Supply Chain Management Professional Designation Program

Mini-Case and Case Study Presentation Overview for all Modules

Candidate Version

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Mini-Case Methodology

Written Mini-Case Reports: An Introduction

Each written mini-case report is worth a percentage of the candidate's mark. Candidates will be evaluated on their ability to analyze and present information according to the **PCAS Mini-Case Report Guidelines** (see next section).

It is important for students to understand the difference between a mini-case report and a case report. Besides the size and amount of detail included in the response, the format is also different.

Mini-Case Reports: PCAS Introduction

Mini-Cases are a great opportunity for students to demonstrate the highest levels of understanding through the application and implementation of course information in a concise response (as opposed to the detailed report of a case study). Throughout all of the modules of the SCMP Designation Program, each of the mini-cases presents a supply chain situation in which the candidate must respond to certain questions. The correct format for responses must be followed, and includes going beyond the questions without losing sight of the questions being asked.

For Mini case reports use the PCAS key outlined below:

P: Problem (s)
C: Cause (s)
A: Analysis
S: Solution(s)

Mini-Case Response Preparation

The following are quick tips for reading mini-case studies prior to writing case analyses:

1. Read the case at least twice
2. Be aware of any exhibits or appendices.
3. Recognize the main players of the case
4. Underline or highlight the main points
5. Look for any indirect issues
6. Identify problems & causes (use PCAS).
7. Review the questions provided and make sure they are addressed through the PCAS method.
8. Decide what you would do if you were the SC leader for the company.

Mini-Case Methodology, continued

Mini-Case Written Report Format

The written case report should follow these guidelines:

Problem(s): State the main problem faced by the company, incorporating information from the case, from the questions, and from your understanding of the module material. You may wish to include symptoms which help you identify the root cause. Some problems will be immediate issues requiring resolutions while others will be more systemic in nature.

Cause(s): How did the problem occur? What was the root cause? Provide a brief history of how the problem came to be. Look at the environment, people and processes for clues.

Analysis: Now that you have identified the cause, consider the seriousness of the problems and what options are available to pursue. Identify the pros and cons of each option.

Solution: You are the SC leader. Be decisive and provide support for your recommended solution. Convince the reader that it is the right choice.

Your response should:

- Be concisely written in essay or paragraph style format
- Demonstrate professional writing skills
- Demonstrate a common thread throughout the answer
- State assumption(s) and support recommendations
- Define acronyms
- Be decisive and *include value added* information, not *information added* for value
- Use appropriate terms and terminology
- Use case exhibits or appendices and any quantitative analysis when applicable
- Answer the question(s) asked
- Make note of the "Requirements" and solve the problem(s)
- Demonstrate strategic thought.

A sample case and response is provided in Appendix A. Note that it does not follow the above format but contains the required information.

Mini-Case Methodology

Mini-Case Evaluation

The paper must demonstrate sound process, judgment, integration, analysis and communication skills.

80% of the grade is awarded for the first four criteria:

- Learning Objectives
  - Appropriate judgement of the case and integration of the module curriculum
- Assignment Guidelines
  - The questions of the case are answered within the format of the mini-case response.
- Concept Understanding
  - Analysis clearly presented in context appropriate for this case.
- Process & Tools Used
  - The method of analysis leads to the conclusion, using any appropriate tools from the module

The final criterion accounting for 20% of the mark is:

- Overall quality of the response.
  - The format and appropriate level of communication are present.

Using Case Framework Questions

Framework questions suggest how a Marker might approach the case report. This information will supplement his/her knowledge when evaluating candidates' written case reports. It is assumed that the Marker has read and analyzed the case prior to evaluating a case report. Teaching notes for the cases are also provided where available. The Marker should feel free to use the questions and teaching notes, or to develop new materials as appropriate.

Case framework questions may ask that the candidate to address the issue from the point of view of the decision maker in the case. It is easy as an outsider to criticize a decision. It is more difficult, and more strategic, to analyze an issue as the person facing the issue who has to make a decision. The case framework questions facilitate a strategic approach to the case and case requirements.

The session notes may also make suggestions for quantitative data, analysis and calculations where appropriate.

Detailed notes are provided on preparing cases in Session 1, in conjunction with the sample case, and sample written case report on Rocky Mountain Sports Inc. have been provided in Appendix B.

Case Study Methodology

Written Case Reports: An Introduction

Throughout all of the modules of the SCMP Designation Program, candidates will be required to present full case reports. Each of the cases presents a supply chain situation in which a decision must be made in a particular context, and in light of a number of trade-offs and alternatives. While there are no right answers to a case, there are definite approaches that address the issues and recognize the trade-offs involved.

For each of the cases there will be framework questions. These questions aid in discovering the important aspects of the case, and guide the preparation of the written case report. Candidates should be prepared to address these questions in the written report itself. It is important for the candidate to adopt the role of decision maker, and to address the real issues: "What should be done and why?" and "How do I plan to resolve the situation?"

For further reference, the Rocky Mountain Sports Inc. sample case and report marking sheet have been provided in Appendix B.

Case Preparation

The following are quick tips for reading case studies prior to writing case analyses:

1. Read the opening and closing paragraphs to identify issue(s) and challenges.
2. Examine tables and figures in the exhibits to determine what information is useful in the decision-making process.
3. Examine the headings in the case to determine what information is available for analysis.
4. Review the framework questions provided in each session of the module being studied.
5. Read the first sentence of each paragraph, scanning for decisions made and alternatives available.
6. Read closely, highlight issues and make notes to gain a full understanding of the case.
7. Decide what you would do if you were the decision maker in the case.

Written Case Reports: An Introduction

Each written case report is worth a percentage of the candidate's mark. Candidates will be evaluated on their ability to analyze and present information according to the **Written Case Report Guidelines** (see next section).

Case Study Methodology, continued

Written Case Reports: An Introduction, continued

Throughout all of the modules of the SCMP Designation Program, each of the cases present a supply chain situation in which a decision must be made in a particular context, and in light of a number of trade-offs and alternatives. While there are no right answers to a case, there are definite approaches that address the issues and recognize the trade-offs involved.

For each of the cases there will be framework questions. These questions aid in discovering the important aspects of the case, and guide the preparation of the written case report. Candidates should be prepared to address these questions in the written report itself. It is important for the candidate to adopt the role of decision maker, and to address the real issues: "What should be done and why?" and "How do I plan to resolve the situation?"

The following section outlines the requirements for a case report. For further reference, the Rocky Mountain Sports Inc. sample case and report marking sheet have been provided in Appendix B.
Candidates are provided with a separate session schedule with assignment due dates upon course enrolment. This schedule will indicate when each case report is due.

Case Study Methodology, continued

Overview of Case Study Report

Case Study Report Format
The case study report format focuses on the language, style, layout and overall comprehensiveness of the report. A standard written report format includes:

- Title Page
- Table of Contents
- Executive Summary
- Body of the Report
- Conclusion
- References, Exhibits and Appendices

For the purpose of this module your report format will also be graded on:
Format:

- Written Communication, Language and Style

Case Study Report Content
The case study content refers specifically to the content or message of the written report. It goes beyond the style and format and is defined by the strategic nature and thoroughness of its analysis, recommendations, implementation and general cohesiveness of thought and application. A well written case study report includes:

- Executive Summary
- Issue Identification
- Environmental and Root Cause Analysis
- Alternatives or Options
- Recommendation(s) and Implementation
- Monitor and Control

For the purpose of this module your report content will also be graded on:
Overall

- Strategic Perspective
- Judgement and Integration

Critical to a well-written report is that it meets the requirement of both format and content. When writing a report, connecting threads between thoughts must be present. For example issues, analysis, recommendations and implementation must flow from each other. Ideally, all recommendation(s) will fall in line with the identified strategy. The main recommendation(s) should be aimed at fixing the system, not the symptoms. The following section outlines the written and content requirements for a case report. For further reference, the Rocky Mountain Sports Inc. sample case report marking sheet has been provided in Appendix B.

Case Study Methodology, continued

Case Study Written Report Format

The written case report should follow these guidelines:

Audience: You will normally be writing your report to a specific person. Assume this person is already familiar with the facts of the case. Do not simply repeat the facts. Rather, use them, as required, to support your position.

Style: Your report must be typed and double spaced. It must have at least 2.5 cm margins on all edges; and, it must be printed on white paper, complete with page numbers. Write in complete sentences. Do not use point form, except when providing a coherent list in a wider context. Resist the temptation to use too many new "tools" (e.g., clip art, colour printing). Black-on-white is all that is required.

Font: The minimum acceptable font is 12-point for the report and 10-point for exhibits.

Length: You are not limited to a specific number of words; you are expected to convey your thoughts efficiently and effectively and include the title page, table of contents, executive summary, or exhibits. You may have a maximum of three pages of exhibits.

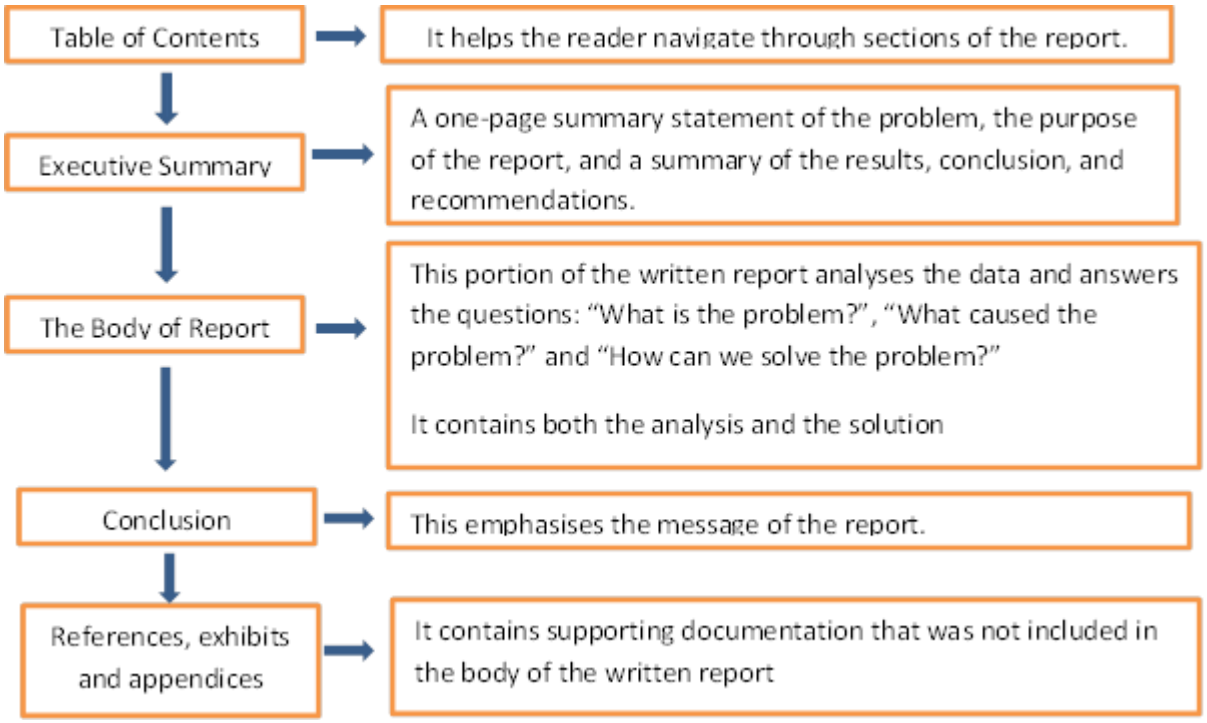
Your report should contain:

- **Title Page:** This is a separate page that contains the name of the case, the module title, your Instructor's name, your name and candidate number, and the date you submitted the report.
- **Table of Contents:** This page lists the heading and page number of each section and helps the reader to navigate through the sections of the report.
- **Executive Summary:** This is a one-page statement of the problem, the purpose of the communication and a summary of the results, conclusions, and recommendations. For a report to be considered complete it must contain an executive summary. Additional detail is provided in the case study content section outline.
- **Body of the Report:** This portion of the written report analyzes the data and answers the questions: "Why is there a problem?" and "What should be done to solve the problem?" It contains both the analysis and solution.
- **Conclusion:** It emphasizes the message of the report.
- **Exhibits:** Exhibits may be used for such things as drawing process flow diagrams or showing detailed calculations. Remember that the report should stand alone; the exhibits provide supporting information only. An exhibit should be used when there are more than a few lines of quantitative material in the body of the report.

Case Study Methodology, continued

Case Study Written Report Format

The diagram below illustrates the flow of the written report



Format

Written Communication: Format, Language and Style: A report should contain titles, sentences and point form lists. It should demonstrate a professional tone and be free of spelling and grammatical errors.

Case Study Methodology, continued

Case Study Written Report Content

While format supports the flow of the report, the content forms the core of the report. The content allows the writer to demonstrate his/her understanding of the issues and provide an in-depth analysis, recommendation, implementation and follow-up plan.

Outlined below are the content requirements for a case study written report.

Executive Summary: The executive summary appears as a requirement for both the format and the content components of the report. This does not suggest that it be duplicated but rather that it serves to meet the requirements for both sections. A written report cannot be considered complete from a formatting perspective if it does not include an executive summary. Simply including an executive summary however is not sufficient. The content must include a comprehensive summary of the details included in the report and introduce the strategic perspective that will be demonstrated throughout the report. The reader should be able to read your executive summary and understand the direction to be taken in implementing your decision. You may briefly outline relevant background and other issues.

Issue(s) Identification: This section requires you to identify the short- or long-term issues and sort them by importance. As the decision maker in the case, explain what you see as the main issue(s) to be addressed. Explain, with reference to the data of the case, why the issue is important and/or sensitive. Demonstrate how the external and internal environments faced by the organization influence the issue. Identify one or more primary issues, do not just provide a long list of all the issues.

Environmental and Root Cause Analysis: This section presents the economic environment. It contains a detailed analysis of the situation (supported by quantitative arguments) and identifies the root causes of the issues. It contains ***NO*** proposed solutions.Your analysis should consist of outlining why your decision best addresses the issue(s) you have identified. Your analysis should flow logically, and rely on the facts of the case, and the criteria you have identified. A good analysis will consist of both qualitative and quantitative evidence. Quantitative (i.e., numerical) data more than a few lines long should be placed in an exhibit. Then, in the body of the report, be sure to explain the importance of the exhibit. Do not expect the reader to scan the exhibit for meaning.

Alternatives and/or Options
You are not required to present and analyze multiple alternatives. Many cases do not have mutually exclusive alternatives. Rather, they consist of complex problems, all of which may require attention (e.g., quality problems, supplier problems, employee problems, competitive problems, etc.). Your analysis should argue for your chosen direction for any or all of these problems and include a pro/con analysis with quantitative support. However, some cases clearly require an analysis of mutually exclusive alternatives (e.g., purchase an automated line or hire more manual labour). For these cases, you should present and analyze the alternatives.

