



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Management
DEPARTMENT	Department of Transport and Supply Chain Management
CAMPUS(ES)	APK
MODULE NAME	Strategic Sourcing – a Supply Chain Perspective
MODULE CODE	BML9X02
SEMESTER	First
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity May 2020

ASSESSMENT DATE	10 June 2020	SESSION	08:30 – 11:30
ASSESSOR(S)	Dr D Kumar		
MODERATOR(S)	Prof G Horn (NMU)		
DURATION	3 hours (180 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	3
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INFORMATION/INSTRUCTIONS:

- This is an open-book assessment.
- 30 min is allowed to read the case study.
- There are 5 questions. **Answer all questions.**
- Read the questions carefully and answer only what is required.
- Number your answers clearly and correctly as per the question paper.
- Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.

Case – WestJet Airlines

WestJet Airlines Ltd. (WestJet) is a Canadian airline founded in 1996. It began as a low-cost alternative to the country's competing major airlines. WestJet now provides scheduled and charter air service to more than 100 destinations in Canada, the United States, Europe, Mexico, Central America, and the Caribbean. Their 14,000 WestJetters are dedicated to flying more than 22 million guests a year, on over 700 flights per day, with a fleet of over 150 aircraft*.

Their vision and values are somewhat unique and Canadian!

Vision includes –

- We are Team WestJet. WestJet is people powered.
- We are caring at our core. Air travel is better with WestJet.
- We are a global airline. Authentically Canadian. Uniquely WestJet.

Values include -

- Act like an owner
- Care from the heart
- Rise to the challenge
- Work together to win

WestJet evolved and matured over time, and so did its corporate functions. One such function was Supply Chain. The supply chain function was centrally controlled, reported into the finance and supported two of the airline's other functions - the catering and the maintenance. The function was led by the supply chain director, managing two different teams, one each for catering and one for maintenance.

While the maintenance supply chain was governed well, the catering supply chain faced myriad of challenges. The buying and the warehousing parts were insourced; however, distribution and uploading to the aircraft activities were executed by independent suppliers.

WestJet bought from many local and international suppliers. Quality and cost were two driving forces in identifying right sources of supply. In order to preserve the quality, premium category items (coffee, biscuits) were bought from international suppliers, suited for premium / business traveller requirements. Basic commodities such as water, confectionaries and basic meals were bought locally.

As the airline was a low-cost airline, meals for passengers in economy class weren't complimentary. It's buy-on-board. Meals were prepared by third party caterers and these caterers also act as the up-lifters to the aircraft. The final stocking of items on the carts, loading them on the aircrafts were the responsibilities of the caterers.

The on-board crew take over the packed carts from the caterers, use/consume the items during the flight and return the used/un-used carts back to the caterers. The caterers recycle the carts, wash them, and re-pack them for the next flight.

In one such scenario of identifying sources of supply for its hot meals on the aircrafts, WestJet had two options to evaluate. The existing supplier who has been supplying for the last 10 years, has a larger batch size. The cost at existing supplier for 2000 meal packets was \$24000, with the cost of cutlery provided was \$0.50 per set. The packing cost of carts was \$100, with 50 meals on each cart. The cost of up-lifting to the aircraft was \$50 per cart and handling returned cart cost \$10 per cart. At the end of the cycle was disposal of unused meals, resulting in an additional \$2 per item (industry standard). Almost 5% meals were recycled.

The alternate supplier has a different model. For the first 100 000 meals, the supplier charged \$20 per meal. For the next 300 000, the cost was \$15 per meal, and thereafter it was \$12 per meal. The recycling cost was an add on.

The annual demand for hot meals was 540 000.

QUESTION 1

[10 MARKS]

Draw a supply chain diagram, indicating all flows and entities.

QUESTION 2

[10 MARKS]

Describe the supply chain challenges faced by WestJet in its catering business.

QUESTION 3

[20 MARKS]

- 3.1 Describe the advantages and disadvantages of local versus international buying. (10)
- 3.2 Which buying model should you recommend for WestJet for its hot meals? (10)

QUESTION 4

[20 MARKS]

- 4.1 What performance indicators can WestJet use to measure its supplier's performance for its catering supplies? (10)
- 4.2 How should you measure a caterer's service level for hot meals? (10)

QUESTION 5

[40 MARKS]

- 5.1 Identify the total cost of ownership for both suppliers. (20)
- 5.2 What other factors should you consider before selecting a supplier? (10)
- 5.3 Which supplier should you recommend to WestJet for its hot meal supplies? (10)