

TEST BANK

CHAPTER 1: AN OVERVIEW OF LOGISTICS

Multiple Choice Questions (correct answers are bolded)

1. Logistics clearly contributes to _____ and _____ utility.

- a. **time; place**
- b. form; time
- c. place; form
- d. possession; time

[LO 1.1: To discuss the economic impacts of logistics; Moderate; Application; AACSB Category 3: Analytical thinking]

2. _____ utility refers to the value or usefulness that comes from a customer being able to take possession of a product.

- a. Time
- b. Place
- c. Form
- d. **Possession**

[LO 1.1: To discuss the economic impacts of logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

3. _____ utility refers to having products available where they are needed by customers.

- a. Possession
- b. Time
- c. **Place**
- d. Form

[LO 1.1: To discuss the economic impacts of logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

4. All of the following are types of economic utility except:

- a. time.
- b. **production.**
- c. place.
- d. possession.

[LO 1.1: To discuss the economic impacts of logistics; Moderate; Synthesis; AACSB Category 3: Analytical thinking]

5. “How well a company does what it says it’s going to do” represents _____.
- a. efficiency
 - b. productivity
 - c. quality
 - d. effectiveness**

[LO 1.2: To define what logistics is; Easy; Concept; AACSB Category 3: Analytical thinking]

6. What concept refers to “how well company resources are used to achieve what a company promises it can do”?
- a. efficiency**
 - b. productivity
 - c. reengineering
 - d. effectiveness

[LO 1.2: To define what logistics is; Easy; Concept; AACSB Category 3: Analytical thinking]

7. Every customer getting the same type and level of logistics service refers to _____.
- a. tailored logistics
 - b. mass logistics**
 - c. effectiveness
 - d. efficiency

[LO 1.2: To define what logistics is; Easy; Concept; AACSB Category 3: Analytical thinking]

8. Which of the following is not a reason for the increased importance of logistics?
- a. growing power of manufacturers**
 - b. reduction in economic regulation
 - c. globalization of trade
 - d. technological advances

[LO 1.3: To analyze the increased importance of logistics; Moderate; Synthesis; AACSB Category 3: Analytical thinking]

9. Widespread reductions in economic regulation of U.S. transportation carriers occurred in _____.
- a. the 1960s and 1970s
 - b. the 1970s and 1980s**

- c. the 1980s and 1990s
- d. only the 1990s

[LO 1.3: To analyze the increased importance of logistics; Easy; Application; AACSB Category 3: Analytical thinking]

10. The _____ concept suggests that the customer desires a product offering that is highly tailored to the customer's exact preferences.

- a. market demassification
- b. relationship marketing
- c. **customized customer**
- d. niche marketing

[LO 1.3: To analyze the increased importance of logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

11. Approximately _____ percent of U.S. families with children reports that both parents work.

- a. 70
- b. **60**
- c. 50
- d. 40

[LO 1.3: To analyze the increased importance of logistics; Moderate; Application; AACSB Category 3: Analytical thinking]

12. _____ refers to the removal of intermediaries between producer and consumer.

- a. Direct channel
- b. Market demassification
- c. Consolidation
- d. **Disintermediation**

[LO 1.3: To analyze the increased importance of logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

13. _____ are stores with large amounts of both floor space and product for sale.

- a. Mass merchandisers
- b. Power retailers
- c. **Big-box retailers**
- d. Do-it-yourself (DIY) retailers

[LO 1.3: To analyze the increased importance of logistics; Easy; Application; AACSB Category 3: Analytical thinking]

14. An example of _____ involves ordering something online and then picking it up at a bricks-and-mortar store.

- a. supply chain management
- b. finance
- c. **omnichannel retailing**
- d. big-box retailing

[LO 1.3: To analyze the increased importance of logistics; Easy; Application; AACSB Category 3: Analytical thinking]

15. World trade has grown at an average annual rate of approximately _____ percent since 1990.

- a. 6
- b. **5**
- c. 4
- d. 3

[LO 1.3: To analyze the increased importance of logistics; Moderate; Application; AACSB Category 3: Analytical thinking]

16. The _____ approach indicates that a company's objectives can be realized by recognizing the mutual interdependence of major functional areas.

