

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH

Program: PGDM, 2nd Trisem (Batch 2016-18)

Subject: Logistics and Supply Chain
(End Semester examination)

Maximum Marks: -50

Duration: 3hours

Date: 31 Dec 2016.

Notes:

- 1. Question 1 and 2 are compulsory**
- 2. Answer any 3 out of remaining questions QNo. 3 to QNo. 6**
- 3. Make suitable assumptions if required and state them**
- 4. Give examples and draw diagrams wherever applicable**
- 5. Neatness carries weightage**

Question 1 (10 Marks)

Case (10 marks) HUL Focus On Rural Distribution.

Hindustan Unilever Limited ('HUL'), formerly Hindustan Lever Limited (it was renamed in late June 2007 as HUL), is India's largest Fast Moving Consumer Goods company, touching the lives of two out of three Indians with over 20 distinct categories in Home & Personal Care Products and Foods & Beverages. These products endow the company with a scale of combined volumes of about 4 million tonnes and sales of nearly Rs. 13718 crores. HUL's brands are household names across the country and span many categories like soaps, detergents, personal products, tea, coffee, branded staples, ice cream and culinary products.

These products are manufactured over 40 factories across India. The operations involve over 2,000 suppliers and associates. HUL's distribution network comprises about 4,000 redistribution stockists, covering 6.3 million retail outlets reaching the entire urban population, and about 250 million rural consumers.

With the need of the hour and evolution of the market, HUL modified its distribution network. HUL noticed that the urban market for its product is almost saturated and growth is reducing continuously over the years. HUL along with other FMCG firms started concentrating on rural markets. HUL evolved a new strategy and structure for its distribution network for Rural market. HUL has "STAR Stores" in its distribution network. For Rural markets they removed this layer. HUL also reduced the margins of rural distributors by 2 % from (6 % to 4%). With the new system the rural distribution channel became shorter, efficient and cost effective compared to the old system. In the old network the RDs (rural distributor) places orders on depots to get the stocks. The RDs will then supply it to the star sellers based on a fixed route schedule. The star sellers then service the retail outlets in each village. In the new distribution the star sellers were removed. HUL introduced the concept of "MILK Run". In this the RD Vans (loaded) will start from a base town. (where the RD is located). The van takes a particular route selling to retail outlets on the way. The van (fully empty) will end at the base town itself. However for village clusters which are far away from the base town, the RD may retain the star seller. RDs will replenish the star seller's stocks on a regular basis (once in a week or once in a fortnight). Here the star seller would continue to service the retailer as before. HUL had in some places wholesalers and the RD may sell to wholesalers in that area. The retail outlets would come to the

wholesaler to buy their stocks.

With RDs' the service quality and the coverage to rural markets improved as the rural outlets are served directly. HUL worked on new credit policy, visibility of stocks and area coverage, which helped in increase of rural sales. With larger area coverage by the RDs the sales turnover increased, resulting in reduced fixed costs and improvement in the RD's profits.

Question

What is the Issue which HUL is facing and how did they go about solving it?5
How do you think the RDs will cope with the situation? 5

Q2 (10marks)

Write Short notes on any 2 of the following (5 marks each)

- 1) Importance of logistical measurement
- 2) Information functionality: Transaction system
- 3) Various Costs in Packaging

Question 3 (10 Marks)

Outsourcing (Logistics activities) enhances the competitiveness of Organisations. Discuss in brief .(5)

How has 4PL helped add value in outsourcing? (5)

Question 4 (10 Marks)

Describe any 3 functions (activities) of a modern Warehouse and how it helps add value to logistics.

Question 5 (10 Marks)

What are the Inventory Management costs and how do they affect an organization?

Question 6(10 Marks)

- a) **How is the Indian Railways developing as a Logistics service provider towards economic progress of the nation. (6 marks)**
- b) **In a company there are 10 warehouses and the existing inventory is 1,00,000 units. If the number of warehouses are doubled to 20 what will be impact on total inventory. (4 marks)**

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