

## **Business Simulation Game**

### **“The Fresh Connection”**

### **The Ultimate Value Chain Experience**

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# THE COMPANY

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## Welcome

Welcome to The Fresh Connection. Before you and your teammates save The Fresh Connection from certain ruin, it is useful to understand a bit more about the company and its supply chain.

## Customers and products

The Fresh Connection is a producer of fruit juices. It provides a modest range of flavors in different pack sizes. It is delivered to a limited set of customers. The Fresh Connection supplies its customers directly. The delivery is made on the next day after the customer places an order.

## Product storage and shelf life

The Fresh Connection products are stored on pallets in the finished goods warehouse. They stay there until a delivery is made, or until their shelf life has expired. The finished goods have, from the moment of production, a shelf life of 20 weeks. The customers claim a significant part of these 20 weeks, usually between 60 and 80%. This leaves The Fresh Connection with a total shelf life between 20 and 40% of these 20 weeks. In case the shelf life expires, the product will unfortunately have to be destroyed. The Fresh Connection does not have its own fleet to deliver to its customer's distribution centers and instead outsources the transportation to an extremely reliable partner.

## The production process

The Fresh Connection manufactures all the products it sells itself. The fruit juices are mixed in a mixer and immediately after, they are bottled using a bottling line. Mixer and bottling line are part of The Fresh Connection's equipment. The pack sizes are bottled on the same line.

## The components

A finished product consists of two main components – packaging and pulp (concentrated fruit juice). An extensive bill of materials lists what quantity of which component is used in a finished product (see the information tab). The formula - the fruit-pulp mix and additives that give the fruit juices their unique flavor – has been one of the most closely-guarded Fresh Connection secrets for over a century.

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# THE MISSION

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## Welcome

Welcome and thanks for being a part of The Fresh Connection! Together with your teammates, you will be in charge of the fruit juice producer The Fresh Connection. If you make the right decisions, you will save the company from going under. Things have been going badly at The Fresh Connection for some time now – it's running at a loss, customers are complaining bitterly about poor service levels and in the meantime the warehouses are bursting at the seams with stock. In short, something's got to be done. Will you be the one to save The Fresh Connection?

## Roles and responsibilities

The company is run together with three other teammates. You make up the management team of The Fresh Connection. Each team member has a specific role: VP (vice-president) Purchasing, VP Operations, VP Sales or VP Supply Chain Management. All team members have their own responsibilities in terms of the role they assume, allowing them to also make their own decisions. However, as a great philosopher once said: 'Together is not alone'. Cooperation is the key to saving The Fresh Connection from going under.

### **VP Purchasing**

The VP Purchasing is responsible for purchasing the components. He/she negotiates the terms of supply and the price with suppliers, and can terminate existing contracts and conclude new ones. The VP Purchasing plays a crucial role in the game. By choosing suppliers who offer favourable terms, low prices and a high level of reliability, the total purchasing costs are kept under control, stocks stay low and reliability of delivery for components to production is high.

### **VP Operations**

The VP Operations is in charge of the production facilities and the warehouses. He/she orchestrates the work shifts and ensures that the staff are trained. He also decides on the space and manpower deployed in the warehouses. The VP Operations can make or break the game for the entire team. By ensuring that the production system remains flexible, production costs are low and reliability high, the total production costs are controlled while product availability is high.

### **VP Sales**

Product sales are overseen by the VP Sales. He/she negotiates The Fresh Connection's terms of delivery with the customers. Things such as the service level, promotional pressures and the sales volume rebate are all negotiable. The VP Sales plays an extremely important role in the game and his bargaining can result in a high sales price - as long as The Fresh Connection can keep its promises. And sales are, of course, the launch pad for profits!

**VP Supply Chain Management**

The VP Supply Chain Management is the glue that holds the other roles together. By devising a supply chain strategy and undertaking intelligent inventory planning, the VP Supply Chain Management plays a decisive role in the team. He/she can ensure that unreliable suppliers or production facilities are covered by strategically deployed safety stock, ensuring that the company keeps its promises to the customer.

## Strategy

Each team member can make decisions individually, but as a team you need a good strategy to achieve the best results. It is not advisable, for example, for the VP Sales to agree to high service levels with the customer, while the VP Supply Chain Management is cutting back on stock! That's why it's essential you always discuss your decisions with each other.

