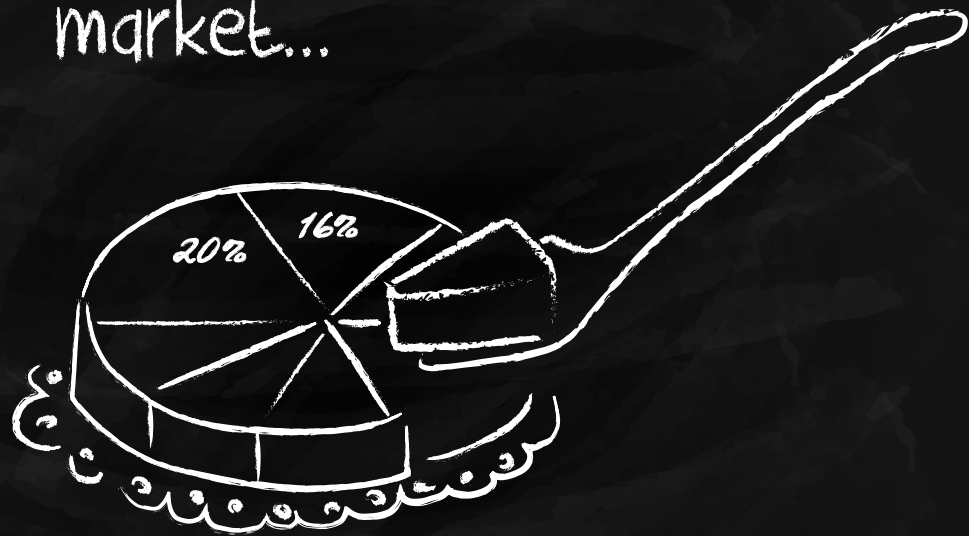




How to control the market...



to obtain the **maximum** profit

Bronze management trainer

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0. INTRODUCTION

You have been chosen to manage a skincare products company, whose shareholders have established themselves in the European Union. The company produces and markets sunscreens and/or moisturizing lotions. Your company has to draw up a management plan for the span of one year and this plan takes the explicit shape as a set of decisions. These decisions are processed by the Praxis MMT31® simulator which calculates the results achieved by each company and then sends the results to the participants.

Each company is unaware of the decisions and results of the others, except for the information that can be obtained from market research.

Based on these results, participants must draw up a new management plan for another year that will give rise to new decisions, which will follow the same procedure as described in the previous paragraph.

The simulation Director will stipulate the duration of the simulation, i.e. for how many “years” a new annual management plan must be prepared. The results attained by each company will at the end be compared with the ones from its competitors. The goal of the simulation is to achieve maximum profitability. The role of each company is to apply the knowledge and criteria required in real-world business management decision-making.

1. COMPANIES

Initially, the companies start from the same situation, and therefore have identical Balance Sheets.

Initial Balance Sheet in euros:

Fixed assets consist of land, buildings and production facilities:

Assets		Liabilities and Owners' Equity	
Fixed Assets	29,900,000	Equity	53,900,000
Inventory	--		
Cash and Equivalents	24,000,000		



All numeric data appearing in this document use the convention of separating thousands by a comma and decimals by a dot. In decisions where decimals can be applied, the simulator accepts up to two decimals.



2. ENVIRONMENT

There are two markets located in the same number of territories that we will call A and E. Market A belongs to the European Union and therefore uses the euro. Market E is an area in a foreign country that can be associated with a U.S. region, whose currency is the dollar. Consequently, before making any decision equivalent to one fiscal year, the simulation Director will provide the exchange rate at that particular moment between the Dollar and the Euro for those companies that decide to export.

All the competing companies are geographically located in A and are subject to their country's regulations. Therefore, their Income Statement and Balance Sheet are presented in euros. Market E is an export market.

The demographic and geographical data of the two territories is as follows:

	Population	Surface Area
A	40,000,000	400,000 Km ²
E	30,000,000	210,000 Km ²



Each market has a different per capita income, subject to change every year. The simulation Director will provide the participants with this information for A and E before each plan.

Companies in market A have no competition other than themselves. On the other hand, in market E, besides the possible performance of other participant companies, there are also domestic companies competing with those companies that decide to export. These companies are assumed to act as one in their decision-making strategy.



In market E, all decisions involving money are to be expressed in euros, as the simulator applies the corresponding dollar exchange rate.

3. PRODUCTS

Each company can manufacture two products that we will call S and H. Both products are in the personal care sector and have high turnover rates. Participants can identify them as sunscreen (S) and moisturizing lotion/cream (H).

The model behaves just as real markets would for these two particular products, although the intention is not for it to be absolutely exact.

The approximate per capita consumption, in units, for each product at the beginning of the simulation is as follows:

	Market A	Market E
Product S	0.55 units	1.17 units
Product H	1.33 units	2.50 units



Obviously demand will change according to the sales effort undertaken by each company.

Regarding brand positioning, if a company sells the same product in two markets, it can either use the same positioning strategy for all of them, or use a different one for each market, just like in the real world.

Both products have a long shelf life and what is left as inventory at the end of a period is what is first sold in the next one. In any case, inventories will not deteriorate and are not subject to realization.



4. MARKETS

Consumer attitudes and behaviors are directly related to their wealth, as defined by each market's per capita income.

Products S and H are in a sustained maturity phase in markets-territories A and E.

In market A there are three distribution channels for each that we will call T, S and G. In market E, there is only one type of channel: G.

