

Fold each printed sheet in half lengthwise. The left side of the document will list the term and the right side will list the definition. Tape or staple the open edges of your flashcards. Cut out your flashcards on the solid lines indicated and fold them on the dotted lines.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
order-to-delivery cycle

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**Definition**

The period of time that starts when the customer places an order and ends when the customer receives the order.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
logistics

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**Definition**

1) In a supply chain management context, it is the subset of supply chain management that controls the forward and reverse movement, handling, and storage of goods between origin and distribution points. 2) In an industrial context, the art and science of obtaining, producing, and distributing material and product in the proper place and in proper quantities. 3) In a military sense (where it has greater usage), its meaning can also include the movement of personnel.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
warehousing

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**Definition**

The activities related to receiving, storing, and shipping materials to and from production or distribution locations.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
transportation

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**Definition**

The function of planning, scheduling, and controlling activities related to mode, vendor, and movement of inventories into and out of an organization.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
imports

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**Definition**

Products bought in one country and produced in another.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
exports

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**Definition**

Products produced in one country and sold in another.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
packaging

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**Definition**

Materials surrounding an item to protect it from damage during transportation. The type of packaging influences the danger of such damage.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
materials handling

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**Definition**

Movement and storage of goods inside the distribution center. This represents a capital cost and is balanced against the operating costs of the facility.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
inventory management

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**Definition**

The branch of business management concerned with planning and controlling inventories.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
order management

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**Definition**

The planning, directing, monitoring, and controlling of the processes related to customer orders, manufacturing orders, and purchase orders. Regarding customer orders, order management includes order promising, order entry, order pick, pack and ship, billing, and reconciliation of the customer account. Regarding manufacturing orders, order management includes order release, routing, manufacture, monitoring, and receipt into stores or finished goods inventories. Regarding purchasing orders, order management includes order placement, monitoring, receiving, acceptance, and payment of supplier.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
warehouse management and  
transportation execution systems

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**Definition**

Logistics information systems that initiate and control the movement of materials between supply chain partners.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
physical supply

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**Definition**

The movement and storage of goods from suppliers to manufacturing. [Its cost] is ultimately passed on to the customer.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
materials management

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**Definition**

The grouping of management functions supporting the complete cycle of material flow, from the purchase and internal control of production materials to the planning and control of work in process to the warehousing, shipping, and distribution of the finished product.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
distribution

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**Definition**

1) The activities associated with the movement of material, usually finished goods or service parts, from the manufacturer to the customer. These activities encompass the functions of transportation, warehousing, inventory control, material handling, order administration, site and location analysis, industrial packaging, data processing, and the communications network necessary for effective management. [...] In many cases, this movement is made through one or more levels of field warehouses. Syn: physical distribution. 2) The systematic division of a whole into discrete parts having distinctive characteristics.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
systems concept

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**Definition**

An attempt to create the most efficient complete system as opposed to the most efficient individual parts. A "whole process" or "whole company" operating system that is driven by cause and effect.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
total cost concept

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**Definition**

In logistics, the idea that all logistical decisions that provide equal service levels should favor the option that minimizes the total of all logistical costs and should not be used on cost reductions in one area (such as lower transportation charges) alone.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
line haul

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**Definition**

The portion of a transportation journey that moves between two transportation terminals. It is distinguished from and excludes the pickup and delivery portions of a journey used to acquire or distribute LTL freight. For motor carrier transportation, the shipment is loaded in a semi-permanent trailer configuration that maximizes the amount of freight that each driver can legally haul over that portion of the journey. This may involve hauling multiple trailers.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
make-to-order

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**Definition**

A production environment where a good or service can be made after receipt of a customer's order. The final product is usually a combination of standard items and items custom-designed to meet the special needs of the customer. Where options or accessories are stocked before customer orders arrive, the term assemble-to-order is frequently used. Syn: build-to-order. See: assemble-to-order, make-to-stock.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
make-to-stock

