

CHAPTER 1 TEST QUESTIONS

True-False

1. The first decade of the twenty-first century was a period of rapid change for organizations, especially businesses.

ANSWER: True, Page 5

2. A key element in Wal-Mart's ability to discount brand name products was an understanding of the criticality of efficiency in its logistics and supply chain system.

ANSWER: True, Page 5

3. Globalization has had little effect on consumers.

ANSWER: False, Page 7

4. Supply and demand has become less volatile as managers have become more adept at controlling the elements.

ANSWER: False, Page 7

5. Outsourcing is a fairly new concept.

ANSWER: False, Page 8

6. The world economy still favors the United States and European countries, even though China and India can participate in the global economy much more readily.

ANSWER: False

7. It is predicted that social networks such as Facebook and Twitter will influence supply chains because of their impact on customer demand and the speed of information transfer.

ANSWER: True, Page 9

8. Supply chain managers no longer need to worry about suboptimization in light of today's technology.

ANSWER: False, Page 18

9. Beginning in the late 1970s and into the 1980s, the US transportation industry was deregulated. The net result was a less competitive environment.

ANSWER: False, Page 12

Multiple Choice

10. Most retailers are essentially supply chain companies since they:

- a. dominate the consumer market.
- b. own their warehouses and trucks.
- c. buy products produced by others.
- d. engage in off-shore sourcing.

ANSWER: c, Page 6

11. Which of the following is not one of the external forces driving the rate of change and shaping our economic and political landscape?

- a. Government policy
- b. Technology
- c. Environmental concerns
- d. Globalization

ANSWER: c, Page 6

12. Outsourcing involves:

- a. moving company facilities away from the home office.
- b. hiring foreign nationals to manage parts of the business.
- c. obtaining materials, parts, and products from other companies.
- d. building a factory in another country.

ANSWER: c, Page 8

13. Some individuals describe the current consumer as the "click here" generation because they:

- a. all have Internet access.
- b. no longer wait for information to be "pushed out" to them.
- c. buy so much merchandise online.
- d. take little time to make purchasing decisions.

ANSWER: b

14. Identify the proper sequence of the three "flows" in the supply chain.

1. Product

2. Cash

3. Information

- a. 1, 2, 3
- b. 1, 3, 2
- c. 2, 1, 3
- d. 3, 2, 1

Coyle *Supply Chain Management: A Logistics Perspective, 10th Edition*
Chapter 1 Test Bank

- e. None of these answers

ANSWER: b, Page 17

15. The demographics of our society has changed because:

- a. the "Baby Boom" generation is now turning 60.
- b. of the increase in two-career families and single-parent households.
- c. of immigration.
- d. birth rates have changed.

ANSWER: b, Page 10

16. The Supply Chain Concept:

- a. is very new and considered cutting edge technology.
- b. is highly dependent on computerization.
- c. is not always well understood by senior managers.
- d. is developed from the previous Physical Distribution concept.

ANSWER: d, Page 12

17. Logistics, in its simplest form,

- a. is a military term, as it was developed originally to supply the battlefield.
- b. combines inbound logistics with the outbound logistics of physical distribution.
- c. is another term for transportation management.
- d. does not involve customer service or other related functions.

ANSWER: b, Page 13

18. One of the major challenges of supply chain management is:

- a. forward buying.
- b. maintaining the visibility of inventory.
- c. building safety-stock inventory.
- d. pushing inventory back to vendors.

ANSWER: b, Page 17

19. Which of the following flows only one way as illustrated in Figure 1-4?

- a. Information
- b. Products and services
- c. Financials
- d. None of these answers

ANSWER: d, Page 15

20. Traditionally, information has been viewed as flowing in the opposite direction of products, that is, from the market/customer back to the wholesalers, manufacturers, and vendors.

Coyle *Supply Chain Management: A Logistics Perspective, 10th Edition*
Chapter 1 Test Bank

- a. This is still true and has not changed.
- b. Computerization has greatly increased the flow of information from the source.
- c. The "Big Box" stores have developed their own sources.
- d. None of these answers.

ANSWER: d, Page 16

21. Which of the following is not an external factor that is shaping the economic and political landscape?

- a. Globalization
- b. Government policy and regulation
- c. Technology
- d. Organizational division

ANSWER: d, Page 6

22. The challenge to develop and sustain an efficient and effective supply chain(s) requires organizations to address a number of issues. Which of the following is not included in them?

- a. Complexity
- b. Inventory deployment
- c. Inventory carrying costs
- d. Technology

ANSWER: c, Page 18

23. Which of the following is not part of the Supply Chain network?

- a. Plants
- b. Stores
- c. Terminals
- d. Distribution centers

ANSWER: b, Page 18

24. Complexity in the supply chain is caused by:

- a. the number of SKUs.
- b. locations of customers and suppliers.
- c. transportation requirements.
- d. all of these answers.

ANSWER: d, Page 19

25. Cost/value refers to:

- a. getting the best value for the money spent.
- b. U.S. firms competing in the global arena.
- c. the importance of cost and value at the very end of the supply chain.
- d. product variety.

ANSWER: c, Page 20

26. Performance measurement is important because:

- a. it allows firms to rate competitors.
- b. without it, managers would not know how the global economy is doing.
- c. companies presently operating in the European Economic Community need to understand how its competitors are doing.
- d. lower-level metrics in an organization must connect directly to the high-level performance to achieve goals.

ANSWER: d, Page 20

27. A critical outcome of the supply chain is to deliver:

- a. profits.
- b. the right product to the right place.
- c. cost/value.
- d. on management's expectations.

