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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 13th December, 2023
Time: 11.30am –1.30pm

KPS 402 - SUPPLIES MANAGEMENT

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

McDonald's has never been content to sit back and wait for consumer tastes to change around it. Rather, the company continues to do what it can to shape the face of fast food and influence the marketplace with new offerings and other changes. In recent years, however, the drive by McDonald's to reinvent itself has risen to another level in the face of stiff competition from healthier alternatives (Subway) and a general feeling by the public that major fast-food companies are not much different from one another in terms of their prices, quality, service levels, and product offerings. When fast food seemed synonymous with "greasy," "overcooked," and "fried," McDonald's changed things up with their healthy options menu, including wraps, grilled options instead of the production line fried foods, fresh fruit, and yogurt-based smoothies. These menu changes were doubly effective: They allowed McDonald's to compete directly with other stores that promoted healthy alternatives, like Subway, and they took some of the rhetorical wind out of the sails of their harshest critics, including the San Francisco Board of Supervisors, who, in 2011, banned the inclusion of a toy in McDonald's Happy Meals®, claiming that the "pester power" of children could induce parents to buy these unhealthy lunch choices. McDonald's response was twofold: Offer healthy options like milk and apple slices in Happy Meals, and instead of eliminating the toys, McDonald's charged 10 cents for the addition of a toy, with the proceeds benefiting the Ronald McDonald House.

McDonald's continues to set the pace in the fast-food industry. When competitors offer their own healthy menus, they are often seen as simply copying and therefore acknowledging the prescience of McDonald's in staying ahead of the consumer trend curve. The fast-food industry has been the butt of jokes and held up to general disapproval for a number of years due to charges that it offers increasingly poor choices to patrons who don't know any better. Unlike some competitors who seem content to keep their menus unchanged and their products unhealthy, McDonald's has been doing what is necessary to change who they are, reinvent themselves, and keep their fingers firmly on the pulse of their international customer base. Recently, McDonald's has been focusing on investing in technology to drive sales growth, especially in the area of digital sales. The company has been installing digital self-order kiosks in their restaurants and expanding food delivery. McDonald's has also been ramping up its tech-focused investments. In 2019 alone, the company acquired Apprente, a Silicon Valley company using artificial intelligence to automate drive-thru orders, and Dynamic Yield, a company that specializes in decision logic technology.

CEO Chris Kempczinski emphasizes the importance of technology shaping the company's strategy in 2020 and beyond: "Digital is transforming global retail, and it will transform McDonald's."

Questions

- a) In your opinion, are consumer taste changes and concerns about healthy eating likely to diminish the demand for fast food? (6 marks)
- b) How would you evaluate the reinvention strategy used by McDonald's? Do they represent a fundamental shift in the company's competitive model, or are they cosmetic? (6 marks)
- c) If McDonald's hired you to advise it with regard to future trends and the changes it should consider, what would you suggest? Defend your suggestions. (6 marks)
- d) Based on the current state of McDonald's, what are the areas in which the company plans to reinvent itself in the coming years, particularly in light of the appointment of its new CEO, Chris Kempczinski (November 2019), and the COVID-19 pandemic? (6 marks)
- e) In your opinion, what is the role of materials management in the McDonalds food chain. (6 marks)

QUESTION TWO (20 MARKS)

Capital goods refer to goods that are purchased to serve the organization for more than two years after purchase. These goods require careful consideration before their purchase.

- a) Discuss any FOUR factors that organizations consider when purchasing capital equipment to boost their operations (8 marks)
- b) Highlight any SIX principles of purchasing that an organization must follow in order to ensure their purchasing processes are streamlined in the organization. (6 marks)
- c) Describe any THREE objectives of carrying out supplies management in an organization. (6 marks)

QUESTION THREE (20 MARKS)

Organizations need inventory to be able to conduct their production processes in a streamlined manner.

- a) Discuss any FOUR types of inventory that can be held in an organization. (8 marks)
- b) Explain any FOUR advantages of standardization to the stores department in an organization. (8 marks)
- c) State any FOUR functions of the purchasing department in an organization. (4 marks)

QUESTION FOUR (20 MARKS)

- a) Negotiating is the process that procurement professionals go through to create favorable terms as part of a new supplier contract. This can involve negotiating different terms with an existing supplier when a contract is renewed, or discussing terms from scratch with a brand-new vendor. Discuss any FOUR objectives of the negotiation process. (8 marks)
- b) Simplification refers to the process of reducing the variety of products manufactured. Explain any FOUR advantages of simplification to an organization. (8 marks)
- c) Highlight any FOUR reasons why we conduct international purchasing (4 marks)

QUESTION FIVE (20 MARKS)

- a) According to the PPADA 2015, there are 12 methods of procurement. Discuss any FOUR methods (8 marks)
- b) The procurement process has to be followed in order to ensure ethical principles have not been ignored. Explain the procurement cycle that should be followed by an organization. (8 marks)
- c) List any FOUR factors that influence the outsource decision in an organization. (4 marks)