

AFRICA SCHOOL OF PROJECT MANAGEMENT

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***1- What are the objectives of Materials management? What are its advantages?***

To define Materials Management, in a nutshell, it is that function of a business which is primarily concerned with planning, organizing and controlling the flow of materials from their initial purchase to the service point.

Materials Management has several core objectives and many secondary objectives. The core objectives of material management are:

* Proper, cost effective material procurement.
* Proper storage of materials so as to minimize wastages and material hold ups.
* Making available the material timely.

In addition to these primary objectives a materials management system indirectly fulfills many secondary objectives also. These secondary objectives are normally related to the functions of a material management system. Some of these secondary objectives are:

* Identifying new or better sources of supply
* Development and sustenance of relationships with the vendors
* Creating a standardized quality of the products
* Performing the value analysis of inventory. This can be related to the cost of materials.
* Creating a smooth flow of materials and information among the various sections of materials management system.

Materials management as has been defined above has some advantages as can be seen below:

*Accountability*

Better accountability on part of materials as well as other departments as no one can shift blame to others.

*Better coordination*

As materials management is handled by single authority, it can result in better coordination, as it becomes the central point for any material related problems.

*Quality materials*

Materials management department makes sure that better quality material is supplied timely to the requesting departments. This can result in better performance of the organization.

*Decision making*

A materials management system is typically controlled through an information system, thus, can help in taking decisions related to material in the organization.

*Ethical and moral standard*

One indirect advantage of material management is that good quality material develops the ethical and moral standard in an organization.

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

Materials management is defined as *“*the function responsible for the coordination of planning, sourcing, purchasing, moving, storing and controlling materials in an optimum manner so as to provide a pre-decided service to the customer at a minimum cost. The functions of materials management can be describe in the following ways

*Purchasing*

Purchasing plays a crucial role in the materials management because it is concerned from input stage up to the consumption in manufacturing. Purchasing functions as a monitor, clearing house and a pipeline to supply materials needed for production.

*Receiving*

The receiving department is responsible for the unloading of materials, counting the units, determining their quality and sending them to stores etc. The purchasing department is also informed about the receipt of various materials.

*Inventory Control*

Inventory generally refers to the materials in stock. It is also called the idle resource of an enterprise. Inventories represent those items, which are either stocked for sale or they are in the process of manufacturing or they are in the form of materials, which are yet to be utilized. The interval between receiving the purchased parts and transforming them into final products varies from industries to industries depending upon the cycle time of manufacture. It is, therefore, necessary to hold inventories of various kinds to act as a buffer between supply and demand for efficient operation of the system. Thus, an effective control on inventory is a must for smooth and efficient running of the production cycle with least interruptions.

*Production control*

Production manager prepares schedules of production to be carried in future. The requirements of parts and materials are determined as per production schedules. Production schedules are prepared on the basis of orders received or anticipated demand for goods. It is ensured that every type or part of material is made available so that production is carried on smoothly

*In plant storage*

This involves physical control of materials, preservation of stores, minimization of obsolescence and damage through timely disposal and efficient handling, maintenance of stores records, proper location and stocking

*Material handling*

The effective material control techniques help the efficient handling of materials resulting in the lowering of production cost.

*Packaging and shipping*

Packaging is the [science](https://en.wikipedia.org/wiki/Science) [art](https://en.wikipedia.org/wiki/Art) and [technology](https://en.wikipedia.org/wiki/Technology) of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of designing, evaluating, and producing packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.

*Warehousing and distribution*.

Warehousing is the act of storing goods that will be sold or distributed later. While a small, home-based business might be warehousing products in a spare room, basement, or garage, larger businesses typically own or rent space in a building that is specifically designed for storage.

*Transportation:*

The transporting of materials from suppliers is an important function of materials management. The traffic department is responsible for arranging transportation service. The vehicles may be purchased for the business or these may be chartered from outside. It all depends upon the quantity and frequency of buying materials. The purpose is to arrange cheap and quick transport facilities for incoming materials.

***3- What is the scope of materials management?***

When we want to define the scope of material management, we have to talk about the various functions that material management perform in an organization; these can be seen as below:

*Materials planning and control:*  
Based on the sales forecast and production plans, the materials planning and control is done. This involves estimating the individual requirements of parts, preparing materials budget, forecasting the levels of inventories, scheduling the orders and monitoring the performance in relation to production and sales.

*Purchasing:*  
This includes selection of sources of supply finalization in terms of purchase, placement of purchase orders, follow-up, maintenance of smooth relations with suppliers, approval of payments to suppliers, evaluating and rating suppliers.

*Stores management*   
This involves physical control of materials, preservation of stores, minimization of obsolescence and damage through timely disposal and efficient handling, maintenance of stores records, proper location and stocking. A store is also responsible for the physical verification of stocks and reconciling them with book figures.

*Inventory control or management:*  
Inventory generally refers to the materials in stock. It is also called the idle resource of an enterprise. Inventories represent those items, which are either stocked for sale or they are in the process of manufacturing or they are in the form of materials, which are yet to be utilized. The interval between receiving the purchased parts and transforming them into final products varies from industries to industries depending upon the cycle time of manufacture. It is, therefore, necessary to hold inventories of various kinds to act as a buffer between supply and demand for efficient operation of the system. Thus, an effective control on inventory is a must for smooth and efficient running of the production cycle with least interruptions.

