

QUESTIONS

1. Assume that you are Frank Johnson's assistant, and he asks you to look into various scheduling problems that might occur. List and discuss them.
2. What packaging problems, if any, might there be?
3. Many firms selling consumer goods are concerned with problems of product liability. Does the dish offer present any such problems? If so, what are they? Can they be accommodated?
4. Should the exterior of the Sudsy Soap package be altered to show what dish it contains? If so, who should pay for the extra costs?
5. Assume that you are another one of Johnson's assistants and your principal responsibility is managing the inventories of all the firm's inputs, finished products, packages, and outbound inventories. What additional work will the dish proposal cause for you?
6. You are Beever. Your staff has voiced many objections to the dish tie-in proposal, but you believe that much of the problem is your staff's reluctance to try anything innovative. Draft a message to the dish company that, although not accepting their proposal, attempts to clarify points that may be subject to misinterpretation and also takes into account some of your staff's legitimate concerns.

CASE 1-2 KIDDIELAND AND THE SUPER GYM

KiddieLand is a retailer of toys located in the Midwest. Corporate headquarters is in Chicago, and its 70 stores are located in Minnesota, Wisconsin, Michigan, Illinois, Indiana, Ohio, Iowa, and Kentucky. One distribution center is located in Columbus (for Kentucky, Indiana, Michigan, and Ohio) and one in Chicago (for Illinois, Iowa, Minnesota, and Wisconsin).

KiddieLand markets a full range of toys, electronic games, computers, and play sets. Emphasis is on a full line of brand-name products together with selected items sold under the KiddieLand brand. KiddieLand's primary competitors include various regional discount chains. The keys to KiddieLand's success have been a comprehensive product line, aggressive pricing, and self-service.

Donald Hurst is KiddieLand's logistics manager. He is responsible for managing both distribution centers, for traffic management, and for inventory control. Don's primary mission is to make sure all stores are in stock at all times without maintaining excessive levels of inventory.

One morning in late January, while Don was reviewing the new year's merchandising plan, he discovered that starting in March, KiddieLand would begin promoting the Super Gym Outdoor Children's Exercise Center. Don was particularly interested that the new set would sell for

\$715. In addition, the Super Gym is packaged in three boxes weighing a total of 450 pounds. "Holy cow!" thought Don. "The largest set we have sold to date retails for \$159 and weighs only 125 pounds."

"There must be some mistake," thought Don as he walked down the hall to the office of Olga Olsen, KiddieLand's buyer for play sets. Olga was new on her job and was unusually stressed because both of her assistant buyers had just resigned to seek employment on the West Coast.

As soon as Olga saw Don, she exclaimed, "Don, my friend, I have been meaning to talk to you." Don knew right then that his worst fears were confirmed.

The next morning Don and Olga met with Randy Smith, Don's traffic manager; A. J. Toth, general manager for KiddieLand's eight Chicago stores; and Sharon Rabiega, Don's assistant for distribution services. Because the previous year had been unusually profitable, everyone was in a good mood because this year's bonus was 50 percent larger than last year's.

Nevertheless, A. J. got to the point: "You mean to tell me that we expect somebody to stuff a spouse, three kids, a dog, and 450 pounds of Super Gym in a small sedan and not have a conniption?"

Randy chimed in, "Besides, we can't drop ship Super Gyms from the manufacturer to the consumer's address because Super Gym ships only in quantities of 10 or more."

Olga was now worried. "We can't back out of the Super Gym now," she moaned. "I have already committed KiddieLand for 400 sets, and the spring-summer play set promotion went to press last week. Besides, I am depending on the Super Gym to make my gross margin figures."

"What about SUVs?" asked Toth. "They make up half the vehicles in our parking lots. Will the three packages fit inside them?"

By now the scope of the problem had become apparent to everyone at the meeting. At 3 P.M. Don summarized the alternatives discussed:

1. Purchase a two-wheeled trailer for each store.
2. Find a local trucking company that can haul the Super Gym from the KiddieLand store to the customer.
3. Stock the Super Gym at the two distribution centers and have the truck that makes delivery runs to the retail stores also make home deliveries.
4. Charge for delivery if the customer cannot get the Super Gym home.
5. Negotiate with the Super Gym manufacturer to ship directly to the customer.

When the meeting adjourned, everyone agreed to meet the following Monday to discuss the alternatives. On Thursday morning a record-breaking blizzard hit Chicago; everyone went home early. KiddieLand headquarters was closed on Friday because of the blizzard. By Wednesday, the same group met again.

