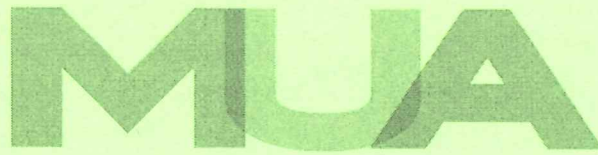


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

PSM 300: DISTRIBUTION AND LOGISTICS MANAGEMENT

DATE: 31ST JULY 2024

DURATION: 3 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the case study carefully and answer questions a) b) and c)

SUCCESS OF STARBUCKS MOBILE PAYMENT APPLICATION

Starbucks redefined highly competitive coffee shop business and successfully created an uncontested market by turning the simple coffee drinking experience into a way of life experience by drastically redefining the coffee shop environment by adding music, Wi-Fi, relaxed seating and luxurious interiors. Till Starbucks disrupted the traditional coffee shop market most of the focus was on the price, location and quality of coffee shops. Starbucks innovative value proposition includes wide variety of mostly coffee based menu along with other types of drinks that catered to wide range of audience who are willing to pay top buck for the luxurious and relaxed interiors that are **perfect environment for socializing** with friends and relax. Another important aspect that Starbucks focused was on the quality of customer service with an exclusive aim of maximum customer delight and they meticulously recruited and trained the best talent in the industry that has added huge value to their brand reputation.

Starbucks successfully created an aspirational brand that created highly loyal and delighted customers who repeatedly come to Starbucks for the unique experience it is offering. For years Starbucks has been successfully maintaining its dominant position in the coffee shop market despite the market becoming highly competitive with many players offering similar product and service offering of Starbucks. There has also been a rise in strong competition from fast food chains such as McDonalds and Dunkin Donuts that now offer premium coffee, which is threatening the market share of established players. In order to hold onto its competitive advantage and create new value proposition for its customers Starbucks has started to focus on the use of information technology, mobility and particularly social media. One such innovative value proposition by Starbucks is the Mobile Payments Application. Starbucks launched its mobile card app in 16 stores in early 2009 and after customer's adoption increased, Starbucks expanded it countrywide in United States. The main feature of the App allows customers to generate a 2D barcode on their mobile device to be scanned and used as payment in

stores. The App is an extension of Starbucks' existing, tangible, pre-paid reward card for loyal customers. The App is marketed based on its benefits in saving time and making purchases more convenient for the customer. Starbucks refers to the App as "the fastest way to pay." With this App customers can check their balance, reload card with any major credit card or PayPal, view transactions and conveniently track their Stars in the MSR (My Starbucks Rewards) program. The advantages for consumers are speed and one less card in their wallets. Using the app customers can also locate a mobile payment Starbucks near their location.

Starbucks mobile payments system is hugely successful based on the fact that 6 million average weekly transactions worth US\$ 1.5 billion in the U.S that accounts for a full 15% of transactions made at the U.S. Starbucks-operated stores despite the fact many digital wallet service providers are struggling, according to BI Intelligence. The innovative mobile app has digital tipping options, dashboard showing the current reward or loyalty points level, points available with current transaction, pick of the week coffee, recent transactions and messages. The Starbucks mobile payments application can also integrate with social media sites like Facebook, Twitter, etc. where customers can proudly show case their reward level milestones with their friends and family. This will further add up to their brand reputation and brand loyalty. By simply shaking the phone customers can choose the barcode of the coffee drink they want to buy and pay accordingly. The app itself is modelled on the social media site interface where customers can see their regular purchases of Starbucks coffee and rewards points in a feed-style history and timeline.

By developing mobile marketing programs it seems to present a further opportunity for Starbucks to fortify the targeted long term relationships with its customers. Customers allow Starbucks to gain access to their mobile phones in exchange for improved experience and convenience. Thus, perceived benefits have to exceed perceived risks such as the safety of personal data as well as the security of financial transactions via mobile phones.

Starbucks' disruptive mobile strategy integrated its highly successful loyalty program called My Starbucks Rewards with payments by customers. Starbucks further incentivizes the customers who habitually buy and pay through mobile app and more reward points are awarded that are redeemed for free drinks and food. The app's success is not due to the ease of payment with a phone compared to cash or debit or credit card but the fact the customer can see the incentives and rewards he is going to get that will further increase his loyalty with Starbucks. In a way Starbucks is locking the customer for near future. Starbucks loyalty program was diligently crafted over the years and it has been the best in the coffee shop industry or any other industry. With more than 12 million active users in United States and Canada, Starbucks have added one more new feature where customers can preorder their coffee using the mobile app and pick up the coffee later. "A prime example of this is our forthcoming mobile order and pay initiative that will allow customers to use their phones and MSR (My Starbucks Rewards) accounts to order ahead of arriving at a store where we plan to pilot in a major U.S. market later this year," said Howard Schultz, Starbucks CEO.

Customers wanted this functionality of preorder through mobile for the past few years, particularly since the mobile based cab hailing service Uber huge success. Starbucks is able to offer this service right now as the company feels its technology and in-store operations are well equipped to handle such requests. Starbucks is also expanding the number of drive through express service outlets that are best suited for preorder system. Starbucks is also talking to partners and other businesses like retail outlets that will also allow the customers to use their mobile application payment system, rewards system and loyalty programs in non-Starbucks outlets.

Through its mobile payment system Starbucks eliminated the need to carry cash, coin change issues, tipping problems, reduced the time spent on ordering and making coffee, understanding the menu and coffee types, offers and rewards available, raised the customer delight, loyalty and rewards, number of visits, new customers and created a new revenue source for the company, helped in acquiring new customers and also created a uncontested space in the digital wallet market.

Source: mbaknol.com/management-cases-studies

Required:

- a) Discuss how Starbucks redefined highly competitive coffee shop business and successfully created an uncontested market. (5 marks)
- b) Analyze how Starbucks could use the power of technology to enhance their logistics and distribution system. (10 marks)
- c) Discuss at least five benefits that were enhanced by the mobile payment system at Starbucks. (10 marks)

QUESTION TWO

- a) "Logistics is key to success of the supply chain in a business firm" Discuss. (8 marks)
- b) Discuss the role of logistics in a customer value delivery system. (7 marks)

QUESTION THREE

- a) Analyse the desired characteristics of logistics information system. Use illustrations from organisations, industry or sector known to you. (8 marks)
- b) Discuss the requirements of logistics business information system. Use illustrations from organisations, industry or sector known to you. (7 marks)

QUESTION FOUR

- a) Analyse how bar coding helps in enhancing the efficiency and effectiveness of the logistics system. (8 marks)
- b) Discuss the various systems used for tracking a consignment along with its challenges. (7 marks)

QUESTION FIVE

- a) Analyse the criteria used for selection of material handling systems. Use illustrations from organisations, industry or sector known to you. (8 marks)
- b) Discuss the material handling guidelines you recommend for a temperature-controlled warehouse dealing in perishable products. (7 marks)

QUESTION SIX

- a) Discuss the role of intermediaries in the global logistics. Use illustrations from organisations, industry or sector known to you. **(8 marks)**
- b) Analyse the barriers in cross border logistics. Use illustrations from organisations, industry or sector known to you. **(7 marks)**