

Week 8:

hulu Case Study

MIS 3537: Internet and Supply Chains



2009 - Present

- 2009
 - Began hosting music videos and concert performances
- 2010
 - Viacom pulled *The Daily Show with Jon Stewart* and *The Colbert Report* (two of Hulu's most popular shows)
 - Monthly subscription service (Hulu Plus) launched.
 - Available on all devices – vs. PC and laptops for free service
 - Access to additional shows
 - Contains advertising
- 2011
 - Fox content – required authentication of cable / satellite service
 - 5 year deal with The CW - access to next-day content
 - 1.5 million paying subscribers
 - Started streaming in-house content (*The Morning After*)
 - Tries to expand internationally but without success except Japan (no deals, current distribution rights)

hulu 2009 - Present

- 2012
 - Continued to expand in-house content
- 2013
 - Multi-year BBC deal 2000 episodes, 144 titles
 - Nippon TV acquired Hulu's Japan business
- 2014
 - *South Park* exclusively on Hulu (3 year deal)
- 2015
 - Offering Showtime access for additional monthly charge (less than ShowTime's own streaming service)
 - CBS only major network not offered on Hulu
 - 9 million paying subscribers
 - Advertising free subscription option (\$11.99 / month vs. \$7.99 for 'limited commercial' option)



hulu

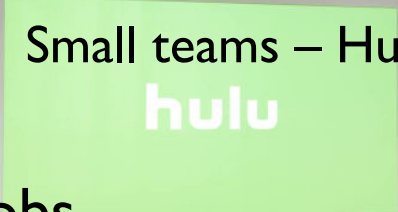
vs.

NETFLIX

- Hulu
 - Airs TV shows next-day
 - Strong Anime section
 - Sometimes only last few shows vs. full seasons
- Netflix
 - More TV and Movies
 - Massive library
 - Original Content
 - Does not interrupt content with advertisement

hulu Company

- Hulugan Live
 - Small teams – Huge Impact
- Jobs
 - Sales (Advertising)
 - Marketing & PR
 - Finance
 - Internships
 -





Week 8: e-Procurement, Sourcing and Auctions

MIS 3537: Internet and Supply Chains

Learning Objectives

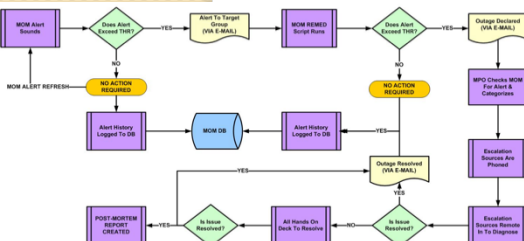
- Procurement Process
- e-Procurement
- Strategic Sourcing
- eAuctions

