Chapter 2: The Internet Value Chain

MULTIPLE CHOICE

1.   One of the ways in which the Internet is changing business is:

a.   increasing the reliance on hierarchical organizations.
b.   making market share less important.
c.   increasing the need for speed and agility.

ANS: C   REF: p. 34, 35

2.   Herman Miller realized _____ as a benefit of its value chain improvements.

a.   ability to maintain a larger inventory of finished products
b.   decrease in turnover of inventory
c.   improvement in the time it takes to deliver an order to a customer

ANS: C   REF: p. 34

3.   Two concepts Herman Miller employed as part of its ongoing process of value chain improvement are:

a.   Six Sigma and Performance Reporting.
b.   Greening and Lean Thinking.
c.   EDI and Inventory Management.

ANS: B   REF: p. 34, 35

4.   The value chain incorporates:

a.   distinct divisions between entities in the supply chain.
b.   the concept of vertical integration.
c.   channels of distribution that reach the ultimate customer.

ANS: C   REF: p. 36

5.   A phrase that describes value chains is:

a.   seamless end-to-end integration throughout the channel of distribution.
b.   the discrete activities that make up channels of distribution.
c.   well-managed logistics activities.

ANS: A   REF: p. 36

6.   The core processes of marketing include:

a.   supply chain management.
b.   order processing and inventory management.

c. customer communications.

ANS: A   REF: p. 37

7.   Outcomes-driven supply chains should be recognized as:

a. one means of achieving business profitability.
b. the result of automated marketing processes.
c. a revolutionary change in the way supply chains are managed.

ANS: A   REF: p. 38

8.   _____ is one criterion for a successful supply chain.

a. Changing the way middlemen are compensated
b. Responsiveness to changes in customer demands
c. Eliminating expensive security practices

ANS: B   REF: p. 38

9.   Supply chain transparency might include:

a. revealing all the costs involved in distribution.
b. meeting all relevant governmental regulations.
c. assuring customers that products are made and transported in ways that correspond with their values.

ANS: C   REF: p. 38

10.   _____ is an element of the supply chain management process.

a. Managing multiple channels of distribution
b. Establishing policies for environmentally-friendly procurement
c. Acquiring new customers

ANS: A   REF: p. 39

11.   Zara is successful in the highly competitive fashion industry because:

a. it is able to get what fashion consumers want into stores quickly.
b. it relies on formal surveys of consumers to judge what will be popular next season.
c. it outsources production to low-wage countries.

ANS: A   REF: p. 40

12.   Del promotes customer loyalty by:

a. soliciting their input in social media.
b. frequent telephone calls.
c. comprehensive satisfaction surveys every business quarter.

ANS: A   REF: p. 43

13.   _____ is the term used to describe information systems that provide a complete picture of a supply chain

a. Integration
b. Mirroring
c. Automation

ANS: B   REF: p. 45

14.   Over the years FedEx has enhanced customer value by:

a. giving customers tools to track their own shipments.
b. giving customers tools to activate FedEx Office orders.
c. both of the above.

ANS: C   REF: p. 45

15.   The marketing concept of service-dominated logic includes which of the following concepts?

a. Services are a key component of modern economic systems.
b. Customers are always co-creators of value.
c. Neither of the above.

ANS: B   REF: p. 46

16.   Which of the following is **not** an example of an integration process used in the creation of virtual value chains?

a. EDI
b. ML
c. Web Services

ANS: B   REF: p. 48-51

17.   The term "Web Services" in value chains describes:

a. business applications on the Internet that allow suppliers and customers to work together.
b. software applications that are purchased from well-known software suppliers.
c. automated systems integrations applications.

ANS: A   REF: p. 50

18.   Firms like Amazon and eBay use APIs to:

a. encourage other businesses to link to the firm's site and sell their products there.
b. enable programmers to create software solutions that incorporate their technology.
c. both of the above.

ANS: C	REF: p. 51

19. _____ is a term that is descriptive of Cloud Computing:

a. Secure websites
b. SaaS
c. Service contracts

ANS: B	REF: p. 51

20. RFID tags:

a. use existing bar code technology to track products.
b. allow product codes to be read without passing over a scanner screen.
c. can only be used on physical product packages.

ANS: B	REF: p. 54

21. The benefits of business integration include:

a. use existing bar code technology to track products.
b. allow product codes to be read without passing over a scanner screen.
c. can only be used on physical product packages.

ANS: A	REF: p. 56

TRUE/FALSE

1. Greening its supply chain has allowed Herman Miller to make products that are mostly recyclable.

ANS: T	REF: p. 35

2. The value chain refers to the various suppliers a producer utilizes to procure products or services.

ANS: F	REF: p. 36

3. Supply chain management is one of the core marketing processes.

ANS: T	REF: p. 37

4. Transaction costs can be minimized while maintaining customer service in an outcomes-driven supply chain.

ANS: T	REF: p. 38

5.   Dell's business has unique characteristics that make it impossible for other businesses to use value chain techniques Dell has pioneered.

