



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Logistics Management

June 2014

Paper 3
STRATEGIES AND ORGANIZATION IN LOGISTICS

Date: 16.06.2014

Max Marks: 100

Time: 10.00AM to 1.00PM

Duration: 3 Hours

INSTRUCTIONS:

- 1) Part A- Answer all questions- Compulsory
- 2) Part B-Answer any three questions
- 3) Part C -Compulsory

Total Marks=32
Total Marks=48
Total Marks=20

PART – A

(1 x32 = 32 marks)

I. Say True or False:

Marks(8)

- 1. The operating responsibility of logistics is the geographical positioning.
- 2. Logistics management, materials management, and physical distribution are all the same terms.
- 3. Customer service strives to keep customers happy and creates in the customer's mind the perception of an organization that is easy to do business with.
- 4. Goals state certain minimum requirements and should be specific, measurable, achievable, and cost effective.
- 5. The Primary objective of SCM is not to optimize the performance of the SC as a whole
- 6. A central element in establishing customer service goals and objectives is determining the customer's viewpoint.
- 7. Simultaneous achievement of possession, form, place, and time utility goes a long way towards facilitating and guaranteeing customer satisfaction.
- 8. Transit time is the elapsed time from when the order is transmitted up until it is received by the warehouse.

III. Fill in the blanks:

Marks(8)

- 1) The primary unit of analysis for integrated logistics is the _____cycle.
- 2) The final logistical design objective in an organization is ----- support.
- 3) -----is the capacity to have inventory when it is desired by a customer.
- 4) -----measures the magnitude or impact of stock outs over time.
- 5) Logistics Managers place greater emphasis on -----though speed of service is most critical .
- 6) -----refers to the collection of large quantities of a single product or several products so that they can ultimately be sold as a group.

- 7) The process of sorting and grouping products into unique combinations is referred to as -----.
- 8) -----of a number of key industries is the fifth driving force toward a borderless world.

IV Expand the following:

Marks :(8)

- 1) EDLP 2. ECR 3. AQL 4. BOL 5. CFD 6. CGMP 7. DSS 8. CFR

IV: Multiple choice questions:

Marks (8)

1. By possession utility we mean:

- a. The value or usefulness that comes from a customer being able to take possession of a product.
- b. Product's being in a form that (1) can be used by the customer and (2) is of value to the customer.
- c. Having products available where they are needed by the customers; products are moved from points of lesser value to points of greater value.
- d. Having products available when they are needed by customers.
- e. The value or usefulness of a product in fulfilling customer needs or wants.

2. Obsolete materials means:

- a. Stock that exceeds the reasonable requirements of an organization, perhaps because of an overly optimistic demand forecast.
- b. Materials that are not likely to ever be used by the organization that purchased it.
- c. Materials that are no longer serviceable, have been discarded, or are a by-product of the production process.
- d. Materials that have been spoiled, broken, or otherwise rendered unfit for further use or reclamation (no economic value).
- e. None of the above.

3. By order picking and assembly we mean

- a. The time from when a transportation carrier picks up the shipment until it is received by the customer.
- b. All activities from when an appropriate location (such as a warehouse) is authorized to fill the order until goods are loaded aboard an outbound carrier.

- c. Time from when the seller receives an order until an appropriate location (such as a warehouse) is authorized to fill the order.
- d. Time from when the customer places an order until the seller receives the order.
- e. Time from when a customer places an order to when the foods are received.

4. By order cycle we mean:

- a. The time from when a transportation carrier picks up the shipment until it is received by the customer.
- b. All activities from when an appropriate location (such as a warehouse) is authorized to fill the order until goods are loaded aboard an outbound carrier.
- c. Time from when the seller receives an order until an appropriate location (such as a warehouse) is authorized to fill the order.
- d. Time from when the customer places an order until the seller receives the order.
- e. Time from when a customer places an order to when the foods are received.