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# THE EXPERIENCE

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## Welcome

The Fresh Connection takes a number of rounds to experience. Every round depicts a half a year of The Fresh Connection. As soon as you have finished a round, the round will be calculated and you will jump a half a year in time.

## Scores

The objective is for you and your team to achieve the best return on investments (ROI). In other words, the sole aim is not simply to make as much money as possible – managing your investments in a proper way also counts. Next to the team score there is also an individual score. These individual scores do not count towards the team score, but it's always nice to be the best in your field!

After each round you can check your performance and compare with the other teams.

## Decisions

You will make many decisions during The Fresh Connection. A trade-off is incorporated into every decision, so a decision will never only have positive effects, but negative ones too. The trick is to assess these consequences and to balance them against each other. Should you not make any decisions during a given round, the decisions made in the previous round will then be reused.

## Tactics and Strategy

The Fresh Connection is a tactical and strategic game. You will be assessed in terms of the long-term effects of your decisions. This means that you must gear your business towards long-term goals (as if your decisions will be in effect over many years). Given that we will measure the results in terms of their long-term effects, you will never suffer the negative consequences resulting from poor decisions in previous rounds in the current round. The advantage of this is that you can organise the business in a new way every round, without having to take the decisions and results from previous rounds into account. But of course by analysing your results from the previous rounds closely you can start making improvements.

## To conclude

Good luck in managing The Fresh Connection.

Please now watch the following videos about The Fresh Connection:

***Message from the Strategy Director***

<https://www.youtube.com/watch?v=s7IChtLIFAY>

***Message from the CEO***

<https://www.youtube.com/watch?v=FfjgOumLqiM>

## Phase 1: Analysis

### Step-by-step approach

As you have seen so far, The Fresh Connection is a company that's in big trouble. With your team you enter as the new management with the objective to turn the financial results around and make the company profitable again. This process of turnaround would obviously start with getting a very clear view on the current situation, so that on the basis of your observations you will be in the position to define corrective actions to improve the situation.

In the following pages, a step-by-step approach for the Analysis Phase is presented.

You can log on to the game by going to the following URL:

<http://game.thefreshconnection.eu/v6>

Please use the following username: **watchm2**

Please use the following password: **7NT7NpC7**

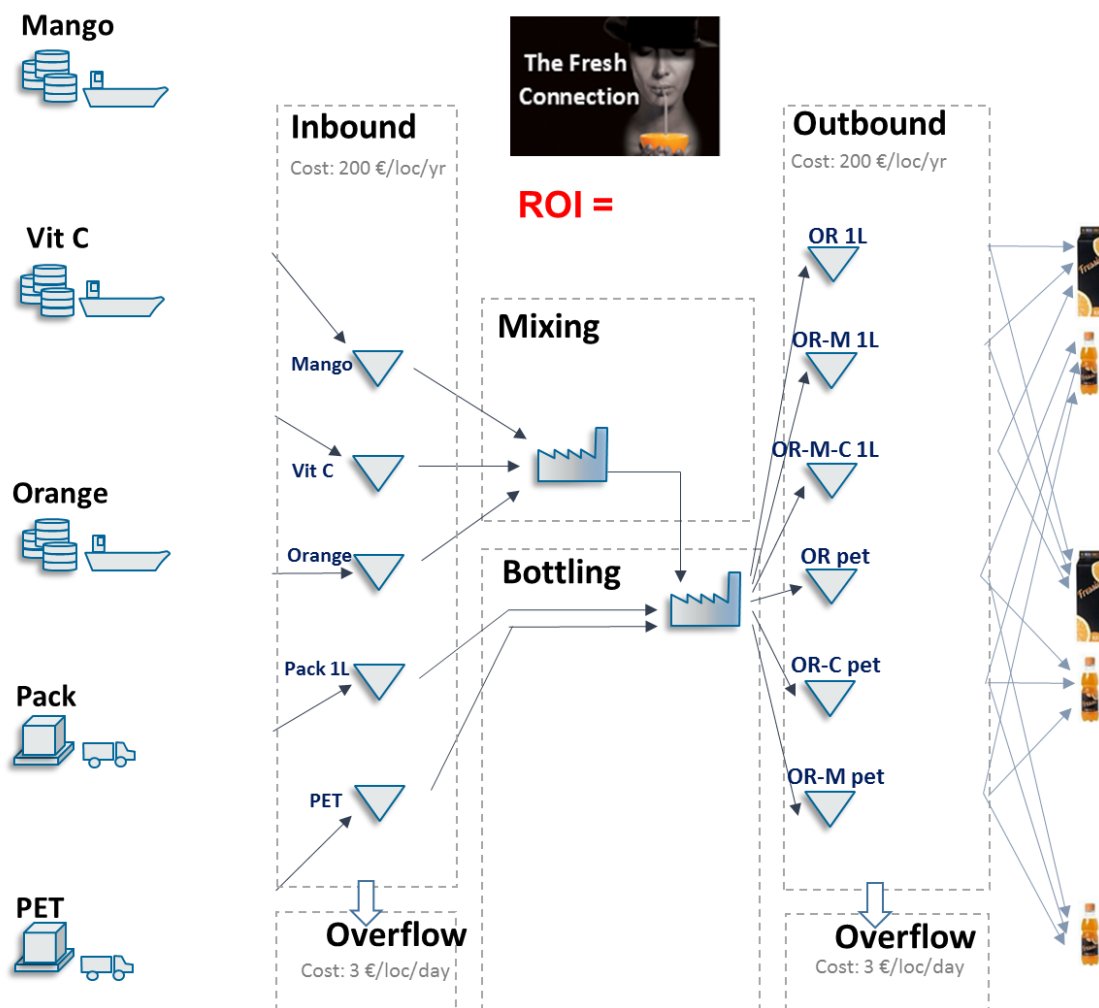
Initially, focus your efforts on analyzing the information corresponding to your own role in the team (sales, purchasing, operations, supply chain). This would be valid for Steps 1-4. Then, in Step 5 you bring your individual observations, conclusions and suggestions together with those of the other team members, so that an integrated approach can be defined.

