

# **OPER1160 UNITS 5 – 8 WORD LIST**

## **Unit 5 – Word List**

BLANKET ORDER –

COLLABORATIVE PLANNING FORECASTING AND REPLENISHMENT (CPFR) –

CORE COMPETENCIES –

COST OF GOODS SOLD (COGS) –

E-PROCUREMENT –

ELECTRONIC DATA INTERCHANGE (EDI) –

ELECTRONIC FUNDS TRANSFER (EFT)–

INSOURCING -

MAKE-OR-BUY DECISION –

MULTIPLE SOURCING –

OFFSHORING –

OUTSOURCING –

PROFIT LEVERAGE EFFECT –

PULL DATA -

PURCHASE ORDER –

REQUEST FOR QUOTATION – RFQ -

SINGLE SOURCING –

SPEND ANALYSIS –

SUPPLY-CHAIN MANAGEMENT –

VERTICAL INTEGRATION –

BACKWARD VERTICAL INTEGRATION –

FORWARD VERTICAL INTEGRATION -

VENDOR-MANAGED INVENTORY (VMI) –

## **Unit 6 – Word List**

ADVANCED SHIPPING NOTICE (ASN) -  
ASSORTMENT WAREHOUSING –  
BREAK-BULK WAREHOUSING –  
CONSOLIDATION WAREHOUSING –  
CROSS-DOCKING –  
DROP SHIPPING -  
HUB-AND-SPOKE SYSTEM –  
LOGISTICS MANAGEMENT –  
MULTIMODAL SOLUTION –  
PERFECT ORDER –  
POSTPONEMENT WAREHOUSING –  
REVERSE LOGISTICS –  
SPOT STOCK WAREHOUSING –  
THIRD PART LOGISTICS PROVIDER (3PL) -  
WAREHOUSING –

## **Unit 7 – Word List**

ANTICIPATION INVENTORY –  
BULLWHIP EFFECT –  
CONTINUOUS REVIEW SYSTEM –  
CYCLE STOCK –  
DEMAND UNCERTAINTY –  
DEPENDENT DEMAND INVENTORY –  
ECONOMIC ORDER QUANTITY (EOQ) –  
HEDGE INVENTORY –  
INDEPENDENT DEMAND INVENTORY –  
INVENTORY –  
INVENTORY DRIVERS – (NAME 4 OF THEM TOO)

INVENTORY TURNS -  
PERIODIC REVIEW SYSTEM –  
REORDER POINT (ROP)–  
SAFETY STOCK –  
SMOOTHING INVENTORY -  
TRANSPORTATION INVENTORY –  
WEEKS OF SUPPLY -

### **Unit 8 Word List**

AGGREGATE PRODUCTION PLAN -  
AVAILABLE-TO-PROMISE (ATP ) –  
BILL OF MATERIAL (BOM) -  
CHASE PRODUCTION PLAN -  
DEPENDENT DEMAND –  
DISAGGREGATE PRODUCTION PLAN –  
EXECUTION & CONTROL STAGE -  
INDEPENDENT DEMAND —  
LEVEL PRODUCTION PLAN —  
MASTER SCHEDULING —  
MASTER PRODUCTION SCHEDULE (MPS) -  
MATERIAL REQUIREMENTS PLANNING (MRP)—  
MIXED PRODUCTION PLAN -  
OFFLOADING -  
PLANNING HORIZON -  
PRODUCTION ACTIVITY CONTROL (PAC) -  
PURCHASING –  
SALES AND OPERATIONS PLANNING (S&OP)—  
STRATEGIC BUSINESS PLANNING —  
YIELD MANAGEMENT —

# **ANSWERS FOR THE WORD LISTS**

## **Unit 5 – Word List**

**BLANKET ORDER** – A long-term purchase commitment to a supplier, at agreed upon prices, for items against which short-term releases are generated for delivery to satisfy requirements at agreed upon prices.

**COLLABORATIVE PLANNING FORECASTING AND REPLENISHMENT (CPFR)** – Buyers and sellers jointly plan forecasting all operations required to replenish raw materials and finished goods

**CORE COMPETENCIES** – Organizational strengths or abilities, developed over a long period, that customers find valuable and competitors find difficult to copy

**COST OF GOODS SOLD (COGS)** – An accounting classification used for determining the amount of direct materials, direct labour and allocated overhead associated with products sold

**E-PROCUREMENT** – Purchasing facilitated through the internet.

**ELECTRONIC DATA INTERCHANGE (EDI)** – A standardized data-transmittal format for computerized communications between organizations.

