
Product Marketing and Supply Chain: Working Together to Maximize Bottom Line Results

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The Challenge: Matching Supply and Demand



- ❑ So whose fault is it – marketing (PMM) or supply chain management (SCM)??
- ❑ Matching supply and demand is particularly challenging for technology products because of:
 - » Long lead times with short product life cycles
 - » High levels of demand uncertainty
 - » Substantial over- and under- stocking costs
 - » High service level expectations by customer

The role of PMMs and SCMs

PMM

DEMAND GENERATION

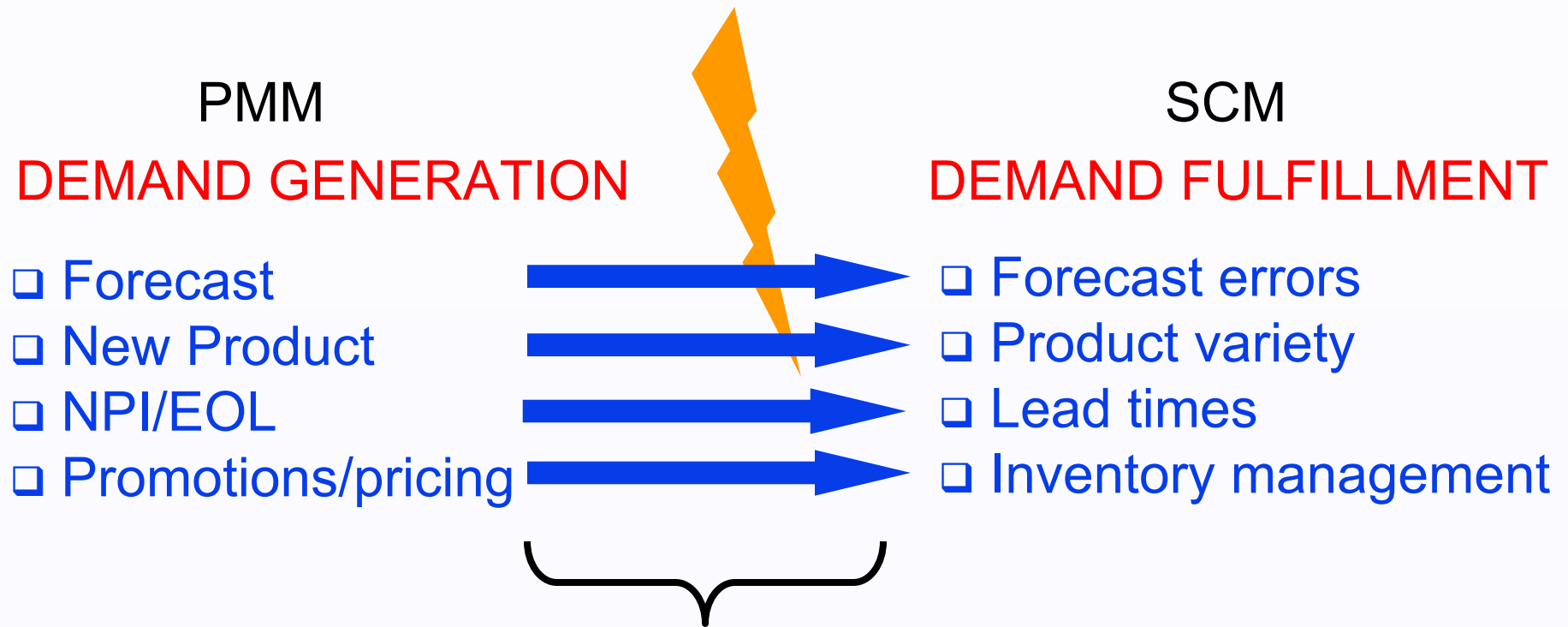
- ❑ Product conception
- ❑ Product demand forecasting
- ❑ Go-to-market strategy
 - » Product launch
 - » Promotions/pricing
- ❑ EOL management

SCM

DEMAND FULFILLMENT

- ❑ SC Network optimization
- ❑ Strategic partnerships
- ❑ Sourcing (make vs buy)
- ❑ Inventory management
- ❑ Capacity planning
- ❑ Logistics & distribution

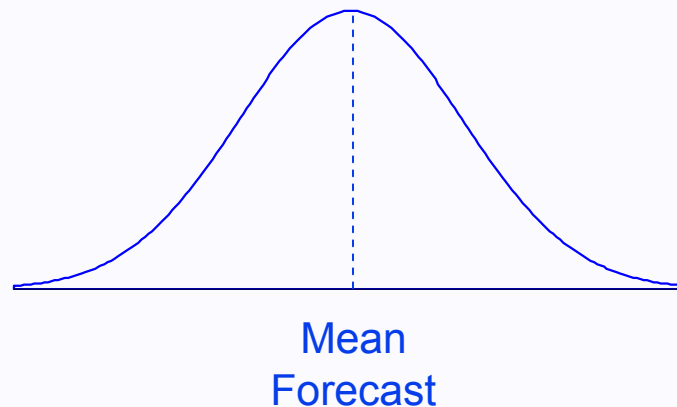
PMMs are from Mars, SCMs are from Venus



WHAT IS THE LINKAGE
BETWEEN DECISIONS MADE
BY PMMs AND SCMs?

