



Demand Solutions[®]

DEMAND MANAGEMENT INC.

Inventory Risk

- **The Aim:** Reduce Inventory Levels at the same time as Increasing Customer Service
- Most businesses have a very common problem with inventory.
- Their inventory levels are too high, however they continue to run out of inventory.
- This means that they do not have enough of the products that customers want, but have way too much of the product for which there is less demand.



Too much inventory - RISK

- Risk of product becoming obsolete
- Risk of product passing its expiry date
- High cost of financing stock
- Insufficient warehouse space often resulting in the necessity to rent more space
- Inefficient warehouse operations due to overload



Too little inventory - RISK

- Lost sales & Customer dissatisfaction.
 - This can lead to risk of losing business.
- High cost of emergency transportation.
e.g. airfreight
- Too much effort spent on dealing with shortage problems, rather than positively managing the future.



Forecasting

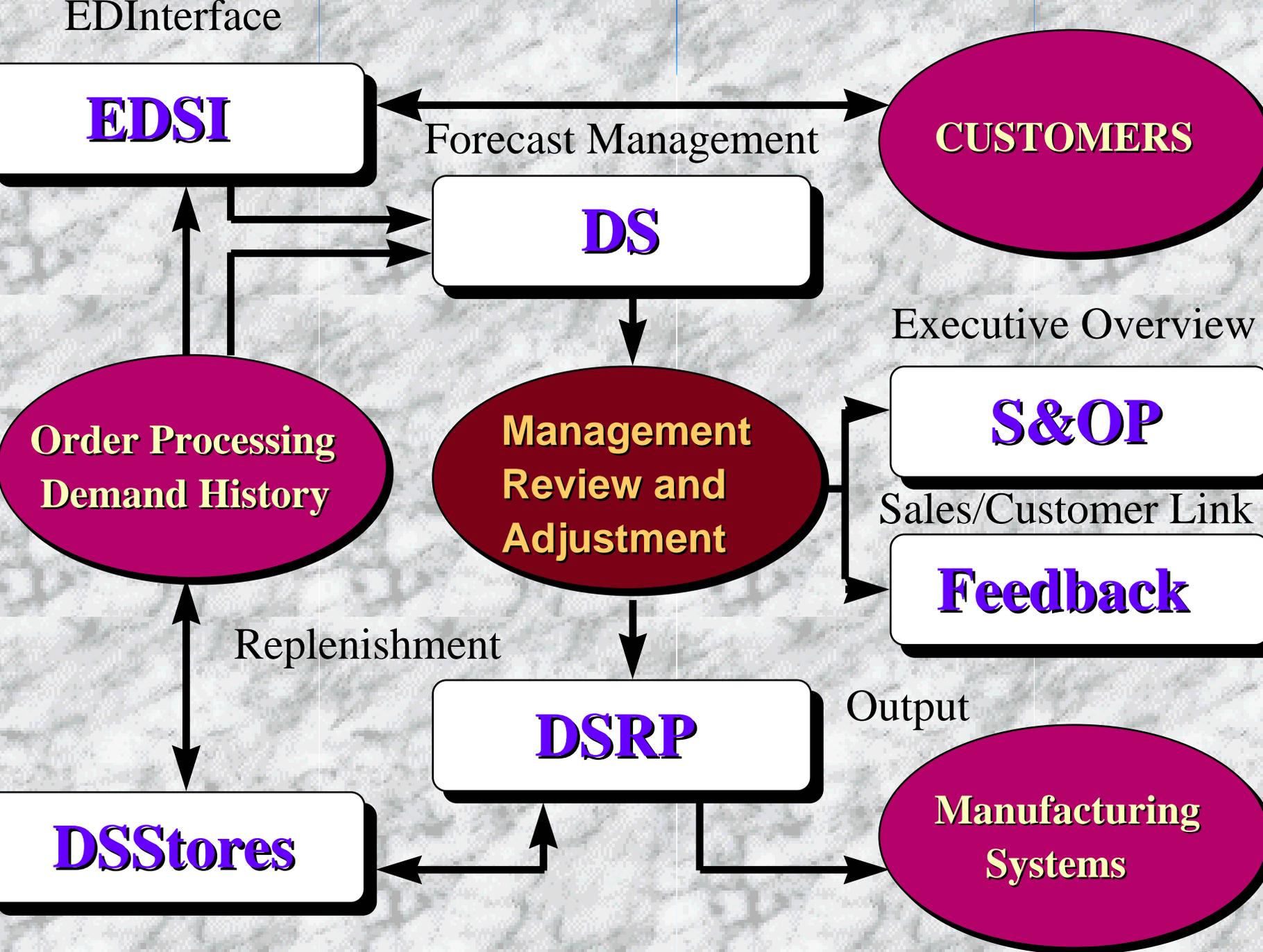
- The FORECAST is the most significant driver of inventory levels as it dynamically processes through the supply chain.
- A high (optimistic) forecast will result in too much inventory.
- A low forecast will result in not enough inventory to satisfy demand.

