

File: ch02, Chapter 2: Supply Chain Strategy

Multiple Choice

1. SCM competitive advantage can be derived from two primary areas:
- a) Cost and value
 - b) Suppliers and customers
 - c) Productivity and sustainability
 - d) Logistics and marketing
 - e) Responsiveness and relationship management

Ans: a

Response: page 37

Level: Easy

2. A product's cost advantage may include the following:
- a) High service
 - b) Customization
 - c) Reputation
 - d) Sustainability
 - e) None of the above

Ans: e

Response: page 37

Level: Medium

3. Ways that companies can gain a value advantage include:
- a) Value-segmenting
 - b) Supplier relationship management
 - c) Service and support
 - d) Lowest cost
 - e) a and c

g

Ans: a

Response: page 38

Level: Medium

4. The experience curve describes the relationship between:
- a) Value and experience
 - b) Volume and experience
 - c) Service levels and experience
 - d) Costs and experience

e) Innovation and experience

Ans: d

Response: page 37

Level: Medium

5. Building blocks of SCM strategy include:

- a) Operations
- b) Distribution
- c) Sourcing
- d) Customer service
- e) All of the above

Ans: e

Response: page 41

Level: Easy

6. Operations *strategy* focuses primarily on:

- a) Improved coordination between supply chain partners
- b) Reducing inventory across the supply chain
- c) How goods and services will be produced
- d) Segmenting customers/markets
- e) All of the above

Ans: c

Response: page 41

Level: Difficult

7. Customers' ability to customize products reflects which operations strategy

- a) Make-to-order
- b) Assemble-to-order
- c) Make-to-stock
- d) Reverse logistics
- e) None of the above

Ans: a

Response: page 42

Level: Medium

8. The most effective strategy for companies that produce standardized, commodity products is:

- a) Make-to-order

- b) Assemble-to-order
- c) Make-to-stock
- d) Reverse logistics
- e) Customer service

Ans: c

Response: page 42

Level: Medium

9. The most effective strategy when there are many variations of the end product is:

- a) Make-to-order
- b) Assemble-to-order
- c) Make-to-stock
- d) Adaptability
- e) None of the above

Ans: b

Response: page 42

Level: Medium

10. Distribution strategy involves decisions about:

- a) Supplier selection
- b) Product development
- c) Transportation modes
- d) How to get products to customers
- e) a and b

Ans: d

Response: page 44

Level: Medium

11. In defining a distribution strategy, a company must consider the importance of channel intermediaries including:

- a) Suppliers and manufacturers
- b) Suppliers and customers
- c) Retailers and distributors
- d) Distributors and suppliers
- e) None of the above

Ans: c

Response: page 44

Level: Difficult

12. The outsourcing decision relates to which building block of SCM strategy:

- a) Operations
- b) Distribution
- c) Sourcing
- d) Logistics
- e) Customer service

Ans: c

Response: page 45

Level: Easy

13. An outsourcing strategy can result in the following:

- a) Ability to respond quickly to demand changes
- b) Gain a competitive advantage
- c) Eliminate risk
- d) Loss of flexibility
- e) a and b

Ans: e

Response: page 45-46

Level: Medium

14. Risks to a company that can result from outsourcing include:

- a) Customers demanding higher quality and better service
- b) Loss of control over a product or process
- c) Increasing technological capabilities
- d) Lower costs
- e) a and b

Ans: b

Response: page 47

Level: Easy

15. Benefits to a company that can result from outsourcing include:

- a) Accessing new markets/customers
- b) Lower costs
- c) Decreased flexibility
- d) Decreased demand
- e) a and b

Ans: e

Response: page 46

Level: Easy

16. When defining a customer service strategy, companies should first:

- a) Outsource non-core competencies
- b) Define the sales volume and profits in each market segment
- c) Improve relationship management processes
- d) Pressure suppliers for lower costs and better service
- e) None of the above

Ans: b

Response: page 48

Level: Difficult

17. How a company competes in the marketplace is defined as:

- a) Operations strategy
- b) Market segmentation
- c) Competitive priority
- d) Alliance development
- e) All of the above

Ans: c

Response: page 50

Level: Medium

18. Of the five priorities by which companies compete in the marketplace, which relates to having efficient, integrated operations:

- a) Cost
- b) Time
- c) Logistics
- d) Service
- e) Market segmentation

Ans: a

Response: page 50

Level: Easy

19. Companies that compete primarily on innovation typically focus on two attributes:

- a) Operations and logistics
- b) Sourcing and operations

- c) Quality and time
- d) Speed and product design
- e) Cost and time

Ans: d

Response: page 52

Level: Medium

20. Investing in and utilizing RFID tag technology typically fits with which competitive priority:

- a) Time
- b) Quality
- c) Cost
- d) Segmentation
- e) a and b

Ans: b

Response: page 53

Level: Medium

21. Two concepts that companies must continually monitor when evaluating strategy are:

- a) Regulation and compliance requirements
- b) Inventory levels and costs
- c) Time and quality
- d) Order winners and order qualifiers
- e) Innovation and quality

Ans: d

Response: page 54

Level: Easy

22. Adaptability, in terms of defining SCM strategy, relates to a company's ability to:

- a) Continually locate the lowest cost supplier
- b) Evolve and adapt as market conditions change
- c) Increase capacity as demand increases
- d) Outsource production
- e) None of the above

Ans: b

Response: page 55

Level: Easy

23. Factors in today's business environment that require companies to have adaptable supply chains include:

- a) Development of new technologies
- b) Frequent changing to a company's business scope
- c) Increase in outsourcing
- d) Increasing working capital needs
- e) a and b

