

Cj industries and heavy pumps essay



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CJI's issue revolves around their new contract with Great Lakes Pleasure Boats composed of a 5-year, \$10 million per year closing deal. After this contract, Great Lakes would represent 30 percent of CJI's annual sales, and therefore, putting CJI's and Great Lakes contract on the list of top priorities. CJI produces all their items in house; except for the bilge pump, which is outsourced by Heavey Pumps. Heavey Pumps is a small pump manufacturer that CJI calls whenever they need 50 pumps, which is usually every four to six months. After the Great Lakes contract, CJI will need a 50 pumps every month to provide the job specified on the contract. CJI is not sure Heavey Pumps has the ability to increase their production to meet their demand. Therefore, CJI faces the make or buy analysis.

If they buy, they will be spending an additional \$3, 000 per year on just shipping alone.

If they make, they will need to investment half a million dollars, hire three additional employees and clear up manufacturing and warehouse space.

Therefore, issue number one is cost, both in buying and making; CJI needs to account for cost. CJI also lacks expertise and time.

Heavey Pumps issue is the capacity to deliver. They will need additional equipment and labor. Also needing to account for other production costs and extra delivery costs.

The last issue is the fact that there are no performance or quality records for Heavey Pumps; therefore, it's hard to analysis or forecast for such situations.

CJI should continue to use Heavey Pumps if they are able to supply 50 pumps per month. They've always been able to supply the pumps before CJI's stock was depleted; therefore, proving their reliability. The advantages would consist of lower shipping and productions costs, and the ability to create an alliance. The disadvantage of a single source is CJI's dependency on one supplier, making it a risky proposition.

CJI shouldn't make it in-house because they don't have enough financial information to know if it would cost effective and they lack pump-manufacturing expertise. The advantages of in sourcing would consist of the more control on product and protection of proprietary technology. The disadvantages of making it in house would be insufficient capacity and lack of expertise.

Lastly, CJI should explore the idea of having multiple suppliers and check if it's cost effective to have multiple sources instead of one. The advantages of having multiple suppliers consist of spreading the risk of supply interruption, creating completion, information variability, flexibility and the ability to test a new supplier without jeopardizing production flow. The disadvantages would be having less control, quality control inconsistency, scheduling deliveries, higher costs, and more administrative work.

CJI can assure continued compliance and additional contract business from Great Lakes in the future by being more organized, and accounting for cost, performance and quality to prove reliability.