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Assignment Brief:	<u>COURSE WORK</u>

Module Two Assignments

1. What are the objectives of Materials management? What are its advantages?

Ammer (1980), defines materials management as the process in which a company acquires the materials that it needs to achieve their objectives while **Bailey and Farmer (1982)**, defines materials management as a concept concerned with the management of materials until the materials have been used and converted into final product.

However, in simple definition, Material management is a process adopted by companies for planning, organizing, and controlling all activities related with the flow of materials.

The objectives of material management can be classified into two categories; primary objectives and secondary objectives.

a. Primary Objective Advantages.

The following are the primary objectives advantages of material management

- ✓ **Lower prices.** If materials department succeeded in reducing the price of an items it buys, it will contribute in not only reducing the operating cost but also in enhancing profit.
- ✓ **Lower Inventories:** By keeping inventories low in relation to sales, it ensures that less capital is tied up in inventories. This increases the efficiency with which the capital of the company is utilized resulting in higher return on investment. Storage and carrying costs are also lower.
- ✓ **Reduction in Real Cost:** Efficient and economical handling of materials and storage lowers the acquisition and possession cost resulting in the reduction in the real cost.
- ✓ **Regular Supply:** Continuity of supply of materials is essential for eliminating the disruption in the production process. In the absence of regular supply of materials, production costs go up.
- ✓ **Procurement of Quality Materials:** Materials department is responsible for ensuring quality of materials from outside suppliers. Therefore, quality becomes the single most objective in procurement of materials.
- ✓ **Efficient handling of Materials.** The effective material control techniques help the efficient handling of materials resulting in the lowering of production cost.

- ✓ **Enhancement of firm's goodwill:** Good relations with the suppliers of materials enhance the company's standing in the society as well as in the business community.
- ✓ **Developing talented personnel Locating and developing future Executives.** Materials manager must devote special effort to locate men at lower position who can take up the executive posts in future to undertake future responsibilities of the business relating to materials management.

b. Secondary Objective Advantages.

The following are the important secondary objectives of materials management.

- **Reciprocity:** The purchase of raw materials from the organizations/customer's by the concern and in turn, sale of finished products to the above customers is known as reciprocity. It serves the twin purpose of increasing purchasing as well as sales.
- **Materials handling and management:** The staff of the materials department deals regularly with the suppliers responsible for new developments in material handling.
- **Make or Buy Decisions:** The material manager with regular reviews of cost and availability of materials can safely conclude that whether the material is to be purchased or developed in the organization itself.
- **Standardization:** Standardization of materials is greatly helpful in controlling the material management process. With regular stock-taking, the non-standardized items can be rejected and standard components may be brought into product designs to reduce the cost of production. It is further helpful in promoting the standardization with suppliers.
- **Assistance to Production department:** By supplying the standardized materials or components to the production department, quality products can be assured. It is helpful in imparting the economic knowledge in bringing about the desired improvement in the product.
- **Co-operation with other departments:** Successful management of materials department contributes to the success of every other department in the organization. At the same time the success of materials department depends on how successful it is in getting the co-operation of the staff of the other departments.
- **Forecasting.** The materials manager must have some conception of future outlook for prices, cost and general business activity to determine the future trends in materials as well as business conditions through daily contracts with the suppliers.

Conclusively, From the above it is clear that materials management serves two-fold objectives, to strive for a reduction in cost of production and distribution and to help the enterprise in attaining its objectives.

2. What are the activities of materials and information flow in an organization?

Information flow is defined as the movement of information between people and systems. Efficient and secure information flows are a central factor in the performance of decision making, processes and communications. However, information flows in an organization in two ways:

- Vertically. This is where information flows up and down among managers
- Horizontally. This is where information flows sideways among department

Most organizations have departments that perform five basic functions as below:

- a) Accounting function which is responsible for keeping track of all financial activities of the organization.
- b) Production function which is responsible for making company's products.
- c) Marketing function which advertises, promotes, and sells the products of the company.
- d) Human Resources which is responsible for finding and hiring people and handle personnel matters in the organization.
- e) Research function which is responsible for doing product research and relates new discoveries to the firm's current or new products.

However, there are basically three management levels in most organizations namely Supervisors, middle management and top management.

Information must flow in different directions to support the different information needs of management.

Each level of management has different information needs as per the below.

a. Strategic Needs of Top-level managers

- Information that reveals overall condition of the business in capsule form.
- Information from all departments below and from outside the organization.
- Information to plan for long-range events.

b. Tactical Needs of Middle-level managers

- Summarized information (weekly or monthly reports).
- Information both horizontal and vertical across functional lines within the organization.
- Historical, internal information to develop budgets and evaluate performances.

c. Operational Needs of Supervisors

- Detailed current day-to-day information.
- Information flow is primarily vertical.
- Communicate mainly with middle managers and workers beneath them.
- Day-to-day internal information to keep operations running smoothly.

