

**SVKM's NMIMS [Deemed to be ]University  
School of Distance Learning**

**BASICS OF SUPPLY CHAIN MANAGEMENT**

**Prog.: DSCM / PGDSCM / ADSCM – Sem II**

**Date: 8.1.2010**

**Time: 11.00 am to 2.00 pm**

**Total Marks: 100**

**Duration: 3 hrs]**

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- Instructions:** 1] Attempt **ALL THE FOUR** questions .  
2] Please take note of the internal options as indicated in respective questions.  
3] You may supplement your answers with suitable diagrams wherever necessary.
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**Q. No: 1** Attempt any **TWO** out of four

[ Marks: 10]

- A] What are the objectives of a Supply Chain
- B] Explain ' Bullwhip Effect'
- C] What is Vendor Managed Inventory [ VMI] ?
- D] Enumerate the elements of Supply Chain Management [ SCM]

**Q. No: 2** Write short notes on any **THREE** out of five

[ Marks:15]

- A] Supplier Relationship Management [ SRM]
- B] Internal Supply Chain Management [ ISCM]
- C] Push/ Pull view of Supply chain processes
- D] E- procurement and sourcing
- E] Customer Relationship Management [ CRM]

**Q. No: 3** Attempt any **THREE** out of five

[ Marks: 45]

- A] Enumerate and explain the requirements for a successful supply chain?
- B] Explain the Supply Chain Operations Reference [ SCOR ] Model
- C] " Supply Chain design, planning and operation decisions play a significant role in the success or failure of a firm" Elaborate the statement .
- D] " It is of critical importance that a company achieves a good fit between its competitive strategies and the supply chain". How a company can achieve a strategic fit of its supply chain?
- E] 'Supply chain capabilities of responsiveness and efficiency come from decisions made from five supply chain drivers' Explain the statement mentioning these drivers.

**Q. No: 4** Read the below given case-let carefully and answer the questions listed below. [ Marks: 30]

## CASE STUDY

### DELL

Dell has, over a relatively short period of time, become the world's largest personal computer (PC) manufacturer. In 2004 Dell had a net income of over \$2.6 billion on revenues of just over \$41 billion. The company has attributed a significant part of its success to the way it manages flows-product, information, and funds – within its supply chain.

Dell bypasses distributors and retailers and sells directly to customers. Close contact with its customers and an understanding of customers' needs allow Dell to develop better forecasts. To further improve the match between supply and demand, Dell makes an active effort to steer customers in real time, on the phone or via the Internet, toward PC configurations that can be built given the components available.

On the operational side, Dell centralizes manufacturing and inventories in a few locations and postpones final assembly until orders arrive. As a result, Dell is able to provide a large variety of PC configurations while keeping very low levels of inventory. In 2004, Dell carried less than five days' worth of inventory; in contrast, the competition, selling through retailers, carries several weeks' worth of inventory. If Intel introduces a new chip, the low level of inventory allows Dell to go to market with a PC containing the chip faster than the competition. If prices drop suddenly, as they often do, Dell has less inventory that loses value relative to its competitors. For some products, such as monitors manufactured by Sony, Dell maintains no inventory. The transportation company simply picks up the appropriate number of computers from Dell's Austin, Texas, plant and monitors from Sony's factory in Mexico, matches them by customer order, and delivers them to the customers. This procedure allows Dell to save time and money associated with the extra handling of monitors.

The success of the Dell supply chain is facilitated by sophisticated information exchange. Dell provides real-time data to suppliers on the current state of demand. Suppliers are able to access their components' inventory levels at the factories along with daily production requirements. Dell has created customized Web pages for its major suppliers to view demand forecasts and other customer sensitive information, thus helping suppliers to get a better idea of customer demand and better match their production schedules to that of Dell.



Dell's low levels of inventory also help ensure that defects are not introduced into a large quantity of products. When a new product is launched, supplier engineers are stationed right in the plant. If a customer calls in with a problem, production can be stopped and flaws fixed in real time. As there is no finished product in inventory, the amount of defective merchandise produced is minimized.

Dell also manages its cash flows very effectively. By managing inventories, receivables, and payables very closely, it managed a cash conversion cycle of negative 36 days in 2004. In other words, Dell ran its business on other people's money!

Clearly, Dell's supply chain design and its management of product, information, and cash flows play a key role in the company's success. In the changing marketplace, however, the company's supply chain design presents some new challenges for Dell. Whereas it has a supply chain that is very well suited to provide a high degree of customization at a low cost, it is not clear that hardware customization will stay significant for PCs and other products that Dell sells. In the future, Dell may have to rethink its supply chain design to maintain success.

Questions:

- 1] How Dell has been successful in achieving a cash conversion cycle of negative 36 days in 2004 ?
- 2] What advantages of low inventory Dell is enjoying due to its supply chain management?
- 3] In the future, why Dell's well established Supply Chain may face some new challenges?

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