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Make to Consumption

New alternative for make to forecast

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November 1, 2013

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Emrys/VivaCadena	2001-2007
CMSMontera	2007-2010
ChainBalance	2011-2013

TOC supply chain expert

End to End Supply Chain Strategy, Implementation & Transition

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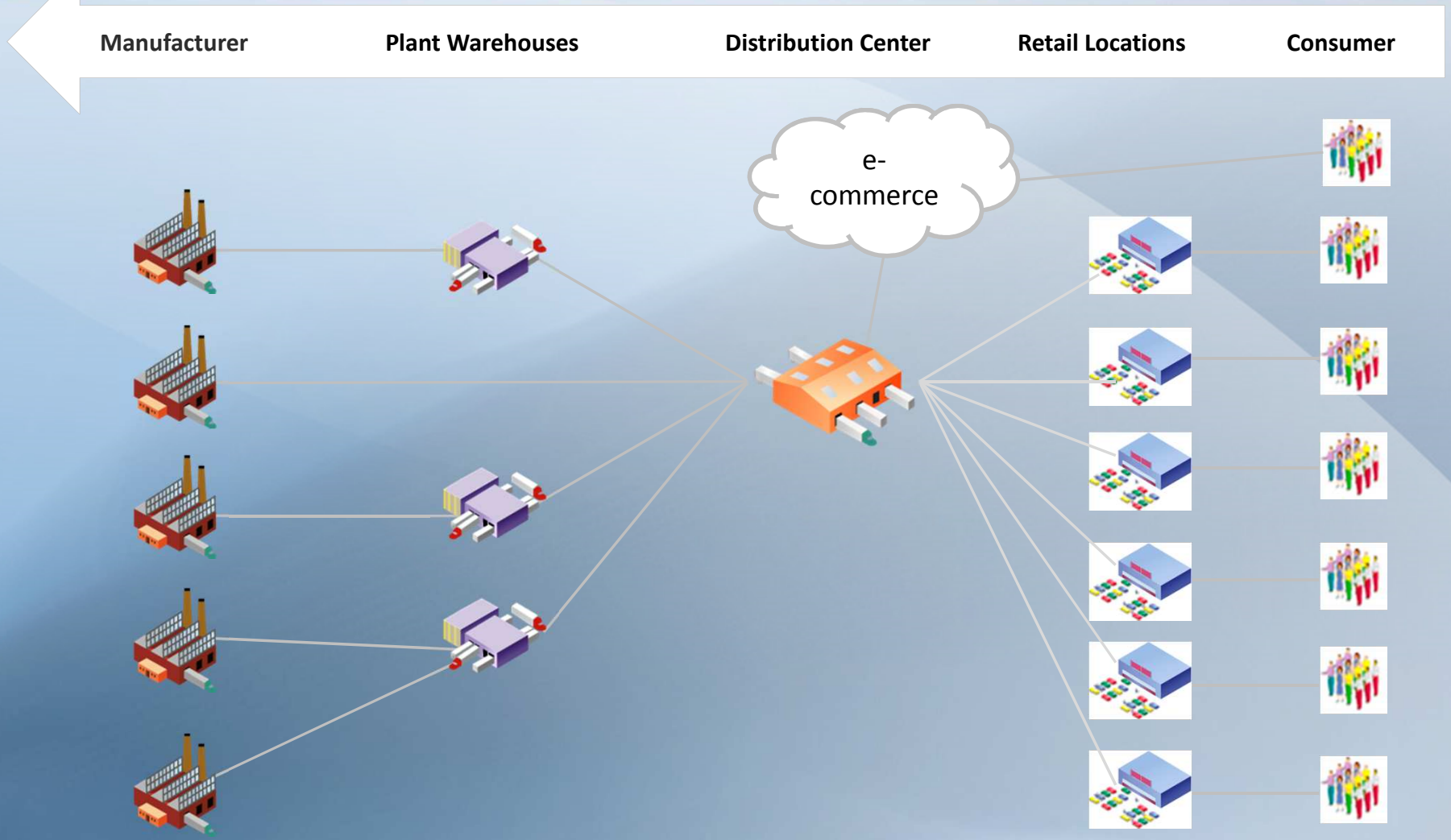
Agenda

- End to End retail supply chain
- Supply Chain concepts
- Make to Consumption
- Benefits
- Pitfalls
- Q&A