The number of points of sale for each channel are specified in the following table:

		A	E
T	Traditional retailers	3,000	
S	Supermarkets	6,000	
G	Hypermarkets	360	720



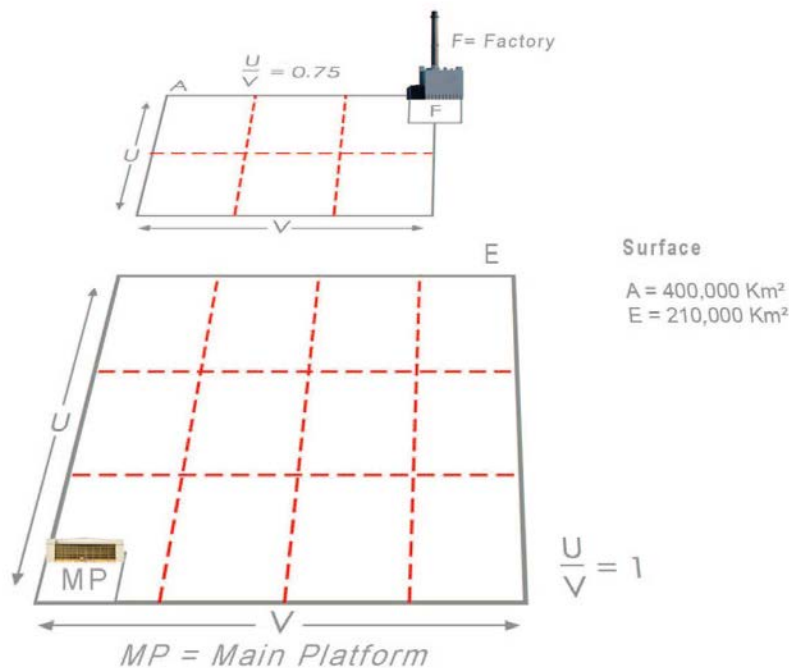
Traditional retailers are mainly pharmacies and perfume stores, and the associated sections in department stores.

Cash & carry stores are also called supermarkets and department stores are called hypermarkets.



Each territory is structured into areas that require sales service provided by representatives who work mainly with department stores. There are 6 zones in A and 12 in E. Participating companies can decide whether these intermediate distribution outlets will be covered by their own representatives or the property of independent wholesalers. Of course, a mixed solution is also possible; therefore, for each market-territory in which you want to compete, the number of company representatives and/or wholesalers to establish must be decided.

The territorial structure is homogeneous, so each element (people and retailers) within it is equidistant from its adjacent elements. The map of territorial structure is as follows:



5. DEMOGRAPHIC PROFILES OF PURCHASERS

Demographic profiles are very similar in all markets. It has been detected that buyers represent the 25% of total population in all markets.

It is also known that out of that 25%, the number of female buyers equals that of male buyers, meaning that 50% corresponds to each sex.

6. SALES REPRESENTATIVES

Your company must decide in how many of the sales areas (6 in A and 12 in E) to establish its representatives, assuming that independent wholesalers are used at the remaining areas. This is the same for the three markets-territories.

The representatives handle channel G and lead a team of salespeople who work with retailers T and S. These Sales Representatives have a fixed annual cost of 50,000 euros, not including the remuneration of the

above mentioned sales force handling channels S and T. The Sales Representative is in charge of channel G negotiations.

You must decide the salary for each seller for channels S and T and, at the same time, decide how many people are needed for each of these channels (assuming company sales activities in these channels).

The same happens in country E, except that the set annual cost of the representative totals 60,000 dollars / year and no sales-force recruitment is necessary, as only channel G exists in E and, as mentioned above, this is handled by the Sales Representative.

The sales organization, whether handled by independent wholesalers or representative and salespeople, is identical for products S and H, and the same salesforce and representatives work with both products.



The number of salespeople must always be recorded on the decisions, and is assumed to be identical for every zone to which the company assigns a representative. The total number of salespeople, therefore, will result from multiplying the number of salespeople allocated to a zone by the total number of zones with representatives established by the company.

7. WHOLESALERS

The independent wholesalers used for the areas in each market charge 8.46% of the retail price for normal items they sell, and 6.5% of the retail price for items sold through promotions.

These percentages include transportation from the wholesaler to the retailer and are the same in A and E. In the case of market E they also include tariffs.

8. SALES MANAGEMENT AND PHYSICAL DISTRIBUTION

Having the product physically available for buyers requires two separate types of actions: one called “sales” and the other called “physical distribution”. Both should be coordinated and correctly planned.

Sales made by representatives, salespeople and wholesalers in each zone, have to be distributed from platforms (warehouses) that may be owned by the company or not, depending if they are located on zones operated by representatives or wholesalers.

In zones with representatives, the company is responsible for transportation costs from the factory to the platform, for storage costs at the platform and for transportation costs from the platform to the retailers. In zones with wholesalers, however, these costs, except for the transportation cost to the platform, are paid by the wholesaler. All platform costs in E include freight, insurance and customs.

The logistics costs in euros per unit are as follows:

	A	E
Transport from factory to platform	0.01	0.03
Storage in platform	0.05	0.05
Transport from platform to retail	0.01	0.02



The customs duty that authorities in E charge exporters from A amounts to 2% ad valorem. When the importer is a wholesaler in E, this tariff is already included in their margin (commission or percentage). On the other hand, when the importer is the actual company working through their Sales Representatives, the tariff is charged to the company.

In this second case 2% will be calculated on the figure resulting from adding the standard cost to the transport from factory to a platform:

$$(\text{Standard cost} + 0.03 \text{ euros}) \times 0.02 = \text{unit cost of customs duty.}$$

The sum of the transport costs and the tariff percentage is the same for products S and H. However, the unit cost of customs duty will not be the same as the standard cost is different for S and H.

9. SALES FORCE

The cost of the sales force employed at zones with representatives is included in this category.

The company has to decide on the size of its sales force for channels S and T in each market.

The sales force salary policy must also be delineated, and may include both a fixed and a variable component.

These two components can vary according to the following range:

Salary	Minimum	Maximum
Fixed portion	21,000 euros/year	42,000 euros/year
Variable portion	0'6 %	1'2 %



The fixed portion of the salary is mandatory, whereas the variable portion is optional. However, if you choose to pay a variable portion, it must be within the percentage range given above. The variable portion of the salary will be determined by the normal units sold to retailers, therefore excluding units sold through promotions. Commissions are calculated based on the price given to the retailer, and not on the retail price. Units sold through wholesalers' sales forces are not subject to any payment of commissions to their salespeople by your company.

