

Management Information Systems: Managing the Digital Firm, 16e (Laudon)
Chapter 9 Achieving Operational Excellence and Customer Intimacy:
Enterprise Applications

1) From your reading of the chapter's opening case, which of the answers below is *not* a reason why Avon chose JDA's Manufacturing and Intelligent Fulfillment software?

- A) Build a central planning function to coordinate demand, manufacturing and fulfillment
- B) Improve the ability to predict what customers wanted to buy
- C) Faster fulfillment of orders on a global scale
- D) Reduce inventory
- E) Develop new products

Answer: E

Difficulty: Easy

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

2) Which of the following provides a suite of integrated software modules for finance and accounting, human resources, manufacturing and production, and sales and marketing that allows data to be used by multiple functions and business processes?

- A) Process management software
- B) ERP systems
- C) Groupware
- D) CRM software
- E) Supply chain management systems

Answer: B

Difficulty: Moderate

AACSB: Information technology

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

3) Enterprise software is built around thousands of predefined business processes that reflect:

- A) government regulations.
- B) industry benchmarks.
- C) best practices.
- D) cutting edge workflow analyses.
- E) the firm's culture.

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

4) Which of the following is *not* true about enterprise systems?

- A) Enterprise systems help firms respond rapidly to customer requests for information or products.
- B) Enterprise system data have standardized definitions and formats that are accepted by the entire organization.
- C) Enterprise software is expressly built to allow companies to support their existing business practices.
- D) Enterprise software includes analytical tools to evaluate overall organizational performance.
- E) Enterprise systems provide firm-wide information to help managers make better decisions.

Answer: C

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

5) You have been asked to implement enterprise software for a manufacturer of kitchen appliances. What is the first step you should take?

- A) Rewrite the software to support the way the company's business processes work.
- B) Select the business processes you wish to automate.
- C) Map the company's business processes to the software's business processes.
- D) Map the software's business processes to the company's business processes.
- E) Select the functions of the system you wish to use.

Answer: E

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

6) Which of the following enables a company to tailor a particular aspect of enterprise software to the way a company does business?

- A) Configuration tables
- B) Web services
- C) Data dictionaries
- D) Middleware
- E) Groupware

Answer: A

Difficulty: Moderate

AACSB: Information technology

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

- 7) To achieve the maximum benefit of a new ERP system, Tasty Baking implemented an enterprise system by:
- A) using only the pre-defined processes in the ERP software that matched its own processes.
 - B) retaining its legacy systems to operate as a backup to the new enterprise system.
 - C) customizing less than 5 percent of the enterprise system processes.
 - D) changing the ERP software as needed to match their own processes.
 - E) using a cloud-based version of the ERP.

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

- 8) Coca-Cola implemented enterprise software from Oracle that enabled it to achieve all of the following *except*:

- A) standardizing business processes worldwide.
- B) improving its bargaining power with suppliers.
- C) reacting faster to market changes.
- D) reducing the number of employees.
- E) reducing the cost of raw materials.

Answer: D

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

- 9) Enterprise systems improve management decision making in all the following ways *except*:

- A) providing up-to-the-minute data on sales, inventory and production.
- B) providing more accurate sales and production forecasts.
- C) improving forecasts of consumer behavior.
- D) implementing standard definitions and formats worldwide.
- E) determining the profitability of products.

Answer: C

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

- 10) Enterprise systems are built around a small number of predefined business processes.

Answer: FALSE

Difficulty: Easy

AACSB: Information technology

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

- 11) Organizations can rewrite enterprise system software to support their existing business processes.

Answer: TRUE

Difficulty: Easy

AACSB: Information technology

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

12) Extensive customization of enterprise software reduces the overall cost of implementation.

Answer: FALSE

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

13) Identify and describe three major enterprise applications.

Answer: Enterprise systems, customer relationship management, and supply chain management are three enterprise applications. Enterprise systems are based on a suite of integrated software modules and a common central database. Enterprise systems utilize enterprise software to support financial and accounting, human resources, manufacturing and production, and sales and marketing processes. Enterprise systems provide many benefits including an enterprise-enabled organization, improved management reporting and decision making, a unified information systems technology platform, and more efficient operations and customer-driven business processes.

