

USUNGILO BAKERY

USUNGILO Bakery is one among the growing firms in the country spreading all over the major cities with a number of distribution outlets. The firm has specialized into production breads, muffins, donuts, buns and other custom made pastries on demand from customers. The firm has around 60 wholesale customers including hotels, restaurants, pubs, schools, offices and coffee shops. The firm has contracted DND Logistics LTD to coordinate their distribution and logistics operations including delivering their orders on a daily basis. The majority of the customers make standing orders so that the demand is predictable. Some others have changeable and different orders each day.

USUNGILO Bakery produces fresh bakery and pastry products for all wholesale customers within major outlets in the Cities. Thus, most of its purchases are for the production purpose. Besides, USUNGILO's purchases materials for packing process, technical and office-based needs such as hygiene, uniforms, machinery, staff food and stationery. The purchases are very categorical in terms of sources of supply, costs of acquisition, supply risks and functionality. Basically, the firm has around 20 major suppliers throughout the country. The Purchasing Department is in charge of purchasing tasks in accordance with customer orders. Checking inventory level in different storage places alternatively on a daily basis assists purchasing decisions on the quantity and delivery time, which is another important responsibility of this division.

In this current competitive economy, the firm has been continuously longing for a better way to achieve the best performance and deliver the highest value to their end users with less expenditures. However, the way toward mastering this goal has always been rocky due to insufficient resources to fully support its strategic movement. Mostly, the firm is facing the challenge of lack of dynamic, vibrant and hard minded procurement and supply chain professionals to assist them in their operations particularly designing and implementing procurement and supply chain strategies.

As a result, the firm has failed to understand the impact of innovation in procurement upon the development of sustainable competitive advantage as well as identifying the role the external

environment plays in supporting firms' procurement and supply chain practices. The firm is yet to have an integrated database with major suppliers in order to exchange information with its suppliers which is potential to reduce procurement lead time and optimize inventory levels. The management of the firm in the past was advised by business analysts to consider the use of Material Requirement Planning (MRP) or Enterprise Resource Planning (ERP) Systems as internal integrated management systems to better supervise their procurement and supply chain operations.

In the year 2015 the firm employed Ilemela Consultants to prepare the firm's 5 year Strategic Plan (2016-2020). Among the strategic objectives of the firm that have connection with firm's procurement and supply chain operations were achievement of COMPETITIVE ADVANTAGE and COST REDUCTION. The firm has been facing competition from rivals and aims at improving its competitiveness basically through product innovations, increased flexibility towards adopting technological changes, speedy delivery of products to customers and reduction in production costs. Among others, innovations and cost reduction would allow the firm to subsequently increase product varieties and harmonise their product prices which would increase competitiveness and market penetration.

Upon implementing the strategic plan, the Procurement Strategists advised the firm to adopt OUTSOURCING strategy as among the options for reducing procurement and supply chain costs. The management of the firm thought of outsourcing some of its operations in order to concentrate into core activities and strategise their operations towards costs reduction and improving their competitiveness. However, the management is in dilemma as they are not well informed about the strategy hence, the idea was considered risky and discarded.

Strategic Plan implementation audit made last year (2017) indicated that the firm failed to implement properly most of the proposed procurement and supply chain strategies due to absence of qualified experts to supervise the implementation. The firm failed to increase the market share and capitalize the competition in the market despite a number of managerial efforts to commit resources. The employed procurement and supply chain experts failed to study the business environment in order to advise the management on the proper sourcing, procurement

and logistics strategies towards addressing total cost reduction. The firm failed to optimize the supplier base and credible suppliers were snatched by competitors to form joint ventures; product lines were not efficient; excessive stocks of raw materials piled at the warehouses while finished products were not moving in the distribution centres (all these contributed by poor inventory control); and some outlet were closed due to high running costs.