

Chapter 2: International Supply Chain Management

TRUE/FALSE

1. The globalization of markets is a recent phenomenon.

ANS: F DIF: Easy REF: 2-1a

2. Early logisticians were international traders, and, although they used different techniques and means of transportation, they were concerned with the same issues that present-day logisticians are concerned about.

ANS: T DIF: Easy REF: 2-1a

3. The modern term “logistics” is based upon a French word meaning “military train.”

ANS: F DIF: Moderate REF: 2-1a

4. The single most important development in international ocean shipping was the creation of containers.

ANS: T DIF: Easy REF: 2-1b

5. The person responsible for the creation of containers in 1956 was named Malcom McLean.

ANS: T DIF: Moderate REF: 2-1b

6. The cost of air cargo shipments decreased after the deregulation of the 1980s.

ANS: T DIF: Moderate REF: 2-1b

7. Inventory reduction was a major goal of companies in the 1980s; this change was due to the increasing costs of oil and of products manufactured with oil.

ANS: F DIF: Moderate REF: 2-1c

8. “Time-defined” deliveries refer to shipments of goods that cannot stay in transit too long because they are perishable.

ANS: F DIF: Hard REF: 2-1c

9. MRP, MRP II, and DRP are inventory management techniques that allow manufacturers to reduce their inventory levels.

ANS: T DIF: Easy REF: 2-1c

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10. MRP, MRP II, and DRP are inventory management techniques that allow manufacturers to reduce their shipment times (the time that goods spend in transit).
- ANS: F DIF: Moderate REF: 2-1c: Materials Requirement Planning
11. Customer service became the primary focus of logistics in the 2000s.
- ANS: T DIF: Easy REF: 2-1c
12. Logistics is often defined as the activities that deal with the physical aspects of the movement of goods.
- ANS: T DIF: Moderate REF: 2-2a
13. Battaglia sees logistics as the merger of materials management and physical distribution, and supply chain management as the merger of logistics with marketing, sales, information technology, and, most importantly, strategic planning.
- ANS: T DIF: Hard REF: 2-2a: Figure 2-4
14. “Supply chain management” is now considered to include not only the management of all of the activities that are part of “logistics,” but also the management of the relationships of a company with its suppliers and customers.
- ANS: T DIF: Moderate REF: 2-2b
15. International logistics includes activities that are not part of domestic logistics.
- ANS: F DIF: Hard REF: 2-3
NOTE: The activities are similar (transportation, warehousing, paperwork exchanges, transfer of ownership, insurance): the big difference is that the activities are more complicated.
16. According to the authors, “supply chain management” includes both domestic and international logistics activities; there is no practical way of distinguishing between domestic supply chain management and international supply chain management.
- ANS: T DIF: Hard REF: 2-4
17. Transportation decisions are more complicated in international logistics than they are in domestic logistics.
- ANS: T DIF: Easy REF: 2-5
18. Insurance issues in international logistics are thankfully similar in complexity to insurance issues in domestic logistics.
- ANS: F DIF: Easy REF: 2-5

19. Logistics costs have generally steadily declined over the past 50 years, when expressed as a percentage of the GDP of the United States.
- ANS: T DIF: Moderate REF: 2-6: Figure 2-7
20. Logistics costs (transportation and inventory costs) represent about 15 percent of the United States' gross domestic product (GPD).
- ANS: F DIF: Hard REF: 2-6: Figure 2-7
21. International logistics costs (transportation and inventory costs) represent about 15 percent of the total world-wide volume of trade.
- ANS: T DIF: Moderate REF: 2-7
22. North American firms are lagging their European counterparts in the implementation of "green practices" in manufacturing and other supply chain activities.
- ANS: T DIF: Moderate REF: 2-1d: Figure 2-3
23. "Reverse logistics" deals with the activities involved in the return of products to the manufacturer, including the return of used packaging.
- ANS: T DIF: Moderate REF: 2-8
24. The country of Germany has implemented a secondary refuse collection system, specifically targeted at packaging materials, that is funded entirely by industry.
- ANS: T DIF: Moderate REF: 2-8
25. The city of Curitiba, in Brazil, solved two problems at once; its recycling efforts have reduced pollution and landfill usage, while employing very-low-income residents.
- ANS: T DIF: Moderate REF: 2-8

MULTIPLE CHOICE

1. Which one was NOT one of the characteristics of the "early days" of logistics?
- a. an emphasis on making sure that the goods arrived in good condition d. an emphasis on customer satisfaction
- b. an emphasis on low-cost transportation e. None of the above
- c. long transit times

ANS: D

All of these options are mentioned, but "customer satisfaction" is mentioned as characteristic of the modern concept of logistics.

