Introduction

This exercise creates a situation in which you and the other person will be making separate decisions about how to manage your firm. In this situation, the outcomes (profits and losses) are determined not only by what you do, but also by a number of other factors such as the goals and motives that you and the other party have and the communication that takes place between you and them.

Read the background information for Pemberton's Dilemma that follows. In this exercise you will represent your store in discussions with the other store about the hours that each store should open on Sundays. You and the other store will be making decisions simultaneously, and your profits will be directly affected by those decisions.

Background information

Pemberton is a quaint little town located in the heartland of our great country. Although it is only a 30 minute drive to a major metropolitan center, most of the townsfolk prefer to do their shopping at one of the two general stores located in Pemberton. At these stores, one can buy a variety of goods, ranging from groceries to hardware equipment. Both establishments boast a soda fountain, which is quite popular among both the younger and older generations as well.

Like most small towns, Pemberton is proud of the fact that it has been able to preserve its many traditions, which became official in 1923 when the Town Hall passed a resolution to this effect, is the cessation of all commercial activity on Sunday. Times have changed, however, and "Sunday shoppers" are becoming more and more prevalent. In fact, every Sunday there is a mass exodus to the nearby metropolitan center, where Sunday shopping has been permitted for years.

You are a member of the management team from one of the two general stores in Pemberton. Both the Country Market and the Corner Store have been consistently losing potential profit as Sunday shopping becomes more popular. You management team, as well as the team from the competing general store, has recently contemplated opening the store on Sunday, in spite of the municipal resolution that prohibits it.

The ramifications of such decisions are important, since the profitability of such as action will depend on the decision made by the competing store. For instance, if neither store decides to open on Sunday, it will be business as usual, and both stores will make a profit of \$20.000 in a given week.

If only one store decides to open on Sunday, that particular store would enjoy the patronage of all those Sunday shoppers and would manage to make a \$40.000 profit for the week. Unfortunately, the store that decided to remain closed on that Sunday would actually incur a loss of \$40.000 that week. This would be due to various reasons, most notably the preference of customers to continue to do their shopping throughout the week at the store that remained open on Sunday.

If both stores decided to stay open on Sunday, adverse consequences would be faced by both establishments. Although Town Hall may be able to turn a blind eye to one store violating the municipal resolution, two stores would be looked upon as a conspiracy against the traditionalists of Pemberton. Artemus Hampton, Pemberton's mayor and a direct descendant of one of the town's founders, would no doubt pressure Town Hall into levying the highest possible fine allowable by law. In this case, the penalty would be so excessive that both stores would incur losses of \$20.000 each for the week. While your lawyers have suggested that the municipal resolutions prohibiting Sunday shopping in Pemberton might be overturned in a court case, this too would be a costly option. In either case, if both stores open on Sunday, they will each incur losses of \$20.000 for the week.

Keeping this information in mind, your team is to decide each week, for the next 12 weeks, whether your store is to remain open on the Sunday of that week. The decision made for the first week must be made without prior consultation with the management team of the competing store. Subsequent decisions may be made after consulting with your competitors. Both teams shall reveal their decisions simultaneously. *Remember, the goal is to maximize profits over the next 12-week period.*

Familiarize yourself with the following profit chart. There will be 12 one-minute rounds where the stores will either open or close. Each round represents one Sunday, and every *fourth* Sunday is part of a long weekend. A two-minute planning session separates each Sunday. *There may not be any communication between the stores during the planning sessions*.

The exercise begins when representatives from the stores (one from each) meet and indicate with a card if their store will open or close on the first Sunday. Each team will record the outcome of each Sunday on their profit chart. The time periods between each Sunday are fixed and may not be altered. Each team will complete a total of 12 moves. Profits and losses are calculated after each Sunday and are cumulative for the 12 weeks (see the accompanying sample profit chart).

		Country Market			
		Close Sunday		Open Sunday	
	Close	Corner:	+\$20,000	Corner:	-\$40,000
Corner Store	Sunday	Country:	+\$20,000	Country:	+\$40,000
	Open	Corner:	+\$40,000	Corner:	-\$20,000
	Sunday	Country:	-\$40,000	Country:	-\$20,000

Instructions for Participants

Getting Ready to Play

- 1. Your goal in this exercise is to MAXIMIZE YOUR TEAM'S OUTCOMES.
- 2. Your instructor will provide you with your role/team assignments.
- 3. Choose a meeting place for your team that is <u>within eyeshot (but not earshot</u>) of the team you will be competing with. Talk <u>only</u> with members of your team. You have 5 minutes to prepare for the first round.

Procedure for the Game

- 4. There will be 12 rounds played. Each round represents a "week" for your store. For each round, your team decides whether to be OPEN or CLOSED on Sunday of that week.
- 5. There is a <u>2-minute</u> planning period between each round. Then your team must make its decision for that week (round).
- 6. You execute your decision by revealing to the other team the appropriate card ("open" or "closed") <u>at the same time</u> that the other team is revealing their card to you.
- 7. Except as noted below, there are to be <u>NO conversations or negotiations</u> between teams. You simultaneously reveal your decisions to each other, record them, and go back to your team.
- 8. Weeks 4, 8, and 12 involve long weekends; hence profits for these weekends only are multiplied as shown on the score sheet. The two teams may, if they so desire, negotiate with each other for 3 minutes IMMEDIATELY FOLLOWING WEEKS 4 AND 8 ONLY.