Supply chain management systems help an organization better manage its supply chain, including planning, sourcing, manufacturing, delivering, and returning items. Supply chain management software can be categorized as a supply chain planning system or as a supply chain execution system. A supply chain planning system enables a firm to generate demand forecasts for a product and to develop sourcing and manufacturing plans for that product. A supply chain execution system manages the flow of products through distribution centers and warehouses to ensure that products are delivered to the right locations in the most efficient manner. Supply chain management benefits include improved customer service and responsiveness, cost reduction, and cash utilization.

Customer relationship management systems help firms maximize the benefits of their customer assets. These systems capture and consolidate data from all over the organization and then distribute the results to various systems and customer touch points across the enterprise.

Customer relationship management systems can be classified as operational or as analytical. Operational CRM refers to customer-facing applications, such as sales force automation, call center and customer service support, and marketing automation. Analytical CRM refers to customer relationship management applications dealing with the analysis of customer data to provide information for improving business performance. Benefits include increased customer satisfaction, reduced direct marketing costs, more effective marketing, and lower costs for customer acquisition and retention.

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

14) Identify at least four benefits and four challenges of enterprise systems.

Answer: Benefits include: increasing operational efficiency; providing firm-wide information to help decision making; standardized business processes; greater responsiveness to customer needs; greater accuracy in fulfilling product demand; reduction of inventory and inventory costs; reduction in order-to-delivery time; improving business processes; removing redundant processes and systems; lowering costs through centralized processing; and improved decision making. Challenges include: the expense of the software and related costs; the time required for implementation; deep-seated technological changes required, the deep-seated organizational changes required; overcoming organizational resistance; switching costs; data cleansing work required.

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

15) You have been hired by Santori, Inc., a small company that imports and distributes an Italian sparkling water. The company is interested in what benefits an enterprise system would bring. Would an enterprise system be appropriate for this company? What steps would you take in determining this?

Answer: An enterprise system may be too expensive, although there are enterprise software packages that are available to smaller companies. A hosted enterprise application might be the most economical way to implement an enterprise system. To determine whether this would be beneficial to Santori, I would first look at their existing business processes. It would be ideal to determine if their efficiency meets benchmarks in their industry and allows them to be competitive with other businesses in their niche. Then I would review existing hosted applications to see how the applications business processes matched up with Santori's. It would be important to compare the costs of instituting new business processes with the benefits and cost savings.

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

16) What business processes are supported by enterprise systems? Give specific examples.

Answer: The four major business processes supported by enterprise systems are:

- Financial and accounting processes, including general ledger, accounts payable, accounts receivable, fixed assets, cash management and forecasting, product-cost accounting, cost-center accounting, asset accounting, tax accounting, credit management, and financial reporting.
- Human resources processes, including personnel administration, time accounting, payroll, personnel planning and development, benefits accounting, applicant tracking, time management, compensation, workforce planning, performance management, and travel expense reporting.
- Manufacturing and production processes, including procurement, inventory management, purchasing, shipping, production planning, production scheduling, material requirements planning, quality control, distribution, transportation execution, and plant and equipment maintenance.
- Sales and marketing processes, including order processing, quotations, contracts, product configuration, pricing, billing, credit checking, incentive and commission management, and sales planning.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 9-1: How do enterprise systems help businesses achieve operational excellence?

17) A network of organizations and business processes for procuring raw materials, transforming these materials into intermediate and finished products, and distributing the finished products to customers is called a(n):

- A) distribution channel.
- B) supply chain.
- C) value chain.
- D) marketing channel.
- E) information system.

Answer: B

Difficulty: Easy

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

18) In the supply chain, components or parts are referred to as:

- A) upstream materials, organizations, and processes.
- B) raw materials.
- C) secondary products.
- D) intermediate products.
- E) downstream organizations and processes.

Answer: D

Difficulty: Easy

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

19) Which of the following refers to a company's suppliers, the suppliers' suppliers, and the processes for managing relationships with them?

- A) Supplier's internal supply chain
- B) Logistics supply chain
- C) Downstream portion of the supply chain
- D) Upstream portion of the supply chain
- E) On Contract supplier's chain

Answer: D

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

20) Distribution and delivery of products to retailers is part of the:

- A) downstream portion of the supply chain.
- B) external supply chain.
- C) upstream portion of the supply chain.
- D) supplier's internal supply chain.
- E) midstream portion of the supply chain.

Answer: A

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

21) Uncertainties in the supply chain often lead to:

- A) declines in production.
- B) increases in inventory across all tiers.
- C) strategic changes in production plans.
- D) the bull whip effect.
- E) a reduction in safety stocks.

