

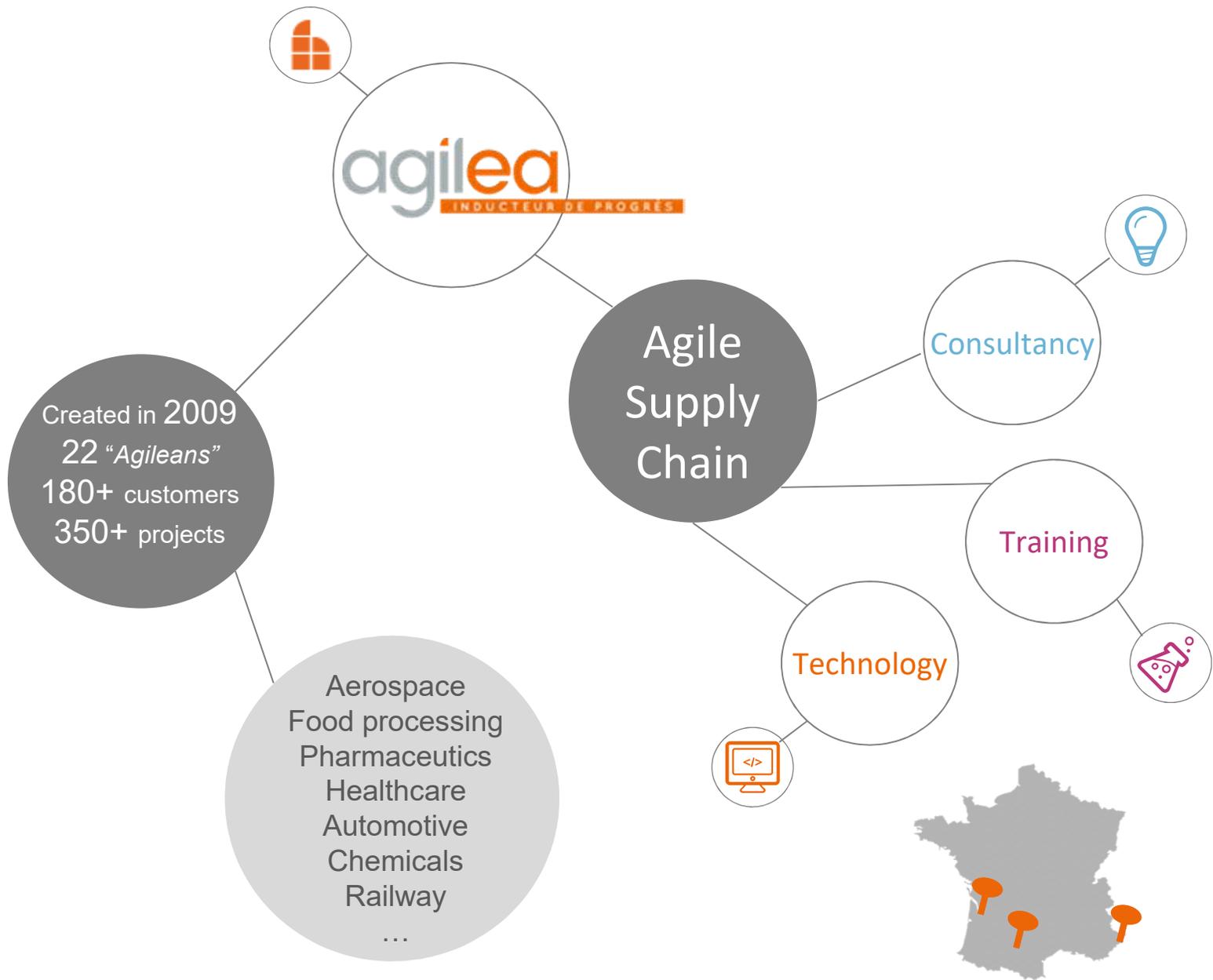


# Challenging DDMRP promises and comparison with MRP / Kanban

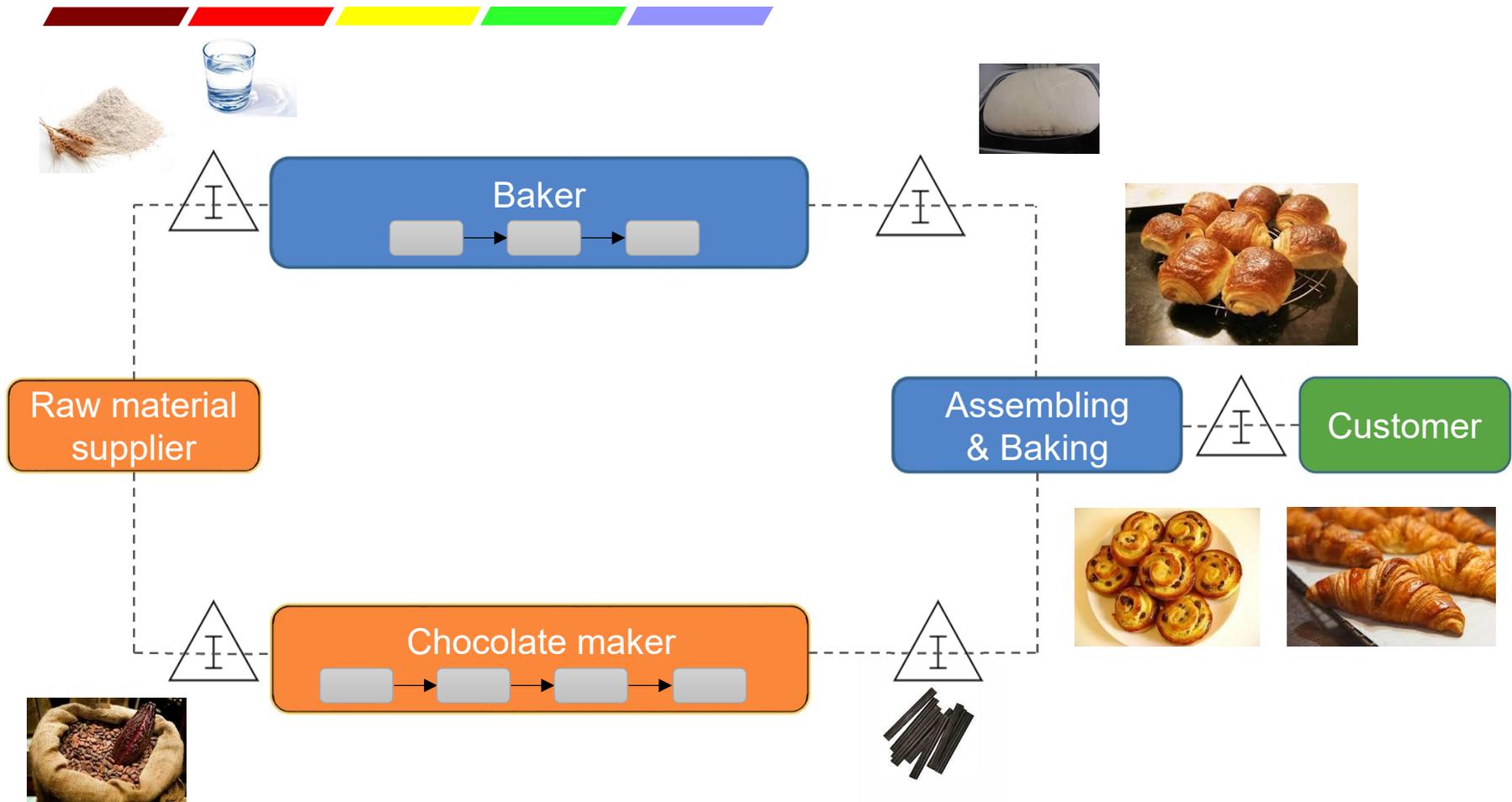
Romain Miclo, AGILEA

PhD work

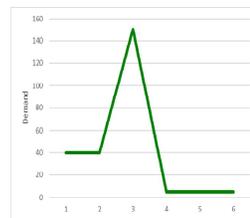