10. PRICES

Each company has to set the prices for each product in every channel and market where it decides to operate.

These prices are always the recommended sales prices to the general public or final consumer (retail price), and therefore each company's sales will equal these prices multiplied by the units sold in each channel and market. Prices can obviously be adjusted each year. Up to two decimal places may be used.



The simulator assumes that companies are operating in a channel with a product if a price has been set for said product. If no price is specified, the simulator will assume that the company is not commercializing.

11. ADVERTISING

There are several types of mass media in the markets, used in either a digital or traditional way, whose audience is limited to the territory itself.



Rival companies can use one or several advertising media in each market. The types of advertising outlets with their rates expressed in dollars and euros, by insertion/repetition, are the following in the two markets:

Media		A in €	E in \$
Display network and Remarketing <i>Banners/ads on websites</i>	DR	10,000	11,000
Press <i>Newspapers/Magazines: Print and online</i>	PR	15,000	16,000
Radio <i>Stations: Conventional and online</i>	RA	14,000	16,000
Social media <i>Closed communication platforms</i>	SM	15,000	15,000
Television <i>Channels: Conventional and online</i>	TV	18,000	20,000

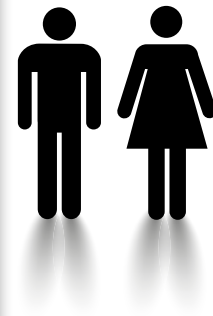


You must specify the total annual ads on the decisions.

12. SCOPE (RATING)

The following table shows the percentage of buyers reached by one insertion/repetition of each advertising media. That is the scope.

Media		A	E
Display network and Remarketing <i>Banners/ads on websites</i>	DR	28	26
Press <i>Newspapers/Magazines: Print and online</i>	PR	48	31
Radio <i>Stations: Conventional and online</i>	RA	35	40
Social media <i>Closed communication platforms</i>	SM	30	29
Television <i>Channels: Conventional and online</i>	TV	60	61



Knowing how many people will be reached, over the 25% of population which are the buyers, you will have to decide how many times to reach each of them. That is the insertions/repetitions/frequency, the number of times that you want your advertisement to be seen.

All outlets overlap some other outlet. That means buyers, generally, are not only receptors of one single advertising media, but of two or more. The market study on coverage can allow you to know the percentage of buyers that has been reached.

13. MARKET POSITIONING

Your advertising agency presents you with different alternatives as described in the Appendix. Each of these ads/campaigns includes the description of a visual scenario and a text, the essence of the message to be conveyed, that can be used for audio-visual and printed media. Your company must choose one of them for each market and product that you wish to sell. The advertising campaign and budget can change each year.

There are three major segments of distinct consumers that are connected to different buying and brand-choosing behaviors. The weight of each is of 40%, 40% and 20%. It is up to the companies to locate these consumer segments and reach them according to their strategic plans.

If you request the market research studies that give the positioning maps of the competing brands, you will see two unnamed axes that should be interpreted. They are drawn up using the most advanced statistical techniques -more specifically the Kyst computer version of the non-metric multi-dimensional scale method, NMMS. The axes represent the attributes or groups of attributes that are valued by consumers, and the interpretation of their meaning must also be done, as would occur in the real world.

The image attributes of a brand usually cannot be changed in the span of one year, but due to the fact that the number of simulated years is reduced, the simulator allows the positioning to be modified each year, so that a good training can be achieved. If it were not the case, the trial and error process would not be possible

with this particular feature of brand image. Therefore your company can change its positioning from one year to the next if you wish to do so, without the need to undertake any additional marketing efforts.

There are three major domestic brands in market E that appear on the positioning map. They are dubbed J, K & L.

These brands are located in the three essential strategic spaces of market E. These spaces correspond to the three biggest consumer segments.

With regard to all the other marketing issues, the three domestic brands, along with others with a less significant market share, behave as if they were a single brand. In other words, it is as if these domestic brands were



If your company does not enter an advertising campaign on the decisions, the simulator will give you a not define, neutral positioning.

14. SALES PROMOTIONS

Every year rival companies may carry out specific promotional sales campaigns. To do so, they must decide what products, and in which channels and markets, they want to promote. In each of the cases the number of annual promotions must be decided, bearing in mind that every year a maximum of 3 promotions can be implemented in each channel for each product.

The next decision is the type of promotion that your company prefers. In a given year, you can only select one type of promotion for each channel. For example, if a company decides to do 2 promotions of the 3x2 type in market A, channel S supermarkets, all three promotions will be of that type. Different decisions can be made for other channels.

It is possible and allowed by the simulator that two or more participating companies can have promotions of the same type for a product in the same channel and market, but the simulator prevents these promotions

from being carried out simultaneously, just as in real life. In assessing the sales that may result from any promotion, keep in mind that its effect will last three weeks and that the simulation assumes 52 weeks. It should be clear that the promotion may not be accepted or that, on the other hand, it may be so successful that it exceeds all estimates. Experience and market knowledge will provide the necessary information for decision-making.

There are three different types of promotions:

1. *Price reduction*: This consists of a discount on the retail price that the company sets for a certain market, channel and product. The amount of discount must be stated on the decisions, in euros per unit. If the promotion is in E, the discount should be specified in euros and the simulator will convert it to dollars according to the dollar exchange rate at that time.
2. *3x2*: The retailer will give the end consumer three units for the price of two at the time of purchase.
3. *Discount on next purchase*: Upon purchasing one unit of product, the consumer receives a discount coupon that can be used on the next purchase. You must record how many euros will be discounted on the retail price when the coupon is exchanged at the moment of the second purchase.



The simulator (that behaves just like the market) will only accept sufficiently attractive promotions; so, on the Results Report, the participating company can see which promotions have been accepted. Any rejected promotions generate no cost whatsoever.