Answer: B

Difficulty: Easy

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

22) Why isn't overstocking warehouses an effective solution for a problem of low availability?

- A) It does not speed product time to market.
- B) It is an inefficient use of raw materials.
- C) It increases sales costs.
- D) It increases inventory costs.
- E) It lowers fill rate.

Answer: D

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

23) Which of the following traditional solutions enables manufacturers to deal with uncertainties in the supply chain?

- A) Safety stock
- B) Continuous replenishment
- C) Just-in-time strategies
- D) Demand planning
- E) Perfect information

Answer: A

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

24) A scheduling system for minimizing inventory by having components arrive exactly at the moment they are needed and finished goods shipped as soon as they leave the assembly line best describes a _____ strategy.

- A) just-in-time
- B) frictionless
- C) bullwhip
- D) safety-stock
- E) streamlined

Answer: A

Difficulty: Easy

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

25) A distortion of information about the demand for a product as it passes from one entity to the next across the supply chain is called the _____ effect.

- A) network
- B) bullwhip
- C) ripple
- D) whirlpool
- E) diffraction

Answer: B

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

26) Supply chain software can be classified as either supply chain _____ systems or supply chain _____ systems.

- A) push; pull
- B) demand; continual
- C) upstream; downstream
- D) planning; execution
- E) maintenance; development

Answer: D

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

27) Which of the following enables a firm to generate demand forecasts for a product and to develop sourcing and manufacturing plans for that product?

- A) Supply chain demand system
- B) Supply chain delivery system
- C) Supply chain optimization system
- D) Supply chain execution system
- E) Supply chain planning system

Answer: E

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

28) Supply chain planning systems perform all of the following functions *except*:

- A) establish inventory levels for raw materials and finished goods.
- B) identify the transportation mode to use for product delivery.
- C) determine where to store finished goods.
- D) determine how much product to manufacture in a given time period.
- E) track the physical status of goods.

Answer: E

Difficulty: Challenging

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

29) Which supply chain planning function determines how much product is needed to satisfy all customer demands?

- A) Distribution management
- B) Replenishment planning
- C) Demand planning
- D) Order planning
- E) Customer planning

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

30) Which of the following manages the flow of products through distribution centers and warehouses to ensure that products are delivered to the right locations in the most efficient manner?

- A) Supply chain demand system
- B) Supply chain delivery system
- C) Supply chain planning system
- D) Supply chain execution system
- E) Supply chain optimization system

Answer: D

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

31) Supply chain execution systems provide all of the following functions *except*:

- A) generating demand forecasts for products.
- B) tracking the flow of finished goods.
- C) managing materials.
- D) managing warehouse operations.
- E) managing the financial information involving all parties.

Answer: A

Difficulty: Challenging

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

32) A supply chain driven by forecasts of consumer demand follows a(n) _____ model.

- A) pull-based
- B) build-to-stock
- C) push-based
- D) replenishment-driven
- E) optimized

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

33) A supply chain driven by actual customer orders is called a _____ model.

- A) supply-based
- B) demand-driven
- C) replenishment-driven
- D) pull-based
- E) market-driven

Answer: D

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

34) Concurrent supply chains are made possible by which technology?

- A) ERP systems
- B) The Internet
- C) Supply-chain management systems
- D) Just-in-time supply-chain technologies
- E) Extranets

Answer: B

Difficulty: Easy

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

35) The business value of an effective supply chain management system includes all of the following *except*:

- A) faster time to market.
- B) cost reduction.
- C) supply matched to demand.
- D) improved delivery service.
- E) increased inventory levels.

Answer: E

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

36) The bullwhip effect can be countered by:

- A) globalization.
- B) disintermediation.
- C) implementing a CRM.
- D) reducing information uncertainty.
- E) product differentiation.

Answer: D

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

37) As they move through the supply chain, _____ are transformed into finished products and shipped to retailers and customers.

- A) raw materials
- B) intermediate products
- C) basic products
- D) natural resources
- E) nascent products

Answer: A

Difficulty: Easy

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

38) The total time it takes to complete a business process, from start to finish, is called its _____ time.

- A) development
- B) cycle
- C) fulfillment
- D) service
- E) actualization

Answer: B

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

39) A company having difficulty with timely delivery of parts to its manufacturing plants should implement a supply chain _____ system.

