TIM 50 - Business Information Systems
Lecture 6

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Most slides and the better part of most other slides are by Professor John Musacchio

Outline

- Announcements
- Review: Frito Lay
- Cash Flow
- Student Presentation (news)
- Information Management
- Enterprise Applications

Announcements

- Folio 1 due today
  - (only those not assigned an oral presentation)
- Assignment 2 due Monday (in 1 week)
  - Hard-copy, in class
- Business Paper Proposal (aka “Project proposal”) Due Monday 10/24!
  - Groups announced via email

Announcements

- Project proposals due in 5 days!
  - 1-2 pages
  - Give a plan what you will do
  - Cite some references, and show that you have started your research!
  - Once the website is working there will be more details there.

Announcements

- Reading for next time
  - Cisco Case

- NEW: Discussion Topics will be posted on the forum
  - Alternative way to earn participation points!
Announcements

Student presentations:
- Oct 17 (tonight)
  - Kanta Ito
  - ??
- Oct 19
  - ??
  - ?? (Cisco) case
- SEND ME THE SLIDES THE NIGHT BEFORE (till 9 p.m.)
  - Failing to do so may cause you to lose points...

Frito-Lay

3 stated objectives
- Replace optical scanner system used now
  - IBM will stop supporting it soon
- Salesperson
  - ½ hour per day per driver paper-work reduction
  - No accounting errors
- Marketing effectiveness (micro-marketing)
  - Detailed sales data
    - will help make regional marketing decisions
    - Negotiate with stores for more shelf space

HHC Project pros & cons
- Replaced optical scanner system that IBM would stop supporting soon
- Saves sales force time: 2.5 hours per week per driver
- Detailed sales data supports:
  - Regionalized marketing
  - Negotiations for shelf space with supermarkets
  - Reduce errors
- Expensive (~50 million)
- Risky
  - Might not work technically
  - Sales force might not like it (already upset about segmentation)
- Equipment vendor might not be reliable

Cash Flows

Cash Flow: A series of payments/receipts over a time period

Visualize using timeline
- Current year: 0

Net Present Value

NPV: A quantity of money which, if received today, would be equally desirable as the cash flow
NPV of $x received in year $n = x*\delta^n$
A cash flow may have payments/receipts in multiple years
- Compute NPV for each year and add them

\[ NPV = -3 + \delta + \delta^2 + 2\delta^3 \]
\[ NPV = x_0 + \delta x_1 + \delta^2 x_2 + \delta^3 x_3 + ... = \sum_{j=0}^{\infty} \delta^j x_j \]
Interest Rate

The discount factor might be based on the interest rate $i$ that could be received if investing in bank/other project

$$\delta = 1 / (1+i)$$

$$\text{NPV} = x_0 + \delta x_1 + \delta^2 x_2 + \delta^3 x_3 + \ldots = \sum_{j=0}^{\infty} \delta^j x_j$$

Rate of Return (ROR)

Also known as Return on Investment (ROI)

Is the ratio of money gained/lost in an investment relative to the amount invested

Computing ROR is the inverse problem to computing NPV

1. "What would the interest rate at the bank have to be in order for me to be neutral about investing in my project?"
2. The ROR equals the interest rate for which NPV = 0
3. Use this equation (NPV = 0) to find the ROR

Cash Flows

Be able to compute:

- NPV given the discount factor
- NPV given the interest rate
- Interest rate/Discount factor/ROR in order to have NPV = 0
- Compare different investment plans based on their ROR/ROI
- Evaluate whether it is worth investing on a plan given a desirable ROR

Know how to solve simple quadratic equations!!!