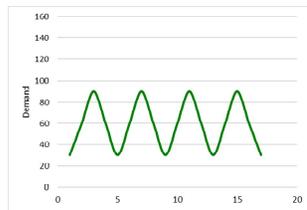
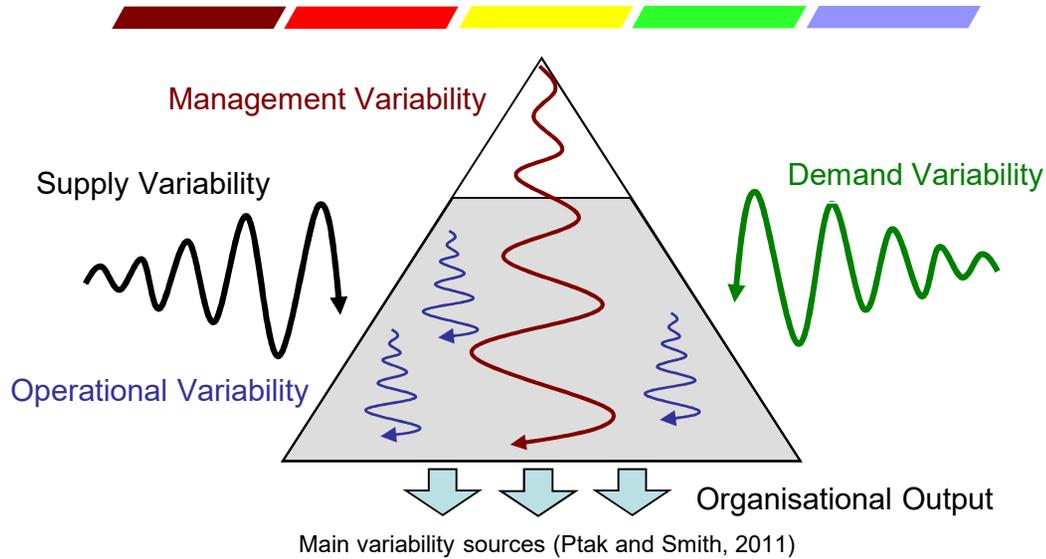
Conference 5-7 July 2017 Lyon, France



# Context



# Context



On Time Delivery (OTD)



Work In Process (WIP)

