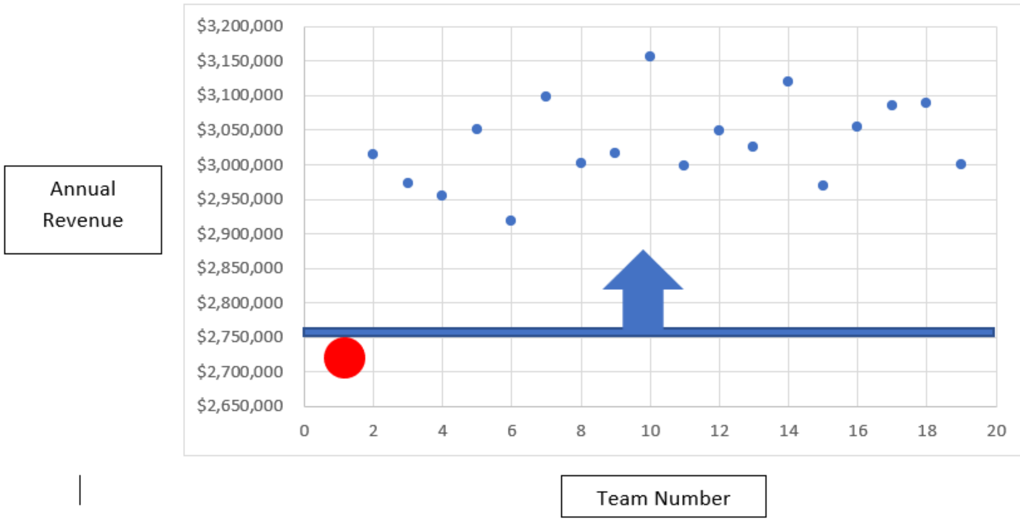
Simulation Data Analysis

Below is an analysis of simulation results for 18 teams that have participated in the simulation, around 60 people. The data shows clear skill development and behavioral change over the course of the simulation, thereby giving some indication of future real-world performance.

The analysis is made using Advantexe's simulation platform which captures all user inputs and simulation outputs. Identified were four critical metrics to focus on: (1) revenue, (2) profitability, (3) customer satisfaction, and (4) employee satisfaction.

1. **Revenue was up more nearly 11.53%** – In the simulation, teams were tasked with growing revenue for each of the eight categories/departments in their store. Teams learned that many different factors drive revenue including price, marketing, merchandising, inventory, customer satisfaction, customer count, and the number of items in a customer's basket, which is called "ring". By making tactical business decisions in all these areas, teams directly experienced how they can positively and negatively affect revenue. After each round of simulation play, teams received their financial results which they reviewed and leveraged to adjust decision-making in the next round in order to correct mistakes or leverage good results.

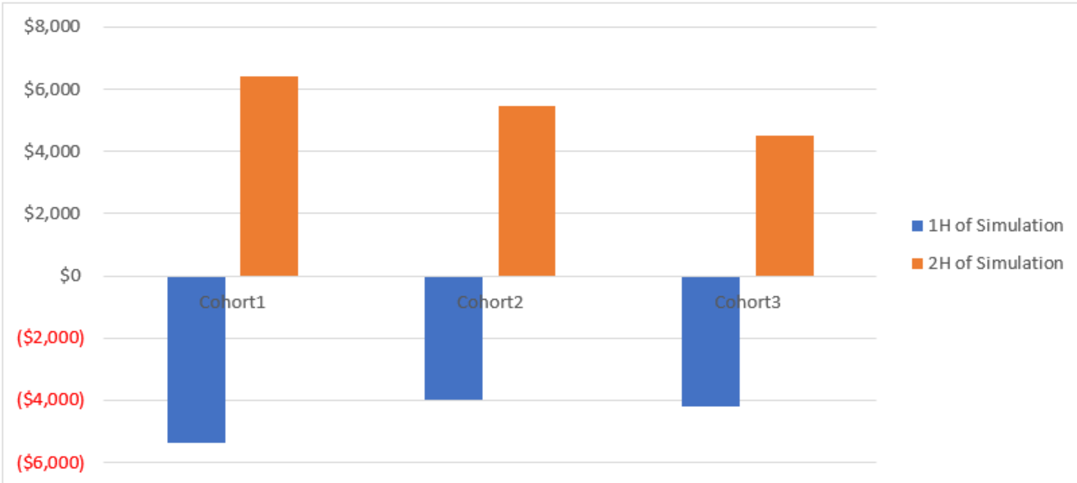
   Over the course of the simulation, every one of the 18 teams increased year-over-year revenue. The red dot below indicates the starting 2021 store revenue, while the blue dots represent the end-of-year, 2022 revenues generated by the 18 teams. The average combined increase in revenue over the course of the simulation across the three cohorts was 11.53%. The highest increase in sales was from a team that generated an increase in 16%, while the lowest increase was 7.1%. In a real-world Grocery Outlet store 7.1% annual profit would be a very positive achievement.



