Case Study for Information Management

Achieving Operational Excellence and Customer Intimacy - Enterprise Application:
Border States Industries Inc. (BSE) (Chap. 9)

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Dept. of Information Management, Tamkang University

http://mail.tku.edu.tw/myday/
2013-11-26
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Chap. 9
Achieving Operational Excellence and Customer Intimacy – Enterprise Application: Border States Industries Inc. (BSE)

Case Study: BSE (Chap. 9) (pp.392-394)
Border States Industries (BSE) Fuels Rapid Growth with ERP

1. What problems was Border States Industries encountering as it expanded? What management, organization, and technology factors were responsible for these problems?

2. How easy was it to develop a solution using SAP ERP software? Explain your answer.

3. List and describe the benefits from the SAP software.

4. How much did the new system solution transform the business? Explain your answer.

5. How successful was this solution for BSE? Identify and describe the metrics used to measure the success of the solution.

6. If you had been in charge of SAP’s ERP implementations, what would you have done differently?

Overview of Fundamental MIS Concepts

Understanding Business Model

• Business Model
• Revenue Model

• Business Strategy
• Business Strategy and Information System Alignment
## Business Model

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<td>Cost Structure</td>
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Business

• “the activity of providing goods and services involving financial, commercial and industrial aspects.” (WordNet 2.0)
Model

• “a simplified description and representation of a complex entity or process.” (WordNet 2.0)

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model

• A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm.

• Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
E-commerce

Business Models

1. Portal
2. E-tailer
3. Content Provider
4. Transaction Broker
5. Market Creator
6. Service Provider
7. Community Provider

E-commerce
Revenue Models

1. Advertising
2. Sales
3. Subscription
4. Free/Freemium
5. Transaction Fee
6. Affiliate

Types of E-commerce

1. Business-to-consumer (B2C)
2. Business-to-business (B2B)
3. Consumer-to-consumer (C2C)
4. Mobile commerce (m-commerce)

# Occurrences of the Term "Business Model" in Scholarly Reviewed Journals

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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model Concept Hierarchy

Source: (Ostenwalder, Pigneur and Tucci, 2005)
EVOLUTION OF THE BUSINESS MODEL CONCEPT

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model vs. Business Process Model

• Business Model
  – a view of the firm's logic for creating and commercializing value
• Business process model
  – how a business case is implemented in processes

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model vs. Strategy

• Business Models
  – a system that shows how the pieces of a business fit together.
  – an abstraction of a firm's strategy

• Strategy
  – includes competition

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Implementing Business Models

Management defines and designs a business concept that responds to market circumstances.

Management works out a financial structure for the business model (e.g. internal funding, venture capital, stock).

The business model is implemented into business structure, business processes and

Source: (Ostenwalder, Pigneur and Tucci, 2005)
The Business Model's Place in the Firm

Source: (Ostenwalder, Pigneur and Tucci, 2005)
# Nine Business Model Building Blocks

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<td><strong>Product</strong></td>
<td>Value Proposition</td>
<td>Gives an overall view of a company's bundle of products and services.</td>
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<td><strong>Customer Interface</strong></td>
<td>Target Customer</td>
<td>Describes the segments of customers a company wants to offer value to.</td>
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<td>Distribution Channel</td>
<td>Describes the various means of the company to get in touch with its customers.</td>
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<td></td>
<td>Relationship</td>
<td>Explains the kind of links a company establishes between itself and its different customer segments.</td>
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<td><strong>Infrastructure Management</strong></td>
<td>Value Configuration</td>
<td>Describes the arrangement of activities and resources.</td>
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<td></td>
<td>Core Competency</td>
<td>Outlines the competencies necessary to execute the company's business model.</td>
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<td></td>
<td>Partner Network</td>
<td>Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.</td>
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<td><strong>Financial Aspects</strong></td>
<td>Cost Structure</td>
<td>Sums up the monetary consequences of the means employed in the business model.</td>
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<td></td>
<td>Revenue Model</td>
<td>Describes the way a company makes money through a variety of revenue flows.</td>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
## Domains Addressed in Business Models

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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Domains Addressed in Business Models (cont.)

