# Chapter 2: International Supply Chain Management

TRUE/FALSE

 1. The globalization of markets is a recent phenomenon.

ANS: F DIF: Easy REF: page 38

 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: page 39

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

ANS: F DIF: Moderate REF: page 39

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

ANS: T DIF: Easy REF: page 40

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

ANS: T DIF: Moderate REF: page 43

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

ANS: T DIF: Moderate REF: page 42

 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: page 45

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

ANS: F DIF: Hard REF: page 46

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

ANS: T DIF: Easy REF: page 46

 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: page 46

 11. Customer service became the primary focus of logistics in the 2000s.

ANS: T DIF: Easy REF: page 46

 12. One of the primary goals of Global Trade Management is compliance with international regulations.

ANS: T DIF: Easy REF: page 47

 13. Logistics is often defined as the activities that deal with the physical aspects of the movement of goods.

ANS: T DIF: Moderate REF: page 53

 14. 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: page 52

 15. “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: page 53

 16. International logistics includes activities that are not part of domestic logistics.

ANS: T DIF: Hard REF: page 54

NOTE: The activities are similar (transportation, warehousing, paperwork exchanges, transfer of ownership, insurance), and the big difference is that the activities are more complicated. However, IL includes customs clearance, which is non-existent in domestic logistics.

 17. According to the author, “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: page 54

 18. Transportation decisions are more complicated in international logistics than they are in domestic logistics.

ANS: T DIF: Easy REF: page 56

 19. Insurance issues in international logistics are thankfully similar in complexity to insurance issues in domestic logistics.

ANS: F DIF: Easy REF: page 57

 20. 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: page 58

 21. Logistics costs (transportation and inventory costs) represent about 15 percent of the United States’ gross domestic product (GPD).

ANS: F DIF: Hard REF: page 58

 22. International logistics costs (transportation and inventory costs) represent about 15 percent of the total word-wide volume of trade.

ANS: T DIF: Moderate REF: page 59

 23. 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: page 62

 24. “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: page 62

 25. 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: page 63

 26. 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: page 63

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. | reliance on air transport |
| 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: page 38

 2. Another name for sea-going containers is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | boxes. | d. | tins. |
| b. | cans. | e. | crates. |
| c. | tubs. |

ANS: A

Boxes are sea-going containers.

DIF: Easy REF: page 40

 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 | d. | Hapag Lloyd |
| b. | Malcom McLean | e. | Robert McNamara |
| c. | Joseph Battaglia |

ANS: B

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

DIF: Moderate REF: page 43

 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. | d. | the creation of just-in-time inventory management systems. |
| b. | the value of inventories in general. | e. | the implementation of quality control |
| c. | the value of the goods held in inventory. |

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: page 45

 5. Under JIT, companies shipping to large manufacturers and retail chains are penalized financially (they do not receive the full invoice amount) if they

|  |  |  |  |
| --- | --- | --- | --- |
| a. | ship the correct goods. | d. | deliver the goods on the day and at the time promised. |
| b. | ship the goods in the right quantity. | e. | ship goods of acceptable quality. |
| c. | ship the entire order at once. |

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: page 46

 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. | d. | “pull” system. |
| b. | “push” system. | e. | “insert” system. |
| c. | “elastic” system. |

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: page 46

 7. A software package that allows a company to ensure that it is in compliance with international rules, to monitor the location of its goods, and to optimize its shipping decisions, is generically called a:

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Global Trade Management | d. | International Trade Resources Planning |
| b. | International Logistics Resources Planning | e. | International Supply Chain Planning |
| c. | Global Logistics Planning |

ANS: A

GTM is the newest step in the evolution of logistics.

DIF: Easy REF: page 47

 8. Which of the following is an emerging element of international logistics, according to the author, although it is fully part of domestic logistics, according to the CSCMP?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | reverse logistics. | d. | the management of paperwork |
| b. | the management of transportation. |  |  |
| c. | the management of inventories. |

ANS: A

The definition of the CSCMP includes specifically the management of reverse flows of goods (reverse logistics), and the definition of David 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: 54

 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. | d. | is worldwide. |
| b. | is international. | e. | all these answers refer to roughly the same idea. |
| c. | includes international activities. |

ANS: E

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

DIF: Easy REF: page 54

 10. Which of the following is NOT among the challenges of international logistics?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | infrastructure differences | d. | paperwork requirements |
| b. | insurance complexities | e. | customs clearance |
| c. | superstructure differences |

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: page 56

 11. The individuals who are handling goods in the ports, loading and unloading merchandise, are called

|  |  |  |  |
| --- | --- | --- | --- |
| a. | stevedores. | d. | julinators. |
| b. | marksmen. | e. | porters. |
| c. | mercadores. |

ANS: A

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

DIF: Easy REF: page 40

 12. The increased usage of air transport for international trade has had which consequence?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | decreased shipping costs | d. | increased shipping delays |
| b. | increased insurance claims | e. | decreased paperwork requirements |
| c. | increased probability of a company being selected as a supplier, by reducing delivery times |

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: page 40

 13. The World Bank has created a means to evaluate countries' efficiency in handling logistics. What is this index called?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Logistics Performance Index (LPI) | d. | LogisticsCompetitiveness Index (LCI) |
| b. | Logistics Efficiency Index (LEI) | e. | Logistics Ability Indicator (LAI) |
| c. | Logistics Effectiveness Indicator (LEI) |

ANS: A

TheWorld Bank’s index of logistics efficiency is called the Logistics Performance Index.

DIF: Moderate REF: page 61

 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 | d. | return logistics |
| b. | reverse logistics | e. | inverse logistics |
| c. | recycling logistics |

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: page 63

 15. Companies increasingly are designing products so that they can gain a competitive advantage through reverse logistics. Returned products are

|  |  |  |  |
| --- | --- | --- | --- |
| a. | refurbished for resale in secondary markets. | d. | discarded. |
| b. | reused (packaging or containers). | e. | All options mentioned in these answers are possible. |
| c. | remanufactured (restored to their original performance standards). |

ANS: E

All of these alternatives are possible under reverse logistics practices, as shown in Section 2.5.

DIF: Moderate REF: page 62

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: page 40

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

ANS: longshoremen, stevedores

DIF: Moderate REF: page 40

 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: page 42

 4. Logisticians’ concerns have shifted from an emphasis on “slow, reliable deliveries,” to one on “speed” and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: consumer satisfaction

DIF: Moderate REF: page 45

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

ANS: just-in-time

DIF: Easy REF: page 46

 6. Logistics management encompasses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ activities than does supply chain management.

 ANS: fewer, less

DIF: Moderate REF: page 53

 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: page 54

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

ANS: complex, difficult

DIF: Easy REF: page 56

 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: page 56

 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: page 57

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

ANS: 8 percent

DIF: Hard REF: page 58

 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: page 59

 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: page 61

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: page 62

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: page 62