INTERNATIONAL DIPLOMA IN LOGISTICS AND TRANSPORT

SUPPLY CHAIN MANAGEMENT

DIP02

JUNE 2023

Instructions to Candidates

- Duration of examination: **3 HOURS**
- **Answer Question 1(Compulsory) in Section A and any 3 Questions in Section B**
- Questions may be answered in any order
- Allocation of marks is indicated along each question
- Credit will be given for citing relevant examples
- Write legibly

Section A Compulsory

Question 1

Case Study: Tiger Golf Unlimited (TGU),

Ricky Magness, vice president of procurement for Tiger Golf Unlimited (TGU), is looking to bring his company out of a slump. Sales have been flat and TGU is a mere six months away from the most important industry event of the year, the PGA Merchandise Show. During the trade show, TGU will introduce a new line of golf clubs that almost magically correct the most common maladies of golfers—slices, worm burners, and duck hooks. The company is very excited about the product line and has staked its future on this rollout. Demand is expected to be very high and profits will soar—if Magness can find a low cost manufacturer to build the product and fill the U.S. supply chain immediately following the PGA Merchandise Show. Magness has been traveling the globe in search of a high quality, low cost supplier for the clubs. He is also wary of product espionage that could lead to copycat clubs filling the market too quickly. After conducting a thorough analysis of twelve different manufacturers, Magness has narrowed his consideration to three potential suppliers:

Supplier 1 is located in Kuala Lumpur, Malaysia. The company has experience making golf products, boasts excess factory capacity, and produces a tremendous knock-off of the Callaway Big Bertha line of golf clubs. Product prices are reasonable but ocean freight rates and insurance costs are high due to required transit through the Malacca Straits. The product is made available at the Port of Kelang and is 670 MYR (Malaysian Ringgit) per set.

Supplier 2 is located in Wulumuqi, China. The company is a former state owned maker of Red Army military supplies. The far inland location creates a very low labor cost but increases the length of supply lines and the distribution channel. The factory-based cost of the product is $149 U.S. per set.

Supplier 3 is located in Edinburgh, Scotland. The company is a world-class manufacturer of golf clubs and is used by nearly every major club manufacturer in the United States and Europe. They are somewhat constrained by factory capacity and road congestion to the port, but promise to meet all deadlines. The cost of the product, delivered to the Port of Charleston, South Carolina is £165 (British Pound) per set. Before making a final supplier selection, Magness thought that it would be wise to confer with Moe Hanna, TGU's vice president of logistics, and Larry Himmer, the director of transportation. The three executives met at company headquarters to compare the options. Hanna was impressed by the thoroughness of the supplier evaluation process and production cost analysis. In contrast to his boss, the transportation director launched into a tirade. He gave a very impassioned speech about off-shore manufacturing risks and possible transportation disruptions. Himmer also kept talking in acronyms about new security regulations and more paperwork requirements. By the time the meeting was over, Magness was worried. Had he missed something in his analysis or was Himmer ranting aimlessly about a nonissue? Magness decided that the analysis of the three potential suppliers should take on another dimension— supply chain risk and what could be done about it.

a) Identify and explain the issues that Magness need to evaluate in his assessment of transportation risks? **(10 marks)**

b) Recommend the best supplier that Magness should choose to balance company goals with supply chain risks. Motivate your choice. **(5 marks)**

c) What types of security issues and requirements will confront TGU if they off-shore manufacturing. **(5 marks)**

d) Analyze each supplier option that Magness is considering. What specific risks does each supplier option present. **(5 marks)**

Section B

Answer any THREE questions.

Question 1

Unpack the **three (3)** types of supply chain management decisions. **(25 marks)**

Question 2

Discuss any **five (5)** risks of being locked in a long-term contract. **(25 marks)**

Question 3

Examine the success factors for the Six Sigma process. **(25 marks)**

Question 4

‘A chain is only as good as its weakest link’. Assess the implications of this statement as it relates to supply chain operations**.** **(25 marks)**