

## **An Introduction to Material Demand Aggregation**

The Supply Dynamics Material Aggregation methodology and hosted IT solution offer a simple, competitive solution to what ails many supply chains today, without requiring the OEM to purchase yet another expensive software application, consign material or deploy resources to implement yet another expensive supply chain re-engineering program. The Supply Dynamics approach to Material Aggregation differs from similar “consortium buying solutions” because it is about much more than simply leveraging demand for cost reduction. Material Aggregation is about driving efficiency and cost reduction by synchronizing information flows, utilizing a state-of-the-art (hosted) IT solutions and proprietary business processes developed by Supply Dynamics. Under an OEM sponsored aggregation program, Supply Dynamics would collect and integrate OEM and OEM sub-tier supplier bills of material (by OEM finished part number) into a state-of-the-art, web enabled, relational database called OASIS (the On-line Aggregation Strategic Information System). This highly secured system, accessible only through password access over any standard web browser, integrates information and facilitates the rapid exchange of timely data to all members of the supply chain. Thus, OASIS ensures that information gets where it needs to be in time to impact efficient decision making, effectively eliminating much of the speculation that characterizes the raw material supply chain today. Because it resolves the problem of “data dislocation”, the Supply Dynamics Aggregation solution delivers on the promise to eliminate waste, reduce cost and deliver efficiency *throughout* the supply chain, not just to one or two of the “players”. It also becomes the primary driver for exploiting heretofore financially unjustifiable “standardization” opportunities over time, paving the way for year-over-year cost reduction and continuous improvements.

The Supply Dynamics Material Aggregation solution will allow an OEM to:

- Regain and maintain visibility into sub-tier supplier finished part bill of material (BOM) *by OEM finished part number* and exert an appropriate level of control over price and service without reverting to a vertically integrated and highly centralized business model and *without all of the risks and costs associated with BOM consignment*;
- Level the playing field for its sub-tier suppliers when it comes to what they pay for finished part BOM, ensuring that “best value” sourcing is not prejudiced by a hand full of vendors that due to their *relative* advantage in material sourcing, may have successfully minimized competition for the parts they manufacture for the OEM;

- Minimize the surcharges assessed to it and to the OEM's sub-tier suppliers for orders that do not achieve "mill minimum" quantities;
- Reduce the level of speculative inventory and buffer stocks at its own facility, on the shelves of its sub-tier suppliers, and at the Material Source;
- Identify and target finished part BOM items which are sole sourced or major cost drivers of OEM or its sub-tier suppliers and rapidly develop new or alternative sources or means to manage those items;
- Synchronize delivery schedules between itself, its sub-tier suppliers, and the Material Source, creating for the first time, a means of actively managing and expediting finished part BOM from the Material Source to the production floor, and on to the OEM receiving dock;
- Mine aggregated finished part BOM data (material, size, specification, gauge, width, length, blank size, weight, tolerance, etc.) for quick-hit, standardization opportunities.
- Reduce scrap and poor material utilization in its own facility and throughout the supply chain. (i.e. sigma nesting of finished part blanks);
- Move slow, excess or obsolete finished part BOM inventories quickly, efficiently and with razor focus to where there is demand. This can be particularly helpful in sub-tier supplier terminations or OEM finished part transitions;

## About Supply Dynamics

Supply Dynamics is the leading provider of material consolidation solutions know as "Material Demand Aggregation." Located in Cincinnati Ohio, Supply Dynamics utilizes proprietary processes and IT solutions to provide OEM customers with real time visibility and control over the materials that go into their finished parts – especially the materials that go into the parts made by their Tier 1 and Tier 2 suppliers. Provided in a hosted "software as a service" model, the Supply Dynamics multi-enterprise platform exchanges critical to quality data with virtually any number of legacy MRP/ERP systems, providing customers with a single, unified view of how finished part materials are impacting their business. Our suite of web based tools and reports allow customers to instantly forecast and negotiate common materials and monitor the timely order and supply of materials across their extended supply chain. This enables an OEM and its supply partners to know that materials being produced, ordered and delivered are synchronized with actual finished part demand. It also allows the OEM to measure on-time delivery of raw materials to production sites and sub-tier suppliers, to standardize materials and to identify users for surplus, excess and obsolete materials. Material Demand Aggregation is applicable to numerous industries providing a means for OEMs to coordinate the actions of each link in the supply chain and dramatically improving efficiency and predictability of supply. ([www.supplydynamics.com](http://www.supplydynamics.com))