Business Function

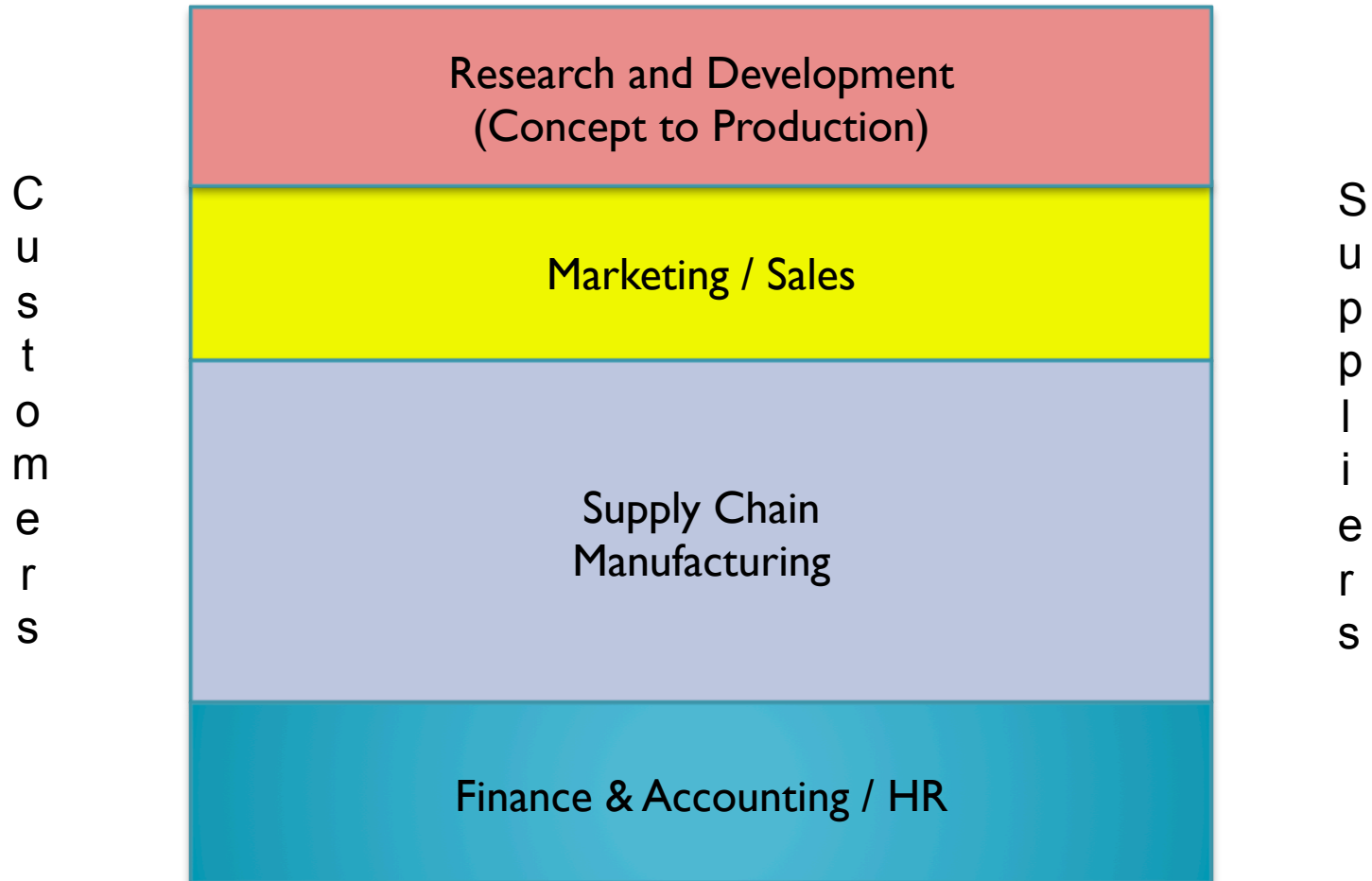
Function

‘An operation / group who perform related tasks routinely to achieve a part of an organization’s mission ..’

