

**A SAMPLE CLASS ASSIGNMENT
USING THE OAKLAND ATHLETICS SIMWORLD
(FOR QUESTIONS, E-MAIL SBS AT
CLASSUSE@SPORTSBUSINESSSIMS.COM)**

Purpose:

The purpose of the Oakland Athletics Simworld is to understand the business decisions that sports organizations make and their implications by playing President of the Oakland Athletics.

The business decisions involve choices about how much money to spend on marketing, player payroll, political lobbying, stadium building (and design decisions), stadium financing, front office salaries, scouting and player development, ticket, concessions, and parking prices, and more. The Simulator's "engine" is based on actual MLB data.

Procedure:

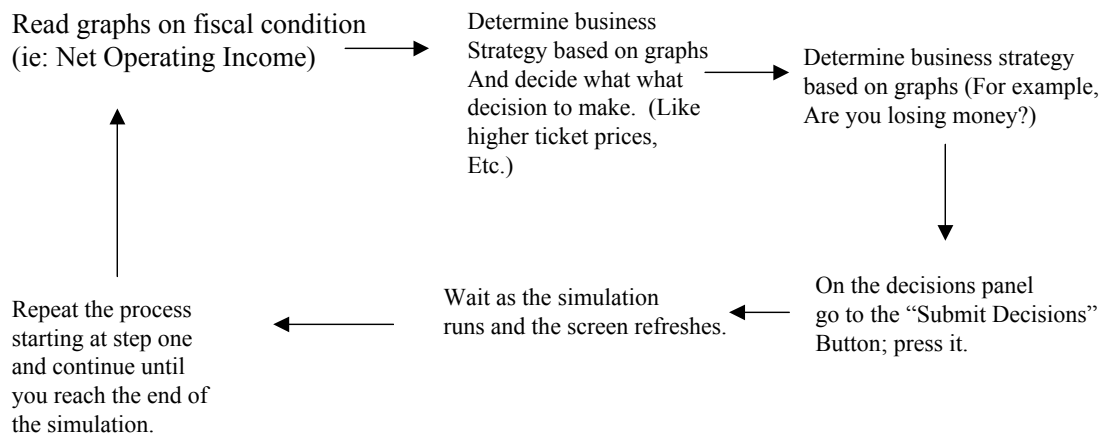
In general, you will work with the simulator to understand the business decisions involved at the Executive level in running a baseball team. At the end of working with the simulator, you will write a paper describing (1) the team's performance in the simulator, (2) what business strategies you used, and (3) what strategies do you think work best and why, and which ones do not work and why. The paper needs to be at least 7 pages long (including relevant tables and graphs, 1.5 spacing).

a. Your outcomes are financial (net operating income), wins, attendance, playoff appearances, and American League and World Series championships, and points. Your inputs are everything, but you can focus on learning about payroll (player, front office), scouting, marketing, new stadium financing, and ticket price setting (standard or variable pricing

Simulation Operation:

One process of operation governs both the SBS Oakland Athletics Simworld and the SWBS XFL Simworld. That process is shown below.

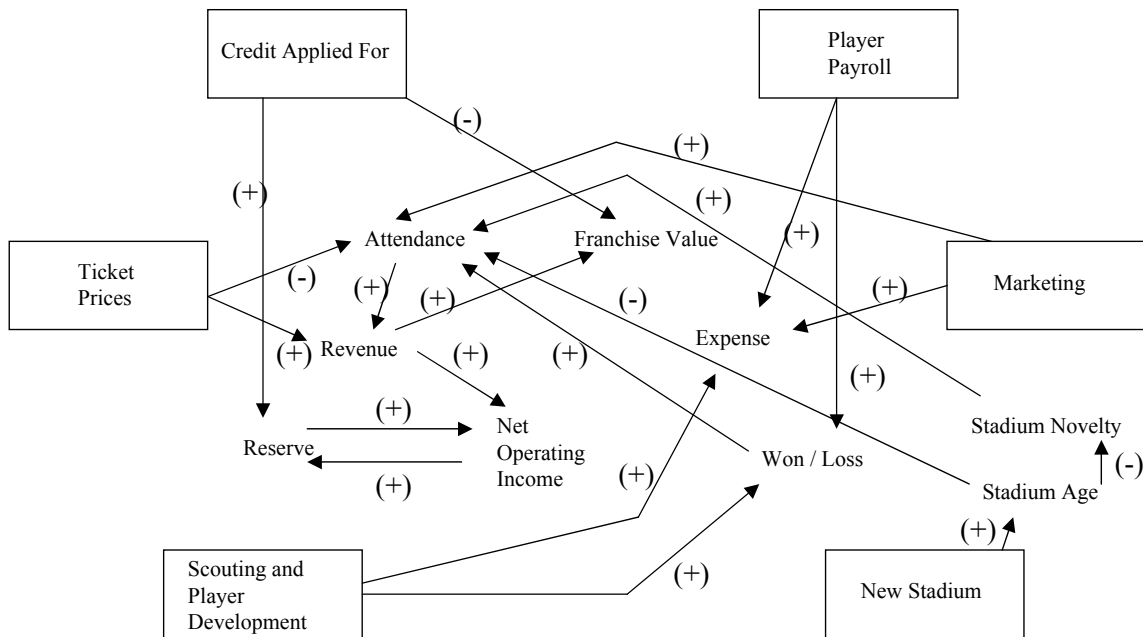
Basic SBS Simulator Use Process



The Oakland Athletics Simworld has over 1,000 equations that as a whole are designed to represent the fiscal and socioeconomic behavior of the actual organization. Your objective is simple, but deserves restating: to successfully operate the business firm over a 15-year period from 2002 to 2017, and via timely changes in key decision variables cause the organization to consistently post positive cash flow, realize annual increases in franchise value, appear in the playoffs and win as many World Series championships as reasonable considering constraints of competition and cost.