On the interface, where your company materializes its plan, only the decisions necessary to carry out the selected promotions should be inserted. For example, in the case of a 3x2 promotion it is not necessary to insert anything else. In the case of a discount on next purchase, the amount of euros to be discounted has to be stated.

15. RETAILERS

The participating company must set the margin given to retailers (its clients). This has to be done for each channel, market and product; that is to say, in all cases where prices have been set.



The margin for each unit sold should be stated in euros, and not as a percentage. Although obvious, you should take into account that the difference between the selling price to the final consumer (retail price) and the margin represents the selling price to your clients.



If your company does not specify a retailer's margin as part of its decision, it will be assumed that you do not wish to operate in that channel, hence no sales will occur.

16. SHELF SPACE

The participating company should study what shelf space it wishes to occupy with its products, taking into consideration all factors that contribute to achieving a lower or higher figure.



If your company does not specify a percentage of shelf space, it will be assumed that you do not wish to operate in that channel, hence no sales will occur.

These percentage-based decisions, made for each market, channel and product will be assumed as the company's objectives and shall be subject to negotiation with the managers of the different points-of-sale. Such negotiations are simulated by the simulator, so that the percentage of shelf space really achieved will possibly be different from that stated by the company as their objective.



A feasible objective should be stated as a percentage of shelf space.

There are two "shelf spaces": one at the beginning and the one at the end of the year. The one at the beginning is the one your company has set as an objective, and is stated on the decisions. Then the simulator intervenes, emulating the corrections that the retailer makes throughout the year, according to the performance of your product and those of your competitors. After these changes, a shelf space at the end of the year is reached. This final value is the one expressed on a market survey.

It is advisable not to insert illogical shelf space figures, with disproportionate growth, since the retailer's reaction would be counterproductive. Set realistic objectives with feasible growth.

17. PRODUCTION FACILITIES



Each company starts with 29,900,000 euros in fixed assets. This amount of fixed assets allows an annual production capacity of 7.2 million units of S or 18 million units of H.

We can see, then, that the production capacity has a ratio of 2.5 units of H for every unit of S. It thus takes a 250% greater effort to produce a unit of S than H.

Since the company can produce units of S and H in the same year, this production capacity ratio must be taken into account. For example, a company could produce 5 million units of S and 5.5 million units of H per year.


It is not mandatory for the company to reach its maximum production capacity, nor to manufacture both products.

Once they are produced, it is obvious that the units of S and H are not interchangeable and inventory is separated and differentiated.

The company can increase its production capacity each year, but that will require a new investment in fixed assets of 6,000,000 euros.

Therefore, it is established that each year new investments in fixed assets can be made in the amount of 6,000,000 euros, or there could be no investment at all.

The obtained increase in production capacity as a result of new investments can be used the same year and it is expressed in the following chart:



Fixed assets in euros	Maximum output in units of one product or the other	
	S	H
29,900,000	7,200,000	18,000,000
35,900,000	8,160,000	20,400,000
41,900,000	9,120,000	22,800,000
47,900,000	10,080,000	25,200,000
53,900,000	11,040,000	27,600,000
59,900,000	12,000,000	30,000,000
65,900,000	12,960,000	32,400,000
71,900,000	13,920,000	34,800,000

The units of either product are specified and if the company wishes to produce both, the set ratio of 2.5 units of H for every unit of S must be taken into consideration.

On its decisions the participating company will “check” the “Investment in fixed assets” box if it wants to increase its production capacity. That could be done if its Cash & equivalents is equal or superior to that figure, or if it is not, by requesting a bank loan. If this is the case, it should fill in the “Loan requested” box with the right amount.

In the same way, the units of S and H to be produced should be stated. The sum of these figures should not exceed the production capacity. If new investments in fixed assets are made, the new capacity obtained can be used in the same year of the investment.

The amount of products put on sale, and therefore sellable, will be the produced units plus the existing inventory, if there is one.

The company has an annual depreciation expense of 10% of the fixed assets.



If your company wants to manufacture two products, you must take into account the production ratio of 2.5 units of H for every unit of S.

18. DIRECT PRODUCTION COSTS

These costs are the ones that vary directly with the amount of units produced, and that do not vary when they are expressed per unit. In this simulator they are called “Standard Cost” (SC), and the simulation Director will always give its unit value. They will always be expressed by unit produced.



This can vary from year to year, by decision of the simulation Director, and this assumes that on the income statement and balance sheet a weighted average of the standard cost of inventory existing for the previous year and a standard cost from the current year will be used.

Stock-out of finished goods produces a reduction in sales. In addition, prestige and loyal customers are lost.

Costs for in-factory storage and product losses during transport are understood as being covered by the general overhead account.

19. OVERHEAD COSTS

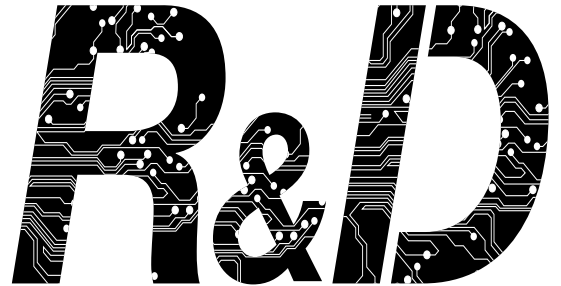
The company has a fixed overhead cost of 3,000,000 dollars/year, which corresponds to a production capacity of up to 7.2 million S units/year (or H 18,000,000). When production capacity is increased, the overhead costs experience variations shown on the following chart although you need not reach maximum capacity:

Fixed assets in euros	Overhead cost in euros/year
29,900,000	3,000,000
35,900,000	4,200,000
41,900,000	5,400,000
47,900,000	6,000,000
53,900,000	6,600,000
59,900,000	7,200,000
65,900,000	7,800,000
71,900,000	8,400,000

20. RESEARCH AND DEVELOPMENT

The industry you are involved in needs companies that are constantly innovating, so your company will devote 4.5% of its sales revenue to research and development.