ANSWER: b, Page 20

Essay

28. What is the significance of Globalization in Supply Chain Management?

ANSWER: Arguably, globalization is the most frequently cited change factor by business leaders, and it has replaced the post-World War II Cold War as the dominant driving force in world economics. The concept of the global marketplace or global economy has taken on new meaning for all enterprises (profit and nonprofit; small, medium, and large; products or services) and for individual consumers during the last two decades.

Overall, globalization has led to a more competitively intense economic and geopolitical environment. This environment manifests itself in opportunities and threats, both economic and political. Some individuals have implied that there is no "geography" in the current global environment (figuratively speaking) or, perhaps more aptly, that time and distance have been compressed.
(Page 7)

29. Explain how today's consumers are empowered and how they impact Supply Chain Management.

ANSWER: Today's consumers are more enlightened and educated, and they are empowered more than ever by the information that they have at their disposal from the Internet and other sources. Their access to supply sources has expanded dramatically beyond their immediate locale by virtue of catalogs, the Internet, and other media. They have the opportunity to compare prices,

quality, and service. Consequently, they demand competitive prices, high quality, tailored or customized products, convenience, flexibility, and responsiveness. They tend to have a low tolerance level for poor quality in products and services. Consumers also have increased buying power due to higher income levels. They demand the best quality at the best price and with the best service. These demands place increased challenges and pressure on the various supply chains for consumer products. (Page 10)

30. Describe the concept of an "integrated supply chain" that begins with the supplier's supplier and ends with the final consumer.

ANSWER: Supply chain management can be viewed as a pipeline or conduit for the efficient and effective flow of products, materials, services, information, and financials from the supplier's suppliers through the various intermediate organizations or companies out to the customer's customers, or a system of connected networks between the original vendors and the ultimate final consumer. The extended enterprise perspective of supply chain management represents a logical extension of the logistics concept, providing an opportunity to view the total system of interrelated companies for increased efficiency and effectiveness.

31. Discuss how globalization and consolidation in supply have increased complexity.

ANSWER: Globalization and consolidation in supply chains have increased the complexity for organizations in terms of SKUs, customer and supplier locations, transportation requirements, trade regulations, taxes, and so forth. Companies need to take steps to simplify, as much as possible, the various aspects of their supply chains. For example, the number of SKUs has expanded for many companies, which exacerbates problems for inventory management and order fulfillment. Consequently, companies have been rationalizing SKUs to eliminate the slow movers and items that do not contribute to profitability. Locations also need to be analyzed to eliminate high-cost or duplicative operations. Customer service levels need to be rationalized, as do vendors or supplier alternatives. Layers of complexity develop and may seem necessary, but organizations need to continually evaluate those areas of complexity by evaluating processes, training people, and exploiting technology. (Page 19)

32. Discuss how Performance Measurement can affect Supply Chain Management.

ANSWER: Most organizations have measures of performance or metrics in place to analyze and evaluate their efficiency and progress over different time periods. Sometimes, such measures are used for setting baseline performance objectives or expected outcomes, for instance, orders filled and shipped per day. Measurement is important, and at this juncture, it is important to recognize that lower-level metrics in an organization must connect directly to the high-level performance measures of the organization and the supply chain, which are usually net profit, return on investment, or assets and cash flow. In some instances, metrics are set that appear logical for the sub-unit of the organization but are suboptimal for the overall organization or supply chain. For example, the warehouse manager who is measured by the cost per cubic foot of units stored will be motivated to fill the warehouse to the ceiling. (Page 20)

33. What is the role of Transportation Management in connection with Supply Chains?

ANSWER: Transportation can be viewed as the glue that makes the supply chain model function. The critical outcomes of the supply chain are to deliver the right product, at the right time, in the

right quantity and quality, at the right cost, and to the right destination. Transportation plays an important role in making these "rights" happen. Another aspect of the importance of transportation is related to some of the strategies that are being used by companies to remain competitive in today's economy—for example, just-in-time inventory, lean logistics and manufacturing, and scheduled deliveries. The challenge has been exacerbated by economic changes among transportation providers; shortages of drivers, higher fuel costs, and changes in driver hours regulations have led to what some individuals have called a transportation crisis or the "perfect storm." Transportation has gone from being a readily available commodity to potential users, especially in the 1990s, to today where transportation is scarce in some market areas. (Page 20)

34. The Pharmaceutical industry has been challenged in recent years. It is still an important part of the economy but it needs to make changes in its supply chains and related activities to be more competitive and financially viable in the 21st century. Discuss three of those changes.

ANSWER: There is a glaring need for managing the supply chains in the Pharmaceutical industry more efficiently and effectively along with better execution. Discussion with key executives noted a need to change their strategy from a push approach to a pull strategy. The push approach has led to overstocks of some SKU's and stock-outs of others with consequent higher inventory costs and perhaps lost sales. There is also a need for their supply chains to be more responsive to demand "signals" in a timely manner.

Another needed change is more collaboration with suppliers, customers, and logistics service providers. In the past, Pharmaceutical companies could essentially dictate and control what happened in their supply chains. Participants in the supply chain were usually not considered to be "partners" or needed collaborators. Valuable information and potential innovations were probably squandered along the way. As has been pointed out in recent years, supply chain collaborators and partners often provide half or more of the innovative changes that lower cost and/or improve service.

Another need is for improved information flow and management as well as more visibility along the supply chain. This is a necessary ingredient for improved decisions in logistics and transportation. Too frequently, data has been incomplete or incorrect resulting in higher cost and/or ineffective customer service. Timely and accurate information flow is important and is a necessary part of improving Pharmaceutical supply chains and the financial viability of the industry. (Page 11)