CHAPTER 5

The Demand Management Process

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Overview

Demand management is the supply chain management process that balances the customers' demand with the capabilities of the supply chain.[1] With the right process in place, management can match supply with demand proactively and execute the plan with minimal disruptions. The process is not limited to forecasting. It includes synchronizing supply and demand, increasing flexibility, and reducing variability. In this chapter, we describe the demand management process in detail to show how it can be implemented within a company and managed across firms in the supply chain. We examine the activities of each sub-process; identify the interfaces with corporate functions, processes and firms; and provide examples of successful implementation.

Introduction

A good demand management process can enable a company to be more proactive to anticipated demand, and more reactive to unanticipated demand.

The demand management process includes forecasting demand and synchronizing it with production, procurement, and distribution capabilities. The goal is to meet customer demand in the most effective and efficient way. A good demand management process can enable a company to be more proactive to anticipated demand, and more reactive to unanticipated demand. An important component of demand management is identifying ways to reduce demand variability and finding the right level of operational flexibility. Reducing demand variability aids in consistent planning, which reduces costs and can increase revenue through better product availability. Most customer-driven variability is unavoidable, but managers should try to eliminate practices and policies that increase variability, and introduce ones that foster smooth demand patterns. Increasing flexibility helps the firm respond quickly to events such as promotions, last-minute orders or unanticipated spikes in demand. Another key part of demand management is developing contingency plans to be used when there are interruptions to the operational plans.

[1] This chapter is based on Keely L. Croxton, Douglas M. Lambert, Sebastián J. García-Dastugue and Dale S. Rogers "The Demand Management Process," *The International Journal of Logistics Management*, Vol. 13, No. 2 (2002), pp. 51-66.