GoVenture CEO

Learning Guide & Activity Book

This guide helps you learn the fundamental concepts of business as they are applied in the **GoVenture CEO** simulation.

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This document includes input fields where you can type answers to questions in the activities. After you enter your answers, you must SAVE the file to store your answers. You may then send the new save file to your instructor.

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1 Business Management

Managing a Business

Managing a business means making the short-term and long-term decisions that are needed to operate the business and make it financially successful.

Most businesses sell a product or service. They may produce that product or service, or they may resell or distribute a product or service created by another organization.

Products and services are sold to consumers. Consumers are the people or organizations that use a product. They pay money for the product or service and that money goes to the company that offers and/or makes the product or service. This money is called Revenue or Income.

The objective of a business is to generate more money than it spends. This is called Profit. You must manage the various functions of your business to achieve your desired Profit.

To achieve your desired Profit, you should define a strategy for your business and then make decisions that adhere to your strategy. Monitor your progress and adjust your strategy when needed.

Risk and Return

Starting and operating a business is very risky. Customer response and competitive reactions are unknown factors. Yet there are constant opportunities for new business ventures.

Operating a business involves taking and managing risk. It requires decisions to be made with imperfect knowledge. Budgets are set, employees hired, and inventory purchased all on the expectations of what may happen. Nothing is certain – now or forever. Even long-established industries have collapsed due to unpredicted changes in technologies or economic environments.

A successful business owner or manager must be willing to take risks. They must also understand how to take acceptable risks, and know when to avoid risk – making all these decisions on incomplete information.

Business owners and managers take these calculated risks based on their expectations for potential returns (financial gain). All businesses want some sort of return for their efforts, and the higher the risk taken, the greater the return expected.

Legal Structure

Every business must be legally registered. The three most common types of legal structures for businesses are: sole proprietorship, partnership, and corporation.

Each type has advantages and disadvantages, and careful consideration is necessary when selecting the appropriate structure. In some cases, you can change the structure of your business.

In the *GoVenture CEO* simulation, most companies are corporations and some are nonprofits. The type of business you will play depends on the Simulation Manager.

Business Name

Every business needs a name. The name of your business can give a significant amount of information and emotion about your business. The name is how the business will be recognized and remembered by your potential customers. A business name can be long or short, descriptive of what your business does, or not. It is up to you.

If you will be doing business in a multicultural region, it is also important to keep in mind that the name you choose should translate well into other languages.

If you operate a franchise, however, the name of your business will take on the same name as the franchise. Although, you do not have a choice in names, having the name of a popular franchise will give you instant recognition with consumers. This is called **Brand Awareness** or **Brand Recognition**. Brand Awareness can be very valuable for attracting customers, because the more people who know about your business, the better. Be careful, however, as Brand Awareness can also be negative if you have a business that is recognized as a “bad” business or one that sells low quality products or services.

When choosing a business name, it is important to be careful not to choose a name that is too similar to one that is trademarked. A **Trademark** is a combination of letters, words, sounds or designs that distinguishes one company's goods or services from those of others in the marketplace. Trademarks can be registered with the government to prohibit competing businesses from using similar Trademarks that may cause confusion with consumers.

In the *GoVenture CEO* simulation, you get to choose your business name. The name has no effect on the simulation results and is only used to identify your business from competing businesses.

Logo

A logo is a unique visual identifier that distinguishes your business. Similar to a business name, a logo can impart a significant amount of information and emotion about your business, and it is how it will be recognized and remembered by your potential customers.

A logo can become so well known that people can instantly identify the name of the company it belongs to. For example, the Nike swoosh or McDonald's golden arches.

Your logo should be used on all of your company communication materials, including letterhead, business cards, and on your storefront. Having a consistent design with all of your materials is strongly suggested and helps build what is called your **Brand Identity**.

A logo normally includes text (the name of the business) and a graphic. Sometimes, a logo does not include a graphic image, instead, the text is stylized which is sometimes called a **Wordmark**.

It is also important to note that, similar to a business name, you should be careful not to use a logo that is Trademarked.

In the *GoVenture CEO* simulation, you get to choose your business logo. The logo has no effect on the simulation results and is only used to identify your business from competing businesses.

GoVenture CEO

In the *GoVenture CEO* simulation, you are the CEO or executive manager of an organization that sells a product or service.

You are allocated money each period that you can invest in various business functions. This is called your Budget.

A period may be a calendar year, quarter, month, week, or day. The period is defined in your particular simulation by the Simulation Manager (instructor).

Your focus is to achieve a particular objective. Often, the objective is to achieve the highest profit possible, but your particular simulation may have a different objective, as defined by your Simulation Manager (instructor).

You may be competing with other businesses selling similar products to the same consumers. Your decisions and the decisions made by your competitors will affect everyone's business results.

Once you invest your budget and save your decisions, the simulation will advance to the next period once the Decision Deadline is reached (this date is set by your Simulation Manager). When this happens, the results for all competing businesses are processed and made available to you. You should review and assess the results carefully to gain guidance for your decisions in the new period.

The above process repeats for as many periods your simulation is designed to run.

Review the *GoVenture CEO* **User Guide** and **Video Tutorials** for details on how to play.

2 Market Demand

Market Demand

Market Demand is the amount money that is spent by consumers to purchase a type of product.

When you know the Market Demand, you can calculate the number of product units that can be sold to consumers, as shown in the table below using this formula:

Product Units Sold = Market Demand ÷ Product Price

MARKET DEMAND	$100	$20,000	$150,000
PRODUCT PRICE	$2	$20	$1,000
PRODUCT UNITS SOLD	50	1,000	150

Complete the table below with additional examples.

MARKET DEMAND	$50	$40,000	$300,000
PRODUCT PRICE	$10	$20	$1,000
PRODUCT UNITS SOLD	$ ________	$ ________	$ ________

Potential Revenue

Money your business receives by selling products is called **Revenue**.

Revenue is calculated by multiplying the number of products sold by the product price, as follows:

Revenue = Price X Units Sold

PRODUCT PRICE	$2	$20	$1,000
PRODUCT UNITS SOLD	50	1,000	150
REVENUE	$100	$20,000	$150,000

Complete the table below with additional examples.

PRODUCT PRICE	$3	$30	$1,500
PRODUCT UNITS SOLD	50	1,000	150
REVENUE	$ ____	$ ____	$ ____

Competition

Your ability to make sales and meet the Market Demand depends on a number of factors, one of which is competition.

If two competing companies are offering similar products at the same price, then it is likely that some consumers will buy one product while some consumers will buy the other. The table below shows two competing products selling the same number of product units.

MARKET DEMAND	$100	
PRODUCT PRICE	$2	
PRODUCT UNITS SOLD	50	
	PRODUCT A	**PRODUCT B**
PRODUCT UNITS SOLD	25 = 50%	25 = 50%

The table below shows Product A selling many more units than Product B.

MARKET DEMAND	$100	
PRODUCT PRICE	$2	
PRODUCT UNITS SOLD	50	
	PRODUCT A	**PRODUCT B**
PRODUCT UNITS SOLD	40 = 80%	10 = 20%

Product Differentiation

Why would Product A sell more than Product B? This could happen for one or more reasons:

- Better price (Price is same in the example above)
- Better features
- Better brand
- Better marketing
- Better placement (easier to find)
- Available product inventory (available, not out of stock)

What does better mean? Better means that one product matches the needs of consumers better than the other.

3 Pricing and Profit

Price

Price is the amount of money (Revenue) you receive when your product is sold.

Cost of Goods Sold (COGS) is the cost to make your product.

PRICE	$10	$20,000	$500
COGS	$3	$8,000	$600
PROFIT	$7	$12,000	– $100

As shown in the table above, the Price should be higher than the COGS in order to achieve a profit on each product sold. Otherwise, you will lose money on every product sold.

Complete the table below with additional examples.

PRICE	$50	$15,000	$700
COGS	$20	$8,000	$825
PROFIT	$ ______	$ ______	$ ______

Gross and Net Profit

If the Price is higher than the COGS, then you are making a Gross Profit on each product sold, but this does not fully account for all costs and actual profit. The tables above show Gross Profit.

Gross Profit = Price – COGS

Net Profit = Price – COGS – All Other Expenses

All Other Expenses includes costs for sales, marketing, operations, and more.

When setting the price for your product, you must account for COGS and all expenses required to operate your business, otherwise you will lose money.

PRICE	$10	$20,000	$500
COGS	$3	$8,000	$600
GROSS PROFIT	$7	$12,000	– $100
ALL OTHER EXPENSES	$8	$4,000	$250
NET PROFIT	– $1	$8,000	– $350

As shown in the table above, when all other expenses are included, only one of the products has positive Net Profit.

Complete the table below with additional examples.

PRICE	$50	$15,000	$700
COGS	$20	$8,000	$825
ALL OTHER EXPENSES	$12	$8,000	$200
NET PROFIT	$ ______	$ ______	$ ______

Calculating Costs

To determine profitability, you must calculate all costs to make and sell your product.

NUMBER OF PRODUCTS MADE	100
COST OF GOODS	$6,000
SALES & MARKETING	$5,000
OPERATIONS	$2,000
ALL COSTS Add the three costs above	$13,000
COST PER PRODUCT ALL COSTS divided by NUMBER OF PRODUCTS MADE	$130 $13,000 ÷ 100
PRICE	Should be higher than $130

Complete the table below with additional examples.

NUMBER OF PRODUCTS MADE	100	5,000
COST OF GOODS	$2,000	$5,000,000
SALES & MARKETING	$2,000	$1,500,000
OPERATIONS	$1,000	$1,000,000
ALL COSTS Add the three costs above	$ ______	$ ______
COST PER PRODUCT ALL COSTS divided by NUMBER OF PRODUCTS MADE	$ ______	$ ______
PRICE SHOULD BE HIGHER THAN	$ ______	$ ______

Cost Plus and Market Pricing

There are two ways to price products: Cost Plus Pricing and Market Pricing.

Cost Plus Pricing means determining all the costs to make and sell your product and setting a price that is a set amount above this amount.

ALL COSTS	$30	$10,000	$700
20% DESIRED PROFIT	$6	$2,000	$140
PRICE	$36	$12,000	$840

Complete the table below with additional examples.

ALL COSTS	$40	$12,000	$500
20% DESIRED PROFIT	$ ______	$ ______	$ ______
PRICE	$ ______	$ ______	$ ______

Market Pricing means determining what consumers are willing to pay for your product and setting the price to this amount.

ALL COSTS	$30	$10,000	$700
CONSUMERS WILLING TO PAY	$40	$11,000	$950
PRICE	$40	$11,000	$950

Complete the table below with additional examples.

ALL COSTS	$40	$12,000	$500
CONSUMERS WILLING TO PAY	$52	$14,000	$750
PRICE	$ ______	$ ______	$ ______

Selling Price Versus Retail Price

The **Retail Price** is what consumers pay for your product. Consumers are the people who will actually use your product.

Some businesses do not sell directly to the end consumer. Instead, they sell their product to a reseller or distributor, who then sells the product to the end consumer.

The **Selling Price** is the money the reseller or distributor pays you for your product. The reseller or distributor will then sell your product at a higher price — the Retail Price — to the end consumer.

If you are selling your product to a reseller or distributor, your pricing and profit calculations must include the difference between the Retail Price and the Selling Price. This difference in price is sometimes called the **Reseller Discount, Commission, Wholesale Price, Wholesale Discount**, or other similar term.

RETAIL PRICE	$30	$10,000	$700
SELLING PRICE	$21	$7,000	$560
DIFFERENCE RESELLER DISCOUNT	30% = $9	30% = $3,000	20% = $140

Complete the table below with additional examples.

RETAIL PRICE	$20	$5,000	$1,000
SELLING PRICE	$ ______	$ ______	$ ______
DIFFERENCE RESELLER DISCOUNT	20% = $4	30% = $1,500	40% = $400

Cost Plus Pricing with Reseller Discount

RETAIL PRICE	$50	$10,000	$700
RESELLER DISCOUNT	20% = $10	30% = $3,000	40% = $280
SELLING PRICE	$40	$7,000	$420
ALL COSTS	$30	$5,000	$300
PROFIT PER PRODUCT	$10 = 25%	$2,000 = 29%	$80 = 19%

Market Pricing with Reseller Discount

CONSUMERS WILLING TO PAY	$50	$10,000	$700
RETAIL PRICE	$50	$10,000	$700
RESELLER DISCOUNT	20% = $10	30% = $3,000	40% = $280
SELLING PRICE	$40	$7,000	$420
ALL COSTS	$30	$5,000	$300
PROFIT PER PRODUCT	$10 = 25%	$2,000 = 29%	$80 = 19%

Price Expectation

How much should a sandwich cost? How about a car or a sofa? If you sell such products, how should you price them?

Your answer to the above may be influenced by your own life experience. If you have purchased a particular product in the real world, you may have a price in mind. This is sometimes called *price anchoring*.

Be careful with price anchoring. Keep in mind that your own experience may or may not represent a comprehensive assessment of the marketplace. For example, your location (country or region) may have certain products priced much higher or lower than other regions or countries.

Variations in products can also greatly affect their cost. This is why certain restaurants can charge much higher prices for their food, while other restaurants compete on low price. Should a hamburger cost $5 or $20? It depends. Will consumers pay $20? It depends.

What does it depend on? It depends on the **Consumer Profiles**. These are the demographics and psychographics that define the needs and desires of a consumer.

In the *GoVenture CEO* simulation, consumers have no expectation of price for any particular product. Price is completely based on competitive factors.

This means that if all the businesses competing in the simulation are selling their products for $20, then that is what the consumers will pay. If one of the competing businesses lowers their price to $15, while others keep theirs at $20, then the business with the lower price will attract consumers who are more concerned about price than other product features. Consumers who are less concerned about price will seek out product features that match their needs.

Tutorial Video

Watch the **Product Pricing** tutorial video available in the *GoVenture CEO* **User Guide**.

4 Consumer Profiles

Consumer Needs

Consumers are the people or organizations that purchase and use your product.

Needs are the desired preferences of consumers.

Consumers seek out and purchase products that match their needs.

When there are multiple products available, consumers will, generally, purchase the product that most closely matches their needs. See the examples below.