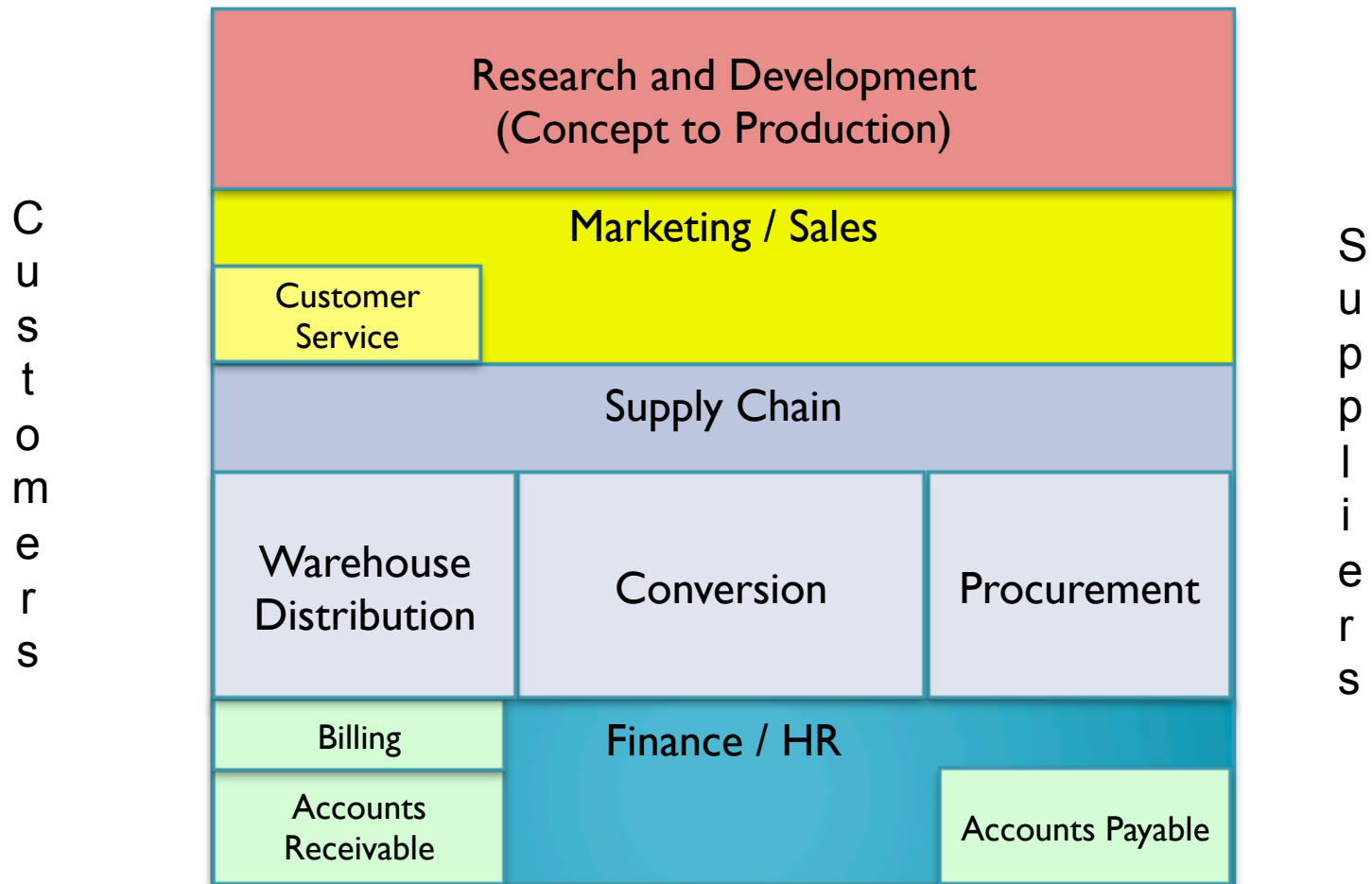
Business Dictionary



Typical Business Functions / Organization



Next Level of Organization / Functions



Business Process

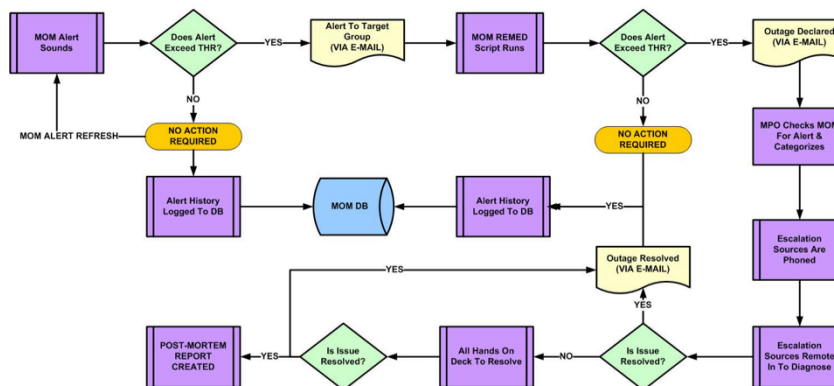
Definition

‘A series of logically related activities / tasks performed together to produce a defined set of results.’

