

Supply Chain Management: From Vision to Implementation

by Stanley Fawcett, Lisa Ellram, and Jeffrey Ogden

Test Item File - Chapter 2: Customer Fulfillment Strategies

Multiple Choice

1. All of the following are opportunity considerations for businesses to create customer value except _____.

- A) quality
- B) cost
- C) flexibility
- D) **location**

Easy

2. The real measure of quality is whether or not a product or service lives up to _____ expectations.

- A) **customer**
- B) design
- C) company
- D) supply chain

Easy

3. Motorola established its 6-sigma quality improvement program more than a decade ago. The numerical value of 6-sigma is _____.

- A) 99.98% defect free
- B) **3.4 PPM**
- C) 6 PPM
- D) 1000 PPM

Difficult

4. One of Garvin's 8 factors that comprise quality as viewed by the customer is *performance*.

Performance refers to the _____.

- A) **primary operating characteristics of the product or service**
- B) delivery speed of the product or service
- C) number of product or service features
- D) customer viewed dependability of the product or service

Moderate

5. One of Garvin's 8 factors that comprise quality as viewed by the customer is *reliability*. Reliability is defined as _____.

- A) the difficulty of the product to be repaired
- B) **a product or service characteristic where it can be counted upon not to fail**
- C) how well a product or service matches established specifications
- D) the delivery speed of the product or service

Moderate

6. One of Garvin's 8 factors that comprise quality as viewed by the customer is *serviceability*.

Serviceability refers to the _____.

- A) product or service characteristic where it can be counted upon not to fail
- B) customer viewed dependability of the product or service
- C) **speed of repair when quality problems arise**
- D) the frequency of repair

Moderate

7. There are four supply chain cost-reduction strategies employed by competent procurement functions as cited in the text. They include (1) productivity enhancement, (2)_____, (3) locating facilities in countries with low-cost inputs, and (4) sourcing from the world's most efficient suppliers.

- A) placing large quantity purchase orders
- B) sourcing from past suppliers
- C) **adoption of advanced process technology**
- D) sourcing from local suppliers

Difficult

8. Supply chain managers include quality, cost, flexibility, delivery and innovation as the most significant business contributors when creating _____.

- A) revenue
- B) **customer value**
- C) strategic plans
- D) process maps

Moderate

9. All of the following are steps critical to creating a “flexibility” culture except_____.

- A) make cycle time a priority throughout the organization
- B) benchmark against customer requirements and competitors' capabilities
- C) build learning loops into every process throughout the organization
- D) **train workers for few but selective tasks and organize work in single function teams**

Difficult

10. _____ (ESI) is a key element of innovation strategies at industry leaders like Canon, Honda, and 3M.

- A) Enterprise source information
- B) **Early supplier involvement**
- C) Environmental strategy implementation
- D) Export sourcing interface

Easy

11. When managers emphasize efficient operations over appropriate customer satisfaction requirements, discrepancies in service quality can lead to_____.

- A) **service gaps**
- B) customer feedback
- C) higher operating costs
- D) higher fill rate targets

Easy

12. When developing customer satisfaction strategies, customer feedback helps managers with all of the following except:

- A) align measures to customer expectations
- B) **benchmark the performance of the competition**
- C) allocate resources and reevaluate priorities
- D) adopt new customer satisfaction policies or practices

Moderate

13. A _____ is something that your company does so well that it provides the business a competitive advantage.

- A) Pareto principle

- B) customer segmentation
 - C) fulfillment strategy
 - D) **core competency**
- Moderate

14. An effective customer service feedback system addresses all of the following questions except:
- A) Does our current performance meet our customers' requirements?
 - B) Would an improvement in our performance really be valued by our customers?
 - C) **Are customers' performance measurements adequate?**
 - D) How do important customers define quality, on-time delivery, responsiveness, and other key value areas?
- Moderate

15. Identifying specific customer needs and then matching the company's _____ to those needs is the key to implementing a successful customer fulfillment strategy.
- A) core competencies
 - B) **promises and capabilities**
 - C) delivery
 - D) synergies
- Moderate

16. The text suggests that customers can be segmented by percent of sales into an A, B and C categories. Applying the Pareto principle, approximately 80% of sales is provided by 20% of the customers. This segment is defined as the A segment. What statement below best characterizes the relationship?
- A) Members of this group often become tomorrow's "customers of choice".
 - B) The business operation provides high levels of standardized service excellence.
 - C) Dedicated customer account teams are used to establish a consistent point of contact and a personal touch.
 - D) **Frequent communication occurs between the two firms at many levels, including marketing, engineering, logistics, and senior management.**
- Moderate

