

OM 01

Date: 05/12/07

Roll No.

Total No. of Questions : 4

Duration (hrs) : 3

Total No. of Printed Pages: 3

Maximum Marks : 60

Note : 1. Attempt all questions.

2. Marks against each question are indicated.

Mark

Q.1 IKEA: Revolutionizing an industry

15

IKEA sells relatively inexpensive, contemporary, Scandinavian-style furniture and home furnishings. IKEA's target market is young, primarily white-collar customers. The geographic scope is worldwide, or at least all countries where socioeconomic and infrastructure conditions support the concept. IKEA is not only a retailer, but also maintains control of product design to ensure the integrity of its unique image and to accumulate unrivaled expertise in designing for efficient manufacturing. The company, however, does not manufacture, relying instead on a host of long-term suppliers who ensure efficient geographically dispersed production.

IKEA engages in organic expansion, building its own wholly owned stores. IKEA has chosen not to make acquisitions of existing retailers, and it engages in very few joint ventures. This reflects top management's belief that the company needs to fully control local execution of its highly innovative retailing concept.

IKEA attracts customers and beats competitors by several offerings. First, its products are of very reliable quality but are low in price (generally 20 to 30 percent below the competition for comparable quality goods). Second, in contrast to the stressful, intimidating feeling that shoppers often encounter in conventional furniture stores, IKEA customers are treated to a fun, non-threatening experience, where they are allowed to wander through a visually exciting store with only the help they request. And third, the company strives to make customer fulfillment immediate. Specifically, IKEA carries an extensive inventory at each store, which allows a customer to take the item home or have it delivered the same day. In contrast, conventional furniture retailers show floor models, but then require a 6 to 10 week wait for the delivery of each special-order item.

As for IKEA's speed and sequence of moves; once management realized that its approach would work in a variety of countries and cultures, the company committed itself to rapid international expansion, but only one region at a time. In general, the company's approach has been to use its limited resources to establish an early foothold by opening a single store in each targeted country. Each such entry is supported with aggressive public relations and advertising, in order to lay claim to the radically new retailing concept in that market. Later, IKEA comes back into each country and fills in with more stores.

Although the company doesn't sell absolutely identical products in all its geographic markets, IKEA has enough standardization that it can take great advantage of being the world's largest furniture retailer. Its costs from long-term suppliers are exceedingly low, and made even lower by IKEA's proprietary, easy-to-manufacture product designs. In each region, IKEA has enough scale to achieve substantial distribution and promotional efficiencies. An each individual store is set up as a high-volume operation, allowing further economies in inventories, advertising, and staffing. IKEA's phased international expansion has allowed executives to benefit, in country after country, from what they have learned about site selection, store design, store openings, and ongoing operations. They are vigilant, astute learners, and they put that learning to great use, leading to double sales growth and current revenues of \$ 8 billion.

Analyse systematically the strategic intent behind the revolutionizing of the industry carried out by IKEA.

Q.2 Oriental Airway wants to open an office in the uptown Mumbai. They have identified nine activities to complete this task. For each activity Normal & Crash time and Normal & Crash Cost have been worked out. What is the minimum time required to open the new office ? Can this be done without spending the crash cost ? If so, then what is the minimum cost Oriental Airways have to incur ?

20

Activity	Time (Weeks)		Cost (Rs.)	
	Normal	Crash	Normal	Crash
1 - 2	18	6	12000	36000
1 - 3	24	9	9000	18000
2 - 4	21	12	8400	12000
3 - 4	36	24	27000	33000
4 - 6	9	3	30000	39000
5 - 6	15	6	14700	21000
3 - 5	21	9	5400	15000
5 - 7	33	15	19800	36000
6 - 7	30	18	12000	25200

Q.3 A production engineer of a Spark Plug manufacturing company is struggling hard to fix up the process of final assembly. He is not sure if he has finally succeeded. He decided to take 20 samples of 100 nos. each and check for defectives. Table below shows the data collected.

1

Lot Number	1	2	3	4	5	6	7
No. Defectives	5	10	12	8	6	5	6
Lot Number	8	9	10	11	12	13	
No. Defectives	3	3	5	4	7	8	
Lot Number	14	15	16	17	18	19	20
No. Defectives	2	3	4	5	8	6	10

Having collected this data he is further confused as the variability is high.

Can you help him to ascertain systematically if the process is under control ?

Q.4 On a rainy day a scrap disposal truck owner was taking a hazardous scrap to disposal yard. Due to improper fuel lot of smoke was being emitted from his vehicle. Scrap was not properly covered and hence spillage of material was taking place. During the journey his truck broke down. He then dumped the material on the way and towed the vehicle to the garage.

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1. What are the environmental elements involved in each action ?
2. What are the various aspects generated ?
3. What is the impact ?
4. What are the suggestions to avoid the impact ?
5. Which natural resource was damaged ?