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3. What is the scope of materials management?

Scope of material management refers to the various functions of material management coordination or various departments of manufacturing enterprises. Once the material procurement and brought by the organization, its value continues to increase other costs of materials required for the sorting, carrying materials in inventory, maintenance and management costs must be allocated to the cost of materials before entering into a product or converted to other form.

However, in order to save the cost of all the materials management company has to take a clear method to determine the amount of material is ordered, the number is stored as inventory and in-process inventory.

In order to reduce the cost of materials and other costs, there must be effective and efficient management of materials technology, it must be dynamically adjusted with changes in demand and production. Materials management efforts to ensure that the material cost component of the total product cost is the least. To achieve this goal, the control is in the exercise of the following fields.

- i. Materials Planning.**
- ii. Purchasing.**
- iii. Store Keeping.**
- iv. Inventory Control.**
- v. Receiving, Inspection and Dispatching.**
- vi. Value Analysis, Standardization and Variety Reduction.**
- vii. Materials Handling & Traffic.**
- viii. Disposal of Scrap and Surplus, Material Preservation.**

The function of the planning department of the material for future plans to purchase the required materials according to the production plan. In materials planning, budget allocation will also be critical to the materials research progress, for better control.

Materials planning, procurement must be done. Purchasing department to purchase materials based on purchase requisitions from user departments and store departments and production plan for the year. There are four basic procurement activities.

- a) Selecting suppliers, negotiating, and the issue of the purchase order.

- b) To fasten the delivery of the goods from the supplier.
- c) As a liaison between the suppliers and other companies.
- d) Looking for new products, materials, and suppliers can help company objectivity.

However, at the time of purchase, the right quantity and quality of the materials must be purchased on time, the lowest price and choose effective procurement system, and draw maximum benefits. The procurement is based on the “make or buy decision, and also using PERT / CPM effectively.

Material handling part responsible for the transport of materials in different departments. There are four basic transport activities.

- i. Choose the ordinary or chartered carriers and routings to send / shipment requirements
- ii. Tracing in-bound shipments of material in short supply as requested by production control or purchasing, to assist customers in tracking outbound shipments when asked.
- iii. Audit invoices refund excess charges from operators and application needed for damaged shipments.
- iv. Development of technology to reduce transportation costs. This may include negotiating with competition the shipper, special study, the position of the dominant plants of the latest products, analysis of the tariff, and negotiations of any number of special arrangements to deal with specific traffic activities including trading of finished packaging, labeling, and loading the final product.
- v. Finally, the processing of waste and surplus must be done to release the capital locked in those projects on a regular basis.

4. Define the various roles of materials management in the context of internal and external interfaces to materials management system.

The following are the roles of materials management in context of internal and external interfaces to material management system.

- ❖ **Market forecasting.** For organizational internal and external challenges due to affect the operations, material management provides a technical aspect of surveying the markets as the economy is controlled by some factors that can be forecasted such as war disaster, draught, inflation rate. Therefore, through market analysis, the organization will be able to draw measures in place for successful operations.
- ❖ **Production.** The vital role played by material management is to ensures that there is adequate production of products in the organization to avoid shortage in delivery to the customers (end users)
- ❖ **Quality control.** In respect to production, the material management is responsible by ensuring that quality products are produced to avoid loss of value and customers because customers will be tempted to seek new products from the market hence leading into bad reputation especially to the production department.
- ❖ **Finance.** In regards to the sales of the products by the organization, the material management provide an advice on how firms' finances are managed to avoid loss in operating capital as well as profit. Therefore, proper keeping of accounting books will results into realization of profit which will boost the operation of the firm.
- ❖ **Inventory control.** Material management is responsible for providing measures on how to control stocks of an organization or firm to avoid wastages of materials.
- ❖ **Material handling and physical distribution of logistics.** Material management plays a role in the providing guideline on how to do distribution of products as well as purchases of materials for the production department for effective operation and production. It also does assessment on how the situation of the roads are for effective movement of the fleet based on the geographical location or land scape.

5. Describe the role of material management in performing various functions in an organization?

- ❖ **Storing.** Material management is responsible for ensuring that there is available storage facility for the firm's products that meets the demand of the customers in a defined time. Through establishing a ware house.
- ❖ **Materials planning and budgeting.** Material management helps in determining budget for the materials that will be used by the firm to avoid shortage in production department.
- ❖ **Availability of products desired by customers.** Material management performs a key task by identifying the most customers' needs in the society and ensures its available.
- ❖ **Affordable quality and cost of manufacture.** Material management ensures that the quality of the product is attained and the manufacturing cost should not incur the firms into loss since a company is a profit oriented entity.
- ❖ **Advice the sales pricing.** Material management provides an advice to the firm in regards to the fixing sales price to ensure that customers are not overcharged by the firm.
- ❖ **Materials forecasting.** Material management helps in out looking of materials in the market in future to avoid shortage in the market as well as saving revenues of the firm.
- ❖ **Price forecasting.** Material management plays a key vital role in monitoring the cost products in the market since price is controlled by certain economic, physical and social factors of the country.
- ❖ **Section of potential information sources.** Material management provides an advice on how to select information from information sources for instance various web sites are used as platforms for advertising of products. Hence with the help of the material management, it helps the firm to select the secure site to boost the growth through the marketing department.