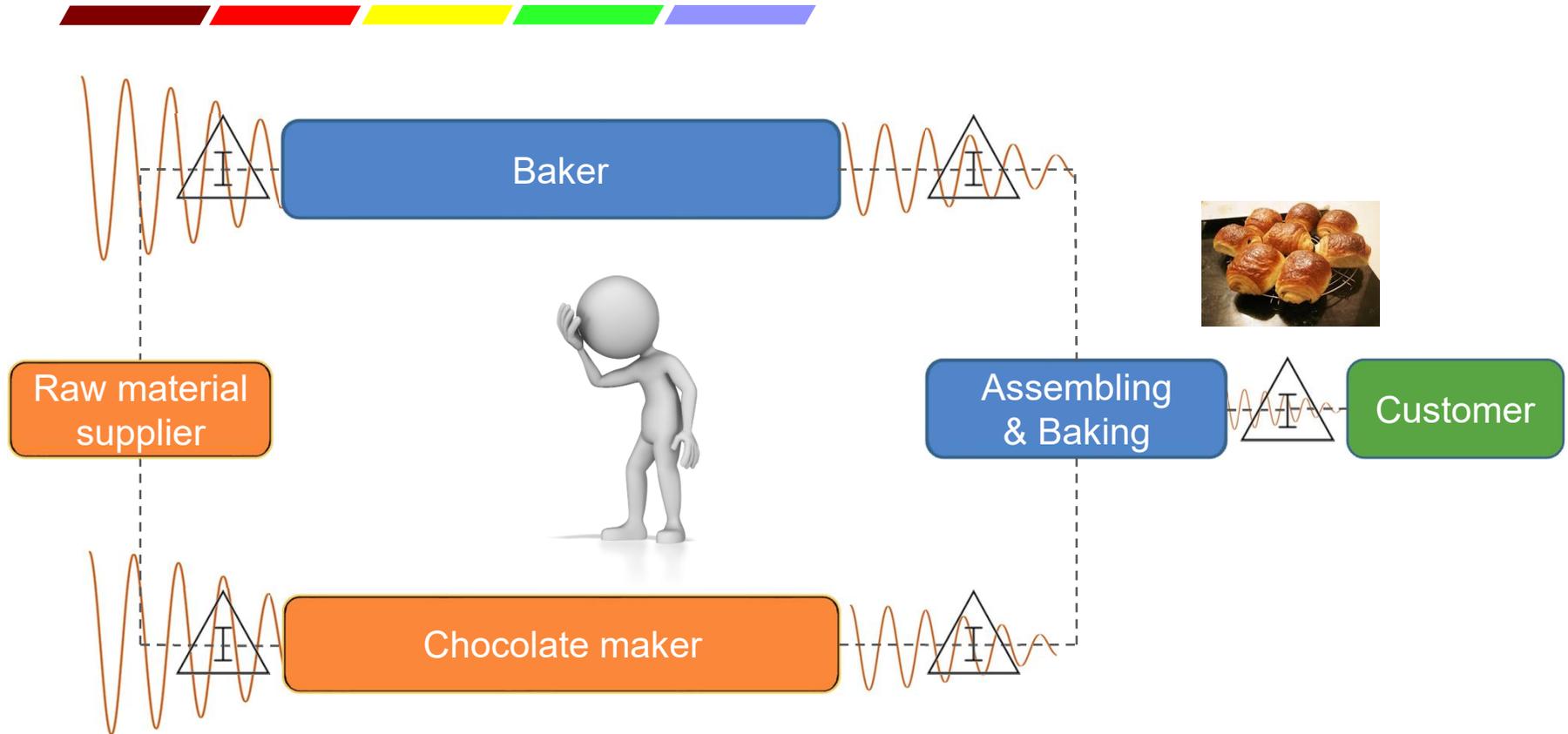


⇒ Working Capital (WC)



**Objective:** to manage systems to be agile and resilient, satisfy customers and control finances.

# Issue



Forrester, Jay W. 'Industry Dynamics'. Massachusetts, Cambridge, 1961.

# Agenda



- 1 Context
- 2 Material management methods
- 3 Case study – design of experiments
- 4 Case study – simulation replications
- 5 Case study – buffer sizing optimisation
- 6 Conclusion & Perspectives

# Agenda



- 1 Context
- 2 Material management methods
- 3 Case study – design of experiments
- 4 Case study – simulation replications
- 5 Case study – buffer sizing optimisation
- 6 Conclusion & Perspectives

# Our approach



Literature review: 

Criteria	MRP II	Kanban	DDMRP	DDMRP comparison
A	---	---	---	+
B				=
C				+
D				+
...				...

Promises to challenge

P1:  
P2:  
P3:  
...