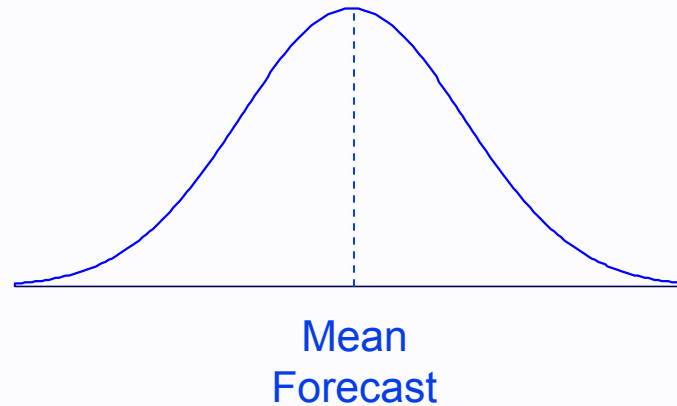
Demand forecasting

- WHY should you forecast?
 - » Forecasts are needed because of lead times
 - » Your forecast depends on WHEN you forecast
 - 6 month forecast \neq 3 month forecast \neq 1 month forecast
 - » WHAT you forecast depends on WHO you are forecasting for
 - Contract manufacturer: Aggregate vs sku
 - Logistics: Aggregate vs sku vs by country (shipping lanes)
- Form of the forecast
 - » Point forecast vs range/distribution

