

Pricing Manager's Booklet

PARTICIPANT'S GUIDE 2011-2012 Edition

Powered by ERPsim Compatible with SAP™ ERP ECC 6.0 & 6.4

> Pierre-Majorique Léger, Ph.D. Jacques Robert, Ph.D. Gilbert Babin, Ph.D. Derick Lyle, MBA Robert Pellerin, ing., Ph.D.

In collaboration with Jean-François Michon, M.Sc. Stéphanie Bourgault-Mongeau, B.Com

A Serious Game for Learning Enterprise Resource Planning Concepts



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CHAPTER 1 – INTRODUCTION : THE ERP DAIRY LOGISTIC GAME

1.1 Description of Our New Company

1.1.1 Introduction

As a participant in the HEC Montréal ERP Simulation game, you've just accepted a new job in the dairy industry at Dairy AG.

Your new company specializes in reselling dairy products. Over the years, your company has built strong partnerships with multiple dairy product suppliers and sellers around Germany. Your company's network is now well established and your job requires making logistics and business decisions in order to maximize profits. Your company only re-sells previously acquired products without making any changes. Therefore, reducing logistics costs and achieving operational excellence is the key to success.

The dairy market is quite fragmented. This could be explained by the fact that entry costs in the industry are relatively small. In 2010, there were up to twenty-six local companies competing in this relatively small but competitive market. Each firm is located in a different city in Germany.

You are part of a small executive team leading one of these companies. As a member of the executive team, you will have to make strategic decisions for the next operational year.

You will have to make decision on stock management logistics, forecast sales, and make pricing decisions. Your team will also be responsible for accounting functions, including reporting quarterly profits. Unethical behaviour, such as falsifying financial reports, not paying suppliers or the bank loan on time, or violating industry regulations are unacceptable and will be severely punished. Otherwise, the goal of the game is to make the most profit.

1.1.2 Your Company Settings

All acquired products are delivered to your company's main warehouse based in the center of Germany. The main warehouse is used as an inspection and sorting center. Every time you order products from your suppliers, you have to pay a fixed transportation cost. Reducing your number of purchasing orders can help to reduce your company's cost but you can do so without decreasing your flexibility to response to the market demand.

The German market is segmented in three regions (north, west, and south) and your company owns storage locations for each of those regions. Once delivered by your suppliers to the main warehouse, you will have to ship your products to your three storage locations in order to make them available for sale. Again, there are transportation fees for every stock movement you make between your main warehouse and your storage locations. Determining the optimal distribution logistics is the key to maximize profit and win the game. (Figure 1)

1.1.3 Back-To-Back Trading Business Processes

Your dairy company, Dairy AG, is a goods trading company. It can only sell products that are held in your storage locations. Therefore, (1) you have to buy your products from your suppliers and (2) you need to distribute your product from your main warehouse to your three area's storage location to be able to sell them. This determines some of the business processes that your company will need to perform.

Your executive team may be required to forecast the number of products the firm intends to sell in the next period (optional in some of the game versions, ask your instructor if this applies to your course). Based on this forecast, material requirements are met by purchasing materials from the appropriate supplier. Purchasing products requires cash flow. If you choose to buy a large number of boxes in advance, you will have to borrow the necessary funds from the bank and pay interest on your loan. Each time your cash

balance becomes negative, your bank loan increases and your credit ratings decrease, so you have to pay more interest fees. There is also inventory cost if you decide to rent extra storage space by exceeding your capacity.

Because this is a small company, your team will have to supervise almost all of the operations and take an active part in some of the day-to-day processes. There are tasks that you simply cannot delegate and the success of your company depends on your team. Your responsibilities in operations could include some of the following processes within the full cash-to-cash cycle (**Table 1**).