Case Study Methodology, continued

Written Case Report, continued

Recommendation and Implementation: Based on your analysis of the options, state what you would do (recommendation); then, outline the specific steps to be taken (implementation). Your analysis has explained why you made the decision, now provide the short- and long-term implementation details (who, what, where, when and how). Set priorities or a timeline for a specific action, where applicable. Then, explain how you intend other stakeholders to buy into your decision; and how you intend to deal with any negative consequences of your decision; and how you intend to protect yourself from critical changes in the environment. The acid test is this: could your action plan be implemented without further study? (For example, an action plan is not complete if it recommends that a consultant or other expert determine the details of how to implement the decision.)

Monitor and Control: State, where feasible, the method(s) you will use to determine if your recommendation and implementation plans are working. Some examples are use of budgets, regularly scheduled meetings or scheduled reviews. The approach you use will depend on the nature of the recommendation, but you must have some way to validate that the change you initiate will be lasting change. The use of KPIs and their reporting structure should be considered in this section.

In additon to the components listed above, the overall content of the report must meet the requirements listed below:

Overall Content

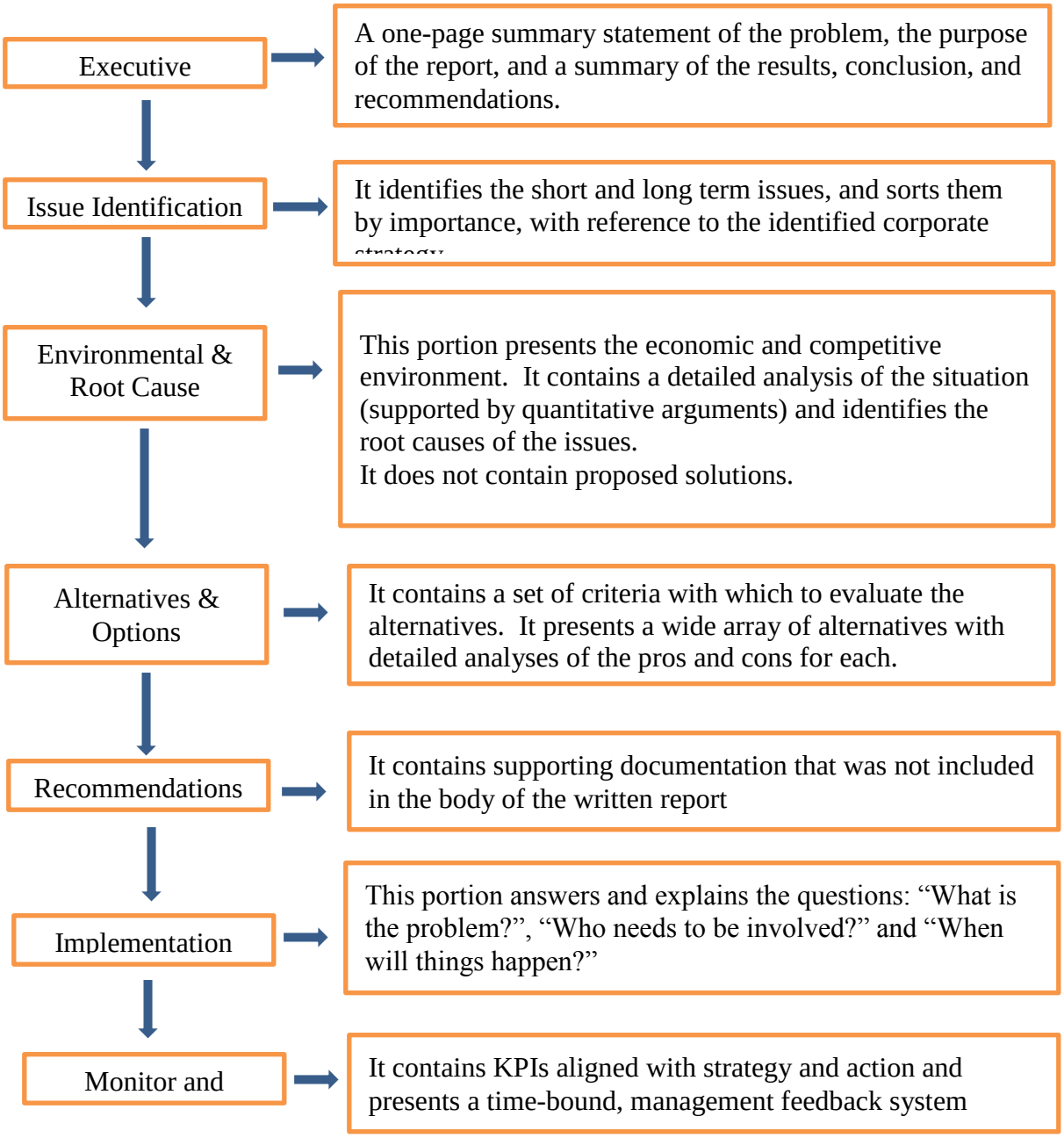
Strategic Perspective: Your report should demonstrate your ability to synthesize the strategic information, to make assumptions on the strategic direction of the company described in the case and to prove your understanding of the competitive environment. The strategic perspective is not a section on its own, it is demonstrated throughout the report and easily identified within the executive summary and detailed analysis, recommendation and implementation plan.

Judgement and Integration: Pay close attention to the logic, structure and clarity of the analysis. Is there a connecting thread or a sequence in the analysis or is it a mix of ideas and calculations? Is your judgement sound and based on facts? How well have knowledge and concepts learned throughout the SCMP Designation Program (concepts such as controls and procedures to be addressed, spending authority, information systems to facilitate data transfer, role and accountability of supply chain management in organizational structure) been integrated?

Case Study Methodology, continued

Written Case Report, Continued

The diagram illustrates the flow of the content of the report and summarizes each section.



Candidate Evaluation

Format and Content: Putting It All Together

The written report format and content work together to form a complete report. The CASE ANALYSIS CONTENT section identifies the required sections that need to be included in the body of the report. The OVERALL REPORT section identifies how the report will be assessed based on how well it meets the requirements for all sections and how well each is integrated into the overall report. Note that the Strategic Perspective and Judgment and Integration are not headings within the report but rather criteria for overall assessment of the report. Lastly, the grading for FORMAT is assessed based on grammar, language and style.

Grading: The case studies will be graded and each section will carry an approximate weighting as indicated below.

CASE ANALYSIS CONTENT	MARKS AVAILABLE	MARK
EXECUTIVE SUMMARY	5	
ISSUE(S) IDENTIFICATION	10	
OPERATING ENVIRONMENT	5	
ROOT CAUSE ANALYSIS	10	
ALTERNATIVES AND/OR OPTIONS	15	
RECOMMENDATION(S)	5	
IMPLEMENTATION	10	
MONITOR AND CONTROL	10	
OVERALL REPORT		
STRATEGIC PERSPECTIVE	10	
JUDGEMENT AND INTEGRATION	5	
LEARNING OBJECTIVES / THEORETICAL CONCEPTS	10	
FORMAT		
WRITTEN COMMUNICATION: LANGUAGE AND STYLE	5	
CASE TOTAL	100	

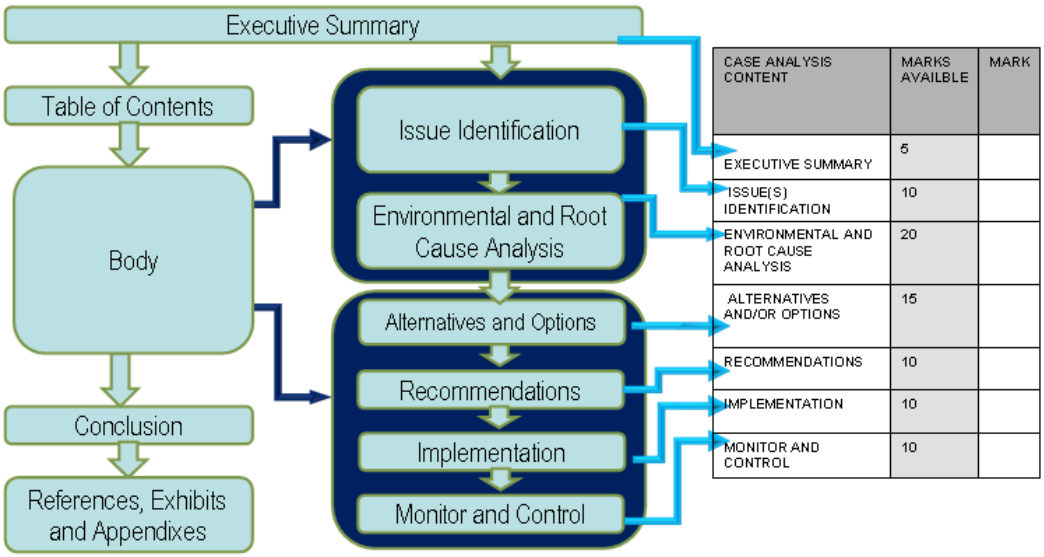
Candidate Evaluation, continued

Format and Content: Putting It All Together, continued

The diagrams below further illustrate how the format and content of a report work together to form a complete report.

Written Report Format Link to Case Study Content and the Marking Form (1)

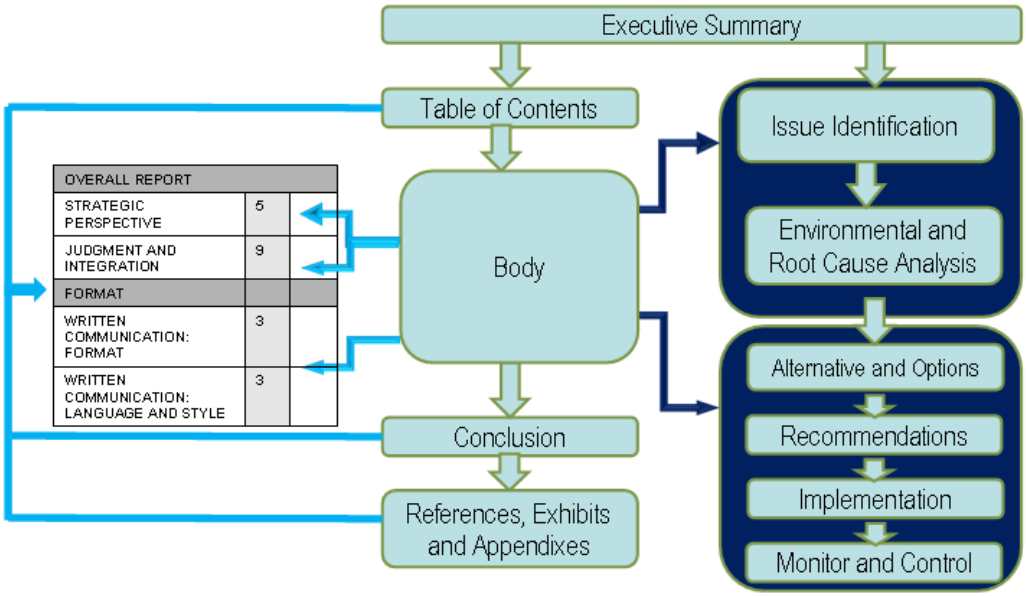
As illustrated below, the body of the report is made up of the content sections of issue identification through to monitor and control. The overarching executive summary is common to both sections. The grading is assigned based on how thoroughly the report meets the requirements of each section.



Candidate Evaluation, continued

Format and Content: Putting It All Together, continued

Written Report Format Link to Case Study Content and the Marking Form (2)
The next diagram illustrates how grading is assigned to the overall report. Its focus is not on a specific section but rather on how well the overall report demonstrates the ability to synthesize the strategic information and on how well the knowledge and concepts learned have been integrated. Grades are also given based on spelling and grammar and the overall professional tone and style of the paper.



Strategic Perspective, which presents the strategy of the company (including assumptions), is demonstrated throughput the report.

Candidate Evaluation, continued

RACI Model Overview

The RACI model is a tool used to identify roles and responsibilities of individuals and is often used by organizations when dealing with change management. The tool applies a responsibility assignment methodology that works by assigning a level of accountability to individuals. This model is an important strategic tool to use both when creating and presenting a procurement plan of action.

RACI Model

The roles within the model consist of:

R = *Responsible*, the person who is responsible for the problem/decision/plan
A = *Accountable*, the person who must sign-off or approve a decision/plan
C = *Consulted*, the person who provides required information
I = *Informed*, the person who typically needs to be informed of a decision/plan

The model is typically accompanied by a chart as illustrated below.

	Finance	IT	Legal	HR
Supplier Selection	A	C	R	I
Contract Approval	R	I	A	C

The model should be applied as you work through the various stages of your proposal to ensure that you have incorporated both internally and externally (vendor), the various people, departments and factors that should play a role in your assessment and final recommendation.

Candidate Evaluation, continued

Using Case Framework Questions

Framework questions suggest how a Marker might approach the case report. This information will supplement his/her knowledge when evaluating candidates' written case reports. It is assumed that the Marker has read and analyzed the case prior to evaluating a case report. Teaching notes for the cases are also provided where available. The Marker should feel free to use the questions and teaching notes, or to develop new materials as appropriate.

Case framework questions may ask that the candidate to address the issue from the point of view of the decision maker in the case. It is easy as an outsider to criticize a decision. It is more difficult, and more strategic, to analyze an issue as the person facing the issue who has to make a decision. The case framework questions facilitate a strategic approach to the case and case requirements.

The session notes may also make suggestions for quantitative data, analysis and calculations where appropriate.

Rocky Mountain Sports Inc.: Sample Case and Case Report

For further reference, a sample case, Rocky Mountain Sports Inc., and full sample report have been provided in Appendix B.

The objective is to provide candidates with a written sample case report that follows the guidelines in the **Written Case Reports** section of the Introduction and Overview. This case report was written by a student, and is included in this manual as an example of the level of analysis required for written case reports.

Candidates are strongly encouraged to read and analyze the sample case and sample case report when preparing to write case reports.

Appendix A

Crawford Surveillance Systems Inc.

Crawford Surveillance Systems – Mini Case

Haley Pickford works for Crawford Surveillance Systems (CSS) as supply chain manager. CSS manufactures a wide range of security and surveillance products for both residential customers and commercial enterprises.

During the hiring process, Pickford was told that the company had experienced tremendous growth and success in the commercial sector over the past two years; despite the fact CSS had no employees in formal logistics or supply chain management roles. Hiring her signalled the company's decision to adopt modern supply chain principles.

Pickford was given the mandate to improve the warehousing and inventory management functions, specifically to integrate those activities more effectively with the company's production operations. Immediately, she realized there would be significant challenges to reach those objectives, and over her first four months with CSS, she learned about its operations.