- A) execution
- B) planning
- C) optimization
- D) management
- E) touch point

Answer: A

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

40) The difference between push- and pull-based models is summarized by which of the following slogans?

- A) Sell what we make, not make what we sell.
- B) Push what we make, not pull what we make.
- C) Make what we sell, not sell what we make.
- D) Pull what we make, not push what we sell.
- E) Make what we push, not push what we sell.

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

41) Walmart's continuous replenishment system is an example of a(n) _____ model.

- A) push-based
- B) pull-based
- C) enterprise-based
- D) supply chain optimization
- E) forecast-based

Answer: B

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

42) From your reading of the Soma Bay case study, the company implemented JD Edwards Enterprise One to solve all of the following problems *except*:

- A) overtaxing of its data centers.
- B) providing timely reports of profitability.
- C) providing detailed financial data.
- D) combining data from general ledger and other financial systems.
- E) using JD Edwards' other integrated modules.

Answer: A

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

43) Supply chain management systems are a type of enterprise system.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

44) The downstream portion of the supply chain consists of the organizations and processes for distributing and delivering products to the final customers.

Answer: TRUE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

45) Supply chain inefficiencies can waste as much as 25 percent of a company's operating costs.

Answer: TRUE

Difficulty: Challenging

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

46) Firms in the supply chain develop safety stocks in order to increase the efficiency of their operations.

Answer: FALSE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

47) The bullwhip effect leads to declining inventory costs across the entire supply chain.

Answer: FALSE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

48) Supply chain execution systems enable the firm to generate demand forecasts for a product and to develop sourcing and manufacturing plans for that product.

Answer: FALSE

Difficulty: Moderate

AACSB: Information technology

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

49) Before the pre-Internet environment, supply chain coordination was hampered by the difficulties of making information flow smoothly among different internal supply chain processes.

Answer: TRUE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

50) Inefficiencies in a supply chain are primarily caused by inaccurate or untimely information.

Answer: TRUE

Difficulty: Easy

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

51) In a pull-based model of SCM systems, actual customer orders or purchases trigger events in the supply chain.

Answer: TRUE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

52) In a pull-based model of SCM systems, production master schedules are based on forecasts of demand for products.

Answer: FALSE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

53) Procter & Gamble (P&G) experienced a growth in its Pampers diapers inventory due to information distortions in the supply chain.

Answer: TRUE

Difficulty: Easy

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

54) Total supply chain costs in some industries approach 75 percent of the total operating budget.

Answer: TRUE

Difficulty: Challenging

AACSB: Reflective thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

55) Identify two classifications for supply chain software. For each classification, identify five capabilities.

Answer: Supply chain planning systems and supply chain execution systems are two classifications for supply chain software. Supply chain planning systems enable a firm to generate demand forecasts for a product and develop sourcing and manufacturing plans for that product. Capabilities include order planning, advanced scheduling and manufacturing planning, demand planning, distribution planning, and transportation planning. Supply chain execution systems manage the flow of products through distribution centers and warehouses to ensure that products are delivered to the right locations. Capabilities include order commitments, final production, replenishment, distribution management, and reverse distribution.

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

56) What additional complexities are faced in global supply chains? How does the Internet help in managing global supply chains?

Answer: Global supply chains typically span greater geographic distances and time differences than domestic supply chains and have participants from a number of different countries.

Although the purchase price of many goods might be lower abroad, there are often additional costs for transportation, inventory, and local taxes or fees. Performance standards may vary from region to region or from nation to nation. Supply chain management may need to reflect foreign government regulations and cultural differences. All of these factors impact how a company takes orders, plans distribution, organizes warehousing, and manages inbound and outbound logistics throughout the global markets its services. The Internet helps companies manage many aspects of their global supply chains, including sourcing, transportation, communications, and international finance. As goods are being sourced, produced, and shipped, communication is required among retailers, manufacturers, contractors, agents, and logistics providers. With Internet technology, supply chain members communicate through a Web-based system. Firms use intranets to improve coordination among their internal supply chain processes, and they use extranets to coordinate supply chain processes shared with their business partners.

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

57) Identify two supply chain models. Which is better?

Answer: Push-based and pull-based models were discussed in the textbook. Push-based refers to a supply chain driven by production master schedules based on forecasts or best guesses of demand for products. Pull-based refers to a supply chain driven by actual customer orders or purchases so that members of the supply chain produce and deliver only what customers have ordered. Pull-based models are better.