Figure 1 - Your Company Settings



OPERATION	DESCRIPTION
Forecasting	All plants in the simulation are following a back-to-back trading business processes. Therefore, the sales manager needs to forecast demand to create independent require- ments.
Purchase Order Creation	When a purchase requisition is received, the purchasing manager contacts the required product suppliers. After assigning the chosen vendor to the purchase requisition, a formal purchase order is created.
Goods Receipt	When the goods are received, the receiving clerk checks that the goods delivered corre- spond to the purchase order and records the goods receipt in the system.
Invoice Receipt	The invoice sent with the product is forwarded to accounting and posted by an account- ing clerk.
Payment	Since the goods are payable upon an agreed term of payment, the accounting clerk carries out the transaction required to pay the vendor. A check for the amount owed is issued and sent to the vendor.
Stock Transfer Posting	When goods are in the main warehouse, the stock manager needs to determine the level of stock transfer from the main warehouse to the storage locations. After choosing a transfer quantity and the transfer storage location, a formal stock transfer posting is per- form. Transportation fees will be charged for each stock transfer. Push or pull methods can be selected.
Sales Order Creation	Regularly, retailers ask the manufacturers for a quotation. The retailer sends the order to the manufacturer whose products best meet their needs. The sales representative re-cords this order.
Shipping	The finished products are shipped to the customers and the inventory of finished products is adjusted (goods issue).
Invoicing	Accounting sends an invoice to the customer.
Incoming Payment Reception	Upon receipt of payment from the customer, the accounting clerk clears the customer account and records the deposit of the payment.

More importantly, there is a list of managerial and strategic activities that you will have to undertake. The strategic decisions involve setting the price and choosing your company's allocation logistics from your main warehouse to your 3 storage locations, which will generate transportation fees. You will also have to manage your cash flow. It is hard and challenging work but this is why you accepted the job.

1.1.4 The ERP System

Considering all your responsibilities, your team will be kept pretty busy. Fortunately, the company has acquired a new ERP system : SAPTM ERP. Presumably, none of you has any practical experience with SAPTM ERP or another ERP system, but you are entrepreneurial and resourceful, so you are looking forward to fully exploiting the possibilities of the ERP system. You will quickly have to :

- Become familiar with the Enterprise Resource Planning (ERP) software,
- Develop a practical understanding of the main concepts underlying and ERP software, and
- Identify the benefits of intra-company integrations

ERP software is an integrated information system that manages enterprise data, helps integrate business processes, and provides data for business intelligence. One of the first things to learn is how to perform the various operational tasks to plan procurement, order raw materials, enter prices, choose the allocation logistics, etc. As the system stores all relevant information about your company, you must learn to use the system to exploit that information. You will need to track purchasing orders and inventory levels, draw financial reports, and acquire market business intelligence.

1.1.5 Physical Layout and Logistics

On your first day at your new job, you are given a tour of the main warehouse and a virtual tour of the three storage locations. The main entrance to the warehouse leads to the reception area and to the offices of the executive team, which in turn, leads you to a large storage area.

As you visit the warehouse, you begin to get a better understanding of your new job. All purchase products are delivered and unloaded at the *Reception Dock* in cardboard shipping cases. For every purchase order, transportation fees of 1000 euros are charged to your company. Each arriving case is identified with the product name and stored in the warehouse. The warehouse is divided into six different sections, one for each of the company's product lines. Adjacent to the storage area, there is the stock management team offices. Those persons are responsible for allocating the warehouse products to the different storage locations owned by the company.

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The warehouse management team needs to carefully plan the company's logistics, as important transportation costs that will affect your product margin are incurred when transferring stock from your main warehouse to storage facilities . **Also, there is no coming back, when products are ship from the main warehouse they need to be sold in the shipped area, which can be a challenge if not well planned.**

Further back, you visit the Shipping Dock. A delivery truck comes to the loading dock to load the cases of product boxes according to the stock transfer logistics determined by the stock management team.

On your virtual tour of the storage locations, you learn that all 3 locations were built using the same blueprint. It is mostly occupied by storing spaces for each of the six products as well as a small office space. These offices belong to the sales-people, who are in charge of receiving and processing the sales orders, billing, and payments. The company's rule is that a salesperson cannot close a deal if there aren't enough products in the area's storage location to meet customer requirement. "Clearly," your boss, says, "you do not want to have a delivery truck come in when there is no product in stock. It happens from time to time and when it does, we lose a sale. The boss is not very happy when this happens."