5. Excess surplus means:

- a. Stock that exceeds the reasonable requirements of an organization, perhaps because of an overly optimistic demand forecast.
- b. Materials that are not likely to ever be used by the organization that purchased it.
- c. Materials that are no longer serviceable, have been discarded, or are a by-product of the production process.
- d. Materials that have been spoiled, broken, or otherwise rendered unfit for further use or reclamation (no economic value).
- e. None of the above.

6. By economic utility we mean:

- a. The value or usefulness that comes from a customer being able to take possession of a product.
- b. Product's being in a form that (1) can be used by the customer and (2) is of value to the customer.
- c. Having products available where they are needed by the customers; products are moved from points of lesser value to points of greater value.
- d. Having products available when they are needed by customers.
- e. The value or usefulness of a product in fulfilling customer needs or wants.

7. Which of the following is a procurement objective?

- a. Developing strong relationships with other functional groups
- b. Supporting organizational goals and objectives
- c. Managing the purchasing process effectively and efficiently

- d. Managing the supply base
- e. All of the above

8. By time utility we mean:

- a. Product's being in a form that (1) can be used by the customer and (2) is of value to the customer.
- b. Having products available where they are needed by the customers; products are moved from points of lesser value to points of greater value.
- c. Having products available when they are needed by customers.
- d. The value or usefulness of a product in fulfilling customer needs or wants.
- e. The value or usefulness that comes from a customer being able to take possession of a product.

Part-B

Marks 48

(Any three from the following) 16 marks each

- Q5.** Explain the logistical concerns during different stages of a product's life cycle like during the Introduction , Growth, Saturation-Maturity stage and Obsolescence- Decline stage?
- Q6.** How does a national perspective of global Logistics restrict logistical policy and decision making?
- Q7.** What are the major pitfalls in coordinating finished inventory requirements for servicing global markets?
- Q8.** Discuss the objectives of developing & implementing performance measurement systems?
- Q.9. Write short notes (Any four)**

- a) Operative objectives.
- b) Benchmarking.
- c) Trend report.
- d) Barriers to global logistics.
- e) The Stateless Enterprise.
- f) Distribution channel.

PART-C

Marks 20

(Compulsory Question)

Q. 10 Read the following case study and answer the questions.

According to the organized sector, the snack food market in India is growing at 25 to 30 percent per year. The unorganized sector dominates 50 percent of this market. Local players sell both branded and unbranded products which are at 20 to 25 percent cheaper than national and international brands. Unbranded products are supplied to small and medium sized restaurants, bars, clubs, and pubs in bulk. However, branded products are popular amongst the educated elite and the young generation in urban areas. Due to changing trends in life and adoption of western culture, there is greater inclination towards fun and enjoyment in life, which is reflected in the food habits and lifestyle of the younger Indian population, both in urban and semi-urban areas.

Company background

Based on a market survey conducted in 1987 by ABC Company, a subsidiary of a multinational company, snack food plants were set up at Patiala and Delhi to manufacture potato chips and baked fried cheese and snacks. The mission is "To be people's favorite snacks and be always available when required". In a competitive market scenario, where staying ahead of the competition is a key challenge, the pace with which one responds is of strategic importance. Today, with volatile demand, the emphasis is on making to sell rather than making to stock. With high consumer expectation and need for rapid response in the marketing, distribution assumes greater significance and provides the required competitive edge. Availability of the product at the right time and place has become a prerequisite for creating long-term loyalty.

The company's market survey conducted on consumer perception indicates more than 95 percent customer satisfaction. The three product varieties introduced so far have been well received and have created a favorable image for the company. But competition from the unorganized sector, on the price front, is causing concern to GM marketing. He is worried about the distribution cost as a percentage of the product cost, which has been growing over the years and reducing the profit margin. On the other hand, due to killing competition, ABC is under tremendous pressure to keep prices at levels acceptable to customers.