- a. **systems**
- b. supply chain
- c. physical distribution
- d. materials management

[LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

17. The movement and storage of materials into a firm refers to _____.

- a. physical distribution
- b. **materials management**
- c. supply chain management
- d. materials handling

[LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

18. Which concept refers to the storage of finished product and movement to the customer?

- a. supply chain management
- b. business logistics
- c. **physical distribution**
- d. materials management

[LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

19. Logistics managers use the _____ approach to coordinate materials management and physical distribution in a cost-efficient manner.

- a. **total cost**
- b. supply chain
- c. balanced
- d. intrafunctional logistics

[LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

20. A cost trade-off is a situation where:

- a. all costs react according to their individual degrees of inflation in the economy.
- b. all costs are reflected as a percentage variation from standard costs.
- c. **some costs increase and some costs decrease.**
- d. some costs are eliminated by efficient management controls.

[LO 1.4: To discuss the systems and total cost approaches to logistics; Moderate; Synthesis; AACSB Category 3: Analytical thinking]

21. The _____ department often measures inventory in terms of its cost or value in dollars whereas _____ tends to measure inventory in terms of units.

- a. marketing; logistics
- b. finance; production
- c. marketing; production
- d. **finance; logistics**

[LO 1.5: To expose you to logistical relationships within the firm; Moderate; Application; AACSB Category 3: Analytical thinking]

22. A common interface between production and logistics involves:

- a. the types of materials handling equipment.
- b. **the length of production runs.**

- c. the use of plastic versus wood pallets.
- d. the mode of transportation.

[LO 1.5: To expose you to logistical relationships within the firm; Moderate; Application; AACSB Category 3: Analytical thinking]

23. _____ refers to the delay of value-added activities such as assembly, production, and packaging to the latest possible time.

- a. Building block
- b. Lean manufacturing
- c. Deferral
- d. **Postponement**

[LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]

24. The four basic components of the marketing mix include all of the following except:

- a. price.
- b. **production.**
- c. place.
- d. promotion.

[LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]

25. Landed costs refer to:

- a. the costs of a product shipped via surface transport.
- b. the costs of a product that is quoted cash on delivery (COD).
- c. the costs of a prepaid shipment.
- d. **a price that includes both the cost of the product plus transportation to the buyer.**

[LO 1.5: To expose you to logistical relationships within the firm; Moderate; Concept; AACSB Category 3: Analytical thinking]

26. _____ refers to being out of an item at the same time there is demand for it.

- a. Postponement
- b. Tailored logistics
- c. **Stockout**
- d. Supplier indifference

[LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]

27. Enticing customers with the promise of a low-priced product, only to find that it is unavailable, but having a higher-priced substitute product readily available refers to

_____.

- a. loss-leader marketing
- b. unfair trade practices
- c. **bait-and-switch tactics**
- d. price lining

[LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]

28. Which of the following is not part of the marketing channel?

- a. logistics channel
- b. negotiations channel
- c. **management channel**
- d. finance channel

[LO 1.6: To introduce you to marketing channels; Moderate; Application; AACSB Category 3: Analytical thinking]

29. The ownership channel consists of all parties except:

- a. **customers.**
- b. manufacturers.
- c. wholesalers.
- d. retailers.

[LO 1.6: To introduce you to marketing channels; Moderate; Concept; AACSB Category 3: Analytical thinking]

30. Which channel covers the movement of title to the goods?

- a. promotions
- b. logistics
- c. finance
- d. **ownership**

[LO 1.6: To introduce you to marketing channels; Easy; Concept; AACSB Category 3: Analytical thinking]

31. _____ is bringing together similar stocks from different sources.

- a. **Accumulating**

- b. Assorting
- c. Auditing
- d. Allocating

[LO 1.6: To introduce you to marketing channels; Moderate; Concept; AACSB Category 3: Analytical thinking]

32. _____ refers to breaking a homogeneous supply into smaller lots.

