June - August 2012

Master of Business Administration (MBA) Examination

III Semester

Strategic Material and Supply Chain Management

Time : 3 Hours] [Max. Marks : 80

[Min.Marks 32

Note : Attempt any four questions from Section A. Each question carries 15 marks. Section B is compulsory carrying 20 marks.

Section A

1. "SCM is a new buzzword for care competency, productivity and profitability." Comment.
2. What do you mean by "Demand Forecasting"? What are its various components?
3. Discuss supply chain interventions with suitable examples.
4. Discuss the position of transportation in supply chain management.
5. What is Fourth Party Logistics ? How does it differs from Third Party Logistics? Why 4 PL industry is forecasted as the future of supply chain industry?
6. Write short notes : (any three)

   (a) Value Analysis (b) Role IT in SCM

   (c) Bullwhip Effect (d) Retailer-Supplier Partnership

   (e) Push-Pull Based Supply Chain.

Section B

Case: WALL-MART

Wall-Mart rose from a small chain in the Uzark Mountains to becomes the largest retailer in the world. But the strategies that fueled more than four decades of growth-squeezing inefficiencies out of its supply chain, saturating the U. S. with its super centers, and driving down costs to uphold its "Always low prices" mantra-have now caused the retailer to stagnate. But today-sales one flat. Expansion is stalled. Image problems abound. So, what the world's biggest retailer is doing to tackle its strategic problems and more important is to examine its situation, understand how it got there and look at how the retailer is trying to fix it's problems. But one the fixed good enough.

The world's most successful retailer needs help. Although Wal-Mart generated gross profits of $ 84 billion on $ 349 billion in revenue in 2006. Its

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share price has stayed virtually flat since 2000. Domestic same store sales crept up just 1.9% points in 2006 - the worst showing in Wal-Mart's history. International growth has been beset by humiliating failures. Public relations gaffer continue to dog the company, and there are little in efficiency left to squeeze from Wal-Mart's hyper-efficient distribution system. The worst part is, all of these problem are interrelated and they're coming to a head just as competition from rivals like Target and Costco is heating up.

Domestic Saturation:

After years of U. S. expansion, Wal-Mart's running out of real estate and the challenge is opening new markets by overcoming opposition in U. S. urban centers. Half of all Americans already live within a 10-minute drive of a Wal-Mart store. Most retailer will tell you, "if you have the opportunity to grow, you take it." That's just what Wal-Mart did, opening 2,200 supercenters its largest and most profitable store format since 1988. Now, how ever the company is confronting the realities of domestic saturation as it becomes harder and harder to find spot to erect new store. "It's huge issue for them" says Phillip C. Bonanno, a management consultant with management venture Inc.

Typically, when a business dominates a market, it searches for other locations where it can expand. Unfortunately for Wal-Mart its untapped market tend to be in densely populated cities where the company is big-box format is an awkward fit. Exacerbating the problem, cities have stricter zoning laws and property is more expensive. Once a site is selected, the company often faces stiff opposition from neighborhood associations concerned about traffic congestion and negative impacts on local merchants, as well as labor groups, who turn out against Wall- Mart's union-true policy.

"It's pretty easy to plop a store down on a highway in a small and mid-size rural community or suburb" says Doug Fleener, a retail consultant with Dynamic Experiences Group." Exit the majority of the market opportunities are in more challenging urban says." Elsewhere, many Wal-Mart stores are so close together that they now compete with one other. "It's the main reason why same store sales have been flat" says David Abella, a fund manager and analyst with Rochadale Investment Management, which owns Wal-Mart store. Analysts and share holders are nervous they don't see any easy ways to open up new markets within the U. S.

Sluggish Sales:

Sales within existing stores have slowed and the challenge is hiring more affluent shoppers. In 2006, same store sales more by just 19 percent, Wall-Mart's worst showing ever. When domestic saturation becomes a problem, retailer often try to wring more sales from the store they already have. But Wal-Mart price conscious customer base makes that difficult to do. Many Wal-Mart shoppers have moderate to low incomes. When gas prices rise or the job market tightens, these customers one among the first to scale back their retail spending. Appealing to more affluent shoppers as Target and Costco

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have done - would reduce sales volatility while also increasing sales of bigger-ticket items. Trouble is the Wal-Mart brand is a turnoff to many up market consumer. Consider Wal-mart's recent foray into fashion. During Christmas 2006. Wal-Mart went up scale and heavily promoted its metro 7 clothing line. The effort went nowhere, because "the Wal-Mart customer is not fashion-driven" says Eric-Beder, a retail analyst with Brean Murry, Carunt & Co. indeed, Wal-Mart's traditional shopper shunned the new apparel and upscale customer never walked through the door capping off the deback, Claine-Watts, Wal-Mart's top appraisal executive, left the company in July 2007 "to pursue other career interests" according to a Wal-Mart spokes person.

