

DEMAND MANAGEMENT

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What is Demand Management ?

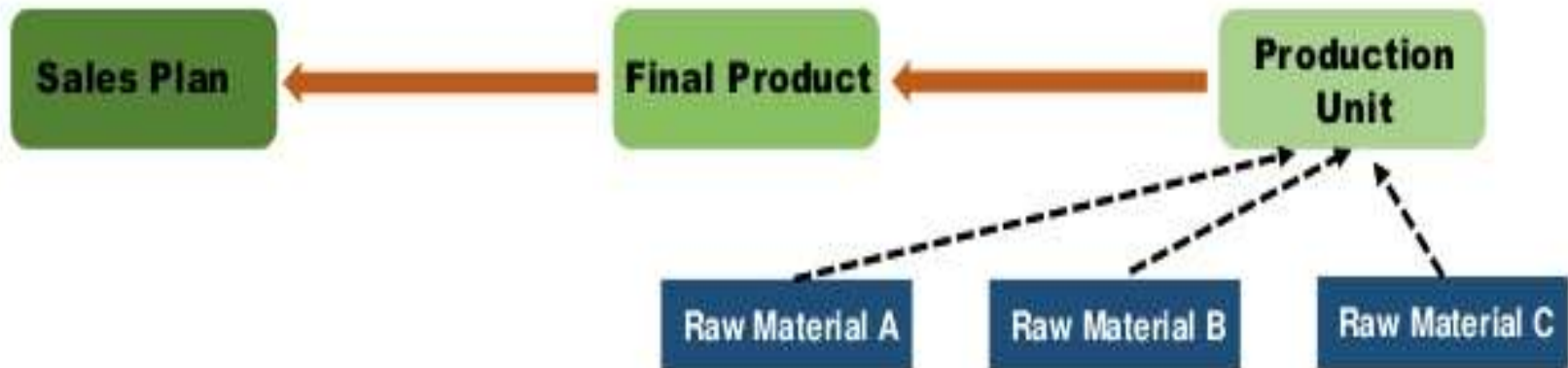


- Demand management is a unified method of controlling and tracking business unit requirements and internal purchasing operations.
- It helps organizations remain engaged in their supplier relationships and related advantages.
- Organizations use demand management systems to address external spending factors, arrange purchase orders and eradicate waste.
- Demand management focuses on the volume of products that are purchased from providers, rather than individual product pricing, in contrast to conventional sourcing initiatives.

- Demand management is also known as consumption management or strategic spend management.
- Demand management begins with an in-depth perception of existing business requirements, historical buying behavior and expected requirement for the service or product sourced by an organization.
- This research includes an assessment of purchase orders, service or product specifications and strategic business plans.

Why is Demand Management needed ?

- ✓ To come up with a manufacturing plan of action – balancing demand and supply.
- ✓ To get a real time image of the quantity of product that needs to be manufactured to meet the supply.
- ✓ Helpful in getting a sales plan accepted and synchronised by all associated units of supply chain.



- ✓ To get an understanding of forecasting the future demand.

Lack of Demand Management

Financial loss in terms of Business.

Underutilisation of company's resources.

Dissatisfied customers and unstable suppliers.

High surge in cost of production.

Earning Opportunities lost in business.

Demand management components

- Goal customer service levels
- New product introductions
- Distribution resource planning
- Customer order entry and promising
- Sales and marketing plans
- Inventory targets
- Product commitments
- Interplant shipments
- Demand forecasting at item and aggregate levels

When applying demand management, key considerations include:

- Available options for volume discounts
- Order timing's impact on pricing
- Whether or not the best suppliers are being utilized
- Precise attention to described contract processes

BENEFITS OF DEMAND MANAGEMENT...

- Control over product availability
- Confidence of sales force in ability to deliver product
- Smoother product introductions
- Improved ability to respond to change
- A single game plan, based on the same set of numbers

ADVANTAGES OF DEMAND MANAGEMENT

- Screens the growth and decline of the quantity of transactions between suppliers
- Monitors all related expenditures
- Illustrates the reasoning behind continuing to strengthen supplier relationships - internally and externally

Types of Demand in Supply Chain

PULL Demand

A demand is known as Pull demand when you receive it straight from your customers. If a customer likes a product, he/she is directly going to go the outlet and ask for the product directly by taking its name.

Example – Customers interested to buy 'X' company's spare parts, directly contact them, specifying which product they want to purchase.

PUSH Demand

A demand is known as Push demand when the product's demand has been created by the efforts of the manufacturers.

Example – Producers of ABC raw materials promote their newly launched spare parts for sale to the distributors.

NEED FOR DEMAND MANAGEMENT IN SUPPLY CHAIN

- Demand management processes help organizations gather valuable insight, agility, and improve the ability to plan and forecast while increasing visibility into customer demands.
- Demand management helps companies improve inventory levels, enhance customer service, optimize trade and promotion planning, and enhance inventory planning.
- Demand Management is far more robust than developing a demand forecast or sales forecast.
- Improper demand forecasting results in more supply chain costs and low margins.