1.1.6 Automated Procurement Functions

The simulator can perform the goods receipt, invoice receipt, and payment. When the goods receipt function is automated, a goods receipt for a purchase order will be created automatically one day after the purchase order is created. It is important to keep this delay in mind, as no sale can be made until products are delivered to the main warehouse, shipped, and received by the area's storage location.

When the invoice receipt function is automated, the invoice receipt is recorded immediately after the goods receipt. The payment terms that you agreed to with your vendors allow you to pay them up to 2 days after receiving the invoice. When you automate the vendor payment, the payment will automatically be posted 2 days after receiving your supplier's prod-ucts. Therefore, you have extra working capital to use to pay other expenses for 2 days!

1.1.7 Automated Sale Functions

The simulator can also perform the shipping, invoicing, and sale payment reception. When the shipping function is automated, a goods receipt for a sale order will immediately and automatically be created.

When the invoicing function is automated, the customer invoice is recorded immediately after the goods receipt. The payment terms that you agreed to with your customers allows you to pay them up to 2 days after receiving the invoice.

1.2 Description of the Marketplace

1.2.1 Your Products Description

Your new company specializes in reselling dairy products. Currently, your company is selling 6 product lines : milk, cream, yoghurt, cheese, butter and ice cream. **Table 2** indicates the description and prices for each of the six products. Highly competitive markets regulate all supplied products, therefore you cannot negotiate prices with your suppliers. Supplier prices are subject to change during the simulation in response to market crises (i.e. industry strikes, market technology improvements, food poisoning...).

LABEL UNIT **STARTING COST** Box of 9 units Milk 22,95 Euros Cream Box of 28 units 72,07 Euros Box of 12 units 25,85 Euros Yoghurt Box of 20 units 82,68 Euros Cheese Box of 20 units Butter 59,88 Euros Ice Cream Box of 8 units 43,15 Euros

Table 2 - Product Descriptions





Depending on how the game is set, buyers need to track supplier prices using the simulation viewer page.

1.2.2 Retail

There is only one distribution channel for dairy products in the local market : traditional retailer stores.

Retail Stores

Retail stores are the main distribution channel for the dairy industry. Retail stores offer customers more variety than other types of store. A typical store carries 4 different dairy product brands on their shelves. In 2010, there were 12 retail stores in the local market. Retail stores are reliable, and will pay their bill in 2 days. **Figure 2** shows the market distribution of grocery stores in Germany.

1.2.3 Consumers

In 2010, consumer spent an average of 60,000 euros on dairy products per company, per day. While the total demand for dairy product was relatively stable throughout the year (except for a minor increase during the summer) the net sale of local brands of dairy products was not. Traditional local German dairy products seem to offer genuine competition for local brands. During the second quarter of 2010, a general lockout of one of your main competitors substantially reduced the supply. As a result, many consumers switched to soya based dairy products, and a significant proportion of these customers have not returned to traditional dairy.

It is important to note that consumer preference does not change during the game, your goal is to discover the niche in each region based on the information available in reports.

1.2.4 Banks

It may not come as a surprise to you, but your company needs money to make money. You have to purchase and hold inventory ahead of demand. To pay for products you will need cash. Your company has a good relationship with the Weizen Bank. The Bank currently offers you a good credit rate, and extends a sufficiently large credit line. After each quarter, your company will have to produce a full financial statement for your banker.

Your shareholders have invested 500,000 euros. 250,000 euros are also invested in assets. This leaves you with 250,000 euros in liquidity. Your responsibility is to effectively manage this money and obtain the highest possible return for your shareholders. The payment of the loan interest is automated so you will not have to do it manually. The interest is accrued on a daily basis and posted every 5 days. However, be aware that your firm must have a positive cash balance at all times.

