

Fun Sports

——Cost management and Outsourcing strategy in the Information Age



Team Number: HB20211318



Team Name: Supernova



Members: Jiang Shimin,Liu Yihan,Ouyang Guoliang,Cheng Da,Zhang Xiaoyu

CONTENT



***01.
Case Overview***

***02.
Question 1 : Cost &
Budget***

***03.
Question 2 :
Outsourcing--Relative
Merits & Solutions***

***04.
Summary***

PART 01

Case Overview ➡ Q1:Cost & Budget ➡ Q2:Outsourcing--Relative Merits & Solutions ➡ Summary

Part 1 : Case Overview



PART 02

Case Overview ➡ **Q1:Cost&Budget** ➡ Q2:Outsourcing--Relative Merits & Solutions ➡ Summary

Part 2 : Question1: Cost & Budget

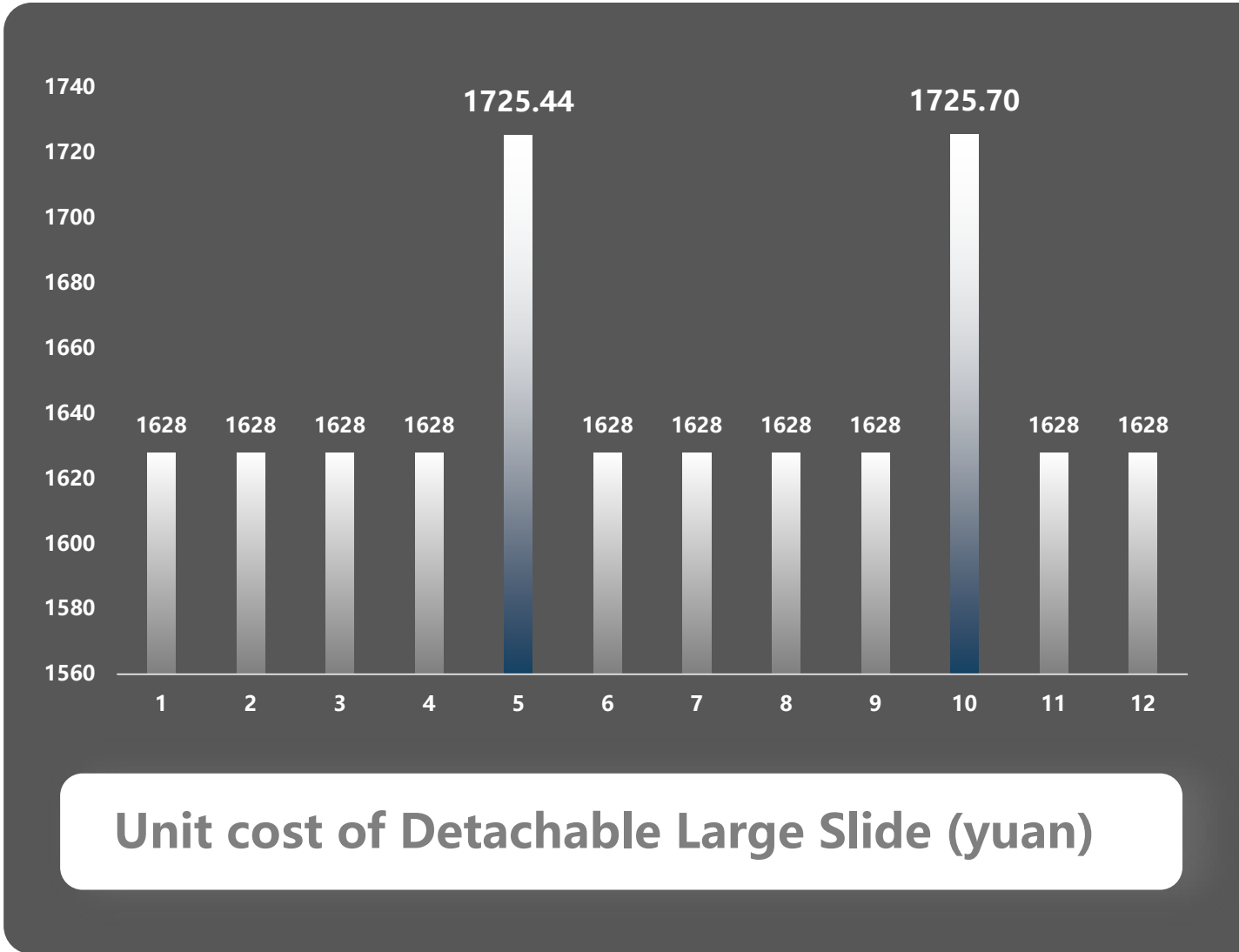
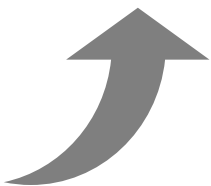
----about unit purchase cost of Detachable Large Slide