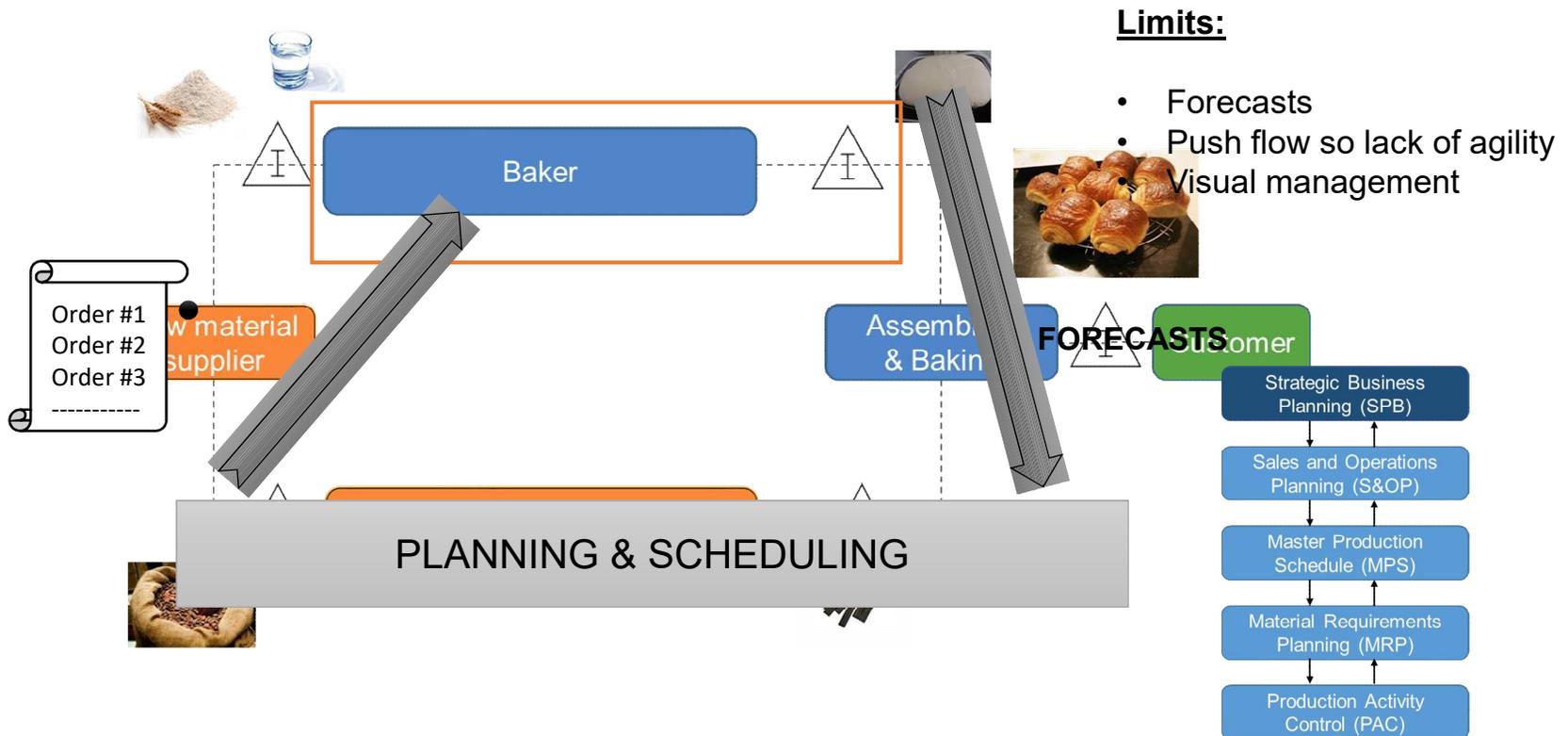


Academic case study

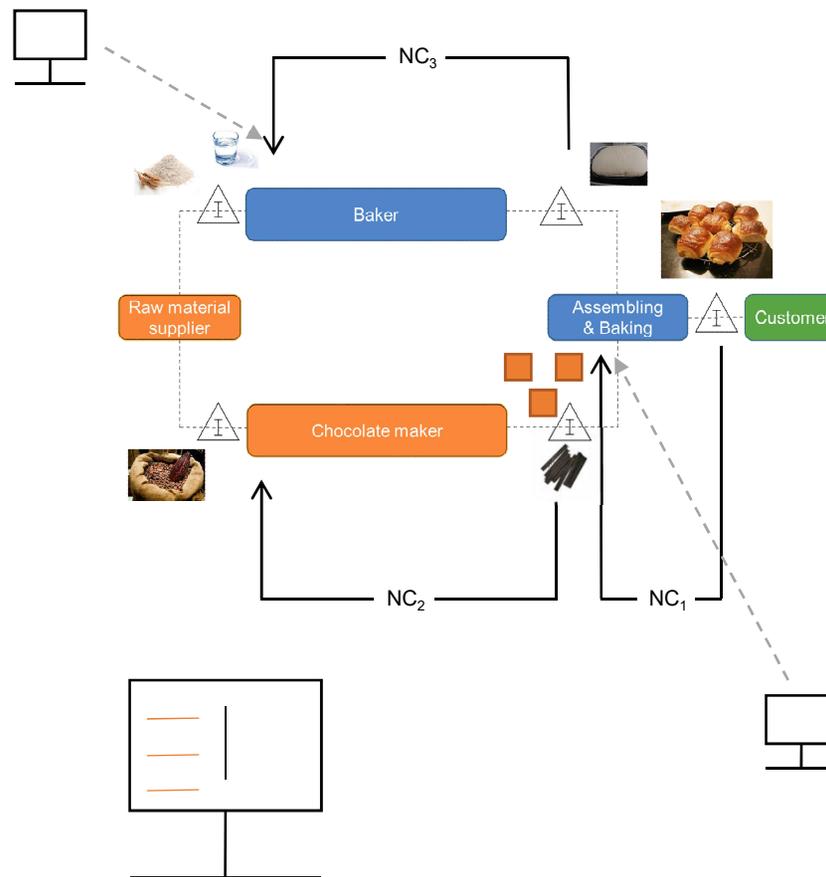
Real case study

Conclusions & Perspectives

# Manufacturing Resources Planning (MRP II)

