

To MRP or not to MRP?

Dear Reader,

Everyone agrees that to reach a very high level of forecast accuracy is not possible. How much time, resources and budget do you finally want to invest in non-value adding forecasting information? Shouldn't it be better for your company to invest in robust inventory and supply planning? We of course understand people who are in favour of forecasting and demand planning & sensing will rather resist.

However, what have we learned during the past decades? Planning approaches based on MRP/MPS result in a sub-optimized supply chain setup. Accurate forecasts are impossible at an item level and take no account of supply side planning techniques.

Orchestr8 has shown with 3M that even with a 100% accurate volume forecast, a demand driven, lean supply planning environment will deliver a 20% working capital benefit over the MRP approach. This is because the timing of the forecast will ALWAYS be wrong but **MRP requires the "WHEN something happens" to be as accurate as "HOW MUCH is required" to work effectively**. If you base your execution process on this data it will always be suboptimal and expensive. **Orchestr8 removes that dependency on "WHEN something happens"** which will better leverage the volume forecast data you have whilst also removing the need for an unreachable level of forecast accuracy.

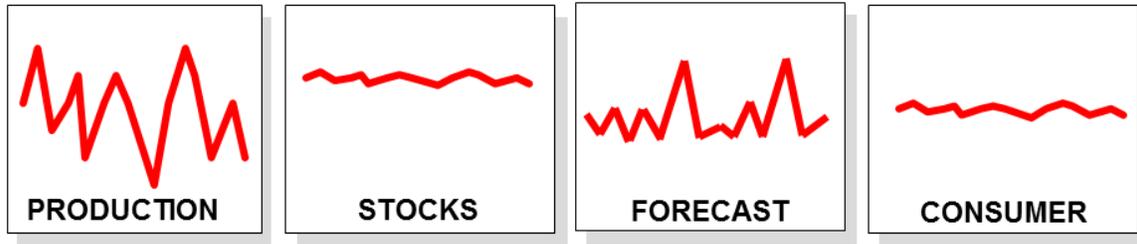
Specifically, with the case of Grundfos, we have proven you do not need a forecasting system within an environment of spare parts, and therefore, we are convinced we certainly can add value for your company, despite the fact you may not be fully convinced.

The question is not necessarily either / or, by all means improve your market intelligence but don't drive it too far as it stops adding value, but implement the correct supply side planning tools to deliver that 20% improvement regardless of your level of accuracy. Even if you do improve your forecast, we will always give you that additional benefit. So why wouldn't you and your colleagues want it?

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Supply Chain based on traditional MRP approach

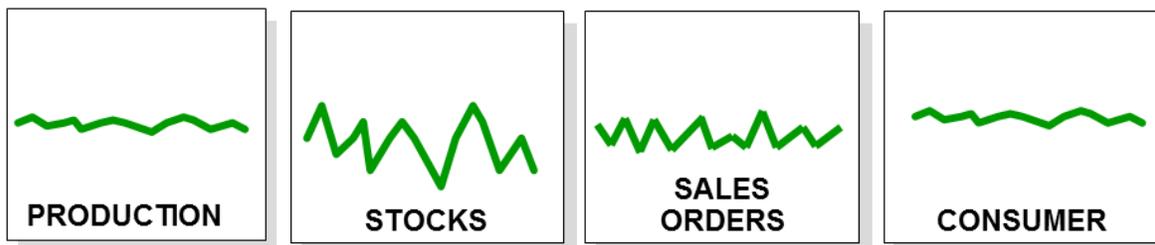
MRP sub-optimizes your supply chain! Why? MRP/DRP process is run daily with fixed stocking rules which further destabilises the effects of inaccurate forecasts.



Production plans are driven by forecast, driving stocks up & resulting in continual re-work

Supply Chain based on Lean Planning approach

The Lean Supply Chain Planning process reduces focus on forecast accuracy and focuses accurately on planning rules to enable supply chain set up. A real Demand Pull System smoothes Production Schedules, Releases Capacity and Reduces Stock, even in an MRP-“optimized” environment.



Production follows consumer demand and inventory flexes to buffer variability in demand

