

reward4risk links to marketing	
<p>This table links various marketing concepts to reward4risk.</p> <p>You can either read this before you play or you can read it afterwards. A word of warning however, this table does explain various strategies that players can use in order to play well!</p> <p>Knowing these ideas, before you play, may reduce your enjoyment. But you should also note that these notes might make more sense if you read them after playing.</p> <p>You'll see references to Stage 1, Stage 2 and Stage 3. These are the 3 Stages in the game.</p>	
Stage	Player actions
Stage 1	Entrepreneurs set the levels of risk in their venture & investors decide how much risk they are willing to take
Stage 2	Entrepreneurs can see how much risk other entrepreneurs and investors have selected and they can change the level of risk in their venture. Investors can observe entrepreneurs making their changes.
Stage 3	Where entrepreneurs negotiate with investors.
Marketing Topic	Game Relevance Summary
Strategy	<p>A popular topic in most marketing courses is the Ansoff Matrix.</p> <p>Explaining the links between reward4risk and marketing will start with a look at this matrix, because it neatly summarises the key idea underlying the game.</p> <p>The Ansoff Matrix shows 4 options as to how a firm can grow. These options are constructed in terms of the firm's <i>markets</i> and its <i>products</i>.</p> <p>One way a firm can grow is to sell more <i>existing</i> products to <i>existing</i> customers. This can be attractive for various reasons, one of which is that it may be <i>low risk</i>, because the firm knows both its current customers and products very well. However the disadvantage of this approach is that it may <u>not</u> necessarily be <i>high reward</i>. For example, because existing markets may be saturated or existing products may have reached the maturity stage of their product lifecycle.</p> <p>An alternative approach to growth is to create new products and sell them to new markets. This may be attractive because of <i>high potential rewards</i>. These are customers to whom no sales are currently being made and the product is likely to be at the early stages of the product lifecycle. However because so much is unknown about the products and the markets – this is likely to be a <i>high-risk</i> strategy.</p> <p>This link between risk and reward reappears in the brand strategies model in the product topic and we'll look at it below.</p> <p>This notion of linking levels of risk with reward underpins reward4risk.</p>
Marketing Environment	<p>Stage Two – players' decision-making involves taking into account what is happening in the marketing environment, specifically the activities of other players.</p> <p>The marketing microenvironment includes investors, and you should think of the entrepreneur as the marketer and the investors as members of the microenvironment.</p> <p>Bear in mind that marketing concepts are not just used by marketers in their dealings with customers – they can be used with all other members of the microenvironment.</p>

	<p>How effectively people respond to the environment can determine their success. <i>This is something to take away from the game in order to understand this topic better.</i></p>
<p>Buyer Behaviour</p>	<p>One of the factors that influences buyer behaviour is risk. Marketers need to be able to understand how customers respond to risk and how they can manage this.</p> <p>Risk can be considered in terms of the probability of making a mistake multiplied by what the customer has at stake ($p * v$).</p> <p>Stage 1 & 2 - An entrepreneur may have chosen a <i>high-risk</i> strategy (for themselves) if they choose 5.</p> <p>Stage 3 - They can manage risk for their investors by, for example, only asking investors (especially those who have shown they don't like to take risks) to invest relatively small sums. So even if an investor loses the whole investment, it will only be a small amount.</p> <p><i>This is how managers can use an understanding of riskiness in order to get customers and other stakeholders to take risks.</i></p> <p>First of all the entrepreneurs are allowed to choose a level of risk for their ventures. 1 is <i>low risk</i> because entrepreneurs only need to raise \$50 in order for the venture to succeed, so from the investors' point of view this should be easy to achieve.</p> <p>Stage Two - A high-risk strategy (choosing 5) may not necessarily be <i>perceived as being risky</i> by investors, if for example, an entrepreneur can see that many investors are declaring that they would like to maximize returns (i.e. pursue a high risk investment strategy).</p> <p>Stage Two - If all entrepreneurs choose a riskiness of 5, in this game that would constitute a <i>high actual risk</i> – because mathematically not all of them can possibly raise enough capital. As a group they will be looking to raise \$600, and investors only have \$500 as a group.</p> <p>This is similar to real life, where the entry of many competitors into a market place may increase the chances of failure for all of them.</p>
<p>Product</p>	<p>The Brand strategies model in this topic reinforces the principle underlying reward/risk – that in order to maximize returns players may need to take higher levels of risk.</p> <p>The brand strategies model presents marketers with options for growing the business via a combination of new/existing brands and new/existing product categories.</p> <p>The model follows the same general idea as the Ansoff matrix considered above.</p> <p>A focus on existing brands aimed at existing brand categories may be relatively <i>low risk</i> – both aspects of the business are well understood by the marketer. But it may also be <i>low reward</i>. The market may well be saturated and the firm is only trying to achieve growth via selling new flavours if it is in the soft-drink industry for example.</p> <p>Creating new brands in new product categories may offer <i>higher reward</i>, but it also comes with <i>higher risks</i> attached. The new brands may be unknown and the marketer may have little knowledge of the new categories in which it is competing.</p>