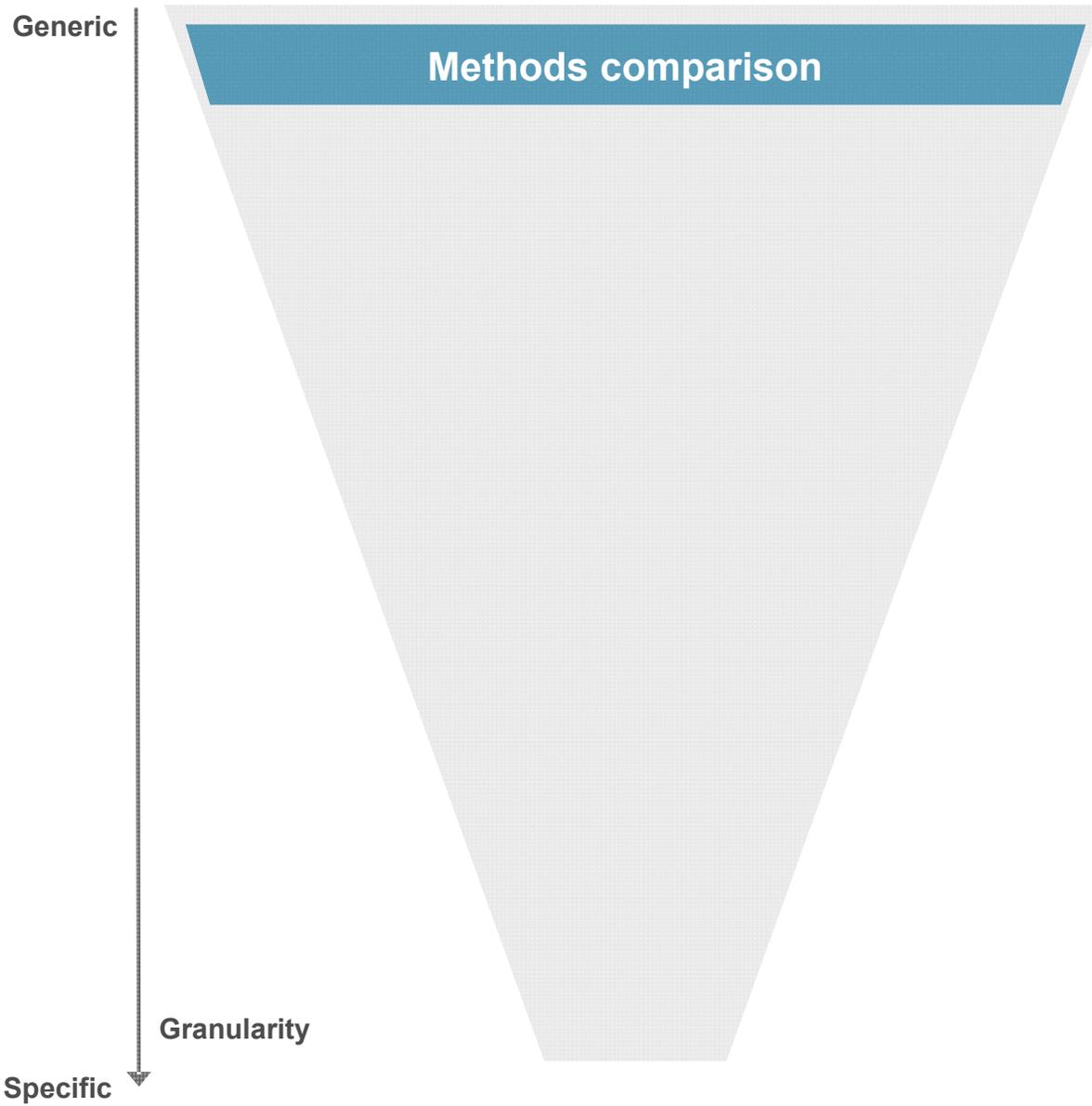


# Specific Kanban



## Limits:

- Demand spikes
- Seasonality



# Literature review

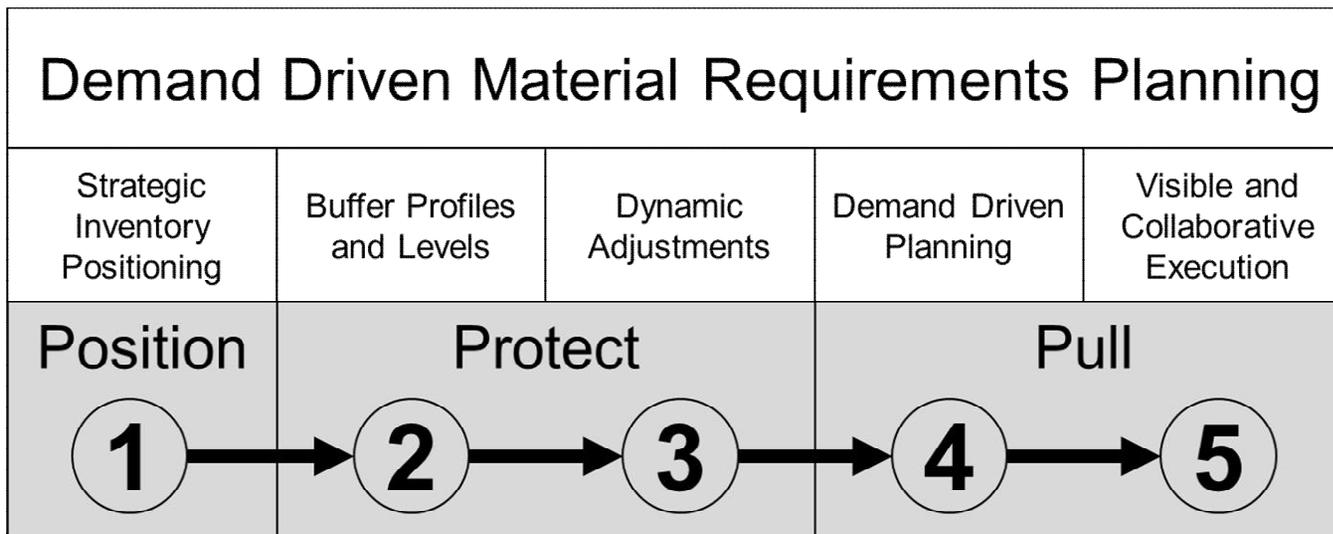
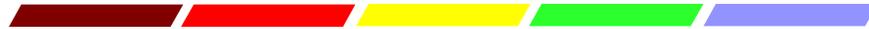