Your banker, a smart but rigid fellow named Mathias, does not like amateurs and risk-takers. Your banker will continue to extend you favourable credit, but each time your cash account becomes negative you will have to pay more interest and your credit rating will decrease. He does not like companies that take too many risks and have excessive unsold merchandise. He dislikes managers that fail to pay bills on time – to their bank or to suppliers. But most of all, he dislikes managers that do not respect the law or fail to respect elementary ethical rules. He will not hesitate to reduce credit ratings if your management team does not manage your company cash flow according to the rules. As your boss often says : "I worked hard to build my company's reputation, don't damage it with bad management."

Interest payments are automated during the simulation. Every time your cash account becomes negative, your banker lends you the money you need, and decrease your credit rating by one level. This will increase your interest payment amount during the simulation. Once your credit level has decreased, there is no going back. You will have to pay more interest for the rest of the game. Therefore, managing your cash flow effectively during the game will make a big difference. The prime interest rate has been relatively stable during the last decade. A sound monetary and fiscal policy kept inflation down, and interest rates (namely, the prime business rates offered by chartered banks) were between 5% – 6%. For most companies what really matters is their credit rating. A bad one can increase your interest rate by up to 8 points. The following chart lists the risk premium for each credit rating.

Currently your company has an A credit rating. This is the highest rating given for companies of your size. If you run out of cash, the banker will automatically extend your credit line in order to cover your credit needs. However, if the bank must do so, it will immediately decrease your credit rating and increase your interest rate. To regain your previous credit rating, you will need to stay out of the "red" for one entire quarter.

You are free to repay your loan at any time. Since the interest is calculated every day, a reduction in the loan balance will immediately reduce your interest payments. Hence, making payments on your loan is a smart move if you have enough cash. Doing so bears some risks, however, if you miscalculate your future cash requirements, you will not be able to extend your loan until you actually run out of cash and consequently, you will suffer the credit rating penalty.

CREDIT RATING	PREMIUM RISK
AAA	-
AA+	+0,5%
AA-	+0,75%
А	+1,25%
BBB+	+2,25%
BBB	+3,00%
BBB-	+3,50%
BB+	+5,25%
BB	+6,25%
СС	+8,00%

Table 3 - Credit Rating with Premium Risk

1.3 Decision Areas

1.3.1 Forecasting, Procurement

Procurement is optional : check with your instructor if this simulation feature is enabled in the game you are playing.

The next decision your executive team will have to make is how much of each product to buy.

As you can only sell products that are in inventory, your executive team will need to forecast the number of units of each product you plan to sell in the next period. Recall that your executive team has many operational responsibilities : you must forecast demand and develop procurement plans, create purchase orders for materials, receive the materials into inventory, post invoices and finally, pay suppliers. Furthermore, purchasing materials requires liquidity and transportation fees of 1,000 euros are charged from your suppliers. If you choose to procure a large number of units in advance in order to rapidly respond to market demand, you will have to pay the necessary additional storage fees. All this requires careful planning.

Transportation Fees for each POs 1000 euros

Delivery time : This is an optional feature because it requires the automation of the goods receipt. Check with your instructor if this feature is used in the simulation game you are playing. Delivery from your suppliers is quite efficient. You will receive delivery of your products within 1 day after the purchase order is created.

1.3.2 Inventory Storage Costs

The company has one main warehouse and three storage locations. Together, the main warehouse (storage location 03) and the three storage locations (storage location 03N, 03S and 03W) have enough room for a total of 4,000 boxes of products. If your company requires more warehouse space, you can rent additional space on a daily basis. The additional space can be rented at a cost of : 50 euros/day for each 1,000 additional boxes. The cost of additional storage will automatically be billed and paid immediately.

HERE IS A TIP: Storage costs can be onerous and quickly drain cash reserves. Make sure that you manage your replenishing strategy to keep these costs under control.

1.3.3 Logistics and Storage Allocation Level

One of the most important decisions during the game lies in choosing the right allocation logistics for your main warehouse and storage locations. This decision significantly impacts your company's flexibility in responding to market demand. You can choose between push and pull transfer management processes.

