

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: MMS (2015-17) (Marketing)**  
**Third Semester Examination October 2016**

<b>Subject</b>	<b>Distribution and Supply Chain Management</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>26.10.2016</b>

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

**Q1) 20 Marks (Compulsory)**

We look at FMCG distributors. They have two major investments in the business. One is the credit provided in the market and the other is inventory. While the importance of credit in sustaining and increasing business cannot be questioned, the same cannot be said about inventory at the distributor level.

All FMCG experts will agree that the main role of distributors is to service retailers. If this is the case then a distributor should carry inventory only when it is not possible for the company to deliver goods on the same day. In metros and tier I cities where most FMCG companies have their depots and same day deliveries are possible, zero inventory distribution models must be implemented. Companies like HUL have already started experimenting with this model. HUL ships products from its depots just a day before they are to be shipped to the retailer. This model has a lot of advantages.

First, it removes the need to maintain large warehouses for storing a week's inventory if not more. By reducing the need for space at the distributor end, one can save in rent which constitutes a large part of fixed costs. It specially benefits distributors in metros and other large cities where real estate prices and rentals are high. Second, this system doesn't require dedicated staff to manage and operate warehouses and inventory. This leads to savings in terms of salary and administrative costs. Third, it frees up distributor's investment in inventory and reduces interest costs. Fourth, this system also ensures that there is no loss due to product ageing at any point in the supply chain. No analysis is required for slow moving or non moving stocks as these don't exist. This can be a boon for food FMCG majors like Nestle who can ensure that the freshest possible products are available in the market, Fifth, inventory at the distributor end blurs the actual demand data. With this system real time data can now be gathered from the market. More often than not, inventory with the distributor becomes a fig leaf for an incompetent sales force who can deliver their numbers without worrying about actual sales. This is also one of the single biggest reason for distributor turnover in most big FMCG companies.

Last but not the least, FMCG companies must keep in mind that the core competence for which a distributor is hired is to augment sales by executing company plans in the trade. Instead, they focus on managing inventory and the results are counterproductive.

However the implementation of zero inventories faces a peculiar problem. The problem is that with along with reducing investment in inventory, companies also need to rationalize/Justify the distributor margin accordingly. One FMCG company experimented by cutting margins to 4% from 8% because of the zero inventory model. The results were far from encouraging as this move reduced the absolute margin of the distributors. And, the company faced high distributor turnover because of this issue.

The correct approach is to look at distributors not as financiers but as service providers. FMCG companies need to figure out areas where this investment can be productively channelized. For metro and large town distributors this investment can be diverted towards increasing the credit period granted to smaller stores. Alternatively, it can also be used to increase credit given to top stores where this investment can really translate into a major competitive advantage.

**a) Explain the concept of Zero inventory distribution model. Explain the advantages. (10 M)**

- b) “Along with reducing investment in inventory, companies also need to rationalize/Justify the distributor margin accordingly” Explain Why? (5 M)  
 c) Discuss the applicability of Zero inventory distribution model to Home Appliances/ Consumer durable industry. (5 M)

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What is wholeselling? Explain the types of wholesalers.  
 b) What is inventory? Explain the types of inventories.  
 c) Explain the concepts of FICO, CICO, FIFO

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Write a note on “Designing the distribution Channel”  
 b) Explain the need for evaluating the distributors.  
 c) Explain the concepts of Ex-works, FOB, CIF

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the concepts of consolidation, Break bulk and cross dock systems.  
 b) Write a note on types of inventory costs in distribution.  
 c) The A Corp. desires to classify its entire inventory. The annual usage and unit cost of each item is shown below:

Item	Unit \$ Value	Annual Usage (In units)
101	12	80
102	15	50
103	40	80
104	75	220
105	4	250
106	1.5	400
107	25	500
108	5	450
109	3.5	250
110	1	1200
111	15	300

Classify the inventory by using ABC Analysis

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain modes of transportation.  
 b) Discuss the sustainability of distribution model adopted by “Patanjali”  
 c) Write a note on Rural Distribution. Explain the concept of throughput villages.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain FSN, XYZ, VED analysis.  
 b) Explain Selective distribution Vs Intensive distribution.  
 c) Explain the channel strategies used by Amway. Do you think that Amway would have been more successful by using indirect marketing channel (Wholesaler/Retailer)

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Write a note on “Negotiating with distributors”  
 b) Explain the impact of GST on distribution cost.  
 c) Write a note on supply chain integration.