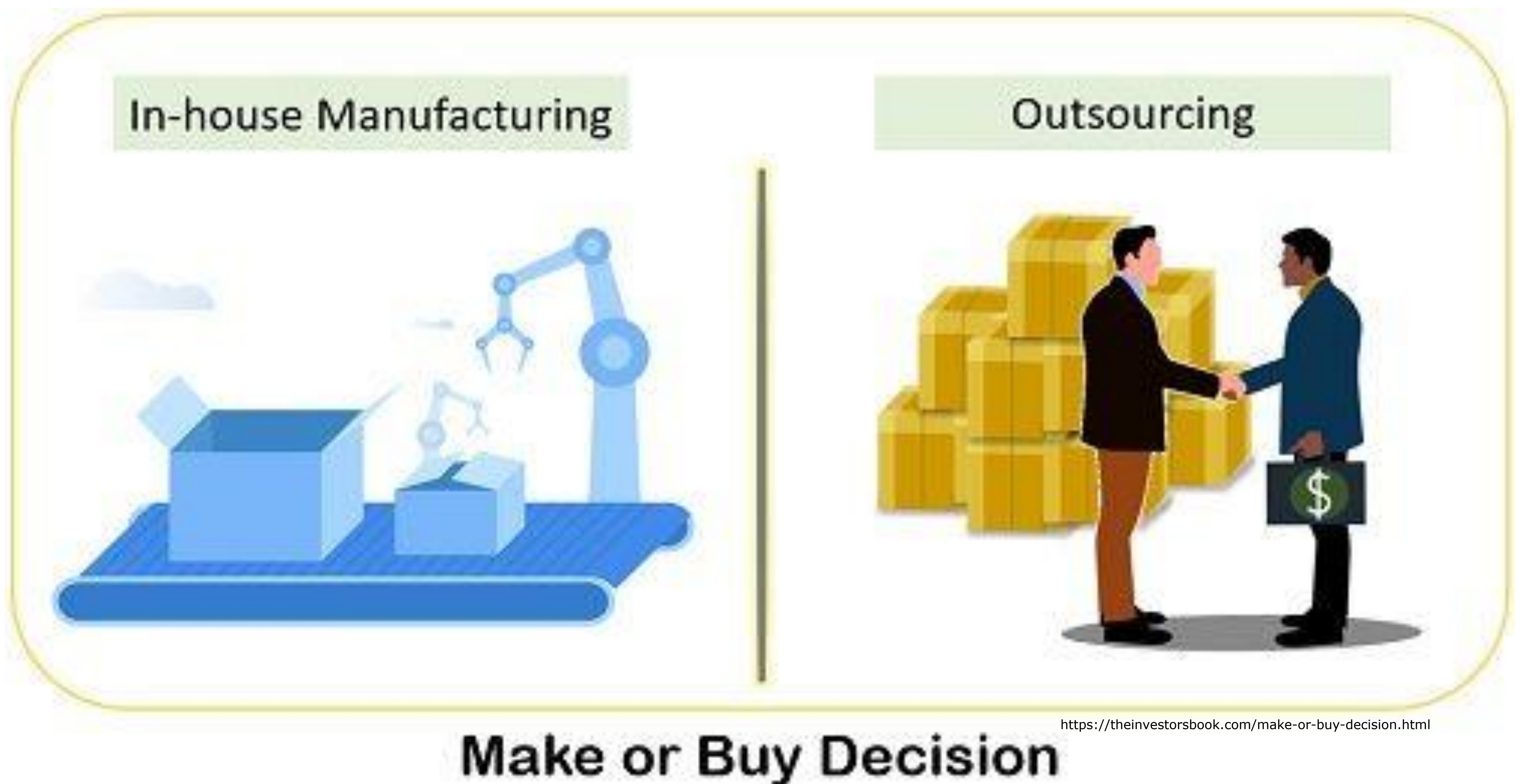


Decision making model for make or buy decisions of a startup



Research problem

Manufacturing companies are looking to solve their many operational challenges, achieve lower costs and improve profits. The focus on procurement as a function allows to tackle the challenges and achieve their goals.

The make or buy dilemma, within procurement has been a topic of discussion since the industrial revolution, but its strategic significance has only recently been recognized, coinciding with the growing appreciation for the strategic role of sourcing.

Bigger companies can easily tackle the problem of make or buy, however startups such as Madira Spirits GmbH struggle without enough resources and expertise into the topic.

The main purpose of this paper is to create a decision-making model for a make or buy decisions. This model can be used by startups in the manufacturing industry.

Solution concept

A model was created for the cost-benefit analysis. The model tested both the making and buying scenarios for Madira Spirits.

The model also scored the qualitative aspects and guided in the process of make or buy.

Results

The three research questions raised at the beginning of the thesis could be answered towards the end. They were the following:

1. How many bottles should be sold to make your own distillery profitable?
-> 2817 bottles
2. How long does it take for own distillery to be profitable with fixed sales?
-> 1 batch: 22 months
-> 5 batch: 5 months
-> 10 batch: 2 months

Student:
Devarsh SHAH

Supervisor:
Simon Züst

Expert:
Christoph Brändle

Industry Partner:
Madira Spirits GmbH

FH Zentralschweiz



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