training period, all salespeople must be assigned to specific sales regions. Selecting qualified and talented salespeople and assigning them to the sales regions where they will be most effective are among the most critical decisions you will make in the SMS.

What To Look For

Before picking a sales staff, your team should develop a list of job qualifications for the "ideal server salesperson." You need to identify the attributes that best predict future success, so that your team can select the "high performers." Be sure to review all the information provided in the applications. Much of the difference in performance among salespeople is related to individual work history, location familiarity, education, and personal attributes reflected in the interview ratings.

Salespeople (including trainees) are currently paid a base salary of \$28,000 per year (\$7,000 per quarter). Starting in period 1, you may increase or decrease the base salary as you see fit. In the training program, the base salary is the total compensation received by

salespeople. However, once in the field, salespeople may receive an additional commission based on their sales performance. The initial sales commission is 2% of sales or \$70 per base unit. However, your team may alter the commission rate (within a range of 0% to 10%) in an effort to improve sales performance and/or profitability. At the existing price of \$3,500 per base unit and 2% commission rate, a salesperson who sells an average of 50 units per quarter would earn \$3,500 extra per quarter. Remember, sales commissions are a function of the unit selling price you select for servers. When the selling price is changed, the commission per unit will also change.

Factors other than individual ability and effort influence the earnings of salespeople and their contributions to division profit. You should be aware that the level of demand varies from region to region and over time. In addition, demand is influenced by basic economic factors, and by the number and effectiveness of other salespeople competing in that region. In other words, experienced salesperson John Jones might be able to sell more units in the northeast (region 1) than in the south (region 4) during the second quarter of your company's first year. However, if conditions in region 4 change, John Jones might sell more units in the south during the third quarter.

The level of competitive activity in the region, and the number of your own salespeople in the region, also influence sales effectiveness. Your company allocates territories to ensure that all salespeople have similar potentials. However, as you add new salespeople to territories, the number of potential customers per salesperson is reduced. Such a reduction in potential customers may or may not be offset by the increased sales effort possible when a salesperson can concentrate on fewer customers. New salespeople added to a region, whether by your company or competition or both, will increase "sales pressure" in the region and increase realized demand (total sales). When the number of salespeople in a territory becomes too large, sales per salesperson may drop.

Relocating and Retraining

The average expenses for field salespersons are \$12,000 per year (\$3,000 per quarter). When management decides to relocate new people to a region other than their "home" region (indicated by the home address on their application), a one-time \$2,500 relocation expense will be incurred. New salespeople in the training program have travel expenses only in the third month of the quarter; this averages \$1,000.

If any of the salespeople you have hired appear to be performing poorly, and you believe it may be due to inadequate training, you can return them to headquarters for retraining. After one quarter of retraining, you must reassign the salespeople to new territories. "Experienced" salespeople sent back for retraining receive their customary expense allowance.

If you feel a salesperson might be more effective in a different region, or if you want to concentrate efforts on fewer regions, you may transfer salespeople at the beginning of any quarter. Company policy provides for a moving allowance of \$5,000 whenever a transfer is

made. Keep in mind that there is some risk that a salesperson may quit instead of accepting a transfer. Salespeople may also quit for a variety of other reasons. For example, a sharp drop in a salesperson's total compensation compared to his/her previous salary could result in a resignation.

Product Emphasis

This edition of the game allows sales managers to allocate sales force selling emphasis between the base model and the premium model of the PC servers. Managers must indicate the proportion of selling effort to give to model A and to model B. The allocation of selling effort does have an impact on sales performance.

Sales Force Complaints

Salespeople who feel underpaid or dislike their territories may write letters to their sales managers. You are expected to act on these letters if you think adjustments are warranted. Some salespeople could resign if they don't believe they are being taken care of.

Time Allocations

Part of your job as sales manager is to help your reps plan their time. The basic allocation you will make is how much time reps should spend on pre-call planning and how much on field sales calls. Salespeople who spend all their time on calls will not be prepared and those spending all their time planning will not make any sales. Success comes from finding the right balance between these two activities.

Firing Salespeople

You may fire salespeople who were hiring mistakes or are performing poorly for other reasons beginning in period 2. For each person fired you will be charged \$3,000 for severance pay.

Server Pricing

Each of the companies in the simulation currently charges \$3,500 for a basic server and \$5,500 for a premium model. However, starting in Quarter 1, your team may either raise or lower the unit prices as you see fit. Raising server prices will increase the gross margin earned on each unit, but it will probably reduce the number of units sold. On the other hand, lowering the price will reduce the profitability of each unit and increase the demand

for the product. Remember that the commission paid to field salespeople will also change as the server prices change.

