Supply Method

for external supplier

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Supply Method for external supplier

Clarify the role of CPM/ RS/ PLS/ Supplier

Standardize the rules of forecast/ CPT booking in function of the Supply Method

Define the responsibilities of each one for each Supply Method

Avoid misunderstanding between the parties.

ABBREVIATION

- **CPM** – Customer Procurement Manager (the person who decide globally where to produce each model)
- **RS** – Retail Supplier (the person who manages globally the demand)
- **PLS** – Production Leader Supply (the person who manages locally forecast/ orders/ capacity,…)
- **CAC** – Continental Warehouse (such as CAC ST Martin, CAC Shanghai,…)
- **CAR** - Regional warehouse (which is near to stores)
- **CBA** – Component Bought in Advance
- **CPT** – Component
- **MOQ** – Minimum Order Quantity

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How to choose the supply methods
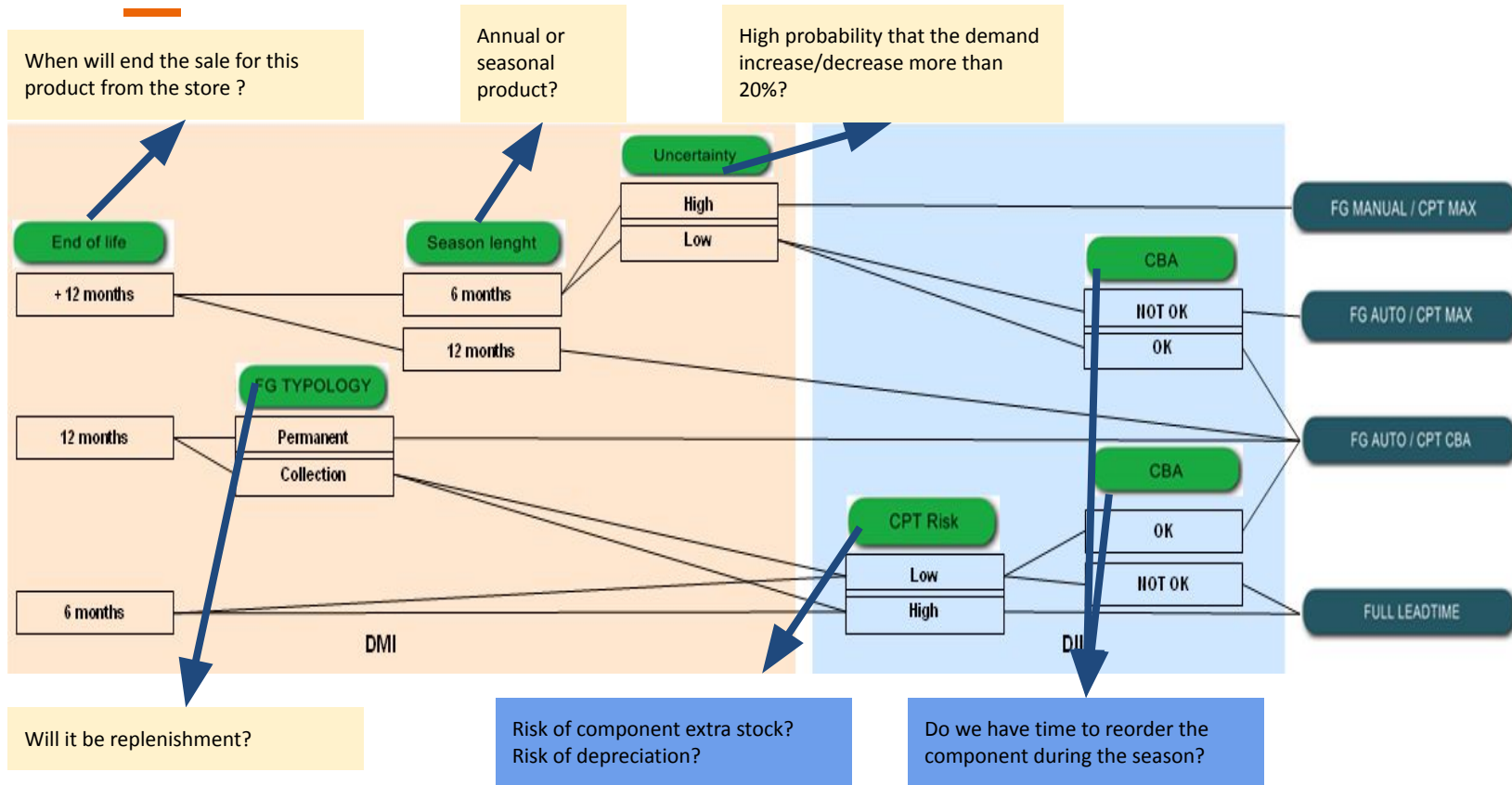
Standard supply methods (in brief)

Component Max: DPP or supplier purchase the component to cover to the season demand + uncertainty

Component Bought in Advance (CBA): DPP or supplier purchase the component based on the forecast, step by step, based the cpt LT and the security expected

Full LT: DPP or supplier purchase the component based on the firm FG order received.