The combined production and warehouse areas consist of 25,000 sq. ft. of floor space; the production area occupies 15,000 sq. ft., leaving just 10,000 sq. ft. for the warehouse area. But 3,000 sq. ft. of that space is taken up by the shipping/receiving and order-staging areas, so the actual warehouse storage area is only 7,000 sq. ft.

The production area consists of four separate production lines, each with its own dedicated employees who assemble customized security scanners. The warehouse storage area is directly beside the production area so parts and components can be supplied quickly.

Pickford learned that the warehouse storage area is continually being reduced as the production area expands. This causes a good deal of stress for the four warehouse employees who are supposed to maintain an orderly inventory system and pick the production parts for the company's 13,000 active SKUs. Despite the fact that many of the parts and components are very small, the company maintains a mix of traditional warehouse racking and rolling shelving units for storage, which makes order-picking difficult and time consuming.

CSS operates a computer system with an inventory module — but not a warehouse module — nor does it use bar-coding to identify products. Labelling parts for order-picking consists of everything from handwritten part numbers on boxes to spreadsheets tacked to the shelving units. Warehouse employees are often unable to find parts for production orders. As a result, duplicate

inventory is kept in three areas: receiving, the main storage area and on the production lines. Employees try to avoid production delays caused by inventory shortages.

The year before Pickford was hired, she learned that the warehouse supervisor had decided to "clear the floor" in an attempt to identify the on-hand inventory.

He had a large number of pallets moved to the third (top) row of the warehouse racks and had started the tedious process of identifying and re-labeling parts by hand. The rapid growth of the business caused employees to be too occupied by the day-to-day activities of shipping, receiving, and picking orders for production such that they were unable to finish the moving and re-labeling tasks.

The top-rack inventory, as it came to be known, soon slowed and then, one day purchasing complained that it had placed a large duplicate order for parts because the warehouse said it was out-of-stock, only to learn later that the parts were on the top rack. Displeased by the duplicate parts order, the CEO authorized the use of outside help to clean up the inventory situation, and ordered the warehouse supervisor to remove the top shelf from all racks so the problem wouldn't happen again.

The warehouse supervisor immediately sent these inventory pallets to a local public warehouse company to count, sort and identify the various components. Once this was done, however, there was no room to return them to CSS because the production area had expanded again.

The parts remain in the public warehouse, which has proven useful because it can accommodate CSS if extra storage space is needed on short notice. The public warehouse also input all of CSS's SKUs into its own database and can produce bar-code labels for products in its own warehouse, and it can generate an inventory locator report, something CSS has never been able to do. The public warehouse, along with other suppliers, now delivers components daily to support production operations.

As Pickford was studying the situation at CSS, she received an e-mail from the CEO, outlining her primary objectives. They are to:

1. Further reduce the warehouse storage area to accommodate expansion in production.
2. Improve inventory management practices to identify on-hand inventory and avoid production slowdowns.

Pickford wonders whether or not the CEO's objectives are attainable with limited resources and she is also concerned about costs.

REQUIRED:

As Haley Pickford, identify the immediate and systemic issues and formulate a plan of action to meet the two objectives.

Note: Responses are to be written in essay style format using full sentences and paragraphs. The use of bullet points or lists are acceptable when used in combination with full paragraph writing or when used to demonstrate quantitative calculations.

Case Response

Warehouse Storage, Production Expansion & Inventory Management Practices Report

To: CEO, Crawford Surveillance Systems

From: Haley Pickford, Supply Chain Manager

RE: Warehouse Storage, Production Expansion & Inventory Management Practices

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*

As per email request, please find below a report on Warehouse Storage, Production Expansion & Inventory Management Practices for Crawford Surveillance Systems.

In order to provide a throrough Implementation, an analysis was completed on Crawford Surveillance Systems, the Inventory Issues. An Implementation Plan for Crawford Surveillance Systems is also included.

Company Analysis

- Rapid growth-growth industry in **COMMERCIAL SECTOR**
- Manufacturing plant primarily
- 2 target markets being served-**residential and commercial enterprises (2 different types of inventory)**
- Specialized products-differentiated product strategy
- Job Shop Style production floor-creating differentiated product
- Products currently have SKU's
- Warehouse-25,000 sq ft
- Production-15,000 sq ft
- Shipping and Receiving-3000 sq ft
- Warehouse Storage-7000 sq ft

Inventory Issues always relate to Excess and Shortages. These are caused by inadequate inventory control (ERP, EDI, data accuracy) and Inventory Management (methods of managing inventory and practices). Stock-outs are based off data that is neither accurate or managed properly.

Inventory Control-Tactical and Immediate Issues

Immediate Issues:

Duplication of Inventory: Large duplication order of parts and with minimum storage space in main warehouse, they are being maintained at a public warehouse company.

A large number of pallets moved to the third (top) row of the warehouse racks for identifying and re-labeling parts by hand and unable to finish the moving and re-labeling tasks.

The top-rack inventory that was **hidden and not accounted for**, caused purchasing to place a large duplicate order for parts because the warehouse said it was out-of-stock (lack of warehouse and inventory module issue and because systems are MANUAL), only to learn later that the parts were on the top rack.

The excess inventory is being staged at a public warehouse. The public warhouse company has counted, sorted and identified the various components. Currently, there is no room to return them to CSS because the production area has expanded again.

Inventory Control-No formal Warehouse System or Ordering System: Warehouse employees have no method of formally controlling the warehouse due to the fact that CSS operates a computer system with an inventory module — but not a warehouse module — nor does it use bar-coding to identify products. Labelling parts for order-picking consists of everything from handwritten part numbers on boxes to spreadsheets tacked to the shelving units. Warehouse employees are often unable to find parts for production orders. As a result, duplicate inventory is kept in three areas: receiving, the main storage area and on the production lines. Employees try to avoid production delays caused by inventory shortages. Were the inventory items ever out of stock remains a question due to the fact that there is no coding, and no knowledge of whether actual inventory met systemic inventory module-perpetual inventory.

No warehouse module for computer system to allocate inventory for warehouse and for production that ties in to Production and Ordering, Accounting and Finance and Inventory and Warehouse Management. This immediate computerized system issue is leading to a long-term systemic issue.

The inventory components are very small, the company maintains a mix of traditional warehouse racking and rolling shelving units for storage, which makes **order-picking difficult and time consuming**. This leads to time wasted on

the production floor, higher bureaucratic costs and decreases profit margins. The bureacratic costs are due to the time needed between warehouse, inventory, ordering and production and they are decreasing the profit margin. Rolling racks are taking up space and lack of SKU integration with a formalized computer software system is causing wasted production time. Not experiencing lean production and the bureacractic costs will affect company future growth.

With a company that is experiencing growth in the commercial market, economies of scale, experience curve cost reductions and tighter production schedules are required for the company to maintain its market position.

Without a common system between production, inventory, warehouse and ordering, duplication is certain to continue.

Inventory Management-Strategic and Long-Term System Issues

Basic Inventory Aggregation Issues and Inventory and Production Strategy: This is an inventory management issue driven from a systemic long term issue.

Servicing two different markets-residential and commercial. This can create two different forms of inventory and requires two different methods or inventory management. The production floor is in Job Shop Style and is requiring more space. This is a long term systemic issue. The products that are produced are differentiated and may require job shop style production. However, the company and products are experiencing growth and will require a streamlined production style and inventory management system to accomodate growth. Logistics is the ability to match inventory and production schedule to customer service. Cost trade-offs must be analyzed. Cost trade offs are-lower production and lower costs to higher production and higher customer service.

Inventory may be aggregated by Accounting and Finance and may be showing that items are required for order for specific production lines.

There may not be disaggregation of inventory which might be leading to the belief that inventory is required when it may not be. We may be stating that we are out of stock on items when we are not. The warehouse is not certain of what is inventory and production systems are not showing what is required for ordering. We may require more of one type of inventory than another type but due to aggregation of inventory, we cannot allocate where we are out of stock or in excess.

Stock-outs are costing CSS due to potential for lost customers and excess inventory is causing liquidity issues.

Commerical sector is under serious growth and is causing the warehouse floor to be diminished by production to accomodate market sector service levels.

Production Area Expansion: The production area consists of four separate production lines, each with its own dedicated employees who assemble customized security scanners. The warehouse storage area is directly beside the production area so parts and components can be supplied quickly. warehouse storage area is continually being reduced as the production area expands. This causes a good deal of stress for the four warehouse employees who are supposed to maintain an orderly inventory system and pick the production parts for the company's 13,000 active SKUs. Despite the fact that many of the parts and components are very small, the company maintains a mix of traditional warehouse racking and rolling shelving units for storage, which makes order-picking difficult and time consuming.

Customization of products may be required in order to smooth production lines, demand, allow for forecasting and to create a better production area as it is continuously growing. This growth is diminishing the warehouse capacity in house and is causing outsourcing of warehouse systems, increasing transportation costs and the computer system from the public warehouse is not tied to the CSS system which will continue the issue that has been experienced in the past-duplication of orders.
Assumption is that this is an embryonic growth and a company that may not be formally forecasting demand and production and design. With the following information, CSS must decide space allocation.

- Specialized products-differentiated product strategy
- Job Shop Style production floor-creating differentiated product
- Products currently have SKU's
- Warehouse-25,000 sq ft
- Production-15,000 sq ft
- Shipping and Receiving-3000 sq ft
- Warehouse Storage-7000 sq ft

Production Schedules and capabilities must match inventory and orders either through ABC, through ERP, forecasting and designs for customers in the commercial and residential sector.

Alternatives:

1. ERP/EDI/Warehouse Module Implementation and SKU coding at Crawford Surveillance Systems

Pros: Saves time, increases profit margin, decreases bureaucratic costs and will aid in production schedule creation. CSS will fully know all of its inventory, can plan for future growth.

Cons: Costs money to implement a module and training will be required as well as full integration to the entire CSS company. It will need to be integratable to current network.

2. Outsource Warehouse Storage to Public Warehouse

Pros: Creates space, currently outsourcing and incurring the costs associated.

Cons: Lose control of inventory and costs will increase as inventory increases. As company grows, will want to potentially fully vertically integrate back.

3. Combination of:

ERP/EDI/Warehouse Module Implementation at Crawford Surveillance Systems

Outsource Warehouse Storage to Public Warehouse

Pros: Creates space, currently outsourcing and incurring the costs associated, Saves time, increases profit margin, decreases bureaucratic costs

Cons: Lose control of inventory and costs will increase as inventory increases. As company grows, will want to potentially fully vertically integrate back. Costs money to implement a module and training will be required as well as full integration to the entire CSS company. It will need to be integratable to current network. If we are creating EDI, the extra costs for outsourcing may be extensive and affect profit margin.

4. Reverse Logistics-Sell off current excess inventory either to another manufacturer and cancel all current orders and account for pipeline inventory.

Pros:Creates liquidity for company that can use the money elsewhere and solves inventory excess problem.

Cons: Does not resolve systemic issues of inventory control for excesses and shortages. Does not match inventory to production and allow for proper forecasting.

Recommendation:

Combination of all 4 Alternatives.

Must still be able to manage inventory in house, create production schedules and forecasting at Crawford Surveillance Systems. CSS will not be able to compete or grow if it is not in full control of its inventory, ordering, production and forecasting.

Implementation:

Short Term-6mos

Meeting with Production, Warehouse, Inventory and Ordering to ascertain what the production needs are for the next 6 months.

Disaggregate inventory at an Accounting and Finance level. This allows CSS to know what is exactly in excess and what is actual shortage.

Sell off as much of the excess inventory that is not required for production that is set for the next 6 months.

Implement Inventory and Warehouse Module that can be integrated in house and with the public warehouse. The public warehouse may be necessary in the future as the company grows until it can afford to expand.

Codify any new product with appropriate SKU's and enter into systems.

Ordering will be done through warehouse and inventory module.

Long Term-6 mos to 1 year

Production Design and Inventory and Warehouse/Ordering Meetings to discuss production levels and requirements for the year.

Decisions are required on which products are required for the commercial market. A meeting with Sales and Marketing will be required to decide production levels and capabilities for the warehouse. These meetings will decide how the production section of the warehouse is set up and how much inventory can be stored in the warehouse-space allocation can occur.

Decisions regarding inventory measurements-average daily demand, MAPE, average yearly and remain consistent. This allows decision making for inventory measures and helps create the production schedule. This diminishes waste and duplication. Actual inventory will match perpetual decreasing duplication costs, bureaucratic costs and improve profit margin.

<Insert RACI chart>

Appendix B

Rocky Mountain Sports Inc.

Rocky Mountain Tours (RMT),

a Division of Rocky Mountain Sports Inc (RMSI)

Background Information

Copyright 2013. This case was prepared for the Supply Chain Management Association to serve as a basis for pedagogical discussion. It does not purport to convey any judgment concerning the administrative situations dealt with therein. The names of people, organizations and places are fictitious.

Rocky Mountain Tours (RMT), a Division of Rocky Mountain Sports Inc (RMSI)

Overview and History

Ken Scot (Scot), CEO of RMSI sat looking at the sunset across the lake atop his favorite high mountain pass, the Col de Arc. Scot had just turned 50 years old. He was at a crossroads, too young to retire yet tired of attending to his sports empire on a day to day basis. Further he has the luxury of two adult sons, both of whom are interested in being involved in RMSI. It was time for Ken to establish and work toward new goals.

Scot graduated with a degree in recreation 30 years ago. He majored in event management and minored in business. Single and not one to punch the clock, Scot decided to use his degree by organizing ski trips during the winter and golf trips during the summer months. Although the two products shared the same basic tasks, the demographics of the customers where markedly different. Both products involved the following activities:

- Bus rental
- Hotel
- Advertising
- Food and beverage
- Facility coordination
- Billing and receivables
- Purchasing and procurement
- Risk management including liability insurance

The business was high energy and provided a reasonable return given the minimal financial investment and high risk profiles. After three years, half of the revenue came from existing customers. At this point, Scot incorporated the business as Rocky Mountain Sports Inc (RMSI).

Fifteen years ago, RMSI expanded into the corporate retreat market. As Scot discovered, the previous customers came to him to purchase the products offered. Customers where generally avid participants and usually competent skiers and golfers. In the corporate retreat market, the patrons had not necessarily ever skied or golfed. This created problems. Novice golfers tend to

ignore prescribed on course etiquette. As Scot found out via a phone call from the Director of Golf during one of the retreats. By the time the ski season began, Scot had addressed the issue by segmenting customer groups and by providing alternative products/activities. An additional issue attached to corporate retreats was the preparation and supply of food and beverage. A secondary concern with sports minded people, food and beverage is a primary concern in the retreat business. During this transition Scot also learned more about food and beverage than he remembers studying in his undergrad. In short, hotdogs and beer don't cut it in the corporate retreat world. The business soon acquired the reputation of delivering the right food, at the right time at the right price.

