

## Sport Obermeyer Prep

Wednesday, November 1, 2006

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### Situation

- Short-lifecycle products
- Highly unpredictable demand
- Speculative vs. reactive production capacity
- Risk-based production sequencing
- Probabilistic Forecast
- Stockouts & markdowns are unsatisfactory alternatives

*Eddie Bauer*

**L.L.Bean**



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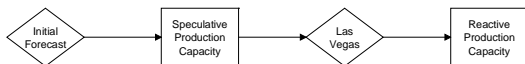
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How should Wally think about how much should he order in November?



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How should Wally think about how much should he order in November?

What is meant by "risk"?  
How do you plan for early production quantities?

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The Zipper Design for Manufacturing Issue

To what degree should designers be asked to justify the use of a variety of zippers?  
Are there ways to think about this?

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You've identified constraints in the last class

If Wally wants to improve his ability to produce what the market wants, which of these would you recommend he address?

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### Situation

- Short-lifecycle products
- Highly unpredictable demand
- Speculative vs. reactive production capacity
- Risk-based production sequencing
- Probabilistic Forecast
- Stockouts & markdowns are unsatisfactory alternatives
- Long lead times
- Large lot order sizes
- Global supply chain
- Uneven quality
- Information staleness
- Reactive capacity

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What can we change to reduce costs of mismatched supply and demand?

- How does quick response capabilities add value?

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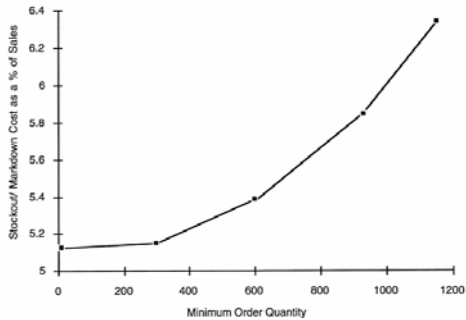
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### Effect of minimum order on Stockout Costs



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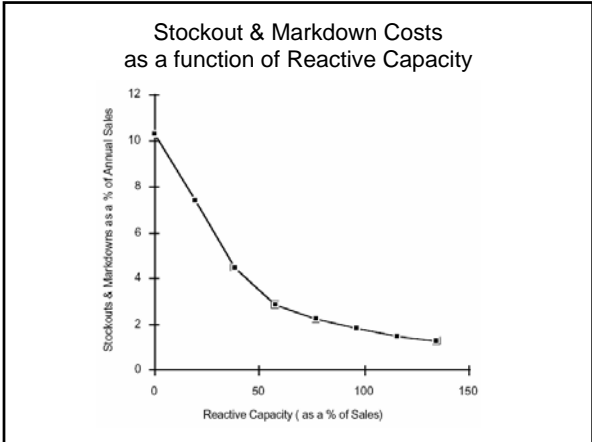
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**What** can we change to reduce costs of mismatched supply and demand?

- How else can we enhance quick response capabilities or increase capacity?
  - Decrease lead times
  - Obtain info earlier
  - Move to smaller lot sizes

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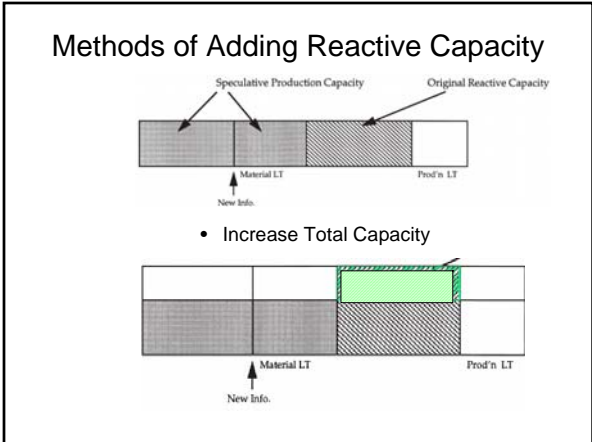
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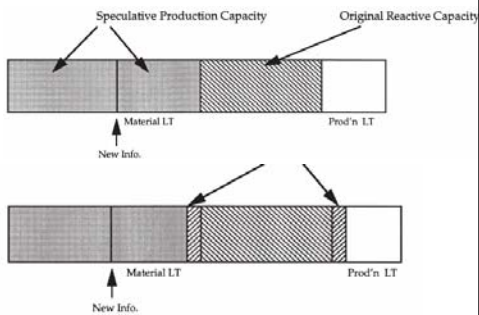
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### Decreasing Lead Times and Reactive Capacity




