



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Logistics Management
Paper 3

June 2011

STRATEGIES AND ORGANIZATION IN LOGISTICS

Date: 13 .06. 2011
Time: 10.00AM to 1.00PM

Max Marks: 100
Duration: 3 Hours

Instructions:

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|--------------------------------------|----------------|
| 1) Part A- Answer all questions | Total Marks=32 |
| 2) Part B-Answer any three questions | Total Marks=48 |
| 3) Part C -Compulsory | Total Marks=20 |

Part A

Q.1 True or False

- One of the important drivers of logistical change has been the widespread adoption of total quality management.
- All firms require the support and cooperation of many other firms or businesses to complete the overall logistical process.
- Variance in a system is any an expected event that leads to better system performance.
- The inventory requirements of a firm depend on the network structure and desired level of customer service level.
- The design of logistical network is not dependent on geographical variation.
- The excellent customer service performance adds value to all members of the supply chain.
- Moving average forecasting uses an average of the most recent period's data.
- The inventory holding is a risky situation because of the capital investment and the potential obsolescence of the materials

Q.2. Fill in the blanks.

- Basic logistical service is measured in terms of (1) _____ (2) _____ and (3) _____
- The failure to transfer _____ can create a barrier to continued integration and operation when an experienced employee retires or leaves the company.
- While designing a logistical system a delicate balance must be maintained between transportation _____ and _____ of service.
- The Performance cycle structure provides a logic for combining the nodes _____, _____ and activities essential to physical distribution
- Where as _____ refers to higher basic performance, _____

_____ refers to doing new and unique things to help key customers become successful

f) How much to offer as part of basic customer service _____ platform requires careful _____ analysis.

h) _____ are standard statistical methods using historical data that contain relatively clear and stable relationships and trends.

Q.3. Write full-form of the following.

1. EDI
2. ROI
3. MNC
4. EOQ
5. VMI
6. FSN
7. RFID
8. VSAT

Q.4 : Explain any four from the following.

- 1) Total Cost of Ownership
- 2) Logistics Outsourcing
- 3) Cycle Time Reduction
- 4) E-Solutions
- 5) Carousels

PART – B

Q.5) What are the various functions in Logistics ? How does each of them contribute in supply chain for smooth functioning of a firm.

Q.6) What are the various modes of transport and costs associated with them for the different types of products.

Q.7) Explain various measures of Customers Service Performance for effective Logistics System

Q.8) “Effective logistics system is absolutely critical in global manufacturing and marketing” What are your views on this statement.

Q.9. Write short notes (Any four)

- a) Distribution channel
- b) Benchmarking
- c) Reverse Logistics
- d) Barriers to global logistics
- e) The Stateless Enterprise
- f) Third Party Logistics

PART- C

- Q.10. **CASE STUDY**

Mr.R. K Jhunjunwalla CMD of M/s Alfa and Alfa Ltd., Vishakhapatnam grumbled. “Nothing seems to be moving in the right direction in this Company,” He continued, “You perhaps have no idea that my reputation is at stake and one wrong move, I will be in deep trouble! This will certainly affect my own survival in this Organization!!”

Mr. P. K Jain , Supply Chain Head had no answer! He himself did not know how to come out of the troubled waters, especially when he had realized that his Supplier really could not be blamed for the whole mess!!

The company

Today, M/s Alfa and Alfa Ltd., is a well established Company in the Country. Way back in 1957, this was started as a small organization for producing implements & equipments required by engineering companies. To begin with, the Company had introduced small products and assemblies. These were initially available in small capacities.

Somewhere in 70s, the company became quite popular among all its Customers, mainly due to its focus on quality and commitment to good service. Alfa and Alfa never compromised on quality, though their products were a bit costly. The company introduced many innovative Products and products of higher capacities. The sales and reputation of Alfa and Alfa grew steadily. Amidst all this, the Company had a major constraint and that was the import of the right quality Fuel Injector Pumps at the right cost!

Mr. Jhunjunwalla had taken over as the CMD of the organization in 1998 and ever since that time, the Company's performance had been soaring. The turnover had quadrupled within 3years and this was considered to be a tremendous feat in the Industry. The Company had boomed in to a reputed manufacturer of quality machines, equipment and commercial/industrial vehicles. In spite of all this achievement, the Company had a nagging problem of shortage of Fuel Injector Pumps.

The Background

In the year 2002, the Company received an order for the supply of commercial/industrial vehicles to Russia and the lead time given was very tight. An immediate action was essential to arrange the Injector Pumps in time, especially because only 18 months were available for production of the vehicles. The Supply Chain Department had immediately swung into action and as per the practices, had floated a Global Tender. Eight Suppliers world-wide had responded to this Tender, quoting three months' delivering period, after the opening of the Letter of Credit (LC). An analysis of the Bid showed that a German Firm was the cheapest and most ideal. This was because there was a Freight Forwarder who had a ship sailing from a German Port once a month and that touched Vizag where Alfa and Alfa was located. The ship always left in the first week of every month and was in Vizag in the third week of the following month. This had made the transport costs the lowest. Other suppliers either had to ship the consignments to Kolkata or transport their suppliers to the port from where a direct ship was available to Vizag. Either of these two alternatives made the ultimate supplies costlier.

Further, transshipment would also possibly result in damages and delays in transit. Alfa and Alfa had sought quotation for delivery at Vizag Port so as to be able to compare the different quotations on a like-to-like basis. Mr. P. K Jain. selected the German Company for supplying the Fuel Injector pumps.

The Problem

The Almighty, however, was not kind to Mr. P. K Jain in more than two ways! M/s. Alfa and Alfa had got inquiry from the Russian Firm for supply of 225 assorted vehicles, with very favorable terms, but was demanding that the supplies be completed by 26th December 2002. A quick calculation showed that this would be possible only if the production was taken on war footing by 15th September, the latest. Mr. Pinto said to himself, " This means that the imported pumps must reach the factory by 1st September 2002." An e-mail was sent to the German Supplier seeking confirmation of loading consignment into the ship leaving Germany in July 2002 and thus, reaching Vizag by the third week of August. The Supplier confirmed that this would require a very tight schedule but at the same time hoped that they may be able to achieve it provided the LC was opened within seven days of the receipt of their mail.

Mr. P. K Jain and his team lived a most hectic week that followed. An LC was opened favoring the German Company. The supplier was informed about this and was also advised that a repeat order is likely to be placed if this order was executed in time. The delivery schedule was confirmed to the Russian Buyer, with a request for a firm order along with 20% advance payment. The Russian order along with the advance payment and confirmation from the German Firm came within days of each other. The Supply Chain Department and the Management of M/s. Alfa and Alfa were in high spirit during the weeks that followed!!

Their dreams, however, were shattered in the last week of June when a fax was received from Germany. The Germany Supplier informed that due to unforeseen circumstances (perhaps weather), the departure of the ship had been advanced by one week and regretted that there was no way to manufacture all the pumps and make the consignment ready for shipment by that time. They wanted to know whether the pumps can be sent by the next ship that would reach Vizag by 3rd week of September 2002. They also wanted to know whether they can ship the consignment by a Vessel that was expected to reach Kolkata Port sometime between 18th & 21st August. The German Company, at the same time, was not keen on bearing the transportation cost between Kolkata and Vizag, since purchase Order had called for delivery at Vizag Port.

Questions

1. What should be the response of M/s. Alfa and Alfa for the current crisis? What action should into Mr. P. K Jain take for the immediate requirement?
2. What action should the Supply Chain Department take to avoid recurrence of such incident in future.