In the income statement there will be a dual entry reflecting the company's expense in this area. This entry will vary from year to year depending on the total sales revenue.



21. PERIODS - FISCAL YEAR

In order to handle the time variable, the fiscal year has been set equal to the calendar year. This is just a convention and is of no further importance except that the majority of companies' management plans also entail one-year periods that coincide with the fiscal year.

One could consider 3 month periods, or one month, or any length of time desired. It is merely a question of choice. The important thing is to experience the 4 steps of business performance (analysis, planning, implementation and control), which is what the simulator is for.

Having established a virtual period of one year, it is assumed that the management plans are presented on January 2nd and the agreements with personnel, customers, suppliers and financial entities are also made on that date. Results are given on December 31st, and that is the date of the Balance Sheet and the Income Statement.

Therefore, the plan stated as a set of decisions goes into the execution phase on January 2nd. The results stated on the Results Reports go into the control phase on December 31st.

Bank loans amortization and recovery of fixed term deposits are made on January 2nd, that is to say, on the next working day after having received the



Balance Sheet. The simulator will have frozen the amounts necessary to cover the outgoing funds for financial operations planned for January 2nd.

In case the company has a cash shortage the simulator will try to prevent an overdraft, since the highest interest rates charged by banks are those for overdrafts (remember this is an “in extremis” loan).

In order to do so, it will resort in first place in financial investments. If the company holds any financial investment, this will be canceled to see whether the overdraft can be covered (this implies an early withdrawal fee). Although obvious, it is necessary to point out that the company is not obliged to carry out the above mentioned financial operations.

Interest rates are annual and internally the simulator uses monthly periods to calculate the interest rates applicable to financial operations. That is to say, each fiscal year is divided into 12 equal months.

Related to the above is the problem of lack of available Cash, which the simulator assumes is detected and suffered by the company in the first month of activity in that fiscal year, just as the relationship between income and expenses becomes apparent. Months are assumed to be equal and any real-life seasonality of products S and H is not taken into account by the simulator.

22. OPERATING CASH NEEDED

The operating cash needed “OCN” is the amount of money the company must have in cash at the beginning of a period in order to be able to implement the plan for the coming period.

The simulator considers your plan and estimates cash inflows and outflows. This valuation can be done a beforehand by the company by following this rule:

1. 80% of the new investment in fixed assets.
2. 50% of the total of the following expenses:
 - Total Advertising.
 - Total of the Sales Representatives expenses and salespeople fixed salaries.
 - Overhead.
 - Market research.
3. 5% of the direct production costs.

These percentages can be changed by the Simulation Director and if so, participants will be informed about it.

The total of 1, 2 and 3 must be equal to or less than the available Cash & equivalents account. If such total amount is greater than the Cash, the company has two options:

- A. Request a loan for the difference.
- B. Reduce one or several of items 1, 2 and/or 3 or eliminate any or several of them in order to make the total conform to the existing Cash.

The cash amount to be considered is at January 2nd, that is, the one received on December 31st, minus:

- Loan amortizations to be paid on January 2nd.

And adding:

- Financial investments, if any, which are recouped on 2 January.



If the amount of OCN is higher than the available cash on January 2nd, the simulator will request a loan for the company (since these are the additional funds needed) in an amount equal to the difference. If the amount of OCN is lower, the company can use the Cash Surplus (CS) in financial investments and prepayment of loans.

23. LOANS AND CASH & EQUIVALENTS

Companies will receive, together with market research results, their Financial Statements (Income Statement and Balance Sheet) for each year.

The Cash and equivalents account can be negative, in which case it is obligatory to request a Bank loan for that negative amount. This loan is granted in order to zero the account.

Apart from this mandatory loan, the company can decide to request loans at any time, even if the Cash and equivalents balance is positive. Usually, such loans would be used for investing in fixed assets.

Companies should request loans (if needed) to comply with the OCN. If the company does not make a request, the simulator will do it.

The simulation Director will set the maturity of the bank loans as well as the applicable interest rate.

Loan amortization will always be carried out so that each year, except the year in which the loan is requested (see Balance Sheet and Income Statement), the company returns a proportion of the total amount owed at the beginning of the year. The maturity of the loan and the applicable interest rate are set by the simulation

Director. If a new term or rate is set, it is applied to the new loans and to the debt that the companies owe at that moment.

The established amortization is done automatically by the simulator and is not specified on the decisions.

You can settle the debt, in part or in whole, before the set maturity date. Should you wish to do so, you must specify the debt to settle on the field labeled "loan prepayment". To do this, the company must have Cash Surplus (CS) in the Cash and equivalents account. The surplus amount can be used to settle any outstanding loans.



24. FINANCIAL INVESTMENTS

If you have a Cash Surplus (CS), this amount can be used to bankroll fixed term financial investments for a period of one year. The rate of return will depend on the amount invested/deposited and on the applicable interest rate, to be provided by the simulation Director.

The amount invested will appear in the Assets side of the Balance Sheet and can be cashed on the first day of the following year.



If Cash problems arise and liquidity is needed, the simulator will cancel the investment and the bank will charge the corresponding early withdrawal fee for this type of operation.

25. CURRENCY EXCHANGE

On the decisions, amounts will always be expressed in euros. In E you should proceed in the same way and the amounts handled in dollars should also be expressed in euros, applying the corresponding exchange rate. The simulation Director will inform exporting companies of the exchange rate as needed.

As the participating companies (whether they export or not) are considered to be European, the Income Statement, the Balance Sheet and the Company Results in general will always be expressed in euros. It is therefore necessary to pay special attention when making your estimates and calculations since, for example, the advertising tariffs expressed in dollars do not vary but their value in euros does, according to the exchange rate. The same applies to the cost of Sales Representatives, internal transportation within E, etc.

26. INCOME STATEMENT AND BALANCE SHEET

In order to correctly analyze the Income Statement, it is necessary to understand that the invoicing or sales are expressed by considering the retail price (to the end consumer). Expenses, the retailer's margin and that of the wholesaler plus promotional expenses are deducted from this. These sales are the total units sold at retail price.

