**Exam 1 Fall 2020**

250 points

Read the story below, think about what we have read so far in the Adventures and Tiwana books, and answer the following questions. You are encouraged to use ideas and especially theoretical models from any of the readings we have covered so far. Feel free to use graphs from the slides or from the internet to illustrate your point.

There is no perfect answer. But there are good arguments and bad ones. Provide arguments for your answers.

Create a document using your favorite editor. Start with your name. Copy over the questions and write your answers underneath them. Check your spelling and grammar. Include your preferred first name and last name in the file name (e.g. “MIS 3534 Exam 1, Jane Doe”). As with the first case study, I expect you to write in full sentences.

Make sure that all the ideas and writing are your own! See the instructions on Academic Honesty in the About section of the exam.

Submit your file in Canvas.

**The story so far**

IVK has mostly provided loans through small to medium sized retail companies for high dollar consumer goods like cars, boats and RVs. When you purchase a new car, boat or RV through a dealership you are often offered financing options. As the market share diagram on page 20 shows, quite a few of these dealers use IVK to evaluate the loan requests, offer the terms, and provide the loan amount.

Barton has for years grumbled about the fees that have been paid to the dealerships. They are not high as a percentage of the revenues, but they still reduce profits. In his new position as CIO he now sees an opportunity to propose an additional business line: making loans directly to customers through their website or an app. After all, they already have all the processes in place to evaluate customers, make loans, process payments, and manage accounts receivables. They would continue to sell through the dealers but would also sell directly to customers. All they now need is systems for the customers to interact with. The systems they use for the dealerships are very basic and somewhat clunky, but after some training the dealers are generally able to use them. The new app and website have to be much more customer friendly. Their main competitors don’t sell directly to consumers yet, but some of the smaller competitors do. Barton does not immediately want to tell Williams about his idea, but he wants to have his plans ready and then present them in 3 to 6 months. As he learns more about IT he will add more details. Barton has started off with the set of questions below. He figures that these are the ones that Williams will want answers to once he presents his idea.

1. (15 points) Doesn’t Barton already have enough on his plate? Should he really be adding to his workload with the planning for this project?

2. (30 points) Assess the initiative in the context of figure 2.11 on page 68 of the Tiwana book

3. (25 points) How would the dealerships respond if IVK competes with them in offering loans directly to customers? What can IVK do to keep the dealerships that are their customers happy? Or should they simply phase out the dealerships?

4. (20 points) How would competitors A and B respond?

5. (40 points) This project is going to cost money. Both for IT and non-IT expenditures. What are the main cost categories? List at least the main four IT costs and two main non-IT costs.

6. (25 points) What would be the main risks for this project?

7. (40 points) What measures can Barton propose for measuring the short-term and long-term impacts of the project?

8. (30 points) Is there an opportunity cost here? If so, what other IT project or projects would Barton risk not getting funded if this direct to consumer project is funded?

9. (10 points) Barton plans to discuss this document with Maggie and Bernie Ruben before taking it to Williams. Why those two? Why not also with Gary Geisler?

10. (15 points) How could real options be used to manage the costs and returns of this project? What could some of the options be?