

CUSTOMER PROFITABILITY CASE STUDY

ANSWER KEY

1. At the end of the first dry run, management notices that some of the pipe was incorrectly labeled. They called aside Mr. Sand for a review and held him accountable, saying he should have caught the error during his inspection. Mr. Sand insists he did his job correctly. Is it possible that he was correct? If so, how could the problem have happened?

ANSWER: It is possible that Mr. Sand did his job correctly. Ms. Ceramic could have made incorrect machine adjustments so the correct label was placed on a product incorrectly manufactured. If labeling was done after the product is moved to the correct bin for packaging, Mr. Lead could have placed the product in the wrong bin.

2. At the end of the second dry run, management notices that the items contained in the order were incorrect. They called aside Mr. Lead for a review and held him accountable, saying he brought the pipe to the wrong storage area. Mr. Lead insists he did his job correctly. Is it possible that he was correct? If so, how could the problem have happened?

ANSWER: It is possible that Mr. Lead did his job correctly. Once again, the problem could have been that Ms. Ceramic made incorrect machine adjustments. It is also possible that Mr. Sand incorrectly labeled product and that Ms. Fiberglass packaged the product incorrectly.

3. What do the first two questions indicate about the dependency workers have on their fellow employees as it relates to their job performance?

ANSWER: Co-workers are very dependent upon each other. In fact, how well your co-workers perform not only has an impact on the amount and type of work you have to do, but can also impact how you are perceived in your job and your job compensation. If Ms. Fiberglass' job performance was partly based on how much pipe she packed in a day, a large amount of incorrect machine adjustments could lead to a lot of double packing of orders resulting in a low number of items packed.

4. List all the dependencies these four new employees have on one another.

ANSWER: Ms. Fiberglass relies on correct machine adjustments by Ms. Ceramic, correct product labeling by Mr. Sand and, if the pipe is packaged after it is moved, that placement in the correct bin by Mr. Lead. Mr. Sand relies on correct machine adjustments by Ms. Ceramic and if labeling is done after the pipe is moved, movement to the correct bin by Mr. Lead. Ms. Ceramic does not rely on any of these employees but is dependent on the individuals that take the customer orders (so the machine is set to the correct customer specifications) and on the individuals responsible for machine maintenance. Mr. Lead relies on correct machine adjustments by Ms. Ceramic, correct product labeling by Mr. Sand, and if the pipe is packaged prior to being moved to the correct bin, correct packaging of product by Ms. Fiberglass.

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5. If the dry runs were in fact the real thing and these orders were shipped to Big Jim's Plumbing Supplies, considering their experience with Piper's Pipes, do you think they would have kept doing business with ABC Plastics?

ANSWER: No, these are the same problems they were experiencing with their old supplier, whom they left.

6. If Big Jim's took their business elsewhere, what do you think would happen to ABC Plastics' profitability? Would there be any impact on jobs? If yes, what would that impact be?

ANSWER: ABC Plastics' profitability would be worse than if they had never taken this account. ABC Plastics would have all the costs associated with the new client (more employees, more machines, more raw materials, etc.) with none of the revenues. Jobs would surely be lost if the account could not be replaced quickly.