

# Chapter 8



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## Chapter 6 Why is transportation important to a firm's supply chain

operations? Transportation costs are directly affected by the location of the firm's plants, ware-houses, vendors, retail locations, and customers.

Inventory requirements are influenced by the mode of transport used. High-speed, high-priced transportation systems require smaller amounts of inventories in a logistics system, whereas slower, less-expensive transportation requires larger amounts of system-wide inventory. The transport mode selected influences the packaging required, and carrier classification rules dictate package choice. The type of carrier used dictates a manufacturing plant's materials handling equipment, such as loading and unloading equipment and the design of the receiving and shipping docks. An order-management methodology that encourages maximum consolidation of shipments between common points enables a company to give larger shipments to its carriers and take advantage of volume discounts. Customer service goals influence the type and quality of carrier and carrier service selected by the seller

## 2. Why is it important to know about the characteristics of a country's transportation infrastructure?

Transport infrastructure such as roads, ports and airports is indispensable for a country economic activity, and is characterized such that its appropriate provision justifies or calls for involvement of the public sectors. There are three principles on the question of who should bear the costs of a large-scale facility such as transport infrastructure: the user pay principle, the indirect beneficiary pay principle and public financing. Institutional arrangements for developing transport infrastructure include public corporations, special budget account and private finance initiative (PFI), which tap private sector

resources. Transport infrastructure such as harbors, airports, roads are usually provided with some form of public involvement within a variety of institutional frameworks. The globalization of the world economy means that an increasing number of shipment are being transported between multiple countries.

10. Discuss the positive attributes of inland water transportation?

Inland water transport is relatively inexpensive to user. At one time inland water was consider to be the least expensive form of transportation when compared to rail and motor carrier transportation. On a ton mile basis, rail cost approximately twice as high as inland water carriers, whereas truck cost are approximately 20 times higher then inland water carrier. Although inland water carriers tends to focus on lower bulk commodities that can be handle by mechanical means such as pump, scoop, and conveyor, many different kind of product can be carried. Other product that move extensively in inland waterway system include grain and grain product, industrial chemical and forestry products. And of the modes with vehicle, inland water carrier offers the greatest capacity or volume that can be carried at one time.

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2. Discuss the factor that influence the number of facilities that a firm chooses to operates

The numbers of firms facilities decide to operate often depend on the successes of the business. Assuming business is successful the company may decide to open new firms if the demand is higher than the supply. For example, if the business of the Jewel food stores increases they may decide to open new distribution centers based upon this increase. This is to ensure that the supply will meet the demand. Open new distribution centers may

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allow shorter time for delivery of products. However, opening a new distribution center is also associated with costs. The company must analyze these costs in order to determine if opening a new firm will generate revenue.

8. Discuss the advantages and disadvantages to locating manufacturing, assembly, or distribution facilities in countries with relatively low wages. Advantages and disadvantages of opening or relocating a distribution center to a country with low wages vary. The natural good produced in the prospective country may help or hinder the process. For example a company that produces high revenues from canned tuna may want to locate a facility close to the ocean. One disadvantage to this situation is that the company will have to pay for the assembly of a new facility. Although the cost of labor maybe cheap other disadvantages may outweigh these considerations. Manufacturing a safe product is always important. Products that are not deemed safe or inflict a safety risk may be recalled causing a mass loss of revenues.

In addition the company needs to consider the shipping costs associated with the distribution center. The cost of shipping of mass production of products may outweigh the cheap labor associated with the location.

16. what quality of life consideration do you think are the most important for locational decision? Why?

Quality of life is often assessed in a location before a company opens up a firm. Studies have found that individuals exhibiting a high level of quality of life characteristics asessed by a quality of life assessment are more loyal and happy in their work. The quality of life in another location may hinder the recruiting process. For example expatriated workers may have a high turn-

over rate when sent to a location with a poor quality of life. The final reason the quality of life is assessed by companies is that consumers are aware of the happenings within the company. For example, in the 1990's the company Nike was infamous for sweat shops. Negative public views can hinder the company's growth.