Why the unit purchase cost will increase in **May** and **October**?

1628

1725



Part 2 : Question1: Cost & Budget

----about unit purchase cost of Detachable Large Slide

The Immediate Cause

The peak sales season is in **June** and **November** due to the **shopping festival**.



We need to increase the **purchase quantity** in **May** and **October**.

The purchase quantity in **May** and **November** **exceeded** the normal capacity of **400** pieces of OEM.

According to the **contract**.
purchase ≤ 400 : **1628** yuan/piece
purchase > 400 : **1828** yuan/piece

The Basic Reason

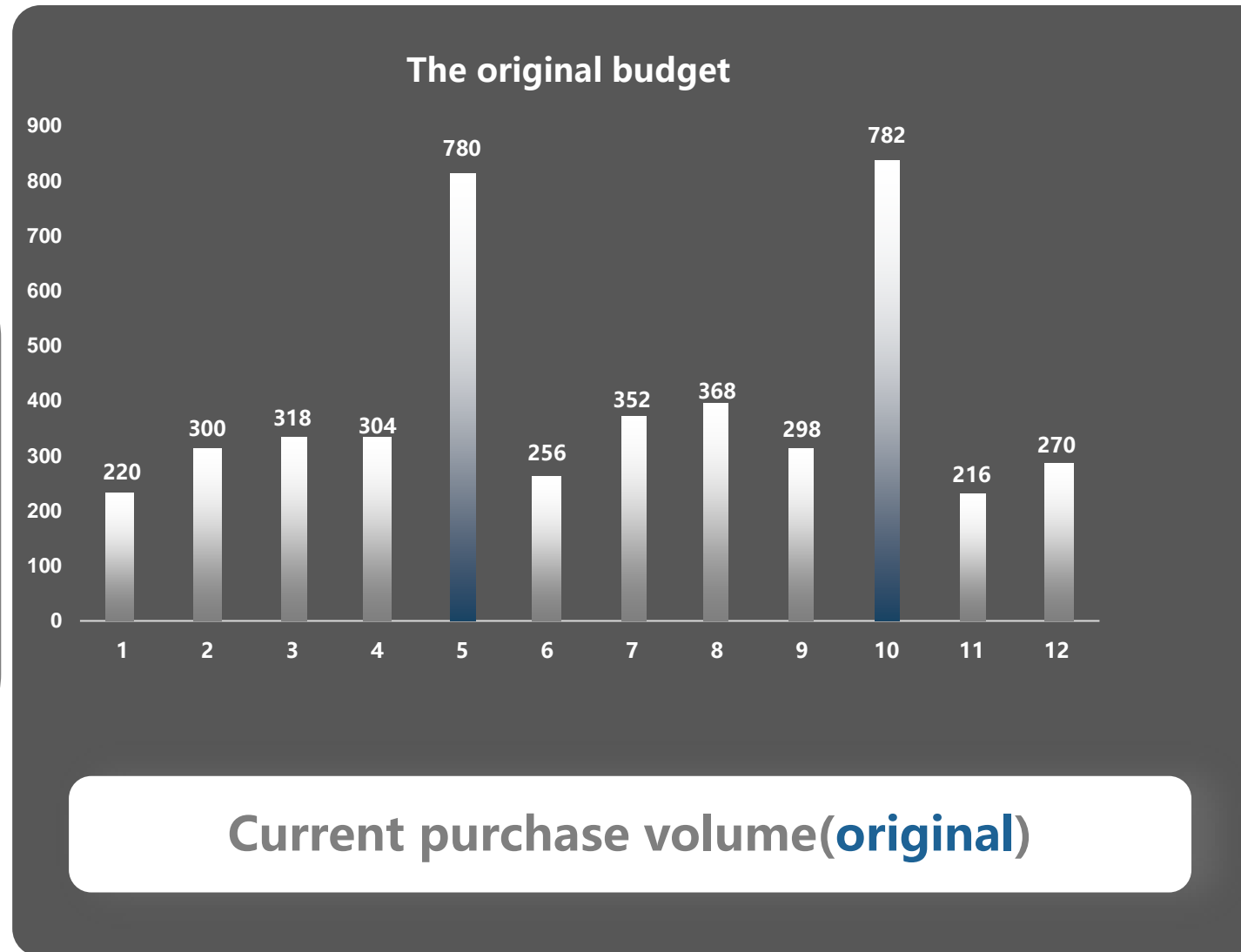
The foundries do not have *enough capacity* to supply *enough products* at *normal prices*.