## Demand Driven MRP:

- Ptak, Carol, and Chad Smith. *Orlicky's Material Requirements Planning 3/E*. McGraw Hill Professional, 2011.
- Ptak, Carol, and Chad Smith. *Demand Driven Material Requirements Planning (DDMRP)*. Industrial Press, Inc., 2016.
- **Nearly no work from a scientific point of view**
  - Rim, Suk-Chul, Jingjing Jiang, and Chan Ju Lee. 'Strategic Inventory Positioning for MTO Manufacturing Using ASR Lead Time'. In *Logistics Operations, Supply Chain Management and Sustainability, 2014*.
  - Ihme, Mathias, and Roy Stratton. 'Evaluating Demand Driven MRP: A Case Based Simulated Study', 2015.
  - Jiang, Jingjing, and Suk-Chul Rim. 'Strategic Inventory Positioning in BOM with Multiple Parents Using ASR Lead Time'. *Mathematical Problems in Engineering* 2016

⇒ Hence the research work interests and the thesis title:  
**Challenging the Demand Driven MRP Promises**

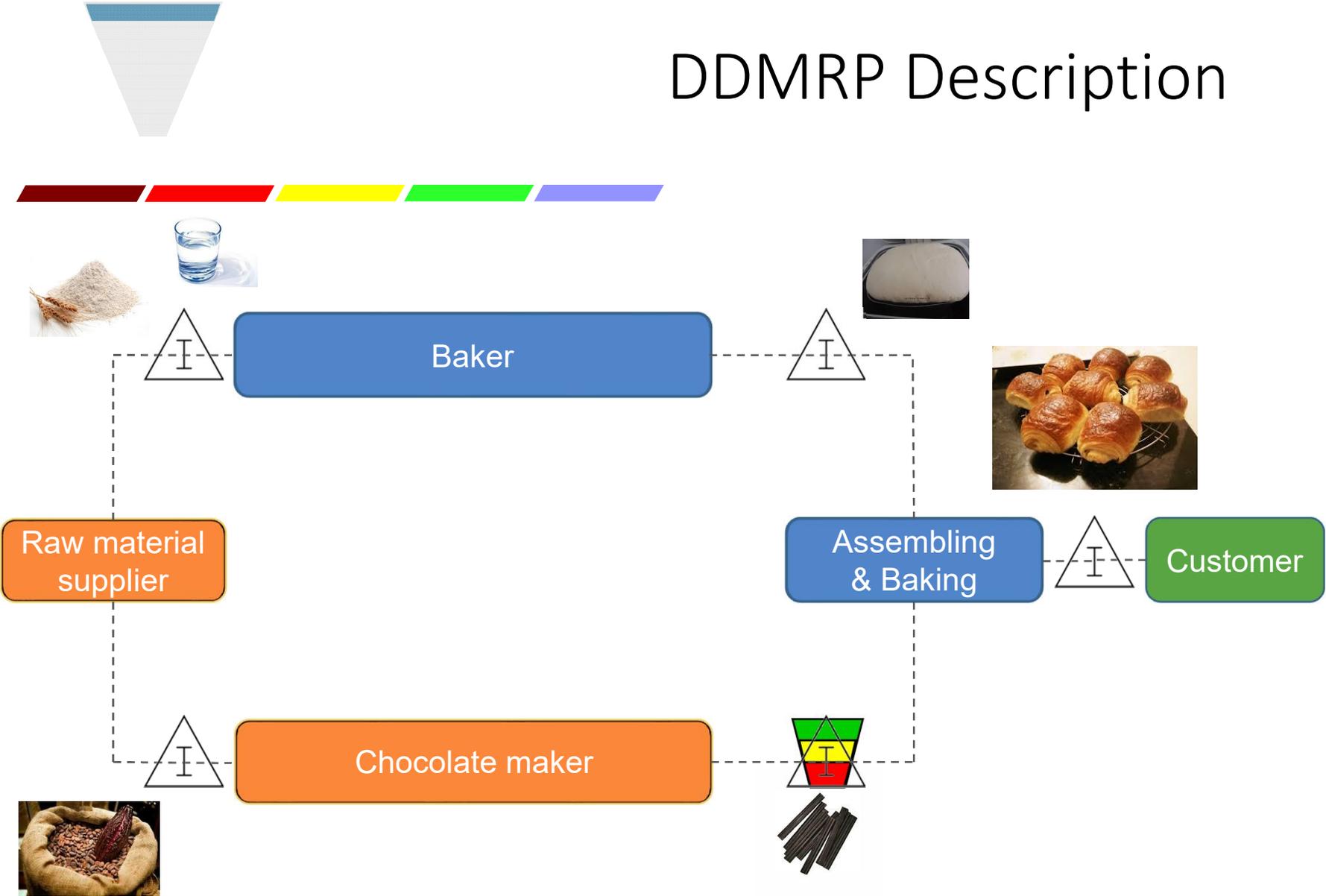
# The 5 DDMRP components

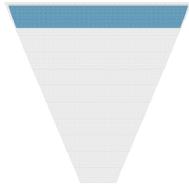


Ptak, Carol, and Chad Smith. *Demand Driven Material Requirements Planning (DDMRP)*. Industrial Press, Inc., 2016.