**Please note**, that the information you will find in the reports in the different screens represent the situation of the past 6 months of the company's performance.

## Approach for the analysis

### STEP 1: SUPPLY CHAIN INFRASTRUCTURE AND FLOWS

Take a piece of paper, or an empty Powerpoint presentation and make a “map” of the material flows of The Fresh Connection (“Supply Chain Mapping”). It should look something like the following image:



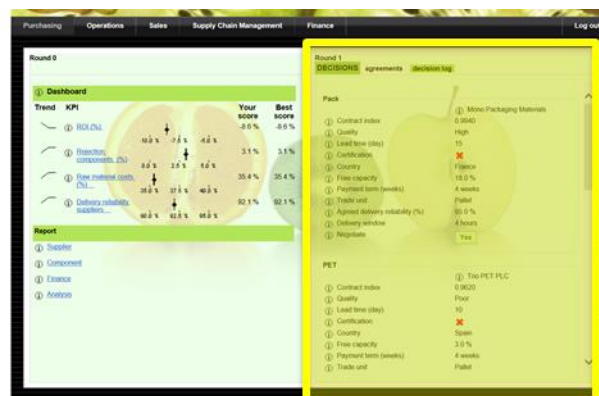
- 5 components, 1 supplier for each component
- 1 inbound warehouse for components, with an overflow warehouse next to it
- 1 mixing line
- 1 bottling line
- 1 outbound warehouse for finished goods, with an overflow warehouse
- 6 final products (3 flavors x 2 packaging types)
- 3 customers



## STEP 2: WHAT WAS SUPPOSED TO HAVE HAPPENED?

According to the owners of the company, the previous management team are the ones who brought the company to the disastrous current situation by making a series of bad decisions. The next step in the analysis is to understand which decisions they have actually made that caused such negative results for the company.

Go to the screen of your role by clicking on the corresponding tab and analyze the information that can be found on the right-hand side of the screen:



Bring the most relevant information elements to the map you created in Step 1 and locate them where they belong on the map. Per role, for instance take a look at<sup>1</sup>:

PURCHASING	OPERATIONS	SUPPLY CHAIN	SALES
Supplier locations Delivery leadtime Agreed service level Agreed trade unit Agreed component qual. Current contract index	Capacity inbound warehouse (locations) Inbound FTE Number of shifts bottling Capacity outbound warehouse (locations) Outbound FTE	Planned safety stocks components Planned lotsizes components Planned safety stocks products Planned production batch sizes products (production interval)	Agreed service levels Agreed shelf life % Agreed trade unit Agreed order deadline Current contract index

<sup>1</sup> In case of Sales and Purchasing, the items mentioned might differ per customer or supplier, respectively, so should be analyzed per each of those.