Part 2 : Question1: Cost & Budget

----about budget and revenue of Detachable Large Slide

It would be **better** for the company if these orders, which **exceed the normal purchase volume** of the contract, could be **produced earlier**.



Case Overview



Q1:Cost&Budget



Q2:Outsourcing--Relative Merits & Solutions

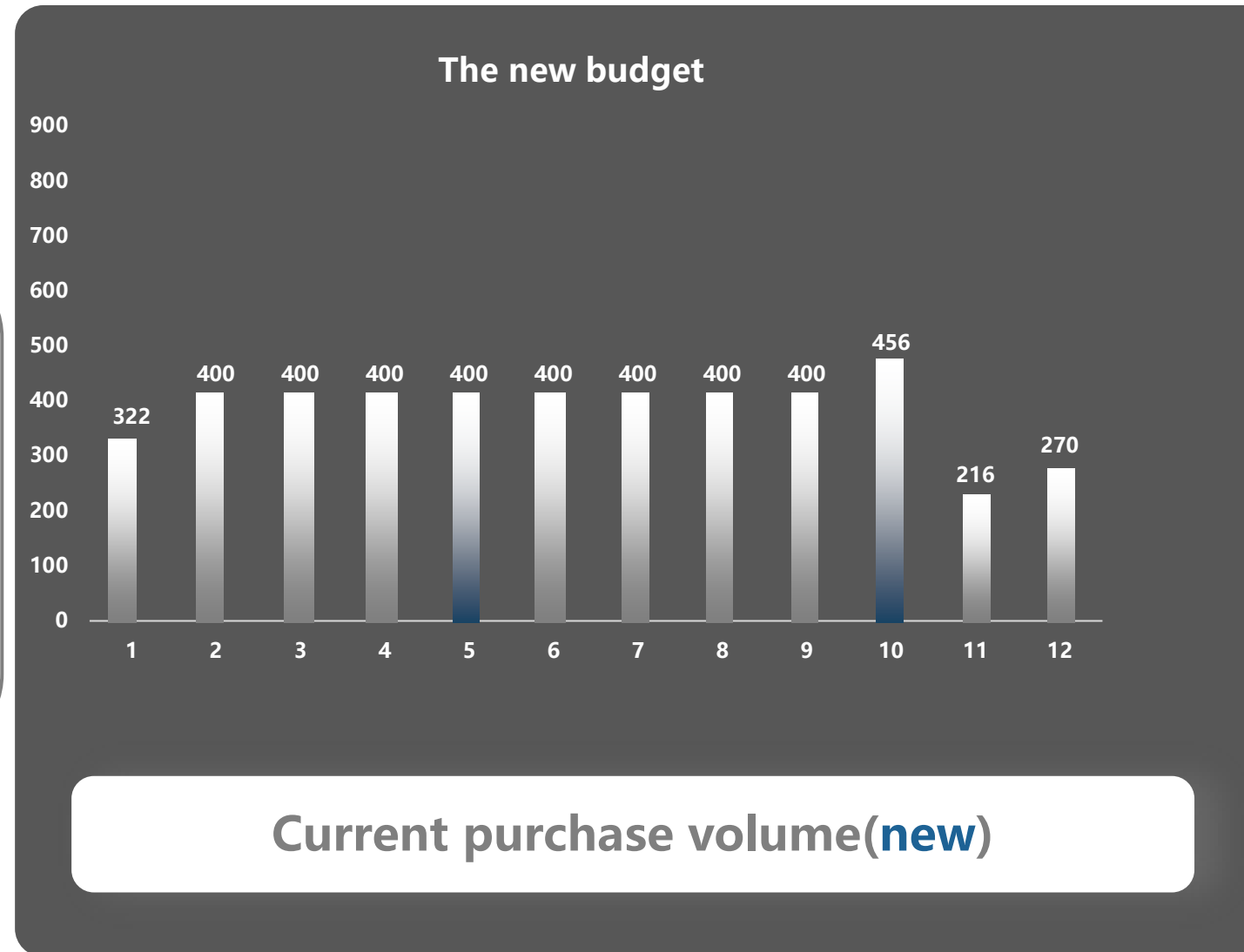


Summary

Part 2 : Question1: Cost & Budget

----about budget and revenue of Detachable Large Slide

It would be **better** for the company if these orders, which **exceed the normal purchase volume** of the contract, could be **produced earlier**.



Case Overview



Q1:Cost&Budget



Q2:Outsourcing--Relative Merits & Solutions



Summary

Part 2 : Question1: Cost & Budget

----about budget and revenue of Detachable Large Slide

Re-prepare the procurement budget according to Zhang Ying's ideas

	1	2	3	4	5	6	7	8	9	10	11	12
Forecast Sales	220	260	310	320	300	720	320	360	370	280	726	270
Beginning inventory	208	310	450	540	620	720	400	480	520	550	726	216
Ending inventory	310	450	540	620	720	400	480	520	550	726	216	216
Current purchase volume	322	400	400	400	400	400	400	400	400	456	216	270
Unit cost(yuan)	1628	1628	1628	1628	1628	1628	1628	1628	1628	1652.56	1628	1628
Purchase amount (x 10,000 RMB)	52.42	65.12	65.12	65.12	65.12	65.12	65.12	65.12	65.12	75.36	35.16	43.96

Part 2 : Question1: Cost & Budget

----about budget and revenue of Detachable Large Slide

Specific calculation method (take January as an example):

Incremental Purchase amount = $52.42 - 35.82 = 16.60$

Incremental storage fee = $(310 - 208) * 30 / 10000 = 0.31$

Incremental opportunity cost = $16.60 * 10\% / 12 * 12 + 0.31 * 10\% / 12 * 11 = 1.69$

	1	2	3	4	5	6	7	8	9	10	11	12	Sum