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**Definition**

A production environment where products can be and usually are finished before receipt of a customer order. Customer orders are typically filled from existing stocks, and production orders are used to replenish those stocks. Syn: produce-to-stock. See: assemble-to-order, make-to-order.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
assemble-to-order (ATO)

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**Definition**

A production environment where a good or service can be assembled after receipt of a customer's order. The key components (bulk, semi-finished, intermediate, subassembly, fabricated, purchased, packing, and so on) used in the assembly or finishing process are planned and usually stocked in anticipation of a customer order. Receipt of an order initiates assembly of the customized product. This strategy is useful where a large number of end products (based on the selection of options and accessories) can be assembled from common components. Syn: finish-to-order. See: make-to-order, make-to-stock.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
suboptimization

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**Definition**

A solution to a problem that is best from a narrow point of view but not from a higher or overall company point of view. For example, a department manager who refuses to allow employees to work overtime in order to minimize the department's operating expense may cause lost sales and a reduction in overall company profitability.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
four Ps

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**Definition**

A set of marketing tools to direct the business offering to the customer. [This includes] product, price, place, and promotion.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
echelon

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**Definition**

A level of supply chain nodes. For example, a supply chain with two independent factory warehouses and nine wholesale warehouses delivering product to 350 retail stores is a supply chain with three [of these] between the factory and the end customer. One [of these] consists of the two independent factory warehouses, one consists of the nine wholesale warehouses, and one consists of the 350 retail stores. Each [of these] adds operating expense, holds inventory, adds to the cycle time, and expects to make a profit. See: disintermediation.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
stock keeping unit (SKU)

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**Definition**

1) An inventory item. For example, a shirt in six colors and five sizes represents 30 [of these]. 2) In a distribution system, an item at a particular geographic location. For example, one product stocked at the plant and at six different distribution centers would represent seven [of these].

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
value added

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**Definition**

1) In accounting, the addition of direct labor, direct material, and allocated overhead assigned at an operation. It is the cost roll-up as a part goes through a manufacturing process to finished inventory. 2) In current manufacturing terms, the actual increase of utility from the viewpoint of the customer as a part is transformed from raw material to finished inventory; the contribution made by an operation or a plant to the final usefulness and value of a product, as seen by the customer. The objective is to eliminate all non-value-added activities in producing and providing a good or service.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
time utility

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**Definition**

When a delivery gets to a customer at exactly the right time (not early, not late).

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
place utility

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**Definition**

Usefulness to the customer created by having the product delivered to a desired location.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
possession utility

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**Definition**

Product desirability created by marketing efforts.

**Module1: Section A:  
Logistics Fundamentals**

**Term**  
form utility

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**Definition**

The value created by changing a good's form through a production process.



**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**

supply chain management

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**Definition**

The design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance globally.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**

landed cost

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**Definition**

This cost includes the product cost plus the costs of logistics, such as warehousing, transportation, and handling fees.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**

globalization

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**Definition**

The interdependence of economies globally that results from the growing volume and variety of international transactions in goods, services, and capital, and also from the spread of new technology.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**

electronic commerce (e-commerce)

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**Definition**

The use of computer and telecommunication technologies to conduct business via electronic transfer of data and documents.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
fixed cost

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**Definition**

An expenditure that does not vary with the production volume; for example, rent, property tax, and salaries of certain personnel.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
variable cost

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**Definition**

An operating cost that varies directly with a change of one unit in the production volume (e.g., direct materials consumed, sales commissions).