PUSH

When choosing the push stock management logistics, you will determine the stock transfer amount you wish to deliver in each area, as well the number of days between deliveries. You will need to set up an amount for each of the six products for each storage location. The simulator will deliver the chosen quantity to your three storage locations every time the number of days between deliveries elapses.

In the case where there is more stock in your main warehouse than required by the transfer, excess material remains at the main warehouse. In the case where there is less material available in your main warehouse than required by the transfer, the generated stock transfers divide available stock so that regions with higher stock transfer amounts receive more stock.

In essence, if only half of the required stock is available, then each location would receive only half of the requested transfer amount.

PULL

When choosing the pull stock management logistics you will determine the stock quantity you wish to maintain in each storage location, as well the number of days between deliveries. You will need to set up a desired quantity for each of the six products for each storage location. The simulator will deliver the balance between the target quantity and current stock quantity for each storage location every time the number of days between deliveries elapses.

In the case where there is already enough stock in the storage location to meet the target quantity, no transfers will be generated for that storage location, and the exceeding quantity will remain in the main warehouse. In the case where there are less materials available than required in the main warehouse, the generated stock transfers divide available stock so that the regions with larger gaps between current stock and target stock are prioritized.





1.3.4 Number of Days between Deliveries and Transport Cost

Each time there is a stock transfer from your main warehouse to your storage location, transportation fees will be charged. Goods allocation is a key element of your strategy, as it will affect your company operating costs as well as allowing quick response to market demand.

Transportation fees are 100 euros for the north storage location (**02N**), 100 euros for the south storage location (**02S**), and 100 euros for the west storage location (**02W**). (**Table 4**)

The days since your last delivery counter is only reset when a new stock transfers is actually generated.

REGION	TRANSPORTATION COST
West	100
South	100
North	100

Table 4 - Transportation Fees

1.3.5 Pricing

A firm may choose to change its selling price whenever it desires. Pricing is a key element of your strategy. If your prices are too high, demand will be low and inventory level will slowly decrease; if your prices are too low, you will not make enough money to cover your expenses. Similarly, calculating the optimal price for each product is a complex task. Business acumen is required to make correct pricing decisions. Remember that consumers have other options. They can buy something else if your dairy products are out of their price range. Remember that you also have transportation costs and advertising expenditures in addition to acquisition costs; you must price your products correctly so that you do not lose money. As your boss often says, "We aren't running a charity here." You must make a profit.

Considering the fixed costs and the transportation fees, your mark-up should be above the cost of goods sold. Optimal pricing depends on many things : (i) the prices charged by competitors; (ii) the cost of the product; (iii) transportation cost; and (iv) your firm strategy, including advertising strategy.

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1.4 Review of the Major Rules

In this section we will provide several important tips to help you as you learn the simulation game. We've attempted to make the game sufficiently challenging and fast-paced so that you won't be bored. We will first remind you of the important game rules, and then we will provide strategy tips to prepare you for the simulation.

The rules proposed below have two main objectives. The first and most important one is fairness. The second objective is to make the game challenging and instructive.

1.4.1 Game Length

The game lasts 3 rounds of 10 days each. The simulator is set to perform a day every 11/2 minutes.

1.4.2 End of Game Inventory

At the end of the game, all products left in inventory will be valued at cost, therefore you should never sell under cost.

In the last round it is not recommended to sell under cost to clear your inventory. At the end of the game your unsold product will be value at the cost price in the final loss and profit statement. We encourage you to develop a long term vision for your firm. On the final day, inventory levels should be able to respond to market demand if the simulation were to continue a few more days.

1.4.3 Customers Preferences

Customers do not change throughout the game, hence you may learn from their past behaviour.

At the beginning of the simulation, the simulator creates a large population of consumers, each endowed with a "preferred product". These preferences help determine the purchase orders issued by retailers.

As the game progresses, you may figure out retailer "preferences" by using your transactional data, and can adapt your plans accordingly.

1.4.4 Winning Factor

The company with the highest shareholder equity at the end of the simulation wins the game.

