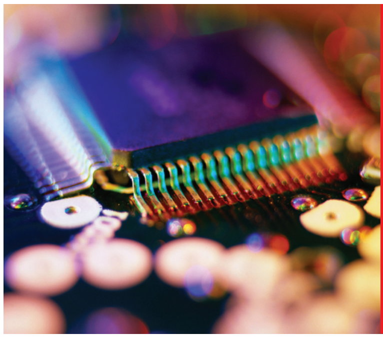
INFORMATION-DRIVEN ENTERPRISE

JD Edwards EnterpriseOne Supply Management



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Integrate functions.
Inform people.
Improve your bottom line.

INFORMATION-DRIVEN ENTERPRISE

Leaders evaluate business processes first—then consider technology and software. They make deep process improvements to cut manual steps, redundant data entry, and multiple interfaces. They focus on competitive advantage and customer service. And they bring these business processes online in real time.

Building a real-time enterprise begins with digitization of business processes for consistent results based on best practices. You connect customers, suppliers, partners, and employees. You integrate across locations, functions, and departments. You break down silos of information to create a single system of record. And when people, processes, and data run in real time, you improve your bottom line.

Managing Volatility, Increasing Responsiveness

This process brief discusses the implications of the demand-driven model for Oracle's JD Edwards EnterpriseOne Supply Management (SM), emphasizing the changing role of the buyer in each phase of the SM lifecycle.

Rather than filling a warehouse and trying to create demand, many organizations are finding that it's more efficient and profitable to respond to demand as it occurs. Supply chains everywhere are undergoing a quiet revolution as they make the transition from inventory-centric practices and build-to-stock methods to leaner, make-to-order environments.

This responsiveness means rethinking supplier relationships, however. Companies need more than a loose confederation of available suppliers. They need a responsive, strategic network that can respond instantly to market volatility. They need better coordination within the enterprise and better collaboration with supply chain partners. They need to increase the availability and visibility of critical information with strategic suppliers who share their priorities.

Companies that have the ability to respond instantly to customer requirements and market changes are called "demand-driven enterprises." They time the procurement of materials, expertise, and effort to accommodate customer demand. They realize improved cash flow and profitability by minimizing inventory investments. They endeavor to build only what they sell and continually trim wasted time and materials from their supply chain interactions.

Supply Management in the Demand-Driven World

What does the demand-driven model mean for customers, suppliers, and buyers?

The Customer's Perspective

In an uncertain economic climate, businesses tend to withhold orders until the last minute to minimize their exposure. At the same time, customers expect increasing levels of service and responsiveness. With easy access to a worldwide network of manufacturers and suppliers, they can often find what they need, when they need it, under terms and conditions they specify. This ability drives manufacturers and suppliers to adopt lean principles and demand-driven methods to ensure real-time responsiveness and remain competitive.

The Supplier's Perspective

To keep pace with intensifying customer demand and market volatility, suppliers are more open to forging strategic relationships with their manufacturing and distribution partners. They recognize that efficiency within the four walls of their respective businesses isn't enough. By streamlining processes, they share with supply chain partners, they can create exponentially more value than by acting alone.

The Buyer's Perspective

At the intersection of customer demand and supplier availability, the buyer has to balance the competing imperatives of ensuring a secure supply, reducing inventory levels, and building efficient shared processes with suppliers. In the demand-driven world, buyers not only help speed the transition of supplier materials into finished goods for the customer, they also act as information brokers that improve supply chain visibility for all parties.

The Buyer's Role: The Eye of the Storm

In the demand-driven model, the buyer's responsibilities change dramatically. Beyond simply finding the right materials and services at the best price, buyers play a critical part in improving the flow of information and materials throughout the supply chain. They facilitate the transition to "pull" or consumption-based replenishment models. They transform supplier contacts into a strategic network of collaborating partners. They ensure the security of supply while optimizing the enterprise's investment in materials and services. In other words, the buyer's top priority becomes managing volatility by improving responsiveness within the organization and throughout the supply chain.

Trimming Supply Side Lead Times

One of the buyer's primary responsibilities in a demand-driven environment is to establish more efficient replenishment methods. The inherent unpredictability of customer demand means that organizations need the supply infrastructure in place—both partnerships and processes—that will enable quicker response to spikes in demand.