Ans: e

Response: page 56

Level: Easy

24. A worker can produce 1000 units during an 8 hour shift, thus the productivity of that worker is:

- a) 100 units/hour
- b) 80 units/hour
- c) 800 units/hour
- d) 125 units/hour
- e) None of the above

Ans: d

Response: page 57

Level: Easy

25. One of the key aspects that must be considered when interpreting productivity measures is:

- a) Benchmarking
- b) Collaboration
- c) Coordination
- d) Responsiveness
- e) None of the above

Ans: a

Response: page 58

Level: Medium

True/False

1. A business strategy is a company plan that defines short term goals and core competencies.

Ans: False
Response: page 35
Level: Easy

2. Supply chain strategy should closely link with and support a company's business strategy.

Ans: True
Response: page 35
Level: Easy

3. Competitive advantage, derived from supply chain management practices, can be the result of two primary areas: cost AND productivity.

Ans: False
Response: page 37
Level: Medium

4. Commodity products are typically bought by consumers because of the product's value.

Ans: False
Response: page 38
Level: Medium

5. A key area where companies are adding value to products is by focusing on service.

Ans: True
Response: page 38
Level: Easy

6. One building block of SCM strategy is alliance development.

Ans: False
Response: page 41
Level: Medium

7. Operations strategy involves decisions about which suppliers to utilize.

Ans: False
Response: page 41
Level: Medium

8. A made to stock operations strategy offers customers the ability to customize products.

Ans: False
Response: page 42
Level: Medium

9. An assemble to order operations strategy allows firms to lower inventory costs.

Ans: True
Response: page 42
Level: Medium

10. The make to order operations strategy typically requires longer customer lead times.

Ans: True
Response: page 42
Level: Difficult

11. All industries should strive to implement a make to order strategy because this strategy provides the highest level of customer service.

Ans: False
Response: page 43
Level: Difficult

12. Understanding a product's life cycle is important to defining an operations strategy.

Ans: True
Response: page 44
Level: Medium

13. Distribution strategy involves the decision to sell products directly to consumers or through channel intermediaries.

Ans: True

Response: page 44

Level: Medium

14. The same distribution strategy should be deployed to all markets because of cost savings.

Ans: False

Response: page 44

Level: Difficult

15. Sourcing strategy involves decisions about outsourcing.

Ans: True

Response: page 45

Level: Easy

16. Processes that are strategic differentiators for a company should be outsourced because they are typically the most expensive processes to manage.

Ans: False

Response: page 45

Level: Medium

17. Outsourcing can allow companies to respond to demand changes more quickly.

Ans: True

Response: page 45

Level: Easy

18. Outsourcing can provide many benefits but it also carries numerous risks that must be evaluated and managed.

Ans: True

Response: page 47

Level: Easy

19. As a company increases the scope of an outsourced process, the risk to the company decreases.

Ans: False

Response: page 47

Level: Difficult: Medium

20. Giving one supplier too much control creates a dependency risk for a company.

Ans: True

Response: page 47

Level: Easy

21. Customer service strategies should be developed based on market segmentation.

Ans: True

Response: page 48

Level: Easy

22. When designing a SCM strategy, mimicking a market leader always leads to success.

Ans: False

Response: page 50

Level: Easy

23. Successful companies are able to compete on all competitive priorities.

Ans: False

Response: page 54

Level: Easy

24. An order qualifier is an attribute that is a must-have for a company to compete in the marketplace.

Ans: True

Response: page 54

Level: Medium

25. Without substantial market influence, there are very few strategies for small firms to compete.

Ans: False

Response: page 55

Level: Medium

26. The ability to adapt strategies to a changing environment is the same for all industries.

Ans: False

Response: page 56

Level: Difficult

27. Evaluating SCM strategy is best done on an annual or bi-annual basis.

Ans: False

Response: page 56

Level: Easy

28. Productivity measures the utilizations of a company's resources.

Ans: True

Response: page 56

Level: Medium

29. For the month of August, the values of a company's outputs and inputs were \$100,000 and \$40,000 respectively, thus the total productivity measure would be 2.0

Ans: False

Response: page 57

Level: Easy

30. Productivity must be measured over time in order to provide a valuable measure of performance.

Ans: True

Response: page 58

Level: Easy

Essay

1. A company's SCM strategy should align with its business strategy. Provide an example of a business strategy and the SCM strategy that would support it.

Ans: Student should describe a business strategy such as low cost , fast delivery, innovation and provide examples of associated SCM strategies that would accompany that strategy.

Response: page 36

Level: Medium

2. Describe how SCM can provide both a cost and value advantage over competitors.

Ans: Cost advantages include reduced costs through product, distribution, coordination costs, and increased sales volume. Value advantages include identifying value segments in the market, quality, variety, and improvements in service.

Response: page 37-40

Level: Easy

3. List the five primary SCM competitive priorities and select one to describe in depth, including an example of how that priority is executed.

Ans: 1.) Cost – focuses on meeting efficiency-based metrics, product and process standardization – Wal-Mart; 2.) Time – deliver products in a short time; eliminate or combine processes to save time – FedEx; 3.) Innovation – develop 'must have' products, superior marketing, speed and product design – Nike; 4.) Quality – products and services are premium; known for consistency and reliability; TQM in all SCM processes – Mercedes; 5.) Service – tailor products and services to meet individual customer needs; generate strong customer loyalty; exceptional order fulfillment – Zappos.

Response: page 50-54

Level: Medium