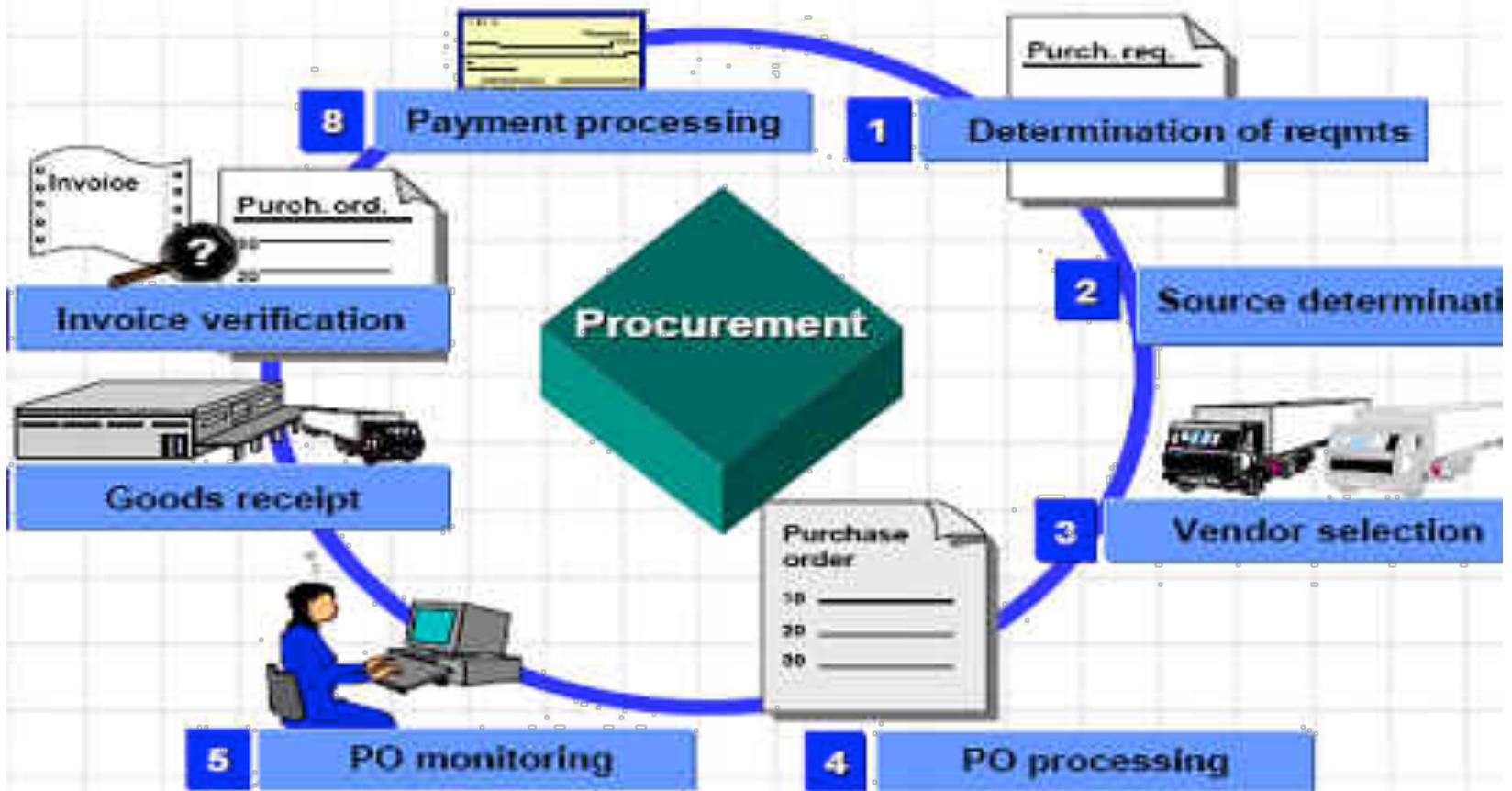
Business Dictionary

‘Actions an enterprise takes to achieve value creation ’