CONSUMER NEEDS	Low-priced product	
	PRODUCT A	**PRODUCT B**
PRICE	$2	$5
CLOSEST MATCH TO CONSUMER NEEDS	✔	

CONSUMER NEEDS	High-quality product	
	PRODUCT A	**PRODUCT B**
QUALITY	Moderate Quality	High Quality
CLOSEST MATCH TO CONSUMER NEEDS		✔

CONSUMER NEEDS	Moderate-quality product at a low price	
	PRODUCT A	**PRODUCT B**
PRICE	$2	$4
QUALITY	Moderate Quality	High Quality
CLOSEST MATCH TO CONSUMER NEEDS	✔	

CONSUMER NEEDS	Moderate-quality product	
	PRODUCT A	**PRODUCT B**
PRICE	$2	$3
QUALITY	Moderate Quality	Moderate Quality
CLOSEST MATCH TO CONSUMER NEEDS	✔	✔

In the final example above, both products match the consumers' needs. But, Product A may sell more than Product B because of the lower price.

Consumer Psychographics

You can determine consumer needs by investigating consumer Demographics and Psychographics.

> **Demographics** include gender, age, income, location, and other statistical data.

Psychographics are how a consumer thinks, including attitudes, aspirations, and other psychological criteria,

For example, if you sell an expensive luxury product, you may want to focus on consumers that have high income (demographics) and who desire luxury products (psychographics).

If you sell a sports fitness product, you may want to focus on consumers that play sports (demographics) and have a desire to stay fit (psychographics).

The GoVenture CEO simulation only uses psychographics.

4 Ps of Marketing

Marketing is often summarized using what are called the 4 Ps:

Product	The features of the product.
Price	The price that consumers pay for the product.
Promotion	The effectiveness of the sales and marketing invested in the product, and the brand.
Place	The availability of the product where consumers are most likely to find and buy it.

In the *GoVenture CEO* simulation, the 4 Ps are mapped as shown in the table below.

4 Ps	*GoVenture CEO* simulation
Product	R&D Features
Price	Retail Price
Promotion	Sales and Marketing investment and Brand Equity
Place	Having available product inventory (not out of stock) and territories distributed into.

The table below shows an example of the factors that consumers will consider when purchasing a soft drink.

Price	A price-conscious consumer is more likely to purchase a lower-priced product.
Taste	A taste-conscious consumer is more likely to purchase a better-tasting product.
Health	A health-conscious consumer is more likely to purchase a product that offers the most health benefits.
Brand	A brand-conscious consumer is more likely to purchase a product with greater Brand Equity. Brand Equity represents the Brand Awareness and Brand Loyalty you have created for your business. Brand Awareness is how well-known your brand is versus the competition. It can be improved with advertising and sales promotion. Brand Loyalty is the likelihood that a customer who has already experienced your product will purchase it again. It can be improved by getting repeat or new customers to purchase your product, with the hope that they will have a positive experience with it.

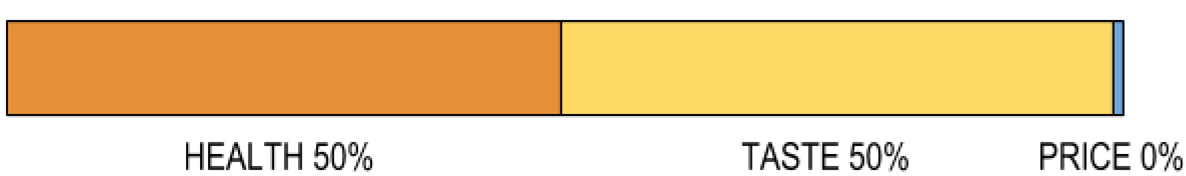
Consumer Psychographics

In the soft-drink example above, each consumer has their own level of concern for the four factors shown.

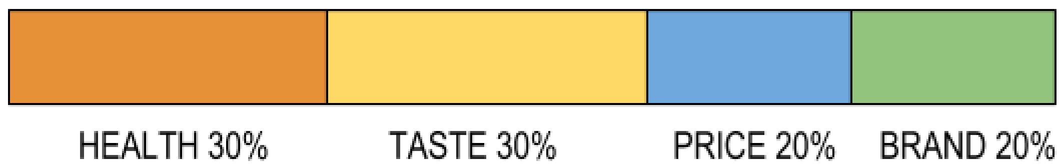
For example, Consumer A may be 100% Price conscious, meaning they will always buy the least expensive soft drink. This can be represented with the bar chart below.

Consumer B may be 100% Health conscious, and seek out the healthiest product.

Consumer C may desire a soft drink that has a good balance of Taste and Health and is willing to pay a higher Price for the product that best matches their needs. This might be represented by saying that this consumer has 50% concern with Health, 50% concern with Taste, and 0% concern with Price. A bar chart of this consumer would look like this — notice that it adds up to 100%:



Combining all four factors shown in the table above for a particular consumer might look like this:



Notice that all four factors add up to 100%. Some factors, like Health and Taste, influence this consumer more than Price and Brand.

The product that most closely matches the consumers' needs will win the sale.

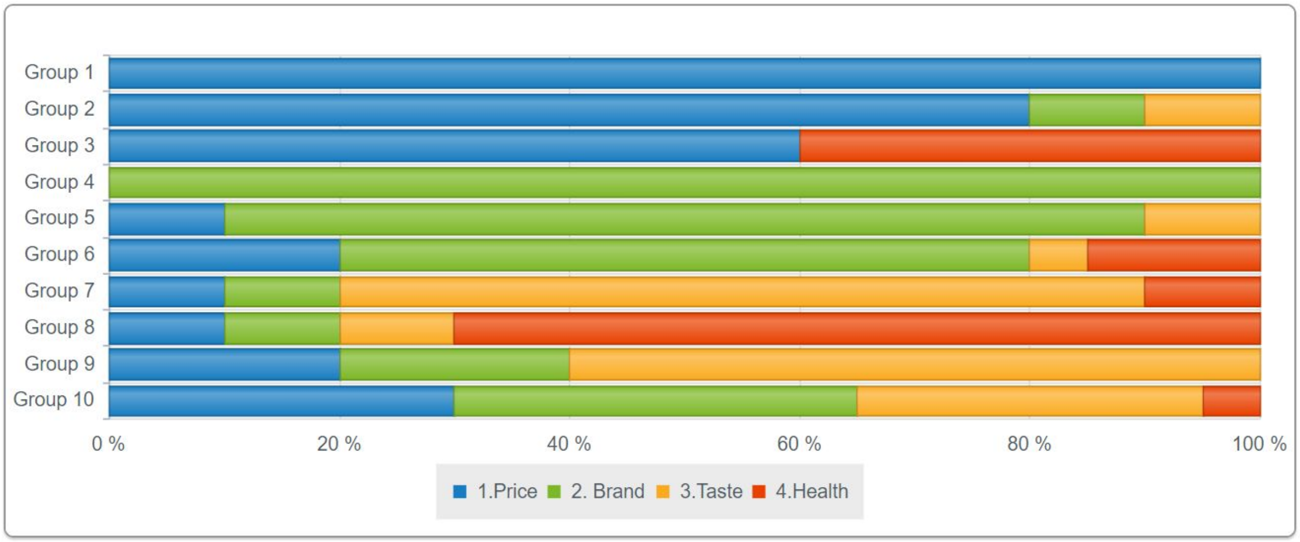
Consumer Groups

Most markets have a variety of consumers, each with different needs. From a marketing perspective, when looking closely at consumer needs, patterns tend to appear.

These patterns tend to identify consumers who have similar psychographics and group them together. These are called **Consumer Groups**.

Consumer Groups are a collection of thousands or millions of Consumer Profiles into like-minded groups. This makes it easier for a business to target specific types of consumers.

For example, a market may have 10 Consumer Groups, each with different needs, as shown below.



Targeting Consumer Groups

Complete the table below to identify the psychographics of the given Consumer Groups from the chart above.

CONSUMER GROUP	PRICE	BRAND	TASTE	HEALTH
GROUP 1	100%	0%	0%	0%
GROUP 2	80%	10%	10%	0%
GROUP 3	____%	____%	____%	____%
GROUP 4	____%	____%	____%	____%
GROUP 5	____%	____%	____%	____%

A business that competes against other businesses to sell a soft-drink product to the consumers above should consider all 10 Consumer Groups to identify which specific groups the company will target.

Because the psychographics of each Consumer Group are so varied, it is too difficult for one product to properly match the needs of all 10 of the Consumer Groups shown above. Most companies will identify specific Consumer Groups to target and then define their product, price, place, and promotion to closely match the needs of those consumers.

For example, a company that targets Consumer Groups 1 and 2 above should attempt to sell a product at the lowest price in the market. Why? Because Consumer Group 1 is 100% concerned about Price, and Consumer Group 2 is 80% concerned about Price. To these Groups, Price is the most important factor when choosing which product to buy. A product that is very healthy or tasty but much more expensive is not likely to appeal to these two Consumer Groups.

A company that targets Consumer Group 8 should focus on providing a product that is healthier than competing products. Such a product, if priced well, will also likely win sales from Consumer Group 3. And, possibly Consumer Groups 6, 7, and 10, which also have Health as a concern.

Price is Always a Concern

Even if a Consumer Profile has 0% for Price concern, this does not mean that the consumer is willing to pay anything for a product. Nearly all consumers have Price concern, even if they are wealthy and can easily afford a product. Price is always a factor.

A Consumer Profile that has 0% for Price concern should be interpreted as meaning that these consumers put much more emphasis on everything other than Price and they will purchase the product that best meets their needs, even if that product is quite a bit more expensive. But, not if the Price is exorbitantly or unreasonably expensive, as compared to other products in the market.

What does exhorbitant or unreasonable mean when it comes to Price? It depends on how closely the more expensive product matches the needs of the consumer and how much other competing products miss the mark.

If the more expensive product perfectly matches the needs of the consumer, while less expensive products completely miss the mark, then it is possible that the consumer will pay double or triple the cost of the other products that miss the mark.

CONSUMER NEED	100% Health	
	PRODUCT A	**PRODUCT B**
PRICE	$2	$2
HEALTH	Very High	Very Low
CLOSEST MATCH TO CONSUMER NEEDS	Perfect match and has no price difference. This product will capture most of the sales.	Does not match needs of consumer as well as Product A, yet is the same price. May only capture few sales.

But, the higher the price difference, the more likely that some consumers may compromise their needs and either choose the less expensive product … or choose not to purchase any product at all, preferring to wait until a product is available that better meets their needs. See the table below.

CONSUMER NEED	100% Health	
	PRODUCT A	**PRODUCT B**
PRICE	$4	$2
HEALTH	Very High	Very Low
CLOSEST MATCH TO CONSUMER NEEDS	Perfect match but price is double that of Product B. This product will capture a lot of sales, but will also lose sales to Product B and some consumers may choose not to buy anything.	Does not match needs of consumer as well as Product A, but the much lower price might still attract sales.

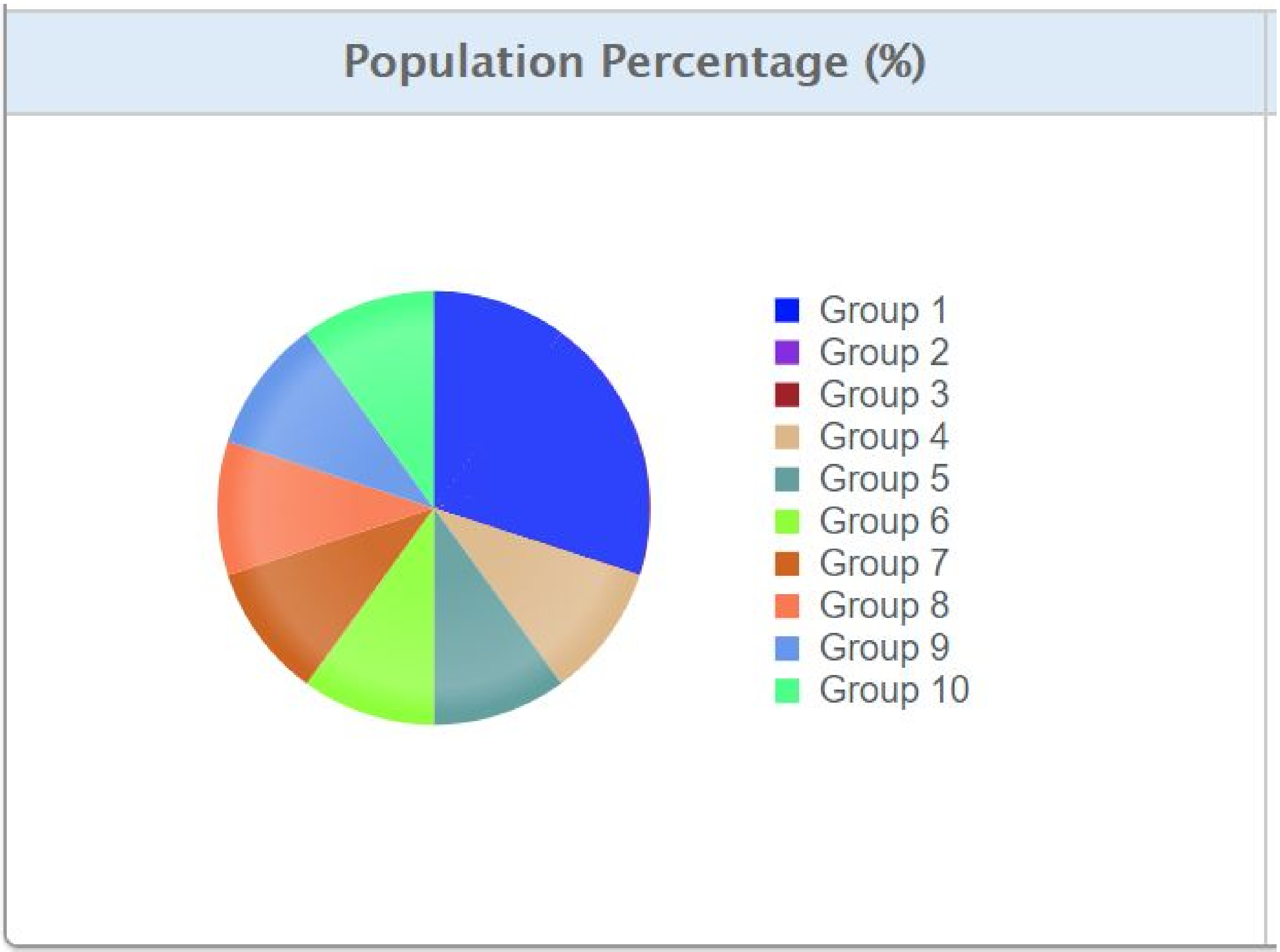
Market Size

When considering which Consumer Groups to target, another important factor is the **Market Demand** or **Population Percentage** of each individual Consumer Group.

