



CIPS

L5M7

**ELECTIVE Achieving Competitive Advantage Through
the Supply Chain**

QUESTION & ANSWERS

Question: 1

An organisation can leverage effective Supply Chain Management to deliver Competitive Advantage. What is meant by Competitive Advantage?

- A. Outperforming competitors financially
- B. Becoming the leader in the marketplace through working closely with the supply chain
- C. A benefit that an organisation can use to out perform competitors in the marketplace
- D. Cost savings by narrowing the supply chain

Answer: C

Explanation/Reference:

The correct answer is 3. This is the definition of Competitive Advantage as given by CIPS. This is on p.2 of the Study Guide. This module is about Competitive Advantage so it's a good idea to get familiar with the term. A competitive advantage can be ANYTHING that separates you from the competition - a unique feature of your business- this could be something financial, but could equally be a creative/ innovative way of working.

Question: 2

In a typical supply chain, in which direction does 'Value Add' travel?

- A. From the Customer to the Distributor
- B. From the first Supplier to the Customer
- C. From the OEM to the Retailer
- D. From the Retailer to the Supplier

Answer: B

Explanation/Reference:

Value in a supply chain travels 'downstream' - this is from the Suppliers to the Customers. A typical supply chain is composed of the following: supplier 1 -> supplier 2 -> OEM -> Distributor -> Retailer -> Customer (p.4)

Question: 3

Which of the following tactics would help organisations in the middle of a supply chain protect themselves from the Bullwhip Effect?

- A. Have buffer stock

- B. Conduct Due-Diligence on lower tier suppliers
- C. Employ a younger workforce
- D. Trade in a strong currency such as US Dollars or Euros

Answer: A

Explanation/Reference:

Have buffer stock is the correct answer. The Bullwhip effect is about supply and demand and is explained on p.4. You may get 1 question on this in the exam- it's unlikely you'd get more- all you need to know about the concept is what it is (unusual customer demand affecting organisations further down the supply chain e.g. when the Pandemic started and people started bulk buying toilet-paper for no good reason) and what organisations do to protect against it (have a buffer stock).

Question: 4

Plastic Fantastic Ltd creates household products made from plastics such as plant pots and lampstands. It sells products to a retailer. When a customer has tired of the plastic product they have bought they have an option to bring the object back to the retailer and the retailer passes this back to Plastic Fantastic. The product is then melted down and reformed into another product. What type of supply chain is this?

- A. Open Loop Supply Chain
- B. Forward Loop Supply Chain
- C. Manufacturing Supply Chain
- D. Closed Loop Supply Chain

Answer: D

Explanation/Reference:

This described a Closed Loop Supply Chain. A Closed Loop Supply Chain is one in which a customer returns the product back to the supply chain. See p. 5-6 for examples of Open Loop and Closed Loop Supply Chains

Question: 5

In a supply chain, a downstream supplier can influence all aspects of quality including customer perception. Is this True?

- A. Yes- downstream suppliers have the most power within the supplier chain
- B. Yes- customer perception is derived from the Supplier's inputs and specification

- C. No- Customer Perception cannot be influenced by Downstream Suppliers but rather by other business functions such as Marketing
- D. No- A Downstream Supplier has no control over quality at all

Answer: C

Explanation/Reference:

3 is the correct answer. This question is taken directly from p. 30 in the study guide: "In a supply chain, a downstream supplier can influence all aspects of quality with the exception of customer perception, which is typically a result of other business functions such as marketing. A distributor's focus may be to maintain the product quality and also influence and enhance the perceived quality through the delivery of the service."

Question: 6

Which of the following approaches to quality involves manufacturing only what is required, when it is required?

- A. Zero Defects
- B. Total Quality Control
- C. Total Quality Management
- D. Just-in Time

Answer: D

Explanation/Reference:

This is Just-In-Time- the definition is from p.30

Question: 7

In a typical Supply Chain Quality Framework (SCQF), which of the following characteristics is likely to feature? Select THREE

- A. Sustainability
- B. Information
- C. Continuous Improvement
- D. Procurement
- E. Marketing

Answer: A,B,C

Explanation/Reference:

Sustainability, Information and Continuous Improvement form part of a Supply Chain Quality Framework (SCQF) the other options are functions/ departments of an organisation. Other features of SCQF include; leadership, management and strategic planning, and stakeholder commitment. This is from p.34

Question: 8

Jerry works in product development at a clothing manufacturer. The company is discussing ways of adding value for the customer. Jerry has suggested reducing prices could be a source of added value. Is he correct?

- A. Yes- this is a form of added value but requires the ability of the supply chain to reduce costs
- B. Yes- this form of added value will increase the company's profit margin
- C. No- added value is a form of innovation
- D. No- as the customer is not offered anything in addition to their purchase

Answer: A

Explanation/Reference:

Reducing prices IS a form of Added Value (as per p.35 of the study guide). This means it's either answers 1 or 2 which is correct (you can discount 3 and 4). Of these two options 1 is true. Number 2 is not true- reducing the price a customer pays will decrease your profit margin.

Question: 9

Long runs, stable product design and inventory buffer are objectives of which of the following business functions?

- A. sourcing
- B. manufacturing
- C. logistics
- D. sales

Answer: B