The initial cost to manufacture each basic server is \$3,150 and \$4,500 for the premium model. These transfer prices are based on full absorption of manufacturing costs including the allocation of manufacturing overhead and administration expenses along with a contribution by the division to corporate overhead and profit. The current unit gross margins (sales less cost of goods sold) must cover all sales administration costs, sales force expenses, freight costs, any inventory or overtime expenses, and the price of market research. After these expenses are covered, the per unit gross margin must still yield a profit.

Sales Contest

To help boost short-term sales, you may run a contest for your field reps during any quarter of the simulation. The amount spent on a sales contest can vary depending on the conditions in your industry. Contests are designed to produce immediate sales results and you can expect relatively few carry-over effects from one period to the next. Also you can expect the contest to motivate the whole sales force rather than just the top performer. You should realize that the impact of a contest on company revenues partially depends on the actions of your competitors. Price changes, resignations, and retraining of sales reps may all cloud the effects of a contest.

Customer Satisfaction

A customer satisfaction index is calculated for each firm during each quarter of the game. The index is based on the number of salespeople in each territory, prices paid for servers, types of servers sold and amount of sales force planning time. Satisfied customers are expected to buy more servers in the future. Also game administrators may use customer satisfaction scores as a measure of your overall performance in the simulation.

Market Research

Accurate and up-to-date market research data can improve the quality of your decisions. For example, sales forecasting is important because you have to make a production decision each quarter. If you produce too much you are charged carrying costs of \$25 per unit; if you produce too little you are charged \$40 per unit for overtime. In addition, long-range forecasting is useful in determining the size and distribution of your sales force. Regional differences in demand can also have implications for hiring and training.

Ten different market research studies are available for purchase by your firm. Samples of these studies are shown in Appendix A. Each study will be described briefly as follows.

Study 1 provides forecasts of total industry sales for the next four quarters at a cost of \$2,500. It is available each quarter.

Study 2 is similar to Study 1 except that the forecast is broken down by sales regions. The fee for this study is \$5,000, and it is available each quarter.

Study 3 is a report of actual sales volume obtained by your competitors in each sales region for the previous quarter. This study is available beginning in Quarter 2 for a fee of \$8,000.

Study 4 shows the market shares of your competitors, and it is available in Quarter 1 and subsequent quarters at a fee of \$3,000.

Study 5 provides competitive market shares broken down by regions. This study is available for a fee of \$4,000.

Study 6 shows total industry sales and your own market share for a fee of \$2,000.

Study 7 indicates the total number of salespeople located in each region, and is available in any quarter for \$3,500.

Study 8 is a tabulation of exact competitive prices. This study is available for \$2,500.

Study 9 describes the salaries and commissions paid by your competitors for a fee of \$5,000.

Study 10 lists competitors' profits for the current quarter for a fee of \$4,000.

Market research allows you to compare your activities with those of the leaders in your industry. However, marketing research is expensive. You should only purchase information that you can put to good use.

DECISION INSTRUCTIONS

Each team in the simulation has complete responsibility for the operation of its own company. You can assume, however, that your activities will be reviewed by top management. You should always be prepared to explain your approach to managing the sales force. Although decisions cover one quarter of game time, your choices should be made in the context of a long-term plan.

First set your objectives, consider alternative strategies, and define a framework of policies within which you will operate. You should avoid thinking just in terms of the previous period's results or the next period's decisions. If you begin with a well-conceived sales strategy and reevaluate it as the game proceeds, you will probably be more successful. Some instructors may ask you to explain your strategy once the game is over.

Preparing Decision Forms and Work Disks

SMS allows you to turn in your decisions on the decision forms found in Appendix C or on computer work disks. Your instructor will indicate which method to follow. Some instructors prefer the computer work disks and have students complete and turn in the decision forms as a backup.

Using Decision Forms

An example of a completed *SMS* Decision Form for period 1 is shown in Exhibit 6. No entries have been made on the form to retrain or fire salespeople, as these decisions cannot be made until you have hired your initial sales force. The entries on this form are neither good nor bad and should *NOT* be used as guides for action. Indeed, close inspection reveals the salesperson numbers are fictitious and some of the decisions may get you into trouble. After you have filled out your decision form, it should be handed to the game administrator at the specified time and place. You would be wise to keep a copy for yourself. Once the decision forms or diskettes for all firms are received, the administrator will run the simulation and return the operating results for that period. Beginning in period 2, instructors have the option of printing up decision forms that show the deployment of your sales force in the previous period. An example of these forms is shown in Appendix A.

