



# MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (PROCUREMENT)

BMS 425: STRATEGIC PROCUREMENT MANAGEMENT

DATE: 21/10/2020

TIME: 8:30 – 10:30 AM

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## INSTRUCTIONS:

Answer Question one and any other two Questions.

**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**

Fadex 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, Belta 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. Fadex Ltd management became only aware of Belta 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 Fadex is grounded in the market.

However, in June 2017, Fadex 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 highlights of the consultant's report were as follows:

1. That the Belta products are the cause of the decline in sales
2. That Belta products are rated superior in terms of quality by the customers hence getting preferential treatment in the market
3. That Belta products are cheaper by about 15%

As a closing remark, the consultant warned Fadex management that unless they take immediate steps to respond to Belta challenge, they will be out of business in the next ten months.

Based on the case, you are required to:

- a) Based on Potter's generic strategies model, discuss **five** supply chain upstream strategies Fadex should implement to deal with competition from Belta (10 marks)
- b) Explain **five** possible ways Fedex can use procurement practices to differentiate their products as strategy to fend off competition from Belta (10 marks)
- c) Explain **five** benefits Fadex may get from implementation of strategic vendor management (10 marks)

#### **QUESTION TWO (20 MARKS)**

- a) Explain **five** likely pit falls for strategy implementation in retail industry in Kenya (10 marks)
- b) State five differences between strategic sourcing and traditional sourcing (10 marks)

#### **QUESTION THREE (20 MARKS)**

- a) Discuss any five features of a good purchasing policy for private firms in Kenya (10 marks)
- b) Discuss **five** advantages of offshore purchasing as a supply chain management strategy (10 marks)

#### **QUESTION FOUR (20 MARKS)**

- a) Discuss any **five** challenges of strategic purchasing to firms in developing countries (10 marks)
- b) Explain **five** common elements of strategy implementation in the manufacturing sector (10 marks)

#### **QUESTION FIVE (20 MARKS)**

- a) Explain and contrast any five misconceptions of strategic sourcing across the manufacturing industry in Kenya (10 marks)
- b) Explain any **five** possible strategies manufacturing firms may apply to manage costs associated with keeping inventories (10 marks)