If your company requests a bank loan you will see on the Balance Sheet that no repayment whatsoever is made that same year. The amount owed will be withdrawn from your Cash and equivalents the following year, on January 2nd. Pay special attention to this fact when checking your Cash if you have outstanding loans or credits.

Therefore, when you are preparing your management plan for the following year, the simulator has already foreseen and frozen the funds payable on January 2nd.

The company's position regarding its competitors is indicated on the Result Reports, after the Balance Sheet. This position is determined by the highest accumulated profit and its importance will be decided upon by the simulation Director. The simulation Director could give more importance to other issues, and you are informed accordingly if that is the case.

27. DEMAND

At the end of each fiscal year, Results Reports are given to the participants. The first two pages are the results of S and H sales. The last three entries indicate:

- A. Total units sold.
- B. Units demanded of your brand.
- C. Units of finished goods in inventory.





The units sold figure does not necessarily have to match the demand. This happens when the company's available production is lower than the demand achieved by it (stockout).

It could be that, in an exceptional case, one of the participating companies does not even have sufficient production available to satisfy demands generated by their promotions. In this case the market rejects those promotions that cannot be satisfied and only leaves those that can be supplied.

In addition to the total units sold by the company and the demand obtained by your brand, the amount of finished goods in inventory at the end of the period is given.

28. MACROECONOMIC AND OTHER FACTORS

Throughout this document the scenario in which the company will operate has been described. It has also been stated that the simulation Director will provide certain information.

These are the figures you will receive and which should be kept in mind:

Per capita income A	€	26,000
Per capita income E	\$	46,000
Exchange rate, dollars per 1 euro	€	1
Standard cost		
Unit of S	€	2.06
Unit of H	€	0.97
Average (RRP) price in E		
Unit of S	€	9.48
Unit of H	€	3.65
Average margin of retailer in E		
Unit of S	€	4.50
Unit of H	€	1.50


Loans		
Maturity	Years	4
Interest rate	%	10
Upfront fee	%	1
Prepayment penalty	%	1
Financial investments		
Interest rate	%	2
Early withdrawal penalty	%	1
Overdraft interest rate	%	20



This economic and financial data are provided in the simulation web and are shown in the General Information menu. It is very important to check this information whenever you access the simulation web as it may vary from year to year.

29. MARKET RESEARCH

Companies can carry out market research by commissioning this from a specialized institute. The type of information obtained, and the corresponding cost, expressed in euros, are as follows:



	Survey	Cost
1	Total sales of S and H by company, market and channel	72,000
2	Promotional sales of S and H by company, market and channel	107,000
3	Positioning by market of S brands	59,900
4	Positioning by market of H brands	59,900
5	Overseas advertising investment for S and H by companies from A expressed in dollars	36,000
6	Coverage of S and H advertising by company and market. Share of the target group with access to advertising, expressed in absolute figures	59,900
7	Number of ads by company for S and H	36,000
8	Number of sales representatives and salespeople by company and market	24,000
9	Percentage of shelf space achieved by co. and channel for S and H	72,000
10	Demand for S and H by company and market in units not including promotional demand	110,000
11	Companies retail prices in dollars by market and channel for S and H	Free
12	Companies campaigns by market for S and H	Free
13	Type of promotion, for S and H, by company and channel	Free
14	Industry's average salary	5,000
15	Industry's Balance Sheets at December 31st	10,000

Information given in surveys 1, 2 and 10 is expressed in units.

Co-ordinates of positioning charts of surveys 3 and 4 are obtained using the non-metric multidimensional scale method NMMS.

Survey 12 indicates the advertising campaign by the number assigned in these Instructions.

Survey 13 indicates the type of promotion by the number assigned in these Instructions.

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30. APPENDIX

ADVERTISING CAMPAIGNS

SUNSCREEN

The campaigns that follow normally describe a television commercial. In the case of other media, the message and creativity would be adapted to the other type of communications media while maintaining the essential points.

Campaign 1

In a cartoon, we see a small lizard sunbathing on a rock. As the camera zooms out, we see an aerosol can with sunscreen next to the lizard. The lizard's mother comes into view, crawling over the can, and leaning on the lid, rubs cream over the little one.

Voiceover: XXX sunscreen takes care of your little ones and the driest of skins.

Campaign 2

A boy beneath a beach umbrella looks dejectedly at another boy, out in the sun, happily playing nearby on the water's edge. The mother of the boy playing looks at him happily without worrying because she put XXX sunscreen on him.

Voiceover: "Don't fear the sun. Our new XXX sunscreen, with 56% less grease, takes care of you and those dearest to you".



Campaign 3

A castaway on a desert island is rescued and during an interview he's asked how he survived for so long. He answers: "With this," and he holds up XXX sunscreen.



Campaign 4

A woman on the beach. We hear her thoughts in a voiceover: "Oh, time to put sunscreen on the kids again." Image of the children running away and the mother running behind them with the sunscreen in hand, as if she were imagining it. Focus on the woman again, and the voiceover says: "Oh wait, it's XXX." She calls out: "Kids, sunscreen!" The kids start running, but they come back smiling when she says, "It's XXX."

Campaign 5

On a terrace at a beach bar, there are two men at separate tables eating a snack. One is red and scowling, since his whole body is burned. The other smiles at him while enjoying his snack.

Voiceover: "Don't let the sun ruin your vacation. Use XXX sunscreen and enjoy your days off with the best protection you can get."

Campaign 6

A dermatologist shows two pictures of skin, one damaged by the sun and the other in perfect condition, protected with XXX sunscreen.

Dermatologist: "Eight out of 10 dermatologists recommend XXX sunscreen. Its high iron and zinc content is the most effective way to protect your skin."

Campaign 7

A fire in a building and firefighters preparing to go in and evacuate it, but we see a man running ahead of them and go into the building while putting on XXX sunscreen. He comes out later without a single burn and holding a cat in his arms.