**ELECTRONIC FUNDS TRANSFER (EFT)** – The automatic secure transfer of payment from a buyers bank account to a suppliers bank account

**INSOURCING** – The use of resources within the firm to provide products or services

**MAKE-OR-BUY DECISION** – A high level, often strategic, decision regarding which products or services will be provided internally and which will be provided by external supply chain partners.

**MULTIPLE SOURCING** – A sourcing strategy in which the buying firm shares its business across multiple suppliers to spread risk, create competition and reduce cost

**OFFSHORING** – Moving a business process to a foreign country but retaining control of it.

**OUTSOURCING** –The use of supply chain partners to provide products or services.

**PROFIT LEVERAGE EFFECT** – Where a \$1.00 saved in purchasing lowers COGS by \$ 1.00 and increases profit by \$ 1.00

**PULL DATA** – Accurate sales data provided by sharing Point-Of-Sale (POS) information used to pull the required replenishment through the supply chain

**PURCHASE ORDER (PO)** – A document that authorizes a supplier to deliver a product or service often including key terms and conditions

**REQUEST FOR QUOTATION (RFQ)** – A formal request for the supplier to prepare bids, based on the terms and conditions set by the buyer

**SINGLE SOURCING** – A sourcing strategy in which the buying firm depends upon a single company for all or nearly all of a particular item or service.

**SPEND ANALYSIS** – The application of quantitative techniques to purchasing data to understand spending patterns

**SUPPLY-CHAIN MANAGEMENT** – Management of activities that procure materials and services, transform them into intermediate goods and final products, and deliver them through a distribution system.

**VERTICAL INTEGRATION** – Developing the ability to produce goods or services previously purchased.

**BACKWARD VERTICAL INTEGRATION** – the process of buying or owning elements of the supply chain towards the raw material suppliers

**FORWARD VERTICAL INTEGRATION** - the process of buying or owning elements of the supply chain towards the retailer or final customer

**VENDOR-MANAGED INVENTORY (VMI)** – A system in which the supplier has access to the customer's inventory data and is responsible for maintaining the inventory level required by the customer, often delivering directly to the buyer's using department.

## **Unit 6 – Word List**

**ADVANCED SHIPPING NOTICE (ASN)** – A shipping notice delivered directly from vendor to purchaser.

**ASSORTMENT WAREHOUSING** – A form of warehousing in which a wide array of goods is held close to the source of demand in order to assure short customer lead times

**BREAK-BULK WAREHOUSING** – A specialized form of cross-docking in which the incoming shipments are from a single source or manufacturer

**CONSOLIDATION WAREHOUSING** – A form of warehousing that pulls together shipments from a number of sources and combines them into larger shipping loads (National Grocers - Loblaws)

**CROSS-DOCKING** – A form of warehousing where large incoming shipments are received and then broken down into smaller outgoing shipments to demand points in a geographic area (Overland Transport)

**DROP SHIPPING** – Shipping directly from the supplier to the end consumer rather than from the seller, saving both time and reshipping costs.

**HUB-AND-SPOKE SYSTEM** – A form of warehousing in which strategically placed hubs are used as sorting or transfer facilities (Canada Post Parcel)

**LOGISTICS MANAGEMENT** – “that part of supply chain management that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption...”

**MULTIMODAL SOLUTION** – A transportation solution that seeks to exploit the strengths of multiple transportation modes as seamlessly as possible

**PERFECT ORDER** – A term used to refer to the timely error free provision of a product or service in good condition

**POSTPONEMENT WAREHOUSING** – A form of warehousing that includes light manufacturing and packaging duties to allow firms to put off final assembly of goods until the last possible moment

**REVERSE LOGISTICS** – A complete supply chain dedicated to the reverse flow of products and materials for the purpose of returns, repair, remanufacture, and/or recycling

**SPOT STOCK WAREHOUSING** – A form of warehousing that attempts to position seasonal goods close to the market-place.

**THIRD PART LOGISTICS PROVIDER (3PL)** – A firm that handles all of the logistics requirements for other companies

**WAREHOUSING** – Any operation that stores, repackages, stages, sorts or centralizes goods or materials.

## **Unit 7 – Word List**

**ANTICIPATION INVENTORY** – Inventory that is held in anticipation of known unusual customer demand (seasonality, promotions etc.)

**BULLWHIP EFFECT** – According to APICS, “an extreme change in the supply position upstream in a supply chain generated by a small change in demand downstream in the supply chain.”

**CONTINUOUS REVIEW SYSTEM** – An inventory system used to manage independent demand inventory. The inventory level for an item is constantly monitored, and when the reorder point is reached, an order is released.

