

Business Game — Instructions for Students

You are one of four firms that are setting up in a brand new industry. You start with 40 tokens. Your aim is to make as much money as you can for your firm.

Round 1

Situation

Your industry is almost completely unknown by the outside world. Even business journalists don't know much about the industry or how it works. You thus face a choice. You can choose to do a public relations blitz to create more awareness of the industry. This will only work well if others in the industry are doing it with you. This potentially has a large payoff, but you will lose a bit if you waste your time and others don't do their share of the work. If you don't do the public relations work you can spend a little more time on improving your launch, which has a modest payoff.

Decision

Payoff to not working on public relations: 2

Payoff if you work on public relations and...

No other firm does: -1
1 other firm does: 0
2 other firms do: 1
All 3 other firms do: 5

Round 2

The scenario and payoffs are the same as in Round 1, but this time you have a planning summit with the other firms in the industry before making your decision. Please send one group member to represent your group at a neutral location in class. The decision of your firm still has to be made afterwards in your group and the choice given to the professor directly without showing the choice to other firms.

Created by Neil Bendle, see more on sustainable marketing at <https://neilbendle.com> 1

Round 3

Situation

Competition is heating up in the market. You have to set a price. How much money will you make? The choices are: set a high price or set a low price.

Decision

Payoff if you set a low price and...

No other firm does: 10
1 other firm does: 5
2 other firms do: -2
All 3 other firms do: -5

Payoff if you set a high price and...

No other firm does: 0
1 other firm does: 2
2 other firms do: 5
All 3 other firms do: 7

Round 4

The scenario and payoffs are the same as in Round 3. The only difference is that there is another planning summit. Please send one group member to represent your group at a neutral location. The decision of your firm has to be made afterwards in the group and the choice given to the professor directly without showing the choice to other firms.

Round 5

Situation

The industry is hit by a product crisis, leading to widespread consumer mistrust. An industry council suggests setting an agreed standard to restore trust. You will collectively be better off if the firms agree on a standard, but you want the standard to be close to your current procedures to limit the cost of changes. Therefore, you can choose to compromise or not compromise. Compromising will make a lucrative deal easier. Not compromising will make a deal harder, but if a deal is made you will gain more.

Decision

Payoff if you compromise and...

No other firm compromises: -4
1 other firm compromises: 0
2 other firms compromise: 2
All 3 other firms compromise: 10

Payoff if you do not compromise and...

No other firm compromises: -8
1 other firm compromises: -3
2 other firms compromise: 5
All 3 other firms compromise: 15

Round 6

The situation and payoffs are the same as in Round 5, except you have a planning summit. Please send one group member to represent your group at a neutral location in the class. The decision of your firm has to be made afterwards in the group and the choice given to the professor directly without showing the choice to other firms.

Round 7

Situation

A new opportunity has arisen. You can discuss this at a new planning summit with your colleagues. Please send one group member to represent your group at a neutral location in the class. After that, you can choose to go for the opportunity or leave it to the other firms. If you do not try for the opportunity you can make some small progress in your core market.

Decision

Payoff if you go for the opportunity and...

No other firm goes for the opportunity: 20
1 other firm goes for the opportunity: 10
2 other firms go for the opportunity: 0
All 3 other firms go for the opportunity: -10

If you do not go for the opportunity you get a payoff of 2.

Round 8

Situation

Your firm is about to be bought at a price based on level of sales. In the final period you have the opportunity to put out a substandard, even slightly dangerous, product that will make a lot of sales but risks destroying the market after you have sold your firm. If all firms put out the substandard product the market will collapse even quicker and destroy even this period's sales.

Decision

If you put out the substandard product you will make...

If less than three other firms put out a substandard product: 20

All 3 other firms also put out a substandard product: -20

If you don't put out a substandard product you will make 5.

Ending the Game

Count up the tokens you have. The firm with the most tokens wins. Your professor will ask you to announce your score.