Scot found that his business turned down rapidly during one of the last economic downturns. Corporate retreats are funded by discretionary budget allocations. Scot's clients generally put the retreat on hold until the economy turned around. Scot continued to support his existing product lines through advertising, corporate visits and offering mini retreats. The volume of business was not sufficient. Recently married and having bought and mortgaged a house, Scot began looking for other income opportunities.

At the same time, two events took place that would later shape Scot's business world and that of RMSI.

First, one advantage of a down market is that it provides an opportunity for those in the sport and recreation business to participate and enjoy sport and recreation. An avid cyclist as a youth and young adult, Scot gave up competition in favor of touring. Through the economic downturn, Scot took the opportunity to see the Rocky Mountain Parkway during his self contained cycle tour. It was during this trip that he discovered the Col de Arc. He paused then, as he did many times after to ponder his business future. It did not dawn on Scot, at that time, that cycle touring may provide the business opportunity he was looking for twenty years later.

The second event took the form of a conversation with a customer's employee attending a corporate golf retreat hosted by RMSI. The employer was the local major league hockey team and the employee was Jacque Lambert (Lambert), a forty year old journeyman professional hockey player, in the last year of his contract with the team. Lambert openly admitted that this

was his last season. He had the reputation of someone who had been planning for life after hockey for some time. Lambert Sports Ltd (LSL) consists of a single retail store specializing in hockey equipment. Lambert planned to open additional stores in most major cities. Although independent, LSL was part of a buying group that facilitated volume discounts that allowed LSL (and the other buying group partners) to be competitive in regard to price and maintain margins similar to the big box sports stores. Lambert was able to keep his identity and reputation inseparable from the store image. LSL worked hard at ensuring the store clerks where trained, knowledgeable and athletes themselves.

During the conversation with Scot, Lambert lamented that he was missing the full sports market. The buying group gave him access to a full line of sporting equipment including clothing and accessories. There was no reason that LSL could not compete in these markets.

LSL worked independent within the team uniform and clothing market. Lambert secured contracts with local manufacturers for design and supply. Team sales did not bring the same margins that equipment sales had; however, jersey sales brought team equipment sales (at reduced margin). The volume of business contributed to the bottom line.

The buying group did not have access to any bicycle lines. Bicycle companies have historically dealt directly with the retailer whether that is an independent store like LSL or a national department store chain. The lack of access to volume buying on bicycles and the manufacturer's policy of cash up front, regardless of who you are, dissuaded LSL from entering the market, in spite of the large margins available. Admittedly, Lambert also feared his lack of expertise in the market would create a losing financial proposition immediately and in name and reputation in the long run.

Over time Lambert had observed Scot's attention to detail and his ability to assess issues and respond in an appropriate fashion. The fact that Scot's business was based on customer satisfaction and that the majority of his business came from returning customers told Lambert a lot about Scot. It was Lambert that suggested Scot join LSL to share in the expansion plan including more stores, clothing and bicycles.

Lambert offered Scot a salary, a bonus package, an opportunity to buy shares and the freedom to continue the operation of RMSI. Married, family plans and the economic downturn made the offer appealing. Eleven years ago, Scot began work in the retail sports business. In subsequent years he was able to use his annual bonus to fund the equity purchase through RMSI.

Over time the ski and golf tour business and the corporate retreat market took a back seat to the retail sports business and were eventually phased out. Scot maintains close relations with the people he met and dealt with in the hospitality business during the active years of RMSI. From time to time Scot still organizes golf and ski retreats for staff and large customers.

The next twenty years saw Jacque Lambert retire and sell his interests in LSL to RMSI. LSL grew to 34 stores across the west under the 'Lambert' banner, 29 stores through the east under the 'A1 Sports' banner and 41 stores nationwide under the 'Looking Good Sport' banner. Each chain operated as a separate company. The Lambert expansion was accomplished via internal (or organic) growth. The A1 and Looking Good expansions where financed by an IPO (initial public offering). LSL holds 100% of the shares of

Lambert and retained significant influence in each of A1 and Looking Good.
Lambert remained strong in hockey and team sales. The stores offered a full range of equipment and uniforms in multiple sports. The bicycle business was steady; however, the brand image of Lambert was hockey. The A1 Sports stores developed in a different direction. The A1 brand is associated with all sport. The primary focus has been good quality and selection over a number of main stream sports aimed at the recreational level. The store became popular with consumers and has been able to compete with department stores based on superior quality and with big box sports stores based on superior service. The anomaly embedded within the A1 brand is bicycles. A1 is known for its comprehensive offering and support of road, mountain, touring and urban machines. The store does not sell low end, cheap, bicycles. Avid recreational cyclists through to Canadian based professional teams look to A1 for supply and support of cycling products.

The Looking Good stores offer sport clothing as their primary focus. The sporting equipment offered is complementary to the clothing and tends to be "department store grade" including manufacturers' close outs. Looking Good's profit and focus is on fashion and form, not function and performance. The store has a reputation of being current, trendy and price competitive. In spite of the highly competitive market that Looking Good competes in, the margins on sales are excellent.

The timing of Jacque Lambert's retirement was good for Scot. His two sons, both collegiate athletes and graduates of business programs, had worked in the business since their 16th birthdays. Both sons expressed an interest in taking on an expanded role that included an equity position in the corporate entity. After multiple visits to the lawyer's and accountant's office Scot was able to freeze the value of his equity in RMSI (Scot can defer any taxable gain until he leaves the company through the use of redeemable preferred shares), sell 20% of the company to each of his two sons for an affordable sum and move forward. (See exhibit one for the corporate chart).

Supply Management

In the early days of RMSI, Scot relied on close personal relationships and handshakes to run the supply side of his business. He used as few suppliers per product or service as possible and made sure he dealt with the owner/manager of each business involved. If ever there was a problem it was a matter getting on the phone or meeting face to face to resolve the issues. Scot paid supplier invoices as received. He did not wait for the 30 day terms to elapse.

As he became involved with LSL and moved away from the corporate retreat business he remained personal friends with most his original suppliers, however, as with Scot, they too moved within their respective industries. In the early days of LSL, Lambert, as an independent, found it difficult to compete with the big box stores, department stores and stores that had become part of one of the three buying groups that existed. LSL joined a buying group that had access to a wide range of sporting goods with the exception of bicycles and fashion products. The advantage of membership in the buying group was increased purchasing power when

dealing with manufactures including the ability to get volume discounts. The group also provided national advertising and a network of business forums to help the operators. LSL was able to keep its independent identity so long as it included the buying group's script in secondary size letters on all signs, stationary and advertising. The agreement also allowed LSL to deal directly with manufactures on items that were not carried by the group or on special order items.

Being part of the buying group brought a number of challenges:

- LSL was forced to carry the products selected by the buying group's committee. Overall this was not a major issue. There have been times, however, that this policy caused serious problems. For example: when the buying group decided on a line of hockey equipment that was in competition with the line that sponsored Jacque Lambert during his career. Lambert, as with Scot, made a point of being loyal to those that support them on the way up. LSL fought hard for an exemption to the policy.

- Representation on the group's buying committee was based upon on annual election. Votes owned by each member of the group where based upon the volume of merchandise purchased the prior year. This resulted in multi-store members having significant influence and even control of the products that would be purchased and sold in LSL.

- Members of the buying group were required to present a Letter of Credit to the group's board. In the event that a member did not pay for merchandise delivered the group could call on the Letter of Credit at the group's discretion.

- The buying group added one more layer of administration including warehousing. This added to costs and delayed delivery of product. As a result, LSL had to manage the increased cycle time between order and shelf.

As LSL grew and A1 came on board, RMSI became the major player within the buying group. So much so, in fact, that the company was able to dictate what products would be purchased and sold by the group and its members. This caused a lot of grief within the group and a lot of extra

management for RMSI staff. Not to mention the redundant administration required to bring the product into the buying group's warehouse and then RMSI's. The benefits (listed above) of the buying group disappeared. RMSI's volume was large enough to gain the volume discounts directly from the manufacturer. The costs of continued membership outweighed the benefits. RMSI left the buying group 3 years ago.

RMSI now deals directly with the manufacturers. The company has four categories of inventory purchases:

- Base seasonal stock – These buys are large and systemic. A year in advance of the product being sold at the retail level, LSL and A1 joined forces to choose the product lines, labels and quantities and then placed joint orders. Looking Good works through a similar process, however, because of the differing product line (from LSL and A1) the company goes it alone. Base seasonal stock represents 60% of the volume of RMSI's buying.

- Regional stock – Each of LSL, A1 and Looking Good supply management staff look at the specific needs of the stores in specific regions and purchase accordingly. For example: Hunting and fishing gear is popular in the North West stores, where as there is low demand for these products in the South Central stores. Likewise, sail boats and related gear are popular in some regions and non-existent in others. Where ever possible, there staff try to coordinate the buys.

- One off, special order stock – Each store has the ability to contact the supplier directly. This usually involves a specific customer with a specific need. The margins on the sale of this inventory are low, however, the investment in customer satisfaction pays dividends down the road. An example of this type of stock is the team uniform sales at LSL and the cycling team kit sales at A1.

- Project supply – Whenever an individual store is renovated or management experiments with new products or services offered the project team manages the purchasing function itself. For example: Scot's foray into cycle-touring (see below).

Overall, the supply management function has worked. There are numerous examples where the purchasing professionals have been called in after the fact to clean up the mess created by non-purchasing personnel at all levels.

Financial Position and Investor Relations

The financial position of RMSI was strong as at June 30, last year (see exhibit three). Company personnel have managed the treasury through capital and sales growth and have always protected the financial health of the organization. Scot has never worried to much about return on equity or price earnings ratios. His gauge has always been the quality of life for his family, his employees and his customers. His philosophy is to manage for the long run, not the short run. He would always sell products and services based upon the long run value supplied to his customer, not the short run profit earned today. Scot's favorite saying to the new sales staff is "If you do it right, you only ever have to sell one bicycle. From there the customer will return as will his friends."

The corporate group had a financial responsibility to third party shareholders as a result of the A1 and Looking Good expansions having been financed using an IPO (initial public offering). It was during a time of economic upswing and Scot suggests "he got wrapped up in the IPO fever that was prevalent at the time." As Scot has discovered, the nature of public companies is to focus on short run, quarterly earnings and to maximize ratios (ROI, P/E and dividend rates are examples). In the world of public finance quality of life including environmental, social and economic sustainability is "irrelevant" in Scot's words.

No dividends were paid to investors in fiscal years 2 and 3 years ago. Investors were not happy and openly pushed for a change in leadership for each company (specifically the CEO and General Managers. Scot's level of frustration with the situation was unequalled anywhere in his career. He resented "outsiders" telling him what to do. In particular, he resented someone suggesting that he compromise his view of the long run value his company can add to the community in favor of "grab the cash and to heck with the community." The situation could not have been any more obvious than Scot's experimentation with the cycle-touring market.

Through the remainder of last year RMSI's lawyers and accountants where kept busy. Scot and his sons decided that the public offering of shares in A1 and Looking Good was a mistake. Furthermore, the investors had become disgruntled with the lack of dividends paid in each of the last two fiscal years. Making a long story short, RMSI made an offer to shareholders of A1 and Looking Good to buy 100% of the shares of each. The shareholders accepted the offer. In addition to the buyback of shares it was decided to merge the three corporations into one and operate as "Rocky Mountain Sports." (See exhibit two for the organizational chart).

The transition to the single national brand (RMSI) was handled in a traditional marketing move. The original brand name (for example: A1 Sports) was shown in large letters with the words "Rocky Mountain Sports" shown in small letters below. Over the period of 8 months, the original brand markings shrunk and the Rocky Mountain brand markings grew. The last step was to eliminate the original brand markings. Market analysis showed no ill effects from customer reaction to the change.

As Scot's sons became more involved with corporate governance the three of them agreed that the corporate culture, purpose and direction should be articulated thus giving any stakeholder the opportunity to see the intended direction of the company. The original move was to hire a consultant. The first morning turned into a non-value added discussion regarding the difference between vision, purpose and mission. This textbook exercise was something that the Scots could care less about. The company executive agreed that what they wanted was a single statement defining RMSI. The consultant then lead the group into flowery phrases directed at defining their "brand." This was not a marketing or advertising exercise. This was an exercise to define the company and where it is going. The consultant was dismissed. Joe Scot took the lead in collecting data through interviews, questionnaires and town hall style meetings from employees, suppliers, customers and the surrounding communities. Although long and laborious, RMSI formally defined itself for all to see and follow. (See exhibit eight)

One change of note was the departure of Julie Jonson. She decided to take advantage of another opportunity that was presented within the industry. Scot could not convince her to stay and

manage the fashion boutiques in each store. As with all of Scot's business dealings, he made sure that there are no hard feelings and that Ms. Jonson was welcome to return and/or open new business channels with RMSI in the future.

Change of Pace

Scot's contemplation atop the Col de Arc helped him articulate the following:

- He wasn't ready to step aside yet. He wanted to remain active within RMSI. Not with standing, Scot needed a succession plan to cover the transition whether that came in 5 years, 10 years or 15.
- He needed to create an environment whereby senior managers and staff can grow into the next level.
- In preparation for his (eventually) leaving the company needs to map a strategic plan.
- He missed the good old days of planning tours and retreats including the personal contact with the customers and suppliers.

By the time Scot arrived home he had decided to begin his transition out of the day to day operation of the retail sports business and to fill his time in organizing cycle-tours (see exhibit nine). Originally, Scot figured 90% of his time would be used in the retail sports business and 10% in the touring business with a 5 year transition to 50/50. It didn't work out that way. For the last fiscal year ended at June 30, Scot figured he was at the 50/50 target. The rapid move was facilitated by his sons' eagerness and ability to take on the operations and the undersupply that existed in the cycle-touring business.

The new business venture contributed $84,000 (see exhibit five) in profit to RMSI by the end of the second year of operation. The number is somewhat deceiving due to the fact Scot's salary is not allocated to the venture, nor is the administrative space and support. In the other direction, however, the financial statements do not account for the cross marketing and synergy between the product lines offered in the stores and the tours. For example: Bicycle sales at LSL had

increased as a result of the company's involvement in the sport. Furthermore, the annual numbers do not reflect the satisfaction that comes from being involved in a business that enhances the physical and mental well being of its customers, is a green alternative and makes money!