We compare team performance by simply comparing the Companies' equity values at the end of the game.

During the game, your equity value includes the value of inventory evaluated at standard costs. If standard product costs do not correctly reflect the potential return accruing from the sale of these inventories, your equity value will be biased. Beware of this. Be aware that transportation fees are recorded as direct expenses.

1.4.5 Ethics

You must behave ethically at all times.

The simulation game is fun when it is played competitively. As in real-life, cheating may prove to be an easy way to get a head start, but it should never be an option. We ask participants of the simulation game to act as they would in real life, with the highest ethical standards. Cheating in this game includes the use of any transaction not explicitly permitted in this book and that is used for the sole purpose of increasing the firm's equity.

Albeit, there are several ways to cheat in this game, remember however, that the ERP system and the simulation software keep track of all illicit transactions, thus cheaters will be prosecuted by the appropriate financial authorities!

1.5 Elements of a Winning Strategy

1.5.1 Use the ERP System Efficiently

The ERP system that you are using for the ERP simulation game is one of the most complex pieces of software available in the marketplace. Business systems are complex because running a business is a complex affair. We provide you with instructions to use the system properly for the purpose of the game. Do your homework. If not, you are likely to run into trouble.

During the simulation game, you will use only a small portion of the SAPTM ERP. When it comes to operational transactions, we urge you to stick to the instructions provided in this book and not to be too imaginative. Unless you are very experienced, doing otherwise is likely to get you into trouble. Conversely, when it comes to reports and analytics, you are invited to browse and explore some of the available reports in the system. There are many reports available in the "information systems" menu that could help you.

Doing the operational transactions quickly and correctly is a prerequisite for winning the game, but is it not sufficient. You must know when and what to procure. Properly analyzing your data is very important as well.

In the end, all teams should use the ERP system properly. What should matter is team organization and strategy.

1.5.2 Do Not Run Out of Stock

One of the first tips for participants of the game is to not run out of stock. This is particularly important at the beginning of the game. Before you manage to have products in inventory, you must perform a series of tasks. If you are too slow to perform these tasks you will miss lucrative opportunities to sell. You need to quickly learn how to perform the procurement and inventory transfer transactions.

One of your objectives should be to hold inventory of a large range of products. To do so is harder than you think. Your popular brand may sell quickly and unexpectedly; unless you react quickly to this information you may run out of stock before you realize it. There are two actions you can take to avoid running out of stock : increase supply, or reduce demand by increasing the price. Managing inventory of popular brands requires operational excellence, and is a key element in a winning strategy.

1.5.3 Liquidity Constraints

When the procurement and the logistics processes are automated, delays and capacity constraints are built into the simulation. These features are important because they limit your ability to react quickly to changes in the marketplace.

To have a product available for the customer, you will have to account for the delays in deliveries from your suppliers, as well as shipping delays to your storage locations. This means that you will need to plan in advance to build the inventory of materials.

If you have enough inventory, it will be easy to quickly respond to shifts in demand. However, this will require some liquidity. At the beginning of the game, you have 250,000 euros in cash. Since you are not permitted to run out of cash, you must be careful not to buy too much material or hold too much goods inventory.

The challenge is to be able to find the right balance between low inventory levels and readiness to respond to market demand.

1.5.4 Exploration and Exploitation

Beginning the game with a precise strategy is a little presumptuous. You must accept that the simulated marketplace is full of surprises. Learning and adapting should be your motto. Use your data to learn, and use the system to adapt to the market.

Most members of your team have the misfortune of having little experience in the Dairy industry. Fortunately for you, it is the same amongst your competitors. To fully exploit the full potential of your business, you will need to learn more about the market and industry. You should use a strategy of "exploration and exploitation".

The initial part of the game should be devoted to exploration. You should experiment with different advertising and pricing strategies with the objective of learning more about the market, and what works and what does not.

Once you have identified a profitable niche (or niches), you should design your strategy around these niches and exploit them as much as possible.