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

58) Plant Away is an Oregon-based retailer and distributor of trees and shrubs. They have hundreds of smaller nurseries based around the country that grow the plant stock. The majority of their business is conducted online. Consumers typically purchase small quantities of products online and Plant Away coordinates the shipping from the most appropriate nursery. What unique problems might you anticipate they have in their supply chain? What might remedy these problems?

Answer: Typical problems in supply chains arise from unforeseeable events. In a plant nursery, variations in the weather, growing season, plant diseases, and crop output would be uncertainties. Other problems might be interstate regulations governing plants allowed in different states, and making sure plants survive and are healthy during transportation. It would be very important to have up-to-date forecasting of the weather or growing seasons that could anticipate possible problems, and analyze and determine the best transportation routes.

Difficulty: Challenging

AACSB: Analytical thinking

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

59) Discuss the business value of supply chain management systems.

Answer: Supply chain management systems enable firms to streamline both their internal and external supply chain processes and provide management with more accurate information about what to produce, store, and move. By implementing a networked and integrated supply chain management system, companies match supply to demand, reduce inventory levels, improve delivery service, speed product time to market, and use assets more effectively.

Total supply chain costs represent the majority of operating expenses for many businesses and in some industries approach 75 percent of the total operating budget. Reducing supply chain costs has a major impact on firm profitability.

In addition to reducing costs, supply chain management systems help increase sales. If a product is not available when a customer wants it, customers often try to purchase it from someone else. More precise control of the supply chain enhances the firm's ability to have the right product available for customer purchases at the right time.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 9-2: How do supply chain management systems coordinate planning, production, and logistics with suppliers?

60) A _____ is an interaction with a customer, such as telephone or customer service desk.

A) point of presence

B) touch point

C) sales point

D) client channel

E) point of service

Answer: B

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

61) Which of the following would *not* be considered a contact point?

- A) Email
- B) Website
- C) Intranet
- D) Retail store
- E) Facebook

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

62) _____ software modules deal with setting employee objectives, performance, and compensation.

- A) SCM
- B) SFA
- C) ERM
- D) DRM
- E) PRM

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

63) _____ software modules seek to enhance collaboration between a company and its selling partners.

- A) SCM
- B) SFA
- C) ERM
- D) DRM
- E) PRM

Answer: E

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

64) Customer relationship management systems typically provide software and online tools for sales, customer service, and:

- A) marketing.
- B) account management.
- C) advertising.
- D) public relations.
- E) human resources.

Answer: A

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

65) SFA modules in CRM systems provide tools for all of the following *except*:

- A) team selling.
- B) territory management.
- C) sales forecasting.
- D) managing sales prospect and contact information.
- E) managing customer service requests.

Answer: E

Difficulty: Challenging

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

66) CRM systems help businesses achieve which of the following business objectives?

- A) Automated accounting processes
- B) Automated production forecasts
- C) Faster time to market with new products and services
- D) Enhanced supplier intimacy
- E) Enhanced customer intimacy

Answer: E

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

67) Customer service modules in CRM systems provide tools for:

- A) assigning and managing customer service requests.
- B) capturing prospect and customer data.
- C) identifying profitable and unprofitable customers.
- D) managing sales prospect and contact information.
- E) organizing effective marketing campaigns.

Answer: A

Difficulty: Easy

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

68) Marketing modules in CRM systems provide tools for all of the following *except*:

- A) assigning and managing customer service requests.
- B) capturing prospect and customer data.
- C) identifying profitable and unprofitable customers.
- D) qualifying leads.
- E) identifying opportunities for cross-selling.

Answer: A

Difficulty: Challenging

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

69) Selling a customer with a checking account a home improvement loan is an example of:

- A) operational CRM.
- B) direct marketing.
- C) sales force automation.
- D) cross-channel promotions.
- E) cross-selling.

Answer: E

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

70) Major CRM products typically have all of the following service capabilities *except*:

- A) customer satisfaction management.
- B) returns management.
- C) call center & help desk.
- D) service analytics.
- E) order management.

Answer: E

Difficulty: Challenging

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

71) Which of the following is an important capability for sales processes that is found in most SFA modules in major CRM software products?

- A) Returns management
- B) Lead management
- C) Channel promotions management
- D) Events management
- E) Customer satisfaction management

Answer: B

Difficulty: Challenging

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

72) Which of the following customer relationship management applications provides analysis of customer data?