17. All of the following are the primary reasons why a business's customer service may not fulfill customer needs except _____.
- A) the level of service provided is based on the customer's level of value to the business
 - B) improvements are directed at efforts that add no customer value
 - C) claims of improved service do not match the business's actual performance
 - D) **the business treats each customer contact as an opportunity to make an unprofitable customer profitable or make a profitable customer more profitable**
- Moderate

18. Which of the following are the top four causes of customer fulfillment dissatisfaction?
- A) employee training, budget constraints, policies and customer expectations
 - B) **employee training, measurement, empowerment and policies**
 - C) employee training, measurement, policies and customer expectations
 - D) employee training, budget constraints, customer expectations and policies
- Moderate

19. The term _____ was coined to signify that 15 to 40 percent of a firm's capacity is used to find and fix poor-quality work.
- A) Kaizen
 - B) **hidden plant**

- C) core competency
 - D) Pareto principle
- Moderate

20. Considering a competency-success factor alignment matrix, when customer success factors are high and competencies are high, this condition will most likely result in _____.

- A) diminished focus and dissipated capabilities
 - B) resources expended here are wasted
 - C) **effective alignment results in Profitable Customer Takeaway**
 - D) effort and resources dedicated to non-valued activities result in low customer takeaway
- Difficult

True/False

1. One of the major characteristics of today's customers is that they are empowered with a broad range of product and pricing information. **True** Moderate
2. Customer empowerment means that businesses up and down the supply chain must decrease their ability to deliver value. **False** Easy
3. A major goal of the supply chain manager is to assure that operations creates processes that meet customer needs. **False** Easy
4. The following are the 5 basic areas of customer value: quality, flexibility, innovation, delivery and cost. **True** Moderate
5. Quality is most often defined by the customer as meeting customer specifications. **False** Moderate
6. Best-in-class companies manage quality and achieve a very low defective parts per million. **True** Moderate
7. Six-sigma, the quality level that many companies strive to achieve is quality that is equal to or less than 34 defects per million parts produced. **False** Easy
8. "Performance" refers to the product's mean time between failures and its overall life expectancy. **False** Difficult
9. "Serviceability" refers to the speed of repair when quality problems arise. **True** Moderate
10. Since customers in these economic times demand high quality products and services, this is achieved through extensive inspections. **False** Moderate
11. Globalization has increased factor mobility and market access, requiring local companies to match the cost position of global rivals who often possess low-cost labor advantages. **True** Difficult
12. A typical cost reduction technique employed by a manufacturer is to improve the productivity of their manufacturing processes. **True** Moderate
13. Flexibility is a supply chain strategy that is often avoided since it requires increases in capital and people. **False** Moderate
14. Fast, reliable delivery requires the reduction of order cycle time and the elimination of variability. **True** Easy
15. One of the key benefits of "Innovation" is the ability to capture market share. **True** Easy
16. Leading companies have found that shared information, the elimination of restrictive work rules, and proactive measurement enable cost, quality, flexibility, delivery, and innovation to work together to move businesses forward to a stronger competitive position. **True** Moderate
17. The American Customer Satisfaction Index shows that companies have made great progress in recent years in living up to customer expectations. **False** Moderate
18. "Traditional" customer service efforts focus primarily on external service levels and goals. **False** Difficult

19. Customer satisfaction initiatives that focus too much on what has worked in the past leave the supply chain vulnerable to the dynamics and competition of a global marketplace. **True**
Moderate
20. Regarding a customer-centric fulfillment strategy, not all customers are equal and they do not all deserve the same high level of service. **True** Difficult
21. In order to identify a core competency, two questions should be asked: “What are we known for that makes us uniquely good?” and “What do we do as good as anyone else?” **False**
Difficult
22. The Pareto principle when applied to sales suggests that about 20 percent of sales area generated by about 80 percent of all customers. **False** Moderate
23. One of the major reasons why customer service in America does not produce a high level of customer satisfaction is that many companies claim to be service oriented, but fail to deliver on their promises. **True** Moderate
24. Regarding customer relationships, managers need to treat each customer contact as an opportunity to make an unprofitable customer profitable or make a profitable customer more profitable. **True** Difficult
25. In well-managed customer-of-choice relationships, information systems of the supplier and customer are linked to enable real-time information exchange on inventory levels, order status, and future demand. **True** Moderate