Reducing Inventory Investment

Buyers are under increasing pressure to reduce inventory levels. In the demand-driven enterprise, inventories should ebb and flow with the changes in customer demand. The buyer's job is to maintain optimum cash flow by investing in materials and services when needed, as needed.

Preventing Shortages

In addition to the sheer cost of disrupting production, critical shortages can damage existing customer relationships and significantly weaken market credibility. Buyers have the obligation to ensure sufficient inventory to avoid missing revenue opportunity, despite fluctuating demand.

Improving Supplier Performance

As organizations trim their supplier rosters down to their most strategic relationships, buyers demand better performance from their chosen suppliers. From the customer's perspective, the supplier's performance reflects on the buying organization's performance. Buyers want the assurance that suppliers will meet or exceed established targets.

Plan

To achieve the efficiencies of the demand-driven model, organizations must forge strategic relationships with suppliers. They need suppliers who can help them improve responsiveness and control material costs.

By using JD Edwards EnterpriseOne Spend Mart, a buyer can review historical purchasing information from throughout the enterprise. JD Edwards EnterpriseOne Strategic Network Optimization tools also help qualify suppliers based on their proximity to key manufacturing sites and customer locations to devise a supply network that is precisely tuned to their forecasts.

We integrate robust supply chain management (SCM) capabilities to develop an optimal supply chain. Sophisticated demand planning and network optimization tools support strategic supply imperatives such as geographic location and allocation decisions. Up-to-date performance information on a supplier's quality, delivery, and service compliance enables better strategic supply decisions. With JD Edwards EnterpriseOne Demand Consensus capabilities, suppliers can participate in the long-term demand input to ensure the best available forecast.

The classic SM lifecycle describes the discrete phases of the buyer/supplier relationship. In the demand-driven model, buyers and suppliers perform the same lifecycle activities they always have. They face increased urgency to address customer demand in real time, however, which compresses the timeline between the various lifecycle phases.

Demand-driven concepts and practices help companies make the leap from traditional "push" methods and make-to-stock models to more efficient "pull" models and make-to-order practices.

Design

By redefining product design by using the concepts of the demand-driven enterprise, organizations can realize increased efficiencies throughout the production process.

As the organization translates customer demand into product design, the buyer assumes greater responsibility in ensuring the feasibility of the product. An incompatibility between product design and sourced components often leads to quality problems and production slowdowns. By rethinking the design phase and opening the engineering process to suppliers, the buyer can help circumvent quality issues that delay the manufacturing process.

With SM, buyers can give suppliers direct access to engineering specifications and manufacturing bills of material. Likewise, suppliers can add attachments to engineering change orders at both the assembly and component levels to notify the manufacturer of any component-specific requirements or design limitations. Armed with a better understanding of customer requirements and product specifications, suppliers deliver higher quality components. In turn, manufacturers spend less time redesigning products and sourcing alternate components—shortening the time it takes to get the end product to the customer.

By improving supplier participation in the design phase, SM delivers the best possible marriage of design and production. The results are quicker design cycles, higher quality, and increased customer satisfaction.

Source

The planning and design phases give the buyer the strategic foundation needed to forge partnerships with key suppliers. In the sourcing phase, buyers use their understanding of historic spend, supplier performance, and forecasted demand to determine which specific suppliers offer the best combination of capacity, location, and performance.

SM streamlines the process of soliciting bids from the preferred supplier network. Buyers and suppliers can conduct the bidding dialogue electronically, eliminating the inherent delays caused by exchanging voice, fax, and email messages. In addition to analyzing supplier bids based on price, the system also allows buyers to evaluate "best value" scenarios and perform what-if analyses to assess the supplier's capability to manage supply chain volatility.

The system then scores bids based on historical supplier performance and generates recommendations. With the resulting information, buyers can direct the procurement spend to the most qualified suppliers.

Engage

Demand-driven processes require synchronized action among supply chain partners. The various parties within the supply network must think and act as one to trim latency from shared processes and address emerging crises. This level of coordination, however, requires supply chain partners to provide one another with simplified access to critical forecast, inventory, order, and customer information as it evolves.

SM enables two-way communication between buyers and suppliers to build consensus on priorities and plans of action. JD Edwards EnterpriseOne Buyer Workspace features alert-based messaging capabilities that improve the buyer's ability to manage by exception. Buyers can address those specific situations that need immediate attention while they monitor ongoing supplier activity. Alert capabilities include:

- Proactive Alerts. Buyers can monitor potential bottlenecks, slowdowns, and shortages and take the appropriate corrective action.

