



MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

THIRD YEAR SEMESTER EXAMINATION FOR BACHELOR OF COMMERCE (PROCUREMENT OPTION)

BMS 425: STRATEGIC PROCUREMENT MANAGEMENT.

DATE:

TIME:

INSTRUCTIONS: Attempt Question ONE and any other TWO question

QUESTION ONE (COMPULSORY) (30 MARKS)

Use the case below to attempt question 1a-c. Note this case is not a true story.

LAZIO LTD

Lazio Ltd has been the only source of organic fuel since the year 2001 to a number of customers in Eastern Africa. During this period, the company made super profit and the directors were extremely happy with the management; a feeling they reflected through hefty bonuses at every end year parties. In the year 2019, Deco Fuel Ltd established a branch at Namanga boarder in Tanzania side to produce organic fuel. The choice of the site was guided by the cheap sources of raw material from Tanzania and potential customers from Nairobi. In January 2017, the company began full production and distribution of the products to customers in Kenya. Lazio Ltd management became only aware of Deco existence when one of their potential customers gave them a sample of fuel they would like to be supplied with. On checking, they noticed that the product was not theirs, prompting the sales manager to ask the customer the source. The customer informed him that for the last six months, he had been getting the product from Tanzania but would like to have an alternative just in case. The sales person reported this to his boss but was told to ignore since Lazio is grounded in market.

However, in June 2017, Lazio Ltd half year sales' graph indicated a significant downward trend. This alarmed the MD who immediately summoned his team for an urgent meeting. The meeting resolved to hire a consultant to investigate the cause of sudden sales decline and report. The consultant was given one week to report the findings. After one week, the highlight of the consultant's report was as follows:

- i. That the Deco products are the cause of the decline in sales
- ii. That Deco products are rated superior in terms of quality by the customers hence getting preferential treatment in the market
- iii. That Deco products are cheaper by about 20%

As a closing remark, the consultant warns Lazio management that unless they take immediate steps to respond to Falcom challenge, they will be out of business in the next ten months.

After reading the report, Lazio Ltd decided to contract you and given you the following tasks:

- a) Explain five **procurement strategies** they should implement to reduce the cost of operation to enable them be competitive (10 marks)
- b) Discuss **five** ways in which Lazio Ltd may differentiate their products to give them a niche in the market (10 marks)
- c) Explain five ways in which supplier relationship management may act as a procurement strategy in the above case (10 marks)

QUESTION TWO (20 MARKS)

- a) Discuss **five** reasons why manufacturing firms may find it challenging to implement procurement strategies (10 marks)
- b) Discuss five ways in which a retail firm may use international purchasing as a competitive strategy (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain FIVE areas of relationship between purchasing strategies and Porter's generic strategies (10 marks)
- b) Develop a FIVE point framework to justify the need for implementation of strategic vendor management in an organisation. (10 marks)

QUESTION FOUR

- a) State **five** strategy implementation pit falls which may likely derail the implementation of an organisational purchasing strategic plan (10 marks)
- b) Explain **five** elements of that constitute strategy implementation of an organisation (10 marks)

QUESTION FIVE (20 MARKS)

- a) Explain **five** measures that an organisation may put in place to ensure optimised benefit from its strategic purchasing operations. (10 marks)
- b) Explain five differentiating factors between strategic sourcing and traditional sourcing (10 marks)