- a. Sorting out
- b. **Allocating**
- c. Accumulating
- d. Assorting

[LO 1.6: To introduce you to marketing channels; Moderate; Concept; AACSB Category 3: Analytical thinking]

33. Channel intermediaries:

- a. assume temporary ownership of the goods.
- b. tend to lack focus.
- c. **fill niches.**
- d. tend to disappear as the market becomes organized.

[LO 1.6: To introduce you to marketing channels; Moderate; Synthesis; AACSB Category 3: Analytical thinking]

34. Brokers are intermediaries that are commonly associated with the _____ channel.

- a. promotions
- b. finance
- c. ownership
- d. **negotiation**

[LO 1.6: To introduce you to marketing channels; Moderate; Concept; AACSB Category 3: Analytical thinking]

35. The costliest logistics activity in many firms is _____.

- a. industrial packaging
- b. **transportation management**
- c. order management
- d. warehousing management

[LO 1.7: To provide a brief overview of activities in the logistics channel; Moderate; Application; AACSB Category 3: Analytical thinking]

True-False Questions

1. Absolute and relative logistics costs in relation to gross domestic product (GDP) vary from country to country. (True) [LO 1.1: To discuss the economic impacts of logistics; Easy; Application; AACSB Category 3: Analytical thinking]
2. The four general types of economic utility are production, possession, time, and place. (False) [LO 1.1: To discuss the economic impacts of logistics; Easy; Concept; AACSB Category 3: Analytical thinking]
3. Logistics clearly contributes to time and form utility. (False) [LO 1.1: To discuss the economic impacts of logistics; Easy; Application; AACSB Category 3: Analytical thinking]
4. The current definition of logistics, as promulgated by the Council of Supply Chain Management Professionals (CSCMP), suggests that logistics is part of supply chain management. (True) [LO 1.2: To define what logistics is; Easy; application; AACSB Category 3: Analytical thinking]
5. Logistics is only concerned with forward flows—that is, those directed toward the point of consumption. (False) [LO 1.2: Define what logistics is; Easy; Application; AACSB Category 3: Analytical thinking]
6. The purpose of logistics is to maximize customer service. (False) [LO 1.2: To define what logistics is; Easy; Application; AACSB Category 3: Analytical thinking]
7. In mass logistics, groups of customers with similar logistical needs and wants are provided with logistics services appropriate to those wants and needs. (False) [LO 1.2: To define what logistics is; Easy; Concept; AACSB Category 3: Analytical thinking]
8. Humanitarian logistics represents an emerging application of logistics to not-for-profit organizations. (True) [LO 1.2: To define what logistics is; Easy; Application; AACSB Category 3: Analytical thinking]
9. Reductions in economic regulation allowed individual transportation companies flexibility in pricing and service. (True) [LO 1.3: To analyze the increased importance of logistics; Easy; Application; AACSB Category 3: Analytical thinking]
10. Market demassification suggests that the customer desires a product offering that is highly tailored to his exact preference. (False) [LO 1.3: To analyze the increased importance of logistics; Moderate; Concept; AACSB Category 3: Analytical thinking]
11. Disintermediation refers to the removal of intermediaries between producer and consumer. (True) [LO 1.3: To analyze the increased importance of logistics; Easy; Concept; AACSB Category 3: Analytical thinking]

12. Superior logistics is an essential component of corporate strategies for many big-box retailers. (True) [LO 1.3: To analyze the increased importance of logistics; Easy; Application; AACSB Category 3: Analytical thinking]
13. Logistics has played a minor role in the growth of global trade. (False) [LO 1.3: To analyze the increased importance of logistics; Easy; Application; AACSB Category 3: Analytical thinking]
14. The systems approach indicates that a company's objectives can be realized by recognizing the mutual interdependence of the major functional areas of a firm. (True) [LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]
15. A stock-keeping unit (SKU) refers to a line item of inventory offered for sale by a company. (True) [LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]
16. Physical distribution is synonymous with materials management. (False) [LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Concept; AACSB Category 3: Analytical thinking]
17. Interfunctional logistics attempts to coordinate materials management and physical distribution in a cost-efficient manner that supports an organization's customer service objectives. (False) [LO 1.4: To discuss the systems and total cost approaches to logistics; Moderate; Application; AACSB Category 3: Analytical thinking]
18. The key to the total cost approach is that all relevant cost items are considered simultaneously when making a decision. (True) [LO 1.4: To discuss the systems and total cost approaches to logistics; Easy; Application; AACSB Category 3: Analytical thinking]
19. The finance department tends to measure inventory in terms of units whereas logistics tends to measure inventory in terms of its cost or value. (False) [LO 1.5: Logistical relationships within the firm; Easy; Application; AACSB Category 3: Analytical thinking]
20. Long production runs sometimes result in excessive inventory of products with limited demand for them. (True) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Application; AACSB Category 3: Analytical thinking]
21. Postponement is the delay of value-added activities such as assembly, production, and packaging to the latest possible time. (True) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]
22. Logistics offers many companies an important route for creating marketing superiority. (True) [LO 1.5: To expose you to logistical relationships within the firm; Moderate; Application; AACSB Category 3: Analytical thinking]