ISACA



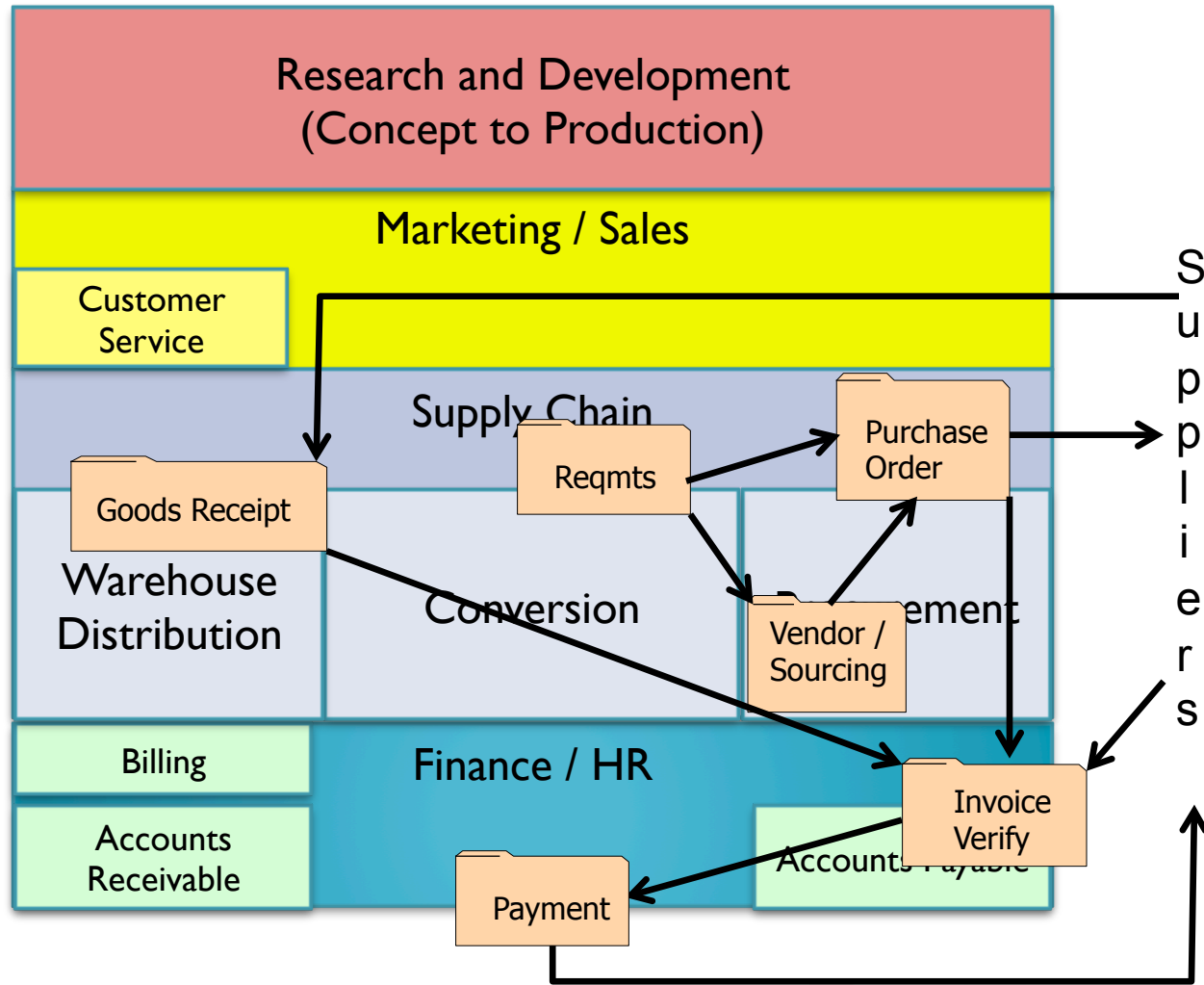
Typical Procurement Process



Procurement at GBI



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Business Process Vs. Function

Function

‘An operation / group who perform related tasks routinely to achieve a part of an organization’s mission ..’

