



Make to order

If the UK is to be great again post-Brexit, its manufacturing sector will need to be highly competitive on a global basis, including multinationals, SMEs and businesses that make to stock, assemble to order and make to order.

All companies should desire to make to order. The only reason that companies choose strategies of assemble to order and make to stock is the relationship between end-to-end supply chain lead-times and market lead-time expectation. We call this: *Where do you meet the customer?* – see Figure 1.

'The only reason companies choose strategies of assemble to order and make to stock is the relationship between end-to-end supply chain lead-times and market lead-time expectation.'

If you fit in the assemble to order or make to order space on this spectrum, the issue of needing to balance supply and demand exists just as much as it does for the make to stock environment. Consequently, the need for an integrated business planning process (sales and operations planning) and a forecast across at least a two-year horizon still exists. The difference is only that the forecast might not be and probably cannot be at a finished goods end item level; it will be most likely at a family group or capacity level. Master supply planning and material requirements planning are still required to enable effective capacity planning and effective visibility for material suppliers. Again, the difference is in the level of detail, not the need to have best practice master supply planning, material planning and production scheduling processes.

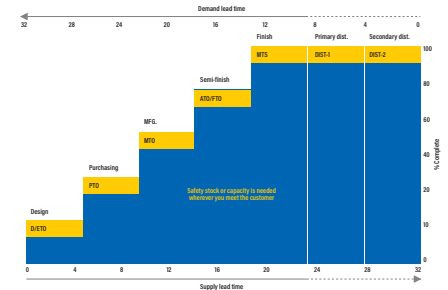
In a make to order environment, customer service is not managed through levels of

finished goods inventory and safety stock, but rather is managed through customer lead-time and some safety or strategic stock. In a make to order environment, why should customer lead-times increase when we are busy and reduce when business is poor? What is important is that we understand the lead-time expected by the market and then manage the balance of supply and demand in order to achieve or better that market expectation. The key objective of the integrated business planning process would therefore be to ensure medium to long-term supply planning enables the customer lead-time objectives to be achieved. Consequently a medium to long-term forecast would be essential – see Figure 2. If this planning is effective, the ability to execute to order and achieve high levels of customer service based on market expectations.

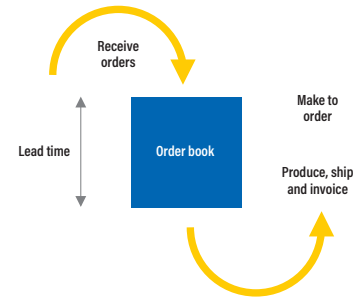
One final thought about lead-time reminds me of the old story of two guys trekking in Yellowstone Park. They turn a corner and there is a grizzly bear blocking the trail. They stop, slowly turn around and then one of them takes a pair of running shoes out of his back pack. The other one says: 'What are you doing? You'll never outrun a grizzly bear.' To which his friend replies: 'I don't have to; I just need to outrun you!'

In other words, we just have to be better than the competition. ☹

'In a make to order environment, why should customer lead-times increase when we are busy and reduce when business is poor?'



Where do you meet the customer?
Figure 1



Managing customer service through the order book
Figure 2



Dave Manning

Managing Director,
D M Integration Ltd.

☎ 07866 313033

✉ dave.manning@dmintegration.co.uk