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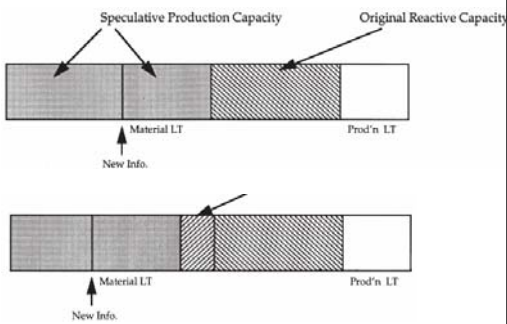
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### Obtain Info Earlier




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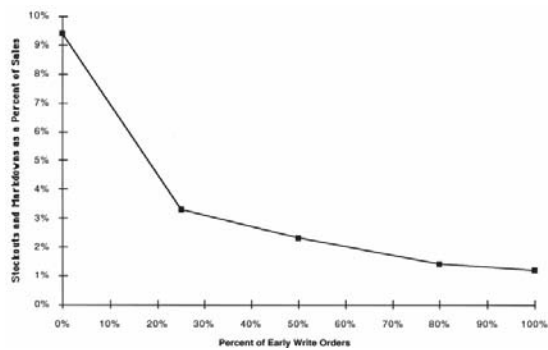
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### How do you create an Early Write Program?




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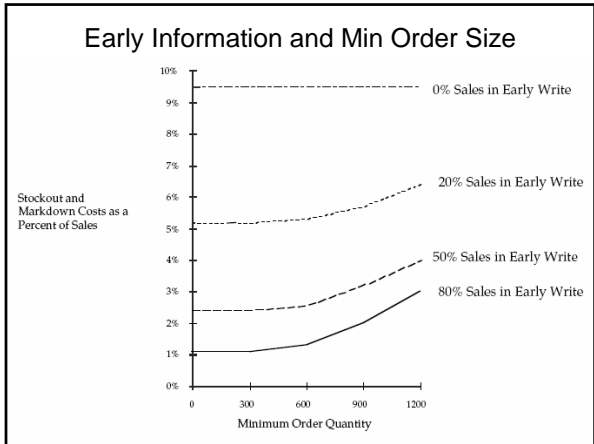
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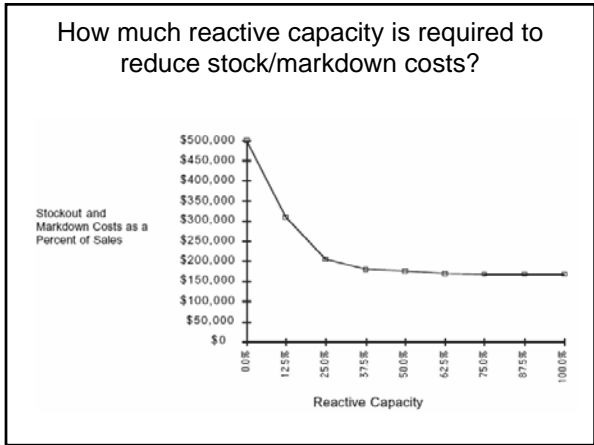
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Liz Claiborne said its unexpected earnings decline is the consequence of higher than anticipated excess inventories

During Q2 1993, we also experienced a higher % of lost sales (stockouts not back ordered) and not being able to fill a customer's request is always a disappointment

- Land's End

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