Sample Answers to In-Text Questions

# Chapter 12: Demand Management and Customer Service

# Discussion Questions

1. Discuss the importance of demand management both from the perspectives of a manufacturing firm and a service organization. What are the five key reasons why demand management is so critical for an organization’s success?

Answer: Examples will vary for different types of companies. The five key reasons for success is it’s a way to track progress, It provides a clear picture of the market dynamics, It helps provide better customer service, It increases supply chain efficiency, It promotes innovation to survive.

1. “If we don’t take care of our customers, someone else will.” Explain the nature of this statement. Why does customer service management matter in the modern, global environment?

Answer: This means that any company that does not provide excellent customer service, risk that customer moving to another supplier. Customer service can be more important than actual product satisfaction, because they are the FACE of the company as far as the customer is concerned.

1. Give examples of long-term, intermediate-term, and short-term decisions made as part of demand planning. Use one manufacturing and one service organization for each example.

Answer: Student examples may vary.

1. How is demand forecasting similar to demand planning, and how is it different?

Answer: They are both tuned to estimating customer demand, but demand forecasting deals more with reacting in the near future, and demand planning looks farther into the future, and plans the basis for satisfying future demands in the long term, similar to long term capacity planning.

1. What are the strengths and weaknesses of a demand forecasting system? What limitations to the systems must we be aware of?

Answer: A strength can be if the system results in a high accuracy. Forecasts are always somewhat inaccurate. A weakness is if the forecast error is high. That is why the accuracy level is tracked to see if it is improving, or declining, and changes must be made. Limitations of the system can be affording good software, very volatile demand, without a pattern, new product forecasting because lack of historical data.

1. What is collaborative forecasting, and why is it so important in demand management?

Answer: Collaborative forecasting means not surprising your suppliers with orders, but enhancing integration by sharing data periodically, so your supplier is not always guessing what you will order.

1. What are the four steps to managing demand effectively?

Answer: (a) use point-of-sale (POS) data, (b) increase the frequency of forecasting so forecasts can be evaluated more often against actual demand to determine forecasting errors, (c) collaborate and share timely information with their supply chain partners, and (d) coordinate their internal demand management activities.

1. How does global demand volatility affect an organization’s upstream and downstream suppliers? Use a grocery store as an example.

Answer: Global suppliers have more difficulty in responding to changes, because of time and distance concerns, materials may be in route, and not cancellable, or able to be increased. Due to the bullwhip effect the demands on global suppliers, are already somewhat jerky, and hard to comply with. Grocery store examples may vary.

1. Why can postponement be an effective demand management strategy? How does it work for a service firm? A manufacturer?

Answer: Postponement can preclude a company from predicting exact end items to have available. Instead they forecast components or modules, and await customer orders for the exact features. This reduces the need for end item mix accuracy. Examples may vary.

1. How does services demand management operate? Why is it so critical for service organizations? (Hint: use the concept of “capacity constrained” in your response.)

Answer: Managing demand for a service business hinges on the ability to calculate service capacity, and using capacity effectively. That capacity, which is largely labor, must be available ahead of when the customer walks in the door. If they don’t manage this capacity well, the customer may not be happy, all other things being equal.

1. What does “customer service” mean to you?

Answer: Examples will vary.

1. What are the four supply chain dimensions of customer service?

Answer: Customer service dimension within the supply chain are cycle times, order time consistency, reliability, communication with the customer, and making the product or service convenient to the customer.

1. Service recovery success hinges on two elements. What are they?

Answer: Service recovery is fixing a service problem that does not meet customer expectations. Success hinges on two factors; the severity of the failure, and the strength of the relationship with the customer. The solution must take those factors into account.

# Critical Thinking Exercises

1. Why is demand planning difficult in high-tech companies? What are the consequences of the lack of an effective demand-planning process in such companies?

Answer: Examples will vary. High tech products change so often, products have short life cycles, and new products are harder to forecast with little history, etc.

1. Visit a local bank in your neighborhood. Interview the manager of that bank, and write a report on the demand-planning process used by the bank.

Answer: Examples will vary.