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<td>What does the customer value?</td>
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<td>Fulfillment &amp; support, info &amp; insight</td>
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<td>How can we deliver value at an appropriate cost?</td>
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Source: (Ostenwalder, Pigner and Tucci, 2005)
Planning, Changing and Implementing Business Models

The management analyzes the current business model's adequacy to environmental pressures and designs a new business model.

The new business model becomes a goal to achieve and guides planning, change and implementation.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Strategy and Information Systems Alignment

Managers are aware of the use of Information Systems to realize goals, exploit opportunities and obtain competitive advantage.

Information Systems support the company's business model and are targeted on areas that are critical to successful business performance.
Business and IT/IS Alignment

Source: (Ostenwalder, Pigneur and Tucci, 2005)
## Infrastructure Alignment

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Adapted from Weill and Vitale [2002]

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Application Portfolio Management

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Adapted from Ward [1988]

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Models and Goals for Requirements Engineering

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Source: (Ostenwalder, Pigneur and Tucci, 2005)
## Business Model and Balanced Scorecard

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Adapted from Kaplan and Norton [1992]

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Definition of Business Model

A business model describes the rationale of how an organization creates, delivers, and captures value.

Business Model Canvas

Key Activities

Key Partners

Key Resources

Cost Structure

Value Proposition

Customer Relationships

Customer Segments

Channels

Revenue Streams


[https://www.youtube.com/watch?v=QoAOzMTLP5s](https://www.youtube.com/watch?v=QoAOzMTLP5s)
### The 9 Building Blocks of Business Model

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<thead>
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<th>Key Partners</th>
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The 9 Building Blocks of Business Model

1. Customer Segments

Defines the different groups of people or organizations an enterprise aims to reach and serve

2. Value Propositions

Describes the bundle of products and services that create value for a specific Customer Segment

3. Channels

Describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition

4. Customer Relationships

Describes the types of relationships a company establishes with specific Customer Segments

5. Revenue Streams

Represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)

6. Key Resources

Describes the most important assets required to make a business model work

7. Key Activities

Describes the most important things a company must do to make its business model work

8. Key Partnerships

Describes the network of suppliers and partners that make the business model work

9. Cost Structure

Describes all costs incurred to operate a business model

The 9 Building Blocks of Business Model

1. Customer Segments
   – An organization serves one or several Customer Segments.

2. Value Propositions
   – It seeks to solve customer problems and satisfy customer needs with value propositions.

3. Channels
   – Value propositions are delivered to customers through communication, distribution, and sales Channels.

4. Customer Relationships
   – Customer relationships are established and maintained with each Customer Segment.

5. Revenue Streams
   – Revenue streams result from value propositions successfully offered to customers.

6. Key Resources
   – Key resources are the assets required to offer and deliver the previously described elements...

7. Key Activities
   – ...by performing a number of Key Activities.

8. Key Partnerships
   – Some activities are outsourced and some resources are acquired outside the enterprise.

9. Cost Structure
   – The business model elements result in the cost structure.
Business Model

Key Partners

Key Activities

Value Proposition

Customer Relationships

Key Resources

Channels

Cost Structure

Revenue Streams

Business Model Generation

Business Model Generation

Production and Logistics
Anything beyond content creation is outsourced to readily available service providers.

Differentiation
An entirely different format, business model, and story for the book makes it stand out in a crowded market.

Community
The book is co-created with practitioners from around the world who feel ownership thanks to attribution as contributing co-authors.

Buyers
Paying customers are not only readers, but co-creators and companies that want customized books for their employees and clients.

THE CANVAS OF BUSINESS MODEL GENERATION

Enterprise Systems

- Also called “enterprise resource planning (ERP) systems”
- Suite of integrated software modules and a common central database
- Collects data from many divisions of firm for use in nearly all of firm’s internal business activities
- Information entered in one process is immediately available for other processes

Enterprise Software

• Built around thousands of predefined **business processes that reflect best practices**
  – Finance/accounting: General ledger, accounts payable, etc.
  – Human resources: Personnel administration, payroll, etc.
  – Manufacturing/production: Purchasing, shipping, etc.
  – Sales/marketing: Order processing, billing, sales planning, etc.