Supply methods decision tree

When will end the sale for this product from the store ?

Annual or seasonal product?

High probability that the demand increase/decrease more than 20%?

Will it be replenishment?

Risk of component extra stock?
Risk of depreciation?

Do we have time to reorder the component during the season?
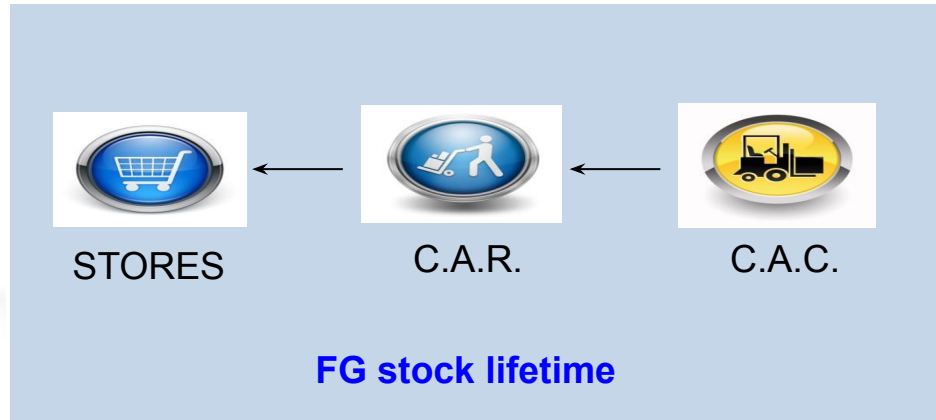
Supply methods are set based on the input from the "Sport" and from the "Supplier"

PROCESS PHYSICAL FLOW

Supplier replenishment LT

Raw material supplier

Raw material supplier replenishment LT

A days

B days

Component supplier

Cpt supplier replenishment LT

C days

D days

FG supplier

FG Supplier replenishment LT

E days

F days

STORES

C.A.R.

C.A.C.

FG stock lifetime

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FULL Leadtime

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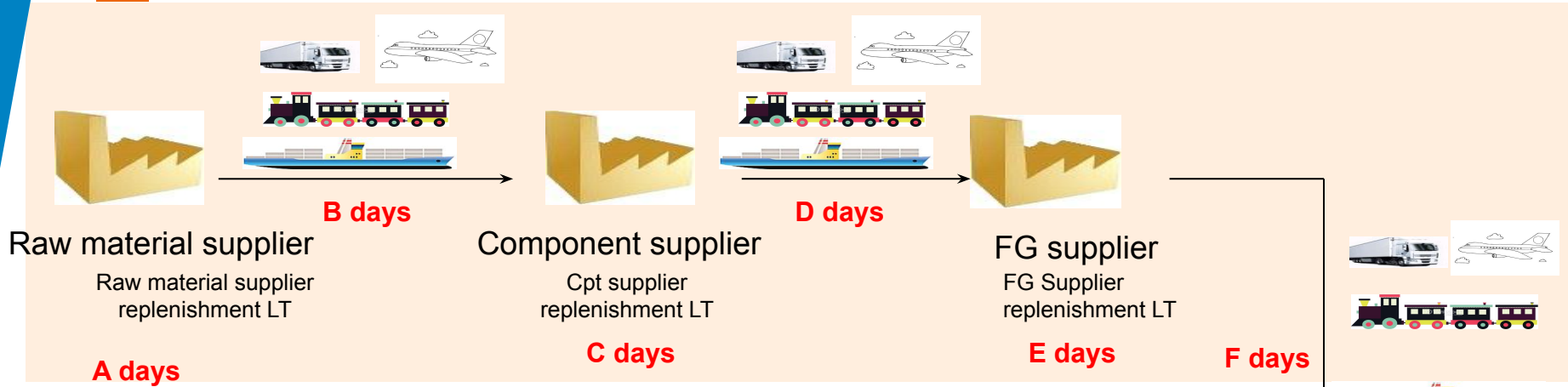
Lead-time calculation