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
direct costs

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**Definition**

1) In traditional cost accounting, variable costs that can be directly attributed to a particular job or operation. Direct material and direct labor are traditionally considered [to be this]. 2) In activity-based cost (ABC) accounting, a cost that can specifically be traced and is economically feasible to track to a particular cost object (e.g., the units produced, a production line, a department, a manufacturing plant). In contrast, if the cost must be allocated across various cost objects, it is an indirect cost. Based on the cost object under consideration, the classification of direct and indirect can change. ABC accounting assumes that more costs traditionally viewed as fixed costs are variable and can be traced to cost objects.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
indirect costs

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**Definition**

Costs that are not directly incurred by a particular job or operation. [These include certain utility costs, such as plant heating.] [It] is typically distributed to the product through the overhead rates.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
direct material

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**Definition**

Material that becomes a part of the final product in measurable quantities.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
direct labor

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**Definition**

Labor that is specifically applied to the good being manufactured or used in the performance of the service.  
Syn: touch labor.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
contribution margin

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**Definition**

An amount equal to the difference between sales revenue and variable costs.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
contribution

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**Definition**

The difference between sales price and variable costs. [It] is used to cover fixed costs and profits.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
supplies

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**Definition**

Materials used in manufacturing that are not normally charged to finished production, such as cutting and lubricating oils, machine repair parts, glue, or tape. Syn: general stores, indirect materials.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
opportunity cost

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**Definition**

1) The return on capital that could have resulted had the capital been used for some purpose other than its present use. 2) The rate of return investors must earn to continue to supply capital to a firm.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
activity-based costing (ABC)

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**Definition**

[A] model-by time period-of resource costs created as a result of activities related to products or services or other items causing the activity to be carried out. Syn: activity-based cost accounting, activity-based costing model.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
tracing

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**Definition**

In activity-based cost accounting, connecting resources to activities to cost objects using underlying causal drivers to understand how costs occur during normal business activities.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
cost object

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**Definition**

In activity-based cost accounting, anything for which a separate cost measurement is desirable. This may include a product, customer, project, or other work unit.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
driver

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**Definition**

1) In activity-based cost accounting, an operation that influences the quantity of work required and cost of an activity. Syn: cost driver. 2) In the theory of constraints, an underlying cause that is responsible for several observed effects.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
throughput accounting

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**Definition**

A management accounting method based on the belief that because every system has a constraint that limits global performance, the most effective way to evaluate the impact that any proposed action will have on the system as a whole is to look at the expected changes in the global measures of throughput, inventory, and operating expense.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
theory of constraints (TOC) accounting

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**Definition**

A cost and managerial accounting system that accumulates costs and revenues into three areas-throughput, inventory, and operating expense. Does not create incentives (through allocation of overhead) to build up inventory. Is considered to provide a truer reflection of actual revenues and costs than traditional cost accounting, and is closer to a cash flow concept of income than is traditional accounting. Provides a simplified and more accurate form of direct costing that subtracts true variable costs (those costs that vary with throughput quantity). Unlike traditional cost accounting systems in which the focus is generally placed on reducing costs in all the various accounts, the primary focus of [this] is on aggressively exploiting the constraint(s) to make more money for the firm. Syn: constraint accounting, throughput accounting.

**Module1: Section B: The Role,  
Value, and Cost of Logistics**

**Term**  
operating expense

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**Definition**

All the money an organization spends in generating goal units.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
strategic planning

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**Definition**

The process of developing a strategic plan. See: operational planning, strategic plan, tactical planning.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
strategic plan

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**Definition**

The plan for how to marshal and determine actions to support the mission, goals, and objectives of an organization. Generally includes an organization's explicit mission, goals, and objectives and the specific actions needed to achieve those goals and objectives. See: business plan, operational plan, strategic planning, strategy, tactical plan.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
dwell

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**Definition**

The duration of time between when cargo arrives in a terminal's in-transit storage area and when it is shipped out by clearance transportation.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
link

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**Definition**

The transportation method used in a logistics system to connect the nodes of the system.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**

total cost of ownership (TCO)

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**Definition**

In supply chain management, [this] is the sum of all the costs associated with every activity of the supply stream. The main insight that [this] offers to the supply chain manager is the understanding that the acquisition cost is often a very small portion of [this concept].