2. **Net Income (Profit):** Net Income is one of the most important metrics in business. Net income is revenue minus all the expenses associated with running the business. In grocery retail, improving net income is one of the biggest challenges because of the low margins on food items and the need to increase operating expenses to help drive sales. Teams of the simulation learned this the hard way.

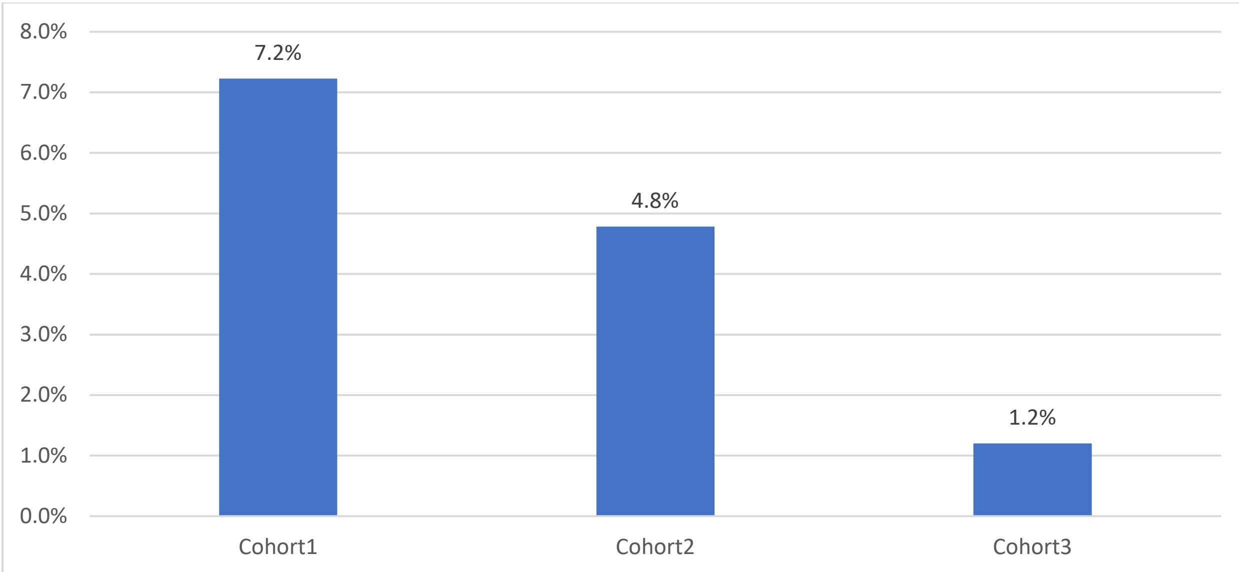
   As stated above, all teams increased their revenue. However, they struggled with managing costs to generate that revenue. As the chart below illustrates, all three cohorts, on average, experienced a negative net income in the first half of the simulated year (blue bars). Teams invested in marketing, improved customer service, and added labor which all increased costs and reduced profits due to the time lag of those decisions affecting buyer purchasing decisions. However, in the second half of the year, teams changed their behaviors and adjusted their decision-making to turn store performance around (orange bars) and drive a slight increase in profitability for the year.

