

EASTERN UNIVERSITY, SRILANKA

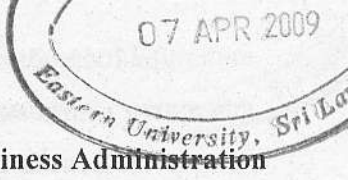
Faculty of Commerce and Management

Third Year/Second Semester Examination in Bachelor of Business Administration

Specialization in Marketing Management

(2007/2008) (March/April 2009) Proper/Repeat

MKT 3143: Supply Chain Management



Answer all questions

Time: 03 hours

**Q1 Read the Case and answer the questions given below**

**Gateway: A direct Sales Manufacture**

Gateway is a manufacturer of PCs that sells directly to customers who place orders at gateway retail stores, through the telephone, or via the internet. The company was founded in 1985 and started as a direct sales manufacturer with no retail footprint. In 1996, Gateway was one of the first PC manufacturer's to start selling PCs online. Over the years Gateway expanded its operations worldwide with sales and manufacturing presence in Europe and Asia Pacific. In 1999, the company had three plants in the United States, a plant in Ireland, and one in Malaysia.

In the late 1990s, Gateway introduced an aggressive strategy of opening Gateway retail stores throughout the United States. They invested in many retail stores, increasing their selling, general, and administrative expenses from 12.5 percent of sales in 1997 to 15.1 percent of sales in 1999. As of January 2002, Gateway had about 280 retail stores in the United States. Gateway's strategy has been to not carry any finished goods inventory at the retail stores but simply use these stores for customers to try the PCs and obtain help in deciding on the right configuration to purchase. Once customers place their order, PCs are manufactured for order and shipped from one of the assembly plants.

Initially, investors rewarded Gateway for this strategy and raised the stock price to over \$80 per share in late 1999. As of January 2002, however, Gateway shares had dropped to below \$4 and Gateway had lost a significant amount of money.

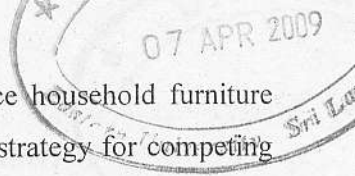
In 2001, Gateway decided to close all overseas operations to focus on its business in the United States. Plants in Ireland and Malaysia were shut. The company has entered into contracts with third parties to provide service and support to customers outside the United States.

Gateway has also shut its production facility in Salt Lake City. The company has closed several of its retail stores in the United States but has not fundamentally changed the way they are used. Gateway has also decided to reduce the number of configurations that will be offered to customers in an effort to lower costs.

### Questions

1. Why did Gateway have multiple production facilities in the United States?  
(06 marks)
  2. What factors did Gateway consider when deciding which plants to close?  
(07 marks)
  3. Why does Gateway not carry any finished product inventory at its retail stores?  
(08 marks)
  4. Is the Dell model of selling directly without retail stores always less expensive than a supply chain with retail stores?  
(07 marks)
- (Total 28 marks)

- Q2
- a. Define the term "Supply Chain Management" and discuss the role played by efficient & effective logistics systems in encouraging a high level of trade.  
(07 marks)
  - b. State the reasons, why both marketing and production may claim some or all of logistic activities as part of their area of responsibility?  
(06 marks)
  - c. "The life of a product from a logistics viewpoint does not end with delivery to the customer". Elaborate on this statement  
(05 marks)
- (Total 18 marks)



**Q3** a. You are planning to start a company that will produce household furniture (sofas, chairs, tables and the like). Outline a corporate strategy for competing in the market place. What logistics strategy might you derive from your corporate one?

(05 marks)

b. What are the differences between a supply-to-stock and a supply-to-order-supply channel design?

(06 marks)

c. Explain the role the product package plays in the design of a supply or distribution strategy.

(07 marks)

(Total 18 marks)

**Q4** a. "Not all products should be provided same level of customer service". Discuss this statement with suitable examples.

(06 marks)

b. When does privately own transportation becomes a better choice than common carrier transportation? (Discuss in terms of product characteristics and costs).

(07 marks)

c. What are the advantages & Disadvantages of using bar code & scanner for order entry?

(05 marks)

(Total 18 marks)

**Q5** a. How is Just-in-time (JIT) scheduling different from the Supply-to-inventory (STI) scheduling? How is JIT scheduling can eliminate the need for inventories in the supply channel?

(07 marks)

b. Explain what safety stock is and why it is needed?

(05 marks)

c. What is a heuristic method? How are they useful in solving warehouse location problem?

(06 marks)

(Total 18 marks)