Voiceover: "The sun can give you second-degree burns, similar to what a fire can do. That's why we recommend using our XXX sunscreen."

Campaign 8

A group of people playing a game at a table. One of them reads a card and says: "Question: How can you enjoy the sun comfortably and safely?"

The other reply: "Under a beach umbrella," "under the water," "in an apartment"... Close-up of the game board, which shows a bottle of XXX.

Campaign 9

Man walking very stiffly, burned red by the sun, with a bathing suit on and a bag. Voiceover: "Don't end up like this. Use XXX sunscreen, now with better protection than ever."



Campaign 10

A person looking at a screen and typing. He starts speaking and we alternate shots of him and the screen, which shows carbon chains and their interactions.

“When you put a UVA particle on an organic compound like the skin, this is what happens.”

We see the chain breaking apart. “If we put a thin layer of the three ingredients in XXX in between, we see something very different happen.” The chain doesn’t break.

The person stops looking at the screen, looks at the camera and says:

“Making this happen took a lot of effort. We’ve managed to protect your skin from the negative effects of the sun.”

Campaign 11

A spaceship approaching the sun. Inside are four astronauts who are getting ready for a spacewalk. Three of them put on their spacesuits and helmets, while the fourth puts XXX sunscreen on.

Voiceover: “One out of 4 astronauts recommends XXX sunscreen. Its high iron and zinc content is the most effective way to protect your skin.”

Campaign 12

Skin seen under a microscope. Little by little we see it flake, getting damaged and deteriorating.

Voiceover: “This is the damage caused by the sun that we can’t see with the naked eye. Thanks to the new formula in our sunscreens, they protect your skin three times better than most other creams.”



Campaign 13

We see a family having a picnic in a field. They’re in the shade of a large tree from which they hang sunscreen, like fruit.

Voiceover: “Our XXX sunscreen, rich in aloe vera and vegetables oils, cares for your skin daily, restoring it and moisturizing it.”

Campaign 14

Cartoon of a woman putting on cream and then rolling around in the sand afterwards.

Voiceover: "I love the beach. There's nothing I don't like about being at the beach and getting some sun, except having sand stick to my skin.

"XXX and say goodbye to sticky creams."

Campaign 15

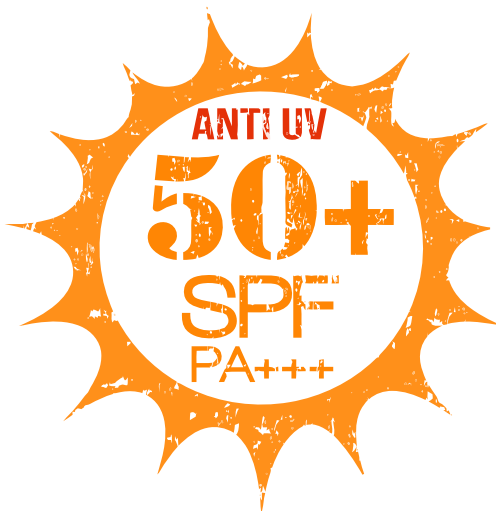
A woman is getting her beach bag ready. Inside she puts a towel, sunglasses, fins... "Perfect, nothing can ruin my day at the beach now." The same person appears later, returning home with a sunburn. Voiceover: "Don't let anything spoil your vacation. Remember to bring XXX sunscreen along." We see her putting it in her bag.



Campaign 16

A series of images showing animals taking shelter from the sun, a lion lying in the shade, a bird under a branch, a dog under a table, etc. Finally, we see a person putting on sunscreen.

Voiceover: "At XXX laboratories, we've learned how to protect the skin naturally. Rich in aloe vera, our sunscreen restores skin while protecting it at the same time."



Campaign 17

Close-up of a tube of sunscreen showing the SPF (50+). Voiceover: "Do you know what this number means? This number multiplies how long it takes to get a sunburn. If you didn't use sunscreen, on average you would burn in 10 minutes. When you use our SPF 50+ cream, it will take 500 minutes to get a sunburn. That's why at XXX, we recommend asking your dermatologist how much protection you need to take care of your skin."

Campaign 18

A woman is speaking, and we see she's in an old, university-style lecture hall. Behind her is a projection on a screen.

"The sun is natural. It's natural for its harmful rays to reach us and damage the skin. And it's natural for us to cover ourselves so they don't harm us."

On the screen we see a person with a neoprene diving suit.

"But if we use the knowledge we have, we can protect ourselves with a few components that have been specifically developed."

Image on the screen of a bottle surrounded by chemical formulas.

Voiceover: "Technology for your skin."

Campaign 19

Images of a man flinching every time he gets a pat on the back or someone touches his shoulder or arm.

Voiceover: "You don't want this to happen to you when you come back from someplace sunny. To protect yourself from the sun, use XXX."



Campaign 20

We see parents trying to control three children who don't want to put on sunscreen. Focus in on the exasperated parents. Voiceover: "No one likes to struggle to put sunscreen on kids. Why go through it every time they come out of the water? Our XXX sunscreen is water resistant."

MOISTURIZER

Campaign 1

A person baking in the desert sun. Focus in on his happy, surprised face when he finds some moisturizing cream. He puts it on, and we see an oasis around him.

Voiceover: "XXX moisturizer. For maximum freshness wherever you are."



Campaign 2

A woman swimming and relaxing in a pool, turning over to do the backstroke. New image and we see that it was all in her imagination, since she's in fact sitting on a chair. Her friends, baking in the heat, give her a strange look and ask: "How can she stand this heat?" Focus in on the moisturizing cream next to her.

Voiceover: "XXX cream, as refreshing as a nice dip in the pool."



Campaign 3

A mother smiles and takes her son by the hand. They both run into the pool, laughing. As they go under the water, we see a tube of XXX-brand cream, sinking as air bubbles rise around it.

Voiceover: "Because we like taking care of you and your family, with our new and refreshing XXX, you don't have to worry about a thing, since it repairs and moisturizes your skin naturally."