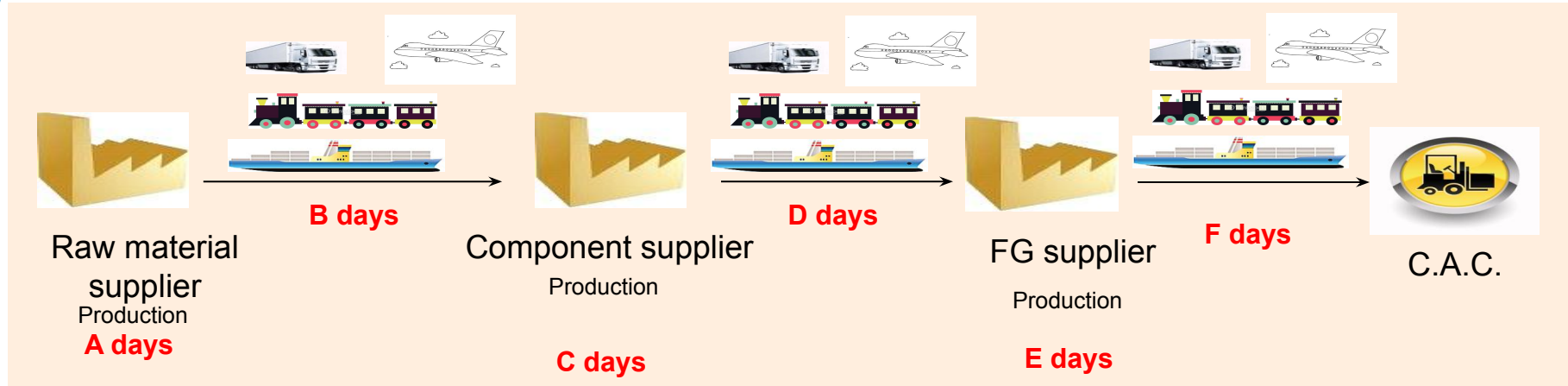- **The raw material in the BOM are permanents or common to many customers (we 'll consider raw material is available)**

FULL LT = B days + C days + D days + E days + F days

- **The components are specifics and we have no visibility on the long term needs (we won't consider raw material are not available).**

FULL LT = A days + B days + C days + D days + E days + F days

The longest LT in the BOM (accessories included) is the one considered to calculate Full LT of the Finished Goods
If cpt MOQ > FG MOQ, Compo MOQ must be taken in consideration

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FULL LEADTIME

CPM / RS / PLS / Supplier actions

Selection

RS communicate the selection results to CPM

CPM communicate selection results to SPL, and SPL to communicate it to Supplier

RS /CPM /SPL/ Supplier validate the supply method in S&OP

RS creates implantation orders

SPL/ Supplier orders the components of the BOM to produce all firm orders

SPL/Supplier update FG LT & MOQ in system, and RS update FG LT and MOQ in APO

Implantation

SPL/ Supplier orders the components of the BOM to produce replenishment orders created

Impossible if no Raw material stock available

Automatic orders are created **respecting MOQ and LT**; if there is need and it is possible to produce them.

End of the season

* If you have specific components which have very long LT, it's possible to have a commitment from CPM & RS