These numbers show how much of the money spent in the marketplace is spent by each individual Consumer Group. This is important because it helps you determine if a Consumer Group is large enough to be profitable. If a Consumer Group only represents a small percentage of the market, there may not be enough potential sales revenue for your business to be successful.

Or, if more than one company targets the same Consumer Group, the Market Demand dollars spent by that Consumer

Group will be split among different products, making it difficult for the companies to be profitable.



In the chart above, Consumer Group 1 (navy blue) is the largest of the 10 Groups, which means Group 1 spends the most money. It appears as though Group 1 represents over 30% of the entire market.

Consumer Group 2 (purple) is so small that it cannot be seen on the chart. Group 2 spends so little money that it may not be profitable for any business to target this group.

With Group 1 being the largest of the groups, many companies may immediately target this group. But, keep in mind that if too many businesses target the same group, the Market Demand dollars spent by that group will be split among the competing products. Targeting smaller groups can also be a profitable strategy, if there are fewer competitors.

5 Business Strategy

Strategy

Strategy is how a business plans to achieve its goals.

There are four steps for a successful business strategy:

1. Define the strategy
2. Make decisions that align with the strategy
3. Evaluate adherence to strategy
4. Adjust the strategy as needed

This document addresses the above steps as they relate to the *GoVenture CEO* business simulation.

In *GoVenture CEO*, see the **Coaching Report** for a detailed analysis of your strategy. This report is available inside the **Performance Report**.

The 4 Steps

(1) Define the strategy

Defining your business strategy means identifying your primary business goal and then determining how to best achieve the goal.

For example, the primary goal may be **Profit**. To be profitable, you have to sell a product at a price that is higher than your cost to make and deliver the product.

You will be competing against other companies offering similar products. You must differentiate your product in the marketplace. And, you must determine the features and price of your product, where you will sell it, and how much you will invest in promotion.

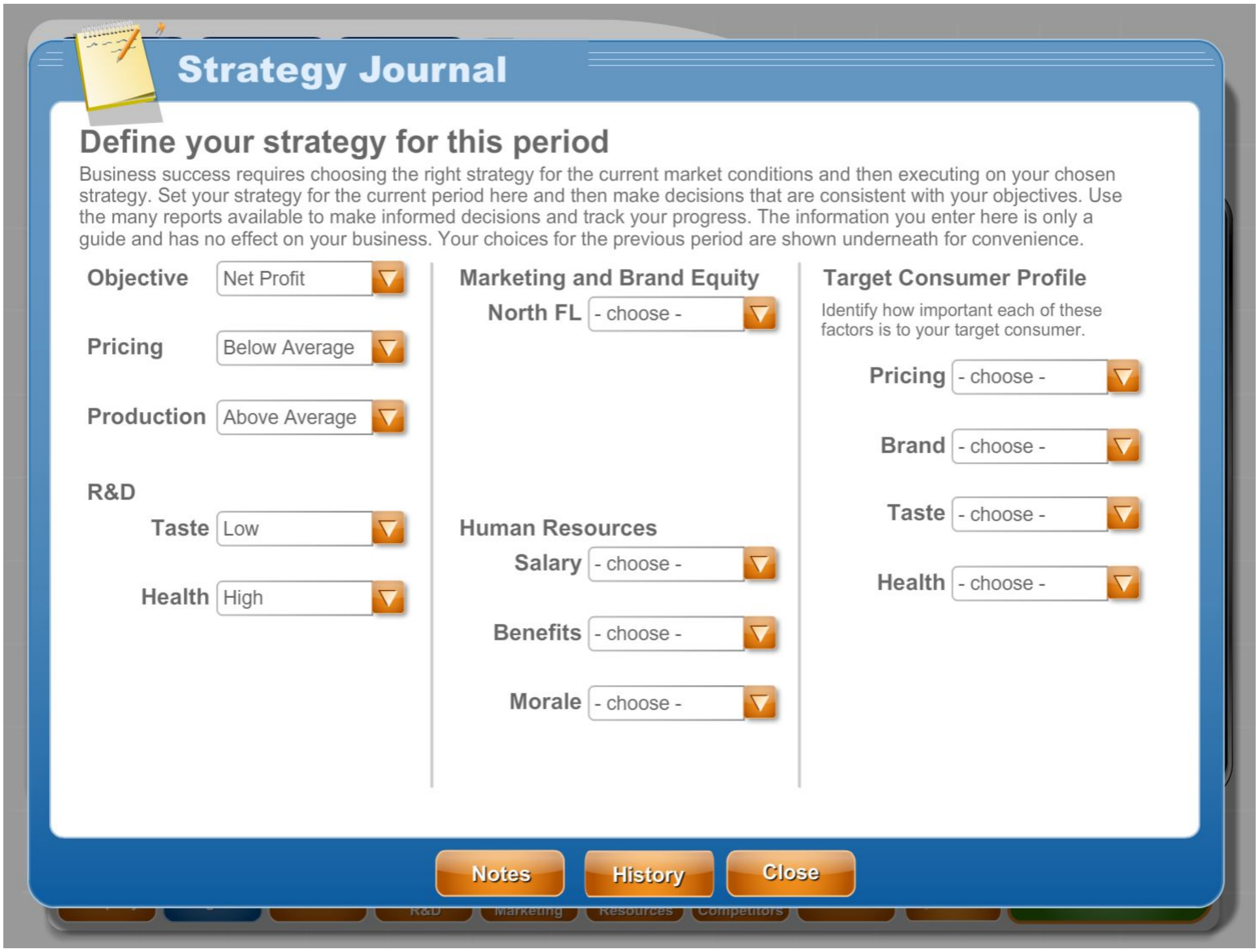
You should review the **Consumer Profiles** and identify specific **Consumer Groups** that you will target. You may choose to offer a high quality, high-priced product. Or, you may choose to be the moderate quality, lower-priced product. Or, somewhere in between. Your choice is your strategy.

> *Review the **Consumer Profiles** section for more insight on this subject.*

In *GoVenture CEO*, the **Strategy Journal** can be used to help you identify and monitor your strategy.

Notice in the example below of a soft-drink manufacturing business, the strategy has been set as follows:

Objective = Net Profit
Pricing = Below Average
Production = Above Average
Taste = Low
Health = High



This suggests that the business strategy is to target Consumers Groups that want a healthy product, who do not care much about taste, but also want a less expensive price.

With price below average, you expect that you will sell a high volume of product and therefore Production must also be above average.

Complete the table below by identifying if each product feature should be *High*, *Medium*, or *Low* for a soft-drink business that is trying to achieve the strategy shown.

STRATEGY →	Very healthy product but somewhat expensive	Product that tastes great at an average price	Balance of taste and health at an average price
PRICE			
HEALTH			
TASTE			

It is important to note that the Strategy Journal in *GoVenture CEO* does not affect the actual results of the simulation. It is only a guide to help you define and monitor your strategy.

The next step is to make decisions that align with your strategy.

(2) Make decisions that align with the strategy

Once you have defined your strategy, you must then use your budget money to invest in areas that will enable you to achieve your strategy.

In the example above, the defined strategy is to have a healthy product with no focus on taste. This means you should invest as much money as you think is necessary to have one of the healthiest products on the market, as compared with competing products.

When just starting out, you may not have any information to know how healthy competing products are or will be, so you will have to make an educated guess at how much you should invest to be close to hitting your target.

For taste, you may want to make little or no investment, since that is not a focus of your strategy. Your budget money may be better used in other areas that align with your strategy.

Using a similar example as above, identify in the table below where your money should be invested. Enter *100%* or *50%* making sure each column adds up to 100%.

STRATEGY →	Very healthy product but somewhat expensive	Product that tastes great at an average price	Balance of taste and health at an average price
HEALTH	______%	______%	______%
TASTE	______%	______%	______%
TOTAL	100%	100%	100%

For production, you have to forecast how many product units you may sell, based on your stated strategy.

> *Review the **Pricing and Profit** section and the **Market Demand** section for more insight on this subject.*

Once your decisions are saved in the *GoVenture CEO* simulation, you must then wait to see the sales results when the period advances.

(3) Evaluate adherence to strategy

Once you have actual business and market results, you now have the data available to evaluate adherence to your strategy.

This means determining if the decisions you made achieved the results you expected. A business cannot assess the effectiveness of its strategy unless it is actually executing on its strategy.

For example, in the strategy above, health was a primary focus. You can now view reports to determine how your product compares to competing products.

Did you achieve the healthiest product? If yes, then you are on target and adhering to your strategy. If no, then you have to make decisions to help you get there.

Same with taste. Taste was not a focus of your strategy. Have you invested the right amount of money in taste? Not too much?

The table below shows a strategy, the actual results, and whether the strategy is on target or not.

STRATEGY→	Product that tastes great at an average price	
PRICE	Below Average	Off Target
HEALTH	Average	Off Target
TASTE	Above Average	On target

Complete the table below by identifying if each item is *On Target* or *Off Target*.

STRATEGY→	Balance of taste and health at an average price	
PRICE	Above Average	
HEALTH	Average	
TASTE	Average	

How were sales? Were your forecasts on target or missed the mark? Did you produce too many or too few products?

Evaluate these and other results to discover if your decisions adhered to your strategy or not. If your decisions did not adhere to your strategy, then it is difficult to determine if the strategy is working or not.

(4) Adjust the strategy as needed

Once you are properly executing on your stated strategy, then the effectiveness of you strategy can be measured by the overall financial results.

Once you have determined adherence to your strategy, make adjustments to align even closer to your strategy and optimize your investments.

For example, take a closer look at health to consider if you may have invested more money than necessary. If your product is the healthiest in the market by a large margin, then perhaps you invested more than you needed to.

See the example in the table below that shows the action that should be taken based on the results that have been revealed.

STRATEGY→	Product that tastes great at an average price	
PRICE	Below Average	ACTION: Increase Price
HEALTH	Average	ACTION: Reduce Investment
TASTE	Above Average	ACTION: Continue Investment

Complete the table below by identifying the actions that should be taken.

STRATEGY→	Balance of taste and health at an average price	
PRICE	Above Average	
HEALTH	Average	
TASTE	Average	

Determine if your strategy is working or not. If you have adhered to your strategy, but it's not working as well as you had hoped, then considering changing your strategy.

Keep in mind that your competitors are also thinking through this process and will adjust their strategies as well. Their decisions will affect the marketplace and your results. Try to predict what they may do as well, so that you can respond.

In *GoVenture CEO*, see the **Coaching Report** for a detailed analysis of your strategy. This report is available inside the **Performance Report**.

Business Strategy Tips

As with the real world of business, defining and pursuing a specific strategy will increase your chances of success. To help with determining a strategy, keep the following in mind:

- **Understand consumer behavior in the simulation.** If you do not understand how customers make purchase decisions, you will not know how to best position your business to serve their needs.

- **Generally, a business will not have enough cash to be the best at everything** — in the case of a soft-drink business: price, taste, health, and brand. Choose a limited number of features for which to be the best.

- **Know the market demographics/psychographics.** Consumer Profile groups vary in size by territory. Make sure you are targeting a large enough segment of the market to be profitable. For example, if you are running a soft-drink business and you are targeting taste-conscious consumers because your product is the taste leader, make sure this Consumer Profile group is large enough to make you profitable.

- **Price your products carefully.** There is no preset price consumers are expecting to pay for your product. Price expectation is based on supply and demand, including how attractive your products are compared to your competition. Make sure to price your products high enough to cover all of your costs (production, distribution, reseller, research and development, sales and marketing), and add an amount of profit that is achievable based on your competitors' prices and product features.

- **Know your competition.** Understanding the strengths and weaknesses of your competitors enables you to better position your business. For example, if you are running a soft-drink business and you notice that a large Consumer Profile Group is health-conscious but your competitors' products are weak in health benefits, then you may want to consider investing heavily to become the health leader.

- **If you are losing money,** it could be for one or more of these reasons: Price is too low; Did not produce enough units to sell; Your product is not as attractive as your competitors'; Too many companies are targeting the same Consumer Profile Group; Insufficient Sales and Marketing efforts.

- **Consider being contrarian.** If most competitors are pursuing the largest Consumer Profile Groups, the market may become too competitive for profitability (i.e., a big pie that is divided into too many small pieces). Consider pursuing smaller Consumer Profile Groups where you may have minimal competition (i.e., a bigger piece of a small pie).

- **Keep in mind that decisions and strategies by competing businesses** will directly affect the market conditions and your specific results. Constant review and adjustment of your strategy is necessary to properly adapt to changing market conditions.

- **Timing and luck matter.** A great strategy may still fail due to bad timing and luck. You never know when an unexpected event may happen, or a competitor may drastically drop price or pursue some other market-changing strategy.

Tutorial Video

Watch the **Basic Strategy Tutorial** video available in the *GoVenture CEO* **User Guide**.


Ethics
Strong
WHAT IF?
Price
Units Sold
Units to Manufacture
Product Competitiveness
Human Resources
Product R&D
GoVenture
CEO
Salary
Consumer Groups
Groups vary by size and psychographics
Territory 3
Advertising
Feature 1
Feature 2
Feature 3
Feature 4

6 Budget

Budget and Cash

Budget refers to the amount of money you have in a given business period (year, quarter, month, week, or project) to invest in one or more more business functions.

Budget should not be confused with Cash. Cash is the amount of money a business has available, often in bank accounts and short-term liquid investments.

Budget is taken from Cash, but is usually only a small portion of the Cash available in the business. Cash is needed to operate a business and a good amount of Cash needs to always be available to provide working capital for the business. This is why the Budget is only a small portion of Cash.

CASH	$100,000
BUDGET	$20,000
BUDGET AS % OF CASH	20%

The board of directors and management of a company determine how much Cash is allocated to a Budget. A company may have many Budgets for different activities that the business must undertake.

