

Jagan Institute of Management Studies
End-Term Examination, December, 2016 – January, 2017
Trimester V – PGDM 2015-17

Material & Inventory Management
ET_PG_MIM_2712

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

- Q 1** a) Prepare a flow Chart of the Purchasing process from the receipts of requisition to the payment to the Supplier. **3**
- b) You have to select a transportation service provider for your organization for handling inland FTL/LTL consignments on regular basis. List out the various factors on which you will select the right Transportation Company. **4**
- c) Why do you think that understanding of “Incoterms” is important for Global Sourcing professional? Explain any two Incoterms in detail. **4**
- d) What are the key roles of the Inventory Manager? **4**
- Q 2** As a Warehouse Manager, Company wants you to improve operational performance as well as ensure proper TAT (Turnaround time) of customer Orders from the warehouse. Detail out the steps which you would undertake to improve in these two areas. **12**
- Q 3** What are benefits of “Outsourcing” .List out the criteria for selecting a suitable 3 PL provider. **12**
- Q 4** Detail out the steps you would undertake to improve “Supplier Relationship” in your organization. (Assume that you work for Automobile manufacturing Company). **12**
- Q 5** Explain the various stages in Sourcing process. **12**
- Q 6** You have to procure capital equipment (say a Packaging machine) for your company. The estimated cost of which is around 90-100 lacs. What are the various factors you will consider while buying this for your organization. **12**
- Q 7** **Read the case and answer the questions given at the end.**

Zara: Apparel Manufacturing and Retail

Zara is a chain of fashion stores owned by Inditex, Spain's largest apparel manufacturer and retailer. In 2009, Inditex reported sales of about 11 billion euros from more than 4,700 retail outlets in about 76 countries. In an industry in which customer demand is fickle, Zara has grown rapidly with a strategy to be highly responsive to changing trends

with affordable prices. Whereas design-to-sales cycle times in the apparel industry have traditionally averaged more than six months, Zara has achieved cycle times of four to six weeks. This speed allows Zara to introduce new designs every week and to change 75 percent of its merchandise display every three to four weeks. Thus, Zara's products on display match customer preferences much more closely than the competition. The result is that Zara sells most of its products at full price and has about half the markdowns in its stores compared to the competition.

Zara manufactures its apparel using a combination of flexible and quick sources in Europe (mostly Portugal and Spain) and low-cost sources in Asia. This contrasts with most apparel manufacturers, who have moved most of their manufacturing to Asia. About 40 percent of the manufacturing capacity is owned by Inditex, with the rest outsourced. Products with highly uncertain demand are sourced out of Europe, whereas products that are more predictable are sourced from its Asian locations. More than 40 percent of its finished-goods purchases and most of its in-house production occur after the sales season starts. This compares with less than 20 percent production after the start of a sales season for a typical retailer. This responsiveness and the postponement of decisions until after trends are known allow Zara to reduce inventories and forecast error. Zara has also invested heavily in information technology to ensure that the latest sales data are available to drive replenishment and production decisions.

In 2009, Inditex distributed to stores all over the world from eight distribution centers located in Spain. The group claimed an average delivery time of 24 hours for European stores and up to a maximum of 48 hours for stores in America or Asia from the time the order was received in the distribution center (DC) to the time it was delivered to the stores. Shipments from the DCs to stores were made several times a week. This allowed store inventory to closely match customer demand.

Questions:

- a) Why does Zara source products with uncertain demand from local manufacturers and products with predictable demand from Asian manufacturers? 5
- b) What advantage does Zara gain against the competition by having a very responsive supply chain? 5
- c) What steps should Zara take do build long term relations with its suppliers. 5
- d) Does it make sense for Zara to introduce “online Reverse Auction” for Procurement of its supplies? 4