### STEP 3: WHAT REALLY HAPPENED?

Obviously, it is possible that there is a big difference between the decisions made by the previous management team and the results they actually obtained. So in the next step, we add the real results of their decisions to the analysis.

Go to the screen of your role by clicking on the corresponding tab and analyze the information that can be found on the bottom left-hand side of the screen:



Here you will find a number of different reports, providing you with a wealth of information. Take a look at the different reports so that you know which information you actually have available. Bring the most relevant information elements to the map you created in Step 1 and locate them where they belong on the map. Per role, for instance take a look at<sup>2</sup>:

PURCHASING	OPERATIONS	SUPPLY CHAIN	SALES
<p>Realized service level</p> <p>Rejection rates</p> <p>Purchase value per item</p> <p>Demand per week (qty.)</p>	<p>Utilization rate of the warehouses</p> <p>Overflow utilization</p> <p>Utilization rate of the bottling line per type</p>	<p>For components as well as finished goods:</p> <p>Average stock levels</p> <p>Variability of stock levels (pattern)</p> <p>Obsolescence</p> <p>Utilization rate of the bottling line per type</p>	<p>Realized service levels</p> <p>Realized shelf life %</p> <p>Bonus/penalties</p> <p>Sales per customer</p> <p>Demand per customer</p>

<sup>2</sup> In case of Sales and Purchasing, the items mentioned might differ per customer or supplier, respectively, so should be analyzed per each of those.

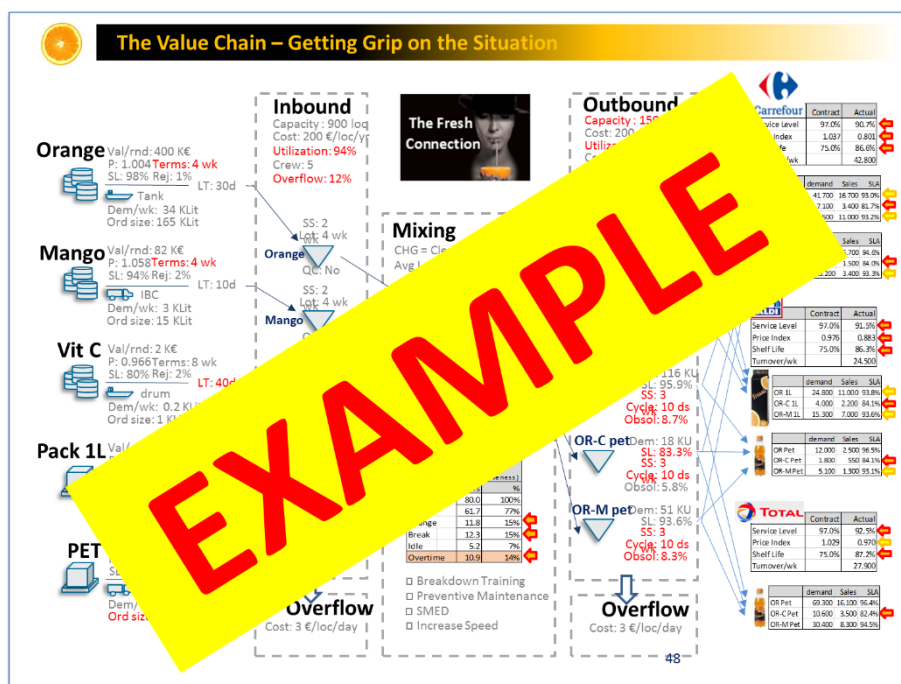
## STEP 4: GAP ANALYSIS

Analyze the main differences between the planned performance and the real results. You now have the inputs from Step 2 (planned) and Step 3 (realized), brought together in the Map that was created in Step 1.

This allows you to form yourself an opinion about where the bigger issues might be. What has been happening and why?

## STEP 5: WHAT SHOULD BE DONE NOW?

Now bring your individual inputs, observations and suggestion together with those of the colleagues of your team. This will give you a complete and comprehensive insight into the overall performance of the company and potential causes for current losses.



Define an action plan to turn the company around and make it profitable again.