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CPT MAX

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Lead-time calculation

FG supplier

Production

E days

F days

C.A.C.
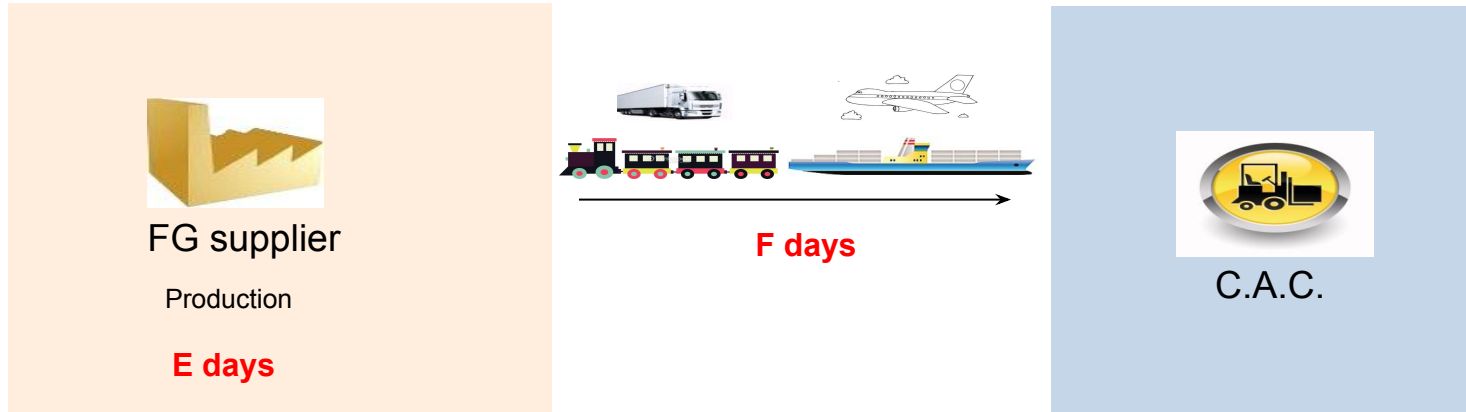
LT = E days + F days

* This LT is valid for quantities up to uncertainty max+

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CPT MAX

CPM / RS / PLS/ Supplier actions

Selection

RS communicate the selection results to CPM

CPM communicate selection results to SPL, and SPL to communicate it to Supplier

RS/ CPM/ SPL/ Supplier validate the supply method

SPL/ Supplier orders 50% of the selection results. Create orders for full BOM in multiple orders matching with MOQ

RS place implantation orders

SPL/ Supplier orders full BOM for all firms orders + full season forecast

SPL/Supplier update FG LT & MOQ in system, and RS update FG LT and MOQ in R3

GO Shipment (of first Implantation order) review the flex for the one component and capacity need to be booked

Implantation

SPL/ Supplier receive components for the flex + of full BOM before Top/Flop

Automatic Replenishment orders are created

End of the season

* If we consume less than the stock ordered, the CPT will stocked until next season.
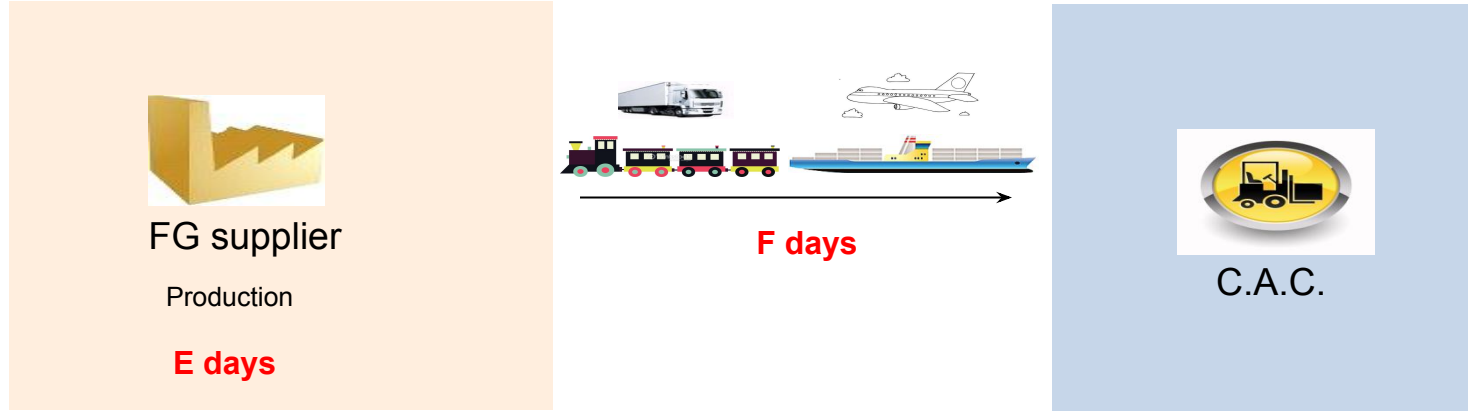*** If total firm orders + forecast are over the uncertainty max, check with the PL*

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CBA

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Lead-time calculation for FG

FG supplier

Production

E days

F days

C.A.C.

