**Case Study 2**

**Endothon’s New Software**

Endothon is an online merchandise outlet for individuals in the craft industry. Entrepreneurs, small-business owners, and artisans sell paintings, textiles, pins, culinary products, fashion accessories, vinyl decals, access to tutorial videos, and more through the company. Endothon also sells various craft supplies and tools, which individual sellers can list in their shops for a commission. The target market is focused on middle-to-upper-aged, middle-class customers who want to save money on high-quality craft supplies for their hobbies and create their own art as a side job. Approximately 25% of customers are professional artisans who sell their art through the site and other outlets as their primary employment.

The company has two small warehouses where they ship the company’s products. Individual sellers handle the shipping of their own products. The company is run by approximately 10 upper- and mid-level managers, 30 warehouse employees, 10 back-office employees (i.e., accounting and human resources staff), and 20 customer-facing employees in the sales and technical support department who work remotely.

Endothon provides two subscription plans for sellers: the Career Plan and the Hobby Plan. The Career Plan has a higher up-front cost but lower per-transaction cost and unlimited earnings through commissions. The Hobby Plan has no up-front cost but has a higher per-transaction cost. Commissions are not refundable on the Hobby Plan. The two plans are structured as follows:

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| --- | --- | --- |
| Subscription Options | Career Plan | Hobby Plan |
| Yearly Fee | $500 | $0 |
| Transaction Fee | 1% | 5% |
| Commission Rate | 2%—No Cap | 1%—Up to fees paid |

**Mission, Goals, and Values**

**Mission**

Endothon’s mission is to be the market leader in supporting artisans through the sustainable exchange of finished goods and raw materials for the craft industry.

**Goals**

Endothon’s goals for the coming year are to do the following:

• double the number of items sold this year compared to last year

• convert 10% of Hobby Plan subscriptions to Career Plan subscriptions (5% of Hobby Plan subscriptions from last year were converted to Career Plan subscriptions this year)

• renew 80% of Hobby Plan subscriptions for the next year (70% of Hobby Plan subscriptions from last year were renewed this year)

• reduce stockouts of craft supplies in the warehouse by 50%

• launch a new “Sustainably Sourced” certification program

**Values**

Endothon has the following core values:

• create a safe, welcoming work environment for all employees

• improve the lives of artisans by facilitating the sale of their products

• create quality, ethical products

• be a leader in the craft industry

**Diagnosis**

The CEO, Sara Williams, is concerned about Endothon’s reputation. She asks the management team to create a SWOT analysis to prioritize company projects for the coming year. The idea that got everyone the most excited from their strategy sessions included creating a new program to certify that the raw materials the company sells use an ethical supply chain. A related concept was to provide a way for Career Plan subscriptions to include an additional certification (at additional cost) for artisans who choose to employ sustainable and ethical practices.

The following email was sent to Sara by Diego Garcia, the warehouse manager, when he heard about the sustainability proposal:

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TO: Sara Williams

FROM: Diego Garcia

SUBJECT: Sustainability?

Are they serious about this sustainability nonsense? I missed the meeting where they discussed the details of their proposal because I was in an emergency meeting with our three top suppliers to work through their inability to keep the warehouse fully stocked. Look, if we can’t fulfill the orders we are currently receiving, adding an extra level of complexity to our database and supply chain is only going to make things worse! You know that I am not one to complain, Sara, but this idea is driving me and my staff crazy as we consider all the implications. They come up with their off-the-wall ideas and then, as usual, I’m the one who has to figure out how to make it work. Can we fix what is currently broken before adding new work to our plates?

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The following is a transcript of a telephone conversation between Lucas Turay, Endothon’s lead sales and technical support representative (STSR), and Alice Lee, the manager of the STSR department:

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**Alice (STSR Manager):** Hello, thank you for meeting with me. I’d like to hear more about the complaints you’ve received regarding the current portal.

**Lucas (STSR Lead):** Thanks for following up on my note. A common complaint received by the staff seems to be that all aspects of the sales portal are not customizable. Our sales personnel are able to customize the portal with regard to adding our products on the main company sales page. However, customers who run their own shops are not able to update the aesthetics of their portal. On almost every other call, I hear that they want to add their own personal touch and logos. These are artists who worry about things like branding. Some have even had their loyal consumers accidentally purchasing from competitors who advertise similar products because all the pages look the same.

**Alice (STSR Manager):** Wow, that sounds like a pretty big deal if that many people are asking about it. Thanks for passing along what you’re hearing. As you know, if you don’t tell me what the customers are saying on their calls, I can’t push to try to address those issues. Obviously, we have the functionality somewhere since the company’s portion of the portal is customizable. I wonder how hard that would be to roll out to individual storefronts. This could be a big win that our new social media interns could highlight when they come onboard next month.

**Lucas (STSR Lead):** Yes. We’re way behind the game without a real social media presence currently, and this would be a great campaign for them to start off with. I know a lot of the complaints come when we are trying to renew Career Plan subscriptions, and they don’t feel like they are getting value for the extra cost. Having a way to differentiate their shop would go a long way and might even convince some people on the Hobby Plan to upgrade.

**Alice (STSR Manager):** What else are you hearing from the team?

**Lucas (STSR Lead):** Another common complaint from consumers is that their payment options are limited. The only way consumers can purchase products through the current portal is via a checking account or with funds from products they have sold. A few people on the Career Plan have figured out how to link out to a third-party payment system, which is against our terms of service. To be successful, we need to offer more forms of payment. We are a global company. The other complaints from global consumers are related to language barriers and the slow speed of the website. We need to be able to customize the website based on the target audience.

**Alice (STSR Manager):** Yes, I heard some customers mention those exact issues when I was doing call shadows with the team last month. I told Sara about those items, but I will follow up to see where they’re at after the latest strategy meetings. I don’t want these issues pushed too far down the list.

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**New IT System**

Sara and the management team are expecting a tentative budget of between $250,000 and $1,000,000 for IT projects over the next two years, depending on the expected benefit to Endothon. Since technical support is the only in-house IT function, any programming changes or new system implementations are done by an IT consulting firm once management has decided on their priorities.