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**

make-or-buy cost analysis

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**Definition**

A comparison of all the costs associated with making an item versus the cost of buying the item.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**

make-or-buy decision

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**Definition**

The act of deciding whether to produce an item internally or buy it from an outside supplier. Factors to consider in the decision include costs, capacity availability, proprietary and/or specialized knowledge, quality considerations, skill requirements, volume, and timing.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**

outsourcing

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**Definition**

The process of having suppliers provide goods and services that were previously provided internally. [This] involves substitution-the replacement of internal capacity and production by that of the supplier. See: subcontracting.



**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
insourcing

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**Definition**

Using the firm's internal resources to provide goods and services. See: make-or-buy decision.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
subcontracting

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**Definition**

Sending production work outside to another manufacturer. See: outsourcing.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
offshore

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**Definition**

Outsourcing a business function to another company in a different country than the original company's country.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
core competencies

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**Definition**

Bundles of skills or knowledge sets that enable a firm to provide the greatest level of value to its customers in a way that is difficult for competitors to emulate and that provides for future growth. [These] are embodied in the skills of the workers and in the organization. They are developed through collective learning, communication, and commitment to work across levels and functions in the organization and with the customers and suppliers. For example, [one of these] could be the capability of a firm to coordinate and harmonize diverse production skills and multiple technologies.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
break-even analysis

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**Definition**

A study of the number of units, or amount of time, required to recoup an investment.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
product life cycle

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**Definition**

1) The stages a new product goes through from beginning to end (i.e., the stages that a product passes through from introduction through growth, maturity, and decline). 2) The time from initial research and development to the time at which sales and support of the product to customers are withdrawn. 3) The period of time during which a product can be produced and marketed profitably.

**Module1: Section C: Logistics  
Strategy within the Supply Chain**

**Term**  
product life cycle management (PLM)

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**Definition**

The process of facilitating the development, use, and support of products that customers want and need. Helps professionals envision the creation and preservation of product information, both to the customer and along the reverse-logistics portion of the supply chain.

**Module1: Section D: Logistics Framework**

**Term**  
strategic alliance

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**Definition**

A relationship formed by two or more organizations that share information (proprietary), participate in joint investments, and develop linked and common processes to increase the performance of both companies. Many organizations form [these] to increase the performance of their common supply chain.

**Module1: Section D: Logistics Framework**

**Term**  
supply chain risk

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**Definition**

The variety of possible events and their outcomes that could have a negative effect on the flow of goods, services, funds, or information resulting in some level of quantitative or qualitative loss for the supply chain.

**Module1: Section D: Logistics Framework**

**Term**  
functional organizational structure

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**Definition**

An organizational structure in which authority and decision-making are arranged by functional groups such as finance, marketing, manufacturing, and research.

**Module1: Section D: Logistics Framework**

**Term**  
matrix organizational structure

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**Definition**

An organizational structure that is a team and project-based approach between functions and divisions

**Module1: Section D: Logistics Framework**

**Term**  
SWOT analysis

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**Definition**

An analysis of the strengths, weaknesses, opportunities, and threats of and to an organization.

**Module1: Section E: Strategic  
Performance Management**

**Term**

performance measurement system

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**Definition**

A system for collecting, measuring, and comparing a measure to a standard for a specific criterion for an operation, item, good, service, business, etc. [It] consists of a criterion, a standard, and a measure. Syn: metrics. See: performance criterion, performance measure, performance standard.

**Module1: Section E: Strategic  
Performance Management**

**Term**

standard

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**Definition**

1) An established norm against which measurements are compared. 2) An established norm of productivity defined in terms of units of output per set time (units/hour) or in standard time (minutes per unit). 3) The time allowed to perform a specific job including quantity of work to be produced. See: standard time.

**Module1: Section E: Strategic  
Performance Management**

**Term**

audit

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**Definition**

An objective comparison of actions to policies and plans.