Exhibit 1

Rocky Mountain Sports Inc (RMSI)
Organizational Chart
As at June 30, three years ago

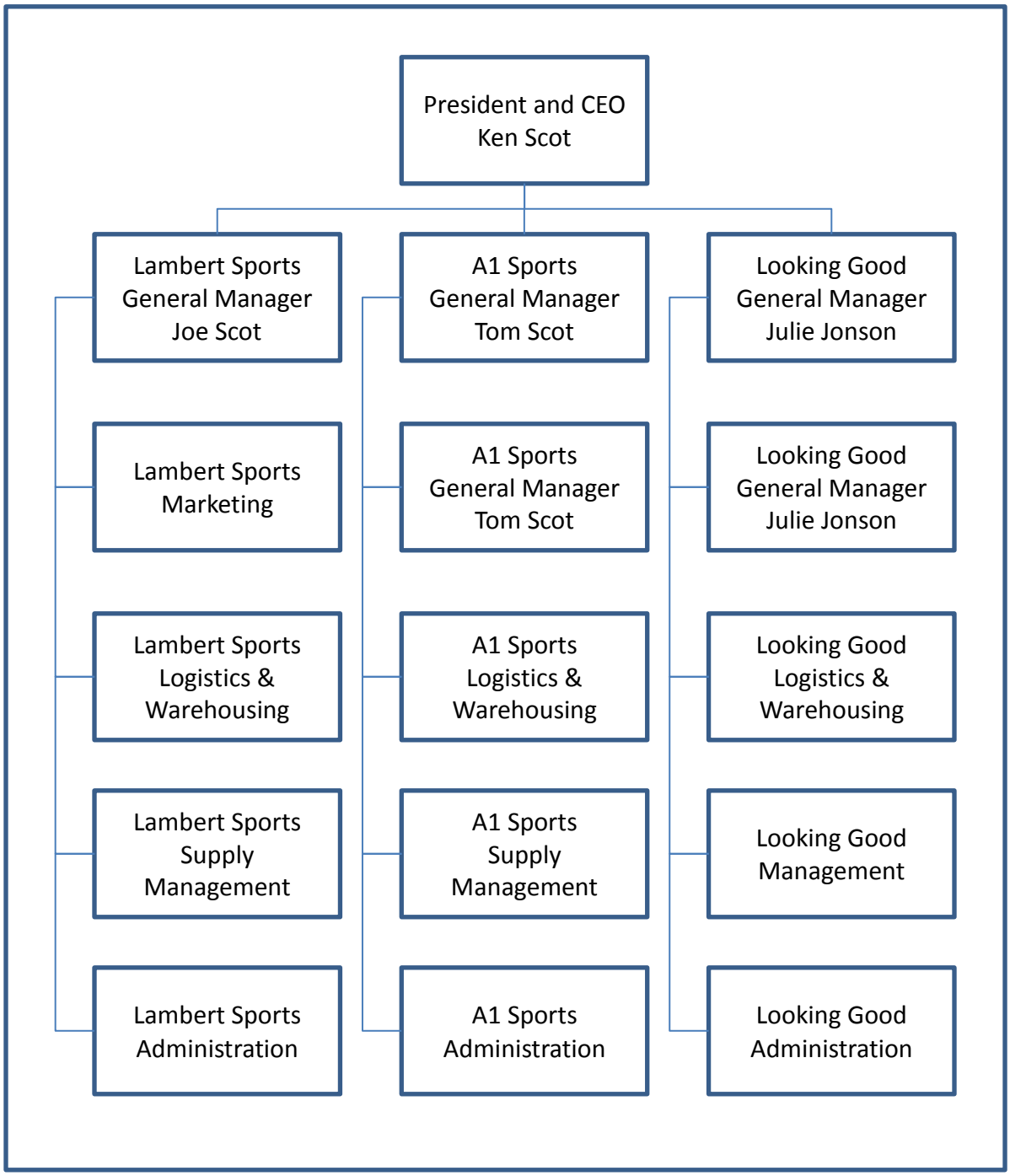

Exhibit 2

Rocky Mountain Sports Inc (RMSI)
Organizational Chart
As at December 31, last year

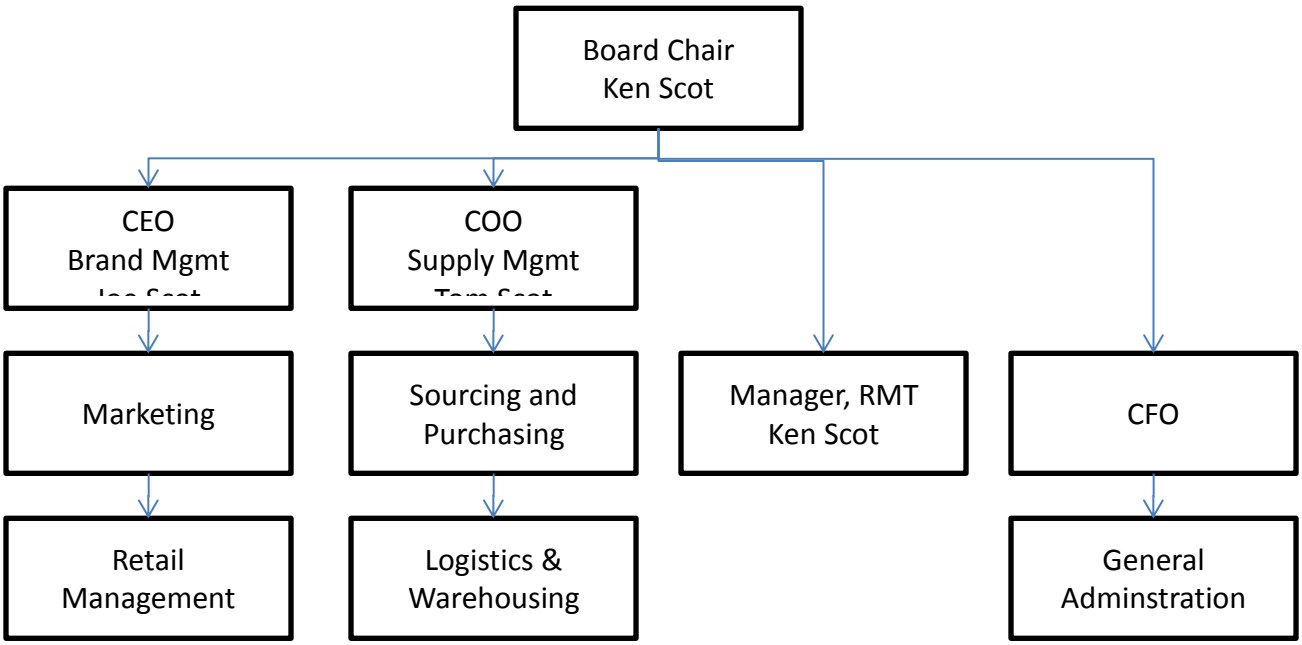

Exhibit 3

Rocky Mountain Sports Inc (RMSI)
Financial Analysis
As at June 30

RMSI is in good financial health. The industry as a whole is slow in paying for stock (suppliers allow for a lag between early delivery and sale at the retail level). Within that framework RMSI has an excellent reputation. The ROI appears low relative to risk free investments, however, RMSI is a private, owner managed company and total remuneration of the Scots must be taken into account.

		LY	2YA	3YA
Solvency: Current Ratio	Good	1.3	1.3	1.3
Return on Investment	OK	2%	4%	3%
Return on Assets	Good	1%	2%	1%
Inventory Turnover	Good	5.4	5.6	5.9
Days Receivables	Good	6	7	7
Days Payables	OK	41	40	41
Ability to Borrow: Debt/Equity	Good	0.9	0.9	0.9

Refer to exhibits four through seven for detailed financial information.

Exhibit 4

Rocky Mountain Sports Inc (RMSI) Consolidated Balance Sheet As at June 30
(in CDN$ '000s)

ASSETS	**LY**	**2YA**	**3YA**	**4YA**	**5YA**
Current assets:					
Cash	$ 198	$ 201	$ 176	$ 194	$ 177
Accounts receivable	3,138	3,455	3,334	3,363	3,428
Inventories	20,713	19,461	18,566	17,376	17,278
Prepaid expenses	1,285	1,545	1,123	1,210	1,091
	25,334	24,662	23,199	22,143	21,974
Capital assets (net)	41,297	41,395	39,667	36,913	36,320
Total assets	$66,631	$66,057	$62,866	$59,056	$58,294
LIABILITIES & SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 15,602	$ 14,781	$ 15,306	$ 14,884	$ 13,719
Other current liabilities	3,778	4,667	2,170	2,990	2,910
	19,380	19,448	17,476	17,874	16,629
Long-term liabilities	11,654	11,736	11,824	9,641	9,693
Minority interest	800	800	800	800	800
	31,834	31,984	30,100	28,315	27,122
Shareholders' equity:					
Capital stock	20,000	20,000	20,000	18,000	18,000
Retained earnings	14,797	14,073	12,766	12,741	13,172
	34,797	34,073	32,766	30,741	31,172
Total liabilities and equity	$66,631	$66,057	$62,866	$59,056	$58,294

Exhibit 5

Rocky Mountain Sports Inc (RMSI)
Income Statements
For the Fiscal Years Ending June 30
(in CDN$ '000s)

	LY	2YA	3YA	4YA	5YA
Sales	$ 150,502	$ 148,810	$ 145,781	$ 135,127	$ 131,659
Cost of sales	112,524	110,112	109,797	97,164	72,150
Gross profit	37,978	38,698	35,984	37,963	33,509
Operating expenses:					
Administration	2,960	2,913	2,814	2,284	2,190
Amortization	8,665	8,565	8,281	7,932	7,771
Leasing	15,552	15,461	15,030	13,822	13,406
Other	3,079	3,022	2,974	2,885	2,766
Sales and marketing	6,600	6,590	5,510	6,104	4,990
	36,856	36,551	34,609	33,027	31,123
Income from retail operations	1,122	2,147	1,375	4,936	2,386
Income from tour operations	84	31	--	--	--
Income before taxes	1,206	2,178	1,375	4,936	2,386
Income taxes	482	871	570	197	479
Net income	$ 724	$ 1,307	$ 895	$ 3,739	$ 1,907

Exhibit 6

Rocky Mountain Sports Inc (RMSI)
Supplementary Information
For the Fiscal Year Ending June 30, Last year
(in CDN$ ’000s)

	Lambert Sports	A1 Sports	Looking Good Sports	Total
Sales	$ 55,256	$ 35,046	$ 60,200	$ 150,502
Cost of sales	45,310	26,150	41,064	112,524
Operating expenses:				
Leasing	4,394	4,971	6,187	15,552
Sales and marketing	1,635	1,950	3,015	6,600

Exhibit 7

Rocky Mountain Sports Inc (RMSI)
Supplementary Information
For the Fiscal Year Ending June 30,Last Year
(expressed as a % of Sales)

	Lambert Sports	A1 Sports	Looking Good Sports	Total
Retail sales and service				
Hockey equipment	35%	15%	10%	24%
Bicycles	5%	25%	5%	7%
Other sports	15%	15%	10%	12%
Uniforms	10%	10%	10%	10%
Fashion and accessories	5%	0%	60%	24%
Team sales and service				
Hockey equipment	20%	10%	0%	12%
Bicycles	0%	15%	0%	3%
Other sports	10%	10%	0%	6%
Fashion and accessories	0%	0%	5%	2%

Exhibit 8

Rocky Mountain Sports Inc (RMSI)
Statement of Vision / Purpose / Mission
As first published December 31, Last Year

Rocky Mountain Sports Inc recognizes its responsibility to the broader scope of stakeholders impacted by its operations including the community, customers, employees, planet, shareholders and suppliers (in alphabetical order). The company endeavors to select product lines and services that enhance the long run best interests of all stakeholders. Rocky Mountain Sports Inc uses the triple bottom line (People, Planet, Profit) as its measure of performance.

Exhibit 9

Rocky Mountain Sports Inc (RMSI)
Supplementary Information

Cycle-touring is the act of touring the country side on a bicycle. There are a number of categories of cycle-tourists:

- Self Contained Solo: Scot himself is a member of this group. The main equipment includes a bicycle specially built (or retrofitted), tent, sleeping bag, ground mat, food, cooking, riding gear, rain gear, mobile repair shop and water. Bicycle and gear weigh 38 to 42 kg. (This is in contrast to the lightest racing bike at less than 7 kg). The self contained solo rider goes on trips between 3 days and 3 months and covers 50 to 250 km per day.

- Self Contained Group: Much the same as the self contained except that the load is lighter. Only one tent, one set of cooking gear and one set of tools are required for multi-riders.

- Hotel Tour: This is the most popular group with the 35 plus crowd with disposable income. The amount of gear is minimal (rain clothes, change of clothes, a few tools). 30 to 80 km per day only if it is sunny. Wake up in a hotel and arrive at a hotel each day.

- Supported Multi-Day: This is a group endeavor. The rider carries only a rain coat, a bottle of water and phone. The bike used is a standard (good quality) road bike. The riders are supported by a van that carries all the gear, sets up rest/food stops and sets up the camp before the riders arrive and/or arranges hotel accommodation in advance.

- Supported Single Day: This is usually a group endeavor. The ride is on only if the weather is acceptable. The tourist stays at a central location/hotel and completes day rides. There is usually a guided tour of an attraction combined with lunch each day. This is the group that may use mountain bikes, commuters and cruisers. Most operators supply hybrid (road bikes with straight handlebars) bikes to ensure good quality and proper function/form requirements.

- Fully Supported Day Tours (known as "The Wine Tours"): These tours involve riding 5 or 10 km between wineries. 20 minutes of riding, 60 minutes of wine tasting and off to the next winery three or four times per day for two or three days. High margins are involved for those operating these tours.

The growth in cycle-touring for the last 9 years was driven by the following demographics:

- Overall increase in the popularity of cycling. Bicycles sales skyrocketed in the late 1970's. Then flattened and in some markets regressed. Beginning in the mid 1990's bicycle sales began to rise. The rate of increase accelerated in the last decade.

- Overall increase in the activities designed to improve health and physical fitness. The number one priority of a group of over 45 executives sampled was good health and physical condition at retirement. The sentiment offered by these executives was similar to the opinions of Canadians sampled through a number of media and academic driven studies.

- Increased awareness of global warming and environmental sustainability. In 2002, searching the internet using the term "global warming" returned 2 million hits. In 2004, 3 million hits. In 2006, 10 million. Last year, 20 million hits.

- Government and Non-Government Organization (NGO) support of cycling as an alternative mode of transportation. For example: Québec government in conjunction with Vélo Québec Association established "La Route verte" (The Green Road). An ambitious undertaking of bicycle dedicated roads between and within towns and cities. The Greater Victoria Cycling Coalition in conjunction with civic and provincial governments established extensive commuter, recreation and cycle travel routes throughout Southern Vancouver Island and the Gulf Islands. Most major cities began to establish bicycle lanes on some streets.

The following reasons are why people do not cycle-tour:

- "It's dangerous": There was significant coverage of the death of a cycle-tourist as a result of falling off the side of a road on a mountain pass in British Columbia. The

tour operator was ill prepared, uninsured and subsequently declared bankruptcy (leaving the next set of clients without recourse in regard to their full payments). The cyclist had poor equipment and was not physically prepared or experienced enough to be riding where he was. An investigation into the event has recommended legislation to cover the industry.