***Qn4. Define the various roles of materials management in the context of internal and external interfaces to materials management system***.

There are many roles materials management performs in context of internal and external interfaces to materials management system as can be seen below:

*Market forecasting*:

One of the key role-played by materials management is to forecast the future demands. For example, if a university like Makerere is printing study material for its students, it need to manage the raw materials and well as the finished product that is the printed blocks. The first point here would be to ascertain what would be the demand of study material for the various Programs; this forecast can be made on the basis of material usage patterns and increase in demand for the last few years, in addition expected enrolments for programs that are new, this information can be predicted on the basis of response to new programs of similar type/ area during last few years. Thus, materials management has a great role to play for an organization. But remember here, a forecast is always an estimation.

*Production:*

One of the key roles of material management system would be to see that the process of production goes unhindered. For example, once again the case of the university as above, printing would require availability of printing paper and art card paper - required for covers. If any of the two papers is out-of- stocks the printing process cannot continue.

*Finance:*

The material management is strategically very much linked to cost reduction. The cost may include the inventory cost and thus, have a major impact on the material budget. For example, one must procure the paper for the university, so that the paper requirement of printing is fulfilled in time, however, this should not cause any unnecessary hold up of the finance. The holdup time should be minimum. For example, if study materials are to be sent to student in the month of May-June then procurement of paper may be done in January- February so that study material can be printed in March-April.

*Inventory Control:*

One of the key strategic roles of material management would be to minimize the inventory of an organization. This also results in cost minimization. In general, a production schedule is made in an organization. This should be synchronized with the material procurement and supply so that the production process is not hampered. For example, as stated above the material should be procured in January-February such that the printing process can proceed smoothly.

*Inspection or quality control*:

The quality of material for different types of an organization is impacted during materials management cycles, though materials management is not directly responsible for quality, yet it can cause indirect effects on the quality of products. The products, whose quality deteriorates with time, are very likely candidates in this category. For example, if we buy printing paper 3-4 months in advance then proper storage conditions may need to be there to avoid any deterioration of quality of the paper.

*Material handling, traffic and physical distribution logistics:*

The role here is to see that the material is handled and distributed easily. For example, the paper stores of the university may be located outside the campus and may be near the place where most of the printing presses are located. Also since the university sends the study materials through post, a unit of distribution may be located near some head post office.

Qn5. ***Describe the role of material management in performing various functions in an organization***?

Materials Management is a system that tries to ensure the following for an organization

*Decision on making the materials or buying it*

This decision is taken if supplies are not successfully obtained in the market; the quality of the supplied good is not of standard; the volume requirement of sales is exceeding the possible manufacturing capacity; and the materials fails in cost analysis.

*Materials forecasting*

Materials management need to forecast the requirement for an organization, in doing this there are some questions that need to be considered. Are the materials going to be needed for long time? Will there be any requirement after 10 years? Are there any change or technological break - through for the material? Is the price going to raise in the future? These questions give materials management personnel fare estimate in their forecasting.

*Materials planning and budgeting*

Materials planning is of major control activity that organization need to put on place, it is feasible because of materials management. A fare budget is to be generated so as not tie up much working capital for the organization.

*Selection of potential information sources*

This will include selection of potential suppliers and other market information such as price trend and corporate environment, materials management data may help this task.

*Purchasing with a difference*

Purchasing commit, a lot of organization money; materials management information allows very creative purchasing by organization as it sees most of the trends. It also helps when purchasing in an uncertain situation.

*Forecasting for pricing*

A good price forecasting system based on proper material management and market research information may bring an organization to a win-win situation

*Store management and inventory control with a difference*

Material management help in store function such as control of materials being received, proper storage, minimization of obsolescence, highlighting unused stocks, ensuring good housekeeping, verification of stocks, timely delivery of good, proper storage and presentation of materials and dealing with scrap materials.

***Qn6. Discuss the scope of a product. Elucidate the term taking two products of your choice and comment on the satisfaction you derived by adoption***.

Product scope refers to the number of different items your company offers for sale. Your business goals usually determine the scope of products you carry. You may run a successful business based on a single product strategy or offer a much deeper line of products to serve a wider range of customers. Your product scope determines your future marketing strategies, profit goals and territory saturation.

A business unit may have just one product in its line and must try to live on the success of this one product. There are several advantages to this strategy. First, concentration on a single product leads to specialization, which helps achieve scale and productivity gains. Second, management of operations is much more efficient when a single product is the focus. Third, in today's environment, where growth leads most companies to offer multiple products, a single-product company may become so specialized in its field that it can stand any competition.

A narrow product focus, for example, cancer insurance, has given American Family Life Assurance Company of Columbus, Georgia, a fast track record. Cancer is probably more feared than any other disease in the United States today. Although it kills fewer people than heart ailments, suffering is often lingering and severe. Cashing in on this fear, American Family Life became the nation's first marketer of insurance policies that cover the expenses of treating cancer.