ANS: F   REF: p. 41, 42

6.   Transaction costs are part of a value chain but costs of finding information are not.

ANS: F   REF: p. 41

7.   Social media tools like blogs and community forums can be useful in communicating with business customers in a value chain.

ANS: T   REF: p. 43, 44

8.   The first step in creating a virtual value chain is to create visibility, which can be defined as the ability for customers to see into inventory systems.

ANS: F   REF: p. 44, 45

9.   The value a customer perceives in a product or service is largely determined by its price.

ANS: F   REF: p. 45

10.   Among the benefits of integrated value chains are customer focus and resulting opportunity to create specialized value propositions for customer segments.

ANS: T   REF: p. 46

11.   Electronic Data Interchange is an integration process that is relatively easy for enterprises large and small to implement.

ANS: F   REF: p. 48

12.   Enterprise Resource Planning is used to integrate business processes including, but not limited to, marketing-related processes across the enterprise.

ANS: T   REF: p. 49

13.   Web Services can be provided "in the cloud."

ANS: T   REF: p. 51

14.   RFID is a 21st century technology that is destined to revolutionize supply chains.

ANS: F   REF: p. 54

15.   Technology will provide the ultimate solution for efficiently-functioning supply chains.

ANS: F   REF: p. 56

ESSAY

1.   In your own words, describe the concept of a value chain and give an example of the benefits that integrating value chains can confer on a business enterprise.

ANS:
The text defines value chain as "the seamless, end-do-end integration of activities [read processes] throughout the channel of distribution." It integrates both the supply chain and channels of distribution with the activities of the manufacturer. Benefits include improvement in both cycle time and product quality as well as the opportunity to produce and use data throughout the chain to better inform all participants. Or, in economic terms, it decreases the amount of economic friction inherent in transactions in the traditional economy.

A summary is:
- They are customer-centric, focusing on the customer demand chain as well as supply chain and logistics issues.
- They encompass both the demand chain and the supply chain, from customers' customers to suppliers' suppliers.
- They are designed to compete as an extended enterprise, bringing customers and suppliers into the system through real-time information flows.
- They increase customer value added by provision of information and customer service and support.
- They offer the opportunity to create specialized value propositions for individual customers or customer segments.

Or the benefits of business integration:
- Velocity
- Visibility
- Variability
- Volume

REF: p. 46

2.   Managing the supply chain is a complex process. Identify three specific supply chain management processes. Explain the nature of each process and why it is important to good supply chain management.

ANS:
- Selecting and qualifying suppliers means to identify potential suppliers and ascertain whether they are capable of meeting commitments
- Establishing and managing inbound logistics is the process by which products are brought into the firm and made available to production or resale processes as needed
- Designing and managing internal logistics refers to the activities that must take place within the organization as it makes use of or resells products
- Establishing and managing outbound logistics means to manage the process of distributing products to the customer in the channel of distribution
- Designing work flow in product-solution assembly refers to specifying the steps in the manufacturing process

- Running batch manufacturing refers to the process of managing manufacturing of discrete products
- Acquiring, installing, and maintaining process technology describes the process of manufacturing flow products.
- Order processing, pricing, billing, rebates, and terms are the activities required in handling and collecting for orders
- Managing channels is the activities on the customer-facing side of the value chain
- Managing customer services incorporates customer service as an activity in the value chain as a valuable component of customer satisfaction.

3.   It is important for a supply chain to be as green as possible and for it to be transparent with its customers about the practices and processes used to achieve "greenness." Take a position on this statement, explaining your reasoning. Give an example of a firm that has put these concepts into practice.

ANS:

I would define "green" as environmental sustainability. Students could use concepts like Reduce/ Reuse, Recycle, only discussed in the chapter in terms of Herman Miller's chair with recyclable components.

Transparency is considered desirable in all aspects of corporate life at present, and greenness is no exception. In general, it could be said that this type of good corporate citizenship leads to trust, which is also important, as will be discussed in chapters that follow. This type of transparence is especially important when one or more of the target market segments has values that are strongly in support of environmental sustainability. That's where the Patagonia example comes in.

Buried in Figure 2.7 is mention of the FedEx EarthSmart Initiative which is putting into practice the same principles, see http://about.van.fedex.com/earthsmart.

In addition to the examples given in the test, students may be aware of green initiatives on your own campus. They may even be part of the pressure for those initiatives; it is coming from students themselves as well as from outside non-profit organizations. A green initiative on your campus could be revealed in anything from low-flush toilets to landscaping practices that have undergone major changes to avoid the use of harmful chemicals. Does it help to attract students? Some universities clearly think so. Where there are green products it makes sense to believe there are green supply chains distributing them; the two go hand-in-hand.