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CERTIFICATION COURSE

SUPPLY CHAIN ANALYTICS

Developing Supply Chain strategy

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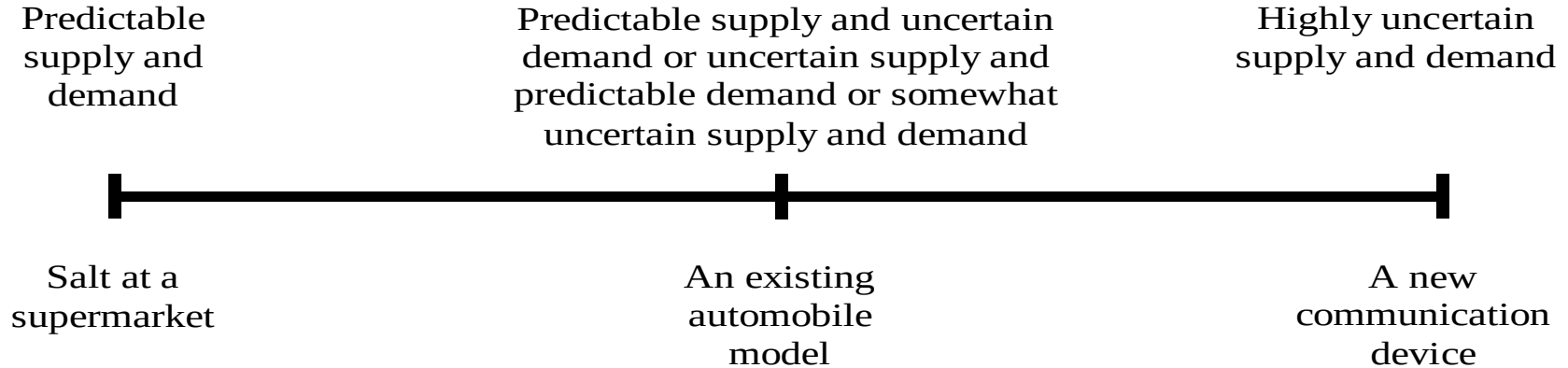


Impact of Customer Needs on Implied Demand Uncertainty

Customer Need	Causes implied demand uncertainty to increase because ...
Range of quantity increases	Wider range of quantity implies greater variance in demand
Lead time decreases	Less time to react to orders
Variety of products required increases	Demand per product becomes more disaggregated
Number of channels increases	Total customer demand is now disaggregated over more channels
Rate of innovation increases	New products tend to have more uncertain demand
Required service level increases	Firm now has to handle unusual surges in demand



Levels of Implied Demand Uncertainty



The Implied Uncertainty (Demand and Supply)

Correlation Between Implied Demand Uncertainty and Other Attributes

Attribute	Low Implied Uncertainty	High Implied Uncertainty
Product margin	Low	High
Avg. forecast error	10%	40%-100%
Avg. stockout rate	1%-2%	10%-40%
Avg. forced season-end markdown	0%	10%-25%



Step 2: Understanding the Supply Chain

- How does the firm best meet demand?
- Dimension describing the supply chain is supply chain responsiveness
- Supply chain responsiveness -- ability to
 - respond to wide ranges of quantities demanded
 - meet short lead times
 - handle a large variety of products
 - build highly innovative products
 - meet a very high service level



Step 2: Understanding the Supply Chain

- There is a cost to achieving responsiveness.
- Supply chain efficiency: cost of making and delivering the product to the customer.
- Increasing responsiveness results in higher costs that lower efficiency.
- Second step to achieving strategic fit is to map the supply chain on the responsiveness spectrum.



THANK YOU