Wal-Mart is "great at the science of retailing, but they are not great at the art of retailing." Says Particia Edwards, managing director and portfolio manager at seattle-based Wenthworst, Hanser and Violich. During the 2006 Christmas session, Edward whose firms own Wal-Mart stock, Walked into a Wal-Mart to check out its higher end appeal ? The clothes on displays were mismatched, she says, and the presentation looked awful. Wal-Mart's "Stay-lean" philosophy makes the company relevant to nine more sales staff. But departments that require loss of hands on service to succeed - like fashion and jewellery - Suffer as - a resullt. And suffer they did, during the 2006 holiday season, fashion was one of Wal-Mart's poorest performing department.

Mixed International Results :

Wal-Mart has been unable to steamnose its global competition and the challenge is succeeding in competitive international markets that are already home to incumbent retailers. In 2006, Wal-Mart shifted its failing operations in Germany and South Korea. Another way to offset domestic saturation is by expanding internationally. In 1991, Wal-Mart launched its first international stores in Mexico. By 2005, it operated 6,200 facilities in 15 different countries. The numbers look impressive on paper, but in fact Wal-Mart has not been able to gain the upper hand against its international competition. The company has a foothold in Britain, Mexico, and Canada, but in the rest of the world, Wal-Mart has been mixed results at best and failure at worst.

The international efforts has exposed Wal-Mart's weak sport. "The challenge when expanding internationally is properly assessing the strength of your competitors." Says Crynthia Cohen, president of strategic mind store, a retail consulting firm. When there are among competitors, they are often the home town favorite because they do a really good job. In Germany, after Wal-Mart acquired the well respected 21-store Wertkay chain of hypermarkets, it also bought out Interspar, another German hyper market chain. Unfortunately, some of "the stores that Wal-Mart bought and the locations that they was in were not 'winning sites'." Says Bonanno of Management Venture. Many of the Interspar store, in particular, ware dingly and in need of renovation.

More importantly, Wal-Mart never developed a feel for German retail market. "Their culture is in many ways the antithesis of the U. S.", Edwards

says. In the U. S., Wal-Mart's is friendly greeted and helpful staff were highlighted in ad campaigns. Bargain-hunting German, however, prefer to shop unassisted and regard such effusive customer service with suspicion. Even Wal-Mart's "Always low price" approach failed to resonate in a country where roughly 30% of the retail market is dominated by local discount stores. Wal-Mart could not differentiate itself against German discounters like Aldi and lidle, which offer low price store brand products considered as good as or better than national brands. In 2006, Wal-Mart gave tip and pulled out of Germany.

After years of disappointment, the same thing happened in South-Korea, where Wal-Mart also, bailed out in 2006, Wal-Mart's Japanese subsidiary continues to lose money. And after a dozen years of doing business in Argentina, the company operates only 13 stores there. Meanwhile, Big retailer's like Britain's Tesco and France's Cavefour are providing more adapt at international expansion because they've been more willing to adapt to local conditions and develop deep relationships with local distributors.

Wall-Mart felt that responding to its opponents granted them credence they did not deserve, but "its the wrong strategy" says David Sptivalu, president of Freestyle Public Relations. "These are people who influence customer and people on Wall- Street, now Wal-Mart is playing defense and catch up." When Sam Walton was running Wal-Mart, he just kept his head down and kept doing what he was doing. He has his critics, but he thought he was doing the right thing. Fleener says, "But now the executives over there will tell you" , we blew it. We should have fought back and we didn't hard to say how many customers stay away from Wal-Mart because of the bad press. But one things for sure : Many of those people have no question about supporting other big-box stores like target and costco.

Questions :

1. What are the critical issues Wal-Mart is facing?
2. What made Wal-Mart the leader in retail management?
3. Highlight the reasons for sluggish sales?