- A) Operational CRM
- B) Analytical CRM
- C) Operational SCM
- D) Analytical SFA
- E) Operational SFA

Answer: B

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

73) Operational CRM applications include tools for all of the following *except*:

- A) sales force automation.
- B) call center support.
- C) marketing automation.
- D) customer service support.
- E) calculating CLTV.

Answer: E

Difficulty: Challenging

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

74) Which of the following tools is used to analyze customer buying patterns?

- A) CLTV
- B) Analytical CRM
- C) Operational CRM
- D) Demand planning
- E) SFA

Answer: B

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

75) Which metric is based on the relationship between the revenue produced by a specific customer, the expenses incurred in acquiring and servicing that customer, and the expected life of the relationship between the customer and the company?

- A) Churn rate
- B) Customer lifetime value
- C) Cost per lead
- D) Cost per sale
- E) Customer average value

Answer: B

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

76) The measurement of the number of customers who stop using or purchasing products or services from a company is called:

- A) switching costs.
- B) churn rate.
- C) CLTV.
- D) switch rate.
- E) turnover percentage.

Answer: B

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

77) _____ modules in CRM systems help sales staff increase their productivity by focusing sales efforts on the most profitable customers, those who are good candidates for sales and services.

- A) Customer
- B) SOA
- C) Marketing
- D) Complex
- E) SFA

Answer: E

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

78) _____ CRM includes customer-facing applications such as tools for sales force automation, call center and customer service support, and marketing automation.

- A) Analytical
- B) Employee
- C) Operational
- D) Partner
- E) Next-generation

Answer: C

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

79) All CRM packages contain modules for PRM and ERM.

Answer: FALSE

Difficulty: Easy

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

80) Major CRM application software vendors include Oracle, SAP, Salesforce.com, and Microsoft Dynamics.

Answer: TRUE

Difficulty: Easy

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

81) Cross-selling is the marketing of products to different customers.

Answer: FALSE

Difficulty: Moderate

AACSB: Reflective thinking

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

82) SCM software can help organizations identify high-value customers for preferential treatments.

Answer: FALSE

Difficulty: Easy

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

83) Analytical CRM uses tools to analyze customer data collected from the firm's customer touch points and from other sources.

Answer: TRUE

Difficulty: Moderate

AACSB: Information technology

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

84) Churn rate is an important indicator of the growth or decline of a company's customer base.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

85) Identify and describe the two types of customer relationship management applications.

Answer: Operational CRM and analytical CRM are two types of CRM. Operational CRM refers to customer-facing applications, such as sales force automation, call center and customer service support, and marketing automation. Analytical CRM refers to customer relationship management applications dealing with the analysis of customer data to provide information for improving business performance.

Difficulty: Moderate

AACSB: Analytical thinking

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

86) Identify five benefits of customer relationship management systems.

Answer: Benefits include: better customer service, make call centers more efficient, cross-sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, acquire new profitable customers, sell additional products and services, provide customer information for developing new products, increase product utilization, reduce sales and marketing costs, identify and retain profitable customers, optimize service delivery costs, retain high-lifetime value customers, improve customer loyalty, improve response rates to direct mail, increase product profitability, respond quickly to market opportunities.

Difficulty: Challenging

AACSB: Application of knowledge

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

87) You have been hired by Croydon Visiting Nurse Services, whose business processes are all manual, paper-based processes. How might a CRM system benefit them?

Answer: A CRM system that includes patients' health records would allow any nurse to take over if another needed replacement. Assuming that the nurses had access via laptops or other PDAs to the system, a new nurse would have instant access to the patients' needs. The CRM might also be able to record which types of treatments or products customers were most interested in or gave the greatest benefit to customers, and help anticipate needs. Additionally, with PRM capabilities, products needed by the nursing service would be more easily anticipated, ordered, and delivered. Since the employees work in the field, or away from a central office, Internet-based communications might provide tools for reviewing employee performance.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

88) What are four questions that a good CRM system can help answer and how do firms use the answers to those questions?

Answer: Four questions that a good CRM system can help answer are: (1) What is the value of a particular customer to the firm over his or her lifetime? (2) Who are our most loyal customers? (3) Who are our most profitable customers? and (4) What do these profitable customers want to buy?