**Module1: Section E: Strategic  
Performance Management**

**Term**

balanced scorecard

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**Definition**

A list of financial and operational measurements used to evaluate organizational or supply chain performance. The dimensions of [this] might include customer perspective, business process perspective, financial perspective, and innovation and learning perspectives. It formally connects overall objectives, strategies, and measurements. Each dimension has goals and measurements.

## Module1: Section E: Strategic Performance Management

**Term**  
dashboard

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### Definition

An easy-to-read management tool similar to an automobile's dashboard designed to address a wide range of business objectives by combining business intelligence and data integration infrastructure. See: executive dashboard.

## Module1: Section E: Strategic Performance Management

**Term**  
key performance indicator (KPI)

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### Definition

A financial or nonfinancial measure that is used to define and assess progress toward specific organizational goals and typically is tied to an organization's strategy and business stakeholders. [This] should not be contradictory to other departmental or strategic business unit performance measures. A metric used to measure the overall performance or state of affairs. SCOR level 1 metrics are considered [these].

## Module1: Section E: Strategic Performance Management

**Term**  
Supply Chain Operations Reference (SCOR) model

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### Definition

A process reference model developed by the Supply Chain Council and endorsed by the Association for Supply Chain Management (ASCM) as the standard cross-industry diagnostic tool for supply chain management. [It] describes the business activities associated with satisfying a customer's demand, which include plan, source, make, deliver, return, and enable. Use of [this] includes analyzing the current state of a company's processes and goals, quantifying operational performance, and comparing company performance to benchmark data. [It] has developed a set of metrics for supply chain performance, and ASCM members have formed industry groups to collect best practices information that companies can use to evaluate their supply chain performance.

## Module1: Section E: Strategic Performance Management

**Term**  
perfect order fulfillment

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### Definition

A measure of an organization's ability to deliver a perfect order. See: perfect order.

**Module1: Section E: Strategic  
Performance Management**

**Term**  
perfect order

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**Definition**

1) An order in which the "seven Rs" are satisfied: the right product, the right quantity, the right condition, the right place, the right time, the right customer, and the right cost. 2) A fulfillment metric used to measure order proficiency; i.e., the order meets the following criteria: on time, complete, accurate, and undamaged.

**Module1: Section E: Strategic  
Performance Management**

**Term**  
order fulfillment cycle time

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**Definition**

See: order fulfillment lead time.

**Module1: Section E: Strategic  
Performance Management**

**Term**  
order fulfillment lead time

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**Definition**

The average amount of time between the customer's order and the customer's receipt of delivery; this includes every manufacturing or processing step in between.

**Module1: Section E: Strategic  
Performance Management**

**Term**  
upside supply chain adaptability

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**Definition**

A discrete measurement of the quantity of increased production a supply chain can achieve and sustain for 30 days.

**Module1: Section E: Strategic  
Performance Management**
**Term**

downside supply chain adaptability

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**Definition**

A discrete measurement of the reduction in quantities ordered sustainable at 30 days prior to delivery with no inventory or cost penalties.

**Module1: Section E: Strategic  
Performance Management**
**Term**

overall value at risk (VAR)

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**Definition**

The sum of the probability of risk events times the monetary impact of the events; can impact any core supply chain functions (e.g. plan, source, make, deliver, and return) or key dependencies.

**Module1: Section E: Strategic  
Performance Management**
**Term**

total cost to serve

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**Definition**

The sum of the supply chain cost to deliver products and services to customers. Includes the cost to plan the supply chain; source materials, products, goods, merchandise and services; produce, manufacture, remanufacture, refurbish, repair and maintain goods and services; manage orders, customer inquiries and returns; and deliver products and services at the agreed location (point of revenue). Comprises both direct cost and indirect cost.

**Module1: Section E: Strategic  
Performance Management**
**Term**

cost of goods sold (COGS)

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**Definition**

An accounting classification useful for determining the amount of direct materials, direct labor, and allocated overhead associated with the products sold during a given period of time. See: cost of sales.



