

Initial Decisions and Sample Decision Set

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Decisions

- About the Quality of the Coffee and the Number of Servers are all part of the Product/Service
- Cost of each cup is a variable cost
- Cost of Quality coffee per pound and the cost of the servers hired in a fixed cost

Servers are

- Part of the Product/Service mix
- Once selected they are a fixed cost for week
- Need to have sufficient numbers each working
- Recommend wages for 10 hrs per week at **\$10 per hour** = \$100 a week per server
- Recommend starting with **20 servers**
- And 3 managers at \$250 a week

You will choose something for

- All Four P's of the marketing mix
- Recommend a Starting Price of **\$3.50**
- Recommend the **\$6 coffee** to start with for Product
- And **20 servers** for Service Quality
- Promotion
- Hours of Operation (Place)

How much to spend on advertising?

- The **Objective-Task Method** is spend enough to create an adequate awareness level
- The goal of advertising is to create awareness of the cafe among potential customers
- If you are zero awareness spend lots of \$
- If you are 90% awareness then spend zero \$

To get the business up and running

- You need to spend more than \$1,400 in the first few weeks on advertising
- And accept a weekly loss for the first few weeks

You need to know Customer Awareness level

- You have to Buy the **Professional Market Study** to get the market's awareness level
- **Be sure to buy it!**
- **The awareness will grow without advertising but it grows very, very slowly!**

You will choose something for

- All Four P's of the marketing mix
- Recommend a Starting **Price** of **\$3.50**
- Recommend the **\$6 coffee and 20 servers** to start with for **Product/Service Quality**
- Hours of Operation (**Place**)
60 hours a week
- **Promotion** You have to reach an operational of awareness as quickly and efficiently as possible (spend more than \$1,400 a week)

This is **NOT** an optimal decision set for the first week

- **Price Tag:** of **\$3.50** for medium cup
- **Product and Service** **\$6 coffee and 20 servers**
- **Promotion:** **need more than \$1,400**
- **Place and Time:** **60+ Store Hours** of Operation
- This a reasonable decision for the first week
- It is **NOT** a good decision for week 4!

Start by Exploring the

- Consequences of Changing **ONE Marketing Input** at a time.
- Do **NOT** Try to change two or more things at a time.
- When exploring the practice games be systematic. Deal with the most strategic elements of marketing activities first.
- Remember the practice game #1 is to help you prepare a strategy for playing the '**Single-Shot**' game on building awareness

To **earn the points** in any Practice game

- You must finish the game on the last decision period (week) specified for that particular game
- Usually on 16th or 4th week of the simulated decisions
- When in doubt Keep making weekly decisions until the computer will not let you advance any further

Any Questions?

- about where to start with the 4P's at week (time) #0 of the simulation game.