End to End Retail Supply Chain



Supply Chain concepts

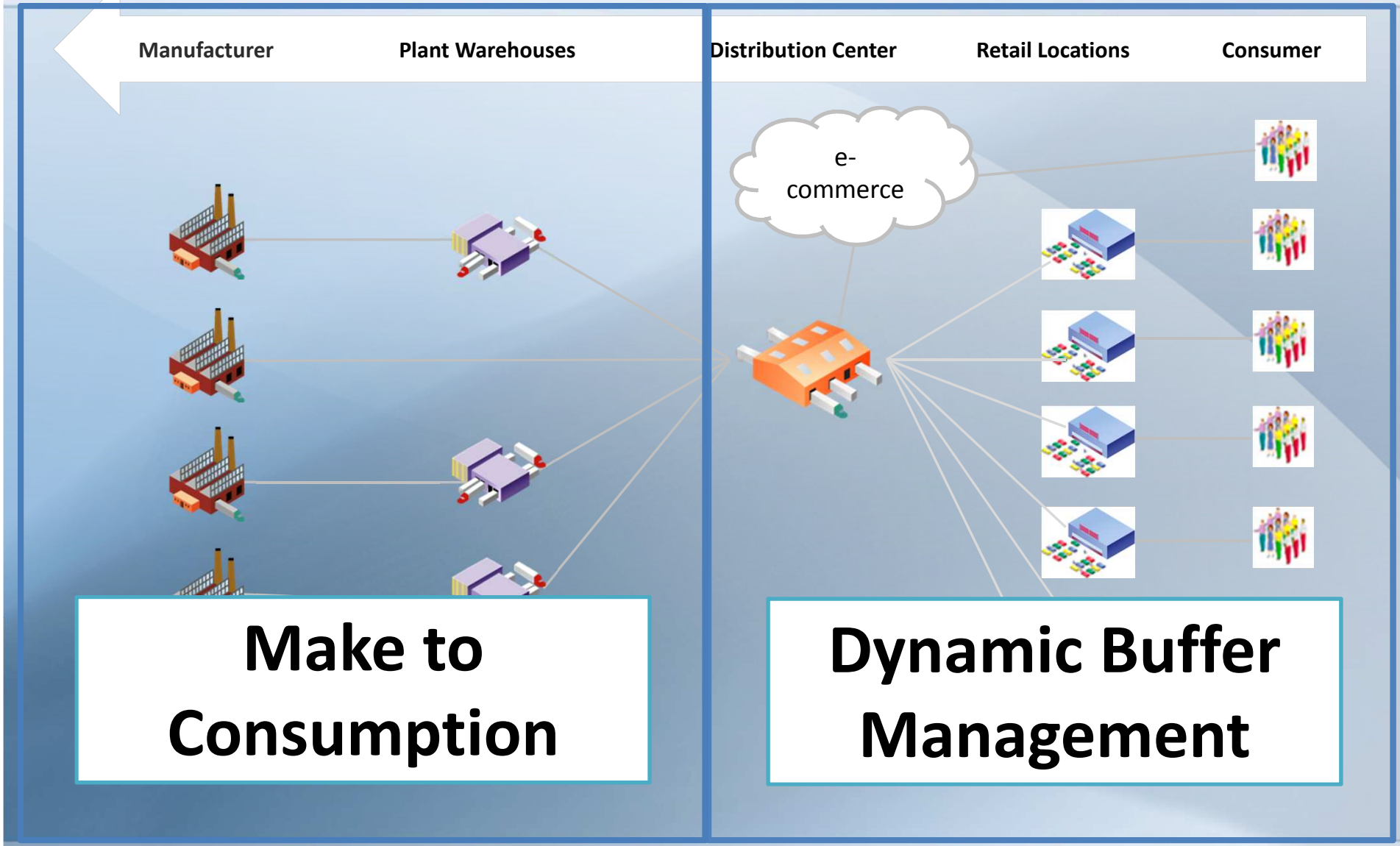
There is no one size fits all

- If we can produce, buy and allocate SKU's based on actual consumer demand, high sell through %* is maximised
- High sell through % drives maximum product profitability in retail
- Aiming for quick response first, will increase the chance of a high sell through

** Sell through % = units sold at full price/units of inventory*

Hierarchy Supply Chain concepts

Supply Chain Segmentation



Let's start with the contract

Root cause overstock

Many suppliers DO NOT wait for call offs
and release contract quantity into production
How can the retailer choke this release?