Campaign 4

A young woman is walking on the beach, bending over every now and then to pick up seashells. Suddenly, while straightening out, she sees an object glistening ahead. Smiling, she walks up to it. It's a tube of XXX moisturizing cream in between some seashells. When she picks it up, a wave washes over her shins.

Voiceover: "New XXX moisturizer, more refreshing than ever."



Campaign 5

A desert full of sand. A tube of XXX moisturizing cream suddenly falls down. As soon as it hits the ground, it digs itself into the sand a little bit, and vegetation, vines and huge leaves sprout from the ground and start growing around it. The camera zooms out and we see an oasis in the middle of the desert, right where the tube of XXX fell.

Voiceover: "XXX moisturizing cream has all the vitamins and minerals you need to keep your skin moisturized all day long. Its natural active ingredients provide essential nutrients that care for your skin."

Campaign 6

A woman in a white lab robe shows two skin types on a virtual display. One is moisturized and the other shows the kinds of attacks that can damage skin.

Voiceover: "Every day the skin is attacked in ways we can't see. That's why we've developed a formula rich in vitamins E and C that protects and moisturizes your skin. It also has various minerals that help restore damaged skin. Take care of yourself, with XXX moisturizer."

Campaign 7

We see a tube of XXX moisturizing cream atop a rock covered with moss. Birds and other forest sounds are heard in the background.

Voiceover: "We like what's natural, which is why we make every effort to make the best product for your skin, with thyme oil extract and aloe vera, we've created a new formula for XXX moisturizing cream."

Campaign 8

Using a special animation effect, we see how when the lotion is spread on the skin, it moisturizes even the deepest layers, healing and helping regenerate damaged cells.

Voiceover: "The collagen and vegetable oil formula in our XXX moisturizing cream gives skin the vitamins and nutrients it needs to regenerate damaged cells, making skin feel fresh and smooth."

Campaign 9

A blazing sun. A young man with no shirt on is slumping in a chair on a small balcony, leaning against a table. Lying next to him is a dog, bearing the heat and panting.

A woman leans out the glass door and smiles. She goes inside the home and comes back with a bowl of water for the dog, who lifts its head and licks the air, thankful for the water. She then turns and stand behind the man, and smiling, puts some XXX moisturizing cream on his back.

The dog and man look at each other, smiling and thankful.

Voiceover: "XXX moisturizing cream takes care of you and your loved ones, protecting your skin every day."

Campaign 10

We see images of a perfect summer and a group of friends, surfing, sunbathing, eating on a terrace, etc. Between the images we see shots of the people putting on the moisturizing cream. Voiceover: "To enjoy summer, always moisturize your skin with XXX."

Campaign 11

A woman is taking a nice shower. She's humming along to a happy tune as she cools off under the water. Suddenly she looks up and reluctantly exits the shower. Wrapped in a towel in her room, she puts on XXX moisturizing cream and smiles again.

Voiceover: "Since you can't spend the entire day in the shower, XXX moisturizing cream helps keep your skin fresh 24 hours a day, moisturizing and protecting it."



Campaign 12

Voiceover: "If thinking about refreshing things brings this to mind..." We see images of a soft drink in a glass with ice cubes, watermelon, a pool, etc. on a background with different lively colors. "It's because you know..." We see a picture of the moisturizing cream.



Campaign 13

A man holding a baby in his arms, the baby won't stop crying and the father tries to hold him up against his neck, but the baby squirms and tries to move away. The mother then appears, taking the baby in her arms and holding it against her neck. The baby places a hand against the mother's cheek and instantly relaxes. The confused father looks at the mother, who smiles and points to a bottle of XXX cream on the shelf.

The next day the father is holding the baby, who is nestled against his chest.

Voiceover: "They'll notice it, and so will you. XXX moisturizing cream soothes and moisturizes skin, making it fresh and soft."

Campaign 14

A man with a lab coat rolls up his sleeves. The camera zooms in and, using special effects, seems to enter the scientist’s skin, where we see all the layers of the skin and how water, nutrients and minerals are constantly refreshing it and rejuvenating it.

Voiceover: “With our formula rich in vitamins, minerals, water and nutrients, XXX moisturizing cream nourishes, regenerates and moisturizes your skin from the inside out. Its innovative four-level active shield will keep your skin safe from damage.”

Campaign 15

Voiceover: “Don’t forget to moisturize your body.” We see hands taking a lunch pail with watermelon, a bottle of water and a jar of moisturizing cream. “To do that, remember to take XXX cream with you.”

Campaign 16

A woman with her eyes closed puts her arms in the pool while sitting on the edge and moves them slowly. She then sticks in her legs and wets her shoulders, and lastly her face. Focus on her wet face, but when she opens her eyes, we see she’s inside, sitting on a chair, holding a jar of the moisturizing cream.

Campaign 17

A mother putting moisturizing cream on her son. Voiceover: “Protect your skin and keep it moisturized with XXX cream.”



Campaign 18

Inside a spaceship, with an astronaut doing a space walk outside. Inside is the captain, who is talking with ground control on the radio.

Captain: “All parameters normal.”

Ground control: “And the humidity?”

The captain looks at a humidity gauge.

Captain: “Ten percent... but it’s not a problem.”

An astronaut throws him a jar of cream, which floats toward him. He grabs it with his hand. Close-up of a fine mist coming out of the jar and falling on the captain’s face.

Voiceover, radio-style: “XXX, developed to give you the best results, even in tough situations.”

Campaign 19

We see a woman with a cut aloe vera leaf, rubbing its liquid on her leg. Voiceover: "Imagine that feeling, only much better." The aloe vera leaf turns into the jar of moisturizing cream. "XXX cream, the most natural of creams, with aloe vera."



Campaign 20

A woman talking in her room while putting things in a backpack. "I take only what I need. That's why I never forget my moisturizing cream. It protects and repairs my skin like no other, making me feel fresh wherever I go."

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