MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH 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-d. Note this case is not a true story.

Case: MANAGING SUPPLY CHAIN COST: A QUEST FOR UPSTREAM SUPPLY CHAIN STRATEGIES

Butec 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 2016, Falcom 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. Butec Ltd management became only aware of Falcom 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 Butec is grounded in market.

However, in June 2017, Butec 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 Falcom products are the course of the decline in sales

ii) That Falcom products are rated superior in terms of quality by the customers hence getting preferential treatment in the market

iii) That Falcom products are cheaper by about 15%

As a closing remark, the consultant warn Butec 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, Butec Ltd decided to seek your advice on how to deal with the competition from Falcom. The Management has asked you to:

a) Identify and explain for them **five procurement strategies** they should implement to reduce the cost of operation to enable them be competitive. (10 marks)

b) Explain in **five points**, how they can use procurement strategies to differentiate their products in order to be competitive. (10 marks)

c) Discuss **three levels** of supply chain management strategy open to them. (6 marks)

d) Explain in **two points**, how partnership with vendors can turn the fortune of Butec Ltd. (4 marks)

QUESTION TWO (20 MARKS)

a) Explain any **five** misconception of strategic purchasing. (10 marks)

b) Explain five elements of strategy implementation in retail industry. (10 marks)

QUESTION THREE (20 MARKS)

a) In **five** points, explain the relationship between purchasing strategies and generic strategies (10 marks)

b) As a procurement officer working for a manufacturing firm, you have been asked to use **five** points framework to justify the need for implementation of strategic vendor management by your boss (10 marks)

QUESTION FOUR (20 MARKS)

a) Discus **five** reasons why retail firms fail to implement strategies (10 marks)

b) In **five** points, discus how manufacturing firms may use international purchasing as a competitive strategy **(10 Marks)**

QUESTION FIVE (20 MARKS)

a) State **five** strategy implementation pit falls which are likely to derail the implementation of Machakos University purchasing strategic plan. **(**10 marks)

b) Use a five points table to differentiate between strategic sourcing and traditional sourcing (10 marks)