



HNDIT1042 Information Management and Information Systems

Strategic Business Objectives of Information System

- Increasing market share
- becoming the high-quality or low-cost producer
- developing new products
- Increasing employee productivity

Six strategic business objectives:

- operational excellence;
- new products, services, and business models;
- customer and supplier intimacy;
- improved decision making;
- competitive advantage;
- survival.

1. operational excellence

- Businesses continuously seek to improve the efficiency of their operations in order to achieve higher profitability.
- Information systems and technologies support to
 - managers for achieving higher levels of efficiency and productivity in business operations
 - changes in business practices and management behavior.

example



- Walmart, the largest retailer on earth, exemplifies the power of information systems coupled with state of the art business practices and supportive management to achieve world-class operational efficiency.
- In fiscal year 2016, Walmart achieved \$499 billion in sales—nearly one-tenth of retail sales in the United States—in large part because of its Retail Link system, which digitally links its suppliers to every one of Walmart's stores.
- As soon as a customer purchases an item, the supplier monitoring the item knows to ship a replacement to the shelf. Walmart is the most efficient retail store in the industry, achieving sales of more than \$600 per square foot, compared with its closest competitor, Target, at \$425 a square foot and other large general merchandise retail firms producing less than \$200 a square foot.

2. new products, services, and business models

- Information systems and technologies are a major enabling tool for firms to create new products and services as well as entirely new business models.
- A business model describes how a company produces, delivers, and sells a product or service to create wealth.

example

- Today's music industry is vastly different from the industry a decade ago. Apple Inc. transformed an old business model of music distribution based on vinyl records, tapes, and CDs into an online, legal distribution model based on its own iPod technology platform.
- Apple has prospered from a continuing stream of innovations, including the iTunes music service, the iPad, and the iPhone.

3. Customer and Supplier Intimacy

- When a business really knows its customers and serves them well, the customers generally respond by returning and purchasing more.
- This raises revenues and profits.
- Business engages its suppliers, the better the suppliers can provide vital inputs. This lowers costs.

example

- The Mandarin Oriental hotel group which operates hotels in Asia, Europe, and the Americas, exemplifies the use of information systems and technologies to achieve customer intimacy.
- These hotels use computers to keep track of guests' preferences.
- When a customer arrives at one of these hotels, the system automatically changes the room conditions, such as dimming the lights, setting the room temperature, or selecting appropriate music, based on the customer's digital profile.
- The hotels also analyze their customer data to identify their best customers and to develop individualized marketing campaigns based on customers' preferences.





example2

- Large national retailers in Europe, the U.S., and Asia exemplify the use of information systems to enable supplier and customer intimacy.
- Every time a dress shirt is bought at a store the record of the sale appears immediately on computers of suppliers like TAL Apparel Ltd. in Hong Kong, a contract manufacturer that produces one in eight dress shirts sold in the United States and Europe.
- TAL runs the numbers through a computer model it developed and then decides how many replacement shirts to make and in what styles, colors, and sizes.
- TAL then sends the shirts directly to retail stores, completely bypassing retailers' warehouses (European Commission, 2014).

4. Improved Decision Making

- Many business managers operate in an information fog bank, never really having the right information at the right time to make an informed decision.
- Instead, managers rely on forecasts, best guesses, and luck.
- In the past decade, information systems and technologies have made it possible for managers to use real-time data from the marketplace when making decisions.



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