



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CPS 410

COURSE TITLE : APPLIED STRATEGIC PURCHASING

SPECIAL REQUIREMENTS : NO SPECIAL REQUIREMENTS

DURATION : 3 Hours

LEVEL : 4:2

DATE : 07 OCT 2022

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer question number **one (1)** in Section A (Compulsory) and any other **three (3)** questions in Section B.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

Question 1

GOLIATH QUARRY PRODUCTS (GQP)

GQP was formed in the 1960s in the UK to supply quarry equipment that required strong, robust machinery capable of crushing and screening 6000 tonnes of quarry rocks per day.

As the market developed, GQP became a leading global supplier. GQP's production facilities expanded from one factory site to four factory sites in the UK. The focus for GQP became new products development and ensuring that it maintained the quality and reliability synonymous with its brand.

In the last decade, new low – cost competitors have entered the market and are starting to reduce GQP's market share. GQP needs to concentrate on cost if it is going to sustain its market share leadership. GQP directors insist that it must maintain its brand image but achieve the same quality products at a low cost. This may involve the use of low – cost country sourcing. Areas of concern for low cost country sourcing are as follows;

- Poor quality products
- The passing of title
- Initial prices increasing once a commitment to supply has been made
- Orders not shipping on time and premium transport agreements having to be made
- Low- cost country suppliers subcontracting work and GQP not being aware that they have done this.

This may result in poor quality

The supply base

Simon Jones is one of GQP's Supply Chain Managers and is responsible for the procurement of the fabrications for his site. The fabrications supplier base for GQP is mainly local. Simon realizes that if he is to reduce costs he needs to expand his supply base, introduce competition and consider procurement from lower cost countries. Simon needs to review the range of fabrication and find product lines that would be suitable for low – cost country sourcing. Simon decides that the best way to do this is with the next planned new product introduction in six months' time. Simon drafts a sourcing plan outlined in Table 1.

Task	Description	Estimate duration(weeks)	Predecessor
A	Identify a product line suitable of sourcing globally	2	
B	Gather drawings, materials and finish specifications	1	A
C	Determine the volumes over a medium/long spend period	2	A
D	Analyse the supplier market locally and internationally	3	A
E	Review international sourcing options and select	3	D
F	Send tender enquiry	2	B,C&F
G	Visit potential suppliers	2	F
H	Receive Tenders	4	F
I	Select potential suppliers	1	G&M
J	Prototype build	6	I
K	Airfreight prototype for approval	1	J
L	Gain Quality approval	1	K
M	If approved then Final Negotiation and contract award	2	L

Sourcing from low cost countries

GQP has a set time – frame of 6 months for the launch of its new product and needs to ensure no risk of failing to meet the deadline.

The local fabrication suppliers to GQP are very financially dependent on GQP with GQP being 80% of most of the local fabrication business. Simon believes that low cost country sourcing may remove some of the complacency GQP feels they are experiencing with the local suppliers. Simon must ensure that any change to low cost country sourcing must be seamless.

Required:

Evaluate the impact of the sourcing strategies of the GQP.

(25 Marks)

Question 2

Category management and spend analysis are often used concomitantly. Discuss

(25 Marks)

Question 3

Lysons and Farrington (2006) wrote, "Purchasing is a reflection of the evolution of civilised human relations as it enables a desired object to be obtained by trading rather than by conquest, plunder or confiscation". Discuss this statement using relevant models. (25

Marks)

Question 4

The Sales Manager said that products were now uncompetitive in world markets and a cost reduction of 20 per cent is required on purchased goods and services. Currently only Zimbabwean suppliers are used.

Discuss how purchasing professionals may add value to the organisation's challenges.

(25 Marks)

Question 5

Evaluate Kraijic's positioning matrix using a company of your choice, identifying suppliers that fall into each category within the matrix.

(25 Marks)

END

15/12 AM