

THE ART AND SCIENCE OF SUPPLY CHAIN PLANNING

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DEMAND PRIORITISATION

- A case study of demand prioritisation
- Customer and product segmentation within our type of demand
- How constraints push you to plan better

Now that we understand to whom and what we are selling, let's set an overall demand prioritisation plan. Let's look at a couple of examples. We have a high-tech company that produces computer processors. It is always looking to be leading-edge releasing new processors periodically. It will put a much higher priority on the release of those new products, regardless of customers buying the old products, because it wants to move the markets.

Meanwhile, we have a service-oriented company, or services, where a high-tech semiconductor producer is selling design services to support customers who will ultimately buy their chips. We want to make sure the customers using those services will get a higher priority. Organisations, depending on the type, will have different priorities.

All customers don't buy all products that are high priority, so we need to balance the segmentation between the two. Organisations must decide what's most important to them.

Additionally, there are different types of demands. A forecast from sales is something in anticipation of an order coming in. A reservation may have a higher priority. We may have service-level agreements that says to a customer we must deliver in a certain amount of time, which says we need to support that definitely. Customer orders are commitments from our customers to deliver product. Internal demand from product engineering is being used to support those new product launches.

“...we want to make sure that those high priority customers get supported first.”




So the plan needs to put everything together. We have customer priorities through segmentation, product priorities through segmentation - the different types of demands as we learned. But now we have to recognise the difference between them - forecast, which is anticipation or more of a plan, is different and a lower priority to a reservation or an order, which is more of a commitment to our customers.

Furthermore, we need to take into account customer and product segmentation within our type of demand. When we're looking at our plan and we're forecasting for both high priority and low priority customers, we want to make sure those high-priority customers get supported first. And that will depend on the organisation. And that's a decision that the organisation needs to make.

We need to know what your corporate objectives are, and your financial goals, in order to define the appropriate prioritisation model. Innovative product companies are going to be focusing more on product, and customer service companies are probably more focused on the customer than the product.

The key thing is finding a model that supports your goals. Without product constraints, we don't need prioritisation. Without prioritisation, everybody's equal, so there is no priority. But constraints regularly occur. We need to know our priorities before they happen. Without prioritisation, our goals are missed and chaos ensues.

Now that we have prioritised the demand, what does that mean to how we commit to our customers and their orders? Let's take a look at it in the next section.



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