# DDMRP Description

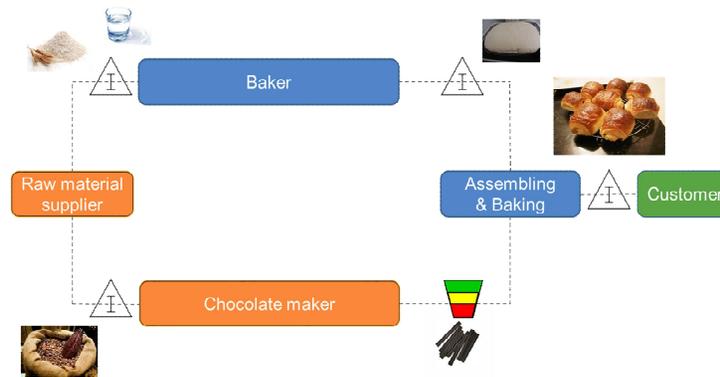




# DDMRP Description



4

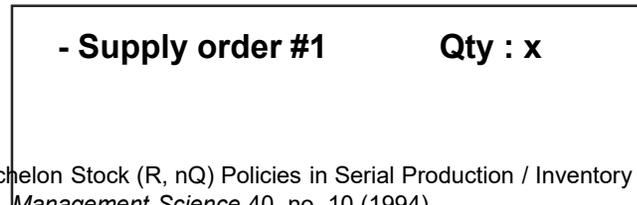
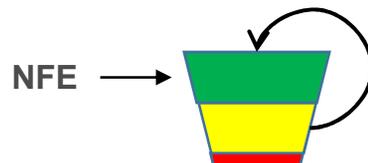


## Planning

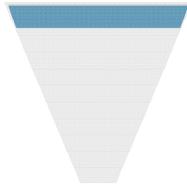
### Net Flow Equation (NFE)

$$= \text{On hand} + \text{Supply Orders} - (\text{Day Demand} + \text{Spike in Lead Time})$$

Stock position



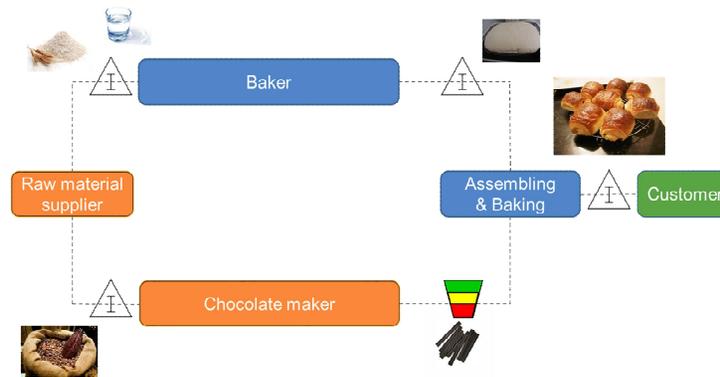
Chen, Fangruo, and Yu-Sheng Zheng. 'Evaluating Echelon Stock (R, nQ) Policies in Serial Production / Inventory Systems with Stochastic Demand'. *Management Science* 40, no. 10 (1994).



# DDMRP Description



4

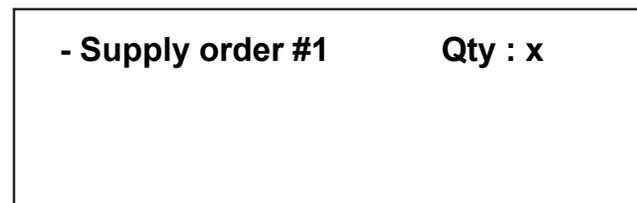
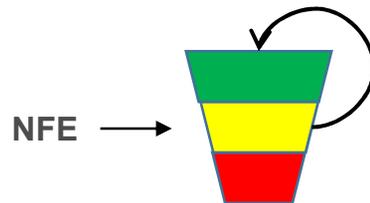


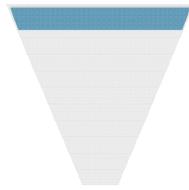
Planning

Net Flow Equation (NFE)

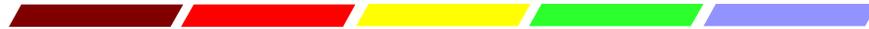
$$= \text{On hand} + \text{Supply Orders} - (\text{Day Demand} + \text{Spike in Lead Time})$$

Stock position

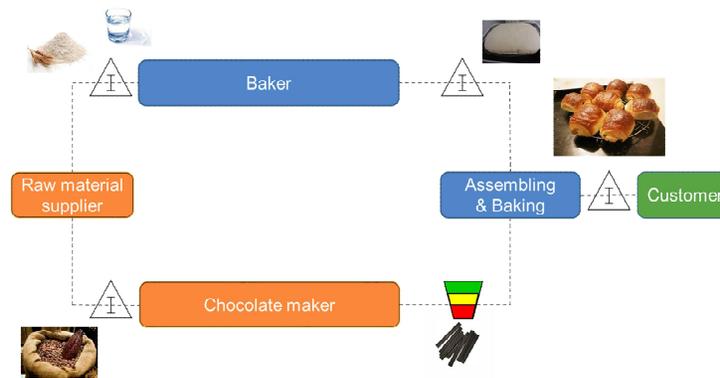




# DDMRP Description



4

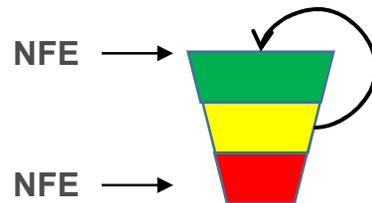


Planning

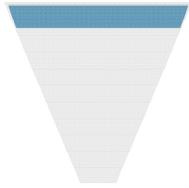
Net Flow Equation (NFE)

$$= \text{On hand} + \text{Supply Orders} - (\text{Day Demand} + \text{Spike in Lead Time})$$