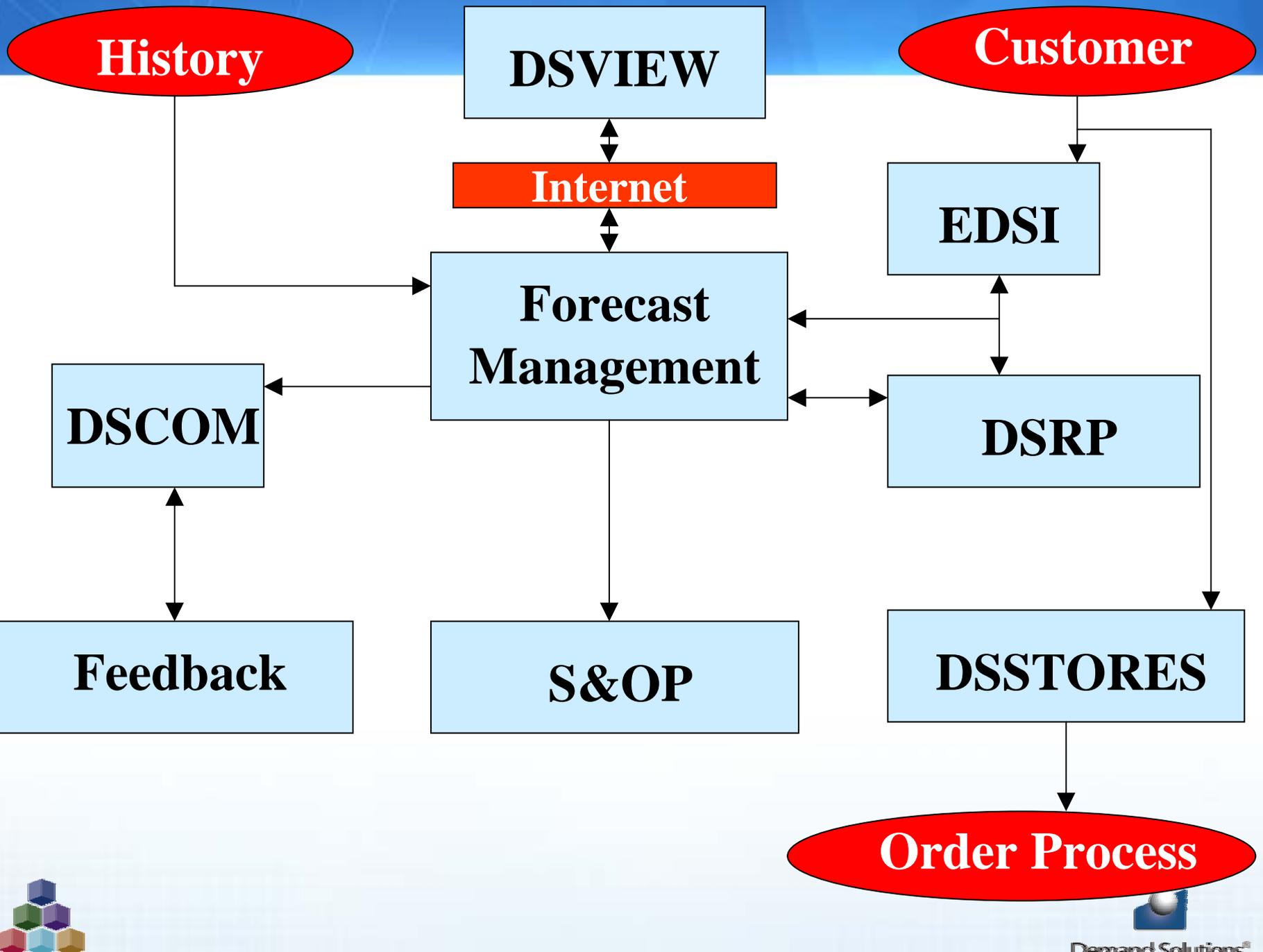


Planning

- The REPLENISHMENT PLAN (planned orders) is the result of applying the forecast to:
- Safety stock policies (company)
- Lot sizes (manufacturing)
- Minimum order quantities (supplier imposed)
- Lead times (demonstrated)







What is Demand Management?

- **Demand Management is the process of co-ordinating of all activities relating to demand for product. These activities include:**
 - Sales
 - Order processing
 - Planning and scheduling
 - Marketing
 - Purchasing/Production
 - Forecasting



- **Visibility**
- **Communications**
- **Flexibility**
- **Manageability**
- **Planning**
- **A process, not an event**



Who is Involved?

- **Field Sales and Sales Management**
- **Order Processing Personnel**
- **Customer Service Personnel**
- **Product Managers**
- **Marketing Managers**
- **Master Schedulers/Production Planners**
- **Top Management**



The Challenge

SUPPLY

DEMAND



Forecasting

- **As close to the source as possible**
- **Involvement of sales and marketing**
- **Performance analysis a must**
- **ABC analysis recommended**
- **Aggregation primarily for review**
- **Provides bottoms up input to financials**



Replenishment Planning

- **Applying planning parameters to the forecast**
- **Reacting to the variability in demand**
- **Optimizing inventory investment**
- **Visibility of the distribution network**
- **Bridge between forecaster and production**



- Collaborative forecasting is the sharing of forecasted requirements between supplier and customer with the goal of achieving a mutually agreeable forecast that will drive a replenishment system.



Consequences of Not Managing Demand

- **Inventory Spirals Upward**
- **Increased Pressure on Production**
- **Quality Declines**
- **Service Level Declines**