In the *GoVenture CEO* simulation, you are allocated a Budget that you can invest in various business functions, as shown in the table below. Depending on your simulation, you may have fewer options than shown here.

BUSINESS FUNCTION	DESCRIPTION
Production	To make products or services.
Research & Development (R&D)	Choose product features that meet the needs of consumers and differentiate your product.
Sales & Marketing - Product Line and Brand Advertising - Sales Promotion - Price Discount Advertising	To build brand awareness and brand equity. You can distribute your investment between the three options shown.
Human Resources (HR) - Number of Employees - Salaries - Benefits - Training	To employ and compensate workers. You determine how many employees to have working, their salaries by job function, benefits, and training.
Market Research	Purchase reports that give you insight into the market and your competitors.
Ethics	Business ethics refers to the values and principles that your company maintains in managing business risks and stakeholder relations. Ethics affects a number of factors.

The table below shows a given budget and how the full amount of the budget can be allocated. Complete the additional examples.

BUDGET AVAILABLE	**$100,000**	**$25,000**	**$15,000**
PRODUCTION	$45,000	$5,000	$ ________
R&D	$10,000	$3,000	$2,000
SALES & MARKETING	$25,000	$ ________	$4,000
HUMAN RESOURCES	$15,000	$5,000	$3,000
MARKET RESEARCH	$5,000	$2,000	$1,000

Budget Carry Over

In *GoVenture CEO*, if the full amount of your Budget is not used in the given period, the unused amount will carry over into the next period, so that you have the option of using it then. See the table below and complete the additional examples.

BUDGET AVAILABLE IN PERIOD 1	$100,000	$40,000	$12,000
BUDGET USED IN PERIOD 1	$95,000	$37,000	$11,500
BUDGET UNUSED IN PERIOD 1	$5,000	$ ______	$ ______
BUDGET CARRY OVER TO PERIOD 2	$5,000	$ ______	$ ______

Increasing Budget

If you want a higher Budget so that you can be more aggressive with your business strategy, there are four ways to increase the period Budget, as described below.

However, your specific *GoVenture CEO* simulation may have one or more of these options turned OFF, which means you are unable to increase your Budget.

Profit or Revenue
A percentage of your previous period profit or revenue may be added to your current period Budget.

Loan
Taking out a loan will give you access to more money. The loan principal is added directly to your Budget. Loan payments are taken from Cash and do not affect your Budget.

Stocks
Issue and sell shares to raise money. The money raised will be added directly to your Budget.

Simulation Manager
The Simulation Manager (instructor) has the option to add money to any business.

*Review the **Loans and Stocks** section for more details on this subject.*

Over and Under Spending

Should you use your full Budget every period? The best answer is that you should use as much as your Budget as is necessary to achieve your goals.

Depending on your goals, you may need to use your full Budget or only a portion of it.

Spending more money in certain business functions can increase your opportunity to make more profit, but it can also risk losing you more money.

For example, investing more money to produce more products gives you more products to sell and thereby the opportunity to generate more revenue. But, if you do not sell all of the extra products that you produced, you may end up losing money.

Similarly, spending more money on sales and marketing could help you generate more sales. But, if your strategy does not work, then all of that extra money spent on sales and marketing will be lost.

MONEY INVESTED	$20,000	$20,000	$20,000
SALES REVENUE	$25,000	$18,000	$8,000
PROFIT (LOSS)	$5,000	- $2,000	- $12,000

Complete the table below with additional examples.

MONEY INVESTED	$50,000	$30,000	$18,000
SALES REVENUE	$52,000	$45,000	$8,000
PROFIT (LOSS)	$ ______	$ ______	$ ______

In business, spending money always offers you both opportunity and risk.

7 Inventory Management

Inventory

Inventory refers to the units of your product that are fully completed and ready to be sold.

Producing (making) products costs money. Having products stored in inventory, unsold, also costs money. Your business objective is to keep your inventory as low as possible, while not missing sales.

UNITS PRODUCED	100	100	100
UNITS SOLD	0	70	100
UNITS IN INVENTORY	100	30	0

Complete the table below with additional examples.

UNITS PRODUCED	50	800	350
UNITS SOLD	35	650	350
UNITS IN INVENTORY			

Producing Too Few Units

If customers want to buy your product but you have no product units in inventory, then you will miss sales and the revenue from those sales. Review the examples in the table below.

UNITS PRODUCED	110	100
CONSUMER DEMAND	100	120
MISSED SALES	0	20
PRODUCT SELLING PRICE	\$2	\$2
MISSED REVENUE	\$0 0 x \$2	\$40 20 x \$2

Complete the table below with additional examples.

UNITS PRODUCED	500	500
CONSUMER DEMAND	300	450
MISSED SALES	______	______
PRODUCT SELLING PRICE	\$3	\$5
MISSED REVENUE	\$ ______	\$ ______

Producing Too Many Products

If you produce too many products, meaning more than required to meet the sales demand, then you will have products remaining in inventory.

There are costs and risks to having unsold products in inventory, including:

Cash Flow

The money it costs you to produce the unsold products is now tied up in those products. This money is not lost, as you still have sellable products, but the money cannot be used in other areas of the business.

For example, $100,000 spent to produce products that are unsold could have been used in sales, marketing, R&D, or other business function.

Carrying Costs

This includes costs associated with storing the product inventory, making sure it is secure and undamaged, insurance costs, potential depreciation in value of the product, and more.

For example, a car that is unsold for many months could lose much of its value when a new model year is released. Similarly, a smartphone loses its value when a newer version becomes available.

Spoilage

Nondurable consumer goods, such as food, will expire or spoil after a certain amount of time. The money invested in making a product that spoils before it is sold is completely lost.

The table below shows example costs.

UNITS PRODUCED	100	100	100
UNITS SOLD	0	70	100
UNITS IN INVENTORY	100	30	10
PRODUCTION COST PER UNIT	$5	$10	$50
CARRYING COST PER UNIT	$1	$1	$2
AVERAGE SPOILAGE 10%	10	3	1
COST OF INVENTORY	$150 100 x $1 + 10 x $5	$60 30 x $1 + 3 x $10	$70 10 x $2 + 1 x $50

Complete the table below with additional examples.

UNITS PRODUCED	300	850	1,500
UNITS SOLD	250	775	1,200
UNITS IN INVENTORY			
PRODUCTION COST PER UNIT	$10	$20	$50
CARRYING COST PER UNIT	$2	$3	$5
AVERAGE SPOILAGE 10%			
COST OF INVENTORY	$	$	$

Forecasting

You should try to produce exactly the number of products you expect to sell. Meeting this objective is difficult because you have to forecast (predict) the future and the future is uncertain. This is one of the many risks in business.

To forecast sales, use current market data and historical sales to help determine estimates, as shown in the tables below.

The following examples use the Market Demand that you expect to win from the overall market. And, uses the following formula to determine how many units are expected to be sold:

Units Sold = Market Demand ÷ Product Retail Price

MARKET DEMAND YOU EXPECT TO WIN	$100	$500	$15,000
PRODUCT RETAIL PRICE	$2	$10	$150
UNITS EXPECTED TO BE SOLD This is how many you should produce	50	50	100

Complete the table below with additional examples.

MARKET DEMAND YOU EXPECT TO WIN	$200	$700	$40,000
PRODUCT RETAIL PRICE	$5	$25	$150
UNITS EXPECTED TO BE SOLD This is how many you should produce			

The tables above demonstrate a method to determine how many products could be sold. You should also review past sales to determine how consistent your forecast is with past market data. Review competitor sales information to gain further insight into sales potential.

8 Sales, Marketing, and Advertising

Sales Versus Marketing

Sales and Marketing are interlinked, usually done simultaneously, and may be indistinguishable at times. But, there are key differences between Sales and Marketing.

Marketing generally refers to the activities that need to be done to generate leads or prospects. Leads and prospects are terms used to describe people or organizations that may be likely to purchase your product or service. (Prospect is short for “Prospective Customer.”)

A person or organization is likely to purchase your product if they have a *need* for the product and the *money* to buy it. They must also have a *desire* to purchase, and that’s where Sales comes in.

Sales are the activities needed to directly persuade a lead or prospect to actually buy a product or service.

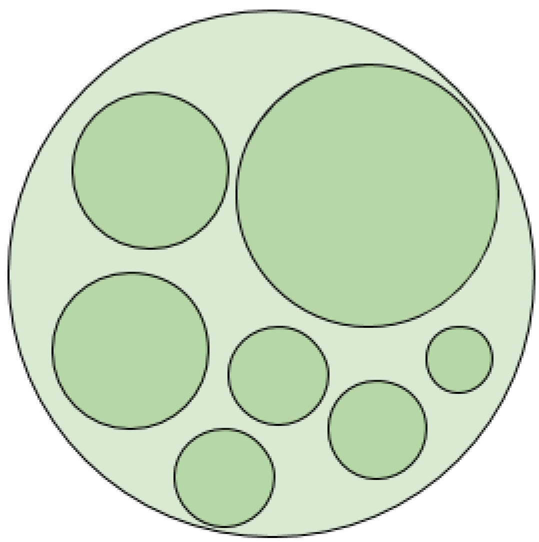
Marketing generates the leads and Sales turns them into purchases.

MARKETING	Generates Leads
SALES	Converts Leads into Sales

Market

A Market is all the people or organizations who might buy your product or service, either from you or from a competitor.
A market can be broken down into smaller groups, called **Market Segments**, of similar potential buyers (sometimes called **Consumer Groups**).

The diagram below shows the Market as the large outer circle with Market Segments or Consumer Groups of various sizes inside of it.



Market segments might be set up by geographic region, by age, gender, economic status, language, family status, or many other descriptive groupings which will help you develop marketing and sales programs to reach these various groups of potential customers.

Customer Types

The most basic types of potential customers (prospects) and customers can be segmented into two types:

- **Individuals** who buy goods and services for themselves or for a friend or family member. These types of customers are called consumers or retail customers.

- **Businesses** that buy goods and services to use in making their own products or making their business run. These organizations include companies, governments, schools, hospitals and other organizations. These are business customers, and they have different reasons for buying than individual users.

Sales Methods

There are three basic ways to sell your products or services:

Direct Sales

The customer buys your product or service from your company:

- Selling in a retail store.
- Selling with a company sales force or telemarketing group.
- Sell through a company catalog or online.

Distribution Channels

The customer buys your product from another business, your company receives its money from selling to "middlemen."

- Selling wholesale to distributors or resellers.

- Selling through sales representatives and partner companies.

Combination

Using both direct sales and distribution channels.

The table below shows some products and how they are sold.

	DIRECT SALES	DISTRIBUTION CHANNELS
APPLE iPHONE	Apple Stores and Website	Telecommunication Companies
APPLE WATCH	Apple Stores and Website	
COCA-COLA		Convenience Stores, Grocery Stores, Vending Machines, and other outlets
FORD AUTOMOBILES		Automotive Dealerships
TESLA AUTOMOBILES	Tesla Dealerships	

Once you understand where your potential customers are located and how they buy, selecting the right sales methods will be more obvious.

Promotion

In the *GoVenture CEO* simulation, there are three ways to promote your company and its products and services:

Product Line and Brand Advertising
Promotes the overall product line and brand to build awareness and generate sales.

Sales Promotion
Utilizes in-store displays, contests, and other sales tactics to reach the consumer directly.

Price Discount Advertising
Promotes a price discount (or sale) to boost sales. Price discounts are usually temporary and it is advisable to inform consumers about the sale.

Brand Equity

Investing in Sales and Marketing builds **Brand Equity**, which is comprised of **Brand Awareness** and **Brand Loyalty**.

Brand Awareness is how well-known your brand is versus the competition. It can be improved by advertising and sales promotion.

Brand Loyalty is the likelihood that a customer who has already experienced your product will purchase it again. It can be improved by getting repeat or new customers to purchase your product, with the hope that they will have a positive experience with it.

In the *GoVenture CEO* simulation, Brand Equity is influenced more by Brand Awareness than by Brand Loyalty.

Territories

Selling your product or service to more geographic **Territories** increases your potential revenue opportunities, but comes with additional costs and challenges.

When selling a product or service, you should identify specific geographic Territories that you will target. Even though your potential customers could be located anywhere in the world, it is not efficient to spread your sales and marketing investment too widely.

For example, if your product requires knowledge of the English language, spending money on promoting the product in countries where English is not widely spoken may not result in a good return on investment.

Different regions of the world may also have different needs and expectations for a product. This could be influenced by language, culture, economic factors, and more. Your product may or may not align to these needs as well as competing products.

The table below shows examples of products and the Territories that may be best to target. Complete the table by indicating *Yes* or *No*.

	UPPER INCOME MOSTLY URBAN	LOWER INCOME MOSTLY RURAL
FITNESS EQUIPMENT	Yes	No
SOLAR PANELS	No	Yes
SPORTS CARS		
FARM EQUIPMENT		

Many countries also have their own monetary **Currency**, which adds another complexity to your business as you have to determine the effects of the **Currency Exchange Rates** on your potential costs and profitability.

Entering a new Territory often requires additional investment to prepare your product and company to service the new region. And, your business will have different Brand Equity in each Territory that you have to invest in separately to grow.

To identify the best Territories to target, you should review the **Market Demand** and **Consumer Profiles**. This will help you identify the the best opportunities that align with your strategy.

In the *GoVenture CEO* simulation, all businesses start in the same Territory. Some simulations also provide the option to enter into two additional Territories. Each Territory may have different Market Demand, Consumer Profiles, and Currency.

Inventory Distribution

When selling a physical product, you have to consider transportation costs and logistics. This becomes more complicated when you sell into multiple Territories because you have to determine how much product inventory to allocate to each Territory.

If you allocate too little inventory in a Territory, you may miss sales. If you allocate too much inventory, you may increase your costs by having unsold products – and those same products could have helped win sales in another Territory. See the example below.

TERRITORY	USA	CANADA
UNITS DISTRIBUTED	110	100
CONSUMER DEMAND	100	120
MISSED SALES	0	20

Complete the table below with additional examples.

TERRITORY	USA	CANADA
UNITS DISTRIBUTED	700	200
CONSUMER DEMAND	750	150
MISSED SALES		

In the *GoVenture CEO* simulation, you have to allocate your inventory to each Territory that you choose to distribute into.