• **To implement, firms:**
  – Select functions of system they wish to use
  – Map business processes to software processes
    • Use software’s configuration tables for customizing

HOW ENTERPRISE SYSTEMS WORK

- Finance & Accounting
  - Cash on hand
  - Accounts receivable
  - Customer credit
  - Revenue

- Sales & Marketing
  - Orders
  - Sales forecasts
  - Return requests
  - Price changes

- Centralized Database
  - Orders
  - Sales forecasts
  - Return requests
  - Price changes

- Human Resources
  - Hours worked
  - Labor cost
  - Job skills

- Manufacturing & Production
  - Materials
  - Production schedules
  - Shipment dates
  - Production capacity
  - Purchases

Business value of enterprise systems

• Increase operational efficiency

• Provide firm wide information to support decision making

• Enable rapid responses to customer requests for information or products

• Include analytical tools to evaluate overall organizational performance

Supply Chain Management Systems: NIKE’S SUPPLY CHAIN

Upstream

Contract Supplier

Contract Supplier

Tier 3 Suppliers

Tier 2 Suppliers

Tier 1 Suppliers

Capacity, inventory level, delivery schedule, payment terms

Orders, return requests, repair and service requests, payments

Downstream

Nike

Distributor

Retailer

Customer

Supply Chain Management Systems: THE BULLWHIP EFFECT

Bullwhip effect: Information about product demand gets distorted as it passes from one entity to next across supply chain

Supply Chain Management Systems: THE BULLWHIP EFFECT

**Push-Based Model**

- **Supplier**: Supply to forecast
- **Manufacturer**: Production based on forecasts
- **Distributor**: Inventory based on forecasts
- **Retailer**: Stock based on forecasts
- **Customer**: Purchase what is on shelves

**Pull-Based Model**

- **Supplier**: Supply to order
- **Manufacturer**: Produce to order
- **Distributor**: Automatically replenish warehouse
- **Retailer**: Automatically replenish stock
- **Customer**: Customer orders

THE FUTURE INTERNET-DRIVEN SUPPLY CHAIN

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

- **Sales**
  - Telephone sales
  - Web sales
  - Retail store sales
  - Field sales

- **Marketing**
  - Campaign data
  - Content
  - Data analysis

- **Service**
  - Call center data
  - Web self-service data
  - Wireless data

HOW CRM SYSTEMS SUPPORT MARKETING

Responses by Channel for January 2011 Promotional Campaign

- Direct Mail: 29.2%
- Telephone: 30.8%
- Web: 16.0%
- E-mail: 17.3%
- Cell Phone Text Message: 6.7%

CRM SOFTWARE CAPABILITIES

CUSTOMER LOYALTY MANAGEMENT PROCESS MAP

1. Receive service request
2. Obtain customer information
3. Customer information available?
   - Yes: Score customer
     - High value and loyalty?
       - Yes: Provide special offers and service
       - No: Route to best agent
   - No: Resolve service issue

Customer database
ANALYTICAL CRM DATA WAREHOUSE

Channels
- Call center
- Web site
- Wireless
- Field sales
- Direct mail
- E-mail
- Retail store
- Partner

Other sources
- Legacy systems
- Demographic data
- Third-party data
- Marketing campaign data

Customer data

Customer data warehouse
- Profitable customers
- Market segments
- Customer profiles
- Churn rates

OLAP
- Data mining
- Other data analysis tools

1. What concepts in the chapter are illustrated in this case?

2. Analyze Amazon and Walmart.com using the value chain and competitive forces models.

3. What are the management, organization, and technology factors that have contributed to the success of both Wal-Mart and Amazon?


5. Where would you prefer to make your Internet purchases? Amazon or Walmart.com? Why?
資訊管理個案
(Case Study for Information Management)

1. 請同學於資訊管理個案討論前應詳細研讀個案，並思考個案研究問題。
2. 請同學於上課前複習相關資訊管理相關理論，以作為個案分析及擬定管理對策的依據。
3. 請同學於上課前先繳交個案研究問題書面報告。
References


- 周宣光譯 (2011)，資訊管理系統－管理數位化公司，第12版，東華書局