Business Dictionary

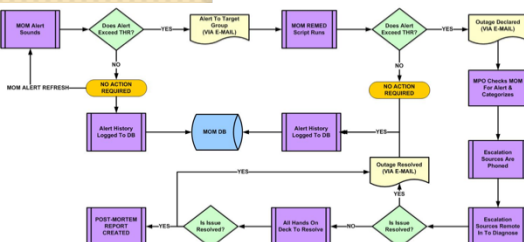
Process

‘A series of logically related activities / tasks performed together to produce a defined set of results.’

Business Dictionary

‘Actions an enterprise takes to achieve value creation ’

ISACA



Learning Objectives

- Procurement Process
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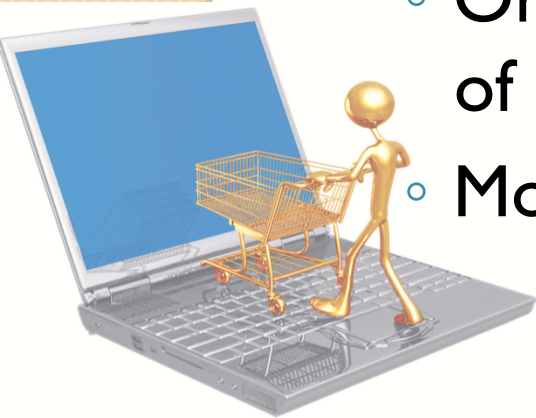
eProcurement

- Procurement
 - Process to acquire raw materials, components, from suppliers to execute operations
- eProcurement
 - Use internet to facilitate, integrate, and streamline procurement process
- Why is it important?
 - Procurement spending represents between 40% and 80% of the cost of goods sold
 - If done right, generates impressive results, competitive contacts and sustained benefits



What constitutes eProcurement?

- eProcurement = eRequisitioning + eContracting + eFulfillment
- eRequisitioning or eBuying
 - Enables users within a firm to place orders with suppliers
 - Orders are made from an electronic catalog of pre-negotiated items
 - Mostly done using a Web browser





eContracting

Contract:

Agreement between entities that creates an enforceable obligation to do or refrain from doing a particular thing.

'e' Enables

- Identify sources of supply online and contract directly via the Web
- Significantly reduced cycle time and costs



eContracting

Providers:

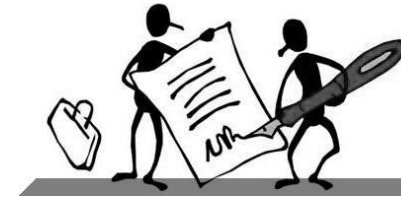
LIVExchange™ - Technology to power branded negotiations, auctions, negotiations

FreeMarkets bought by



F&I EXPRESS
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Types of Contracts

- Product Availability
 - Buyback
 - Revenue Sharing
 - Quantity Flexibility
- Coordinate supply chain costs
- Increase agent (sales person for hire) effort
- Contracts with performance improvement incentives

Extracting value from eProcurement

Where is the value?	eRequisitioning	eContracting
Reduce administrative costs	<ul style="list-style-type: none"> • Improve productivity by eliminating paper-based processing • Allow procurement department to focus on value-added activities 	<ul style="list-style-type: none"> • Improve productivity by eliminating paper-based processing • Enable simultaneous multi-supplier negotiations
Enable better sourcing and supplier management	<ul style="list-style-type: none"> • Provide detailed spend data (item and user level) for fragmented categories • Provide performance information through desktop receiving 	<ul style="list-style-type: none"> • Deliver up-front step-change benefit followed by incremental benefits through online bidding • Enable focus on value-added activities • Reduce sourcing cycle time

Extracting value (contd.)