Review the *GoVenture CEO* **User Guide** for details on how product inventory is distributed and moved.

Currency

Many countries have their own monetary **Currency**, which adds another complexity to your business as you have to determine the effects of the **Currency Exchange Rates** on your potential costs and profitability.

*Review the **Currency** section for more details.*

Advertising

Advertising is a subset of Marketing. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them.

For a business, Advertising is used to inform consumers about a company and/or its products and services. The objective is to influence consumers to feel good about the company and to buy its products and services.

There are many **Advertising Channels** available to communicate a message. Channels refers to the medium used to communicate the message. Examples are shown below.

- Television
- Radio
- Newspaper
- Magazine
- Direct Mail
- Event
- Sponsorship
- Billboard
- Email and Mobile
- Internet

Most businesses use one or more Channels. How and which Channels are used is called the **Advertising Mix.**

Different Channels will reach different consumers, so it is important to understand which Advertising Channels reach the Consumer Groups you are targeting. Spending money on Advertising that will not directly reach and influence your target consumers is a wasted investment.

In the *GoVenture CEO* simulation, Advertising may or may not be available in your simulation. If available, it will appear on the Sales & Marketing Territory Map.

9 Human Resources

Managing People

Human Resources (HR) refers to people hired to work directly for your company. People who work for and in the company are called Employees.

Some people in a company directly manage employees, including their daily work, productivity, morale, and more. Senior executives in larger companies tend to manage business units or business functions, instead of individual employees. In the *GoVenture CEO* simulation, you are managing business functions, not individual employees.

Business Functions

A business function represents groups within the company for which employees work. In the *GoVenture CEO* simulation, there are five business functions:

- Research and Development
- Production
- Sales and Marketing
- Operations
- Management

Number of Employees

Each business function has a minimum number of employees that are needed. The minimum number is determined by the amount of investment made in the business function.

For example, if you spend a significant amount of money on Production, you will need a high number of employees to meet your Production goal. Similarly, if you increase your sales and marketing investment, you will need to hire more employees to do the work. See examples in the table below.

UNITS TO PRODUCE	100	300
PRODUCTION COST	$100,000	$300,000
EMPLOYEES NEEDED	10	30

Hiring and Severance Costs

Hiring Cost is the cost to hire one new employee, including:

Recruiting
Time and cost to post and promote the job opening, identify candidates, interview candidates, and select someone for the job.

Orientation
Time and cost to introduce the new employee to their job function and the company processes and systems.

Basic job training
Time and cost to train the employee on how to do their job and other tasks related to their role.

Review the example in the table below and complete the final example.

EMPLOYEES HIRED	1	5	8
HIRING COST	$1,000	$5,000	$________

In the *GoVenture CEO* simulation, the **Hiring Cost** is incurred each time you hire a new employee and each time employee turnover occurs (such as when an employee quits). Turnover means when an employee is no longer employed by the company. Note that the costs shown here are only examples and not the actual costs in the *GoVenture CEO* simulation.

Severance Cost is the cost to layoff or fire one employee. Severance Cost varies by company and employee, but could include unpaid vacation pay, unused sick time, compensation for loss of seniority, payment if no advance notice of job loss, and other benefits.

Review the examples in the table below and complete the third item.

EMPLOYEES DISMISSED	1	3	7
SEVERANCE COST	$2,000	$6,000	$_______

In the *GoVenture CEO* simulation, Severance Cost is incurred each time you choose to reduce the number of employees. Severance costs are not incurred when employee turnover occurs, as these are considered voluntary resignations in the simulation. Note that the costs shown here are only examples and not the actual costs in the simulation.

Salary and Benefits

Salary (or wage) is the money paid to an employee for working. Some employees are paid a certain amount of money for each hour they work. Most countries and regions have a minimum wage that must be paid for one hour of work.

Some employees are paid a set salary for consistently working, instead of hourly pay. For example, most full-time employees work 36 to 40 hours each week and may be paid a set Salary for the entire year of work – often paid every two weeks or once a month.

Part-time employees normally work less than 20 hours each week. The number of hours an employee is expected to work is negotiated between the company and the employee.

In the *GoVenture CEO* simulation, Salary is the average base Salary for one employee, excluding benefit and incentives, for one period (note that a period is not necessarily one year).

Review the example in the table below and complete the final example.

EMPLOYEES	1	3	5
SALARY COST	$30,000	$90,000	$________

Benefits and Programs are compensation, perks, and incentives that businesses may choose to offer in order to maintain or improve employee morale, loyalty, productivity, recruiting, and turnover.

In the *GoVenture CEO* simulation, each Benefit or Program carries an ongoing cost per employee per period to maintain, expressed as a percentage of Salary. Benefits and Programs apply to all employees in a company, not to specific business functions.

Review the example in the table below and complete the final examples.

SALARY COST	$30,000	$40,000	$60,000
BENEFITS COST %	10%	10%	10%
BENEFITS COST $	$3,000	$________	$________

In the *GoVenture CEO* simulation, Salary and Benefits are paid with Budget money. A business that sets Salaries higher than average will increase Morale and Productivity while reducing Turnover. Setting Salaries lower than industry average will have the opposite effect.

Industry averages are based on the values set by competing businesses in the simulation. These averages can be discovered in the **Human Resources Survey** found on the **Customers & Competitors** screen in the simulation.

Productivity

Productivity is the labor output of one employee for one period.

For example, if Production Productivity is $100,000, a business will need one employee for every $100,000 invested in Production during a given period. Review the examples in the table below and complete the third example.

PRODUCTIVITY	$100,000	$100,000	$100,000
INVESTMENT	$100,000	$300,000	$800,000
EMPLOYEES NEEDED	1 $100,000 ÷ $100,000	3 $300,000 ÷ $100,000	______

If Productivity decreases from $100,000 to $50,000, more employees are needed to accomplish the Production tasks, as shown in the table below. Complete the final example.

PRODUCTIVITY	$50,000	$50,000	$50,000
INVESTMENT	$100,000	$300,000	$800,000
EMPLOYEES NEEDED	2 $100,000 ÷ $50,000	6 $300,000 ÷ $50,000	______

When more employees are needed to accomplish tasks, your business costs increase by having to pay more Salary and Benefits.

Productivity is affected by **Training**, **Turnover Rate**, and **Morale**.

Training

Training an employee can increase their efficiency with completing job tasks and increase confidence and job satisfaction.

Turnover Rate
Reducing and maintaining a low employee Turnover Rate maintains and increases Productivity by not having to continually train new employees. Longer-serving employees can also build their knowledge of the internal workings of the company and their personal expertise in doing their jobs.

Morale
Employees who have stronger emotional well-being and attitudes tend to work faster and smarter to accomplish their tasks.

Each of the three factors above are described in more detail below.

Training

In the *GoVenture CEO* simulation, you can invest in **Training** to improve the Productivity of your employees.

Productivity is the labor output of one employee for one period. In the *GoVenture CEO* simulation, this is represented by a dollar value that increases or decreases as Productivity changes.

Training Cost is the cost to train one employee to achieve a Productivity increase of 1%. Note that this is the cost for additional training, not basic training that is covered under Hiring Costs. Review the examples in the table below and complete the final example.

TRAINING COST $200 PER EMPLOYEE TO INCREASE PRODUCTIVITY BY 1%			
PRODUCTIVITY	$100,000	$100,000	$100,000
TRAINING INVESTMENT	$200	$3,000	$10,000
EMPLOYEES	1	1	1
NEW PRODUCTIVITY	$101,000 $100,000 + $200 ÷ $200 ÷ 100% X $100,000	$115,000 $100,000 + $3,000 ÷ $200 ÷ 100% X $100,000	$ ________

Morale

Morale represents the emotional well-being and attitude employees have towards their work, work environment, and employer. Morale is affected by compensation, productivity, and company reputation.

Compensation
Employees who are paid well tend to be happier with their jobs. Compensation includes Salary and Benefits.

Productivity
Employees who feel productive and efficiently accomplish their tasks tend to be happier with their work.

Company Reputation
Employees who work in a company that is ethically strong and profitable will have higher job satisfaction.

In the *GoVenture CEO* simulation, Morale ranges from 0% to 100% and is calculated using up to five metrics:

Salary
Score is based on comparison with other businesses.

Benefits and Programs
Score is based on comparison with other businesses.

Productivity
Score is based on your current level.

Ethics
Score is based on cumulative average Ethics.

Profit Ranking
Score is based on comparison with other businesses.

The five metrics above may or may not be weighted equally. The specific metrics and the weightings used in your *GoVenture CEO* simulation are set by the Simulation Manager (instructor) and can be reviewed on the **HR** screen.

Turnover

Turnover is when an employee leaves a company, or is laid off or fired.

Employees choose to leave companies for a variety of personal reasons.

Companies choose to lay off employees if they have a shortage of work, financial challenges, a change in strategy, or if the employee is not performing their job as well as required.

Companies may fire employees for misconduct or other reason that justifies dismissing the employee.

Turnover Rate is the percentage of employees that leave a business in a year. For example, a business that has 10% turnover means that 10% of all of its employees (such as 10 out of 100) are replaced every year. Companies with high turnover may suggest that employees are not pleased with their compensation, work, or the company.

Review the examples in the table below and complete the final example.

TOTAL EMPLOYEES	100	100	200
TURNOVER RATE	10%	15%	10%
EMPLOYEES REPLACED	10	15	

Reducing and maintaining a low employee Turnover Rate saves a company money by not having to incur **Hiring Costs** each time an employee is replaced, and **Severance Costs** each time an employee is let go.

Having a low Turnover Rate may also maintain and increase Productivity by not having to continually train new employees. Longer-serving employees can also build their knowledge of the internal workings of the company and their personal expertise in doing their jobs.

In the *GoVenture CEO* simulation, **Turnover Rate** is the percentage of employees that leave your business and are automatically replaced by new hires each period. Turnover Rate is affected by **Morale**.

HR Score

In the *GoVenture CEO* simulation, the **HR Score** represents how successful you are at managing employees compared to competing businesses.

The HR Score ranges from 0 - 100% and is based upon the total value a business offers to its employees, and does not take into account whether or not the cost of offering such value is financially feasible.

The HR Score is based upon a combination of:

- Salary
- Benefits
- Morale
- Productivity
- Turnover Rate


Ethics
Strong
Price
Units Sold
Units to Manufacture
Product Competitiveness
Human Resources
Product R&D
GoVenture CEO
Consumer Groups
Groups vary by size and psychographics
Salary
Territory 3
Feature 1
Feature 2
Feature 3
Feature 4
Advertising

10 Ethics

Business Ethics

Business Ethics refers to the values and principles that your company maintains in managing business risks and stakeholder relations.

Stakeholders include employees, customers, suppliers, the community, and more.

Ethics is a key decision that will affect every aspect of your business, internally and externally.

A company that is **ethically weak** is more likely to take advantage of its customers, exploit its workers, and perhaps mislead its shareholders and the public. The result may be short-term financial gain, but with the risk of negative long-term consequences as the weak ethical practices are discovered and exposed.

WEAK ETHICS	BENEFITS	CONSEQUENCES
May takes advantage of customers, exploit workers, and mislead shareholders and public.	Short-term financial gain, such as lower costs and maybe more sales from increased brand awareness.	Long-term loss of sales, consumer confidence, brand equity, and exposure to lawsuits.

A company that is **ethically strong** is more likely to be careful and fair in all of its interactions with customers, workers, shareholders, and the public. The result may be increased costs but improved goodwill, customer loyalty, employee retention and commitment, supplier partnerships as well as many other benefits.

STRONG ETHICS	BENEFITS	CONSEQUENCES
More careful and fair in all interactions with customers, workers, shareholders, and public.	Increased brand equity, customer loyalty, employee retention, supplier partnerships, goodwill, and more.	Increased costs required to implement and monitor ethical practices.

Ethics in *GoVenture CEO*

Here are some specific examples of how ethics can affect your business in the *GoVenture CEO* simulation:

Strong Ethics may:

- Increase Brand Equity because of the goodwill that you gain.
- Increase Operating Costs because of the extra costs to maintain such practices.

Weak Ethics may:

- Increase Brand Awareness because you are not constrained in your marketing messages.

- Reduce Operating Costs by cutting corners and taking advantage of situations.

- Increase probability of lawsuits. The probability of a costly lawsuit increases as time passes and the weaker the ethics.

- Reduced Brand Equity in the long-term.

11 Loans and Stocks

Raising Money

Businesses often need money to start a business, grow a business, buy new equipment, conduct research and development, expand operations, or a variety of other objectives.

Businesses commonly raise money in one or both of these methods:

- Debt financing (by taking out a loan)
- Equity financing (by selling shares in the business)

Increasing Budget

In the *GoVenture CEO* simulation, the amount of money you have to invest in your business each period is limited by your Budget.

Your Budget may be a fixed amount, and it may or may not include a share of Revenue or Profit.

If you want to increase your Budget, you may have the option of taking out a Loan or issuing Stock. If your simulation has these options, they will appear under the **Finance** screen.

Cash and Budget

The amount of money you have to invest in your business is limited by your Budget.

Each period, your Budget is taken from Cash. Normally, a company does not spend all of its Cash in one period, because it would be at risk of running out of money.

To increase Budget, you must increase the Cash in your business by taking out a **Loan** or issuing **Stock**. The words Stock, Stocks, and Shares generally mean the same thing.

BALANCE SHEET

	P0
Assets	
Cash	100
Inventory	0.00
Property, Plant & Equipment	50.00
Total Assets	**150**
Liabilities	
Short and Long Term Liabilities	0.00
Equity	
Retained Earnings (Net Profit)	0.00
Capital from shares sold	0.00
Startup Capital	150
Total Liabilities & Equity	**150**

Review the examples in the table below and complete the third example.

CASH	100	100	200
BUDGET	5	15	40
BUDGET AS % OF CASH	5%	15%	______%

Types of Financing

Taking out a Loan is **Debt** financing. You are borrowing money (debt) that must be repaid, often with interest.

Issuing Stock is **Equity** financing. You are selling a share of your business (equity) in return for money. This money is not repaid like a Loan. In the real world, a shareholder may be entitled to a share of profit and other benefits. Distribution of profit to shareholders is called issuing Dividends. In the *GoVenture CEO* simulation, Dividends are never issued.