23. Dual distribution refers to an alliance that allows customers to purchase products from two or more name-brand retailers at one store location. (False) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]
24. Landed costs refer to the price of a product at its source. (False) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]
25. Stockouts refer to a situation in which a company is out of an item at the same time that there is demand for that item. (True) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Concept; AACSB Category 3: Analytical thinking]
26. Logistical decisions tend not to be impacted by marketers' growing emphasis on offering sustainable products. (False) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Application; AACSB Category 3: Analytical thinking]
27. Many promotional decisions, such as pricing campaigns that lower the price of certain items, require close coordination between marketing and logistics. (True) [LO 1.5: To expose you to logistical relationships within the firm; Easy; Application; AACSB Category 3: Analytical thinking]
28. The ownership channel is the one where buy and sell agreements are reached. (False) [LO 1.6: To introduce you to marketing channels; Easy; Application; AACSB Category 3: Analytical thinking]
29. The financing channel handles a company's credit and payment for goods. (True) [LO 1.6: To introduce you to marketing channels; Easy; Application; AACSB Category 3: Analytical thinking]
30. There is no link between the promotions and logistics channels. (False) [LO 1.6: To introduce you to marketing channels; Moderate; Synthesis; AACSB Category 3: Analytical thinking]
31. The most significant contribution that the logistics channel makes to the overall channel process is the sorting function. (True) [LO 1.6: To introduce you to marketing channels; Hard; Application; AACSB Category 3: Analytical thinking]
32. The sorting function has four steps. (True) [LO 1.6: To introduce you to marketing channels; Moderate; Application; AACSB Category 3: Analytical thinking]
33. The sorting function takes place between retailers and the consumer. (False) [LO 1.6: To introduce you to marketing channels; Easy; Application; AACSB Category 3: Analytical thinking]
34. Intermediaries assume ownership of goods while those goods are in the marketing channel. (False) [LO 1.6: To introduce you to marketing channels; Moderate; Application; AACSB Category 3: Analytical thinking]

35. A broker is a type of intermediary often associated with the negotiations channel. (True) [LO 1.6: To introduce you to marketing channels; Easy; Concept; AACSB Category 3: Analytical thinking]
36. A commonly used logistical intermediary is the freight forwarder. (True) [LO 1.6: To introduce you to marketing channels; Moderate; Application; AACSB Category 3: Analytical thinking]
37. Demand forecasting is not considered to be a logistics-related activity. (False) [LO 1.7: To provide a brief overview of activities in the logistics channel; Easy; Application; AACSB Category 3: Analytical thinking]
38. Packaging can have both a marketing and logistical dimension. (True) [LO 1.7: To provide a brief overview of activities in the logistics channel; Moderate; Application; AACSB Category 3: Analytical thinking]
39. Warehousing represents the costliest logistics activity in many organizations. (False) [LO 1.7: To provide a brief overview of activities in the logistics channel; Moderate; Application; AACSB Category 3: Analytical thinking]
40. The job market for logisticians and supply chain managers continues to be strong at the undergraduate, but not the MBA, level. (False) [LO 1.8: To familiarize you with logistics careers; Easy; Application; AACSB Category 3: Analytical thinking]