Where is the value?	eRequisitioning	eContracting
Rollout and sustain sourcing deals	<ul style="list-style-type: none"> • Enable instant take-up of new contracts by making new terms available to entire organization • Prevent supplier proliferation by embedding preferred suppliers in the system 	<ul style="list-style-type: none"> • Increase take-up of spend outside of eRequisitioning through contract databases • Create closer collaboration with key suppliers
Enable supplier benefits	<ul style="list-style-type: none"> • Improve productivity by eliminating paper-based processing • Reduce errors • Guarantee spend volumes 	<ul style="list-style-type: none"> • Improve productivity by eliminating paper-based processing • Improve visibility of market information through online bidding • Improved supplier measurement

Extracting value (contd.)

Where is the value?	eRequisitioning	eContracting
Increase Competition	<ul style="list-style-type: none">• Find additional potential suppliers	<ul style="list-style-type: none">• Increased supplier competition can lower purchasing costs by as much as 20 percent• Global reach to broaden pool of qualified suppliers• Facilitates more predictable pricing

Learning Objectives

- Procurement Process
- e-Procurement
- Strategic Sourcing
- eAuctions

Why companies outsource

➤ Cost Benefits

- Labor arbitrage
- Scale efficiencies
- Eliminate capital \$\$ and risk
- Better Practice

➤ Quality Benefits

- Expertise
- Experience



Why companies outsource

- Aggregation Benefits
 - Capacity
 - Inventory
 - Transportation
 - Procurement
 - Information
 - Receivables
 - Relationships





Design Collaboration

- 80 percent of the cost of a purchased part is fixed in the design phase
- Design collaboration with suppliers can result in reduced cost, improved quality, and decreased time to market
- Design for logistics, design for manufacturability

Strategic sourcing

- Identify strategic mix of suppliers to fulfill demand
- Goals: Improved cost & service
- How does the Internet help?
 - Before: Not easily sustainable due to:
 - Lack of compliance
 - Poor Coordination of tasks
 - Paperwork inefficiencies
 - Now: strategic sourcing initiatives can be linked to an eProcurement solutions



Supplier Assessment Factors

- Replenishment Lead Time
- On-Time Performance
- Supply Flexibility
- Delivery Frequency / Minimum Lot Size
- Supply Quality
- Inbound Transportation Cost
- Pricing Terms
- Supplier Viability
- Information Coordination Capability
- Design Collaboration Capability
- Exchange Rates, Taxes, Duties (*total Supply Chain costs*)



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Common types of online auctions

- English auction
 - Most common type; the auctioneer announces a price, and bidders quote increasing amounts till no higher bids are received
- Dutch auction
 - Reverse of the English auction; the auctioneer announces a high price, which is lowered until a participant is willing to accept the bid



Common types of online auctions

- Sealed bid first-price auction
 - All bidders submit their bids separately, without revealing their bids. Highest bidder wins. Variation: sealed second-price auction
- Reverse auction
 - Sellers compete by pushing down their prices progressively until no seller is willing to make a lower bid. Example: Priceline.com
- Combinatorial Auctions (bid on package of items)
- Multi-stage (Qualify => Negotiate)



Where auctions are used

- Reverse Auctions – buying materials
- Auction off excess inventory
- Auction off excess factory capacity

Common Elements:

- No existing 'free' market
- Unique items for sale
- Limited buyers / Sellers
- Bring interested parties together



Auction or not??

- High-technology procurement seldom purchased through an online auction (high information content / specification to sale)
- Auctions common in procuring MRO (maintenance, repair and operations) products (i.e. low-end electrical and mechanical goods), not requiring high degree of precision
- Potential to damage buyer-seller relationships



- Questions!