

UNCONSTRAINED VS CONSTRAINED DEMAND PLAN

CONTRIBUTOR



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It has long been understood that the demand plan should be based upon the principal of unconstrained demand plans – that is, unconstrained from a supply perspective and not a market perspective.

The complete unconstrained demand plan is entered into the company's forecasting tool. If this is then constrained by supply or engineering the constrained elements of the demand plan are marked as inactive. The business is then managed against the active (constrained) forecast/demand plan through the IBP process until the constraints have been addressed, at which point the inactive forecasts will be activated.

This then enables a what-if scenario exercise to happen at least once a month (typically in preparation for the IBP demand review) to activate the inactive forecasts to create an unconstrained view before returning to the inactive view and the constrained view. This innovative approach maintains the principals of:

- Using one set of numbers (constrained demand) through the process
- Maintaining visibility of the unconstrained demand
- Enabling what-if and scenario planning

This is a very innovative way of creating a leading-edge approach to unconstrained demand management and visibility. ☹

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If the demand is subsequently constrained in the integrated business planning supply or engineering review, then, in keeping with the principal of one set of numbers, the demand plan should be the constrained plan. If this is the case, a key factor is not to lose sight of the unconstrained demand plan, because if demand is constrained for long enough then the constrained demand will become the unconstrained, because customers will find alternative solutions.

Maintaining these two demand plan lines has always been a challenge and systems have traditionally not been very helpful in supporting this requirement. David Smith, Head of Commercial at one of my clients, has come up with a very simple but innovative way of enabling the continued visibility of the unconstrained demand, while managing the business against the constrained demand plan.

^ Integrated business planning is a process for translating desired business outcomes into financial and operational resource requirements



^ The demand plan should be the constrained plan