Despite its obvious advantages, the single-product company has two drawbacks: First, if changes in the environment make the product obsolete, the single-product company can be in deep trouble. American history is full of instances where entire industries were wiped out. The disposable diaper, initially introduced by Procter & Gamble via its brand Pampers, pushed the cloth diaper business out of the market. The Baldwin Locomotive Company's steam locomotives were made obsolete by General Motors' diesel locomotives.

Second, the single-product strategy is not conducive to growth or market share. Its main advantage is profitability. If a company with a single-product focus is not able to earn high margins, it is better to seek a new posture. Companies interested in growth or market share will find the single-product strategy of limited value.

The multiple-products strategy amounts to offering two or more products. A variety of factors lead companies to choose this strategic posture. A company with a single product has nowhere to go if that product gets into trouble; with multiple products, however, poor performance by one product can be balanced out. In addition, it is essential for a company seeking growth to have multiple product offerings.

For example, Nike began with a shoe solely for serious athletes. Over the years, the company has added a number of new products to its line. It now makes shoes, for both males and females, for running, jogging, tennis, [aerobics](https://www.zabanga.us/aerobics.html), soccer, basketball, and walking. Lately, it has expanded its offerings to include children.

The successful implementation of the system-of-products strategy requires a thorough understanding of customer requirements, including the processes and functions the consumer must perform when using the product. Effective implementation of this strategy broadens both the company's concept of its product and market opportunities for it, which in turn support product/market objectives of growth, profitability, and market share.

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

Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well.

A product line refers to a unique product category or product brand a company offers.

For example, Patanjali deals in different categories of products which include shampoo, flour, toothpaste, etc. Shampoo, here, forms a different product line, flour forms a different product line as well, and so does toothpaste. However, when they all are grouped together, they form the product mix of Patanjali

The product mix has the following dimensions

Width

The width of the mix refers to the number of product lines the company has to offer. For e.g., If a company produce only soft drinks and juices, this means its mix is two products wide. Coca-Cola deals in juices, soft drinks, and mineral water and hence the product mix of Coca-Cola is three products wide.

Length

Length of the product mix refers to the total number of products in the mix. That is if a company has 5 product lines and 10 products each under those product lines, the length of the mix will be 50 [5 x 10].

Depth

The depth of the product mix refers to the total number of products within a product line. There can be variations in the products of the same product line. For example – Colgate has different variants under the same product line like Colgate advanced, Colgate active salt, etc.

Consistency

Product mix consistency refers to how closely products are linked to each other. Less the variation among products more is the consistency. For example, a company dealing in just dairy products has more consistency than a company dealing in all types of electronics.

There are many advantages associated with product mix and line decision a company gets as can be seen below:

*Established and loyal customers base*

If the company provides another variation of an established brand, then they are leveraging the existing loyalty and likeability of the brand. This means that immediate sales and profit are far more likely, as well as increasing overall customer equity and customer lifetime value.

*Existing expertise*

By concentrating on the range of products that they already produce and market a company can be reassured that it has the existing expertise within the company to be successful of a product line extent

*Retailers relationships*

Remaining within the same product category and simply extending the product line, the firm is likely to have established wholesaler and retailer distribution channels in place. This means that the availability of the new product should be quite wide and achieved fairly quickly and probably without the need for excessive trade promotions.

*Low cost of production*

As a company has existing expertise and processes in place for this category of product, then it is likely that their production costs will be relatively low – as the new product will be produced utilizing the existing systems of the company.

*Low cost of development*

Because the company has developed this category product before, there should be a relatively low-cost development – primarily because they have the in-house expertise and knowledge, along with the necessary IT/manufacturing capabilities.

*Provides market information*

By having a range of similar products (within the same product category), the company can various marketing mix offering for one of these brands/products at a time and is able to generate valuable market information by utilizing the other brands/products as a control. This allows the company to engage in more marketing experimentation and gain greater customer insights.

*Competitive barriers*

By having a broader range of products within the same product category, makes it more difficult for competitors to find an obvious gap in the marketplace. It would also have the impact of fragmenting the market and splitting segments into niches. This may have the effect of making it non-viable for a competitor to bring a similar product to the market.

*Easy to implement*

Having produced a marketed this type of product before, it is highly likely that the new product development process and marketing launch will be quite simple the company to implement. They should be able to do this easily with existing personnel and probably without the need to outsource to consultants or other specialists.

*Possible economies of scale*

With a broader product range, and hopefully a greater level of sales volume, it may be possible to achieve improved economies of scale – and create a lower cost structure and a higher profit unit margin.

*Suppliers relationship*

Supplier relationships should be enhanced because the firm is likely to purchase more materials from the existing suppliers because they are manufacturing and/or producing a similar product or service.

*Meets variety needs of consumers*

Product line extension should also meet in with a variety needs of customers, say in a food market where variety is important – or meet the needs of a different market segment.

In spite of all these advantages of product mix and line decision, there are also some setbacks such as; Many managers have to be employed to take decisions about the products; Bad publicity for one product may harm the company's whole image; The cost of developing and selling so many products is high and Some products may fail if the company has not done sufficient market research.

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