Strategic Analysis Case Description

Exotic Cars Inc. (ECI) is a company specializing in sales and maintenance of the exotic (hence the name) cars.

The cars that ECI sells come from multiple sources: some are shipped directly from the factories, other purchased from the private collectors, and yet some other cars are traded-in by the customers of ECI.

ECI also provides a regular maintenance service of the exotic cars, such as engine tune-up, tire rotation, oil change, etc. You do not have to buy a car from ECI to use its maintenance service; consequently, some owners of the exotic cars purchased elsewhere also use ECI maintenance service.

ECI appreciates continuing business of its patrons; consequently, the company wants to maintain as much information about each valuable customer as it possibly can.

As a result, ECI diligently records how much money each customer spends on buying cars (more than a half have purchased two cars and about third bought three or more), on maintenance service (how much customer spends overall, and per car), and whether or not a customer ever traded a car in.

Similarly, ECI maintains detailed data on all the dealers, companies, manufacturers, and other sources that provide the company with needed services, parts, or cars.

ECI is not a "backward" organization, but things have been done there pretty much the same way since ECI was founded in 1966. Owners of ECI feel like it is about time not just to move forward, but "leapfrog" the competition.

Additionally, the management has been receiving complaints from ECI' customers; specifically, the customers complain that:

1. It takes a long time to trade the cars in
2. It takes a long time to perform the maintenance of the exotic cars (primarily due to the time it takes ECI to get the needed components)
3. Some collectors noted that the quality of the inventory of exotic cars, for which ECI was always known, have gone down.

Organizational structure of ECI

There are three operational locations of ECI; one in Washington, DC, second in Richmond, VA, and third in Virginia Beach, VA. Corporate headquarters located in Charlottesville, VA.

Every location has a general manager, which is responsible for authorizing/rejecting whatever requests area managers of that location may have. Normally, area managers only handle the issue relevant to their area, for example, sales/trade-in area has its own manager, body shop/repair shop has its own, and service area has its own area manager. Every area manager is authorized to make financial decisions up to $10,000.00. If the amount exceeds the limit of an area manager, then general manager of that location must authorize it- the general manager has discretion of making financial decisions of up to $100,000.00. If the amount exceeds this number, a request is send to the headquarters, where it is approved or rejected by a VP of the area (e.g., service, sales, and repair); a VP of the area is authorized to make a financial decision of up to $250,000.00. If the request exceeds this amount, it must be addressed by the CEO of ECI.

Strategic Analysis Case

In your previous case you identified the basic system that was suggested to ECI for implementation. After reviewing your proposal, management is now asking you to do a preliminary strategic analysis as the first major activity of the project planning process. Specifically, your report needs to discuss the following:

- Technical feasibility
- Economic feasibility
- Organizational feasibility
    - Operational
    - Schedule
    - Legal and contractual
    - Political
- Any additional comments you deem relevant for this project

<u>Your report should be complemented by a spreadsheet for a cost/benefit analysis, including TCO, ROI, and NPV (@8%), and a breakeven analysis (your economic feasibility should refer to the numbers calculated by your spreadsheet). Obviously, your spreadsheet should do all the necessary calculations.</u>

<u>Following are some points to consider:</u>

1. Time frame for the implementation is three years.
2. Via implementation of the proposed system ECI' management looks to cut two low-level assistant' position – for total saving of $70,000 in salaries.
3. New position of the System Administrator will be established, but you need to determine the feasible amount that could be allocated towards the salary. Consider yearly raises of 4% to account for the increases in the cost of living.
4. Currently, ECI employs seven car mechanics; average salary of each is $65,000. ECI charges its customers an hourly labor rate of $125. No more than five cars could be maintained simultaneously. Each of the five bays costs $500 per day to operate.
5. ECI values each customer based on the premise that every customer brings $15,000 of net revenue per year.
6. Any acquired for ECI' inventory item (e.g., car, part, etc.) must bring at least 15% of the profit.
7. A cost of a delay of inventory acquisition has been estimated at $800 per day.
8. A cost of a delay in maintenance has been estimated at $350 per day.

Clearly, this list is incomplete- you need to consider all the relevant information, plus, you need to estimate the rest (provide your justification for each estimate).