**CYCLE STOCK** – Components or products that are received in bulk by a downstream partner, gradually used up, and then replenished again in bulk by upstream partner.

**DEMAND UNCERTAINTY** – The risk of significant and unpredictable fluctuations in downstream demand.

**DEPENDENT DEMAND INVENTORY** – Inventory items whose demand levels are tied directly to a company’s planned production of another time.

**ECONOMIC ORDER QUANTITY** – The order quantity that minimizes annual holding and ordering costs for an item.

**HEDGE INVENTORY** – According to APICS, a “form of inventory buildup to buffer against some event that may not happen. Planning involves speculation related to potential labor strikes, price increases, unsettled governments, and events that could severely impair the company’s strategic initiatives.”

**INDEPENDENT DEMAND INVENTORY** – Inventory items whose demand levels are beyond a company’s complete control.

**INVENTORY** – According to APICS, “those stocks or items used to support production (raw materials and work-in-process items), supporting activities (maintenance, repair, and operating supplies) and customer service (finished goods and spare parts).”

**INVENTORY DRIVERS** – Business conditions that force companies to hold inventory.

**INVENTORY TURNS** – Cost of goods sold divided by average inventory.

**PERIODIC REVIEW SYSTEM** – An inventory system that is used to manage independent demand inventory. The inventory level for an item is checked at regular intervals and restocked to some predetermined level.

**REORDER POINT** – in a continuous review system the level of stock that triggers a reorder of a predetermined quantity of stock.  $ROP = \bar{d}LT$  (demand during Leadtime)

**SAFETY STOCK** – Extra inventory that a company holds to protect itself against uncertainties in either demand or replenishment time.

**SMOOTHING INVENTORY** – Inventory that is used to smooth out differences between upstream production levels and downstream demand.

**TRANSPORTATION INVENTORY** – Inventory that is moving from one link in the supply chain to another.

**WEEKS OF SUPPLY** – Inventory investment divided by weekly COGS

## **Unit 8 - Word List**

**AGGREGATE PRODUCTION PLAN** – A long range plan that is used to determine the quantity of total future production for a family of products (used in S & OP)

**AVAILABLE-TO-PROMISE (ATP)** – The line in the MPS planning chart that sales & marketing uses to book customer orders

**BILL OF MATERIAL (BOM)** —Lists all the subassemblies, intermediates, parts, and raw materials that go into a parent assembly showing the quantity of each required to make an assembly.

**CHASE PRODUCTION PLAN**—A sales and operations plan in which production is changed in each time period to match the sales forecast.

**DEPENDENT DEMAND**—Inventory items whose demand levels are calculated based on bill of material structure.

**DISAGGREGATE PRODUCTION PLAN** - A medium range plan that is used to determine the quantity of total future production for end items (used in MPS)

**EXECUTION & CONTROL STAGE** – where the activity is completed by Purchasing (interacting with suppliers) and Production Activity Control.

**INDEPENDENT DEMAND**—Inventory items with demand levels that are beyond an organization's complete control.

**LEVEL PRODUCTION PLAN**—A sales and operations plan in which production is held constant and inventory is used to absorb differences between production and the sales forecast.

**MASTER PRODUCTION SCHEDULING (MPS)** —Determines when specific products will be made, when specific customer orders will be filled, and what products/capacities are still available to meet new demand.

**MASTER PRODUCTION SCHEDULE**—The amount of product that will be finished and available for sale at the beginning of each week.

**MATERIAL REQUIREMENTS PLANNING (MRP)** —A planning process that translates the master production schedule into planned orders for the actual parts and components needed to produce the master schedule items.

**MIXED PRODUCTION PLAN**—A sales and operations plan that varies both production and inventory levels in an effort to develop the most effective plan

**OFFLOADING**—A strategy for reducing and smoothing out workforce requirements by having the customers perform part of the work themselves.

**PLANNING HORIZON**—The amount of time the master schedule record or MRP record extends into the future. Longest cumulative lead time.

**PRODUCTION ACTIVITY CONTROL (PAC)** —Assures that in house manufacturing takes place according to plan; also helps manufacturing managers identify potential problems and take corrective action.

**PURCHASING**—Another name for vendor order management. Used when we buy parts or components.

**SALES AND OPERATIONS PLANNING (S & OP)** —A business process that helps firms plan and coordinate operations and supply chain decisions over a tactical time horizon by product family

**STRATEGIC BUSINESS PLANNING**—Statement of long range strategy and revenue, cost and profit objectives.

**YIELD MANAGEMENT**—An approach commonly used by services with highly perishable "products," in which prices are regularly adjusted to maximize total profit.