   This is a great example of how the simulation provides a risk free, learn-by-doing environment. The simulation, through embedded financial tools and highly visual graphs, clearly illustrated how decisions were affecting both the revenue and expenses of the business. Teams were able to see how their decisions, such as raising prices or reducing operating expenses, affected the performance of the business.



3. **Customer Satisfaction (CSAT) was up an average of 4.4%** - In retail, customer service is a critical focus area and major cause of success or failure for a company. Teams learned that if you deliver a quality product and service, at reasonable prices, you can driver higher CSAT scores. It was interesting to note that in the first couple of rounds of the simulation, the CSAT was significantly up, nearly 8%. However, this was one of the factors that lead to the reduction of Net Income (increase in costs to drive customer satisfaction). Teams realized that there was a point of diminishing returns when investing in customer service, meaning that they were over-investing and not seeing a good return on their investment. Teams learned the importance of balancing the costs associated with increasing customer satisfaction with achieving profitability of their business.

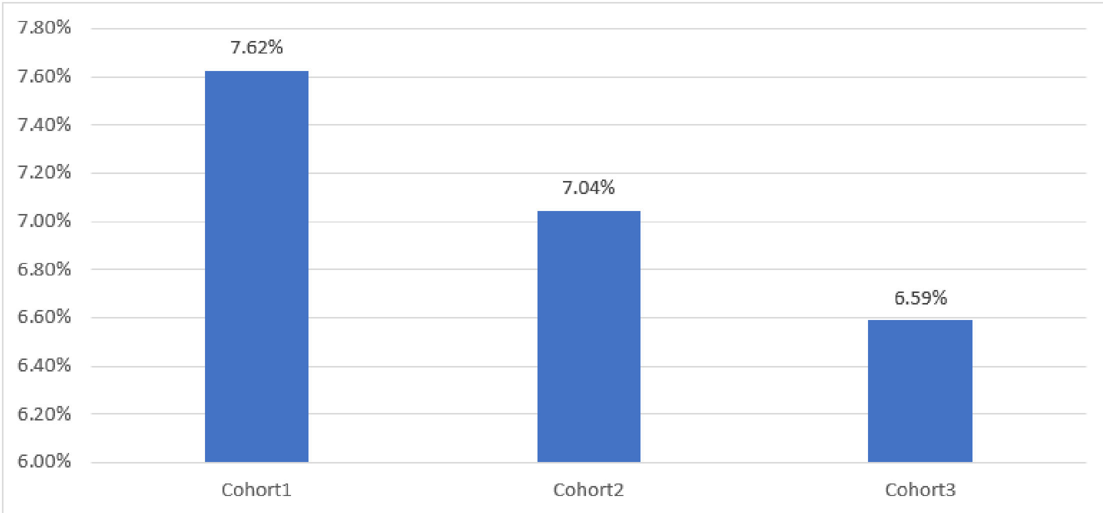
   The chart below illustrates the year-over-year percentage growth by cohort for the metric of customer satisfaction. All three cohorts experienced growth in customer satisfaction. Cohort 1, at 7.2% growth was the highest, while Cohort 3 had the lowest growth in customer satisfaction at 1.2%, primarily due to their struggles managing costs.



4. **Employee Satisfaction (ESAT) increased by 7.11%** - Motivating and engaging employees while balancing labor costs was another core focus in the simulation. Even though initial ESAT scores dipped due to shifts in staffing and cost containment strategies, teams were able to figure out ways to juggle their costs and improve the satisfaction of their employees over time.

   To drive employee satisfaction teams made decisions that went beyond increasing salaries; decision such as providing coaching, offering flex hours, and implementing training to name a few.

   The chart below illustrates the year-over-year percentage growth for each cohort in employee satisfaction. Cohort 1 had the highest growth of 7.62% while, once again, cohort 3 had the lowest, mainly due to two outlying teams that tried to be too aggressive with optimizing their staff.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Cohort1
Cohort2
Cohort3