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Case

RED Loudspeakers

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RED Ltd is a small company producing high-end loudspeakers for the hi-fi market. It operates out of a factory in Birmingham and originally was a family business. Although RED design and build the speakers themselves, they buy in speaker components from LSI Ltd and other suppliers.

RED was purchased in 1998 by a young entrepreneur, Rob Boston, when the company's fortunes were very low and it was on the verge of bankruptcy. Fierce competition from Southeast Asia had impacted the demand for UK produced hi-fi equipment. Although he still owns the company and is a member of its board, Rob Boston has long since moved on to other things. The company is now managed by Peter Frod.

Boston was responsible for drastic cuts and a reorganization that took place in 1999. One of the reasons RED survived and is still trading today is their dynamic sales team (recruited by Boston himself). At present RED's main customers are small independent Hi-fi retailers in the UK and the United States. RED's sales team have managed to increase orders every year since 2003, averaging a 4% annual growth (present date being 2010).

The sales team consists of the sales manager, ten salespersons, and a marketing assistant. Each member of the sales team is responsible for looking after the requirements of their own group of geographically dispersed customers. They report to the sales manager monthly. They are also responsible for keeping their own customer records and use laptops to assist with this process.

Each salesperson passes the orders they make to the marketing assistant who passes these orders to the production section. There have been four different marketing assistants in the last two years —most have

left after approximately one month. Janet Black has been with the company for almost seven months now, and ensures any abuse she receives when processing the sales team's orders is suitably deflected to those she believes are responsible!

Another crucial factor in RED's survival was John Smith. He was hired in 1999 as manager of the revamped research and development (R&D) team, and it was he who came up with an innovative design for a high-quality compact loudspeaker system. Smith is considered a maverick by his colleagues in other sections, due to his habit of chasing new concepts and ideas. Some argue he should be applying his team's expertise to developing and improving RED's existing products. The R&D team consists of Smith, two young designers, and a highly skilled cabinet maker with a good working knowledge of acoustics.

Although morale has always been high among the sales team (probably due to the charisma and leadership of the sales manager, Sue Waterford), considerable frustration has been manifest in the last year at various meetings within the company. Nick Wright, one of the senior members of the sales staff, summed it up by saying. "We are really getting fed up with the fact that after all our efforts to cultivate new customers and orders, our efforts go to waste and our reputation is damaged by the frequent complaints about failure to deliver goods on time, receiving only part orders and slow product development."

The production manager, Tim Shaw, and his staff of 17 consider themselves to be efficient and overworked, and morale certainly cannot be said to be good in this section. In 1999 the team was cut down to a minimum as part of a cost saving scheme; the number of production personnel has not changed since then. Production planning is not helped by

having a succession of “high priority” orders arriving almost continuously from certain members of the sales team’, who in the opinion of Tim Shaw, “are making irresponsible promises of delivery to their customers without first checking the production schedule.” Tim feels the sales team are placing unnecessary strain on his section. He sees his team as skilled craftsmen, not logistics experts.

RED has a small network of five PCs that was setup in 2001 as part of Frood’s scheme to modernize the management of RED. Two of these machines reside in the general office and are used mainly for the

company accounts and payroll. The managing director himself has one in his office (or more correctly in his secretary’s office); this machine, like the other machines located outside the general office, is used mostly for word processing, much of which is normal everyday correspondence.

There is a rumour that Rob Boston is contemplating selling off RED if things do not improve in the next six months. RED is the least profitable of all the companies in his group. You have been asked by Peter Frood to perform an analysis of RED’s operations and to suggest innovations that might be made.