- Reactive Alerts. When inventory or capacity dips below predefined tolerance levels, the system immediately notifies the buyer. For example, when safety stocks or VMI levels drop below established thresholds, the buyer can inform the supplier of the problem.

- Execution Alerts. The buyer receives ongoing notification of events such as shipment updates and kanban releases to ensure smoothly flowing business processes.

- Information Alerts. Buyers and suppliers can exchange messages on market conditions, customer requests, and inventory levels, when needed, as needed.

Suppliers also need visibility into the organization's day-to-day activities. To provide the best service and best response to customer demand, they need the latest information on processes and events. JD Edwards EnterpriseOne Supplier Self Service gives suppliers simplified, web-based access to relevant data on replenishment strategies. Information available to the supplier includes:

- Planned forecast requirements
- Purchase order detail
- Configured direct ship orders
- Project purchase orders
- Kanban releases
- Buyer-owned inventory detail
- Supplier-owned inventory detail
- Minimum and maximum targets for vendor-managed inventory

Suppliers are able to communicate advanced ship notices and purchase order acknowledgements back to the supplier. They can also use the JD Edwards EnterpriseOne Supplier Self Service portal to signify their commitments to forecast plans and specify an agreed-on commitment window.

JD Edwards EnterpriseOne Supplier Self Service provides procurement information that is critical to the established replenishment methods, including forecast plans, configured purchase orders, and inventory specific to the respective supplier. The ongoing exchange of information can significantly improve store level in-stocks, inventory turns, and forecast accuracy. It also increases the efficiency of shared processes, which translates directly into higher profitability, optimized inventory investment, and better cash flow for all parties.

Procure

For the demand-driven organization, the streamlined flow of information between trading partners translates into the efficient movement of materials and services from the supplier to the buyer. SM automates the procurement process to ensure that the organization has what it needs, exactly when it needs it.

SM features capabilities to transform traditional requisition into a more efficient "pull" process that supports kanban, multitier kanban, and other automatic replenishment models. Buyers and suppliers have the real-time inventory visibility to collaborate on pay-on-consumption processes that drastically reduce the bureaucracy and invoice traffic between businesses while improving the availability of materials and services.

By moving the everyday procurement traffic online, buyers and suppliers eliminate much of the paper-based administrative overhead that can slow the procurement process. Both parties can review the following procurement details online, helping minimize disputes and improving overall collaboration:

- Requisitions
- Change orders
- Purchase orders
- Contracts
- Shipment receipts

The procurement phase is also the source of information that can help buyers when defining commodity and supplier strategies. SM captures a comprehensive audit trail of historical data on raw materials, goods, and services that can shed light on long-term supplier agreements. The buyer also gets a more detailed view of costs, including freight, duty, and setup charges, that can go unnoticed when qualifying suppliers and analyzing initial bids.

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Settle

Despite its prosaic reputation, the settlement process represents another set of buyer-supplier interactions that can be automated to support the demand-driven model. When a buyer confirms shipment delivery, that confirmation signals the supplier to begin the invoicing process.

Suppliers can monitor payment status and relevant accounts payable information online. With functionality for evaluated receipts processing, buyers can also combine multiple receipts into single invoices covering multiple shipments.

Both buyers and suppliers have online access to the full range of information they need throughout the invoicing process, eliminating the traffic of phone calls and faxes between businesses to verify amounts and check payment statuses.

Analyze

Weathering the volatility of unpredictable markets requires constant monitoring of supply chain conditions. Buyers need a clear picture of supplier performance and the historical perspective that can help refine supplier and commodity strategies. Oracle's JD Edwards EnterpriseOne Supply Management offers the performance analytics and management tools that highlight the inefficiencies, hidden costs, and historical trends that can go unnoticed in the day-to-day exchange of information and materials with key suppliers.

Spend and procurement analytics clarify the extent and makeup of a company's current spend, with analysis of supplier spend by category, purchase price variance, and supplier performance. Buyers can review how the company compares to its industry peers through key performance indicators available on the JD Edwards EnterpriseOne Buyer Workspace portal. Buyers can also closely monitor real-time supplier performance to assess whether chosen strategic suppliers are performing as expected. The available information helps buyers be more proactive in controlling shortages and improving the percentage of on-time deliveries. They can accurately assess whether their supplier and commodity strategies are delivering the expected savings and efficiencies.

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