**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]

1. \_\_\_\_\_\_\_\_\_\_\_ 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]

1. \_\_\_\_\_\_\_\_\_\_\_ utility refers to having products available where they are needed by customers.
   1. Possession
   2. Time
   3. **Place**
   4. Form

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

1. All of the following are types of economic utility except:
   1. time.
   2. **production.**
   3. place.
   4. possession.

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

1. “How well a company does what it says it’s going to do” represents \_\_\_\_\_\_\_\_\_\_\_.
   1. efficiency
   2. productivity
   3. quality
   4. **effectiveness**

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

1. What concept refers to “how well company resources are used to achieve what a company promises it can do”?
   1. **efficiency**
   2. productivity
   3. reengineering
   4. effectiveness

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

1. Every customer getting the same type and level of logistics service refers to \_\_\_\_\_\_\_\_\_\_\_.
   1. tailored logistics
   2. **mass logistics**
   3. effectiveness
   4. efficiency

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

1. Which of the following is not a reason for the increased importance of logistics?
   1. **growing power of manufacturers**
   2. reduction in economic regulation
   3. globalization of trade
   4. 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; AASCB 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; AASCB 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; AASCB 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; AASCB 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; AASCB 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]