**Module1: Section E: Strategic  
Performance Management**
**Term**

cash-to-cash cycle time

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**Definition**

An indicator of how efficiently a company manages its assets to improve cash flow. Calculated as inventory days plus accounts receivable days minus accounts payable days. See: cash conversion cycle.

**Module1: Section E: Strategic  
Performance Management**
**Term**

days of supply

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**Definition**

1) Inventory-on-hand metric converted from units to how long the units will last. For example, if there are 2,000 units on hand and the company is using 200 per day, then there are 10 [of these]. 2) A financial measure of the value of all inventory in the supply chain divided by the average daily cost of goods sold rate.

**Module1: Section E: Strategic  
Performance Management**
**Term**

return on supply chain fixed assets

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**Definition**

The return an organization receives on its invested capital in supply chain fixed assets. Includes the fixed assets used to plan, source, make, deliver, and return. Calculated as (supply chain revenue

**Module1: Section E: Strategic  
Performance Management**
**Term**

return on working capital

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**Definition**

A measure of profit on the amount of capital consumed. Calculated as after-tax operating income divided by net working capital.

## Module1: Section E: Strategic Performance Management

**Term**  
benchmarking

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### Definition

Comparing products, processes, and services to those of another organization thought to have superior performance. [This] target may or may not be a competitor or even in the same industry. There are seven common forms of [this]. See: competitive benchmarking, financial benchmarking, functional benchmarking, performance benchmarking, process benchmarking, product benchmarking, strategic benchmarking.

## Module1: Section E: Strategic Performance Management

**Term**  
best practice

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### Definition

1) A method or technique that consistently shows results superior to those achieved through other means, often used as a benchmark. Best practices can be defined within an organization, within an industry, or across industries. 2) Practices that have had a proven and positive impact on organizational or supply chain performance. They are categorized as follows: Current-Not emerging, not obsolete; Structured-Feature a clearly stated goal, scope, process, and procedure; Proven-Demonstrated in a working environment and linked to key metrics; Repeatable-Proven in multiple organizations and industries.

## Module1: Section F: Reengineering and Continuous Improvement

### Term

business process reengineering (BPR)

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### Definition

A procedure that involves the fundamental rethinking and radical redesign of business processes to achieve dramatic organizational improvements in such critical measures of performance as cost, quality, service, and speed. Any [of this type of] activity is distinguished by its emphasis on process, rather than functions and products, and the customers for the process.

## Module1: Section F: Reengineering and Continuous Improvement

### Term

continuous replenishment

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### Definition

A process by which a supplier is notified daily of actual sales or warehouse shipments and commits to replenishing these sales (for example, by size or color) without stockouts and without receiving replenishment orders. The result is a lowering of associated costs and an improvement in inventory turnover. See: rapid replenishment, vendor-managed inventory.

## Module1: Section F: Reengineering and Continuous Improvement

### Term

lean production

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### Definition

A philosophy of production that emphasizes the minimization of the amount of all the resources (including time) used in the various activities of the enterprise. It involves identifying and eliminating non-value-adding activities in design, production, supply chain management, and dealing with customers. [It also employs] teams of multiskilled workers at all levels of the organization and use highly flexible, increasingly automated machines to produce volumes of products in potentially enormous variety. [It] contains a set of principles and practices to reduce cost through the relentless removal of waste and through the simplification of all manufacturing and support processes. Syn: lean, lean manufacturing.

