

Tutorial 1 Introduction to Business Information Systems

Objectives:

- How organisational goals can be achieved via BIS
 - The impact of BIS on organisations
 - How do organisations realise the benefits of BIS
-

1. Identify and briefly define 5 attributes that describe the quality of information.
2. It is said that the amount of digital data is doubling every two years. Discuss some implications and issues associated with this rapid growth of data.
3. Case Study: Sketchers USA: Using Loyalty Programs and Customer Data to Grow

Sketchers USA, Inc., a billion dollar company, describes itself as “an award-winning global leader in the lifestyle footwear industry and designs, develops and markets lifestyle footwear that appeals to men, women and children of all ages...With more than 3,000 styles, Sketchers meets the needs of male and female consumers across every age and demographic.”

Any shoe company could say something similar. What separates one from another? Increasingly, it isn't the shoes. It's the information.

Information Systems are woven into every part of Sketcher's business. IT recent investment in Oracle applications, including cloud computing demonstrates the company's commitment to IS. Mark Bravo, Sketcher's senior vice president of finance says, “As we manage growth, we are establishing a business structure that lowers costs and creates more value and flexibility across the business. The cloud services help us to lighten our IT overhead and enable us to respond more quickly to market opportunities.” Therefore it was natural that Sketchers would turn to IS to help with customer retention.

In a fast moving consumer product category like shoes, using information to understand, attract and retain customers is even more important than having the latest technology. Many companies use loyalty programs to help retain customers. For example, the coffee shop at the Campus Centre gives its customers a card that is punched every time they buy a coffee. When the card has 10 punches, the customer can order a cup of free coffee. Loyalty programs reduce the chances of regular customer switching suppliers even if another shop sells coffee for less during a promotion or offers a different advantage.

After Sketchers decided to offer a loyalty program, its challenge was this: How to design the program for greatest sales impact? The company had to balance ease of earning rewards, the value of the rewards, and other factors so it gave away as little as possible while retaining as many loyal customers as possible. At the coffee shop, a free cup of coffee after buying 5 might cost too much revenue; a free coffee after 15 might put the rewards too far out in the future to be attractive. 10 is a good middle ground.

The loyalty program that Sketchers designed, planned jointly by its marketing and IS departments, is called Sketchers Elite. Members earn free merchandise (\$10 credit for every \$150 spent), get free shipping, and enjoy special promotions. In addition, Gold members (who spend at least \$750 on Sketcher shoes in a calendar year) and Platinum members (\$1,000) get higher merchandise credits, sneak peeks at future products, and earn other greater benefits.

Sketchers couldn't operate Sketchers Elite without IS. The system supports this loyalty program records information about members, their purchases, and the rewards they're entitled to, so members can track their participation online. In addition, the system provides Sketcher's management with information about the purchase patterns of regular customers, such as shoe designs that appeal to them. The system also lets Sketchers send targeted promotional materials to its best customers.

Sketcher's CEO Robert Greenberg explains, "2012 was a remarkable year for Sketchers. In 2013, the company opened 30 to 35 new retail stores. We grew our existing product divisions, broadened our offering to customers with several new product lines, established an award winning performance division, and further grew our heritage business. We have taken a more focused approach to growing our product offering, added features and technologies that consumer desire, and supported these efforts with effective marketing."

Discussion Questions

1. How did Sketchers achieve success by looking at what other companies outside its industry were doing with technology?
2. What kind of information does Sketchers Elite program use? Aside from its direct benefit in increasing customer loyalty, what other benefits might the program have? How could Sketchers use the information in its planning and sales activities?
3. From 2005 to 2012, Sketchers approximately doubled its revenue: from about \$1 billion to \$2 billion. In the next two years, revenue dropped 20% to \$1.6 billion in 2014. How do you think these changes in revenue growth affected its spending on information systems?
4. Sketchers CEO Robert Greenberg explains one reason for his company's success in 2012: "We have taken a more focused approach to growing our product offering, added features and technologies that consumers desire, and supported these efforts with the effective marketing." Apart from the loyalty program, how else can Sketcher use information systems to support marketing?