Your instructor will assign an identification number to your industry and a name to your company. In a large group there may be two or more industries operating at the same time. Remember that decisions in one industry have no impact on teams in other industries.

The decision form is self explanatory, but the following step by step instructions may be helpful at the beginning of the game.

1. Enter your industry number, company name, and the period in the blanks located at the top of the form. Your first decision will be designated as period 1, your second decision as period 2, and so on throughout the competition.
2. For period 1, you can choose up to ten of the initial group of 20 applicants. Enter their numbers in the blanks for the ten sales regions in the order you prefer. Salespeople must be returned to the same territory for all subsequent periods unless you plan to make a formal transfer (cost \$5,000).
3. You can hire up to five trainees from the initial group of applicants and up to five more at the beginning of each succeeding period. Place their numbers in the "Hire for Training" blanks. As trainees complete the one quarter training program, they must be assigned to a specific region.
4. After period 1, any of the salespeople can be returned to the home office for retraining. Place their numbers in the space provided on the decision forms.

5. You can also fire salespeople beginning in period 2. Simply enter the salesperson's number in the space provided. You will be charged \$3,000 severance pay for each salesperson discharged.
6. Sales force compensation rates can be changed during any period. Indicate changes by placing the new rates in the space provided. The initial annual base salary is \$28,000 and the commission rate is 2 percent of sales.
7. PC servers are currently priced at \$3,500 for the base unit and \$5,500 for the premium model. If you wish to change these prices, enter your new prices in the boxes on the decision form.
8. You may run a sales contest during any period of the game. Indicate the amount you wish to spend in the space provided.
9. For each period of play, you **MUST** enter production forecasts for products A and B. Try to make these amounts as accurate as possible. If you are too low, you will be charged overtime at \$40 per unit to meet the unexpected demand. If you are too high, you will be charged carrying costs of \$25 per unit on your ending inventory.
10. Indicate the proportion of sales emphasis to be placed on product A.
11. Specify the proportion of sales force time to be devoted to pre-call planning.
12. You may purchase marketing research reports during any period of the game. Circle the numbers of the reports that you wish to buy on the decision form.

When you fill out the decision form, please observe the following guidelines. Your attention will make it easier for the game administrator to enter the data and reduce the chance for errors that could distort your results.

1. Fill in the period, industry, and company designations at the top of the decision form.
2. Use a dark pen or distinctive color (red or green). Pencil is hard to read.
3. When changes are made, be sure they are legible.
4. Never put more than one number in a box.
5. Do not write numbers outside of the boxes.
6. Do not fold the decision form.
7. Keep an extra copy for yourself.

Using Work Disks

To enter your team's decisions using the work disk assigned to you, first start your computer, and insure that you have DOS's A> prompt on the screen. Ask your instructor for directions on how to do this if you do not know how.

Exhibit 6
Example of Completed Decision Form - Front

SMS DECISION FORM

Period Industry Company

Hire For Training Program # # # # #

Retrain Salespeople # # # # # #

Fire Salespeople # # # # # #

Region	Salesperson Territory Assignments									
1	<input type="text" value="67"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2	<input type="text" value="72"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3	<input type="text" value="73"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4	<input type="text" value="75"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5	<input type="text" value="70"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6	<input type="text" value="77"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7	<input type="text" value="69"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
8	<input type="text" value="75"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9	<input type="text" value="80"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
10	<input type="text" value="85"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Exhibit 6
(continued) - Back

SALES FORCE COMPENSATION

Annual Salary	\$	0	2	8	0	0	0	.00	Selling Price A	\$	0	3	5	0	0	.00
Commission Rate		0	2	.	0	%		Selling Price B	\$	0	5	5	0	0	.00	
Sales Contest Fund	\$	0	0	2	5	0	0	.00	Number of Units to Be Produced A		0	0	2	2	5	
								Number of Units to Be Produced B		0	0	0	7	5		
								Model A Emphasis %		0	0	0	5	0		
								Time Spent Call Planning %		0	0	0	1	5		

Market Research Requests (Circle numbers requested)

- | | |
|--|---------|
| 1. Forecast of Total Industry Sales | \$2,500 |
| 2. Forecast of Industry Sales by Region | \$5,000 |
| 3. Competitors' Regional Sales for Previous Period | \$8,000 |
| 4. Market Shares of Competitors | \$3,000 |
| 5. Competitive Market Shares by Region | \$4,000 |
| 6. Your Own Market Share and Industry Sales | \$2,000 |
| 7. Total Number of Salespeople Per Region | \$3,500 |
| 8. Exact Competitive Prices | \$2,500 |
| 9. Competitive Salaries and Commissions | \$5,000 |
| 10. Competitive Profits for Current Period | \$4,000 |

Insert your work disk into the disk drive slot on the computer and close the drive door. Type ENTERSMS and press the "ENTER" key. The SMS data entry program will begin executing. If, at any time, you decide that you want to cancel the data entry session, press the ESC key.

