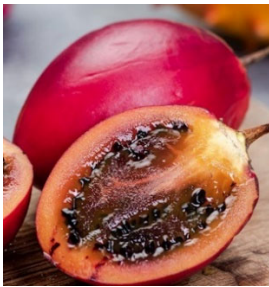




## AMB303 INTERNATIONAL LOGISTICS Assessment 2 - Semester 2 2024

### Operations Plan

“**Cream Andes**” (CA) is a Bolivian high-end ice-cream company. The head quarter and main production facility is in La Paz from which they operate throughout South America. They currently produce sixty-two metric tons of premium sorbet per annum in their modern production plant. The sorbet comes in three flavours: Tamarillo, Curuba, and Lucuma which are native to the region and exported to regional wholesalers (indirect sales) across South America to various retailers and restaurants.



*Tamarillo*



*Curuba*



*Lucuma*

While the business is successful in the region, they lack necessary skills to fully embrace international opportunities. At core, they lack understanding of international logistics, the nature of international business (IB) and necessary IB management skills. Due to various societal, political, and market challenges in that region, the production plant is currently underutilized resulting in surplus capacity for expansion.

After hiring a new CEO, a former executive at *Yum Brands*, Ms Sue-Ellen, a veteran in the FMCG marketplace with >20 years IB experience, she utilized her network to raise the necessary funds towards CA's international expansion. She later plans an IPO on the Sydney Stock Exchange. She therefore decided to plan all operations using AUD instead of EGP (£). During her first month at work, Ms Sue-Ellen upgraded the Management Team (TMT) with specialists through a geocentric HR approach and announced her expansion plans. This is where you enter the picture. You got the job as the International Operations Manager.

From the raised funds, the CEO and CMO decided to allocate AUD \$9 million towards the first expansion phase outside the ‘Americas’ excluding investment costs. The new TMT decided to enter five markets in the MENA region in the next five years. The target countries are Morocco, Tunisia, Egypt, UAE, and Saudi-Arabia. The first host

market is Egypt. Your annual profit contribution (to the La Paz HQ) is set to 40% of the net profits (applicable to each MENA market) payable in Bolivianos and must exceed the minimum amount of Bs 2.5 million.

Your task is: to decide the international strategic approach; to set up CA's regional HQ (wherever the HQ will be located is also where you will live for the next three years); to secure production *capacity*; to design and implement sales and distribution *capability*; to erect a *robust* supply-chain, high-quality operations, and a logistics system covering the Egyptian needs. Make sure you therefore address the *input* side, the *transformation*, and the *output* side of the value-chain in detail. Apart from planning the Egyptian operations to be productive, your OP must also be *scalable* to successfully enable sales and distribution into the other targeted MENA markets. Your capacity metrics is to supply fifty-six metric tons of sorbet for the trial market being equivalent to 450,000 servings of sorbet (approximately).

To enable detailed and justified decisions you will need -among other things- to complete an income statement and a strategic profit model by calculating all logistics, production, and financial results. In addition, you also need to complete a risk assessment; a procurement tactics plan; and a comprehensive description of your recommended value-chain.

The TMT have decided to sell directly and exclusively to luxury hotels as part of their room service offerings and/or luxury restaurants located in these Hotels. These hotels will be your customers (the patrons are their customers). You must make all your storage and distribution decisions (e.g., mode of transportations, inter-modality, warehousing, DC's, cross-docking facilities etc.) based on the location of your customer clusters. While the end-user always is a consumer (B2C) your business transactions always occur in a B2B format (i.e., with your target customers). Success in this industry is therefore *dependent* on logistics excellence and the provision of what the CMO labelled "an amazing customer service".

The approximate wholesale price is \$16-22 AUD per serving (SKU) at a recommended retail price (RRP) of \$36-41 (approximately) per serving. This approach expects to generate \$8-10 million in revenue (in the second fiscal year FY2) with an annual EBIT (operating profit) of \$2-4 million AUD for CA. Your net profit target is \$1-2 million AUD, with an EBIT >26%, and an ROA >30%. Your Asset Turnover KPI is to exceed 1.8. Expect that similar projections, performance, quotas, and outcomes and other metrics applies for the other target markets.

The TMT have discussed four alternatives how to best enter the Egyptian market to enable scalability: exporting FGI from the Home market; find a suitable joint-venture (JV) partner operating in the Host market; or to set up a wholly owned subsidiary (WoS). They decided in favour of the WoS as the most suitable market entry mode. While your job now is to ensure the success of a WoS, the TMT specifically requires

you to provide them with your opinion regarding why this entry mode is better than the other two options as part of the introduction section of your Operations Plan.

The WoS entails a purpose-built sorbet production plant somewhere in Egypt with three times the current maximum capacity of the Bolivian plant. The investment cost is for the plant only meaning you need to consider applicable labour costs. You also need to decide a name for this subsidiary.

Your local staff consists of 21 FTE at your disposal (average salary \$1,650 AUD/FN for each worker plus twenty-five per cent in social costs) to get your MENA expansion operative. Jointly, they have suitable job skills and language capabilities (English, French, and Arabic) making your team ready and capable to perform the different organizational functions and VC tasks to meet the expansion objectives.

Additional operating information is provided in the excel-spreadsheets Ms Sue-Ellen prepared for you. Remember, your decisions should not rest upon costs or profit outcomes alone.

Good Luck with your new job assignment and your future career!

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