.*We consider Raw material is booked up to flex+ for component supplier*

.**LT =** E days + F days

CBA

CPM / RS / PLS/ Supplier action

Selection

Implantation

End of the season

RS communicate the selection results to CPM

CPM communicate selection results to SPL
and the 1st and last replenishment CDD, and SPL to communicate it (CHD) with Supplier

RS/ CPM/ SPL/ Supplier validate the supply method

RS place implantation orders

SPL/ Supplier orders the components of the BOM to produce based on the 'CPT FIRMING HORIZON" and book capacity to produce according to implant + forecast

SPL/Supplier update FG LT & MOQ in system, and RS update FG LT and MOQ in R3

SPL update regularly the forecast to the supplier and check weekly the reliability of the capacity booked and the main component projection

SPL and supplier purchase based on the frequency agreed component and book capacity for additional forecasts agreed in S&OP

Before the end of life , we ask CPM to transform all forecasts in firm orders and check if there's a need to order more components or not
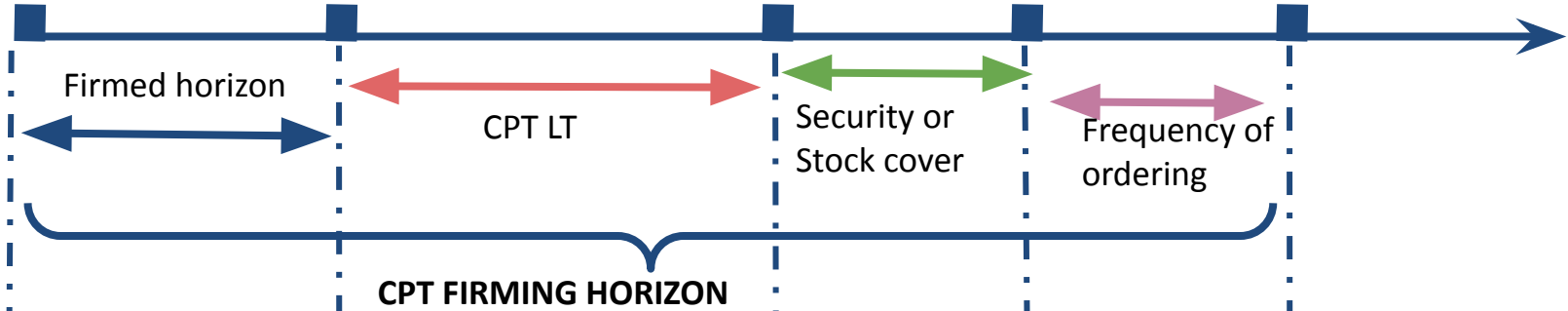
CPT FIRMING HORIZON

Only order on which we must already have the component in house

The soonest I 'll be able to receive cpt order

In order to cover uncertainty of the needs, I purchase xx% of the period needed

I create new cpt order every xxx weeks

Firmed horizon

CPT LT

Security or Stock cover

Frequency of ordering

CPT FIRMING HORIZON

Week	W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	w11	W12	W13	W14	W15	W16	W17	W18	W...
Order	**1000**	**2000**	**1500**	**2000**															
Planned DO					1000	2000	1000	2000	1500	2000	1000	1000	2000	1000	1000	2000	3000	3000	...

TOTAL CPT NEEDS= 22000 FG PCS

CPT FIRMING HORIZON AND MRP LOGIC

Example of MRP Logic

Week	W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	w11	W12	W13	W14	W15
Needs of FG	**1000**	**2000**	**1500**	**2000**	1000	2000	1000	2000	1500	2000	1000	1000	2000	1000	1000
Needs of Cpt 1FG = 3 CPT	**3000**	**6000**	**4500**	**6000**	3000	6000	3000	6000	4500	6000	3000	3000	6000	3000	3000
Planned Delivery			20000		8000			8000							
Projection of the CPT stock Current stock= 15000	12000	6000	21500	15500	20500	14500	11500	13500	9000	3000	0	-3000	-9000	-12000	-15000
New order to create	CPT LT Can't receive any new order during this period					**15000**									

Projected of the CPT stock W(X) = stock W(X-1) - needs W(X) + planned reception W(X)

Net needs = 15000 pcs

CBA FORMALIZATION

CPT FIRMING Horizon=

FG Repl LT

+ Cpt Repl LT*

+ Security** or Stock Cover

+ Frequency of Cpt ordering

(MOQ of component)

* To considered the longest and the main cpt
** Security= % Uncertainty x (CPT Repl LT+ FG Rep LT)

CONCLUSION

- Supply methods are the standardized way of working on cpt management.

- All supply chain actor are aligned on the methods and this way we share risk and benefit in all parts being aware of the constraints of each others

- For CPT MAX and CBA, we are only talking about supply method between FG suppliers and Finishing component suppliers. But the same logic can be apply between component suppliers and raw material component suppliers.

- When a job transfer will be done, it will be easier for the new comer to handle the business in the middle of the season.

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