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Reengineering the Selling Process in a Showroom

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EXECUTIVE SUMMARY

The case presented chronicles the reengineering efforts of a small Yugoslavian showroom wholesaler. Following an initial period of success, the company subsequently became unable to deliver the promised level of quality and service. A team of consultants was engaged who recommended business-process reengineering in order to help improve performance. The strategy they devised for the company involved replacing functional specialists with case managers. While the strategy was successfully implemented, it was not followed by appropriate changes in information technology, thus limiting the effectiveness of the entire process.

The goals of this case are threefold. The authors seek: 1) to help the reader understand the current situation; 2) to develop a swift fix strategy; 3) to outline tactical and strategic plans for future development.

Readers will be able to review several working prototypes¹ of information subsystems designed to support the suggested reengineering process.

BACKGROUND

The background of this case is the rapidly changing business environment in Yugoslavia² during the period of transition towards a (relatively) free market economy. Recent changes in the business environment have led to new opportunities for individual investment and real possibilities for entrepreneurship.

We hope that this case will be of interest to a variety of readers, not only because of renewed interest in the region³, but also because the company discussed in it is a small wholesaler operating in the showroom business setting. There are many similar organizations all over the world, particularly in Eastern Europe and the Far East. By increasing export-import revenues, these relatively small enterprises are helping the global economy become truly global.

The case describes Wissol, a Yugoslavian company that has continued growing despite turbulence in both the economy and the geographical region. The case describes several aspects of

the firm, ranging from organizational structure, human resources and information systems to warehousing, local (onsite) and situational logistics, transportation and distribution.

Yugoslavian Trade (1990-2001)

The legacy of a planned, centralized economy, along with hyperinflation and a huge economic crisis during the 1990s help account for the obsolete structure of Yugoslavian trade. Small companies predominate and their number is exceedingly large in wholesaling. Thus, in 1994, there was a 3:1 ratio between the number of wholesalers and retailers. Yet, the total sales volume in wholesaling was only 1.6 times greater than in retailing. Small wholesalers do not have sufficient market power, adequate sales and warehousing capacities or satisfactory professional knowledge of trade. However, in the newly opened private sector, market laws have started to work and competition has greatly increased. New companies seek to become dominant in smaller geographical areas or in more specialized consumer goods markets ("niches").

The most interesting situation that can be observed is in the packaged food and consumer goods market. Companies in these markets base their business on showroom sales and are amongst the most important types of wholesalers. Globally, these companies are reminiscent of the catalogue and showroom retailers that, together with discount houses, hindered the development of traditional department stores over the last 50 years⁴. However, there are several key characteristics that distinguish these merchants from wholesalers and showroom retailers in developed markets. The following characteristics should also be taken into account in order to more fully understand the context and the problems new wholesalers face during periods of abrupt growth:

- New wholesalers have small capacities. They do not pursue the real cash and carry trade since they lack sufficient space for both supplies and the free traffic of buyers.
- The showroom represents a breakthrough solution and involves a smaller facility for exhibited samples. Buyers select merchandise on the basis of exhibited samples while the logistics department collects the ordered goods and prepares them for delivery.
- Unlike retailers, wholesalers do not go to the expense of printing catalogs.
- A showroom usually contains a sales department. The salespersons provide information to customers, help them with their order forms or even fill out the order forms themselves.
- Aside from the salespersons, there are two more types of functional specialists involved in order processing: administrative clerks who prepare the documentation and logistics clerks who prepare an order for delivery.
- Unlike their Western European counterparts, showroom merchants in Yugoslavia may assume the additional basic functions of a distributor. In the beginning, this happens on an ad hoc basis; in time, however, constant transportation lines are established. There is only a rudimentary level of specialized delivery for local markets (expensive and often unreliable)⁵. Government-owned post offices are traditionally inefficient and do not deliver bigger parcels door-to-door. Foreign companies like UPS, FEDEX and DHL charge high tariffs and will only take parcels designated for export.
- A phone ordering system is being developed in order to better serve repeat customers. This happened spontaneously at first; it was later formalized when certain salespersons were appointed to receive telephone orders. The idea of phone ordering, however, is not well established amongst the general population; a good, inexpensive 800-number system is lacking.
- The Yugoslavian market has also been characterized by shortages of selected merchandise due to economic sanctions. As a consequence, demand overheated when articles became available. Since the import/export business was so limited, there was ample room for the black market and "gray" economy.
- The banking system has also had serious problems. All credits and even credit-card purchases were virtually eliminated during the early nineties, but started to resurface by the end of the decade.

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