Direction of solution

STOP using finished good quantities in contract

Make to Consumption

Highlights

- Revise contracts
  - Do not commit to 100% finished product
- Use buffer sizing to determine inventory levels
  - Do not resize too often
- Differentiate between flow & events
  - Use forecasting for events (promotion, initial load, store expansion)
  - Use buffer management to control flow (demand driven pull)

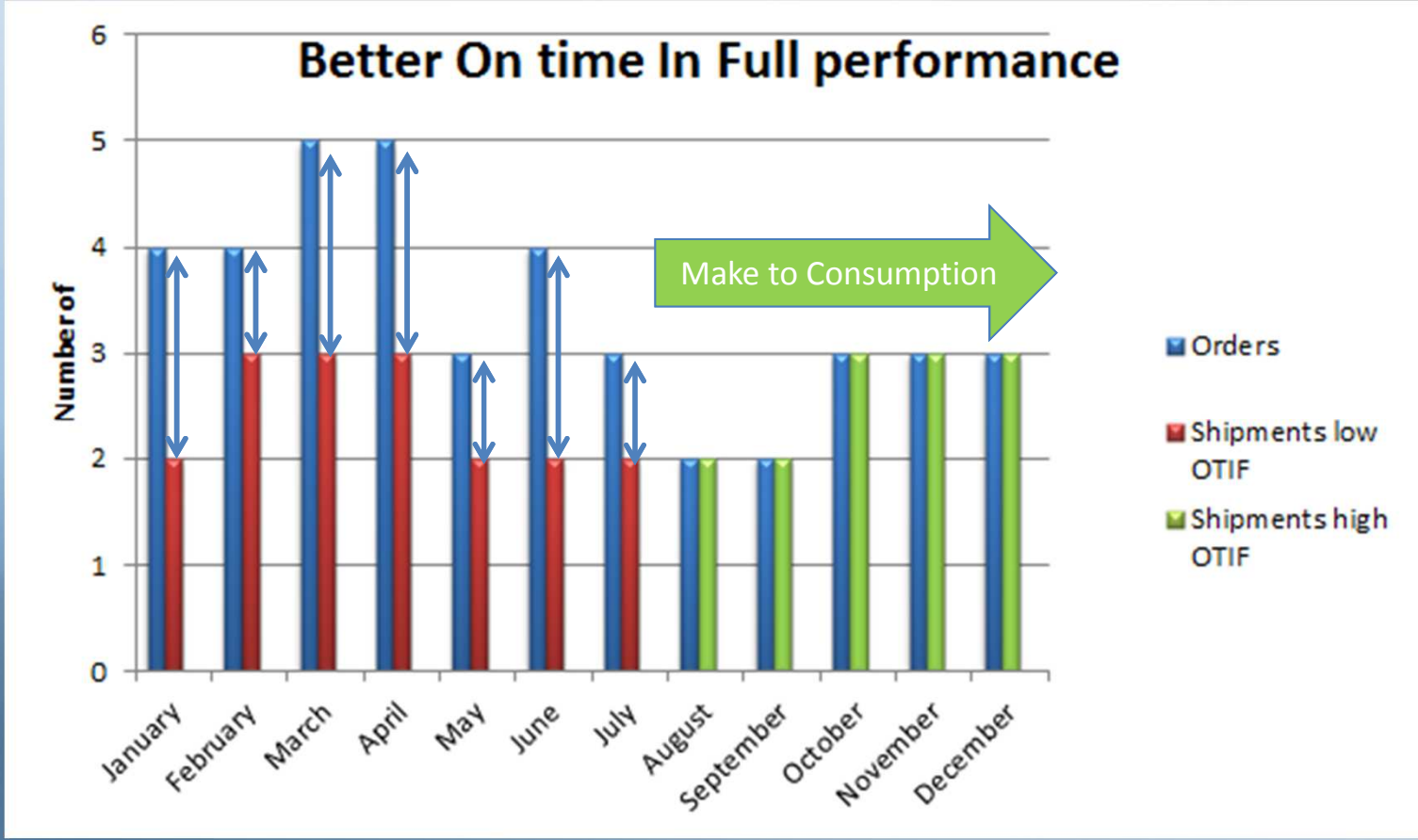
Benefits

Cash savings & sales increase

- Supplier
  - Less Capital employed
  - Steady inventory target for flow orders
  - Longer time to react on big event orders
- Retailer
  - Quicker response to fast movers
  - Less non/slow movers on discount
  - Quicker launch new product in the stores