- Use of quadratic formula

Idea of RoR analysis:

What $i$ makes NPV = 0?

$$\text{NPV} = \sum_{j=0}^{\infty} x_j (1+i)^{-j} = 0$$

$$= -0.5 + 0.30 \cdot (1+0.1)^{-1} + 0.35 \cdot (1+0.2)^{-2} = 0.35 \cdot (1+0.1)^{-1} - 0.5 = 0$$

Quadratic Formula: $ax^2 + bx + c = 0 \rightarrow x = \frac{-b \pm \sqrt{b^2 - 4ac}}{2a}$

$$x = \frac{(1+i)^{-1}}{(1+i)^{-1} \cdot 0.35 + 0.3 \cdot (1+0.1)^{-1}}$$

$$= -0.5 + \frac{0.3^2 - 4 \cdot 0.35 \cdot (-1)}{2 \cdot 0.35}$$

$$= -0.5 + \frac{0.09 - (-0.35 \cdot -1)}{0.7}$$

$$= -0.5 + \frac{0.09 - 0.35}{0.7}$$

$$= -0.5 + \frac{-0.26}{0.7}$$

$$= -0.5 - 0.37$$

$$= -0.87$$

$$x = \frac{-b \pm \sqrt{b^2 - 4ac}}{2a}$$

$$x = \frac{-1 \pm \sqrt{1^2 - 4 \cdot 0.35 \cdot (1+i)^{-2}}}{2 \cdot 0.35}$$

$$= \frac{-1 \pm \sqrt{1 - 2.8 \cdot (1+i)^{-2}}}{0.7}$$

Student Talk
What is Information?

- Data
  - Numbers, Character strings, etc.
- Information
  - Recognizable patterns of data organized so as to inform or influence the user in some way
- Knowledge
  - Concepts, relationships, truths, principles derived from information
- Wisdom
  - Insight or judgment acquired from extensive knowledge

Classify these

- "XV", "SF", 34, "CN", 16
- The 49-ers won Super Bowl XV by a score of 34 to 16.
- The National Football Conference wins 17 out of 20 Super Bowl's on average.
- The best team usually wins.

Classify these

- 47, 560, 134
- My bank account has 47$ in it.
- My net worth, including my bank account and subtracting the debts is 560$.
- At the rate my net worth is increasing, and given my age and expectations for retirement income, I can’t retire until age 134…

Roles in information access

In the Networked Era…

User
Author or publisher
Indexer or organizer
Librarian or teacher or interpreter
Recommender

How are these roles being changed by networked computing?
Finding useful information..

- **Search**
  - Item search
  - Topic search
- **Browse**
  - Explore in order to find useful information
- **Navigate**
  - Follow directions/links to find information
  - In web: you do both!

Others can help....

- **Author**:
  - Hyperlink
    - Reference to related information
- **Author or third party**:
  - Index
    - List of content
  - Metadata
    - Description of content
- **Third party**:
  - Reviews or recommendations
    - Judgment of content

Exercise

Give an example of the following functions in the context of movie rentals:

Hyperlink
Index
Metadata
Recommendation

Authors - Publishers

Creates information - verifies, makes available

Indexers

Classifies information

Indexers/Organizers - Librarians

(assists and guides user to needed info)
Librarians

Recommenders

Push vs. pull

Question

What are some differences between push and pull with respect to:
- invasiveness on the user?
- refinement of the information received?
- timeliness with which information received?

Adapted from slides for Understanding Networked Applications
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Characteristics of information pull and push

<table>
<thead>
<tr>
<th>Control</th>
<th>Push</th>
<th>Pull</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>User requests specific information</td>
<td>User subscribes to information on general</td>
</tr>
<tr>
<td>Notification</td>
<td>User submits question- publisher answers</td>
<td>Publisher provides useful notifications- user decides what to do</td>
</tr>
<tr>
<td>Timing</td>
<td>Information to user directed</td>
<td>Information provider directed</td>
</tr>
</tbody>
</table>

Enterprise Applications

Applications

- What is an application?
  - Computer software that performs useful capabilities for a user or organization
  - Incorporates storage, manipulation, and communication of information.

- An organizational application
  - Supports an organization

- Often called enterprise application
  - (An enterprise is an organization with a commercial mission)

Types of organizational applications

- Departmental
  - Supports a single functional department
  - Example: An accounts management application for an accounting department.

- Enterprise
  - Support enterprise-wide processes and goals.
  - Example: coordinate information between functional departments involved in fulfilling an order.
    (or other cross-functional process.)