Petries electronic

Although the customer loyalty project at Potpie's Electronics had gone slowly at first. The past few weeks had been fast paced and busy, Jim Waterman, the project manager, thought to himself. He had spent much of his time planning and conducting Interviews with key stakeholders Inside the company. He had also worked with the marketing group to put together some focus groups made up of loyal customers, to get some Ideas about what they would value in a customer loyalty program.

Jim had also spent some time studying customer loyalty programs at other gig retail chains and those in other Industries as well, such as the airlines, known for their extensive customer loyalty programs. As project manager, he had also supervised the efforts of his team members. Together, they had collected a great deal of data. Jim had Just finished creating a high-level summary of the information into a table he could send to his team members (PEE Table 5-1).

PEE TABLE 5-1: Requirements and constraints for Potpie's customer Loyalty Project Requirements Effective customer incentives? System should be able to effectively store customer activity and convert to rewards and other incentives Easy for customers to use? Interface should be Intuitive for customer use Proven performance? System as proposed should have been used successfully by other clients Easy to Implement ? Implementation should not require outside consultants or extraordinary skills on the part of our staff or require specialized hardware Scalable? System should be easily expandable as the number of participating customers grows Vendor support ? Vendor should have proven track record of reliable support and Infrastructure in lace to provide it Constraints Cost to buy? Licenses for one

year should be under $500, 000 Cost to operate? Total operating costs should be no more than $1 million per year Time to Implement? Duration of Implementation should not exceed three months Staff to implement? lamentation should be successful with the staff we have and with the skills they already possess From the list of requirements, it was clear that he and his team did not favor building a system from scratch in-house. Jim was glad that the team felt that way. Not only was building a system like this In-house an antiquated reactive, it was expensive and time consuming.

As nice as it might have been to develop a unique system just for Potpie's, there was little point in reinventing the wheel. The IT staff would customize the system interface, and there would be lots of work for Ganja's staff In Integrating the new system and Its related components with Potpie's excellent systems, but the core of the system would have already been developed by someone else. PEE TABLE 5-2: Alternatives for Potpie's Customer Loyalty Project Alternative A Data warehousing-centered system designed and licensed by Standard Basic Systems, Inc. (SIBS). The data warehousing tools at the heart of the system were designed and developed by SIBS, and work with standard relational Dobbs and relational/O hybrid Dobbs.

The SIBS tools and approach have been used for many I OFF implementation, operation, and maintenance. The license is relatively expensive. The customer loyalty application using the SIBS data warehousing tools is an established application, used by many retail businesses in other industries. Alternative B Customer relationship management (CRM)-centered system designed and licensed y CRA Corporation. CRA is a pioneer in CRM systems,

so its CRM is widely recognized as an industry leader. The system includes tools that support customer loyalty programs. The CRM system itself is large and complex, but pricing in this proposal is based only on modules used for the customer loyalty application.

Alternative C Proprietary system designed and licensed by Nova Innovation Group, Inc. The system is relatively new and leading edge, so it has only been implemented in a few sites. The vendor is truly innovative but small and inexperienced. The customer interface, signed for a standard Web browser, is stunning in its design and is extremely easy for customers to use to check on their loyalty program status. The software runs remotely, in the " cloud," and data related to the customer loyalty program would be stored in the cloud too. Just as he was finishing the e-mail he would send to his team about the new system's requirements and constraints, he received a new message from Sandy.

He had asked Sandy to take the lead in scouting out existing customer loyalty systems that Potpie's could license. Sandy had conducted a preliminary investigation that was now complete. His e-mail contained the descriptions of three of the systems he had found and studied (PEE Table 5-2). Obviously, Jim and his team would need to have a lot more information about these alternatives, but Jim was intrigued by the possibilities. He sent a reply to Sandy, asking him to pass the alternatives on to the team, and also asking him to prepare a briefing for the team that would include more detailed information about each alternative. Case Questions 1.

What do you think are the sources of the information Jim and his team collected? How do you think they collected all of that information? 3. If you were looking for alternative approaches for Potpie's customer loyalty program, where would you look for information? Where would you start? How would you know when you were done? 5. Why shouldn't Potpie's staff build their own unique system in-house? Structuring Systems Requirements: Process Modeling Jim and Sandy chatted in Jims office while they waited for Sally to arrive. " Good work on researching those alternatives," Jim said. " Thanks, replied Sandy. " There are a lot of alternatives out there.

I think we found the best three, considering what we are able to pay. " Just then Sally walked in. " Sorry I'm late. Things are getting really busy in marketing right now. Eve been putting out fires all morning. " Sally sat down at the table across from Jim. PEE TABLE 6-1: Four Core Functions of Potpie's Customer Loyalty System Function Description Record customer activities customer loyalty system, as the rewards the system generates are driven by purchases. Similarly, when a customer uses a coupon generated by the system, it must also be recorded, so that the customer activity records can be updated to show hat the coupon has been used and is now invalid.

Send promotions Data about customer activities provide information about what types of products customers tend to buy and in what quantities. This information helps determine what sales promotion materials are best targeted at what customers. Customers who buy lots of video games should receive promotions about games, game platforms and HAD TV's, for example. Generate point-redemption coupons Data about customer activities is used to generate coupons for future purchases. Those coupons must be

made available to customers, either as paper coupons sent n the mail or online, in the customer's private account area. Once created, the customer activity database needs to be updated to show the creation of the coupon.

The loyalty points needed to create the coupon must be deducted from the customer's total points. Generate customer reports From time to time, either in the mail or electronically, customers need to be sent account reports that show their recent purchases, the coupons they have been issued that have not yet been redeemed, and the total points they have amassed from their purchases. " l understand," Jim said. " But to stay on schedule, we need to tart focusing on the specifics of what we want our system to do. Remember when you wanted more details on what the system would do? Well, now we start to spend some serious energy on getting that done. " " Awesome," replied Sally, as she pulled a Red Bull out of her oversized bag and popped it open. Eve got a list here of four core functions the system must perform," said Sandy, pulling copies of a list from a folder on the table (PEE Table 6-1). " Let's look at these. " After reviewing the list Sandy had given them, Jim said, " Nice Job, Sandy. But we need to put this in graphical format, so hat everyone can see what the inputs and outputs are for each function and how they are related to each other. We also need to see how the new system fits in with our existing data sources. We need o" " Some data-flow diagrams," Sandy interrupted. " Exactly," said Jim. " They are already done," replied Sandy, handing diagrams to both Jim and Sally. " Eve already created a first draft of the context diagram [PEE Figure 6-1] and a level-I diagram [PEE Figure 6-2].

You can see how Eve defined the boundaries of our system, and Eve included our existing product and marketing databases. PEE FIGURE 6-1 Context diagram. PEE FIGURE 6-2 Level-I DVD. " What can I say? ' Jim said. " Again, a nice Job on your part. These diagrams are both good places for us to start. Let's get copies of all of this to the team. " " I'll be right back," Sally said, standing up. " I need to get some coffee. " Case Questions 1. Are the Doffs in PEE Figures 6-1 and 6-2 balanced? Show that they are, or are not. If they are not balanced, how can they be fixed? 5. Why is it important for the team to create Doffs if they are not going to write the actual system code themselves?