



## CII Institute of Logistics

Post Graduate Diploma in Supply Chain Management  
Semester-end Examination June 2008

### STRATEGIC ISSUES IN SUPPLY CHAIN MANAGEMENT

Time : Three Hours

Marks : 100

#### Part A

Answer all questions (10 x 1 = 10 Marks)

State whether the following statements are TRUE or FALSE:

- 1) World Trade Organization (WTO) agreements are meant to be useful in exploiting opportunities in areas of comparative advantage. (TRUE/FALSE)
- 2) Customer satisfaction is a function of meeting their needs till such time that products/services are delivered. (TRUE/FALSE)
- 3) E-business leads to lower operating and transactional costs.(TRUE/FALSE)
- 4) Inventory turnover is a measure of success in the market place.(TRUE/FALSE)
- 5) In inventory decisions, trade-off between meeting customer needs and lower inventory costs is inevitable.(TRUE/FALSE)

Fill in the blanks suitably:

- 6) \_\_\_\_\_ size and market \_\_\_\_\_ are key determinants of product portfolio analysis.
- 7) \_\_\_\_\_ and \_\_\_\_\_ are two of the generic strategies proposed by Michael Porter for attaining sustainable competitive advantage.
- 8) \_\_\_\_\_ is the method by which costs are \_\_\_\_\_ by individual activities and functions.

- 9) Globalization has meant shift towards a more \_\_\_\_\_ and \_\_\_\_\_ world economy.
- 10) High safety stock and low order quantity are recommended for inventory items with \_\_\_\_\_ and \_\_\_\_\_ characteristics

#### Part B

Answer any three (3 x 15 = 45)

- 1) **Technology** needs to be leveraged for bringing about competitive advantage thro' effective and efficient supply chains. Elaborate and discuss this theme with examples and references to individual supply chain elements..
- 2) "Customer is King/Queen!!" How do successful supply chain organizations build in various customers –interfacing elements to make him/her really feel like one? Do relate these by choosing 2 typical products – one with a male target focus and one with a female target focus.
- 3) "Make vs Buy" decisions are increasing becoming critical to retain competitiveness. Discuss and elaborate on its various aspects and implications..
- 4) Define supply chain integration process and need for creating an effective supply chain organization structure. Do explain this considering an industry/product group which has an agro-base.
- 5) Write short notes on **ANY THREE** of the following:
  - i) Inventory control methods
  - ii) Bar coding technologies
  - iii) Warehouse layout design
  - iv) Distribution center optimization
  - v) Radio –frequency identification technologies

### Part C

#### Case Study (3 x 15 = 45)

Read the following case and answer all the questions given below. Assessment will be made on conceptual clarity, creative approach and innovative business solutions

Fashion Home Solutions (FHS) was set up in 1995 in Delhi by Mr Pravin Agarwal to satisfy the needs of the middleclass seeking modern and stylish furniture. Their initial growth came from having a small family owned furniture shop in Panchkuin Road in Delhi. They then expanded and set up their own furniture factory in Gurgaon in 2005 and wanted to move up the ladder in catering to the very fast developing Gurgaon area, thanks to the IT boom, innumerable shopping malls making it a preferred home destination for the young and prosperous. Correspondingly, there are an increasingly large number of vendors catering to housing and home furnishing needs. FHS is engaged in supplying various home furniture and home furnishing items sourced from many local, outstation and overseas vendors. They also do design consultancy and undertake turnkey home solutions. FHS has a 50000 sq ft showroom in Gurgaon and a 35000 sq ft warehouse in Faridabad and still retain their 5000 sq ft office-cum showroom in Panchkuin Road. Bulk of their business comes from retail sales for furniture and furnishing items like sofas, wall cabinets, book cases, dining tables and chairs and kitchen cabinets, curtains, curtain accessories amongst others. The design consultancy and turnkey businesses are still very small but show attractive growth potential. Their 2007 turnover was Rs 50 crores, 60% came from bought out items resold as such and or/incorporated into total home solutions while their own furniture factory output made up balance 40%. The overall strategy was to try to offer "total home solutions" as customers increasingly wanted a "one stop solution".

While business levels were lower, they had gained a good reputation in and around Gurgaon and want to model themselves like the international giant Ikea in home solutions. They now wish to expand and move into other growth areas in North India to start with, before they plan to go national in association with an international backing.

However, they do realize that unless their supply chain is well organized to meet growth requirements they cannot make much headway in their expansion and growth plans. There are in all 150 employed in FSH covering all departments in Gurgaon and 50 people (mostly manual labour) in their warehouses. The Managing Director Mr Pravin Agarwal still sits in their own shop in Panchkuin Road which serves as their corporate office. He visits the Gurgaon office twice a week. The overall operations are run by their Director Mr Rohit Agarwal , son of Mr Pravin

Agarwal. Mr Rohit Agarwal is an MBA from Delhi University. The various departmental heads of marketing, sales, customer service, purchasing, contracting, logistics and distribution are all at the same level and all report to Mr Rohit Agarwal. The MD handles finance, human resources and general administration. There is an elder brother of Mr Pravin Agarwal , a NRI based in Dubai, who handles international affairs. Mr Rohit Agarwal's younger sister, a qualified interior decorator looks after design consultancy as a separate profit centre.

Over the last one year, there are an increasing number of customer complaints regarding incorrect specifications, wrong deliveries, late deliveries, damaged items, lack of coordination between those responsible for receiving goods and those for sending finished products to customers. Already the sales are reporting cancellation of some orders, plunging marketing efforts into disarray. The supply chain seems to be falling apart. While the blame game has started amongst departmental heads, there are sly references to the lack of managerial autonomy with concentration in decision making by the ownership family members.

Their MD is very upset and has asked their Director to look into the details, and suggested that unless and until things are set right; all further expansion will be on hold. It is now up to Rohit, Preethi and others to get FSH back on the growth path.

Based on the inputs provided in the case and your own ideas of running family businesses, do answer the following questions:

1. What exactly should Rohit do to find out why things are going wrong? What will be his immediate action plan? What inputs, supply chain performance measures should he look into to get into the root causes?
2. What is your assessment of the problems and issues facing FSH? Discuss possible means of solving these problems and issues.
3. What do you think of the organizational structure of FSH? What recommendations can you offer to improve matters? How should family run companies like FSH tackle issues of autonomy and independent decision-making?

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