Solve problem 9 of Chapter 2 (page 33 in 12th ed, page 36 in 13th ed).
A parcel delivery company delivered 103,000 packages in 2007, when its average employment was 84 drivers. In 2008 the firm handled 112,000 deliveries with 96 drivers. What was the percentage change in productivity from 2007 to 2008?

In 2007:
Average Packages Delivered / Driver = 103000/84 = 1226.20

In 2008:
Average Packages Delivered / Driver = 112000/96 = 1166.67

Percentage Change in productivity = (1166.67 - 1226.20)/1226.20 = -4.85%

(Negative Sign Indicates that Productivity has decreased in 2008).

Case Study 1:

Question 1:
How does Ben Lawson's Custom fabricator's create value for Orleans?

Ben Lawson's Custom fabricator has created value for Orleans in following ways:

- They have implemented an efficient process for fabricating the required panels in very little lead time.
- They provided the complete assembled sub assemblies instead of individual parts. Orleans had to do little work for installing the subassemblies.
- Complete and perfect motor housings were provided by Ben Lawson. Orleans didn't have to worry about the quality of the housings.

What has been Ben Lawson's competitive advantage in keeping the Orleans business?

While working for Orleans , Ben Lawson had following advantages:

- The location of Ben Lawson's plant was very close to Orleans Elevators and was quite inexpensive.
- All raw materials were provided by Orleans. Ben Lawson had only to worry about investment on land, plant and equipment.
- Ben Lawson had very loyal employees. Most of them had worked for Orleans.
- They had developed a very good relation with Orleans over the years by providing quality products.

Have Orlean's priorities changed?

Orelan's priorities are shifting to outsourcing the manufacturing process. Previously they used to assemble the units itself. Now they require sub assemblies. They're also trying to reduce the costs of production.

Should Ben change his business model?

Ben must update his business model to suit the needs of Orleans. He should rely less on Orleans to run his business. Considering in view the Orleans priorities, he can take following steps:

- He can try backward integration by procuring the raw materials at low cost himself and deliver the fabricated products and assemblies to the Orleans.
- If Orleans wants to outsource the entire manufacturing process, Ben can take up the manufacturing process as most of the work (providing subassemblies) is already being done by Ben.

How should the Ben position his company in the value chain?

Ben already holds an important position in the supply chain. What he can further do is to take over the manufacturing process as well and provide the low cost, quality units to Orleans.

What should Ben do to ensure his company's future success?

In order to ensure his company's future success, Ben should adopt strategies to make his company more competitive. Ben can take the following step:

- Change the position of his company to a manufacturing unit in the supply chain.
- Since the major concern of the Orleans is reducing the raw materials and labor costs. Ben can take responsibilities of procuring raw materials by himself and lay a focus on reducing its employee cost so that it can provide cost benefit to the Orleans.

Furthermore Ben must decrease the reliance of his business on Orleans so that in case of breakup of business relations with Orleans, his company should face minimum loss.

Case Study 2:

What was Lasik Vision's competitive Priority?

Lasik Vision's priority was to gain competitive advantage over other competitors by:

- Offering lowest prices in the market. They were able to reduce costs due to their high quantities of operations and earned profit by economies of scale. Massive expansion by opening new site weekly in 2000, led the company to attain maximum clients and increase the revenues.
- Driving an Aggressive marketing campaign which led to 10-15 percent of profit.
- Constantly decreasing prices of eye surgery from $5000 to $1598 for both eyes.
- Cutting the costs by reengineering traditional methods of refractive surgery. This was primarily done by reducing the employees and avoiding use of expensive equipment where possible.

Is it an appropriate approach in this industry? What repercussions, actual or perceived, might occur with this priority?

The strategy adopted by Lasik Vision was a feasible strategy to increase number of clients and turnover. However such strategies may prove to be harmful in the long run. By continuous focus on decreasing costs by the above mentioned strategies (Decreased Manpower and Neglecting Expensive equipment) led Lasik Vision to get bank corrupt. The quality of product and service must not be compromised.

No matter how efficiently, Lasik has been maintaining the quality or how aggressive the marketing strategy is, with the constantly decreasing price, a perception of low quality associated with the low cost can exist.

Given that a company has chosen this priority, what would it have to do in order to achieve success?

Provided that company has set the given priorities, they need to take care in ensuring the standardization of raw materials. Surgical procedures and equipment must not be modified to reduce cost since little deviation from standardization may lead to great health risks. Another problem which will arise due to low cost is the perception of low quality. Company will need to put great focus on ensuring the clients that the quality of products and services is not being compromised in the name of low cost.