Essay

1. Identify each of the five areas of customer value and explain how each is important in developing a distinctive advantage with regard to the competition.
Quality, cost, flexibility, delivery, and innovation.
Moderate
2. The text suggests that early supplier involvement (ESI) is a key element of innovation strategies of industry leaders. Please explain. **Bringing your supplier into the customer’s new product development process to tap their expertise in product and process design often results in lower material cost and improved quality.**
Difficult
3. Explain how customer information feedback helps supply chain managers reduce/eliminate service gaps in supporting customers. **A service gap may occur due to a lack of information regarding customer expectations. Improved communications will reduce or eliminate a limited understanding of customer requirements.**
Moderate
4. The text makes the statement “As managers gain knowledge of downstream requirements, they become consultants to their customers.” Please explain this statement.
The “knowledge” or information regarding downstream requirements of the customer helps suppliers design appropriate customer fulfillment strategies.
Difficult
5. Identifying specific customer needs and then matching the company’s promises and capabilities to those needs is the key to implementing a successful customer fulfillment strategy. Explain in detail a minimum of 3 of those typical customer needs. **Quality, delivery, flexibility, innovation and cost.**
Moderate
6. Customers continue to complain about poor service. Sources of dissatisfaction include a lack of managerial commitment, poor training of service personnel, poor measurement, and inflexible policies. As a manager, what are some of the strategies you would consider/study to improve customer satisfaction? **Answers will vary.**
Moderate

Fill in the Blank(s) (Blank Identified in RED)

1. Opportunities to deliver customer value occur in five areas: cost, flexibility, delivery, innovation and **quality**. Easy
2. A negative **gap** between customer expectations and customer experience leads to customer dissatisfaction. Easy
3. Customer success is driven by knowledge and capability. It relies on the strength of **upstream suppliers** while working to enhance the competitiveness of **downstream customers**. Moderate
4. Sourcing, operations, and **logistics** play key roles in building a delivery capability. Easy
5. When a customer makes a purchase, he/she is buying a set of “**satisfactions**.” Easy
6. The key to satisfying customers is to understand their **needs** so that unique products and services can be developed to meet those **needs**. Easy
7. When managers emphasize efficient operations over appropriate customer understanding of performance, quality or other key desirable attributes, **service** gaps will occur. Easy
8. Customer success strategies consist of (1) a clearly communicated goal to help customers succeed, (2) a clear understanding of downstream requirements, (3) investments in customer-valued capabilities, (4) **training** provided to customers, and (5) resources shared with customers. Easy
9. Identifying specific customer needs and then matching the company’s promises and capabilities to those needs is the key to implementing a successful customer **fulfillment** strategy. Easy
10. Customer **segmentation**, the identification of unique groups of customers who possess similar needs, helps managers develop the products and establish the systems needed to fulfill the needs of different customer groups. Easy
11. Customer **success** factors are the capabilities that first-tier customers need to satisfy their downstream customers. Easy
12. A core **competency** is something that your company does so well that it provides the company a competitive advantage. Easy
13. Pareto principle suggests that about 80 percent of sales are generated by about **20** percent of all customers. Moderate
14. A method of determining actual costs of a product or process cited in the text as **activity-based** costing ties specific costs directly to the customers that create them. Moderate
15. **Customer relationship management** (CRM) software has increased the sophistication of customer segmentation by incorporating data-capturing, storage, and analysis capabilities to help companies create customer profiles. Easy
16. Meeting customers’ needs better than the competition creates **loyalty** and yields valuable long-term relationships. Easy
17. Experience has shown that simplifying the operating environment and creating a fluid organizational culture promotes **synergies** regarding customer value trade-offs. Easy
18. The following are several key steps that are critical to creating a supply chain flexibility culture.
 - Make cycle time a priority throughout the organization.
 - Map processes to make them visible.
 - **Benchmark** against customer requirements and competitors’ capabilities
 Moderate
19. The following are several key steps that are critical to creating a supply chain flexibility culture.
 - **Cross-trained** workers and organize work in multifunctional teams.
 - Design performance measures to value fast-cycle capabilities.
 - Develop information systems to track activities and share information.
 Easy

The following are the eight attributes developed by Garvin that define product quality:

20. **Performance**—refers to the primary operating characteristics of the product. Moderate

21. **Features**—are the “bells and whistles” or extras that distinguish a product from competitors’ offerings. Moderate
22. **Reliability**—represents the notion that a product can be counted on not to fail. Moderate
23. **Conformance**—measures how well a product matches established specifications. Moderate
24. **Durability**—refers to the product’s overall life expectancy. Moderate
25. **Serviceability**—refers to the speed of repair when quality problems arise. Moderate
26. **Aesthetics**—deals with perceptions of fit and finish or artistic value. Moderate
27. **Perceived quality**—deals with overall perceptions of a product or brand’s quality reputation. Moderate
28. SC manager’s goal is to design and manage processes to meet customer needs. To do so, they need to understand how customers view *value* and define *satisfaction*. Moderate
29. A performance metric used to measure the percent of products ordered that are actually delivered from distribution centers is called the **fill rate**. Difficult