Incremental Purchase amount	16.60	16.28	13.35	15.63	-64.96	23.44	7.81	5.21	16.61	-59.59	0.00	0.00	-14.12
Incremental storage fee	0.31	0.61	0.85	1.14	0.00	0.43	0.58	0.67	0.98	0.00	0.00	0.00	5.56
Incremental opportunity cost	1.69	1.54	1.18	1.25	-4.63	1.39	0.41	0.24	0.58	-1.49	0.00	0.00	2.16
Sum of incremental cost	18.60	18.43	15.38	18.02	-74.09	25.26	8.80	6.12	18.17	-61.08	0.00	0.00	-6.40

Case Overview



Q1:Cost&Budget



Q2:Outsourcing--Relative Merits & Solutions



Summary

Part 2 : Question1: Cost & Budget

----about budget and revenue of Detachable Large Slide

The new budget

The original budget

Sum of incremental cost: -6.40

Zhang Ying is **right**. It is **more beneficial** for the company to **reformulate** the procurement budget and produce **in advance**.

Case Overview



Q1:Cost&Budget



Q2:Outsourcing--Relative Merits&Solutions



Summary

PART 03

Case Overview ➡ Q1:Cost & Budget ➡ **Q2:Outsourcing--Relative Merits&Solutions** ➡ Summary

Part 3 : Question2: Outsourcing

---- Advantages and Disadvantages of Production Outsourcing

01.



Expand the enterprise scale rapidly

- Outsourcing production
- Meet business development needs
- Meet the needs of market development

02.



Reduce operation cost, save fixed cost and technical cost

- Save high production investment
- Speed up capital turnover
- Improve the ROI

03.



Focus on product development and sales promotion to enhance core competitiveness

- Focus on core competitiveness
- Give full play to their professional advantages

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits&Solutions



Summary

Part 3 : Question2: Outsourcing

---- Advantages and Disadvantages of Production Outsourcing

04.