- "Too physically demanding": No question it is physically demanding and will require a certain amount of training. It is the self contained riders that put in the marathon rides, however. On the other end of the scale are the wine tourists. Soft cushy saddle on a cruiser with wide tires is all that is required for the few minutes of riding. Scot figures there is an opportunity to provide fitness classes through the Canadian winter months to offset the physical demands at any level of touring.
- "Not inclusive": The tourist must still book air and ground travel and accommodations to and from the tour.
- "It's expensive": The cost of the tour is only the beginning. There is air travel and ground transportation to get there. There is the cost of the food and hotel while on the trip and there is the cost of the equipment used.

End of Background Information

Rocky Mountain Tours (RMT),

a Division of Rocky Mountain Sports Inc (RMSI)

Case Study Information

Copyright 2013. This case was prepared for the Supply Chain Management Association to serve as a basis for pedagogical discussion. It does not purport to convey any judgment concerning the administrative situations dealt with therein. The names of people, organizations and places are fictitious.

Rocky Mountain Tours (RMT), a Division of Rocky Mountain Sports Inc (RMSI)

Additional Information Update

RMSI's main business remained stable as did the financial position (see appendices three, four and five). A significant, and favorable, change was the increase in bicycle sales in Alberta and British Columbia. (See appendix six) The company promoted a young, knowledgeable employee working in the bicycle line in Eastern Canada to manage the segment in Western Canada. The consistent brand name across the country combined with RMSI's reputation helped to build a solid relationship with the bicycle suppliers. Two Canadian manufacturers of high end bikes gave RMSI terms of 2/10 net 30. Laraque knew the companies well and was able to deal with representatives of each on a first name base basis. Federal, provincial and local governments began to support the use of bicycles. Dedicated bicycle paths started to show up on planning documents and on the streets. The federal government began a tax credit program for the purchase and use of bicycles. RMSI began working with companies and their health insurers to offer employee subsidies for the purchase of bikes. Scot also offered that bike sales are directly related to the price of gasoline and the awareness of global warming. He tempers his enthusiasm with two facts that will never change; (1) it is Canada complete with 4 or 5 months (on average) of winter without bikes and (2) people don't like to show up at work with sweat on their brow.

The cycle-touring business continued to grow at a moderate rate through to the end of June this fiscal year (see appendices three, four and five). Although profitable on paper, if half of Scot's salary was offset against the profit shown, the venture would be running at a loss. Scot, and his sons, believed there is a strong business opportunity in running cycle-tours. In addition to profit, the segment is consistent with how the company has defined itself. The financial cost of Scot's time is viewed as an investment at this point; One that may return a profit in the future. Scot was contemplating further geographical and product diversification but did not yet have very concrete plans.

To date RMSI has represented the cycle-tour business at kiosks within the Alberta and British Columbia stores under the banner "Rocky Mountain Tours." (RMT) There is no web presence for the venture. Scot has received emails from people frustrated that they could not find the link from the RMSI web site to RMT. The kiosks are little more than photographs, equipment displays and brochure racks. A few people contact RMT based on the brochures, however, not enough to base a business plan upon. Two years ago, RMT's business came from personal contact on behalf of Scot. Since that time word of mouth has taken over. Tracking the source of clientele over time, it starts with a small defined point on the map in Western Canada and then begins to grow as if it were a scientific culture in a lab.

RMT has offered one product to date. The Jasper – Banff trip through the Alberta Rocky Mountains (nicknamed "The JB"). Clients show up in Jasper on day 1 for orientation and a mixer (RMT staff check everyone's bicycle and repair as required while the mixer is in progress). On day 2 through day 4 the group rides to appointed hotels along the route where they enjoy good food and accommodations. On day 5 the group rides from Lake Louise to Banff. Upon arrival in Banff the trip is complete. RMT staff support the clients by on-route snack stations, carrying luggage and providing sag wagon services (picking up those that can't ride the full distance on any given day). RMT arranges hotels and meals, however, the clients pay for each outside of the RMT fee. On day 5 upon their arrival in Banff, clients go their own separate way and are responsible for travel back home or where they may have left a vehicle.

Originally, in search of sales, Scot knocked on the door of companies and people he knew from his days in tours and retreats. The people now looking for the adventure he was offering were middle aged, educated, above average income and physically fit. The first offering was to 6 people. That grew to 10, then 20, and now 35 people per trip. It appears these types of people have their own formal and informal networks; both face to face and on the internet.

On the supply side, Scot used the same tactic. He contacted the same people he dealt with in the hospitality business. He was able to build bridges and coordinate needs quickly. He was able to

share information with the hospitality suppliers to help them provide quality service to his clientele.

There are other organizations that coordinate tours. Most of them are cycling clubs. There are a few for profit companies. Only one other company is running the Jasper – Banff route. There are four companies running tours on Vancouver Island, 3 running wine tours in the British Columbia interior, and an equal number in the wine producing area of Ontario. Two of the companies in British Columbia are in the Ontario market. One of the Vancouver Island companies is the company running Jasper – Banff. Ironically, the province that has the most well developed bicycle network, Quebec, does not have any visible commercial bicycle tour providers in the same sense as identified above. From time to time, cyclists will participate in one off events sponsored by a co-operative supply store or by a bicycle association or even by a tour operator. These are not routine and scheduled operations. The network of formally announced bicycle friendly accommodations, restaurants, and other commercial establishments is the most advanced in the country, however. The east coast provinces are similar to the Quebec structure. They are beginning to set up the bicycle friendly routes between towns and cities and build formal support from the hospitality industry.

There exists a small handful of operators that organize cycle-tours through France and other European countries. These operators are generally stationed in Europe and advertise in travel and bicycle magazines distributed in Canada. From time to time, a Canadian operator ventures into this market. Those that have established a business have partnered with an existing European based company.

In the summer of this year one of Scot's original suppliers registered for "The JB." The supplier turned client originally provided food and hotel services to Scot. The client's business had become equally successful as Scot's and, like Scot, had been looking for other opportunity and has turned over the day to day operations to trusted family. The client employed the services of a consultant, Rob King (King), to help sort out the current situation, the targets and how to get

there. Not with standing RMSI's previous dealings with a consultant, in late summer Scot contacted and hired King to help map RMT's future within RMSI.

During the first meeting between Scot and King, King learned a lot about RMSI, RMT, Scot and the cycle-touring business. King identified the following business units within the cycle-touring supply chain:

- Planning / maps / resource material
- On route guide service
- Accommodation: hotel and camping
- Inbound and outbound air travel
- Inbound and outbound ground transport
- Training: Fitness, bike maintenance, camping and survival
- Bike sales and rentals
- Bike maintenance and repair
- Equipment and clothing sales
- Food and beverage

King suggested the cycle-touring business can be likened to the wedding business. The customer is traditionally responsible for purchasing all the pieces and fitting them together themselves. Wouldn't it be easier for the bride and groom to have a one stop wedding shop? Scot wondered openly during the meeting if it was possible for RMT to shape the cycle-touring business the way the all-inclusive resorts have shaped winter travel.

Required:

As Rob King, develop an integrated report for Ken Scot, CEO of RMSI, advising him on the supply chain management issues of RMT in conjunction with RMSI's operations, as presented in this case study. The report must be complete with identification and analysis of issues, listing and analysis of alternatives, justified recommendations in line with the identified strategy and an implementation plan including appropriate monitoring and control technique. In undertaking this task, you will need to consider your background knowledge of the organization as well as the additional information provided above.

Exhibit 1

Rocky Mountain Sports Inc (RMSI)
Financial Analysis
As at current fiscal year, June 30

RMSI remains in good financial health through June 30,this fiscal year.

		Current Year	LY	2YA
Solvency: Current Ratio	Good	1.5	1.3	1.3
Return on Investment	OK	7%	2%	4%
Return on Assets	Good	4%	1%	2%
Inventory Turnover	Good	5.2	5.4	5.6
Days Receivables	Good	6	6	7
Days Payables	OK	40	41	40
Ability to Borrow: Debt/Equity	Good	1.0	0.9	0.9

Refer to exhibits two through five for detailed financial information.

Exhibit 2

Rocky Mountain Sports Inc (RMSI)
Balance Sheet
As at current fiscal year June 30
(in CDN$ '000s)

ASSETS	**Current**	**LY**
Current assets:		
Cash	$ 93	$ 198
Accounts receivable	3,464	3,138
Inventories	23,345	20,713
Prepaid expenses	1,269	1,285
	28,171	25,334
Capital assets (net)	39,873	41,297
Total assets	$68,044	$66,631
Current liabilities:		
Accounts payable	$ 16,102	$ 15,602
Other current liabilities	3,158	3,778
	19,260	19,380
Long-term liabilities	14,641	11,654
Minority interest	--	800
	33,901	31,834
Shareholders' equity:		
Capital stock	20,000	20,000
Retained earnings	14,143	14,797
	34,143	34,797
Total liabilities and equity	$68,044	$66,631

Exhibit 3

Rocky Mountain Sports Inc (RMSI)
Income Statement
For the current Fiscal Year Ending June 30
(in CDN$ '000s)

	2009	2008
Sales	$ 160,213	$ 150,502
Cost of sales	120,784	112,524
Gross profit	39,429	37,978
Operating expenses:		
Administration	3,012	2,960
Amortization	8,662	8,665
Leasing	15,502	15,552
Other	3,255	3,079
Sales and marketing	6,704	6,600
	37,135	36,856
Income for retail operations	2,294	1,122
Income from tour operations (See appendix 5)	97	84
Income before taxes	2,391	1,206
Income taxes	211	482
Net income	$ 2,602	$ 724

Exhibit 4

Rocky Mountain Sports Inc (RMSI)
Supplementary Information
For the current Fiscal Year Ending June 30
(expressed as % of Sales)

		Total
Retail sales and service		
Hockey equipment		20%
Bicycles		
Children	2%	
Road and triathlon	4%	
Mountain	4%	
Cruiser (adult rec)	2%	
Touring and commuting	4%	16%
Bicycle repair		6%
Other sports		9%
Uniforms		9%
Fashion and accessories		20%
Team sales and service		
Hockey equipment		10%
Bicycles		3%
Other sports		5%
Fashion and accessories		2%

Exhibit 5

Rocky Mountain Sports Inc (RMSI)
Statement of Operations: Rocky Mountain Tours (RMT)
For the current fiscal Year Ending June 30

Average people per tour:			35
Fee per person:		$	360
Variable costs:			
	Food:	$	100
Contribution per person		$	260
Average total contribution per tour:		$	9,100
On route support:			
	Van	$	400
	Wages	$	600
Profit per tour:		$	8,100
Tours in year:			12
		$	97,200
Supplementary Information:			
Other costs paid by customer:			
	Hotel	$	800
	Meals	$	350
	Flight		Varied
	Ground transport		Varied
Customers flying into Edmonton or Calgary			35%
Customers driving to Jasper and arranging pick up in Banff			32%
Customers busing to Jasper and returning from Banff			32%
Customers arranging alternative ground transportation (eg train)			36%

Exhibit 6

Rocky Mountain Sports Inc (RMSI)
Supplementary Information
Bicycle Sales: Demographics

	Average Cost per Unit	Average Age of User	Average Income of Customer
Child's Bike	$300	11	N/A
Road and triathlon	$4000	27	$40,000
Mountain and cycle-cross	$2500	22	$35,000
Cruiser	$1150	38	$65,000
Touring and commuting	$1450	41	$92,000

Exhibit 7

Rocky Mountain Sports Inc (RMSI)
Supplementary Information

Airline Information			
CanWest Airline: Fare Schedule		Group Booking:	
		6 months in	
	Standard	advance	Booked one week in advance
Toronto - Edmonton	$420	15% discount	10% of half fair: 60% of higher fare: 30% of not getting on the flight
Vancouver - Edmonton	$325	15% discount	10% of half fair: 60% of higher fare: 30% of not getting on the flight
Toronto - Calgary	$430	12% discount	5% of half fair: 70% of higher fare: 25% of not getting on the flight
Vancouver - Calgary	$335	12% discount	5% of half fair: 70% of higher fare: 25% of not getting on the flight
EastCentral Airline: Fare Schedule		Group Booking:	
		6 months in	
	Standard	advance	Booked one week in advance
Toronto - Edmonton	$410	17.5% discount	10% of half fair: 60% of higher fare: 30% of not getting on the flight
Vancouver - Edmonton	$315	17.5% discount	10% of half fair: 60% of higher fare: 30% of not getting on the flight
Toronto - Calgary	$420	14% discount	5% of half fair: 70% of higher fare: 25% of not getting on the flight
Vancouver - Calgary	$325	14% discount	5% of half fair: 70% of higher fare: 25% of not getting on the flight
	CanWest	East Central	
On time flights	94%	81%	
Late flight average delay	5 minutes	24 minutes	
Baggage turnaround	20 minutes	30 minutes	
Cancelled flights	1%	5%	

Summary: Research Results

The approximate cost to charter a flight is $45,000 per day.

Exhibit 8

Rocky Mountain Sports Inc (RMSI)
Supplementary Information
Summary: Research Results

Ground Transportation

Three modes of ground transportation have been researched: Plane, train and coach. Air charter is too expensive given the size of craft that can land in Jasper or Banff. The train doe not travel at convenient times is constantly late and is not price competitive with a coach charter.

A 44 seat luxury coach can be leased for $1,200 per day. This includes a driver.
The contract must be signed 6 months in advance. Scot would plan to use the coach for 2 days per tour. One into Jasper and one out of Banff. It has not been decided whether the ground transportation will leave from Edmonton (and return) or Calgary.

The capital cost of a luxury coach is approximately $420,000.

Support vehicles and Sag Wagon

A local rental agency will dedicate two support vans for RMT at the cost of $300 per week for each van for 12 weeks. The vans would cost $24,000 each to buy.

Hotels

The standard room rate (double occupancy) in Jasper and Banff National Parks is $200 per night. Based upon the relationship that Scot has had with the hotels over the years, the operators, RMT will pay $165 per night provided Scot will sign a contract 6 months in advance guaranteeing 200 room nights over the season.

In addition, Scot has negotiated a $40 per person rate for dinner and breakfast per person per night.

The market value of a hotel in the parks is between $4 million and $20 million.

Bicycles

Scot would like to provide bicycles to those customers that do not bring their own bikes. He has not determined how much to surcharge for this service. He can acquire high quality bikes through RMSI for $1,000 each (retail cost $1450). Since he provides bike maintenance to his customers already, there is no incremental charge for maintenance. If well maintained a bike should last 3 seasons.

