



BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT
END OF SEMESTER EXAMINATIONS
SCM 1203: CATEGORY MANAGEMENT

DATE: Monday, 12th April 2021

DURATION: 2 Hours

Instructions:

1. This examination consists of **FIVE** questions.
2. Answer Question **ONE (COMPULSORY)** and other **TWO** questions.

QUESTION ONE

Esther is a procurement manager for James & Johns Ltd, which is developing its procurement team to be a category management focused team. It has been identified that a key area that needs improving for James & Johns Ltd is its supplier relationship management process. Currently suppliers are only contacted by procurement when new sourcing requirements arise or when internal stakeholders request procurement's support in rectifying a poor performance issue. Esther is planning to use a Pareto analysis to initially segment James & Johns Ltd spend.

- (a) Explain **THREE** ways in which Pareto Analysis will help her in developing a supplier relationship strategy

(6 marks)
- (b) Discuss **THREE** differences between a Traditional (reactive) sourcing process and a strategic sourcing process.

(6 marks)
- (c) Using Porter's Five Forces tool, explain **TWO** factors that would have the greatest impact on the likelihood of new entrants to the industry.

(4 marks)
- (d) Identify and briefly explain **TWO** types of costs that relate to disposal when applying total cost of ownership model.

(4 marks)
- (e) With the help of an appropriate framework, discuss the category management process

(10 marks)

QUESTION TWO

The Chief Procurement Officer (CPO) of Contraight Technology Group (CTG) has commissioned a study into the organisation's major categories of expenditure. Most of these are

different components used in the manufacturing process and are sourced from different suppliers around the world.

Product 1 – CTG achieves a good price and high levels of service from its supplier of this product. There are numerous suppliers of this product and it would be easy for CTG to switch. The market is highly innovative and has changed considerably over the years. Suppliers have had to invest heavily in new systems and supporting hardware and software to keep pace with these changes.

Product 2 – Is more challenging for CTG. This is a low-value but high-risk item and as such its spend on this product, relative to other organisations, is very low. CTG’s annual spend on the product is so low it often finds it difficult to receive any quotes at all when it issues an RFQ. It is a high-risk product because it plays a vital role in reducing emissions.

Product 3 – The CPO of CTG has been nervous about the product for a while. It is a high-risk market, and the internal client refuses to deal with any company unless it has a five year profitable track record. Set-up costs for any new supplier to the market are very high. Furthermore, the supplier is based overseas, and currency fluctuations can have a significant impact on pricing variations over the life of the contract.

Product 4 – The specification for this product is unique and very technical, input-focused and based on conformance. As a result of there being no viable alternative, CTG has become locked into the relationship with its supplier. The CPO is also concerned because of demographic changes forecast by the sales and marketing team that mean the product requirements will need to be revised soon.

- (a) A number of different analytical tools have been used in the process of gathering and assessing data in the completion of the study. Two of these are Porter’s Five Forces and STEEPLD. For each of the products, you are required to identify the most dominant factor relating to each of these two tools. **(8 marks)**

You can only use each of the factor below once.

Bargaining power of buyers - Low	Threat of substitute of products - Low
Economic factor	Technological factor
Social factor	Competitive rivalry - High
Threat of new entrants - Low	Environmental factor

Use the template below to match your answers

Product	Porter’s Five Forces	STEEPLED factor
1		

2		
3		
4		

(b) For the successful implementation of a category management strategy, it is vital to obtain the acceptance and support of internal stakeholders.

Explain **THREE** ways in which this acceptance and support can be best achieved.

(6 marks)

(c) With relevant examples, explain **THREE** benefits of deploying category management as strategic process in Supply Chain Management. **(6 marks)**

QUESTION THREE

(a) Differentiate between the following in the context of category Management **(2 marks each)**

- i. Fixed costs and variable costs
- ii. Vital few and Trivial many
- iii. Bottleneck and Leverage Items
- iv. Risk identification and Risk assessment

(b) Supply Chain Mapping is the process of identifying and documenting the exact source of every material, every process and every shipment involved in bringing goods to the market.

Explain the stages in mapping of Supply Chain.

(6 marks)

(c) Justify **THREE** examples of performance measures that can be used to assess the success of a category management process. **(6 marks)**

QUESTION FOUR

(a) Contract register is useful way of identifying when the existing arrangements with suppliers will end for planning purposes. Highlight **FIVE** types of information contained in an effective contract register. **(5 marks)**

(b) One of the enablers of category management is Information Technology (IT). Explain with relevant examples **THREE** areas in which a category manager can leverage on the use of IT. **(6 marks)**

(c) Risk can be defined as the effects of uncertainty of objectives. Using Igor Ansoff model of market entry strategies, explain with relevant examples **TWO** reasons why diversification is considered as a risky strategy. **(4 marks)**

- (d) Scorecard is a report used to track the achievement or progress towards goals that have been included in a contract with a supplier. Highlight **FIVE** examples of Key Performance Indicators(KPIs) that should be tracked in an ideal scorecard in category management. **(5 marks)**

QUESTION FIVE

A large central government department is adopting a category management approach. Resources have been allocated and a project team has been formed to commence the initial work. Different stakeholders have been identified and their respective roles and importance within the project have been assessed.

Stakeholder “A” will be making all of the decisions and is ultimately in charge but will not be completing any of the tasks themselves. Stakeholder “B” will need to be kept updated on how the project is progressing but has no direct input into decision making.

- (a) Using category project management team roles framework, explain the strategies of engaging with the two types of stakeholders. **(6 marks)**
- (b) There is increasing pressure for organizations to focus beyond profits, an approach also known as triple bottom line reporting as part of sustainability. With relevant examples, identify **THREE** factors considered under the approach. **(6 marks)**
- (c) Value chain analysis can help an organization gain a cost or differentiation advantage over competitors. Highlight the steps in implementing value chain analysis. **(5 marks)**
- (d) Highlight **THREE** behavioural skillsets of a category manager. **(3 marks)**