Improve customer satisfaction



- Improve product quality
- Product diversification
- Improve service efficiency
- Meet the diversified needs of customers

05.

Improve the organizational structure of the company to achieve flat management



- Focus on design and development
- Streamline the company's organizational structure
- To improve efficiency

06.

Spread risk



- Reduce the proportion of fixed assets
- Reduce operational risk

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits&Solutions



Summary

Part 3 : Question2: Outsourcing

---- Advantages and Disadvantages of Production Outsourcing

Risk of information leakage

- Extensive use of ERP system
- The contractor's confidentiality ability is uncertain

Product quality assurance risk

- Product quality is affected by the contractor
- The company relies on contractors for after-sale service

High cost of information communication, uncertain delivery time

- Information communication is delayed
- The delivery cycle is not controlled by the company

Reduced price competitiveness

- Passively accept contractor quotes
- Incremental transportation costs and storage costs



Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

Strategic Level

Operating Level

S

- Strengthen strategic cooperation with suppliers and OEM
- Backward integration
- Supplier evaluation

O1

Identify and evaluate OEM

O2

Establish information platform with factory

- improving information communication and cooperation mechanisms
- The quality control
- Cost management
- Improve process management and shorten delivery time

O3

Implement other programs besides the information platform

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits & Solutions



Summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

O1

O2

O3



Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

Strategic Level

O1

Backward integration

- Mergers and Acquisitions
- Holding the foundry with less capital
- Foundries benefit from the development of the group
- Stimulate the enthusiasm of OEM production

O2

Supplier evaluation

- Work with OEM to screen suppliers
- Evaluate suppliers with multidimensional indicators
- Supplier and OEM cooperate and trust each other

O3

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits & Solutions



Summary

Part 3 : Question2: Outsourcing

----- Solutions to improve production outsourcing

S

Identify and Evaluate OEM



Operating Level:1

Integrated foundry

- Improve bargaining power with OEM
- Focus on a single OEM, strengthen a variety of links

Optimization evaluation system

- Set up an evaluation team
- Determine evaluation indicators
- Select OEM
- Continuous evaluation and motivation

