Case study :

Can Information System and The Internet help a Small Business Distress?

Sports for All, one of the most successful stores in middletown, illinois, is privately owned by Nancy Knowland. It employes 12 people with sales of about $3 million per year. Nancy’s family started the sporting goods store over 60 years ago. The store grew slowly over the years, attracting customers from around middletown. The stores’s strategy was to provide a large variety of products at low prices. Because of low expenses in middletown (labour, taxes, rent) the store was able to compete successfully against both K – Mart’s and Wal – Mart’s sporting goods departments.

Lately, however, the situation changed. Sports for all was losing customers to Wal – Mart because Wal – Mart was importing extremly inexpensive goods from sources that were not available to sports for All. Furhtermore, several customers opted to travel as much as 150 miles to St. Louis and pay high prices for special products that were customizes for them by a new and fashionable sporting goods store there.

Nancy become concerned last summer when total sales showed a clear trend of decline for four consecutive quarters. Yesterday, the monthly sales data were compiled and showed the lowest monthly sales data were compiled and showed the lowest monthly sales level in 10 years. Nancy called in all the key people of the store for an emergency meeting.

Nancy’s son, David, has been urging his mother for years to install a modern computerized information system in the store. Last summer, he purchased several computers and accounting package and transferred most of the manual accounting transactions (billing, purchasing, and inventory) to the computer. The store also handles all its correspondence on word processor. Nancy objected to further investment in computer systems, especially since profits were declining.

During the meeting, David proposed the installation of a sophisticated information system that would improve purchasing, inventory management and customer service. “ Some major manufacturers will not sell products to us because we are not on their electronic data interchange (EDI) system. We need to expedite the receipts of shipments and buy directly from manufacturers so we can be more responsive to customers. We also need to control costs and inventories,” he explained. He said it is necessary to create an internet presence by building a web site. The existing internal systems should be migrated to an internet and electronic commerce applicatons sholud be explored. Furthermore, “we should explore the feasibility of constructing an extranet with our business partners.”

Jim Park, who helps Nancy with finance and marketing was not too enthusiastic. David’s proposal will cost more than $160.000 and it will be not reduce our labor force by even one employee. We are just too small for these fancy machines. We will be better off applying this money toward advertisement and provideing special sales to attract customers,” he said.

Question :

As a consultant to sports of All, complete the following :

1. Prepare a report in which you explain to management the changing business environment and why traditional actions such as increase in advertisement may not be effective
2. Use the trends and the capabilities of IT to demonstrate to Nancy why she may have to use IT in order to survive
3. Why was David pushing the use of internet?
4. What spesific factors need to be considered in oreder to make a decision on whether or not to accept David’s proposal?