- **Less Competitive**
- **Increased Cost Pressure**



What about Management?

- **Commitment**
- **Involvement**
- **Business Plan ?**
- **Information ?**
- **A process ?**



Return on Investment

- **Increased customer service**
- **Reduced inventories**
- **Smoother production**
- **Increased competitiveness**
- **Firm customer partnerships**
- **Excellence in the eyes of the customer**



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Hyundai Motor America:

- **Implemented in 2 months**
- **\$8 million in savings**
- **Reclaimed 125,000 square feet of warehouse space**
- **Fill rates improved to 95%**
- **Dropped Fed-Ex costs by 50%**



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Saab Aircraft:

- **Implemented in 3 months**
- **Reduced inventory by \$6 million**
- **Reduced staff**
- **Improved service levels from 95% to 97%**



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Day Timers:

- **Implemented in 13 weeks**
- **Reduced inventory requirements by 50%**
- **Customer service improved from near 70% to high 90 percentile range**
- **Forecast accuracy improved from 50% to over 90%**



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Lamb-Weston
Xango • ARAMCO
Mr. Gasket Co
Yaskawa Elect
Johnson Comp
Chain Compa
Campbell Hau
Intermatic • Kir
Plastic Product

Ericsson Manufacturing:

- **Implemented in 2 months**
- **Increased annual rate of inventory turns from 4 to 6.5**
- **Increased service levels from 75% to 90 %**



• Bemis Manufacturing Company • Zana Corporation • Phoenix • Huggar • Johnson
Outdoors • Liz Claiborne • Novartis Consumer Health • Piedmont Healthcare Inc • Rawlings
Sporting Goods • Toro Company • Val-Matic Valve & Mfg • Water Pik Technologies Canada •
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