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits&Solutions



Summary

O2

O3

Part 3 : Question2: Outsourcing

----- Solutions to improve production outsourcing

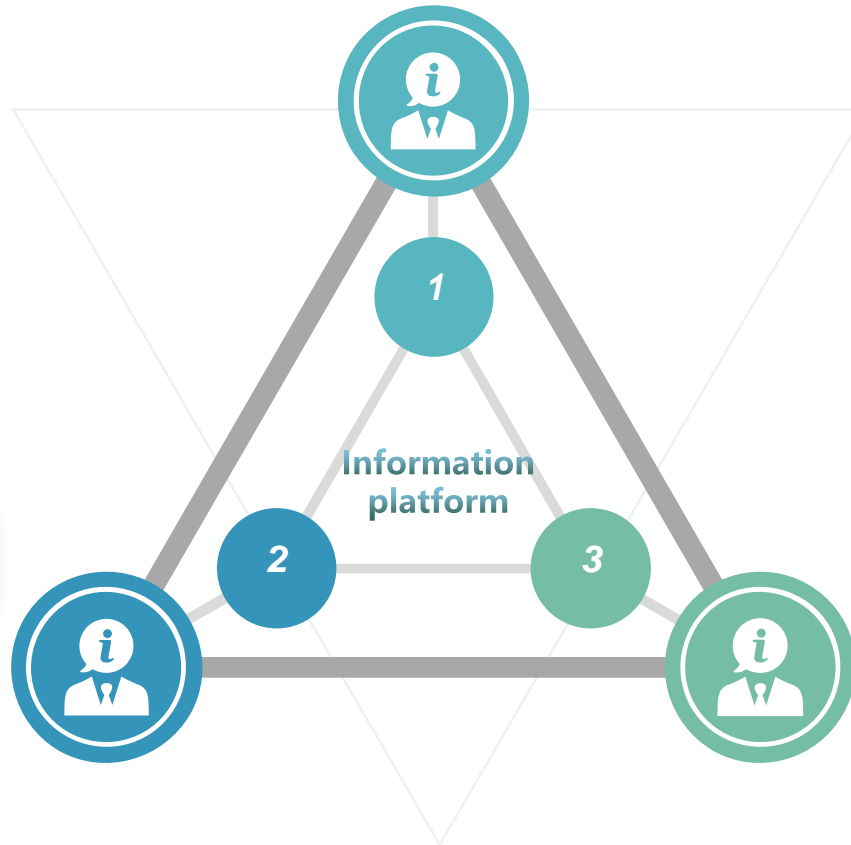
S

Establish Information Platform With Factory

O1

Operating Level:2

O3



- Production outsourcing management information system
- Closed loop management of OEM
- Establish the information center
- Information technology construction and business integration

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits&Solutions



Summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

Establish Information Platform With Factory

--Improving Information Communication and Cooperation Mechanisms

01

01

The information service is outsourced to the professional technical support center

Haier 海尔

Operating Level:2

02

Follow up product production throughout the process

03

03

Improve business forecasting model and communication mechanism

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

Establish Information Platform With Factory

--The Quality Control

O1

Operating Level:2



O3



Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

Establish Information Platform With Factory

--The Quality Control : Total Quality Management

O1

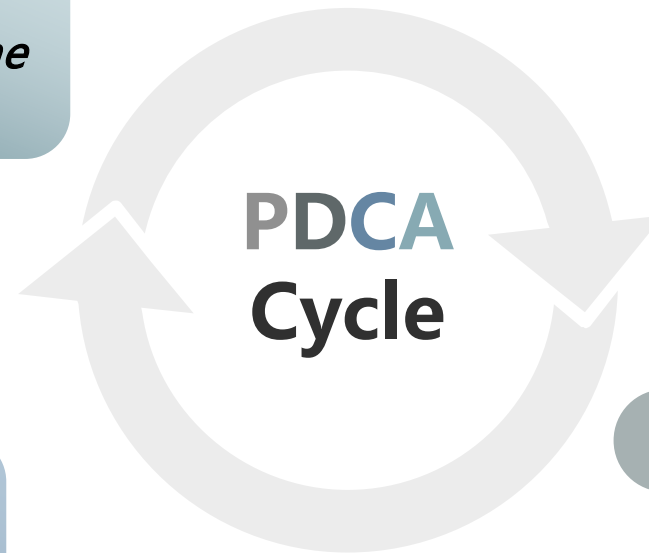
A *Act*
Record the improvement of related issues and decide whether to move on to the next phase of the plan

P *Plan*
Analyze the current situation, find out the reasons and formulate measures

