

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION – JULY 2011

COURSE TITLE : MANAGEMENT INFORMATION SYSTEMS
COURSE CODE : BA 311– FULLTIME and IDE
CLASS : DIPLOMA IN COMMERCE
TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)
2. SECTION (A) IS COMPULSORY.

TOTAL MARKS 40

3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B.

TOTAL MARKS 60

4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)

NOTE: GOOD COMMUNICATION IN ENGLISH AND ORDERLY PRESENTATION
AFFECTS THE TOTAL MARKS YOU WILL BE ALLOCATED FOR EACH ATTEMPTED
QUESTION

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL THE INVIGILATOR HAS
GRANTED PERMISSION

SECTION A. - COMPULSORY

AUTONATION® ON INFORMATION SYSTEMS

Most take-away stores let you “have it your way”. A local car dealer is usually not so customer friendly. A typical ready-to-buy car shopper may walk into the dealership with an idea of how much he or she wants to spend and which features the car should include in that price.

Many dealers will order a customized vehicle for a customer, but such an order usually adds 6 to 8 weeks to the transaction. The customer who wants to buy on the spot must choose from cars on the parking lot that the manufacturer has already made. Despite manufacturer incentives to entice customers to purchase, dealers often have a glut of new cars sitting in the parking lot for months at a time that no one wants to buy. The swollen inventory and slow turnaround hurt dealers because they must borrow money to buy the cars the manufacturers ship.

AutoNation, one of the largest car dealers in the United States, is no exception. With over \$19 billion in annual revenue, AutoNation is a leading seller of cars. The company has 257 dealerships in 16 states, and sells 4% of all new cars sold in the U.S. but it too, has a problem with excessive inventory it cannot easily sell.

Why don't auto manufacturers try harder to produce the car models and options that customers actually want? One reason is that their processes are not set to do so and are geared towards optimizing the efficiency of the production plant. It has become imperative for the manufacturers to keep their plants running even when there is no demand. Furthermore, auto workers in the U.S. have to be paid even when they are not working; hence manufacturers will prefer to get them working. Pushing out vehicles keeps the revenue stream flowing because the automakers are paid as soon as the cars get to the dealers.

These days, with so many options available for cars, this manufacturer strategy makes less sense. For example, a dealer in one state may get stuck with four-wheel drive vans that, while in demand in climates that have regular snowfall, have little appeal to the state that has more sunshine than snow.

Historically, dealers have been independent or small chains, selling a single brand of car and having little bargaining power. They had to accept whatever the auto manufacturer shipped to them even if it was bad for business. With the growth of chains like AutoNation, the dealers have gained more power in the relationship.

AutoNation's CEO Michael J. Jackson is pressuring the Big Three (General Motors, Ford, and Chrysler) to cut back on production and focus on building cars that customers actually want. Jackson's intent is not simply to tell automakers what to do. He wants to show them the way. AutoNation already has experience in working with data on the habits of car buyers and the most popular configurations of all makes of vehicles. The work started when the company made a major effort to consolidate the customer lists from its hundreds of dealerships.

AutoNation used proprietary analytic software as well as assistance from DME, a marketing firm with expertise in creating customized direct mail campaigns. AutoNation no longer sends out the same mailing to every customer who has opted to be on the mailing list. The chain has divided customers into 62 groups that receive mailings that have been customized for each group with relevant sales pitches and service specials. Service revenues in particular have received a boost from this sort of targeted marketing. AutoNation's goal for its data is to offer products and services that its customers want rather than sifting through its data to find customers that might want the products it already has.

AutoNation is now applying these principles of market intelligence to auto manufacturing. By mining consumer data, Jackson wants to pinpoint the few configurations of each vehicle among thousands of possible variations that are most popular with buyers. That way, the manufacturers can focus on building these vehicles in the numbers that the data dictate.

The Big Three have all expressed their support for Jackson's attempts to integrate customer data with auto manufacturing processes. Mark LaNeve, head of North American sales and marketing for GM, suggested that his company might collaborate with Jackson on the creation of a predictive modeling system to bring production in line with consumer demand. At the same time, LaNeve is not overly concerned about inventory levels and does not think that the industry is in crisis. Jackson may still have a lot of campaigning to do before market intelligence and auto manufacturing truly co-exist.

Case adapted from Laudon and Laudon, Management Information Systems, 8th Edition.

1. Help Jackson explain to LaNeve how information technology can be effectively used to manage the respective businesses (AutoNation, GM) so that they both benefit simultaneously. Use the situations presented in the case to support your 3 suggestions. (15 marks)
2. How has AutoNation used information technology to reduce the power of its suppliers (the manufacturers)? (10 marks)
3. How can auto dealers, *collectively as a group*, use information technology to their advantage? Elaborate on 3 points. *(Each point must have its own heading)* (15 marks)

SECTION B. – ANSWER ANY 3 QUESTIONS

Question 2

Given *your* understanding of McFarlan's Portfolio model, provide and briefly discuss 4 criticisms (*under headings*) of the model. (20 marks)

Question 3

Operations is one of the primary activities on the value chain that the firm can concentrate on to gain some competitive advantage. Discuss four benefits (*under headings*) of using I.T. to improve your operations, giving specific examples for each benefit. (20 marks)

Question 4

Discuss how 3 alternative development approaches can aid an organization address system development challenges.

Suggested Answer Layout

DEVELOPMENT APPROACH (<i>1 mark each</i>)	CHALLENGE IT CAN HELP ADDRESS (<i>2 marks each</i>)	HOW IT ADDRESSES THE CHALLENGE (<i>4 marks each</i>)
1.		
2.		
3.		

(20 marks)

Question 5

Discuss in detail, *and under headings*, 4 factors that affect the implementation outcome of a systems project. (20 marks)