Profit

Raising money by issuing Stock or taking out a Loan does not increase Profit. A business can only generate Profit by selling products or services.

Raising money by issuing Stock increases the period Budget. This gives a business more money to invest in areas such as marketing, R&D, production, and other business functions.

By having more money to invest, a business may be able to generate more Revenue and Profit. But, if a business does not invest the new money wisely, it could end up losing the money.

Profit Warning!

Raising money to increase Budget does not automatically give you a competitive advantage.

If a business does not invest the new money in a way that increases Profit, the new money could be lost and therefore result in losses not Profit.

In other words, having more money to spend means you risk losing even more money, as shown in the table below. Complete the final example.

BUDGET SPENT	$30,000	$50,000	$60,000
REVENUE	$20,000	$20,000	$25,000
LOSS	– $10,000	– $30,000	– $________

Applying for a Loan

When a business receives a Loan, it raises new money that increases Cash. The new money is added to the period Budget, as shown below. Complete the final example.

LOAN PRINCIPAL	$30,000	$10,000
CASH MONEY RAISED	$30,000	$10,000
ADDED TO BUDGET	$30,000	$________

Loan Terms in *GoVenture CEO*

- Applying for a Loan in the current period will make the Loan funds available in the next period.

- **Loan Principal** is the amount of funds you will receive. You may take out as many loans as you want, as long as the total Principal outstanding (unpaid) does not exceed the maximum amount set by the Simulation Manager (instructor).

- **Interest** is the extra amount you have to pay back in addition to the Loan Principal.

- **Interest Rate** is compounded each period at a fixed percentage set by the Simulation Manager. It may change in the future for new Loans but will not change for any Loans you may have outstanding. Note that Interest Rate is per period, based on whatever the period is in your simulation (week, month, quarter, year).

- **Amortization Period** is the length of time it will take you to repay the Loan with interest. Loans must be fully repaid by the end of the Simulation Competition. The **Amortization Schedule** shows you the payments you have to make each period. The maximum **Amortization Period** is set by the Simulation Manager, but it cannot be past the expected end of the Simulation Competition.

Loan Payments in *GoVenture CEO*

- **Loan Payments** are automatically withdrawn from your Cash account each period. Loan Payments do not affect your Budget.

- You may fully **repay** (retire) a Loan at any time by paying the remaining balance of the Loan Principal in full. There may be a fee for repaying a Loan early (set by the Simulation Manager). If a simulation ends earlier than scheduled, the Loan will be fully repaid automatically.

- The Loan Principal appears as a Liability on the Balance Sheet. This liability gets reduced each time you make a Loan Payment.

- Interest payments appear as Expenses on the *Profit and Loss Statement*. Interest payments directly reduce Profit.

Loan Example

It is currently period 6. You want to increase your Budget by $10,000 in the next period. The Simulation Competition is scheduled to end after 10 periods. You apply for a loan …

PRINCIPAL	$10,000	You choose this amount but cannot exceed the maximum set by the Simulation Manager (instructor).
INTEREST RATE PER PERIOD	10%	Set by the Simulation Manager.
AMORTIZATION PERIOD	4	You choose this but cannot exceed 4 since that is when the simulation ends.

At the beginning of period 7, your Cash account will increase by $10,000. This new $10,000 will be allocated to your Budget for period 7. If you do not spend all of the money, it will carry over to your Budget for the next period.

Your loan payments will be withdrawn from Cash as shown in the Amortization Schedule below.

Period	Principal	Interest Rate	Principal Payment	Interest Payment	Total Payment Made	Balance Remaining
7	$10,000	10%	$2,155	$1,000	$3,155	$7,845
8	$10,000	10%	$2,370	$785	$3,155	$5,475
9	$10,000	10%	$2,607	$548	$3,155	$2,868
10	$10,000	10%	$2,868	$287	$3,155	$0
			$10,000	$2,619	$12,619	

Review the example in the table below that shows how much Loan Interest is repaid, then complete the other examples.

PRINCIPAL	$10,000	$25,000	$20,000
INTEREST RATE PER PERIOD	10%	10%	20%
AMORTIZATION PERIOD	1	1	1
INTEREST PAID	$1,000 $10,000 x 10 ÷ 100%	$______	$______

Selling Shares

When a business sells Stock (Shares), it raises new money that increases Cash. The new money is added to the period Budget. Review the example in the table below and complete the second example.

SHARE PRICE	$20	$30
SHARES ISSUED (SOLD)	1,000	2,000
CASH MONEY RAISED	$20,000 = $20 x 1,000	$______
MONEY ADDED TO BUDGET	$20,000	$______

Balance Sheet
Motorama
As of End of Month 7
(€ Millions)

	P0	P4	P5	P6	P7
Assets					
Cash	100	124	122	118	115
Inventory	0.00	0.00	0.00	0.00	0.00
Property, Plant & Equipment	50.00	50.00	50.00	50.00	50.00
Total Assets	**150**	**174**	**172**	**168**	**165**
Liabilities					
Short and Long Term Liabilities	0.00	0.00	0.00	0.00	0.00
Equity					
Retained Earnings (Net Profit)	0.00	24.22	20.72	17.19	13.76
Capital from shares sold	0.00	0.00	0.00	0.00	0.12
Startup Capital	150	150	150	150	150
Total Liabilities & Equity	**150**	**174**	**171**	**167**	**164**

Money raised through issuing stock gets added to CASH. BUDGET is taken from Cash.

Money raised through issuing stock appears on the Balance Sheet here as EQUITY. Note that it does NOT get included as Retained Earnings (Net Profit).

Stock

Issuing Stock is Equity financing. You are selling a share of your business (equity) in return for money.

The words Stock and Shares are often used to mean the same thing, which is percentage ownership in a business.

All businesses in the same *GoVenture CEO* Simulation Competition start with the same Share Price and the same number of Shares issued and outstanding. These are all set by the Simulation Manager (instructor).

Share Price

Share Price changes based on **Net Earnings** which is the same as **Net Profit**.

As a business adds to Profit, the Share Price will increase. If a business has negative Profit, the Share Price will decrease.

The exact amount the Share Price will change is based on **Earnings Per Share**. Earnings Per Share means **Profit** divided by **Total Shares Issued and Outstanding**. Review the example in the table below and complete the final example.

NET PROFIT	$20,000	$30,000
TOTAL SHARES ISSUED & OUTSTANDING	1,000	3,000
EARNINGS PER SHARE	$20 = $20,000 ÷ 1,000	$________
SHARE PRICE INCREASE	$20	$________

Dilution

Issuing new shares to sell risks negatively impacting **Earnings Per Share** because there will be more shares outstanding. This results in less Profit per share, as shown in the table below. Complete the final example.

NET PROFIT	\$20,000	\$20,000	\$20,000
TOTAL SHARES ISSUED & OUTSTANDING	1,000	1,250	2,000
SHARE PRICE INCREASE	\$20 = \$20,000 ÷ 1,000	\$16 = \$20,000 ÷ 1,250	\$______

Issuing and selling new shares does not immediately change the current Share Price because money is provided in return for the shares, as shown in the table below. Complete the second example.

SHARE PRICE	\$10	\$15
TOTAL SHARES ISSUED & OUTSTANDING	100	100
MARKET CAPITALIZATION	\$1,000 = \$10 X 100	\$______
NEW SHARES ISSUED (SOLD)	20	20
PRICE PER SHARE SOLD	\$10	\$15
NEW MONEY RAISED	\$200 = 20 X \$10	\$______
TOTAL SHARES ISSUED & OUTSTANDING	120 = 100 + 20	______
MARKET CAPITALIZATION	\$1,200 = \$10 X 120	\$______

As shown above, even though company value has increased with the new money, the Share Price has stayed the same because now there are more shares outstanding.


Ethics
Strong
Price
Units Sold
Units to Manufacture
Product Competitiveness
Human Resources
GoVenture
CEO
Product R&D
Consumer Groups
Groups vary by size and psychographics
Salary
Territory 3
Feature 1
Feature 2
Feature 3
Feature 4
Advertising

12 Currency

Global Currencies

Different regions of the world use different monetary **Currency**. Currency refers to the system of money used in a country. **Currency Symbol** is a sign that represents the Currency. Examples are shown below.

COUNTRY	CURRENCY	SYMBOL
USA	US Dollar	$
CANADA	Canadian Dollar	$
AUSTRALIA	Australian Dollar	$
UNITED KINGDOM	British Pound	£
JAPAN	Japanese Yen	¥
MEXICO	Mexican Peso	$
CHINA	Chinese Yuan or Renminbi	¥

Complete the table below with additional examples. Search the Internet for the answers.

COUNTRY	CURRENCY
FRANCE	
GERMANY	
ITALY	
INDIA	
SOUTH AFRICA	
SAUDI ARABIA	
EGYPT	
PHILIPPINES	
BRAZIL	
ALGERIA	
RUSSIA	

Exchange Rate

Exchange Rate is the value of one Currency compared to another Currency. Not all Currencies carry the same value, and the value changes over time.

In the example below, Currency B has 20% more value than Currency A. If you had 1.00 of Currency B, you could exchange it for 1.20 in Currency A.

CURRENCY A	1.00
CURRENCY B	1.20

Another example:

CANADIAN DOLLAR	1.00
US DOLLAR	1.20

In the example above, the US Dollar is 20% stronger than the Canadian Dollar.

- If you had $1.00 US Dollar, exchanging it to Canadian Dollars would provide you with $1.20 Canadian Dollars ($1.00 + 20% = $1.20).

- If you had $1.00 Canadian Dollar, exchanging it to US Dollars would provide you with $0.83 US Dollars ($0.83 + 20% = $1.00).

Buying or Selling

When doing an Exchange Rate calculation, you have to know which Currency you are selling and which you are buying.

If you have US Dollars and want to convert them to Canadian Dollars, you are *buying* Canadian and *selling* US dollars.

Complete the table below by adding the current Exchange Rates in comparison to the US Dollar when *selling* US Dollars. Search the Internet for the answers.

COUNTRY	CURRENCY	EXCHANGE RATE SELLING US DOLLARS
USA	US Dollar	1.00
CANADA	Canadian Dollar	
AUSTRALIA	Australian Dollar	
UNITED KINGDOM	British Pound	
JAPAN	Japanese Yen	
MEXICO	Mexican Peso	
CHINA	Chinese Yuan or Renminbi	

Currency can be exchanged at banks and other financial institutions. This can be done in person with cash or online using electronic money transfer and brokerage accounts.

Currency Exchange also carries a fee that you must pay for the service, which is normally a few percentage points of the value of the transaction.

Impact of Exchange Rates

The Currency where your business is located is often called the **Domestic Currency**. All other Currencies are then considered **Foreign Currencies**.

When selling into Territories that have a different Currency than where your business is located, you have to consider the impact that the Exchange Rates will have on your costs and potential profit. This applies if you are accepting payment from customers in different Currencies.

Review the example below.

Your business is located in the US.
The cost to make and sell your product in the US is $5.
You sell your product in the US at a price of $7. This provides you with $2 in profit ($7 - $5).
You sell the same product in Japan and price it at ¥700 in Japanese Yen. You set this price because the current Exchange Rate is ¥100 for $1 and it will provide you the same profit per product sale as in the US. ¥700 = $7 price.
Exchange Rates change all the time and now the Japanese Yen has increased in value to ¥140 for $1.
Your price in Japan still remains at ¥700. But when you make a sale and exchange the ¥700 for US Dollars, the new

rate means you will only receive \$5 (¥700 ÷ ¥140), instead of the \$7 you had received previously. This means you now have \$0 profit on this sale.
Your profit is now gone because of the change in Exchange Rate.

The example above shows what can happen if the Foreign Exchange Rate *increases* in value in comparison to your Domestic Exchange rate. The result is that you lose money.

But what happens if the Foreign Exchange Rate *reduces* in value in comparison to your Domestic Exchange Rate? The result is that you will make more money, as shown in the example below.

Using the same example above but with the the Japanese Yen decreasing in value to ¥78 for \$1.
Your price in Japan still remains at ¥700. When you make a sale and exchange the ¥700 for US Dollars, the new rate means you will receive \$9 (¥700 ÷ ¥78), instead of the \$7 you had received previously. This means you now have an additional \$2 profit on this sale for a total profit of \$4.
Your profit has increased because of the change in Exchange Rate.

Reducing Risk

What can a business do about fluctuating Exchange Rates?

From the example above where profit fell, you could consider raising your price in Japan. But, what if raising the price might deter customers from buying? What if there are competing products that are better priced? What happens when the Exchange Rate changes again? There are no simple answers.

Some businesses choose to sell their product in only one Currency. This forces all customers to only pay in that Currency. This can work for some online businesses, but does not work for sales that are made in store because people in a particular country normally only carry money in their Domestic Currency. Imagine if at a Wal-Mart in the US the prices were all in Japanese Yen — how would consumers react?

Some businesses will set their price on only one Currency, but allow customers to purchase in their own Domestic Currency. You often see this with online businesses where the price may be set using US Dollars but you can choose to pay in a different Currency. The online payment system will automatically do the Currency Exchange Rate conversion so the customer can see the price in their own Domestic Currency before completing the purchase.

GoVenture CEO Simulation

The *GoVenture CEO* simulation you are playing may or may not use multiple currencies. See the **User Guide** for details on how Currency works in the simulation.

13 Competitiveness

Competition

Nearly all businesses have some form of competition. An important factor in business success is being able to differentiate your product or service from competing options.

This is similar to the 4 Ps of marketing described below.

Price	The price that consumers pay for the product.
Product	The features of the product.
Promotion	The effectiveness of the sales and marketing invested in the product, and the brand.
Place	The availability of the product where consumers are most likely to find and buy it.

In the *GoVenture CEO* simulation, the 4 Ps are mapped as shown in the table below.

4 Ps	*GoVenture CEO* simulation
Price	Retail Selling Price
Product	R&D Features
Promotion	Brand Equity
Place	Having available product inventory (not out of stock) and territories distributed into.

Consumer Profiles

Consumers are the people or organizations that purchase and use your product.

Needs are the desired preferences of consumers.