Exhibit 8

Rocky Mountain Sports Inc (RMSI)
Supplementary Information
Summary: Research Results

A market survey has revealed the following demand functions given the current					
level of competition and market awareness:					
Sample area:			Vancouver	Edmonton	Toronto
Population base: (million people)			2.3	1.0	5.5
Sample size: (thousand people)			1.5	1.5	1.5
Number owning a bike			1000	700	900
Number that are avid cyclists (> 1000 km per year)			300	200	200
Number that would consider cyclo-touring			200	80	120
Number that have cyclo-toured			30	10	25
Number that are likely to cyclo-tour			50	15	35
Of those that are likely to cyclo-tour:					
Price point for the JB all inclusive (including airfare)					
		$1600 or less	25	0	10
		$1400 or less	35	1	15
		$1200 or less	42	7	25
		$1000 or less	45	10	30
		$800 or less	50	14	35

Rocky Mountain Tours (RMT),

a Division of Rocky Mountain Sports Inc (RMSI)

CASE SAMPLE RESPONSE

DISCLAIMER

The attached is an example of a good response designed to provide candidates, instructors and markers an indication of what is reasonably expected under examination conditions. The attached sample response is not an answer key, nor is it a marking key.

Candidates should note that cases are marked on a global basis and that their submission is considered on its whole (in contrast to a traditional, line-by-line marking grid). The paper must demonstrate sound process, judgment, integration, analysis and communication skills. The evaluator must be able to see a connecting thread from the organization's vision/purpose/mission (v/p/m) through the analysis of alternatives and recommendation and into the implementation plan including the selection of performance metrics. In addition there must be a process of internal and external analysis, identification on alternatives, analysis of alternatives (in relation to the v/p/m and current operating environment), recommendation and implementation of an appropriate solution.

The mark values attached to each section of the marking key do not represent importance. Marks are allocated based upon the time required to complete the section. For example: a section worth 20 marks should take twice as long to complete as a section worth 10 marks. Within the context of this examination, each part represents an important and integral part of the candidates' submission. Furthermore, due to the integrative nature of the evaluation, it is unlikely that a candidate will be able to support his/her work in a later section of analysis if he/she did not adequately complete an early section, regardless of the mark value of that section.

The Supply Chain Management Association:
Case Sample Response

Rocky Mountain Tours (RMT),

a Division of Rocky Mountain Sports Inc (RMSI)

Report on Supply Chain Management Issues

Prepared by: Rob King, SCMP.

Rocky Mountain Tours (RMT)
Case Sample Response

October 22, 2009

RMSI

Attn: Ken Scot, CEO

Dear Mr. Scot

Find attached the report as requested.

Yours truly,

Rob King, SCMP

Rocky Mountain Tours (RMT)
Case Sample Response

Executive Summary

RMT, as a division of RMSI, is driven by success in three areas: planet, people and profit. These are the metrics used to evaluate the success of the recommendations listed below.

We identified a number of alternatives at the corporate strategy level available to RMT including geographic diversification (British Columbia, Ontario, Quebec, Maritimes, Europe), product diversification (resource material, training, product sales) and vertical integration (taking control of the supply chain supporting RMT's current product offering, the Jasper – Banff trip through the Alberta Rocky Mountains - nicknamed "The JB").

Based on the decision criteria the selected recommendation is to focus on the vertically integrated JB product. Because of RMSI's current solid financial position and relationship with bicycle suppliers, RMT will be able to enact the desired strategy. Please see the exhibits for further details.

The implementation of the recommendation details the process to establish collaborative relations with different supply chain partners including airlines, motor coach lines and hotels.

Because most of the relationships are mandatory and cannot exist on their own, the implementation planning time is very short. Most of the agreements must be in place 6 months before the tour and therefore negotiations and agreements cannot be delayed.

Due to RMSI's current solid financial position and its relationship with bicycle suppliers, we forecast that RMT will be able to implement the recommendation.

Rocky Mountain Tours (RMT)
Case Sample Response

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Issue Identification

Tactical Issues – Short Term:

1. Starting Point

   This issue depends a lot on the decision made to vertically integrate or not. If we vertically integrate we may lose some flexibility regarding the start point.

2. Advertising

   This is a very urgent issue. We need to address the lack of internet presence as soon as possible.

3. Airline selection

   This issue will greatly affect the price points and the ability of the customers to travel to required locations. This issue is very urgent as air travel negotiations should be completed a long time in advance from the travel period.

4. Ground transportation

   A choice between Capital Investment and Leasing should be considered.

5. Accommodations and Meals

   The availability, level of quality and price will have to be negotiated.

6. Bike rentals

   Bike rentals have to be offered to the out-of-town customers and presented as a cost savings opportunity.

Strategic Issues:

1. Price point

   This is a very important issue as the audience's sensitivity to price is significant.

2. Capital purchase versus fee for service

   This fundamental decision will affect the flexibility of the future options and the level of control over the supply chain.

3. Insurance and statutory compliance

   This can affect liability and long term financial viability of RMT

4. RMSI financial situation is solid. However the RMT finances are not yet strong enough to survive on its own (if we include Scot's salary) and to expand nationally and internationally.

Root Cause Analysis

Strategic Perspective:

RMSI's Statement of Vision / Purpose / Mission

Rocky Mountain Sports Inc recognizes its responsibility to the broader scope of stakeholders impacted by its operations including the community, customers, employees, planet, shareholders and suppliers (in alphabetical order). The company endeavours to select product lines and services that enhance the long run best interests of all stakeholders. Rocky Mountain Sports Inc uses the triple bottom line (People, Planet, Profit) as its measure of performance.

SWOT Analysis:

Strengths:

- Strong word of mouth network in place
- Existing client base on which to draw
- Alberta geographic challenges and local culture known
- Lots of flexibility in regard to financial arrangements
- Company has a good reputation with suppliers including bicycle manufacturers and Scot has solid connections in the local hospitality industry in Alberta
- Scot is available first hand to manage operations
- Spin off business to RMSI's other lines

Weaknesses:

- No link from the RMSI web site to RMT.
- Lack of a web presence
- Business is currently running at a loss if salaries are included
- Large financial risk associated with hotel and restaurant infrastructure
- RMT has no direct contacts in the airline business
- Built on Scot's personal contacts

- RMT has offered one product to date. The Jasper – Banff trip through the Alberta Rocky Mountains (nicknamed "The JB").
- RMT has no international experience
- RMT has limited Eastern Canada, Ontario or Quebec touring experience.

Opportunities:

- Bike sales are on the rise. Increased interest in cycle touring
- Touring bikes are being purchased by upper middle income customers
- Cross marketing opportunities exist with suppliers including airlines and hotels.
- Cycle-touring is consistent with the current trends of green and physically active.
- There is a strong network of touring cyclists on the internet
- Government and NPO's support of cycling including an increase in bicycle dedicated paths and tax incentives.
- The cycle-tour markets are undersupplied
- The business grows fast due formal and informal networks; both face to face and on the internet.
- On the supply side, Scot was able to build bridges and coordinate needs quickly.
- Geographic diversification
- Product diversification and
- Vertical integration of the JB product.

Threats:

- Canada has 4 or 5 months (on average) of winter without bikes.
- Canadian winters are cold and snowy
- Some people believe that cycle-touring is dangerous.
- Exists a belief that the activity is too physical
- People are not crazy about arriving at work hot and sweaty.

- Competition exists in all cycle-touring markets in Canada.
- Government regulation of cycle-tour companies

RMT Leadership:

The Chairman of the Board, Ken Scot plans to focus more on the touring business. Presently Ken spends 50% of his time in the retail sports business and 50% in the touring business. The RSMI succession plan is on track as Joe and Tom have effectively assumed the leadership of the company.

Qualitative Analysis:

Starting Point

The point of origin is extremely important since it is the anchor for the air and ground transportation. This applies to Alberta, Easter Canada, Ontario, Quebec, and Europe.

Advertising

RMT is in desperate need of a formal advertising campaign. To date word of mouth has been sufficient and for the next year it may suffice. RMT should start thinking about advertising on TV or Radio advertising and creating a strong web presence. There have been complaints from those interested in learning more about RMT regarding the lack of web presence.

Airline selection

Working with one airline will be preferred. It is imperative that RMT build strong relations with the air carrier given the direct impact air travel will have on the perceived value of RMT's product.

Ground transportation

Using a luxury coach is the only feasible method of moving the customers from Calgary to Jasper and Banff to Calgary. Air travel is prohibitive in costs and capacity and train travel is slow and unreliable.

Ground Transportation, Accommodations and Meals

Using luxury coaches is a very safe method of moving the customers between different cycling areas. Aside from long term purchase considerations, there is nothing more to be decided regarding accommodations. As with the other factors, there is a normal business risk that comes with guaranteeing the volume six months in advance. Given the prior relationship with each of the hotels, RMT should line up the 4 hotel nights required for each tour.

The meals can be arranged through the hotels. RMT must be active in regard to what is being served. High carb, high protein based meals will be required. RMT and the hotel must manage the risks associated with allergies.

Bike rentals

This is an opportunity to provide value to the customers, help with the logistics of the tour and provide spin off business for RMSI. For example, RMT can leverage RMSI's relationship with the two bike manufactures by securing high quality bikes to be used (via a rental agreement) by customers

Capital purchase versus fee for service

Notwithstanding the benefits a successful outsourcing relationship, in an effort to control the supply chain consideration should be given to purchasing the infrastructure (hotels, restaurants, coaches). The analysis of the capital investment is complex. Currently, it seems that RMT does not have the financial resources necessary to even consider this possibility.

Insurance and statutory compliance

Standard practice would be to secure sufficient property and liability insurance and ensure that all supply chain partners have done the same.

Quantitative Analysis

Financial Situation

Financial Situation	Status	Last Year	One Year Ago	Two Years Ago
Solvency: Current Ratio	Good	1.3	1.3	1.3
Return on Investment	OK	2%	4%	3%
Return on Assets	Good	1%	2%	1%
Inventory Turnover	Good	5.4	5.6	5.9
Days Receivables	Good	6	7	7
Days Payables	OK	41	40	41
Ability to Borrow: Debt/Equity	Good	0.9	0.9	0.9

Income Statement

RMSI's Income Statements	Last Year	One Year Ago	Two Years Ago
Sales (CND $'000s)	$ 150,502	$148,810	$145,781
Cost of sales	112,524	110,112	109,797
Gross profit	37,978	38,698	35,984
Operating expenses:			
Administration	2,960	2,913	2,814
Amortization	8,665	8,565	8,281
Leasing	15,552	15,461	15,030
Other	3,079	3,022	2,974
Sales and marketing	6,600	6,590	5,510
	36,856	36,551	34,609
Income for retail operations	1,122	2,147	1,375
Income from tour operations	**84**	**31**	**--**
Income before taxes	1,206	2,178	1,375
Income taxes	482	871	570
Net income	$724	$1,307	$895

Price point

RMT must arrive at a price that fits the buying public's expectations. In the past $360 has been paid by customers exclusive of hotel ($800/2), meals ($350 - $600), ground transportation ($50 – $100) and airfare ($500).

See Exhibit 2 - Price point calculations

Based upon these calculations a fee of approximately $1580 for people in the GTA or east, $1500 for people coming from the west coast and $1230 for people that will be driving to the staging sight appears to work given the profit target of $200,000.

Alternatives and Options

Decision Criteria:

1. Strategic Fit

   The alternatives have to be selected based on the Strategic Fit with RMSI business strategy.

2. Build upon the existing expertise

   The alternatives should be selected based on the existing expertise of RMT personnel.

3. Synergies with RMSI

   The alternatives should be selected in order to maintain the business synergies between RMT and RMSI.

4. Financial Feasibility

   The alternatives should not create a financial strain on RMSI. The RMT should become financially independent in maximum 3 years.

Alternatives:

A1. Focus on JB growth

RMT has offered one product to date. The Jasper – Banff trip through the Alberta Rocky Mountains (nicknamed "The JB").

Pro: The route is close to the RMSI office and Scot is very familiar with this product. Some of the supply chain relations are already established. There is a real potential to grow this product.

Con: Ignores further growth through diversification for the present time.

A2. Geographic Diversification

In - British Columbia the Greater Victoria Cycling Coalition in conjunction with civic and provincial governments established extensive commuter, recreation and cycle travel routes throughout Southern Vancouver Island and the Gulf Islands.

In Quebec, the government and Vélo Québec Association established "La Route verte" (The Green Road). An ambitious undertaking of bicycle dedicated roads between and within towns and cities.

Government and Non-Government Organization (NGO) support of cycling as an alternative mode of transportation elsewhere (Ontario, the Maritimes, Europe). Most major cities began to establish bicycle lanes on some streets.

Pro: Takes advantage of further growth through geographical diversification

Con: These routes are far from the area of expertise. Additional human, advertising, and financial resources are required.

A3. Seasonal Diversification

Another kind of diversification is to offer to the same audiences alternatives for the other seasons (Downhill ski, Cross-Country Ski, and Snow-Shoe-Trekking for the Winter and walking or jogging tours for Fall / Spring)

Pro: Takes advantage of further growth through seasonal diversification

Con: RMT's expertise in other seasonal activities is limited. Additional human, advertising, and financial resources are required.

A4. Co-Branding Diversification

RMT could enhance some of its cycling or walking tours with opportunities for visiting various historic sites, tour National Parks and Conservation Areas, bird watching, etc…

Pro: Takes advantage of further growth through co-branding diversification

Con: RMT's expertise in this area is limited. Additional human, advertising, and financial resources are required.

A5. Mobility Diversification

As the average age of the current audience is increasing another alternative would be the introduction of motorcycle tours.

Pro: Takes advantage of further growth through mobility diversification

Con: RMT's expertise in this area is limited. Not aligned with the RSMI strategy. Additional human, advertising, and financial resources are required.

Alternatives Evaluation

Alternative / Criterion	Strategic Fit	Existing Expertise	RMSI Synergies	Financial Feasibility	Total
A1. Focus on JB growth	**3**	**3**	**3**	**3**	**12**
A2. Geographic Diversification	2	2	2	1	7
A3. Seasonal Diversification	2	1	1	2	6
A4. Co-Branding Diversification	1	1	2	2	6
A5. Mobility Diversification	1	1	1	1	4

We chose to focus on JB growth and vertically integrate in an effort to enhance the growth of the product. This alternative [provides an excellent strategic fit with the corporate strategy, draws upon the existing RMT expertise, has potential to create synergies with the RMSI activities and is financially feasible.

