



Name _____

Date _____

STUDENT RESOURCES

CASE CHALLENGE RESOURCES: MAKING EFFECTIVE DECISIONS: SIEMENS

Siemens Facts / Key Links

Siemens is a global powerhouse focusing on the areas of electrification, automation and digitalization. Siemens has invested approximately \$40 billion in America over the last 15 years.

- Website: <https://www.siemens.com/us/en/home.html>
- Siemens US Facts:
https://news.usa.siemens.biz/sites/siemensusa.newshq.businesswire.com/files/doc_library/file/Siemens_in_the_US_Fact_Sheet_4_27_17_FINAL.pdf
- Siemens US Newsroom: <https://news.usa.siemens.biz/>

Other Helpful Links

- Siemens Process Industries & Drives:
<https://new.siemens.com/global/en/company/about/businesses/process-industries-and-drives.html>
- 2018 U.S. infographic:
https://news.usa.siemens.biz/sites/siemensusa.newshq.businesswire.com/files/doc_library/file/siemens_us_infographic_2018.pdf
- How Siemens supports cities with smart solutions video campaign:
<http://siemensusa.synapticdigital.com/featured-multimedia-stories/all/proud-to-be-digital/s/28aec617-8935-4464-8b34-4167891c5fb7>



- Ingenuity for Life video campaign:
<https://www.youtube.com/watch?v=XNONKAmLgLI>

Inventory Model & Cost Consideration Information

- When deciding on an inventory model, key considerations include potential new business and where warehouses can be located to generate new revenue.
- Financial Considerations
 - Current space commitment: Pay for fixed amount of space - regardless of use, 2 years left on lease - if plans to renew - must stay for 10 additional years. Must pay a fee to break the lease.
 - If outsourced, you will have to pay for employee separation.

Challenge: Investment Costs & Revenue Impacts

Investment Cost Impact (sum over 3 years)

Cost to move inventory to new warehouse(s)	-\$300K
Freight Savings from multiple warehouses	100K
Employee Separation	-350K
Breaking current lease	-600K
Transactional cost improvement with third-party company taking over operations	100K
New IT System	-500K

Revenue Impact (sum over 3 years)

Contribution Margin = 28%*

Additional sales from multiple warehouse locations	\$4,000K
Additional sales from service improvement with third-party company	1,000K

*Contribution Margin takes into account all of the expenses involved with creating a product or service.

Revenue x Contribution Margin = Profit

- **SIEMENS**