

SECTION – II

Q. 4. Case Study

(15)

Bose Corporation manufactures audio premium speakers used in automobiles, Hi-Fi systems and consumer and commercial broad-casting systems. Head quartered in Massachusetts, USA, Bose Corporation has plants in Massachusetts and Michigan as well as in Canada, Mexico and Ireland. Bose speakers are the best sellers in Japan, the world leader in consumer electronics. Bose's competence is in its electronic engineering skills, but the company attributes much of its business success to its tightly controlled materials management and excellent integrated supply chain management.

Bose purchases most of its electronic and other components from independent suppliers scattered around North America, the Far East and Europe. About 50% of its purchases are from foreign suppliers, the majority of them are from Far East. Its purchasing organization while de-centralized has some overlap that requires coordination between sides. Bose attempts to coordinate its globally dispersed supply chain so that material holding and transportation costs are minimized. This requires components parts to arrive at Bose's Massachusetts assembly plant just in time to enter the production process. But because Bose must remain responsive to its customers, it sometimes must respond quickly to increases in customers demand for certain speakers so as to remain competitive. Since Bose does not want to hold extensive inventories at its Massachusetts plant, this need for responsiveness requires Bose's dispersed supply chain to respond rapidly to increased demand for component parts.

Bose's materials management function is responsible for coordinating the supply chain to meet both objectives – minimizing transportation and inventory holding costs and yet responding quickly to customer demands. This function achieves coordination through a sophisticated logistics operation. Most of Bose's imports from the Far East come via ships to the West coast and then across North America to its Massachusetts plant via train. Most of the company's export also moves by ocean freight. Bose does not hesitate to use airfreight when goods are needed urgently.

Bose has a long standing relationship with W. N. Procter, a Boston based freight forwarder and customs broker. Procter handles customs clearance and shipping from suppliers to Bose. Procter provides Bose with up-to-the minute electronic data interchange (EDI) capabilities which enable Bose to track parts as they move through its global supply chain. Procter provides several other services to Bose such as selecting overseas agents who can help move goods out of the Far East.

Procter's well established network of overseas contacts is especially useful when shipments

must be expedited through foreign customs. Procter also is electronically linked into the US customs system, which allows it to clear freight electronically as much as five days before a ship arrives at a US port or hours before an international airfreight shipment arrives – This helps to get goods to Bose’s manufacturing plant several days sooner.

Bose has developed a detailed supplier performance system that measures on-time delivery, quality performance, technical improvements and supplier suggestions. A report is generated twice a month from this system to be sent to the suppliers providing feed-back about supplier performance.

Bose has written contracts with suppliers. After six months of delivery without rejects, Bose certifies the suppliers as qualified suppliers.

Bose uses a sophisticated transportation system which is the best EDI system in the US. This system operates close to real time and allows two communications between every one of the freight handler’s 230 terminals and Bose information system is updated several times daily. This state-of-the-art system helps Bose managers to proactively manage logistics time elements in pursuit of better customer service.

Questions for Discussion

- i) Briefly present the salient features of the integrated supply chain management system at Bose.
- ii) Discuss how the strategy development process might work at a company like Bose.
- iii) Suggest a suitable title for this case.

Q. 5. Answer the following:

(10)

- a) Differentiate between Logistics and Supply Chain Management.

OR

- b) Discuss various functions of Supply Chain Management in detail.