Promotion	<p>Chatting is an important element of gameplay. This is the medium by which players can negotiate, present their strategies to other players and make or break promises...</p>
Pricing	<p>Winning the game is about assessing how much value a player is offering others and pricing that effectively.</p> <p>Entrepreneurs offer value to investors in terms of the potential to make gains on their capital invested.</p> <p>The value that an entrepreneur offers can depend on, for example, how close they are to their investment target. An entrepreneur who has chosen a risk level of 5 and has already raised \$110 of their \$120 target is now very close to multiplying all their investors' capital by 5. They are therefore offering a great deal of value to their next investor.</p> <p>This may affect how high the investor now prices each share in their venture.</p> <p>But determining value is not always easy. For their part an investor may feel that the \$10 they have on offer can make the difference between success and failure for the entrepreneur. As a result they may feel that they are offering a lot of value to the entrepreneur and as a result they should be given a lot more shares than the entrepreneur is willing to offer...</p>
Place	<p>One of the important themes in distribution is the role of power determining relationships between members of a distribution channel.</p> <p>In the game some players may find themselves in relatively powerful positions for example where investors have the last few dollars that an entrepreneur needs in order to reach their investment target.</p> <p>On the other hand entrepreneurs may find themselves in a powerful position where they have already reached their investment target and can offer an investor an easy opportunity to get a return on their capital.</p>
Relationship Marketing	<p>One of the topics that can be covered in relationship marketing is the notion of governance mechanisms and the differences between them. Governance mechanisms can include market based transactions based purely on price, and which involve no risk and trust but they can also include relationships of vary levels of intensity, which do involve increasing levels of risk and trust.</p> <p>This idea is presented in the game in the way that a risk rating of 1 only requires entrepreneurs raising \$50. Investors therefore need limited trust in the entrepreneur in order to invest. This should be obvious because any one investor on their own could invest enough in order to help the entrepreneur reach their target.</p> <p>On the other hand a risk rating of 5 requires the entrepreneur to raise much more capital, which is riskier because two or more investors must be willing to invest. So the investor has to trust the entrepreneur's ability to raise enough capital <i>from other people</i>.</p> <p>How is trust supposed to develop in the context of the game?</p> <p>Entrepreneurs can demonstrate their ability via their negotiating skill with an investor and they can also demonstrate it in terms of the results they achieve in each SpeedPitch and each Round.</p> <p>At the beginning of the game there may be very little trust indeed in each entrepreneur and as a result entrepreneurs who choose risk ratings of 5 may find it difficult to raise enough money. And even if enough money is raised</p>

	<p>will the entrepreneur have kept enough of the venture in order to win?</p> <p>Building relationships can involve making and meeting promises. This game allows players to build relationships and also to break them if that seems more profitable.</p>
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