6. Discuss the scope of a product. Elucidate the term taking two products of your choice and comment on the satisfaction you derived by adoption.

A product is defined as a brand of a finished good while Product scope refers to the number of different items a company offers for sale. Company's business goals usually determine the scope of products. However, product scope determines the future marketing strategies, profit goals and territory saturation.

Riham group of company (Hariss International Limited) has a variety of products such as biscuits, soft drinks water, energy drinks any many more. However,

Therefore, Riham group of company falls under the product line where it has a number of line products produced by the same company. The following are the line produced by Riham,

- Soft energy drinks. Riham produces consumable food items such as biscuits but also have soft energy drinks that boost their market and profitability

Variations

With a single product scope, you build your business around one primary product. You become a specialist and often can build a niche market for your product, especially if you can develop territories over which you have complete control. Management is simple and inventory is easily monitored. A multiple product scope can include selling two or three or hundreds of products. Your structure is defined by the quantity of your offerings. A strategy that allows you to develop products as needed by consumers provides you with a competitive edge and customer loyalty based on your ability to fulfill consumer needs.

Considerations

When determining product scope, one need to consider what the market will bear, what the competitors are offering, consumer demands and profitability. One will be able to develop a clear marketing strategies, change and growth projections and hiring practices based on the product scope.

The kind of product scope developed determines how one allocate resources, when and if one brings on new products and who the primary vendors will be. Hence developing a company's organizational structure also is determined by the scope of a product line.

7. Product mix and line decisions are viewed as strategic tools to increase market share and keep competition at bay. Discuss.

Product mix is defined as a set of all product lines and items that a particular company offers to buyers while product line decision refers to all closely related or similar products offered by the firm for example audio systems offered by Philips is a product line while Television offered by Philips is another product line.

Advantages of product mix

- ❖ Helps in defining firm's products portfolio based on width, depth and consistency
- ❖ Appeals to diverse consumer needs across various segments that helps in maximizing shelf space and sustain dealer support.

Disadvantages of product mix

- ✓ Adding items to a product line or introducing an entire product line can be expensive, be difficult to manage, and not always be successful which normally happens in expansion product mix.
- ✓ Deleting products from a product line or the entire product line is conceding market share to your competitors. It may be wiser to improve the existing product or line to recapture market share which occurs in contraction product mix.
- ✓ Improving an established product is expensive and not always a success.
- ✓ Adding higher priced items to a product line is expensive and may not attract new customers while hurting the image and sales of the lower priced items.
- ✓ Adding lower priced items to a product line of prestige products can hurt the image and sales of the higher priced items in the line.
- ✓ Images of a product are difficult to change once they are established and very expensive.

Advantages of product line

A **product line** is a group of related **products** all marketed under a single brand name that is sold by the same company. However, the following are the advantages of product line.

- ✓ Large-scale productivity gains. Product line can increase the productivity of the products in the organization hence attaining profits.
- ✓ Decreased time to market. Product line will shorten the life span of marketing since variety of the products will be produced.
- ✓ Increased product quality. Product line can enable quality improvement since it will be in different products.
- ✓ Decreased product risk. As a result of product line, risks are minimised in respect to production.
- ✓ Increased market agility. It stabilizes the market as products will be advertised in different forms to the customers.
- ✓ Increased customer satisfaction. Product line can result into effective communication flow hence helping the customer to get a quality product at a good time.
- ✓ Ability to effect mass customization
- ✓ More efficient use of human resources
- ✓ Ability to maintain market presence. Product line can provide guarantee though the sales of the products in the firm
- ✓ Ability to sustain unprecedented growth.

Disadvantages of product line

- ✓ **Marketing and Sales Demands.** Tailoring products to multiple customer markets requires increased marketing and sales efforts, which inherently means larger staffs to carry out this functions. This is especially true for companies that not only use this strategy, but sell a variety of product lines.
- ✓ **Higher Costs.** Related to the increased staff requirements are higher costs commonly associated with a product specialization strategy. Not only are there usually increased labor costs, but costs to customize products and research particular needs of each given customer market are expensive as well.
- ✓ **Consistency Challenges.** When a company uses a product specialization strategy, it is inherent for branding that the development and marketing of the product remains consistent across all customer markets.

- ✓ **Product-Centric Focus.** Another challenge of a product specialization approach is that a company get can too focused on product research and development and fail to react promptly to changes in customer demand and interest.

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