The vision is to provide an all-inclusive cycle-tour from Jasper to Banff. This vision incorporates taking control of the supply chain in an effort to manage the customers' experience from the time they leave home bound for the RMT Alberta site up to the time they arrive back home (see **Exhibit One).**

Recommendations

The following is a summary of the recommendation's details:

1. Set a sales price of $1580, $ 1500 and $1230 for those flying from Toronto, flying from Vancouver and driving to Calgary respectfully.
2. Use Calgary as the primary/initial point of origin. Give customers the option of beginning (and ending) their tour in Edmonton. For example, for the JB product, both Edmonton and Calgary are available as staging points. There is little difference in cost of airfare to each city. A reasonable choice is Calgary since the RMSI's head office is in Calgary is here. Furthermore, the coach will travel through Edmonton on its way to Jasper anyway, so it is feasible to have a second staging area in Edmonton. The coach rate is per day (not per kilometer – see below) accordingly, the coach can run Banff – Calgary – Edmonton on Day 5.
3. Defer consideration of capital purchases except for rental bikes. Lease/rent motor coaches and hotels.
4. Increase RMT's web presence, introduce kiosks in all RMSI stores. TV/Radio advertising is not feasible due to its blanket coverage (RMT requires target marketing) and its costs. Kiosks at all RMSI stores should be automatic. In preparation for the kiosks, staff will have to be trained and an open avenue to RMT staff will have to be arranged. Direct contact with past customers and cycling enthusiasts can become part of the head office routine. Given that RMSI already maintains a web site, creating companion site for RMT can be accomplished for very little money. The main issue will be the maintenance. Notwithstanding the maintenance issue it is expected in today's marketplace that your product be represented on the web.
5. For the JB product it appears that the only two airlines that can handle RMT's business are the two national airlines: CanWest and East Central. Working with one airline will be preferred. The fares being offered by both airlines are comparable and not materially different. Due to the need to secure capacity, flights must be booked in advance. Although there is a risk booking 6 months in advance, the risk is normal course of business and should be accepted. The decision should be made on the service aspects offered by the airline. CanWest is superior to East Central in the four key service areas (on time flights, late flight average delay, baggage, and turned around & cancelled flights). These are not only convenience factors for

the customer; they will help RMT coordinate the logistics with more certainty. CanWest Airlines should be the air transportation partner of RMT.

6. Designate CanWest as RMT's airline partner and begin building relationships.
7. Use a motor coach to transport customers to Jasper and from Banff. Given the contracts to be signed with other suppliers based upon 36 to 44 customers, a 44 seat coach should be leased.
8. Secure hotels at the negotiated rate
9. Purchase sufficient touring bikes through RMSI and promote benefits of rentals. . With RMT trading on the cost price, a rental price can be offered to entice customers to come without their bikes. This will reduce the airline fee and eliminate the hassle on their behalf. It will give RMT more control and provide less hassle given that bikes will not have to be packed and transported at the staging area. One down side to offering bike rentals is the transportation of bike back to Jasper at the end of the tour. A solution is to run the bikes on the bus, separate from the customer's luggage.
10. Ensure statutory compliance and sufficient insurance coverage.

<u>Recommendation Validation</u>

The recommendation is in line with the corporate V/P/M. JB is close to RMSI's head office (Calgary) and the local culture is familiar and the geographic challenges are known. There already is an existing client base on which to draw and there is a strong word of mouth network in place. Scot has solid connections in the local hospitality industry and in the local ground transportation business. Scot is available first hand to manage operations, the company has a good reputation with suppliers including bicycle manufacturers, there are spin off business opportunities to RMSI's other lines, and lots of flexibility in regard to financial arrangements. Cycle-touring is consistent with the current trends of green and physically active, the Government and NPO's support of cycling including an increase in bicycle dedicated paths and tax incentives, and the cycle-tour markets are undersupplied.

Implementation

Recom-mendation	**Activity**	**Who – Primary** **S - Scot** **Op - RMT operations** **Ad – RMT admin staff** **HO - RMSI head office staff**	**Who – Support** **S - Scot** **Op - RMT operations** **Ad – RMT admin staff** **HO - RMSI head office staff**	**When** **Immediate** **Short run** **Medium** **Long run**
1	Declare the sales price. Print into advertising and systems.	S	Ad, HO	I
2	Find space near the airport in Calgary	Op		I
2	Find space on the outskirts of Edmonton	Op		I
2	Print into advertising and systems	Ad		S
4	Meet with RMSI web masters and get RMT site up and running	S	Ad, HO	I
4	Print into advertising and systems	Ad		I
4	Get Kiosks into RMSI stores	Op, HO		S
4	Train sufficient staff at each store to provide info at kiosks	Op	S	S – M
4	Data mine to develop customer contact list	Ad		S
5	Contact CanWest group travel and begin building bridges and develop contracts	Op	S	I
6	Prepare and issue RFT to local bus lines	Op	HO	I
7	Contact hotels and firm deals	S	Op	I
8	Contact bike manufactures for quotes.	HO		S
8	Arrange financing, if necessary	HO	S	S
9	Cover statutory responsibilities and risk management	Ad	S, HO	M
3	Compile preliminary data on capital purchase amounts and financing schemes. Develop business case	S	Ad	L

Monitor and Control

There are two aspects to the monitor and control functions within RMSI and RMT. The first aspect is the successful implementation of the recommendations list above. This process can be completed by timely checks in regard to what has to be completed, by whom and when. In other words management must simply follow up on the implementation plan.

The second aspect is the operation of RMT itself. RMT is a division of RMSI and therefore subject to the V/P/M as articulated by the RMSI board. In the statement it is declared that RMSI's performance is measured by the triple bottom line (people, planet, profit). As a result the metric(s) must provide equal weighting to each. In addition, in a true supply chain RMT's partners should be evaluated in the same or similar manner. The following is a list of inclusions that may be used to measure the performance of RMT.

People:

- Staff turnover rates
- Charitable contributions: money and time
- RMT food service content
- Learning and educational opportunities

Planet

- CO2 footprint
- Power used
- Waste volume (to landfill)
- Waste volume (recycle)
- Use of (28 day) biodegradable soaps and cleansers
- % of organic materials used
- Reductions in paper and plastic use

Profit

- Total number of customers
- Total revenue
- Revenue per customer
- Profit
- Profit %
- Return on Investment
- Revenue growth, Profit growth
- Line by line budget variance analysis

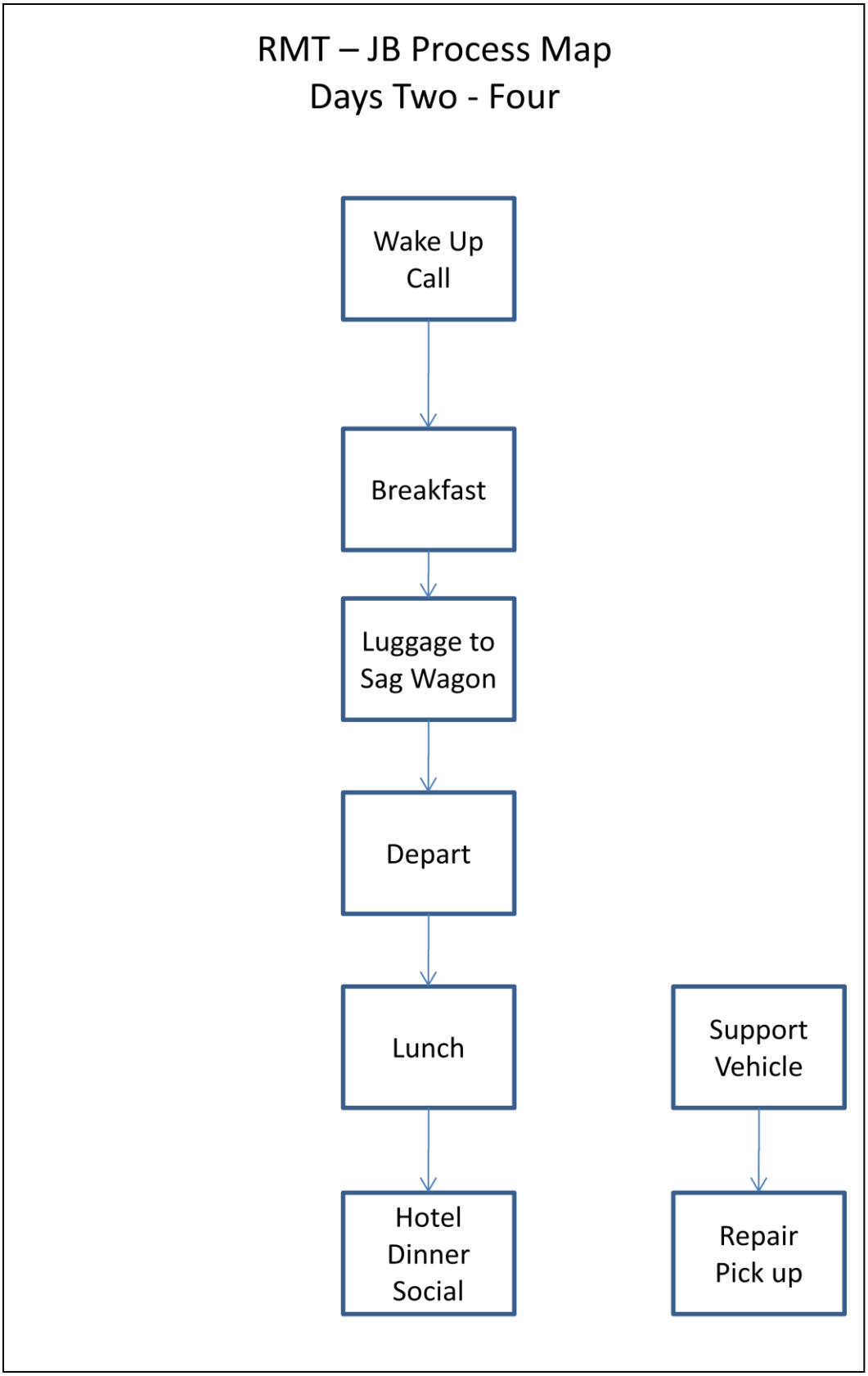
RMT – JB Process Map
Days Two - Four
Wake Up Call
Breakfast
Luggage to Sag Wagon
Depart
Lunch
Hotel Dinner Social
Support Vehicle
Repair Pick up

Exhibit One

RMT – JB Process Map
Day Five

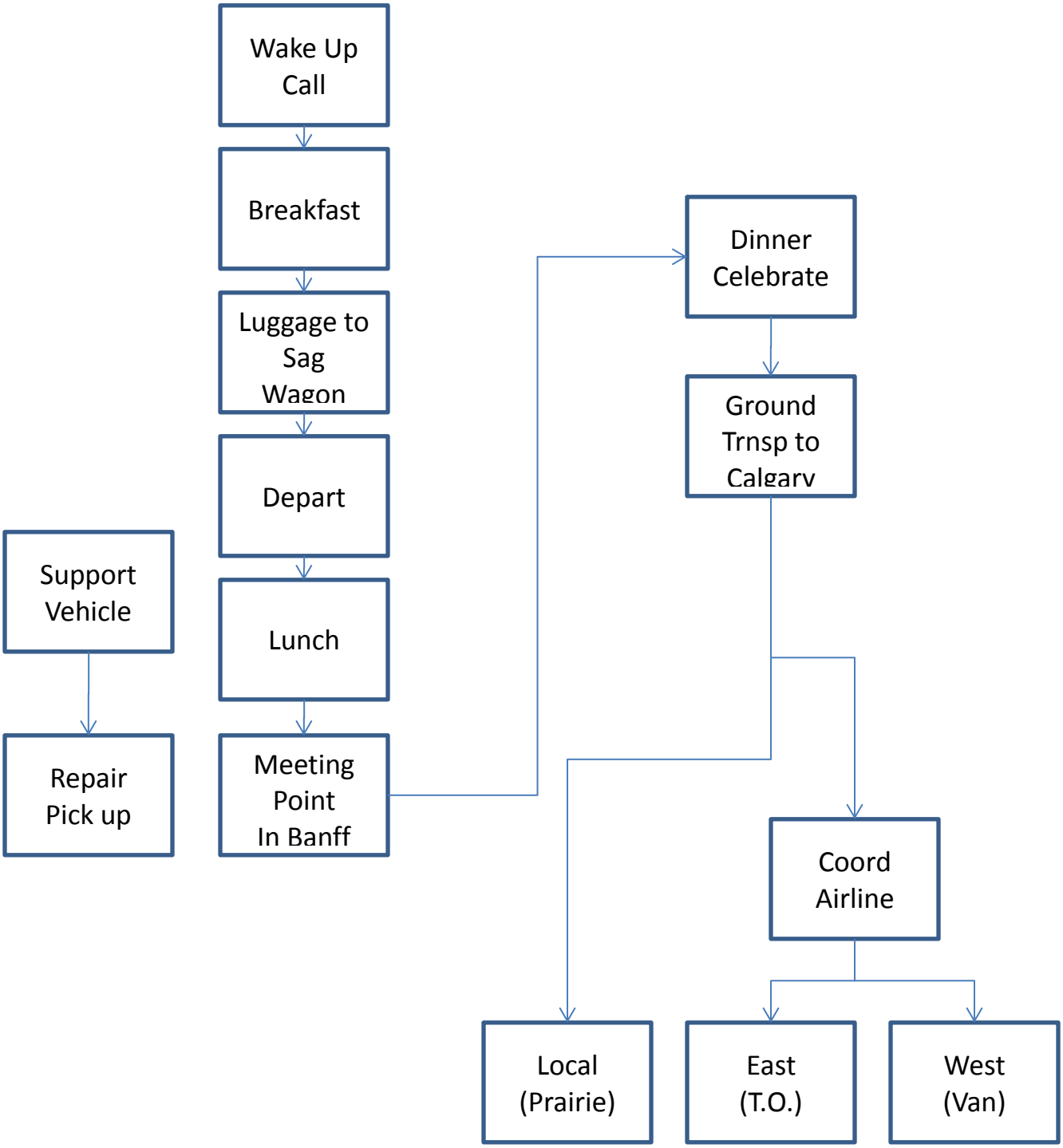

Exhibit 2

Price Point Calculations

See Process Map Presented in Exhibit 1 regarding itinerary.					
Cost driven by the number of riders					
	Hotel	4 nights x 165 / 2			330
	Food	Breakfast - Dinner 5 days @ 40			200
	Food	Lunch			100
	Bike	Rental			100
	Total				730
Cost driven by the number of trips					
	Coach	2 days (Calg - Jasp, Banff - Calg)		2400	
	Van			300	
	Wages			1000	
				3700	
	Capacity 44 x 80%			36	100
Profit (target is $200,000)					400
Per person round trip to airport.					1230
			Toronto	Vancouver	Local
Air fare estimate			350	275	0
Total cost per person			1580	1505	1230
NOTE: Market research is based on sample of 1500 people. Each person					
in the sample represents 3667 people in the GTA, 1533 in the GVA and					
667 in the ETA.					
People surveyed in the price point			10	25	7
Extrapolate to the population			36670	38325	4669
Total market from three cities					79664
Capacity: 12 weeks x 44 seats on the coach					528
			Toronto	**Vancouver**	**Local**
Price point is			**1580**	**1505**	**1230**