

Case Study: Selling Printers and Scanners in different Market Segments

PrintIT is a trading firm that has specialized on selling printers and scanners. The range of products comprises low cost (< € 100.00), mid-range and high end (> € 10,000.00) devices. The company has 85 employees. Last year, the annual revenues amount to around € 56 Mio. It has always been a key concern to support customers with professional advice ("ask the experts").

The company publishes its product catalogues on the web. Customers can place an order through e-mail, fax or via telephone call. The goods are delivered by a shipping company. In recent times, the management is facing serious problems that create a substantial challenge to the company's competitiveness. On a regular base, customers are dissatisfied with the process execution time, that is, the time from placing an order to receiving the ordered goods. At the same time, *PrintIT* is threatened by the emergence of new competitors that focus on online distribution and price leadership. Especially in the segment of devices below around € 300.00, this development has already caused a serious decline of revenues. Last year, total revenues dropped by 15 %, while the market volume increased by 5 %. Table 1 shows the development of revenues and costs.

	2013	2014	2015	2016
low cost (< € 300.00)	32.530,00	30.670,00	25.220,00	20.940,00
mid range (< € 2,500.00)	12.855,00	13.410,00	9.415,00	8.964,00
high end (>= € 2,5000.00)	20.175,00	22.950,00	23.790,00	25.820,00
total	65.560,00	67.030,00	58.425,00	55.724,00
total costs	63.295,00	65.919,00	57.980,00	56.170,00
	2.265,00	1.111,00	445,00	-446,00

Table 1: Revenues of product segments and costs

The model in fig. 1 in the appendix shows the current order management process.

Against this background, management assigns a consultancy firm to analyze factors that contributed to the current situation and to develop a proposal for overcoming the crisis. During an initial workshop, the consultants and the firm's managers develop an assessment of the current situation and visualize it with the generic framework proposed by MEMO (see fig. 1).

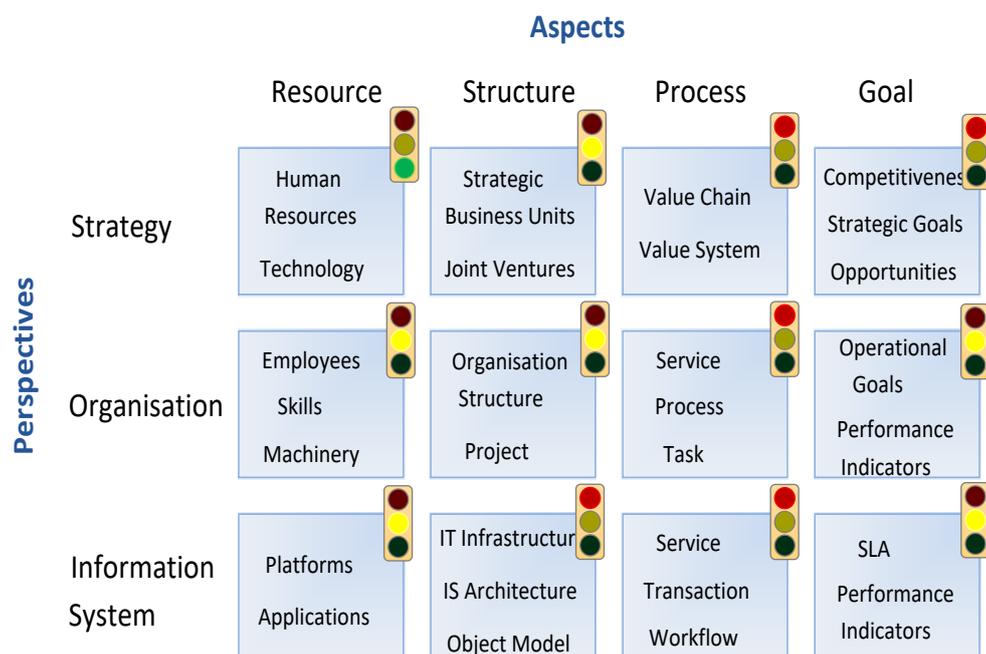


Fig. 2: Generic Framework and Assessment of Performance

After a few weeks, the consultants have detected a number of particular problems:

- The current order management process is too cumbersome. It may happen that a customer is contacted several times after placing an order, e.g., to notify him that the ordered device cannot be delivered at the desired date.
- Furthermore, the process is slowed down by the fact that sales agents spend considerable time with consulting customers, which also leads to an unacceptable process costs.
- The company is losing customers to competitors. This is especially significant for low cost products, where most customers are extremely price sensitive.
- The technical skills of the company's sales agents are far above average. However, most of them lack a sense of economic factors such as costs.

So far, the company has not defined explicit goals. The consultants propose to design a goal model together with the company's managers that is suited to address the challenges. In addition the consultants suggest to split the current order management process into two distinct processes. One process should address those customers that demand for professional advice and are willing to pay for it. This would especially concern more expensive products. The second process should be aimed at minimizing process costs to succeed in the tough price competition that is characteristic for the low cost segment.

Assignment

Create a small enterprise model with MEMO4ADO. It should comprise the following elements:

- a goal model that reflects the company's new orientation.
- a business process model that represents the intended low cost version. Assign the data and application systems required to run the process. For this purpose, create corresponding artefacts with the MEMO-ITML.
- a generic framework of the re-organized company together with adapted performance indicators

Appendix: Current Order Management Process (the corresponding MEMO4ADO model can be downloaded from: <http://austria.omilab.org/psm/content/memo4ado/info?view=tutorials>)

