 **Trusty Carpets**

**Background:** Jerry Montgomery has been selling carpets for 20 years from his store, Trusty Carpets, which is located in a strip mall that, over the past few years, has become a busy shopping center. The location is in what had been a quiet town near a large city, but recent area growth has resulted in many new homes being built and the town council has started to consider ordinances to create zones to protect unique architecture, improve overall property condition, and protect the environment. Their focus is on creating an up-scale community attracting “clean” businesses to improve the quality of life and its tax base.

**The current business model:**  Since he opened his Trusty Carpets store, Jerry has advertised in the local paper and done all of his business in his showroom where he has carpet samples on display. Jerry employs two sales people to serve customers in the store. One is his daughter Ann who he would like to take over the business when he retires. Since he has little storage space, Jerry’s inventory has been limited to overstock, end pieces from installations, and samples. When a customer makes a selection from the samples, the salesman checks the manufacturer's information to determine the availability of the selected carpet and the current price. Jerry’s brother-in-law, Mike Baker, has a carpet installation business and has been sub-contracting the installation of the carpets sold by Trusty Carpets. The sales staff coordinates installation with the customer and with Mike.

Jerry employs an accountant (who has other customers and does his work at his own office) to keep track of his finances, pay bills, send invoices, collect payment and do payroll. Jerry's finances are very straight-forward, and he uses the accountant only because he does not like to do the paperwork.

Jerry’s company sells about 250,000 square feet of carpet a year (70% of it is mid-grade carpet and padding) for sales of about $1.2 million. This results in a net profit of about $100,000. His current costs are in line with industry averages but his profits are below the averages. He attributes this to the fact that he keeps his prices low to be more competitive and grow his business.

**Technology support:** The Trusty Carpets store has a basic information technology (IT) infrastructure with an internet connection. There is a computer with a multi-purpose printer (scanner/fax/printer) in Jerry's office. It is connected to a router supplied by the Internet Service Provider. The router also provides a wireless network within the store, and the 2 salesmen have tablet computers that they use to check carpet availability and price, and to enter and check orders. Order forms are simple Google document forms that are stored in the Google cloud and are shared among the employees and with the installer and the accountant. Jerry and his salesmen each have a Gmail account. One of the salesmen, Ben (who has been with Jerry 6 years), is studying IT at the community college. He set up the current technology in the store just six months ago. Jerry expects Ben to learn about any new technology that gets installed and help solve minor in-store IT problems.

**Recent changes:** Jerry has been quite successful and has recently acquired Metro Carpets, a store on the other side of town. Metro Carpets has a large showroom and an adjoining 20,000 square foot warehouse. The showroom contains two room displays, one a living room with their top line carpet and one a family room with mid-line carpet. The remaining display space is for samples and remnants, including a small area for closeouts. The warehouse is about 50% utilized. It contains rolls of the top line carpet in a wide range of popular colors for immediate installation. Although it is a relatively large business, the previous owner was not well organized and kept all of his customer records and carpet inventory in hand-written ledgers. Jerry plans to retain the three sales staff and two warehouse people at Metro, and he wants to continue to expand sales in his original store. Metro generates about $3 million in annual sales at a 12% profit. Costs are in line with industry averages. Carpet sold at Metro breaks down as follows: 10% bottom grade, 50% mid-grade and 40% top-of-the-line.

In addition, Jerry and Mike (the installer) have decided to combine their businesses into one carpet sales and installation business. They will do this after they have reviewed the impact of an EPA initiative, the WARM Program, to improve the rate of carpet recycling to lower greenhouse gas emissions. A description of the WARM Program is posted with the Case Study under Course Resources or at <https://www3.epa.gov/warm/pdfs/Carpet.pdf> Jerry feels recycling is important and wants to be able to make the appropriate business accommodations. Mike runs his business out of his home since all of the work is done in customers’ homes. He has two installation teams (2 people each) and installation equipment is stored in the trucks. Mike expects to increase the number of installation teams since Jerry acquired Metro Carpets. Mike’s wife Carol handles the bookkeeping, and while all of their work is paper-based, they are well organized. He earns about $1.50/square foot for his services.

**The opportunities:** With the expansion of his business, Jerry needs a way to be able to manage the two separate locations and the installation operation as one business. He is also looking at ways to increase his business through internet sales, establishing relationships with new home builders, and in-home sales where he believes that he could reach more customers if his salespeople could go to customers’ homes, take measurements and obtain orders. Jerry’s daughter Ann is studying interior decorating in college and he wants to reach out to the interior decorating community to expand sales as well. Additionally, Jerry wants to be environmentally responsible. To do this he will need to allocate warehouse space to accommodate recyclable carpet. The installers would bring the used carpet to the warehouse, and the carpet would then be picked up by a recycler monthly at no cost.

**How your team will help:** Jerry's primary business objective is to continue to increase his profit margins, and he believes appropriate technology can help with managing his expanding business. He has hired your team to evaluate his needs and recommend which technologies he should acquire and to develop the Business Case for those you recommend. He will use the Business Case to decide whether he should invest in the technology solution your team is proposing. Through the Business Case, your team must convince Jerry that you have a well thought-out plan that meets his objectives and has the potential of increasing sales and profitability; your objective is to get Jerry to hire your team to develop and implement the solution you are proposing.

**The assignment:** Your team is to develop and explain a proposed technology solution for Jerry's business. You will come up with some specific business objectives that could be supported by technology solutions, and then identify some IT solutions that could benefit Jerry’s carpet business. As a team, you will decide which technology or combination of technologies would benefit his business the most and should be implemented first. Your team will develop a Business Case to explain the solution and how it would be implemented.

The Business Case must be well written and be able to be understood by Jerry, with his limited technical understanding. It is to be written as a proposal to Jerry that explains and defends the solution your team is putting forward.

Your team will develop the Business Case, section by section, as we proceed through the class. The Business Case will be done as a series of documents prepared by your team that together form the full Business Case. The specifics for each section are in the weekly group project assignments, beginning with the Week 1 Group Assignment. The complete business case assignment is in the "Building the Business Case" document posted in the classroom.