



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya

Tel: +254(0) 799 529 958, +254(0) 799 529 959, + 254 (0) 712 524 293,

Website: info@must.ac.ke Email: info@must.ac.ke

University Examinations 2023/2024

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE MASTER OF
SCIENCE IN SUPPLY CHAIN MANAGEMENT

BBS 5100: SUPPLY CHAIN MANAGEMENT PRACTICES

DATE: APRIL 2024

TIME: 3 HOURS

INSTRUCTIONS: Answer question *one* and any other *Three* questions

QUESTION ONE (24 MARKS)

The Nestlé Cocoa Plan aims to help farmers address the challenges they face through three pillars — better farming, better lives and better cocoa. Activities such as training in better agricultural practices, distributing higher-yielding plants, promoting gender equality and tackling child labor help farmers to improve the quality of their products as well as their income and livelihoods.

In Ecuador, the Nestlé Cocoa Plan is helping farmers transform their business models and become agripreneurs. Their training program, launched in 2017, comprises 15 four-hour sessions over six months. The sessions provide theoretical and practical skills in areas such as irrigation, fertilization, pruning and grafting, all of which help farmers improve their productivity and quality. Of more than 370 farmers trained so far, around 30% are under the age of 30, and 20% are women. A survey conducted on a sample of around 100 attendees of the 2017 and 2018 program showed that 40% had provided services and said their income had increased since the program.

One such young agripreneur is Wilson Matamoros, 24, who works on his family's farm in Mocache, Los Ríos province. Having learned pruning techniques through Nestle program, he has

increased the cocoa yield on the family farm and offers cocoa pruning services to other local farms, earning additional income. He now aims to become the leader of a group of cocoa pruners in the region.

Source all cocoa for Nestlé confectionery through the Nestlé Cocoa Plan

Required;

- a) Describe the nature of supply relationship that Nestle has tied up with the farmers in Ecuador (10 Marks)
- b) Will this type of plan help Nestle in the long term? Discuss (8 Marks)
- c) Do you feel that given this kind of relationship, Nestle can become a monopoly in cocoa procurement? Explain (6 Marks)

QUESTION TWO (12 MARKS)

The Benetton supply chain:

One of the best known examples of how an organization can use its supply chain to achieve a competitive advantage is the Benetton Group. Founded by the Benetton family in the 1960s, the company is now one of the largest garment retailers, with stores which bear its name located in almost all parts of the world. Part of the reason for its success has been the way it has organized both the supply side and the demand side of its supply chain.

Although Benetton does manufacture much of its production itself, on its supply side the company relies heavily on 'contractors'. Contractors are companies (many of which are owned, or part-owned, by Benetton employees) that provide services to the Benetton factories by knitting and assembling Benetton's garments. These contractors, in turn, use the services of subcontractors to perform some of the manufacturing tasks. Benetton's manufacturing operations gain two advantages from this. First, its production costs for woollen items are significantly below some of its competitors because the small supply companies have lower costs themselves. Second, the arrangement allows Benetton to absorb fluctuation in demand by adjusting its supply arrangements, without itself feeling the full effect of demand fluctuations.

On the demand side of the chain, Benetton operates through a number of agents, each of whom is responsible for their own geographical area. These agents are responsible for developing the stores in their area. Indeed, many of the agents actually own some stores in their area. Products are

shipped from Italy to the individual stores where they are often put directly onto the shelves. Benetton stores have always been designed with relatively limited storage space so that the garments (which, typically, are brightly coloured) can be stored in the shop itself, adding colour and ambience to the appearance of the store.

Because there is such limited space for inventory in the stores, store owners require that deliveries of garments are fast and dependable. Benetton factories achieve this partly through their famous policy of manufacturing garments, where possible, in greggio, or in grey, and then dyeing them only when demand for particular colours is evident. This is a slightly more expensive process than knitting directly from coloured yarn, but their supply-side economies allow them to absorb the cost of this extra flexibility, which in turn allows them to achieve relatively fast deliveries to the stores.

Required;

- a) Discuss your understanding about Benetton Supply Chain operations.(8 marks)
- b) In your understanding, what is the specialty of Benetton's contractors?(4 Marks)

QUESTION THREE (12 MARKS)

- a) Explain three reasons why it is difficult to match supply and demand in supply at Benetton
(8 marks)
- b) Do you think Benetton has competitive advantage over their competitors? Explain your answer
(4 marks)

QUESTION FOUR (12 MARKS)

- a) Analyse FOUR primary drivers for adoption of supply chain management at Nestle
(8 marks)
- b) Explain how Nestle may use technology to improve its supply chain performance.
(4 marks)

QUESTION FIVE (12 MARKS)

- a) Analyse the inventory management approach at Benetton
(8 Marks)

b) Discuss one way Benetton management can build on its supply chain resilience

(4 Marks)