## Module1: Section F: Reengineering and Continuous Improvement

### Term

Just-in-Time (JIT)

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### Definition

A philosophy of manufacturing based on planned elimination of all waste and on continuous improvement of productivity. It encompasses the successful execution of all manufacturing activities required to produce a final product, from design engineering to delivery, and includes all stages of conversion from raw material onward. The primary elements of [this] are to have only the required inventory when needed; to improve quality to zero defects; to reduce lead times by reducing setup times, queue lengths, and lot sizes; to incrementally revise the operations themselves; and to accomplish these activities at minimum cost. In the broad sense, it applies to all forms of manufacturing-job shop, process, and repetitive-and to many service industries as well. Syn: short-cycle manufacturing, stockless production, zero inventories.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

agile supply chain

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**Definition**

The ability to respond quickly to unpredictable changes in customer needs by reconfiguring operations. Syn: agile manufacturing.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

agile manufacturing

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**Definition**

Syn: agile supply chain.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

postponement

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**Definition**

A product design, or supply chain strategy that deliberately delays final differentiation of a product (assembly, production, packaging, tagging, etc.) until the latest possible time in the process. This shifts product differentiation closer to the consumer to reduce the anticipatory risk of producing the wrong product. The practice eliminates excess finished goods in the supply chain. Sometimes referred to as delayed differentiation.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

six sigma

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**Definition**

A methodology that furnishes tools for the improvement of business processes. The intent is to decrease process variation and improve product quality.

**Module1: Section F: Reengineering and Continuous Improvement**

**Term**  
DMAIC

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**Definition**

Acronym for define-measure-analyze-improve-control.

**Module1: Section F: Reengineering and Continuous Improvement**

**Term**  
continuous improvement

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**Definition**

The act of making incremental, regular improvements and upgrades to a process or product in the search for excellence.

**Module1: Section F: Reengineering and Continuous Improvement**

**Term**  
continuous process improvement (CPI)

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**Definition**

A never-ending effort to expose and eliminate root causes of problems; small-step improvement as opposed to big-step improvement. Syn: continuous improvement. See: kaizen.

**Module1: Section F: Reengineering and Continuous Improvement**

**Term**  
kaizen

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**Definition**

The Japanese term for improvement; refers to continuing improvement involving everyone-managers and workers. In manufacturing, [this] relates to finding and eliminating waste in machinery, labor, or production methods. See: continuous process improvement.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

cost of poor quality

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**Definition**

The costs associated with performing a task incorrectly and/or generating unacceptable output. These costs would include the costs of nonconformities, inefficient processes, and lost opportunities. See: quality costs.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

plan-do-check-action (PDCA)

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**Definition**

A four-step process for quality improvement. In the first step[...], a plan to effect improvement is developed. In the second step[...], the plan is carried out, preferably on a small scale. In the third step[...], the effects of the plan are observed. In the last step[...], the results are studied to determine what was learned and what can be predicted. [This] cycle is sometimes referred to as the Shewhart cycle (because Walter A. Shewhart discussed the concept in his book, Statistical Method from the Viewpoint of Quality Control) or as the Deming circle (because W. Edwards Deming introduced the concept in Japan and the Japanese subsequently called it the Deming circle). Syn: plan-do-check-act cycle, Shewhart circle of quality, Shewhart cycle. See: Deming circle.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

employee involvement (EI)

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**Definition**

The concept of using the experience, creative energy, and intelligence of all employees by treating them with respect, keeping them informed, and including them and their ideas in decision-making processes appropriate to their areas of expertise. [It] focuses on quality and productivity improvements. Syn: people involvement.

**Module1: Section F: Reengineering  
and Continuous Improvement**
**Term**

employee empowerment

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**Definition**

The practice of giving non-managerial employees the responsibility and the power to make decisions regarding their jobs or tasks. It is associated with the practice of transfer of managerial responsibility to the employee. [This] allows the employee to take on responsibility for tasks normally associated with staff specialists. Examples include allowing the employee to make scheduling, quality, process design, or purchasing decisions.

**Module1: Section F: Reengineering  
and Continuous Improvement****Term**

value stream mapping

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**Definition**

A lean production tool to visually understand the flow of materials from supplier to customer that includes the current process and flow as well as the value-added and non-value-added time of all the process steps. Used to lead to reduction of waste, decrease flow time, and make the process flow more efficient and effective.