Consumers seek out and purchase products that match their needs. When there are multiple products available, consumers will, generally, purchase the product that most closely matches their needs.

In the *GoVenture CEO* simulation, you should analyze how closely your product, brand, and price matches the Consumer Profiles.

*Review the **Consumer Profiles** section for details.*

Retail Selling Price

Most consumers prefer to pay less for a product. When presented with two similar products that equally match their needs, many or most will likely choose the less expensive option.

The same applies in the *GoVenture CEO* simulation. The Price of every product in the simulation is assigned a Price Score that ranges from 0 to 100%.

The business with the lowest-priced product will be assigned 100%. All other businesses will be scored based on how close their price is to the lowest-priced product. A company that has a product priced at more than five times the lowest-priced product will receive 0%. See the table below for examples, but keep in mind that this may change.

COMPANY	PRICE	PRICE SCORE	NOTES
A	$10	100%	Lowest price
B	$12	70%	20% higher than the lowest price.
C	$20	50%	Two times higher than the lowest price.
D	$51	0%	More than five times higher than the lowest price.

Note that a low Price Score does not necessarily mean that a Company will not make sales. There are many factors that determine sales. However, an exorbitant or unreasonably-high price, in comparison to other prices, may eliminate all sales potential.

*Review the **Pricing and Profit** section for details.*

R&D Features

Investing in **Research and Development** (R&D) allows you to choose the features of your product to further differentiate it in the marketplace and to better align with the needs of the **Consumer Groups** you want to target.

In the *GoVenture CEO* simulation, the R&D options that are available to you will vary based on the simulation you are playing.

There may be up to four R&D options that you can choose to invest in, as well as multiple options within each of those four.

Types of R&D Options

There are three types of R&D options in the simulation: Linear, Multiple Levels, and Multiple Options.

You will not see features named using these terms in the simulation. Instead, you will see them named using a descriptive term for the feature, such as Quality, Taste, Health, Battery Life, etc. Click the orange help button (?) on the **R&D** screen in the simulation to find out what type of options your simulation uses.

Linear

This feature is generally desired by all consumers. The more a business invests in this feature, the more attractive the product will be to consumers who desire this feature.

For example, with a beverage product, this might be Taste or Health Benefits. With a car, it might be Quality, Safety, or Gas Mileage. With a smartphone, it might be

Battery Life or Camera Functionality. The more money a business allocates to this feature, the more the feature will improve.

The business that allocates the most money (calculated cumulatively over the entire duration of the simulation) will have the best score for this feature compared to competing products, and therefore may attract more consumers that desire the feature.

Multiple Levels

This type of feature has two or more levels to choose from, with each level being incrementally better than the one below it.

For example, with a beverage product, this might be Packaging (Budget, Standard, Premium). With a car, it might be Safety Rating (Low, Average, High). With a smartphone, it might be Battery Life (Short, Long).

All consumers will generally desire the best choice of the levels provided (some consumers more than others, but in all cases the top level is desired).

For example, all consumers prefer a car with the highest Safety Rating, even though they may not all be able to afford or be willing to pay a higher price for such a feature.

A score is assigned to each level based on how it compares to the others. Businesses that invest the additional R&D funds needed to produce a product at the higher levels will have a more desirable product.

Multiple Options

This feature has two or more options to choose from, with each option having varying desirability based upon specific Consumer Profiles — some consumers will clearly like one choice over another, whereas other consumers will like the alternate choice(s). In other words, the most desirable choice is up to consumer preference.

For example, with a soft drink product this might be the Type of drink (Cola, Energy, Fruit). With a car, it might be Styling (Sport, Sedan, SUV). With a smartphone, it might be Screen Size (Small, Large). From these examples, it can be seen that no single choice will be considered best by all consumers.

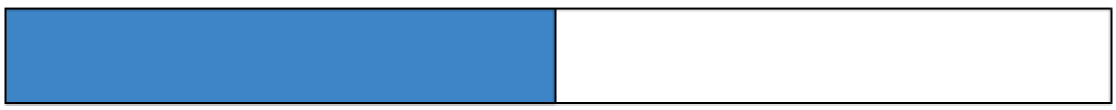
Brand Equity

Brand Equity represents a combination of the **Brand Awareness** and **Brand Loyalty** you have created for your business. In the *GoVenture CEO* simulation, Brand Equity is mostly influenced by Brand Awareness.

Brand Awareness is how well-known your brand is versus the competition. It can be improved by advertising and sales promotion. The more money you invest in sales and marketing, the higher your Brand Awareness will be.

Brand Awareness is a numerical score that shows how you compare versus other businesses. For example, if your score is 400 and another business is at 200, then your Brand Awareness is twice as strong.

There is no maximum Brand Awareness number to strive for. Instead, your focus should be to have a higher number than your competitors.

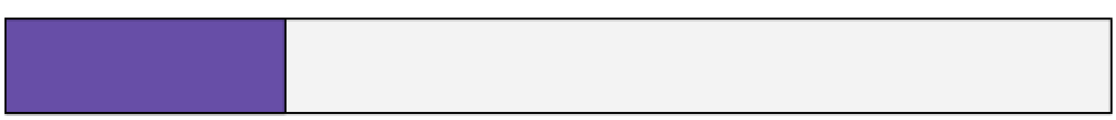


BRAND AWARENESS 200

Brand Loyalty is the likelihood that a customer who has already experienced your product will purchase it again. It can be improved by getting repeat or new customers to purchase your product, with the hope that they will have a positive experience with it.

Brand Loyalty is a score from 0 to 100% that represents the percentage of the market you have reached based on cumulative unit sales.

For example, if all businesses combined have sold 10 units in a market (Territory) and two of those units were yours, then your Brand Loyalty score will be 20%.



BRAND LOYALTY 20%

Each **Territory** has its own Brand Equity that you have to grow.

Your Competitiveness

How your product compares to competing products is a combination of these factors:

Price + R&D Features + Brand Equity

And, specifically how the factors above align with specific **Consumer Profiles**. This means that your product may be very desirably by specific **Consumer Groups** and undesirable to other Consumer Groups.

> In *GoVenture CEO*, see the **Competitiveness Report** for a detailed analysis of how you compare versus competitors. This report is available on the **Customers & Competitors** screen.

14 Profit and Loss Statement

Financial Statements

There are two primary financial statements for a business: **Balance Sheet** and the **Profit and Loss** (sometimes called a P&L or an Income Statement).

The **Profit and Loss** shows all of the money flowing in and out of the business to determine if the business is profitable or not.

The **Balance Sheet** shows the value of the business by adding up everything the business owns and subtracting everything that the business owes. The actual value of a business is often more complex than the Balance Sheet shows, but the Balance Sheet provides an accurate view of its financial position.

Revenue and Expenses

To understand the P&L, you must first understand some key definitions.

Revenue or Income
This is money earned by selling a product or service. You receive this money directly from end consumers, resellers, or distributors.

Cost of Goods Sold (COGS)
The cost to produce the products you have sold are recorded as COGS. For clarity, COGS is only for

products that have been sold, not for products that are in inventory and not yet sold.

Expenses
This is money paid out to sell your products and operate the business. It can include employee wages, sales and marketing expenses, interest on loans, and more.

Profit
This is the money generated from your business activities that exceeds the costs of the business. If Revenue minus COGS minus Expenses is positive, it means you have generated a Profit. If it is negative, you have losses. Profit is also called Earnings.

The P&L adds up all the Revenue, COGS, and Expenses and applies this formula:

Revenue – COGS – Expenses = Profit

If the formula above results in a positive number, then the business has generated a Profit. If the number is negative, then the business has suffered losses. Here is the P&L formula visually:

Here is an example that applies the P&L formula:

Revenue – COGS – Expenses = Profit

REVENUE $5,000	Product Sales $5,000
COGS & EXPENSES $3,000	COGS $1,000 Expenses $2,000
PROFIT $2,000	

The business above has generated a Profit of $2,000.

Complete the table below with additional examples.

REVENUE	Product Sales $8,000	Product Sales $6,000 Sale of Services $2,000
COGS & EXPENSES	COGS $2,500 Expenses $1,000	COGS $3,000 Expenses $6,000
PROFIT	$ ____________	$ ____________

If Profit is negative, the company has suffered a loss. Losses in accounting are sometimes shown with negative numbers or numbers in parenthesis, like this:

– $100 or ($100)

Both of the above mean negative $100 or a loss of $100.

Net Profit and Gross Profit

The P&L often shows two different Profit numbers:
Gross Profit and Net Profit.

Net Profit is as described above, using the P&L formula:

Revenue – COGS – Expenses = **Net** Profit

Gross Profit uses this formula:

Revenue – COGS = **Gross** Profit

Gross Profit is the Revenue generated from product sales minus the Cost of Goods Sold (COGS). Unlike Net Profit, Gross Profit does not account for other expenses, like sales and marketing, operations costs, interest paid, and more. See the example below.

REVENUE	$5,000	
COGS	<u>$1,000</u>	
	$4,000	= GROSS PROFIT
EXPENSES	<u>$3,000</u>	
	$1,000	= NET PROFIT

Net Profit generally means the final, bottom line, Profit. This is also called **Earnings**.

Complete the table below with additional examples.

REVENUE	$8,000	$6,000
COGS	$2,500	$3,000
GROSS PROFIT	$ ____________	$ ____________
EXPENSES	$2,000	$4,000
NET PROFIT	$ ____________	$ ____________

COGS and COS

Cost of Goods Sold (COGS) is normally used to refer to physical products (goods).

When selling services, the term **Cost of Sales** (COS) is often used instead.

Cost of Revenue is also a common term, and could apply to both goods and services.

COGS normally includes all costs associated with producing a product. This includes raw materials, parts, assembly, and the transportation costs to bring everything together. Human labor costs needed to make the product are also included in COGS.

Costs that are not *directly* associated with making a product are not included in COGS. This includes sales and marketing, financing costs, employee wages that are not involved in the making of the product, and more. These are all considered Expenses not COGS. And, COGS only includes the costs of products that are already sold, not the cost of products that remain in inventory.

The concepts above also apply to services and Cost of Services.

NOTE: The *GoVenture CEO* simulation does not include HR costs in COGS.

Other Income

Sometimes, a business will generate money (Revenue or Income) in ways that are not part of its primary business. This money is normally classified as **Other Income**.

For example, a company that makes and sells widgets as its primary business may also earn income from interest on the money it has in the bank. The company may also receive a government grant (a grant is a financial incentive that does not have to be repaid).

This new money that is not derived from the primary business is classified as Other Income, and appears on the P&L as shown below.

Revenue – COGS – Expenses + Other Income = **Net** Profit

REVENUE $5,000	Widget Sales $5,000
COGS & EXPENSES $3,000	COGS $1,000 Expenses $2,000
OTHER INCOME $1,500	Bank Interest $1,000 Grant $500
NET PROFIT $3,500	

Complete the table below with additional examples.

REVENUE	Widget Sales $7,000	Widget Sales $6,000
COGS & EXPENSES	COGS $3,000 Expenses $2,000	COGS $5,000 Expenses $3,000
OTHER INCOME	Bank Interest $750 Grant $750	Bank Interest $1,000 Grant $1,000
NET PROFIT	$ ________	$ ________

Period

When generating a P&L, you have to choose two dates: The starting (From) date and the ending (To) date. The data that will be displayed will include all transactions between and including the dates you select.

Retained Earnings

An important term that appears in financial statements is Retained Earnings.

Earnings is another word for Net Profit.

"Retained" means held or kept.

Retained Earnings is Net Profit that remains in the company — as opposed to Profit or Earnings that are paid out to company shareholders.

Some companies will pay out a portion of Net Profit to the company owners (the shareholders). This payout is called a **Dividend**.

When a Dividend is paid, the Net Profit held (retained) in the company is reduced. This means that Retained Earnings is reduced.

Retained Earnings is a running total of all the Profit accumulated in a business. The P&L shows both the Net Profit of the current time period, and the cumulative Net Profit (Retained Earnings) from the entire history of the company.

The table below shows how Retained Earnings is a running total of the Profit from past years and the current year.

	YEAR 1	**YEAR 2**	**YEAR 3**
NET PROFIT	$1,000	$2,000	$1,500
RETAINED EARNINGS	$1,000	$3,000 = $1000 + $2,000	$4,500 = $3,000 + $1,500

The table below shows how Dividends paid out will reduce Retained Earnings.

	YEAR 1	YEAR 2	YEAR 3
NET PROFIT	$1,000	$2,000	$1,500
DIVIDENDS	$0	$500	$1,000
RETAINED EARNINGS	$1,000	$2,500 = $1000 + $2,000 - $500	$3,000 = $2,500 + $1,500 - $1,000

Complete the table below with additional examples.

	YEAR 1	YEAR 2	YEAR 3
NET PROFIT	$2,000	$4,000	$3,000
DIVIDENDS	$0	$1,000	$2,000
RETAINED EARNINGS	$ ______	$ ______	$ ______

Relationship to Balance Sheet

The P&L Statement and the Balance Sheet are connected through one number: Retained Earnings

The Balance Sheet shows the current value of the business. Value includes the total Net Profit accumulated by the business, minus Dividends paid out to shareholders — what is known as Retained Earnings.

BALANCE SHEET		P&L
ASSETS		REVENUE
LIABILITIES		COGS & EXPENSES
EQUITY		RETAINED EARNINGS

In the table above, Retained Earnings from the P&L is added to Equity on the Balance Sheet.