Firms use the answers to these questions to acquire new customers, provide better service and support to existing customers, customize their offerings more precisely to customer preferences, and provide ongoing value to retain profitable customers.

Difficulty: Moderate

AACSB: Application of knowledge; Written and oral communication

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

89) What is a PRM module? How does it differ from an ERM module?

Answer: The more comprehensive CRM packages contain modules for partner relationship management (PRM) and employee relationship management (ERM).

PRM uses many of the same data, tools, and systems as customer relationship management to enhance collaboration between a company and its selling partners. If a company does not sell directly to customers but rather works through distributors or retailers, PRM helps these channels sell to customers directly. It provides a company and its selling partners with the ability to trade information and distribute leads and data about customers, integrating lead generation, pricing, promotions, order configurations, and availability. It also provides a firm with tools to assess its partners' performances so it can make sure its best partners receive the support they need to close more business.

ERM software deals with employee issues that are closely related to CRM, such as setting objectives, employee performance management, performance-based compensation, and employee training. Major CRM application software vendors include Oracle, SAP, Salesforce.com, and Microsoft Dynamics CRM.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 9-3: How do customer relationship management systems help firms achieve customer intimacy?

90) Which of the following statements about enterprise applications is *not* true?

- A) Enterprise applications require organizational learning.
- B) Enterprise applications introduce "switching costs."
- C) Enterprise applications are based on organization-wide definitions of data.
- D) Enterprise applications require fundamental changes in the way a business operates.
- E) Enterprise applications are best implemented when few changes in business processes are required.

Answer: E

Difficulty: Moderate

AACSB: Application of knowledge

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

91) Which of the following is *not* an example of next-generation enterprise applications?

- A) SAP S/4HANA
- B) Social CRM
- C) Apache Open for Business (OFBiz)
- D) Salesforce.com
- E) Microsoft Dynamics 365

Answer: C

Difficulty: Challenging

AACSB: Application of knowledge

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

92) Enterprise application vendors have created _____ to make their own customer relationship management, supply chain management, and enterprise systems work closely together with each other.

- A) e-business suites
- B) ERP systems
- C) middleware
- D) legacy systems
- E) cloud solutions

Answer: A

Difficulty: Easy

AACSB: Information technology

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

93) Which of the following is *not* a feature of next generation business intelligence applications?

- A) Employee relationship management
- B) The ability to include data from the Internet of Things (IoT)
- C) Interactive dashboards for managers
- D) The ability to use neural networks to recognize patterns in machine performance
- E) The ability to provide ad hoc analysis for managers

Answer: A

Difficulty: Challenging

AACSB: Information technology

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

94) Using social networking tools to converse with customers is called:

- A) analytical CRM.
- B) social CRM.
- C) operational CRM.
- D) PRM.
- E) ERM.

Answer: B

Difficulty: Easy

AACSB: Reflective thinking

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

95) Enterprise application vendors are now including _____ features, such as tools for data visualization, flexible reporting, and ad-hoc analysis, as part of the application.

- A) social media
- B) PRM
- C) ERM
- D) SOA
- E) business intelligence

Answer: E

Difficulty: Moderate

AACSB: Information technology

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

96) Enterprise systems do not require fundamental changes in the way the business operates.

Answer: FALSE

Difficulty: Easy

AACSB: Information technology

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

97) The cost of switching from one enterprise system to another is quite low.

Answer: FALSE

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

98) Enterprise applications are based on organization-wide definitions of data.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

99) SCM systems require multiple organizations to share information and business processes.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?

100) What is social CRM and how is it being used?

Answer: Social CRM tools enable a business to connect customer conversations and relationships from social networking sites to CRM processes. SAP, Salesforce.com and Oracle CRM products now feature technology to monitor, track, and analyze social media activity in Facebook, LinkedIn, Twitter, YouTube, and other sites. For example, Salesforce.com connected its system for tracking leads in the sales process with social-listening and social-media marketing tools, enabling users to tailor their social-marketing dollars to core customers and observe the resulting comments. If an ad agency wants to run a targeted Facebook or Twitter ad, these capabilities make it possible to aim the ad specifically at people in the client's lead pipeline who are already being tracked in the CRM system. Users will be able to view tweets as they take place in real time and perhaps uncover new leads. They can also manage multiple campaigns and compare them all to figure out which ones generate the highest click-through rates and cost per click.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 9-4: What are the challenges that enterprise applications pose, and how are enterprise applications taking advantage of new technologies?