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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

**2022/2023 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT**

COURSE CODE: BBL 311

**COURSE TITLE: LOGISTICS, DISTRIBUTION AND
PRICING MANAGEMENT**

DATE: 21 DEC 2022

TIME: 2:00-4:00 P.M

INSTRUCTION TO CANDIDATES

- 1) The paper contains FIVE questions
- 2) Attempt THREE questions
- 3) Question ONE is Compulsory

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

Case Study: Wal-Mart's Distribution and Logistics System

Wal-Mart Stores, Inc. is the largest retailer in the world, the world's second-largest company and the nation's largest nongovernmental employer. Wal-Mart Stores, Inc. operates retail stores in various retailing formats in all 50 states in the United States. The Company's mass merchandising operations serve its customers primarily through the operation of three segments. The Wal-Mart Stores segment includes its discount stores, Supercenters, and Neighborhood Markets in the United States. As the world's largest retailer with net sales of almost \$419 billion for the fiscal year 2021, Wal-Mart is considered a "best-in-class" company for its supply chain management practices. These practices are a key competitive advantage that have enabled Wal-Mart to achieve leadership in the retail industry through a focus on increasing operational efficiency and on customer needs. Wal-Mart's corporate website calls "logistics" and "distribution" the heart of its operation, one that keeps millions of products moving to customers every day of the year.

Wal-Mart's highly-automated distribution centers, which operate 24 hours a day and are served by Wal-Mart's truck fleet, are the foundation of its growth strategy and supply network. In the United States alone, the company has more than 40 regional distribution centers for import flow and more than 140 distribution centers for domestic flow. When entering a new geographic arena, the company first determines if the area will be able to contain enough stores to support a distribution center. Each distribution center supports between 75 to 100 retail stores within a 250-mile area. An important feature of Wal-Mart's logistics infrastructure is its fast and responsive transportation system. The distribution centers are serviced by more than 3,500 company owned trucks. These dedicated truck fleets allow the company to ship goods from the distribution centers to the stores within two days and replenish the store shelves twice a week. The truck fleet is the visible link between the stores and distribution centers. Wal-Mart believes that it needed drivers who are committed and dedicated to customer service.

Because Wal-Mart's fast, responsive transportation operations are such a major part of the company's successful logistics system, great care is taken in the hiring, training, supervising, and assigning of drivers' schedules and job responsibilities. From the onset of his retailing career, Wal-Mart founder Sam Walton recognized the importance of hiring experienced people and of building loyalty not only in his customers but also in his employees. The company hires only experienced drivers who have driven more than 300,000 accident-free miles and whom it believes will be committed to customer service. Its retail stores are considered important "customers" of the distribution centers. As stated in the "Private Fleet Driver Handbook" that each driver is given a copy. Drivers are expected to be "polite" and "kind" when dealing with store personnel and others. To make its distribution process more efficient, Wal-Mart also made use of a logistics technique known as 'cross-docking.' In this system, the finished goods were directly picked up from the manufacturing plant of a supplier, sorted out and then directly supplied to the customers. The system reduces the handling and storage of finished goods, virtually eliminating the role of the distribution centers and stores.

Another reason that Wal-Mart's prices are so competitive is because they buy in such large quantities that transportation from one end of the supply chain to another is not as expensive for additional units. This aspect of the logistical system does not come from skill or expertise it simply comes from the sheer size of the company, but this is still a factor. On the other hand, the Wal-Mart buys so many supplies from different places throughout the world, that they have the luxury of using bigger trucks and using less fuel to go back and forth. Also, if by chance they have to use shipping services to transport material from one location to another, Wal-Mart will give them so much business that they will get huge discounts. On the whole, the logistical system that Wal-Mart uses is so effective because it is so flexible. This is why Wal-Mart is able to offer things much cheaper than other companies.

Required:

QUESTION ONE

a) i) State the difference in the following terms as used in Logistics and distribution management.

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|--------------------------------|----------|
| 1. Inbound logistics | (1 mark) |
| 2. Outbound logistics | (1 mark) |
| 3. Reverse logistics | (1 mark) |
| 4. Total cost concept | (1 mark) |
| 5. Total distribution concept. | (1 mark) |

ii) "Wal-Mart achieve leadership in the retail industry through a focus on increasing operational efficiency and on customer needs". Highlight **THREE** functions of logistic and distribution management as observed in Wal-Mart Stores (3 marks)

b) i) Wal-Mart is considered a "best-in-class" company for its supply chain management practices. Outline **TWO** roles of Logistics and distribution management as a competitive Strategy in Wal-Mart Stores. (2 marks)

ii) Wal-Mart's fast, responsive transportation operations are such a major part of the company's successful logistics system. List **THREE** advantages of good routing and scheduling in fleet management in Wal-Mart Stores. (3 marks)

iii) Give **TWO** characteristics of a logistic project. (2 marks)

c) i) Outline **THREE** ways that Wal-Mart may use to measure customer service level. (3 marks)

ii) List **THREE** advantages of using RFID in Wal-Mart logistics. (3 marks).

d) Name **THREE** roles of distribution centres and warehouses in logistics and distribution management. (3 marks).

e) Explain **THREE** reasons why Wal-Mart would require regular Performance measurement of its logistic function (3 marks)

f) Illustrate **THREE** Barriers to Global Logistics (3 marks).

QUESTION TWO

- a) Demonstrate **FIVE** Key performance indicators of an effective logistic system of a country. (10 marks)
- b) Illustrate **FIVE** advantages of using electronic point of sale to manage inventory in an organization (10 marks)

QUESTION THREE

- a) Evaluate **FIVE** benefits an organization accrue from using outsourcing as a business strategy (10 marks)
- b) Explain **FIVE** factors that can influence the cost of ocean freight. (10 marks)

QUESTION FOUR

- a) Appraise **FIVE** logistic strategies firms could adopt to reduce the effects of price volatility in logistics management. (10 marks)
- b) Explain **FIVE** problems derailing performance of firms in the logistic industry . (10 marks)

QUESTION FIVE

- a) Assess **FIVE** barriers to Outstanding Customer Service in logistics management (10 marks)
- b) Appraise **FIVE** merits of using automated system to manage inventory in an organization (10 marks)