Benefits

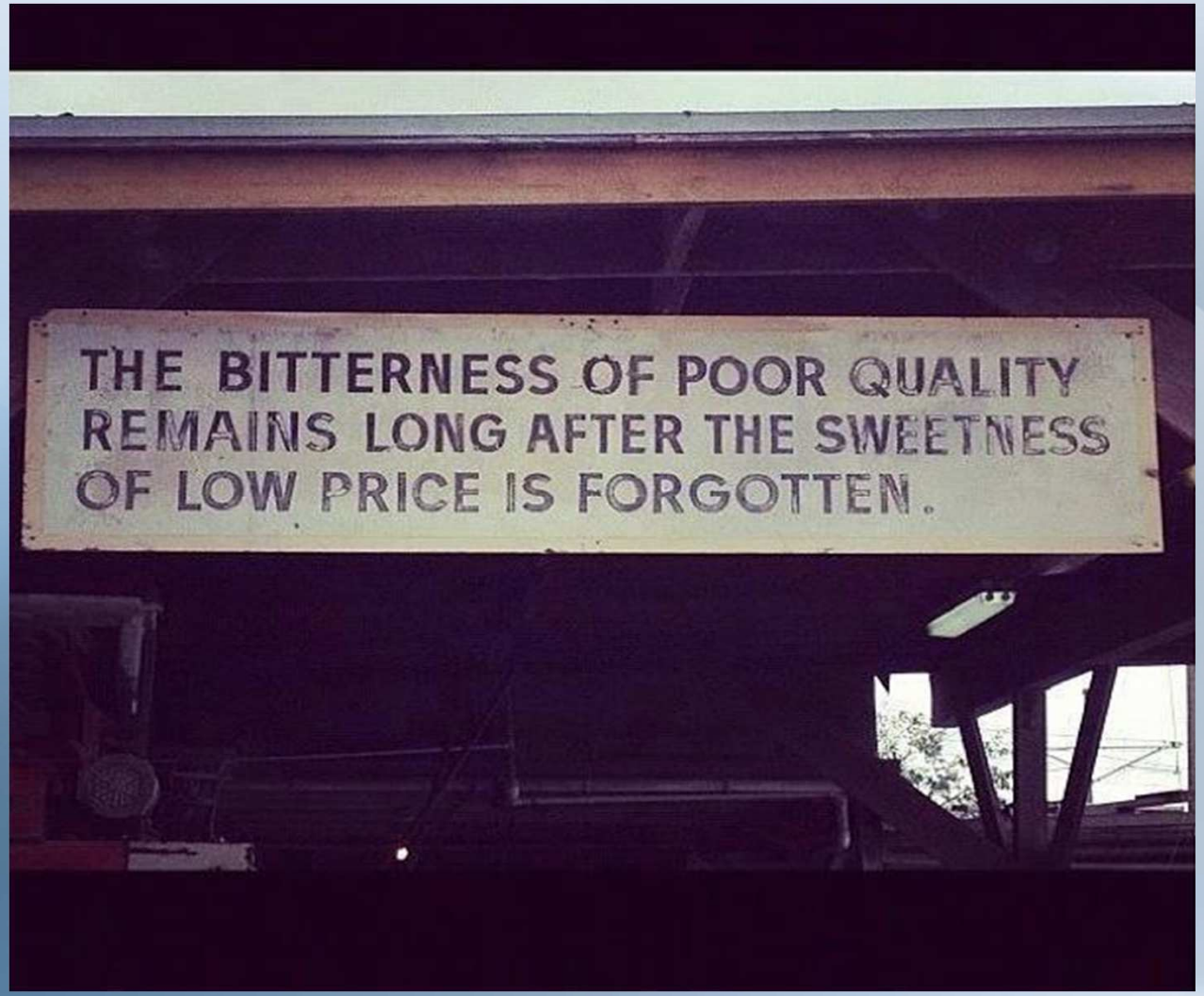
Operational cost reduction



Pitfalls

- Every supply chain starts with a contract between buyer and supplier
  - A contract is used for different purposes. Clear understanding of all drivers is very important
- Too many supply chain limitations are considered to be a given
  - Commercial people underestimate the benefits of tuning logistical parameters like MOQ, pack size, container loads, etc..
- Focus on intake margin will contradict maximising product life cycle sell through
  - Without senior management support it is impossible to change cross functional behaviour (KPI's buying dept. vs. supply chain dept.)

Tell me how you measure me…



Questions

- …