Operating Level:2

C *Check*
Collect data to check the effect of the measures

D *Do*
Take measures based on the cause



O3



Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

s

Establish Information Platform With Factory

--The Quality Control : Improve the Monitoring System

01. *Product number, information tracking*

01

The Manufacturer

The Warehouse Number

Identification of Product

The Quality Situation

Operating Level:2



AH-006-20220203A03T-20220305a

Production Time

Storage Time

Production Batch

03

case overview



Q1:cost&budget



Q2:outsourcing--relative merits&solutions



summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

s

Establish Information Platform With Factory

--The Quality Control : Improve the Monitoring System

02. *The finished product sampling*

01



Inspection tools



Calibration check tool



Reporting and tracing



Summary data

Operating Level:2

03

case overview



Q1:cost&budget



Q2:outsourcing--relative merits&solutions



summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

s

Establish Information Platform With Factory

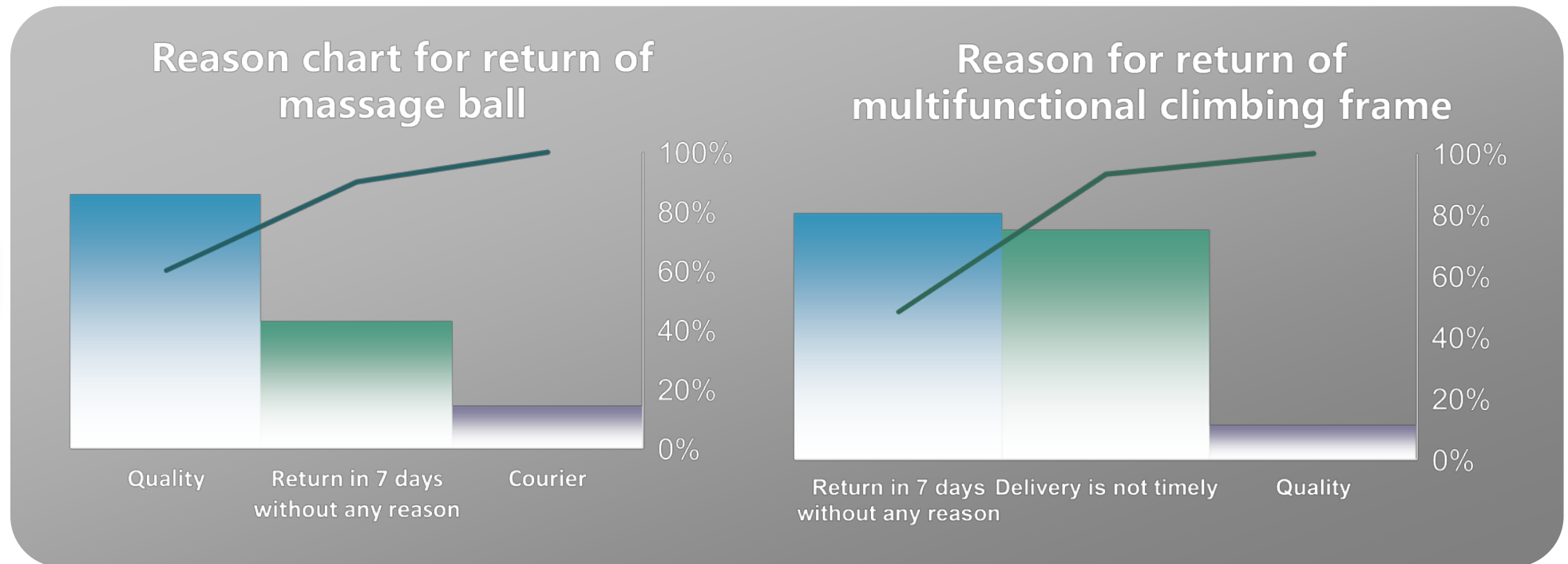
--The Quality Control : Improve the Monitoring System

03. Pareto chart

01

Operating Level:2

03



case overview



Q1:cost&budget



Q2:outsourcing--relative merits&solutions



summary

Part 3 : Question2: Outsourcing

----- Solutions to improve production outsourcing

S

Establish Information Platform With Factory

--Cost Management

O1

O1

Refined Management

Operating Level:2

O2

Improve Product Design

O3

case overview



Q1:cost&budget



Q2:outsourcing--relative merits&solutions



summary

Part 3 : Question2: Outsourcing

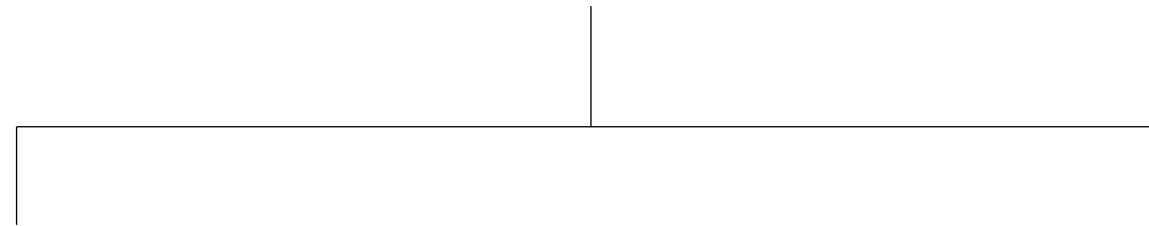
---- Solutions to improve production outsourcing