Don started the meeting. "Okay," Don began, "let's review our options. Sharon, what did you find out about buying trailers for each store?"

"Well," Sharon began, "the best deal I can find is \$1,800 per trailer for 70 trailers, plus \$250 per store for an adequate selection of bumper hitches, and an additional \$50 per year per store for licensing and insurance. Unfortunately, bumpers on the newest autos cannot accommodate trailer hitches."

"Oh, no," moaned Olga. "we only expect to sell 5.7 sets per store. That means \$368 per Super Gym for delivery," she continued as she punched her calculator, "and \$147 in lost gross margin!"

Next, Randy Smith summarized the second option. "So far we can get delivery within 25 miles of most of our stores for \$38.21 per set. Actually," Randy continued, "\$38.21 is for delivery 25 miles from the store. The rate would be a little less for under 25 miles and about \$1.50 per mile beyond 25 miles."

A. J. Toth chimed in, "According to our marketing research, 85 percent of our customers drive less than 25 minutes to the store, so a flat fee of \$40 for delivery would probably be okay."

Randy continued, "Most delivery companies we talked to will deliver twice weekly but not daily."

Sharon continued, "The motor carrier that handles shipments from our distribution centers is a consolidator. He said that squeezing an 18-wheeler into some subdivisions wouldn't make sense. Every time they try, they knock down a couple of mailboxes and leave truck tracks in some homeowner's lawn."

Olga added, "I talked to Super Gym about shipping direct to the customer's address, and they said forget it. Whenever they have tried that," Olga continued, "the customer gets two of one box and none of another."

"Well, Olga," Don interrupted, "can we charge the customer for delivery?"

Olga thought a minute. "Well, we have never done that before, but then we have never sold a 450-pound item before. It sounds like," Olga continued, "our choice is to either absorb \$40 per set or charge the customer for delivery."

"That means \$16,000 for delivery," she added.

"One more thing," Don said. "If we charge for shipping, we must include that in the copy for the spring-summer brochure."

Olga smiled. "We can make a minor insert in the copy if we decide to charge for delivery. However," she continued, "any changes will have to be made to the page proofs—and page proofs are due back to the printer next Monday." ■

QUESTIONS

1. List and discuss the advantages and disadvantages of purchasing a two-wheeled trailer for each store to use for delivering Super Gyms.
2. List and discuss the advantages and disadvantages of having local trucking companies deliver the Super Gym from the retail stores to the customers.
3. List and discuss the advantages and disadvantages of stocking Super Gyms at the distribution centers, and then having the truck that makes deliveries from the distribution center to the retail stores also make deliveries of Super Gyms to individual customers.
4. List and discuss the advantages and disadvantages of charging customers for home delivery if they are unable to carry home the Super Gym.
5. Which alternative would you prefer? Why?
6. Draft a brief statement (catalog copy) to be inserted in the firm's spring–summer brochure that clearly explains to potential customers the policy you recommended in question 5.
7. In the first meeting, A. J. asked about SUVs, but there was no further mention of them. How would you follow up on his query?

A P P E N D I X 1

LOGISTICS PROFESSIONAL ORGANIZATIONS

APICS—The Association for
Operations Management*(www.apics.org)*

APICS “builds operations management excellence in individuals and enterprises through superior education and training, internationally recognized certifications, comprehensive resources, and a worldwide network of accomplished industry professionals.” APICS offers three certification programs: Certified in Integrated Resource Management (CIRM), Certified in Production and Inventory Management (CPIM), and Certified Supply Chain Professional (CSCP).

American Society of Transportation
and Logistics (AST&L) *(www.astl.org)*

AST&L was founded by industry leaders “to ensure a high level of professionalism and promote continuing education in the field of transportation and logistics.” It offers one certification program, Certified in Transportation and Logistics (CTL), and has added a new entry-level designation, Professional Designation in Logistics and Supply Chain Management (PLS).

Council of Supply Chain
Management Professionals*(www.cscmp.org)*

Formerly known as the Council of Logistics Management, the CSCMP is a nonprofit professional organization “that helps supply chain managers connect and collaborate . . . and become more effective professionals.”

Delta Nu Alpha (DNA)

(www.deltanualpha.org)

DNA is an “international organization of professional men and women in all areas and at all levels of transportation and logistics.” Its primary focus is on education.

International Society of Logistics

(SOLE) (www.sole.org)

The International Society of Logistics, formerly the Society of Logistics Engineers, is a “non-profit international professional society composed of individuals organized to enhance the art and science of logistics technology, education and management.” It has one certification program: Certified Professional Logistician (CPL).