

## Global Bike Go: Explore Procurement – Scenario

**Description** Read the following scenario for Global Bike Go: Explore Procurement to familiarize yourself with the starting position of the business game and to understand the underlying conditions.

**Time** 30 min

**Learning Objective (Explore Procurement)** Understanding and making simple procurement decisions (supplier selection).

Procurement plays a decisive role within a value-adding company. For this reason, your company (as well as other well-known bicycle manufacturers) has decided to strategically select suppliers in order to achieve competitive advantages. Management has already shortlisted 12 suppliers based on their product offerings.

In this round-based simulation game, several groups (or individual players) compete indirectly with each other as buyers, over the 12 suppliers already mentioned. All companies start with the same stocks and cash, which are set by the game master according to the desired level of difficulty. Each round represents one month. As soon as the game starts, the current month is set as the start month. The materials purchased and stored in round X are automatically assembled into bicycles in round X+1 (older parts always first) and sold in round X+2 as finished products at a price of 2,000€.

The objective of the game is to optimize the procurement with regard to the specified production target and thus to maximize the expected profit, taking into account cost, quality, safety and flexibility criteria. For this purpose, you analyse the raw material sets and their prices offered by all suppliers. Afterwards, you define order quantities per supplier (i.e. per set) and fill up your warehouse, taking into account the storage costs. After an arbitrary number of rounds, the achieved profits are compared. The company with the most capital wins.

In this simplified model, each supplier is characterized by delivery reliability, material quality and price. Their influence is briefly explained below.

1. **Delivery reliability** determines any delays in delivery. However, the ordered goods arrive at the latest in the following month.\*
2. The **material quality** is checked at goods receipt. If it does not meet the high requirements, the corresponding parts are returned to the supplier.\*
3. An increased demand by all buyers leads to higher costs for the respective supplier. This may affect the **price**.

\* Any legal claims will not be asserted in either case.

Observations can implicitly draw conclusions about these properties. As often in life: Cheap doesn't always mean good!

In particular, make sure that sufficient materials are in stock at all times to avoid **order backlog**. If bicycles cannot be delivered on time, customers will get a 500€ voucher per bike. In addition to the sales deduction this month, the backlog has to be re-produced in the following month. In contrast, it is not profitable to store too many parts. Because it is a fact, that **storage costs** are due for every part stored. In principle, the larger and more valuable the raw material, the higher the storage costs.

So, the important questions are: Change suppliers frequently or rely on loyalty? Bundle purchases or distribute them as much as possible among different suppliers? Just-in-time storage or risk reduction? Try it out and find your optimal procurement strategy!