S

Establish Information Platform With Factory

--Cost Management : Refined Management

Project responsibility system



O1

Operating Level:2

The additional cost

- The cost of repair
- The cost of default
- The cost of transportation

Corresponding measures

- Product quality inspection
- Control delivery time

O3

case overview



Q1:cost&budget



Q2:outsourcing--relative merits&solutions



summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

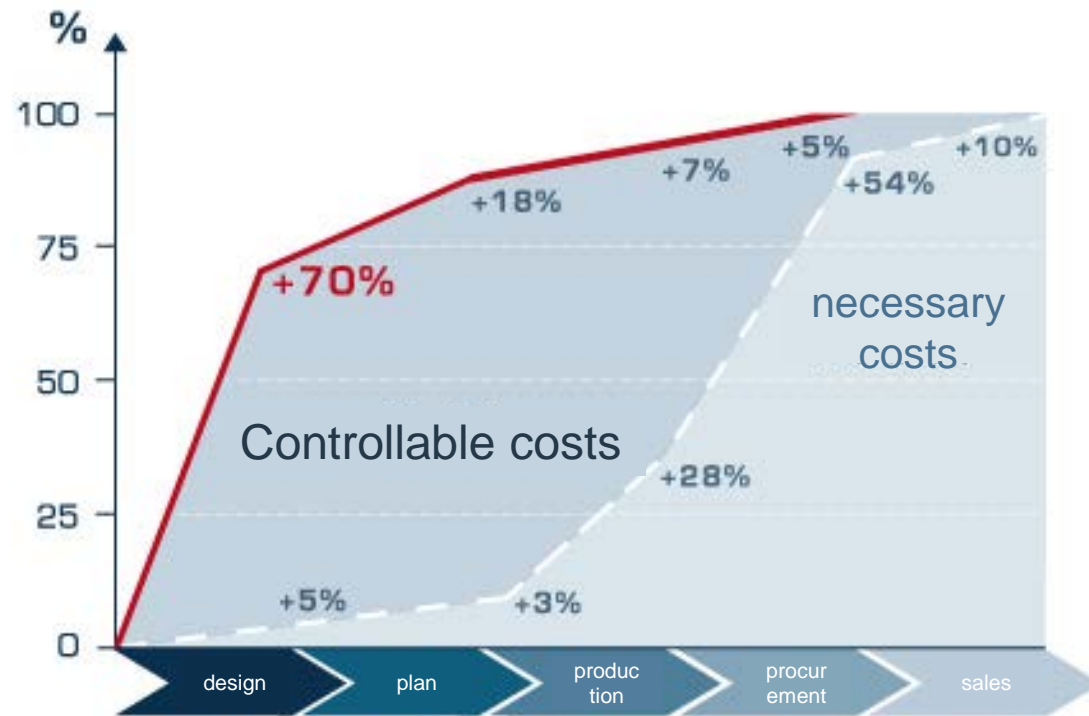
Establish Information Platform With Factory

--Cost Management : Improved Product Design

01

Operating Level:2

03



HOW?

- *Meet consumer needs*
- *Consider manufacturing difficulty*
- *Reduce redundant features*
- *Using standardized parts*

case overview



Q1:cost & budget



Q2:outsourcing--relative merits&solutions



summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

Establish Information Platform With Factory

--Improve Process Management and Shorten Delivery Time

01.

- Deepen the involvement of internal process management
- Ensure overall business compliance

02.

- Improve the ordering process
- Shared business processes

03.

- Joint task team
- Solving common problems

04.

- Attention incentive mechanism
- Timeliness of delivery

Operating Level:2

03

Case Overview



Q1:Cost & Budget



Q2:Outsourcing--Relative Merits & Solutions



Summary

Part 3 : Question2: Outsourcing

---- Solutions to improve production outsourcing

S

Implement Other Programs Besides The Information Platform

--Organization Restructuring, Realize the Transformation of Department Responsibilities

Fun Sports

01

old

new

02



The Purchasing
Department



Warehousing
Department



Logistics
Department



Quality Control
Department



Supervision
Department

Operating Level:3



PART 04

Case Overview ➡ Q1:Cost&Budget ➡ Q2:Outsourcing--Relative Merits&Solutions ➡ **Summary**

Part 4 : Summary

---- Gantt Chart of Corporate Strategy



Organization Restructuring

Identify and Evaluate OEM

Establish Information Platform

Strengthen Strategic Cooperation ---- Insist for At Least 5 Years

*Through the above solutions,
we hope the issues in production outsourcing of Fun Sports can be
alleviated and the company get better development.*

THANKS FOR WATCHING



Team Number: HB20211318



Team Name: Supernova



Members: Jiang Shimin, Liu Yihan, Ouyang Guoliang, Cheng Da, Zhang Xiaoyu