

SEA SUPPLIER SUMMIT November 12, 2009

Topic: Forecasting Visibility

Customer

- provides adequate supplier requirements, but then the requirements change affecting information provided to supplier
- NG CPS is built around P.O.s in place having a recurring 24 week lead time (LT)

Supplier

- Forecast is a wedge to get lower prices for quantity discounts but there is no price guarantee from the customer

Customer

- Will pay more for a guaranteed price

Customer

- Has a 60% spend with suppliers

Supplier

- Source inspection LT causes delayed shipments
- Shelf life management
- Forecasting and LTA's are not mutually exclusive
- Use customer usage files to forecast customer procurement patterns

Moderator

- What would it look like if all of our products had a shelf life?

Customer

- It is a genuine issue about who's got the inventory – how can suppliers help solve the problem
- Mid-tiers do not have a solid forecasting method – reducing LT is key
- Need to go forward with orders without a P.O.
- There is no solid commitment with suppliers on forecasted items even if they take on the risk

Supplier

- How do you share information with suppliers to mitigate LT issues
- Should suppliers take on more risk if there is no order guarantee from the customer
- What about reliability of material availability related to LT forecast

Customer

- Need to do combined planning and risk management
- Customers have rapid communication informing supplier as changes occurs which helps to mitigate the risk
- A new process for UCAV – selected design supplier for machining brought in early with the design team that has greatly improved LT – this suggestion came from the supplier

Supplier

- Forecasting starts with the supplier business model – assume zero set-up time for set-ups on most products – example – Sidewinder missile used to take 24 weeks LT, now it takes 4-5 days and continue to improve the process - assuming not having all the facts from the customer – at the same time pricing 20% below other suppliers
- Must consider the mindset of the workforce relative to increasing product velocity – speed is the “killer app.”
- Challenges are when the supplier has not defined a business strategy mixing producing spares with taking on production projects

Customer

- Forecasting is generally generated by the ERP system.

Supplier

- If you can make parts quicker with zero set-up time, many problems related to forecasting go away – nothing like speed

Customer

- Work with buyers to effectively communicate and plan orders

Supplier

- Supply chain integration forecast for the following year is always false
- Clerk that issues P.O.s does not work based on forecast
- People doing that job for the prime is counting on job security
- Why can't forecasting software flag changes to the forecast
- Taking risks along with no firm customer commitments could cause a small supplier to go out of business

Supplier

- Forecasting is not as important to a job shop – being flexible mitigates forecasting issues
- Need to make calculated decisions to terminate customers who are not aligned with your business strategy
- Usually the customer will address problems by saying to speak with the buyer about specific problems – that will not happen – buyers don't have the bandwidth to solve problems
- 100% OTD and zero PPM are attractive to customers to mitigate risk
- Customers who do advance work on production processes with suppliers usually win
- Example – Embraer brought in suppliers early before customer orders were received
- Example – Pratt & Whitney worked with suppliers on LT issues for the PW600 business jet engine
- Transparency is a two-way issue between buyer and supplier

Supplier

- How do we speed up internally when the economy speeds up
- Use a simulation process to make both internal and external process changes
 - internal – production and production related processes
 - external – supplier processes

Customer

- Programs in trouble with cost and schedule will be cut by the customer

Summary

- There seems to be a consensus that customers who work on their supply chain processes before they arrive at an order are doing better.
- 100% on-time and zero PPM are becoming the given for market entry
- Lead time is becoming the greatest competitive challenge
- It became apparent during the conference that better forecasting accuracy is not the issue at all....but rather the changes in customer environment and demands from the ultimate user will make forecasting accuracy the wrong issue. Suppliers will have to develop the ability to delivery quantity one with perfect quality and delivery – and with those capabilities, forecast accuracy will no longer be a concern.

Next steps

- Create a national agenda for important issues around customer supplier collaboration
- Further define issues and agenda
- Go out and approach customers/AIA to elevate the discussion
- Make forecasting irrelevant