Trail Frames Chassis (TFC) of Elkhart, Indiana, is a major manufacturer of chassis for the motor home and van markets. Two unemployed truck-manufacturing engineers founded TFC in 1976. Since then, the company has grown into one of the largest suppliers of chassis. In the past, TFC has produced only a pusher type of chassis, one that is powered by a diesel engine located in the rear. This design offers many advantages (e.g., no tunnel for the transmission, reduced engine noise, better handling). However, these chassis tend to be expensive, and they are used in motor homes that are very expensive ($150,000 and up).

Recently, TFC entered into an agreement with Gulf Stream to produce low-end pusher-type chassis for motor homes priced under $100,000. These new designs offer some of the features of the higher-end pushers, but at a lower cost. Today’s market for motor homes and vans is increasingly made up of people in their late 40s to 60s. These older customers want a motor home that rides like a car, and they are willing to pay for innovations such as ABS (anti-lock breaking systems), assisted steering, and computer-balanced suspension. TFC is the technological leader in this market. TFC sells to large manufacturers such as Winnebago, Airstream, and Gulf Stream. In general, these companies order small quantities (5 to 10 in a batch), and many of the units in a batchAchieving continued success in the motor home and van markets is difficult because of the rate of change taking place. TFC has become successful because of its ability to develop new product designs in a timely fashion.

This ability stems from TFC’s extensive experience with motor home users and TFC’s knowledge of new technological advances. It is generally recognized that no one in the industry can match TFC’s design and marketing knowledge base. Until recently, TFC could design and build a chassis in less than 30 days. However, the lead times have been growing. As a result of limited capital, TFC has found itself unable to keep up with demand. Management has identified the design department as the major bottleneck. While pondering this problem, the management team was approached by Computer Images, a design house located in Grand Rapids, Michigan. Computer-Images has made an attractive offer to take over the design responsibilities for the low end of TFC’s product line. Furthermore, Computer-Images has offered to work with TFC as a virtual corporation—one in which specifications would be generated by TFC and sent electronically to Computer-Images. The new drawings would then be designed and electronic copies sent back to TFC. Outsourcing the low-end work to Computer-Images would free up TFC’s staff to focus on meeting the demand for medium to high-end chasses.

*Based on the information provided in Table 10-3 , complete the insourcing/outsourcing analysis. Prepare a report for the company president with the findings and your recommendation. Only one option can be recommended.*



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| **Trail Frame Grading R** |
| **Rationale** | **Points Avail** |
| Submitted by the due date/time specified, Not late, and correct format | 4 |
| Limited use of personal pronouns, 'this' without a modifier, spelling and grammar errors, and APA format (1 point lost for each incident - More than 3 uses loses all points) | 15 |
| Trail Frames Case | 25 |
| Insourcing/outsourcing analysis & report to president with recommendations |   |