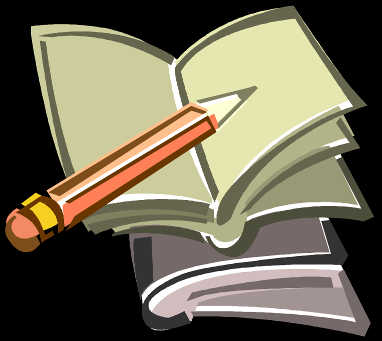
International Logistics

and Management

Workshop 1

dr . Marian Krupa

Project



How to define the best strategy and become the global leader?

dr . Marian Krupa

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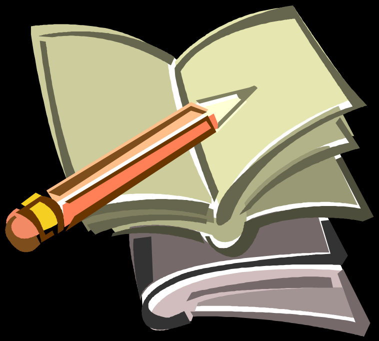

TASK:

✓ Your company (XYZ) is the robot manufacturer. You need 1000 cardboard boxes annually.

✓ Based on all the data you will receive, you have to analyze all the offers and finally you have to make the best decision (to choose the best offer).

✓ What you have to remember, that the winner is evaluated upon just one key indicator – it is the lowest cost of purchase (***LCP***) in the period of 10 years: ***LCP*** $\rightarrow$ MIN

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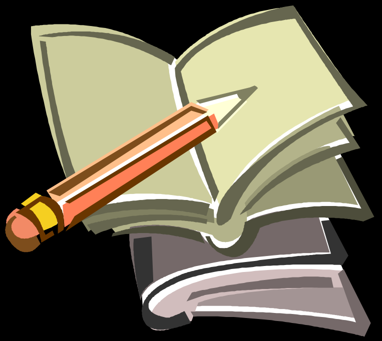

Assumption data (1):

- Every offer consists of three major elements:

1. the **price**

2. the **contract term** with the penalty charges for dropping the contract before the term.

3. the **financial condition** of the business partner (supplier of the cardboard boxes). We use the Quick Ratio (Acid-test ratio) – compares the highly liquid current assets (cash, marketable securities, current receivables) with current liabilities.

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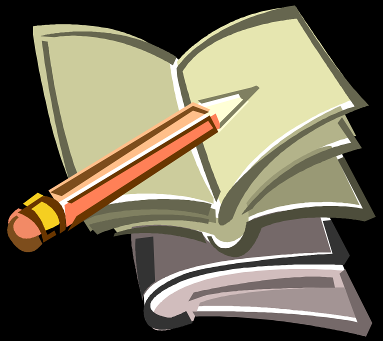

<u>Assumption data (2):</u>

- For every year we have also the information about GDP (Gross Domestic Product) indicator
- The quality of the cardboard boxes from all suppliers is at the same level.
- The inflation rate is *ceteris paribus*.
- The logistics cost are also *ceteris paribus*.

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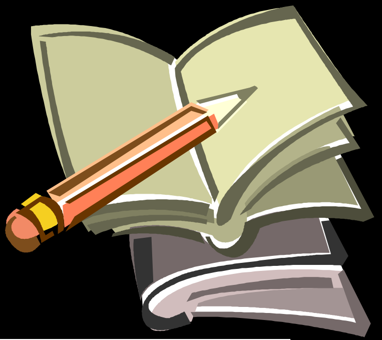

The historical data:

Year / GDP	SUPPLIERS					
	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5	Firm 6
1998 (5,2%)	**$1500**	-	-	**$1400**	-	-
	1 year	No offer	No offer	3 (20%)	No offer	No offer
	1,8	-	-	1,9	-	-
1999 (0,5%)	**$1300**	-	-	**$1350**	**$1400**	-
	1 year	No offer	No offer	3 years (20%)	2 years (10%)	No offer
	1,0	1,8	-	1,3	1,0	-
2000 (1,5%)	**$1200**	**$1100**	**$1100**	**$1250**	**$1000**	-
	1 year	3 years (10%)	1 year	3 years (20%)	2 years (20%)	No offer
	1,1	1,4	1,1	0,8	1,0	-

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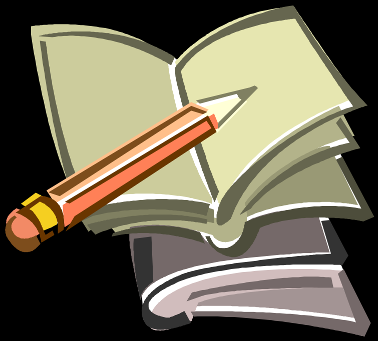

The winner is….

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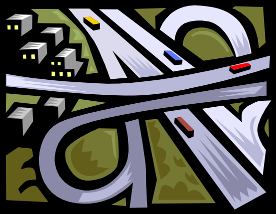
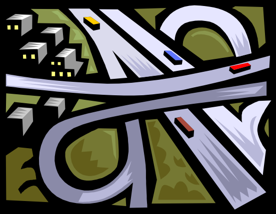
Conclusion (1):



MANAGEMENT?

- ✓ making decisions / solving business problems
- ✓ taking risk / overcoming uncertainty
- ✓ learning the business model / learning organization concept
- ✓ compete / no one is an island in the business (SCM)
- ✓ following the business cycle / ups and downs in the economic environment
- ✓ protecting your position / continuous development
- ✓ being a little better… just a little is good enough to achieve success in the global business
- ✓ ?

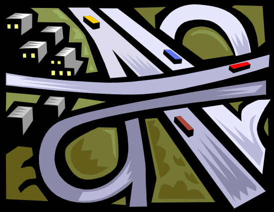
Conclusion (2):



Questions?

- ✓ *What was your winning/losing strategy?*
- ✓ *What did you do to win the game?*
- ✓ *What went wrong?*

Conclusion (3):



DECISION MODELS?

1. **Economic rationality / analytical model / data evaluation**
2. **Intuition / guesswork / common sense / subconscious**
3. **Casting (drawing) / game of dice / picking-up any solution**

Question:
A Bow and an arrow cost EUR 11. The bow is more expensive than 1 arrow by EUR 10. What is the price of one arrow?

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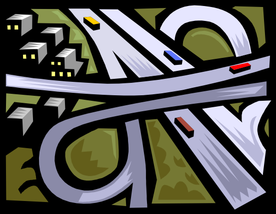
Conclusion (4):



DECISION MODELS?

1. Do not play the game of dice.

2. Be careful with your intuition and projections.

3. **Invest in the good analytical model!**

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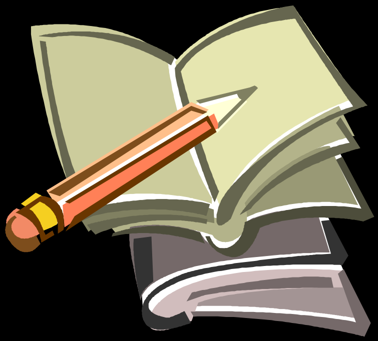

Questions