

Eastern University, Sri Lanka

Faculty of Commerce & Management

20 AUG 2013

Third Year Second Semester Examination in BBA / Specialization in Marketing  
Management – 2010/2011 (Proper/Repeat)

MKT 3063 Supply Chain Management

Answer all Questions

Time: Three Hours

Q1. Read the following case study and answer the questions given below.

**7-Eleven: A convenience Store**

With over 23,000 stores in about 20 countries, 7-Eleven is one of the largest convenience store chains in the world. It has about 9,000 stores in Japan and almost 6,000 in the United States. Its growth in Japan has been phenomenal given that the first 7-Eleven store opened there in 1974. 7-Eleven Japan is one of the most profitable companies listed on the Tokyo stock exchange. It has seen tremendous growth in sales and profitability while simultaneously decreasing its inventory relative to sales. 7-Eleven Japan's success is attributed primarily to its supply chain design and management ability.

7-Eleven Japan aims to provide customers with what they want, when they want it. From a strategic perspective, one of the company's key objectives is to micro-match supply and demand by location, season, and time of day. 7-Eleven designs and manages location, inventory, transportation, and information to support this objective.

7-Eleven Japan follows a dominant location strategy and opens new stores in target areas to establish or enhance a strong presence. They are present in about half of the prefectures (roughly equivalent to a county in the United States). 7-Eleven has a strong presence, however, with several stores in each prefecture where they are located. 7-Eleven's dominant location strategy allows the company the benefits of consolidation in both warehousing and transportation.

In Japan, fresh food constitutes a significant percentage of 7-Eleven's sales. Most of the fresh food is cooked off-site and delivered to the stores. A store placing an order by 10 A.M. has it delivered by dinnertime the same day. There are at least three fresh food deliveries a day per store so that the stock can change for breakfast, lunch, and dinner. All stores are electronically connected to the head office, distribution centers (DCs), and suppliers. All store orders are passed on to the suppliers who package store-specific orders and deliver them to the DC. At the DC, all orders of like products (categorized by temperature) from different suppliers are combined and delivered to the stores. Each

delivery truck delivers to more than one store and tries to visit stores during the off-peak hours. 7-Eleven Japan has made an effort to have no direct store delivery from vendors to the stores. Rather, all deliveries pass through and are aggregated at a 7-Eleven DC or warehouse from which they are shipped to the stores. Note that the location strategy helps facilitate this supply strategy.

In the United States, 7-Eleven is taking a similar approach to the one used in Japan. Fresh foods are being introduced into the stores. 7-Eleven has once again decided to avoid on-site cooking by having suppliers cook the fresh food for them. These foods are then delivered to store on a daily basis. In the United States, 7-Eleven has tried to replicate the Japanese model with combined DCs where product is received from suppliers and then shipped to stores. The success of this strategy is reflected by the improved performance of 7-Eleven in the United States. In the United States, however, a large fraction of products are delivered to stores by a distributor and not from the 7-Eleven DC.

In both Japan and the United States, 7-Eleven has invested significant money and effort on a retail information system. Scanner data are collected and analyzed. The resulting information is then made available to headquarters and the stores for use in ordering, product assortment, and merchandising. Information systems play a key role in 7-Eleven's ability to micro-match supply and demand.

7-Eleven has made clear choices in the design of its supply chain. Other convenience store chains have not always made the same choices.

### **QUESTIONS**

- a) Why has 7-Eleven chosen off-site preparation of fresh foods and subsequent delivery to stores?  
(04 Marks)
- b) Why does 7-Eleven Japan discourage direct store delivery from vendors and make an effort to move all products through combined DCs?  
(04 Marks)
- c) What factors influence the decision regarding the opening and closing of stores? Why does 7-Eleven choose to have a predominance of its stores in a particular location?  
(06 Marks)

d) Where are DCs located and how many stores does each center serve and analyze how are stores assigned to DCs?

e) Why supply chain consider temperature in shipments? Citing examples from 7-11. Eleven supportive answer.

(08 marks)

**(Total 28 Marks)**

Q2. a) 'Logistics is about creating *values* – value for customers and suppliers of the firm, and value for firm's stakeholders. Briefly discuss the importance of logistics in supply chain.

(05 Marks)

b) 'Order processing for a retail sale will likely be different from that of an industrial sale.' Define order processing and the activities that are included in it.

(06 Marks)

c) 'There can be a number of factors to speed up or slow down processing time. List the factors and discuss how these factors are influencing with example.

(07 Marks)

**(Total 18 Marks)**

Q3. a) 'A proactive logistics strategy often begins with the business goals and customer service requirements. Explain the major planning areas with suitable examples.

(05 Marks)

b) Customer service has been viewed as an essential ingredient in marketing strategy. Analyze the customer service elements with example.

(05 Marks)

c) Along with quality and service, price also represents the product to the customer. Discuss the pricing methods that are geographically related and to incentive pricing arrangements that are derived from logistics costs.

(08 Marks)

**(Total 18 Marks)**

Q4. a) KANBAN is Toyota's production scheduling system and perhaps the best-known example of just-in-time scheduling. Describe the characteristics of KANBAN system.

(04 Marks)

b) Trade zones are duty-free areas established at one or more entry points within a country, where foreign goods may enter, be held or processed in some way and be reshipped without incurring any duties. Discuss the advantages of foreign trade zones with example

(06 Marks)

c) A primary objective of inventory management is to ensure that product is available at the time and in the quantities desired. Compare push inventory control with pull inventory control with suitable example.

(08 Marks)

**(Total 18 Marks)**

Q5. a) There has been an increase in shipping products using more than one transportation mode in the process. Analyze intermodal service combinations with suitable examples.

(05 Marks)

b) The selection of a mode of transportation or service offering within a mode of transportation depends on a variety of service characteristics. Discuss the service characteristics that should be considered when selecting mode of transportation.

(05 Marks)

c) A logistic information system can be described in terms of its functionality and its operation. Discuss these with an example.

(08 Marks)

**(Total 18 Marks)**