Strategic Inventory Management: Balancing Supply & Demand

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SUPPLY CHAIN CONSORTIUM
Session Scope

This Session Will Focus On:

- Identification of inhibitors to balancing supply and demand
  - Forecasting challenges of the global supply chain
  - Demand/supply integration
- Discussion of participant success stories

*In forecasting, laggards struggle to create the perfect forecast while leaders accept the fact that the forecast will always be wrong and focus on reasonable risk mitigation and profit-optimized contingency planning.*
Forecasting Challenges

Demand Forecasting Is Getting More Difficult

- Shift to demand-driven or “pull” supply chains
- Increasing number and variety of products
- More special events selling
- The big squeeze: stretched global supply networks and customer intolerance of delays
- Vast amounts of data to manage
Demand/Supply Integration

The Demand/Supply Integration Process Is Broken at Many Companies

- No agreed upon forecast
- Forecasting is too infrequent
- Incorrect inventory levels
- Failure to achieve the profit plan
The Demand/Supply Integration Process Is Broken at Many Companies

- Blaming customers for inability to predict sales
- Criticizing supply organization for not having inventory or manufacturing responsiveness when orders do materialize
- Having poor customer service
Solution Portfolio

No “Silver Bullet” Answers

Sales and Operations Planning (S&OP)
- “Holy Grail” of supply chain management
- Profit-based inventory and service level optimization

Collaborative Inventory Management (or CPFR)
- “Plan the customer”
- Diverse forecasting methodologies for products in different stages of the life-cycle
Solution Portfolio

No “Silver Bullet” Answers

Contingency Planning

- Flexible capacity, internal and external
- Postponement principles
- Blended transportation
  - Modes
  - Routes
  - Carriers
- Thoroughly understood cutoff points
- Pre-approved (internal, external) substitutions
- Optimized safety stock
Discussion

Issue 1: Improving Demand Forecasting

- What are one or two key issues associated with the ability to sense demand fluctuations that can adversely impact service and/or inventory levels?

- What are potential strategies or tactics to address them?
Discussion

Issue 2: Improving Demand/Supply Alignment

- Given the three perspectives of people, processes, and tools, what are one or two key issues in each area that must be addressed in order to effectively integrate a demand plan with a supply plan using sales and operation planning (S&OP), and how could this be done?