The score you post is the best reflection of your success at achieving those goals, and of the successful outcome of the simulation run. The number of decision variables you have at your disposal is extensive, and because of that, allow you to use different kinds of business strategies, from private stadium financing to variable pricing.

SBS Oakland Athletics Simworld Primary Variable Relationships



This causal diagram shows the primary variable relationships in the Oakland Athletics Simworld. The “pluses” are “positive” relationships, and the “minuses” are “negative” relationships. The boxes represent the key decision variables.

By “decision” that refers to variables that you can control the change in, like raising ticket prices. The variable names that are not boxed are those that are effected by the decisions you make.

The Oakland Athletics Simworld is designed to be a test-bed for almost any macro-business strategy one wants to test. For the purpose of simplification, there are three basic business strategies you can use:

1. High expenditures for Payroll, Scouting, and Marketing (for each graph, there is a “moving average” you can use as a guide..)
2. Medium level of expenditures listed in “1”
3. Low level of expenditures listed in “1”
4. Some combination of the three.

You can also employ variable pricing strategies, and in building a new stadium, the following basic stadium financing methods:

1. Personal Seat License
2. Tax Increment Financing
3. REIT Financing
4. Player Income Tax Financing
5. Team Contribution Financing
6. Hotel room tax financing (subject to vote, the success of which varies with the level of political expenditure by the organization.)
7. General Obligation Bond Issue (subject to vote, the success of which varies with the level of political expenditure by the organization.)
8. Food concessionaire financing
9. Naming rights agreement financing
10. Corporate sponsorship agreement financing

The nature of these methods is such that few, if any, can be used alone. A common financing package for a new stadium consists of some combination of these

Simworld Scoring

You start at simulated year 2002 with a score of zero, a winning percentage of .630, which was the actual percentage of games won over those lost by the “real” Athletics, as well as the announcement “AL West Champions!”

Once you press “Submit Decisions,” the score that will appear in simulated year 2003, reflects what happened in simulated year 2002. When you make decisions in 2003, and press “Submit Decisions” again, the resulting score is a reflection of what happened in 2003, and so on.

The single point you see on the decisions page is a combination of the following:

25 points for every World Series Championship

10 points for every American League Championship

8 points for every playoff appearance

3 points for each year a new stadium is in operation.

-2 if you spend over \$2 million annually on legal fees.

-5 points annually if your organization is a candidate for MLB Contract each year

A scale ranging from +5 points for a healthy, positive net operating income, to – 5 points for a weak, negative net operating income.

A scale ranging from 0 to 5 points for increases in franchise value.

A good score generally ranges between 120 and 150 points. A bad score is less than 90. A terrible score is below 70. A terrific score is above 150, and some players have achieved scores in the 200 range. What's important to remember is you will not post the same score each time if you try to use the same strategy.

The equation system is designed to reflect “appropriate randomness” in the dynamics of the baseball business. For example, the possession of high-priced talent does not always produce winning teams, thus while it's more likely that you will field a winning organization, poor expenditures in other areas, like scouting, can offset this.

The outcome of the results each year will cause you to make adjustments in your strategy, or abandon it altogether before the run is complete.

Registration

The cost to use the simulator for the class is \$27. The department (or the professor) has already purchased the subscription slots. You can pay for your Username and Password access, by making out a check to the department for \$27. No “sharing” of access is permitted, because each subscription has a run limit of 100 for the semester. Double up and your account will expire before the end of the class.

(Or)

The cost to use the simulator for the class is \$27. Go to www.sportsbusinesssims.com, click on “Sign Up For Sims” order one account, type in your credit card number (they use a secure processing system) order 1 membership. There's a “comments” area on the Billing page. There, explain that you are part of Professor Jordan's Sports Business 101 Class at Simworld University.

Sports Business Simulations, will add you to our class account, and send you a username and Password within two working days. Please do this today so that you are ready to go by Thursday; today is Monday. No “sharing” of access is permitted, because each subscription has a limit of 100 runs for the semester. Double or triple up and your account will expire before the end of the class.

Gaining Access To The Simulator

This simulator is available at the following URL: www.sportsbusinesssims.com. At the SBS home page, simply go to the “Oakland Athletics (or) XFL login” menu, select “Oakland Athletics” and press the “login” button. When you get to the login page, type in the Username and Password, you will be provided with. Be sure to keep it all lowercase. Here's an example:

Username is **sbsusf** .
Password is **sbsusfoak2002**

If you have any questions, please e-mail Sports Business Simulations at simhelp@sportsbusinesssims.com

Requirements

1. Run the 15-year simulation numerous times...recording your best score...be sure to print out the following graphs and tables at the minimum, as you will need them to write your report:

1. Net Operating Income Graph
2. Player Payroll Graph
3. Major Expense Table
4. Major Revenue Table
5. Total Attendance Table
6. Main Cash Balance Table
7. Decision Record Table

2. Write a paper describing (1) the team's performance in the simulator, (2) what business strategies you used, and (3) what strategies do you think work best and why, and which ones do not work and why. The “ **why** ” is the most important part of the assignment. That paper should include the summary sheet from the simulator called “SBS Classroom.”

Grade

Your grade is based on the quality and depth of the analysis you present in a concise form. Make use of all of the simulator's graphs and tables. There are two tables that open automatically in Excel, so you can produce a more in-depth analysis of the data.