

PGDM (RM), 2013-15
Supply Chain Management
RM 201

Trimester – II , End-Term Examination: December 2013

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

SECTION A

Q1. Briefly explain what is an RFP & how does the RFP process works?

Q2. "The competition is, in many instances, evaluated as a network of co-operating companies competing with other firms along the entire supply chain" in view of the statement discuss the role of a focal company?

Q3. Discuss the term "keiretsu" in light of supply chain practices? Discuss the basic advantages of such approach and appraise its contribution towards sustainable business practices?

Q4. Differentiate between "value chain" and "supply chain"?

Q5. Define the term "Service level"? Discuss the factors that must be considered to make service level of the business effective?

SECTION B

Q1. What are the top 5 most important factors to be considered while developing a Supply Chain Strategy? Briefly explain each of them citing reasons.

Q2. "Corporate forecasting based on sales trends is not good enough. Retailers must create synergy between corporate forecasting and store-level merchandising strategies"- How this synergy is helpful in managing supply chains?

Q3. "Supply chain has a history of its evolution, which has moved thru many phases to reach or so called supply chain these days. These phases are stoned under three revolutions over the last century"? Discuss?

SECTION C

For Ashutosh Shukla, deliverance came in June 2006. The 32-year-old youth of Uttar Pradesh's (UP) Pratapgarh district was unemployed, his parents were ailing, and there seemed no end in sight to his ordeal. It was then that he got an offer to join Tata Tea's 'Gaon Chalo', a rural marketing project in UP where the tea major has led an unusual collaboration with NGOs to surprising effect. Shukla struggled initially, but then used his extensive understanding of the terrain and its people to good effect.

Today, he sells as much as 1,300 kg of packaged tea a month. Shukla's role in Tata Tea's resurrection as the organised market leader in UP's vast rural markets is not as obscure as it appears. "The whole problem with any rural initiative is that people think it's unviable since a lot depends on retailers' sincerity and integrity," says Sachin Vyas general manager for sales and distribution at Tata Tea. "You need large investments and the creation of a feasible infrastructure." Vyas achieved the latter without resorting to the former. In early 2006, having tied up with 12 NGOs to spread its reach across rural UP, Tata Tea added more than 20,000 retailers, including 500 new rural distributors, in 10,000 villages across UP to its distribution network in slightly less than a year. In contrast, the company had taken almost 20 years to be in 50,000 urban outlets via 500 distributors. The unique coalition has borne fruit. According to an ACNielsen audit, Tata Tea improved its all India share from 18 per cent in January-March 2006 to 21.4 per cent in January-March 2008. In the same period, Hindustan Unilever (HUL), lost its market share from 21.2 per cent to 18.9 per cent. In UP, Tata Tea consolidated its market share from 18.1 per cent to 26.6 per cent, while HUL lost more than 6 per cent from 22.8 per cent. Says Aman Batra of Kotak Institutional Equities, "The market share gains by Tata Tea need to be seen in the context of significantly lower spending by the company in comparison with the nearest competitor. We are fairly confident of sustained good growth in domestic markets and build in a 7 per cent growth for financial years, 2009 and 2010."

PastForward

The seeds of this success were sown in an obscure sales meeting held in late 2005. The growth of local tea companies in UP, despite the fact that Tata Tea and HUL were also growing, posed uncomfortable questions to Vyas's sales team, who contended that they were covering all big cities and much of the rural areas. Vyas was unconvinced. Sent out to seek answers, the sales teams as well as the consultants Vyas hired, came back with the same answer — Tata Tea was not selling in more than 100,000 villages in UP.

That was bad news for Vyas, who as part of the organised tea trade — Tata Tea, HUL and Duncans — had fought off stiff competition from local makers in urban areas at the turn of the millennium. Back then, local industry bought cheaper CTC tea from auctions and packaged it into poly-packs in backyards. With zero advertising, retailers pushed this product for higher margins, often Rs 40 per kg as against the Rs 20 the organised sector could offer. "It had narrowed down to a price war," says Vyas. In the next four years, organised players eliminated the price differential and poured in freebies to regain market share in UP, key to the northern markets. Realising that the local tea industry had resurfaced in rural areas, Vyas and his managers, Samantha and Sikander Aman Khullar, opted to reach rural consumers through NGOs, despite the severe apprehensions of other team members. "These institutions had access to people like none other," says Vyas. Eventually, the Sir Ratan Tata Trust and the Dorabji Trust screened 12 names.

In December 2005, Tata Tea launched a pilot project in a small village near Varanasi. Two months later, in February 2006, Vyas was given 15 minutes to explain the concept to his Managing Director Percy Siganporia. It was past midnight when the meeting ended, and all approvals were sealed.

Village

Vox

Soon, MoUs were signed with NGOs (Rural Dealer-1) to act as main distributors at a district level, collecting various products from Tata Tea on credit before giving them to mobile rural distributors (RD-2), also on credit, who would then visit a fixed number of villages periodically to supply tea to small rural retailers (RD-3), who in turn sold to rural consumers. Monthly sales targets were set. The money found its way back to Tata Tea as the RD-3s made payments to the RD-2s on subsequent visits to replenish stock, and so on up the chain. Eventually, NGOs made payments and took supplies from the company. As part of initial capital expenses, Tata Tea set aside around Rs 70 lakh worth of goods to be distributed to the 12 NGOs manning 70 districts. "Since these are virgin markets, risks were always there," says Siganporia.

It isn't just Tata Tea that has benefited. "Our status as facilitators of rural income has improved our image and financial position," says Raj Shekhar of Irada, an Allahabad-based NGO. And Meenu Tyagi of Sabla, a Rae Bareilly-based NGO, notes that a steady, locally-earned income curbs migration to urban areas to a large extent. Adds Keshwanand Tiwari of Disha, an NGO based in Saharanpur, "Besides a direct opportunity, it [the Gaon Chalo project] also gave us sustainable funding at a time. "When international funding was shrinking." An average RD3 now earns an additional monthly income of Rs 300-1,000, while an RD2 earns Rs 5,000-7,000. "My value and status in society has increased because of the Tata name," says Sanjeev Kaushik, an RD2 supervisor in Muzzafarnagar. A Gaon Chalo pilot is now being attempted in Madhya Pradesh. The next phase is expected to see most group products (automotives, salt, consumer goods, telecom, insurance) being introduced to this permanent, exclusive distribution chain under a programme called Tata Hut. If scaled to more states across the country, this rural project could open doors of immense opportunity for the group.

And, of course, for others too. "I have read Dinkar's [nationalist Hindi poet Ramdhari Singh 'Dinkar'] poem Kuch sapnon ke mar jane se jeevan nahi mara karta ('life does not die when a few dreams perish')." says Ashutosh Shukla, now happily employed. "I realised its true meaning when, two years later, I got Rs 14,000 as salary through this project." There is, Vyas will agree, a degree of poetic justice in the nature and impact of this transformation.

Q1. Review the complete supply chain strategy used followed by TATA tea and your comment as to whether their stand is correct or not?

Q2. Kindly draw the supply chain model followed by TATA tea in rural part of UP?
Identify the possible loops in the supply chain?.

Q3. On the basis of first two answers, give your suggestion for the further possible improvements in the supply chains, and review the situation for designing the same strategy for white line & electronic goods like, iron, mixer grinder, inverter, PCs, for rural market?

Q4. Give your remarks on the following statement "The market share gains by Tata Tea need to be seen in the context of significantly lower spending by the company in comparison with the nearest competitor. We are fairly confident of sustained good growth in domestic markets and build in a 7 per cent growth for financial years, 2009 and 2010." By Aman Batra?