

MAN 4633 Homework 4

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3. Review the information in Illustration Capsule 4.1 concerning Boll & Branch's average costs of producing and selling a king-size sheet set, and compare this with the representative value chain depicted in Figure 4.3. Then answer the following questions:

Illustration Capsule 4.1

ILLUSTRATION CAPSULE 4.1

The Value Chain for Boll & Branch



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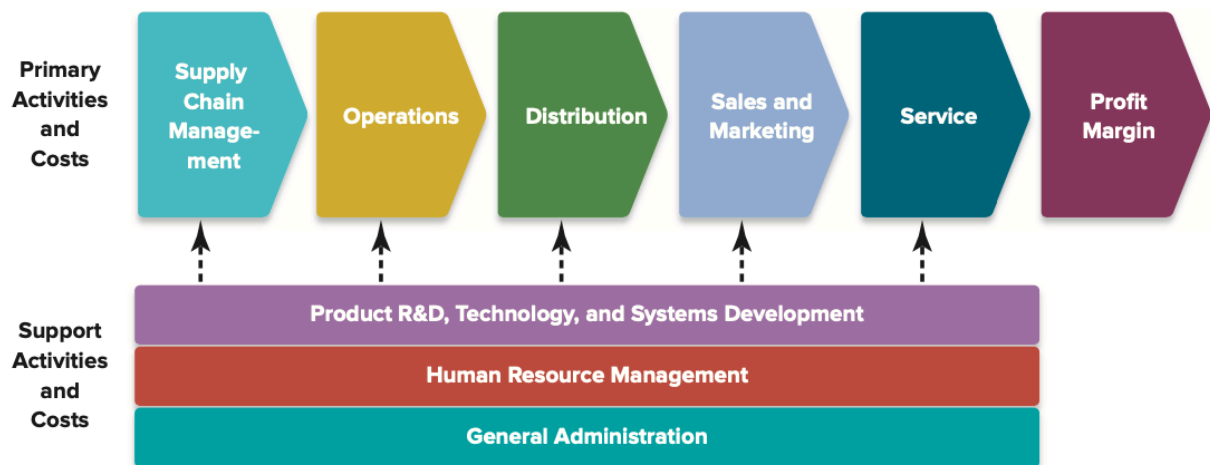
A king-size set of sheets from Boll & Branch is made from 6 meters of fabric, requiring 11 kilograms of raw cotton.

Raw Cotton	\$ 28.16	
Spinning/Weaving/Dyeing	12.00	
Cutting/Sewing/Finishing	9.50	
Material Transportation	3.00	
Factory Fee	15.80	
Cost of Goods		\$ 68.46
Inspection Fees	5.48	
Ocean Freight/Insurance	4.55	
Import Duties	8.22	
Warehouse/Packing	8.50	
Packaging	15.15	
Customer Shipping	14.00	
Promotions/Donations*	30.00	
Total Cost		\$154.38
Boll & Brand Markup	About 60%	
Boll & Brand Retail Price		\$250.00
Gross Margin**		\$ 95.62

Source: Adapted from Christina Brinkley, "What Goes into the Price of Luxury Sheets?" *The Wall Street Journal*, March 29, 2014, www.wsj.com/articles/SB10001424052702303725404579461953672838672 (accessed February 16, 2016).

Figure 4.3

FIGURE 4.3 A Representative Company Value Chain



PRIMARY ACTIVITIES

- **Supply Chain Management**—Activities, costs, and assets associated with purchasing fuel, energy, raw materials, parts and components, merchandise, and consumable items from vendors; receiving, storing, and disseminating inputs from suppliers; inspection; and inventory management.
- **Operations**—Activities, costs, and assets associated with converting inputs into final product form (production, assembly, packaging, equipment maintenance, facilities, operations, quality assurance, environmental protection).
- **Distribution**—Activities, costs, and assets dealing with physically distributing the product to buyers (finished goods warehousing, order processing, order picking and packing, shipping, delivery vehicle operations, establishing and maintaining a network of dealers and distributors).
- **Sales and Marketing**—Activities, costs, and assets related to sales force efforts, advertising and promotion, market research and planning, and dealer/distributor support.
- **Service**—Activities, costs, and assets associated with providing assistance to buyers, such as installation, spare parts delivery, maintenance and repair, technical assistance, buyer inquiries, and complaints.

SUPPORT ACTIVITIES

- **Product R&D, Technology, and Systems Development**—Activities, costs, and assets relating to product R&D, process R&D, process design improvement, equipment design, computer software development, telecommunications systems, computer-assisted design and engineering, database capabilities, and development of computerized support systems.
- **Human Resource Management**—Activities, costs, and assets associated with the recruitment, hiring, training, development, and compensation of all types of personnel; labor relations activities; and development of knowledge-based skills and core competencies.
- **General Administration**—Activities, costs, and assets relating to general management, accounting and finance, legal and regulatory affairs, safety and security, management information systems, forming strategic alliances and collaborating with strategic partners, and other “overhead” functions.

1. Which of the company's costs correspond to the primary value chain activities depicted in Figure 4.3?
 - All costs of goods, factory fees, material transportation, and other shipping costs.
2. Which of the company's costs correspond to the support activities described in Figure 4.3?
 - Inspection and import fees, promotions, and insurance.

3. What value chain activities might be important in securing or maintaining Boll & Branch's competitive advantage? Explain your answer.

- The most important parts of Boll & Branch's operations to maintain their competitive advantage is their market research/R&D and their supply chain. They must produce products that people want and make it easy for consumers to buy those products.