



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE (PROCUREMENT)

BMS 319: LOGISTICS MANAGEMENT

DATE: Friday 12th May 2017

TIME: 11.00a.m -1.00p.m

INSTRUCTIONS:

Answer question one and any other two questions

QUESTION ONE

EUNIJA DIARIES

EUNIJA Dairies gives a home delivery service for milk, dairy products and a range of related goods. John has run the dairy for the past twenty years. His product is a combination of goods (the items he delivers) and services (the delivery and associated jobs he does for customers). At the heart of operations is an information system which contains full details of all John's 1000 customers, including their regular orders, special orders, where to deliver, how they pay, and so on. Every day the system calculates the likely sales of all products in three days' time. John adds some margin of safety allows for likely variations and passes his order to Mashamba Dairy in Kiambu in kitui (about 150 km away). This Mashamba depot acts as a wholesaler for milkmen in Kiambu town and the Kitui/Mwingi towns. The following evening it delivers to a holding depot in Embu, and then takes John's goods 40 km to a cold store in Mwea. At 5.30 the following morning John collects the order from his cold store and starts delivering to customers. This normally takes until 1.30 in the afternoon, but on Fridays he spends more time collecting money and often finishes after 5.00 pm.

There are several specific problems facing EUNIJA Dairies. There is, for example, some variation in daily demand, so John has to carry spare stock. He cannot carry too much, as dairy products have a short life and anything not delivered quickly is thrown away. John aims at keeping this waste down to 2 per cent of sales. There are also problems maintaining a service during holidays, or when Mashamba has difficulties with their deliveries. Perhaps John's main concern is maintaining his sales over the long term. Demand for doorstep deliveries is declining, as people buy more milk at supermarkets. The number of milkmen in Kiambu has declined from thirty in 2009 to thirteen in 2016. Most of John's customers have been with him for many years, but he generates new custom by canvassing, delivering leaflets, special offers, carrying a range of other products, and so on.

QUESTIONS

- (a). Describe EUNIIA Dairie's logistics system (10 marks)
- (b). Explain to EUNIIA Dairies management on ways of overcoming the above mentioned challenges? (10 marks)
- (c). Explain how the management of EUNIIA Dairies can use logistics management to improve its activities (10 marks)

QUESTION TWO

- (a). Effective logistics management can help companies to gain competitive advantage through both value enhancement and cost reduction. Discuss some of this ways through which this can be achieved (10 marks)
- (b). Briefly compare and contrast the transport principles of economy of scale and economy of distance indicating how they combine to create efficient transportation (5 marks)
- (d). Explain five logistics costs seem an organisation in the manufacturing sector may incur (5 marks)

QUESTION THREE

- (a) Explain five unethical practices in logistics and ways of upholding ethics in the profession (10 marks)
- (b). Highlight five ICT/IT tools may be applied in logistics management (5 marks)
- (c). Explain the shippers responsibility when terms of purchase are FOB origin /FOB destination (5 marks)

QUESTION FOUR

Logistics performance management is one of the key pillars of achieving key strategic Organizational objectives through contribution of the logistics function to the overall corporate strategy.

- (a). Describe and explain the role of logistics design on performance (8 marks)
- (b). Discuss the Key performance indicators in logistics that can contribute to the organizational performance as a whole clearly outlining the specific reasons why you should measure logistics performance. (7 marks)
- (c). Discuss under what conditions it could make sense to combine private and public warehouses in a logistical system. (5 marks)