

The Demand Management Process

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Overview

Demand management is the supply chain management process that balances the customers' requirements 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; evaluate the interfaces with corporate functions, processes and firms; and provide examples of successful implementation.

Introduction

The demand management process is concerned with balancing the customers' requirements with the capabilities of the supply chain. This includes forecasting demand and synchronizing it with production, procurement, and distribution capabilities. 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 finding ways to reduce demand variability and improve operational flexibility. Reducing demand variability aids in consistent planning and reduces costs. Increasing flexibility helps the firm respond quickly to internal and external events. Most customer-driven variability is unavoidable, but one of the goals of demand management is to eliminate management practices that increase variability, and to introduce policies that foster smooth demand patterns. Another key part of demand management is developing and executing contingency plans when there are interruptions to the operational plans. The goal of demand management is to

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