DIF: Easy REF: 2-1a and 2-1c

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2. Another name for sea-going containers is
- a. boxes.
 - b. cans.
 - c. tubs.
 - d. tins.
 - e. None of the above

ANS: A

Boxes are sea-going containers.

DIF: Easy REF: 2-1b: Ocean Shipping before Containers

3. Who was the person who popularized the idea of sea-going containers that could be loaded directly onto a ship, a truck, or a railroad car?
- a. Peter Maersk
 - b. Malcom McLean
 - c. Joseph Battaglia
 - d. Hapag Lloyd
 - e. None of the above

ANS: B

Malcom McLean, then president of McLean Trucking, created the first container in 1956.

DIF: Moderate REF: 2-1a

4. In the 1980s, companies started to manage their inventories much more closely than they had in the 1960s and 1970s. This was due to an increase in
- a. interest rates.
 - b. the value of inventories in general.
 - c. the value of the goods held in inventory.
 - d. the creation of just-in-time inventory management systems.
 - e. None of the above

ANS: A

Interest rates increased to unprecedented levels in 1980s. The “prime rate” was as high as 21.5 percent in 1980 and above 20 percent for most of 1980 and 1981.

DIF: Moderate REF: 2-1c

5. It is not unusual for companies shipping to large manufacturers and retail chains to be penalized financially (not receiving the full invoice amount) for not
- a. shipping the correct goods.
 - b. shipping the goods in the right quantity.
 - c. shipping the entire order at once.
 - d. delivering the goods on the day and at the time promised.
 - e. None of the above

ANS: D

Just-in-time deliveries have to be made at specific times, and suppliers not delivering within these time windows are penalized.

DIF: Hard REF: 2-1c

6. DRP (Distribution Requirements Planning) is a system that allows manufacturers, wholesalers, and retailers of consumer products to manage their inventory “just-in-time.” DPR works as a
- a. “draw” system.
 - b. “push” system.
 - c. “elastic” system.
 - d. “pull” system.
 - e. None of the above

ANS: D

MRP, MRP II, and DRP are all considered to be “pull” systems, in which the sale to a final user/consumer is the event triggering the replenishment of inventories.

DIF: Hard REF: 2-1c: Materials Requirement Planning

7. It is generally accepted that
- a. logistics management encompasses activities that are distinct and separate from the activities included in supply chain management.
 - b. logistics management encompasses activities that are broader than those of supply chain management.
 - c. supply chain management encompasses activities that are broader than those of logistics management.
 - d. some of the activities of logistics management and some of the activities of supply chain management are similar, but both include distinct and separate activities.
 - e. None of the above

ANS: C

The “inclusionist” alternative proposed by Larson and Halldorsson seems to have become the most widely accepted point of view.

DIF: Hard REF: 2-2b

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8. Which of the following is an emerging element of international logistics, according to the authors, although it is fully part of domestic logistics, according to the CSCMP?
- a. reverse logistics.
 - b. the management of transportation.
 - c. the management of inventories.
 - d. the management of paperwork
 - e. None of the above

ANS: A

The definition of the CLM (CSCMP) includes specifically the management of reverse flows of goods (reverse logistics), and the definition of David and Stewart does not mention it. The others (flow, storage, and related information) are present in both definitions. Reverse logistics is the object of a separate section, mostly domestic in nature.

DIF: Hard REF: 2-2a and 2-3

9. The definition of “international supply chain management” is the same as the definition of “supply chain management,” except that it makes explicit the fact that SCM
- a. is global.
 - b. is international.
 - c. includes international activities.
 - d. All of the above
 - e. None of the above

ANS: D

All options are essentially identical: all deal with *international* concepts.

DIF: Easy REF: 2-4

10. Which of the following is NOT among the challenges of international logistics?
- a. infrastructure differences
 - b. insurance complexities
 - c. superstructure differences
 - d. paperwork requirements
 - e. None of the above

ANS: C

All others are specifically mentioned, but “superstructure” is not, and is a term referring to, among others, the part of a ship located above the main deck.

DIF: Easy REF: 2-5

11. The individuals who are handling goods in the ports, loading and unloading merchandise, are called
- a. stevedores.
 - b. marksmen.
 - c. mercadores.
 - d. julinators.
 - e. None of the above

ANS: A

Only stevedores operate in trade. Marksmen are another profession, and the others are made up.

