

THE DEAR JOHN MOWER COMPANY

The Dear John Mower Company is an old-line manufacturer of gasoline-powered lawn mowers and riding mowers. Increased competition has resulted in Dear John's share of the mower market declining to 10 percent. Profits have declined to the point that many are questioning Dear John's ability to survive.

The firm employs three engineers who are responsible for the development and design of all new mowers. When the engineers are not involved in the development of new products, they apply their energy to value analysis work in an effort to engineer costs out of the firm's products.

Material costs at Dear John range from 55 to 65 percent of the cost of goods sold. Supply management has been a routine function, responsible for issuing purchase orders confirming the sourcing decisions of the engineers and for issuing order releases against these purchase orders. Recently, Mr. Tom Dalton, C.P.M., was hired in an effort to reduce the cost of purchased materials. Mr. Dalton had some success through the application of price and cost analysis and professional negotiation concepts. Material costs have dropped an average of 12.5 percent. These savings have been the basis of a badly needed shot in the arm for Dear John's financial report.

Tom believes that he's done about all he can to reduce costs—short of getting himself and his key suppliers involved early in the design of new mowers. Tom has initiated discussions on this approach with John Steel, chief of engineering—to no avail. Mr. Steel is adamant that his engineers are the best in the industry and develop the industry's finest mowers. He acted insulted when Tom suggested that early supply management and early supplier involvement would improve Dear John's profitability.

Having had no success with engineering, Tom has initiated discussions on the matter with Mr. Helmich, COO of Dear John. Mr. Helmich has asked Mr. Steel and Mr. Dalton to meet with him to discuss the merits and possible implementation of early supply management and early supplier involvement.

1. Prepare a list of advantages of the inclusion of supply management and prequalified suppliers.
2. Prepare a list of disadvantages of excluding supply management and suppliers from the new product development process.
3. Assuming that the three executives agree on early involvement of supply management and suppliers, develop a plan to implement this new way of doing business.