There is a lot of "hype" today in the business world around the idea of building customer-centric and flexible companies. One of the virtues of an ERP system is it allows you to extract and process transactional data. This data provides information about customers. You must use that information to respond to customer needs.

1.5.5 Organization may be the Most Important Factor in your Team's Success.

A large number of tasks need to be coordinated. Your team needs to (i) keep track of market and sales information, (ii) follow the evolution of goods stock and cash, (iii) select the allocation level for storage locations, (iv) procure products in a timely fashion, etc. Good teamwork is essential.

If your team members work in silos, you will undoubtedly fail. You cannot do this if the roles and the information flow within the team are not well adapted to the requirements of this fast-paced game. You are faced with the challenge of organization and must learn how to delegate roles within your team. There are many possibilities for innovation that will make your team more efficient. This innovation may ultimately make the difference.

1.5.6 Have Fun!

This is only a game! So enjoy being a manager using a real-life ERP system. Ultimately, this is about learning not winning.

The business simulation presented in this book is an obvious simplification of reality. There are numerous elements to running a business that have not been included. Yet the game remains a complex affair. You must be able to extract the information necessary to make timely decisions from a large set of transactional data. You need to operate this virtual enterprise in an accelerated time frame.

We have taken the point of view that if there is no challenge then it's no fun, and if the simulation is no fun and unchallenging then you won't learn as much. You are asked to run a company at an accelerated pace with a real-life highly complex ERP system. You are bound to make errors and find yourself in trouble at one point or another in the game. Cursing the computer will generally not help. Ask your friends or the instructor for help and keep smiling.

Ultimately, what matters is what you learn from the experience. There are many things to learn by playing the ERP business simulation, and we hope you enjoy doing so.

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CHAPTER 2 - THE PRICING MANAGER JOB DESCRIPTION

In this chapter, we teach you how to play the logistics game. The objective of this simulation is to clearly demonstrate the advantage of using an ERP by explaining the complexity of using a non-integrated system, and the convenience of acquiring and implementing an ERP system in a business environment.

By using this simulation you will get quick hands-on experience with an integrated business process, as well as an overview of both the ERP simulation game and the SAP system.

2.1 Game Settings

Your company will be run by a team of 4 to 5 people. During the first round, your company will not have acquired an ERP system yet. Everyone in your team works with their department system with no access to, and little knowledge of other team member system. We will simulate this environment by giving your team members different menus with restricted access. You will only have access to a set of one to four transactions relevant to your job status. The key to company success is communication. The faster the decision makers have good information to base their decisions on, the better your company profits will be.

Here are the different jobs available in your company:

JOB	
Planning Manager	
Logistics Manager	
Stock Manager***	
Pricing Manager	
Sales Manager***	

***Report Manager (combines Stock and Sales Manager for teams of 4)

2.2 Your Company Business Process

In this introductory game, a total of 10 transactions need to be performed. **Figure 1** provides an overview of what needs to be done by each team member. The next sections provide a description of how to use each transaction for each role.

Figure 1 - Team member roles



2.3 Pricing Manager



Figure 2 - Pricing Manager

2.1 Maintaining the Price List

In SAP[®], a price list is a condition record. When a sales order is created, the transaction uses a pricing procedure to automatically determine the price. The pricing procedure looks for condition records to set prices based on the various applicable conditions when a product is sold. These condition records include the price list, discounts, surcharges, transportation costs and taxes. You must specify a sales price condition record for each product that you wish to sell to every sales area (a unique combination of sales organization, division, and distribution channel). Each of these price conditions is contained in a price list.

You will be able to change these prices during the simulation by using the following instructions:

On the "**Create Condition Records : Overview**" screen, open the "**price**" folder and click on "**price list**". Click on the icon (and then enter the following information :

FIELD	DATA TO INPUT
Sales Organization	\$\$
Distribution Channel	12

Click on, 🕒 .

On "Change Condition Records: Overview", enter the following information:

Click on 📙 to save. A confirmation message will be displayed at the bottom of your screen : 📝 Condition records saved

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