Problem Analysis

To analyse the distribution cost problem the GM has assigned the job to Mr. X an engineer with an MBA and four years of experience in the distribution of ABC products, who joined as Logistic Manager in ABC. He has been with the company for the last one month. Mr.X took the opportunity as a challenge to prove his worth. He studied the current distribution system of the company, which is reflected in the distribution chain shown below.

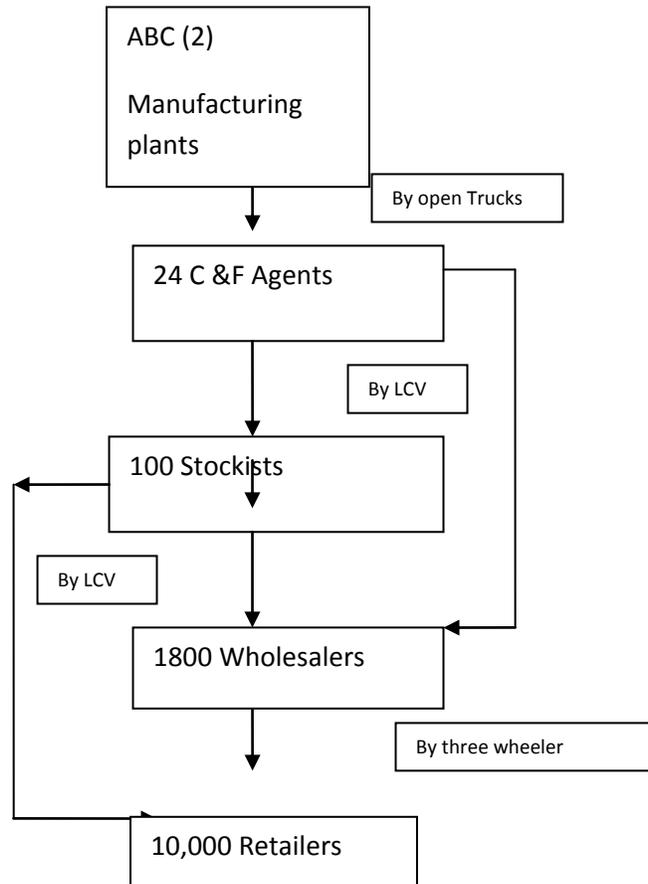


Figure 2. ABC Distribution Chain

ABC's first phase of distribution from its factories to C&F agents is more critical as it includes long distance freight paid dispatches involving primary freight charges, which are included in the maximum retail price (MRP) of the product. The distribution of the products, from C & F agent down to the retailers are taken care by channel members. The freight charges from secondary charges from C & F down the line are taken care of by channel members who are compensated through commission and quantity discounts. As the products are sent through open trucks, ABC encounters following problems:

Trans-shipments: The trucks are sometimes not loaded to full volume due to varying product mix requirements. Also due to low weight requirements, the transporter sometimes clubs other heavy goods with ABC products, resulting in transit damages.

Freight: ABC products occupy more space and hence a 9 ton truck is underutilized as far as loading is concerned, resulting in higher freight charges per unit weight.

Damages: Transit damage in open truck is to the extent of 8 to 10 per cent, due to improper handling, trans shipments, protrusions and mixing with other cargo.

Pilferages: ABC sometimes receives complains from C& F an agent regarding short supplies, which normally occurs due to pilferage of their products. The percentage is alarming but ABC wants to eliminate this.

ABC packs its products in transparent plastic bag of 200 grams each. These bags are packed in cartons of an average size of 2 feet by 1 feet by 1 feet. The average dispatches of three stock keeping units (SKU) during the last twelve months are as given below:

SKU A –68 %

SKU B – 25 %

SKU C – 7 %

Answer the following questions.

Que 10 A. Assume you are Mr. X and Propose a solution to the company's problem.

Que. 10 B Which is the most appropriate basis (tonnage, volume, cases or Km) to assess freight charges for snack food products? Compare them for rupee value per unit.