DIF: Easy REF: 2-1b: Ocean Shipping before Containers

12. The increased usage of air transport for international trade has had which consequence?
- a. decreased shipping costs
 - b. increased insurance claims
 - c. increased probability of a company being selected as a supplier, by reducing delivery times
 - d. increased shipping delays
 - e. All of the above

ANS: C

As customer's expectations of speedy delivery increased, delivery speed became one of the main criteria in selecting a supplier. All others are exactly the opposite of what happens.

DIF: Moderate REF: 2-1b

13. Which of the following group of countries is more likely to lag in terms of green practices, according to the IBM study mentioned in the text?
- a. North America
 - b. Western Europe
 - c. Asia Pacific
 - d. All are at about the same level
 - e. None of the above

ANS: A

The IBM study and Figure 2-3 clearly show that North America lags in all areas of "green" practices.

DIF: Moderate REF: 2-1d: Figure 2-3

14. A German corporation is involved in the *Grüne Punkt* program and recycles its final consumer packaging after the consumer has used the product. How are these types of activities called?
- a. cycling logistics
 - b. reverse logistics
 - c. recycling logistics
 - d. return logistics
 - e. None of the above

ANS: B

Reverse logistics involves the handling of goods after they have been sold to the customer and which are then returned to the manufacturer.

DIF: Moderate REF: 2-8: Two Different Reverse Logistics Programs

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15. Companies increasingly are designing products so that they can gain a competitive advantage through reverse logistics. Returned products are
- refurbished for resale in secondary markets.
 - reused (packaging or containers).
 - remanufactured (restored to their original performance standards).
 - discarded.
 - All of the above

ANS: E

All of these alternatives are possible under reverse logistics practices, as shown in Figure 2-8.

DIF: Moderate REF: 2-8: Figure 2-8

COMPLETION

1. The most significant change in the past fifty years in ocean transportation was the creation of _____ by Malcom McLean.

ANS: containers

DIF: Easy REF: 2-1b

2. The people whose responsibilities include loading and unloading ships are called _____.

ANS: longshoremen

DIF: Moderate REF: 2-1b

3. The change in government policies that allowed FedEx and other air carriers to purchase larger aircrafts and compete with other airlines was called _____.

ANS: deregulation

DIF: Moderate REF: 2-1b

4. Logisticians' concerns have shifted from an emphasis on "slow, reliable deliveries," to one on "speed" and _____.

ANS: consumer satisfaction

DIF: Moderate REF: 2-1c

5. Manufacturers have adopted MRP systems so that they can reduce their inventory and manufacture _____.

ANS: just-in-time

DIF: Easy REF: 2-1c

6. Logistics management encompasses _____ activities than does supply chain management.

ANS: fewer, less

DIF: Moderate REF: 2-2b

7. Most firms either purchase goods from abroad or sell goods abroad. If they do not, their suppliers and customers do. This situation illustrates that supply chain management is inherently _____.

ANS: global

DIF: Easy REF: 2-4

8. International logistics involves activities that are more _____ than the activities of domestic logistics.

ANS: complex, difficult

DIF: Easy REF: 2-5

9. The fact that there are different languages, cultures, currencies, and laws in foreign countries illustrates the idea that the international logistician operates in a more challenging _____.

ANS: environment

DIF: Easy REF: 2-5

10. The fact that there is a greater number of intermediaries in international logistics (banks, insurance companies, Customs, and so on) also makes that there is an abundance of _____.

ANS: paperwork, paper requirements

DIF: Moderate REF: 2-5

11. The costs of domestic logistics (transportation and inventory) represent approximately _____ of the GDP of the United States.

ANS: 10 percent

DIF: Hard REF: 2-6

12. The costs of international logistics are higher than the costs of domestic logistics. They are estimated as _____ of the total value of international trade.

ANS: 15 percent

DIF: Hard REF: 2-6

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13. Reverse logistics activities are similar to the traditional activities of logistics, but occur after the product has been _____.

ANS: sold/consumed

DIF: Moderate REF: 2-8

14. Caterpillar operates 14 plants worldwide where it disassembles used heavy equipment received from its customers, with the goal of _____ the machines.

ANS: remanufacturing

DIF: Hard REF: 2-8

15. Some companies are implementing a reverse logistics program in which they design products so that they can be used or remanufactured again and again. Such a program is called a “cradle to _____” design.

ANS: cradle

DIF: Moderate REF: 2-8