P&L in *GoVenture CEO*

Below is a sample Profit and Loss Statement in *GoVenture CEO.*

	P1	Total All-Time
Revenue	96,096	**96,096**
Cost of Goods Sold	13,728	**13,728**
Other Income	0.00	**0.00**
SubTotal	82,368	**82,368**
Operating Expenses		
General and Administrative	10,000	**10,000**
Human Resources		
Research & Development	10,000	**10,000**
Production	5,000	**5,000**
Sales & Marketing	4,000	**4,000**
Operations	3,000	**3,000**
Management	7,000	**7,000**
Benefits and Programs	0.00	**0.00**
Hiring Costs	0.00	**0.00**
Severance Costs	0.00	**0.00**
Training Costs	0.00	**0.00**
Turnover Costs	0.00	**0.00**
Expired Units	0.00	**0.00**
Loan Interest Payments	0.00	**0.00**
Sales & Marketing		
Advertising - Brand - North FL	5,000	**5,000**
Advertising - Brand - South FL	0.00	**0.00**
Advertising - Brand - East FL	0.00	**0.00**
Advertising - Price Discount - North FL	0.00	**0.00**
Advertising - Price Discount - South FL	0.00	**0.00**
Advertising - Price Discount - East FL	0.00	**0.00**
Sales Promotion - North FL	5,000	**5,000**
Sales Promotion - South FL	0.00	**0.00**
Sales Promotion - East FL	0.00	**0.00**
Research & Development		
Taste	5,000	**5,000**
Health	0.00	**0.00**
Change costs to update processes/equipment	0.00	**0.00**
Change costs to upgrade product inventory	0.00	**0.00**
Other		
Expansion to other territories	0.00	**0.00**
Market Research Reports	0.00	**0.00**
Miscellaneous Expenses	0.00	**0.00**
Legal	0.00	**0.00**
SubTotal	54,000	**54,000**
Net Profit (Loss)	28,368	**28,368**

15 Balance Sheet

Financial Statements

There are two primary financial statements for a business: **Balance Sheet** and the **Profit and Loss** (sometimes called a P&L or an Income Statement).

The **Profit and Loss** shows all of the money flowing in and out of the business to determine if the business is profitable or not.

The **Balance Sheet** shows the value of the business by adding up everything the business owns and subtracting everything that the business owes. The actual value of a business is often more complex than the Balance Sheet shows, but the Balance Sheet provides an accurate view of its financial position.

Assets and Liabilities

To understand a Balance Sheet, you must first understand some key definitions.

Asset
This is something that a business owns. This could be cash, furniture, property, buildings, computer software, and more.

Liability
This is something that a business owes. This could be money owed to employees, vendors, the government, or loans owed to banks and others.

The Balance Sheet adds up all the Assets and the Liabilities and then applies this simple formula:

Assets – Liabilities

If the business owns more value in Assets than it owes in Liabilities, then it has positive Equity. Equity is the value held in the business and is the third component of the Balance Sheet formula, as shown here:

Here is an example that applies the Balance Sheet formula:

Assets – Liabilities = Equity

ASSETS $5,000	Cash $4,000 Furniture $600 Computer $400
LIABILITIES $3,000	Bank Loan $2,000 Credit Card $1,000
EQUITY $2,000	

One way to read the above is to say that if the business is shut down and everything in it sold ("liquidated") and the liabilities paid off to $0, there would be $2,000 left over. This is how much value currently exists in the business.

Complete the table below with additional examples.

ASSETS	Cash $8,000 Furniture $700 Computer $400	Cash $12,000 Unpaid Sales $1,000 Land $10,000
LIABILITIES	Bank Loan $2,500 Credit Card $900	Bank Loan $9,500 Owed to Suppliers $6,000
EQUITY	$ ____________	$ ____________

Business Value

Intangible Assets

The concept of business value is somewhat simplified in the examples above, as a business may also have **Intangible Assets** which contribute to its value.

Intangible Assets may include patents, trademarks, customer contracts, goodwill, and more. Intangible means something that is not physical and cannot be touched. Furniture and computers are tangible assets — they have physical form.

Assigning value to Intangible Assets can be subjective, but generally equates to the value of what the intangible asset could be sold for if it had to be sold. This means that there has to be a reasonable expectation that a buyer can be found who is willing and able to purchase the Intangible Asset at the price set. However, sometimes intangible assets are valued differently based on generally-accepted accounting principles.

This is an advanced topic beyond the scope of this document, but is noted here to help frame the Balance Sheet.

See the table below and complete the second example. Notice that Intangible Assets (Patents and Customer Contracts) have been added to the Balance Sheet.

BALANCE SHEET		
ASSETS	Cash $8,000 Furniture $1,000 **Patents $2,000**	Cash $12,000 Land $10,000 **Customer Contracts $2,000**
LIABILITIES	Bank Loan $7,000	Bank Loan $12,,000
EQUITY	$4,000	$ ________

Tangible Assets

Another element that affects business value is the value of the Tangible Assets on the Balance Sheet. The value shown for Assets is not the original purchase price, but the depreciated value of the Asset. Depreciation is also an advanced topic, but it generally means that most Assets will lose value over time, and so the Balance Sheet should properly reflect this change in value.

For example, a computer may cost $900 brand new today, but if you tried to sell that computer in one year, you may only get a few hundred dollars for it. The Balance Sheet should show the computer at this reduced value.

See the table below and complete the additional example. Notice that the value of the computer has changed from Year 1 to Year 2 on the Balance Sheet because it has depreciated.

	YEAR 1	YEAR 2
ASSETS	Cash $8,000 **Computer $900**	Cash $8,000 **Computer $400**
LIABILITIES	Bank Loan $7,000	Bank Loan $7,000
EQUITY	$1,900	$ ____________

Equity

How does a business create value, or Equity? Reviewing the Balance Sheet formula:

Assets – Liabilities = Equity

This may suggest to increase Assets. But, how does a business increase the value of an Asset? Most Assets lose value over time, like furniture and computers. Real estate may or may not increase in value over time.

Buying a new Asset will not increase Equity. This is because if a business buys a new Asset, then Cash may be reduced to pay for the new Asset. In this case, the Equity has not changed, as shown in the table below.

ASSETS	Cash $8,000	Cash $6,000 **Computer $2,000**
LIABILITIES	Bank Loan $7,000	Bank Loan $7,000
EQUITY	$1,000	$1,000

What if the business buys the computer using a credit card? In this case, the credit card balance will appear as a Liability, and again the Equity does not change, as shown in the table below.

ASSETS	Cash $8,000	Cash $8,000 **Computer $2,000**
LIABILITIES	Bank Loan $7,000	Bank Loan $7,000 **Credit Card $2,000**
EQUITY	$1,000	$1,000

Buying, renting, or leasing Assets does not increase the value or Equity of a business. It's what the business does with those Assets that may contribute to increasing Equity.

For example, buying a new computer may allow you to serve more customers to sell more product and generate more Revenue and Profit. This additional Profit increases Equity. Buying the computer did not directly increase Equity, but how it was used did.

Again, reviewing the Balance Sheet formula:

Assets – Liabilities = Equity

This may suggest that decreasing Liabilities will increase Equity. But, decreasing a Liability normally means using an Asset, like Cash.

For example, you can pay off a $7,000 Bank Loan to eliminate the Liability, but if you use Cash to pay the Loan, then your

Cash Asset will also decrease, as shown in the table below.

ASSETS	Cash $8,000	Cash **$1,000**
LIABILITIES	Bank Loan $7,000	
EQUITY	$1,000	$1,000

Increasing Equity

Equity is most often increased in two ways:

Profit
As a business generates Profit over its history, the total cumulative Profit (and loss) over its entire time in business are added to its Equity.

Selling Shares
When a business sells Stock or Shares in the business, which means ownership in the business, those who buy the Shares give the money to the business and this money is recorded as Equity.

Equity is reduced if the business suffers losses (negative Profit) or if the business issues Dividends to its shareholders (owners). A Dividend is simply a share of the Profit (which is shown as Equity).

Profit (Retained Earnings)

Profit increases Equity. For example, if you make or buy 100 widgets for $5 each and sell them for $7, you will make a profit of $2 per widget, as shown in the table below. This assumes there were no other expenses incurred with buying and selling the widgets.

BUY $500	100 Widgets $5 Each
SELL $700	100 Widgets $7 Each
PROFIT $200	$700 – $500

The $200 profit shown above gets added to the Equity on the Balance Sheet, as shown in the table below. Notice that before the Widgets are purchase, you have $1,000 Cash. Then $500 is used to purchase the Widgets, so Cash is reduced by $500 and Widgets are added as an Asset that you own. Then, the Widgets are sold for $700 that is added to Cash, and the Widgets no longer appear as Assets.

	BEFORE	DURING	AFTER
ASSETS	Cash $1,000	Cash $500 Widgets $500	Cash $1,200
LIABILITIES			
EQUITY	$1,000	$1,000	$1,200

Profit is the most common way that businesses increase Equity. Profit is tracked on the **Profit and Loss Statement** (or P&L or Income Statement). The Profit (more specifically, the Net Profit) at the bottom of the Profit and Loss Statement is added to the Equity on the Balance Sheet.

Profit is added under Equity as what is called **Retained Earnings** — more on this below.

Selling Shares

When a business sells Stock or Shares in the business, which means ownership in the business, those who buy the Shares give the money to the business and this money is recorded as Equity

For example, let's say you sell a certain number of Shares for a total of $500. The new shareholder gives your company $500 Cash and you record this transaction on the Balance Sheet by increasing Cash by $500 and increasing Equity by $500, as shown in the table below. Money gained through the sales of Shares is not considered Profit and does not appear on the Profit and Loss Statement.

Notice that the Balance Sheet equation still remains in balance: Assets – Liabilities = Equity

	BEFORE	AFTER
ASSETS	Cash $1,000	Cash $1,500
LIABILITIES		
EQUITY	$1,000	$1,500

Balance

The Balance Sheet has the word "balance" in the name to indicate that it must always remain in balance. This means that the formula always remains true:

Assets – Liabilities = Equity

The formula can also be rearranged as follows:

Assets – Equity = Liabilities

Liabilities + Equity = Assets

Whichever format the formula takes, it must always balance, otherwise it indicates that there has been an accounting error made that needs to be corrected. See the example below.

	IN BALANCE	OUT OF BALANCE
ASSETS	Cash $3,000	Cash $2,500
LIABILITIES	Bank Loan $1,000	Bank Loan $1,000
EQUITY	$2,000	$2,000

In the table below, identify if each Balance Sheet example is in or out of balance and by how much. Enter $0 if in balance.

ASSETS	Cash $5,500	Cash $2,500 Computer $300	Cash $3,500 Furniture $500
LIABILITIES	Bank Loan $1,500	Bank Loan $2,000	Bank Loan $2,000 Credit Card $500
EQUITY	$4,000	$900	$1,000
IN OR OUT OF BALANCE?	$ ______	$ ______	$ ______

Dividends and Retained Earnings

Profit is added under Equity as what is called **Retained Earnings**. "Earnings" means profit. "Retained" means held or kept — as opposed to Profit or Earnings that are paid out to company shareholders.

When Profit is paid out to the company shareholders, it is called a Dividend. When Profit is paid out of a company, the

Equity in the company is reduced, as shown in the table below. Notice also that Cash has been reduced by the amount of the Dividend paid.

	BEFORE $1,000 DIVIDEND	AFTER $1,000 DIVIDEND
ASSETS	Cash $9,000	Cash $8,000
LIABILITIES	Bank Loan $1,000	Bank Loan $1,000
EQUITY	$8,000	$7,000

Complete the table below with additional examples.

	BEFORE $2,000 DIVIDEND	AFTER $2,000 DIVIDEND
ASSETS	Cash $7,000	Cash $________
LIABILITIES	Bank Loan $2,000	Bank Loan $2,000
EQUITY	$5,000	$ ________

Period

When generating a Balance Sheet, you have to choose a date. The data that will be displayed will include all past history up to and including the date you select.

Balance Sheet in *GoVenture CEO*

Below is a sample Balance Sheet.

Balance Sheet

Drinkzzz
As of End of Month 1
($ Thousands)

	P0	P1
Assets		
Cash	300	327
Inventory	0.00	1.27
Property, Plant & Equipment	50.00	50.00
Total Assets	**350**	**378**
Liabilities		
Short and Long Term Liabilities	0.00	0.00
Equity		
Retained Earnings (Net Profit)	0.00	28.37
Capital from shares sold	0.00	0.00
Startup Capital	350	350
Total Liabilities & Equity	**350**	**378**

16 Losing Money in GoVenture CEO

Losing Money in *GoVenture CEO*

If you are losing money in the *GoVenture CEO* simulation, it could be for one or more of these reasons:

Price is too low

Your price should be higher than the cost of production and all other expenses, including sales and marketing, research and development, human resources, and more. If your price is lower than all of these costs combined, you will continue to lose money. Review the *Profit and Loss Statement* to see a list of all of your expenses.

Did not produce enough units to sell

If you sell all of your product inventory, you may be missing sales. There may be more consumers who want to purchase your product, but cannot because there is none available. These are called *Missed Sales* and you lose out on potential revenue. *Missed Sales* are displayed in the *Performance Report* and other reports.

Your product is not as attractive as your competitors'

Consumers purchase the products that best match their needs. Consider if your product may not be as good of a match with the *Consumer Profiles*. If your product is not as good of a match and you have a higher price than competing products, then it is very likely that you are losing sales to your competitors.

Review the *Performance Report* and *Competitiveness Report* for product comparison data. And review the *Consumer Profiles* Report to identify the needs of consumers.

Too many companies are targeting the same Consumer Profile Group

Each Consumer Profile Group spends up to a certain amount of money to purchase products like yours. This is the *Market Demand by Consumer Group*.

If more than one company has designed their product to target a specific Consumer Group, then the Market Demand from this Consumer Group may be split among multiple products and companies. This could make it difficult for these businesses to generate enough revenue to achieve profitability.

Consider if you need to adjust your product features and price to win more sales from your target Consumer Group, or consider changing your strategy to target different Consumer Groups. Review the *Consumer Profiles* Report to identify the needs of consumers and which businesses may be winning.

Insufficient Sales and Marketing efforts

You may be investing too little money in Sales and Marketing, as compared to your competition. Review the *Brand Equity* scores for comparison and review how Brand may influence Consumer Profiles.

You are spending too much money

Even though you may have a certain amount of Budget money to spend each period, consider if you should be spending the full amount or not.

Depending on Market Demand and your competitive positioning, perhaps you will not be able to generate enough revenue to exceed your cost of goods sold and expenses. If this is the case, consider spending less money.

Review the *Profit and Loss Statement* to see a list of all of your expenses and revenue. Review the *Coaching Report* for a more detailed analysis.

> In *GoVenture CEO*, see the **Coaching Report** for a detailed analysis of your strategy. This report is available inside the **Performance Report**.

GoVenture CEO

Learning Guide & Activity Book

This guide helps you learn the fundamental concepts of business as they are applied in the **GoVenture CEO** simulation.

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Play the GoVenture CEO simulation at GoVentureCEO.com