



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

Bachelor of Commerce Honours Degree in Logistics and Supply Chain Management

Logistics Planning

HSLM 213

Part 2 Semester 1 Examination

Total Marks [100]

Date: June 2020

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

1. Section A [COMPULSORY]

CASE STUDY: NONHLANHLA TIMBERS [NT].

Nonhlanhla Hunga is the Managing Director of Nonhlanhla Timbers [NT] which makes specialized wood products for the construction industry. She has recently been worried by the late deliveries to some important customers. The industry is very competitive, and Nonhlanhla knows that customers will go to other suppliers if she cannot guarantee deliveries.

The marketing manager is particularly upset because he has worked with these customers for a long time, and promised deliveries that were not made. Nonhlanhla asked the production manager for an explanation. She told her that 'Our own suppliers were late in delivering certain types of wood. This shortage of a key raw material disrupted our production plans. We cannot be blamed for this. If anyone in the company is to blame, it is the warehouse manager who does not keep enough stocks of raw materials to cover for late deliveries.'

Nonhlanhla went to the warehouse manager to see what was happening. "There can't be anything wrong here", she was told. "Stocks have been increasing for the past year, and last month they were at all-time high. In part, this is a deliberate decision, as I want to improve service levels to production. In part, though, stocks seem to have just drifted upwards. Now we have high stocks of most items, but there are still occasional shortages. These high stocks are causing me problems with space, and are stretching my budget. I think that the blame lies in purchasing, who do not order the amounts that we request".

Nonhlanhla saw that stocks were drifting upwards because purchasing were buying large quantities of some materials. At the same time, they were delaying some purchases, and this produced shortages. The purchasing manager explained to Nonhlanhla, "Let me remind you that eight months ago you instructed me to reduce material costs. I am doing this by taking advantage of the discounts given by suppliers for larger orders. Often I order more than requested under the assumption that we will need the material at some stage, so I get a discount and the material is already in stock when we need it. Sometimes keeping things in stock would take too much space or be too expensive, so then I might delay an order until I can combine it with others to get bigger discounts".

Nonhlanhla thought that she was near the source of her problems, and might ask for the purchasing policies to be reviewed. Then she talked to the transport manager who was not sure. It is much more efficient for me to bring larger quantities into the company', he said. If you reduce the average order size, the transport costs will rise.

Our budget is already squeezed, as we have to pay for expensive express deliveries of materials that production classify as urgent. If you lower the order size, there will be more shortages, more express deliveries and even higher costs'. Nonhlanhla talked to some major suppliers to see if they could somehow improve the flow of materials into the company. Unhappily, while she was talking to one company, they raised the question of late payments.

This was contrary to Nonhlanhla Timber's stated policy of immediate payment of invoices, so she asked the accounting section for an explanation. She was given the unwelcome news that The Company's inventory and transport costs are so high that we are short of cash. We are delaying payments to improve our cash flow. As it is, we had to use a bank overdraft to pay suppliers for last month'.

Later that day Nonhlanhla found that the late customer deliveries which had started her investigation, were actually caused by poor sales forecasts by the marketing department. They had seriously underestimated demand, and planned production was too low. All the employees at NT were doing their best, but things seemed to be going wrong.

1. (a) Examine the source of problems at Nonhlanhla Timbers and suggest alternative solutions. (13)
- (b) Suggest the various short term strategies which could be used by Nonhlanhla Timbers to match its capacity and demand. (12)

Section B Answer any Three Questions

2. Analyze the role of tactical logistics plans and how they can be used to improve performance. (25)
3. Examine major causes of distribution channel conflicts and suggest appropriate conflict resolution strategies. (25)
4. Discuss how internet has influenced the usage of logistics planning. (25)
5. Using an organization of your choice, analyze the key logistics strategies that are being used to enhance the competitiveness of the company. (25)

6. Discuss the internal and external pressures which should be taken into consideration when planning a logistics system. (25)

End of Paper