The data entry program divides the decision form into two "pages" (two computer screens). The first page consists of decisions concerning the sales force, that is new hirings, firings, and territory assignments. The second page consists of adjustments to your team's current salaries, commission rates, production forecast, and requests for market research reports.

Entering data is simple. The current location of data entry, called the editing field, will be highlighted on the screen using black characters on a white background. The flashing cursor also indicates the editing field. The editing field is moved by either pressing the ENTER key, or by pressing one of the arrow keys on the numeric keypad of the keyboard. The data entry screen is a full screen data editor, which means that you may move to any location on the screen at any time. If you make a mistake, simply move to the erroneous location using the appropriate arrow keys and type in the correct entry.

When transferring an employee from one territory to another, you must first delete the number from the old location, then enter the number in the new location. To delete an applicant number, move the editing field to the number in question, blank out the field by typing spaces over it, then press the ENTER key.

When you have finished entering your decisions for page 1, press the PgDn key, located on the numeric keypad. The computer will first check your decisions to make sure you have not made any errors (such as a duplicate territory assignment, or a failure to assign a new trainee to a territory). If an error is found, you will be told, and the computer will try to place the editing field on the value that is incorrect. If your decisions pass the computer check, you will be moved to page 2. You may return to page 1 by pressing the PgUp key, also located on the numeric keypad.

Decisions on page 2 are entered in the same manner as page 1. The arrow keys, and the ENTER key move the editing field to the different pieces of information on the screen. To request a particular market research report, place an "X" in the space next to the report's name. If you change your mind, blank out the space next to the report's name.

When you have finished entering all of your decisions, press the F1 key. The program will then remind you that you should have carefully checked to make sure that the decisions on the screen match the numbers on your decision form. If you are sure that the decisions are okay, press the F1 key again, and they will be saved on your work disk. You may change your decisions at any time by simply running the ENTERSMS program again. However, once you have handed in your work disk and the quarter has been played, your decisions, of course, become permanent.

Each team is responsible for handing in legible decision forms or accurate work diskettes. If the game administrator cannot read your forms, or if you make mistakes entering data on your work disk, you will have to accept the decisions that are processed for you.

Other Information

Each company begins the simulation with \$200,000 in cash obtained from the sales of common stock. In case your firm needs additional cash, arrangements have been made to sell notes in lots of \$50,000 each. These notes carry an annual interest rate of 8.5 percent. When you accumulate surplus cash, the notes will be repaid in \$50,000 increments.

Disclosure of Information

As a rule, you should avoid disclosing any information about your decisions and results to anyone outside your company. Information about your operating policies could be very useful to your competitors and potentially detrimental to your team's overall performance. Discussion of your policies with your competitors either individually or in industry conferences is neither wise nor legal. Any evidence of collusion will be thoroughly investigated and heavy fines levied for violations.

Evaluation

The exact method used to evaluate performance of teams and individuals in the game will be determined by your instructor. Sometimes a quiz is given on the information contained in the manual before play begins to be certain that all team members are thoroughly acquainted with the rules of the game. Other instructors may use peer evaluations at the end of the game to assess individual contributions. Once play is started, evaluation usually centers on the profits, market shares, and level of customer satisfaction achieved by each team.

CONCLUSIONS

We have outlined the procedures for playing the SMS game and filling out the decision forms. Participants need to familiarize themselves with these rules before the start of the simulation. If there is anything that is not clear to you, ask your instructor for an explanation.

Do not think of the game as a "cut and dried" exercise. There is no one predetermined solution to the simulation, nor any simple way to approach the decision making process. Both in the business world and in this simulation, the outcome for your company evolves from the interaction of market variables in a changing environment. This simulation differs from the real world in that some variables are held constant, but possible outcomes are

numerous. Remember that profitability and customer satisfaction depends upon your skill in managing the sales mix as well as your ability to control costs.

Your SMS experiences will be enhanced if you do your best to make your team the leader in your industry. Even teams who end the game as the underdog gain useful experience, as we often learn the most from our mistakes. *Accept our challenge to grow, and you will come away with a greater understanding of the sales management function and business in general.* Good luck!