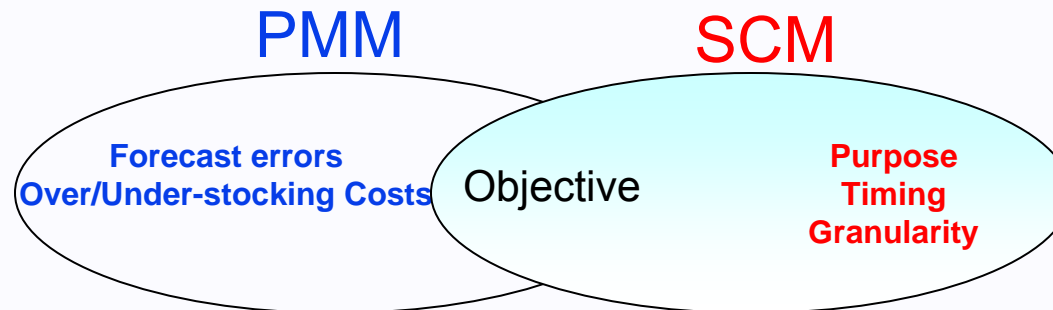


PMM forecast \rightarrow SCM production quantity

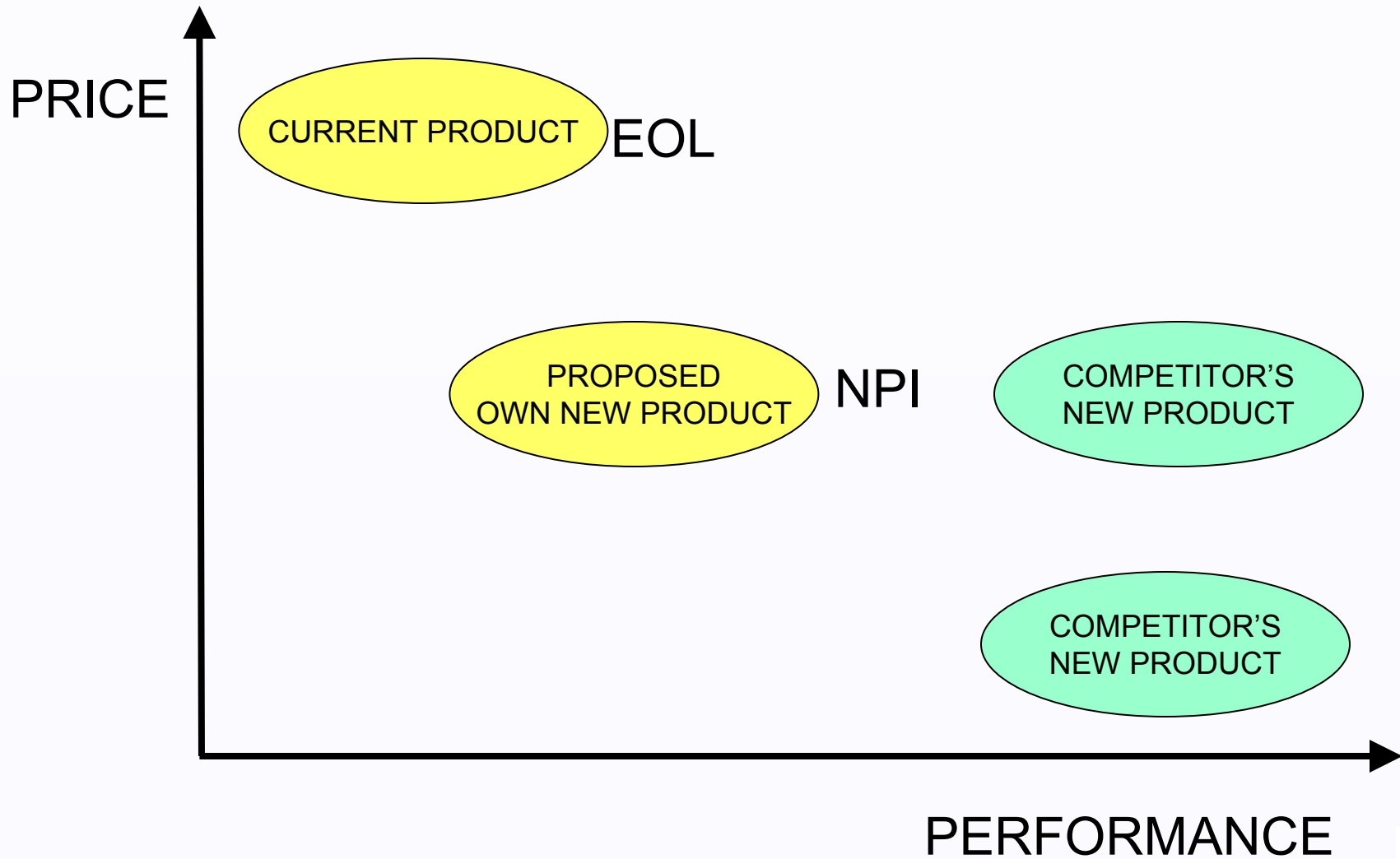
Demand forecasting



- Determining the optimal production quantity requires a clear understanding of
 - » Objectives (Profit maximization? Market share maximization? Cost minimization?)
 - » Financial parameters (e.g., over/under stocking costs)



Managing NPI/EOL



What happens to your supply chain when

- The forecast is lowered?
- Prices are lowered?

- What are some of the other levers at your disposal to better manage the NPI/EOL dynamics?

Levers for managing EOL/NPI

PM strategies

Sluggish demand

- ❑ Pricing/promotions
- ❑ Encourage life-time buys
- ❑ Delay NPI date
- ❑ Delay EOL date
- ❑ Create incentives to pull demand from other products
- ❑ Bundling with other products and services
 - » Warranties, delivery

Excess demand

- ❑ Divert demand to other products/up sell
- ❑ Pull in EOL date
- ❑ Pull in NPI date

SC strategies

- ❑ Cannibalize lower level inventory for other products
- ❑ Cannibalize manufacturing capacity for other products
- ❑ FGI rebalancing

Product conception



- ❑ The most significant SC impact of new products is product proliferation
- ❑ Examples
 - » CPG: How many skus of toothpaste at the local grocery store?
 - » Apparel: # skus/style at GAP?
 - » PC: How many options does Dell offer per model?

IS MORE VARIETY BETTER?

PMM



SCM



Product conception

□ The right question to ask

» Is your supply chain ready to offer variety in a cost effective manner?

- Dell

- Dell Direct + BTO = Customization

- Zara

- Vertical Integration + Flexible SC + PMM/SCM communication
= Fast Fashion

Zara

□ Zara

- » Spanish retailer (competes with Gap, H&M, Next and Mango)
- » Approx. 300 stores (25k skus)
- » Final design to sales cycle time: 22-30 DAYS !!
 - 1 day for design
 - 3-8 for manufacturing
 - 1 day for shipping
 - 17- 20 days for selling



Some specific tactical recommendations for PMMs

1. Set clear, measurable objectives, communicate to SCM, secure buy-in
2. Establish strong working relationships with your SCM and understand their capabilities and constraints
3. Be proactive in communicating with SCM
 - » Include SCM in forecast meetings
 - » Include SCM in pricing/promotions meetings
 - » Include SCM in product development teams
4. Quantify forecast errors
 - » Forecast range (distributions) rather than point estimate
5. Understand forecast granularity and timing requirements
 - » By sku
 - » Family
 - » Aggregate
 - » 6 mo/ 3 mo/ 1 mo