Stock position



- |                     |               |
|---------------------|---------------|
| - Supply order #1   | Qty : x       |
| - Supply order #2   | Qty : y (y>x) |
| - Supply order #... | Qty : ...     |

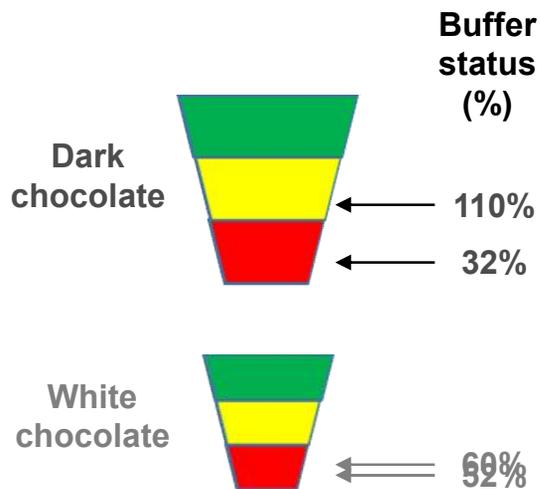


# DDMRP Description

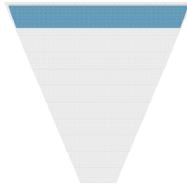


## 5 Execution:

Buffer status = On hand inventory / Buffer Red Zone



— Supply order #1	Dark chocolate	Qty : x
- Supply order #2	Dark chocolate	Qty : y
- Supply order #3	White chocolate	Qty : z

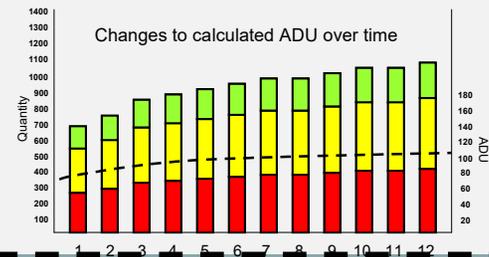


# DDMRP Description

## Buffer Level Adjustment 3

### Recalculated Adjustments

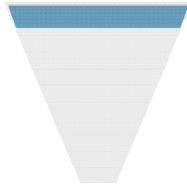
Buffer levels flex as Average Daily Usage is updated.



### Planned Adjustments

Buffers are intentionally flexed up in anticipation of planned uplifts or seasons and then flexed down.

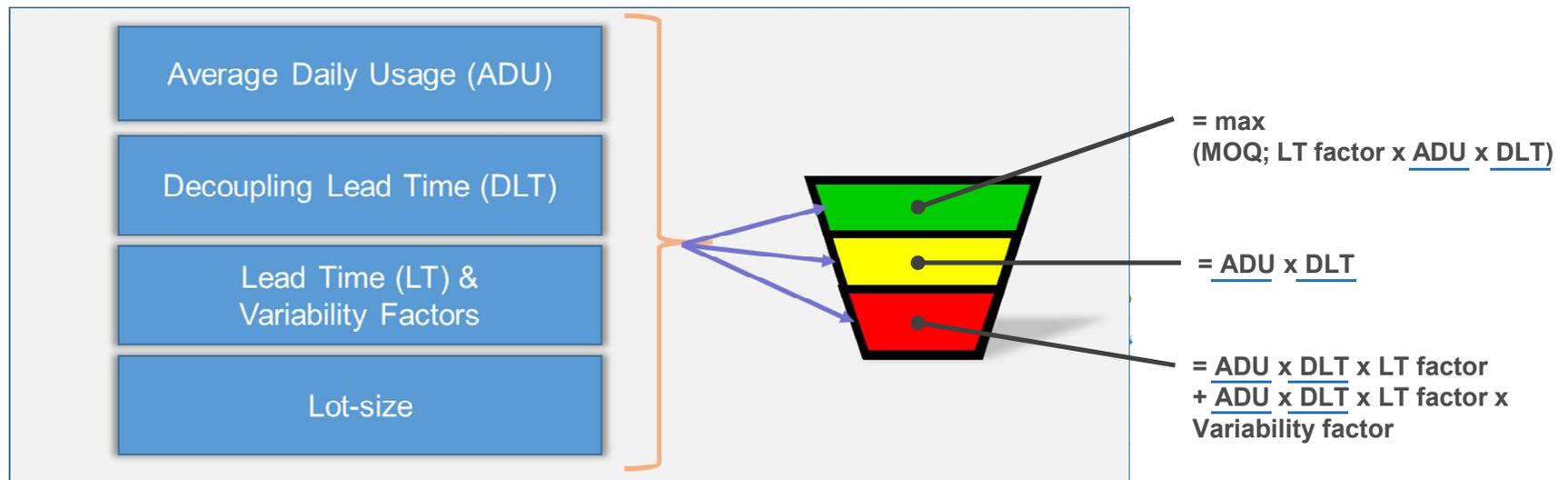
Ptak, Carol, and Chad Smith. *Demand Driven Material Requirements Planning (DDMRP)*. Industrial Press, Inc., 2016.



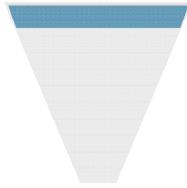
# DDMRP Description



## 2 Buffer level setting

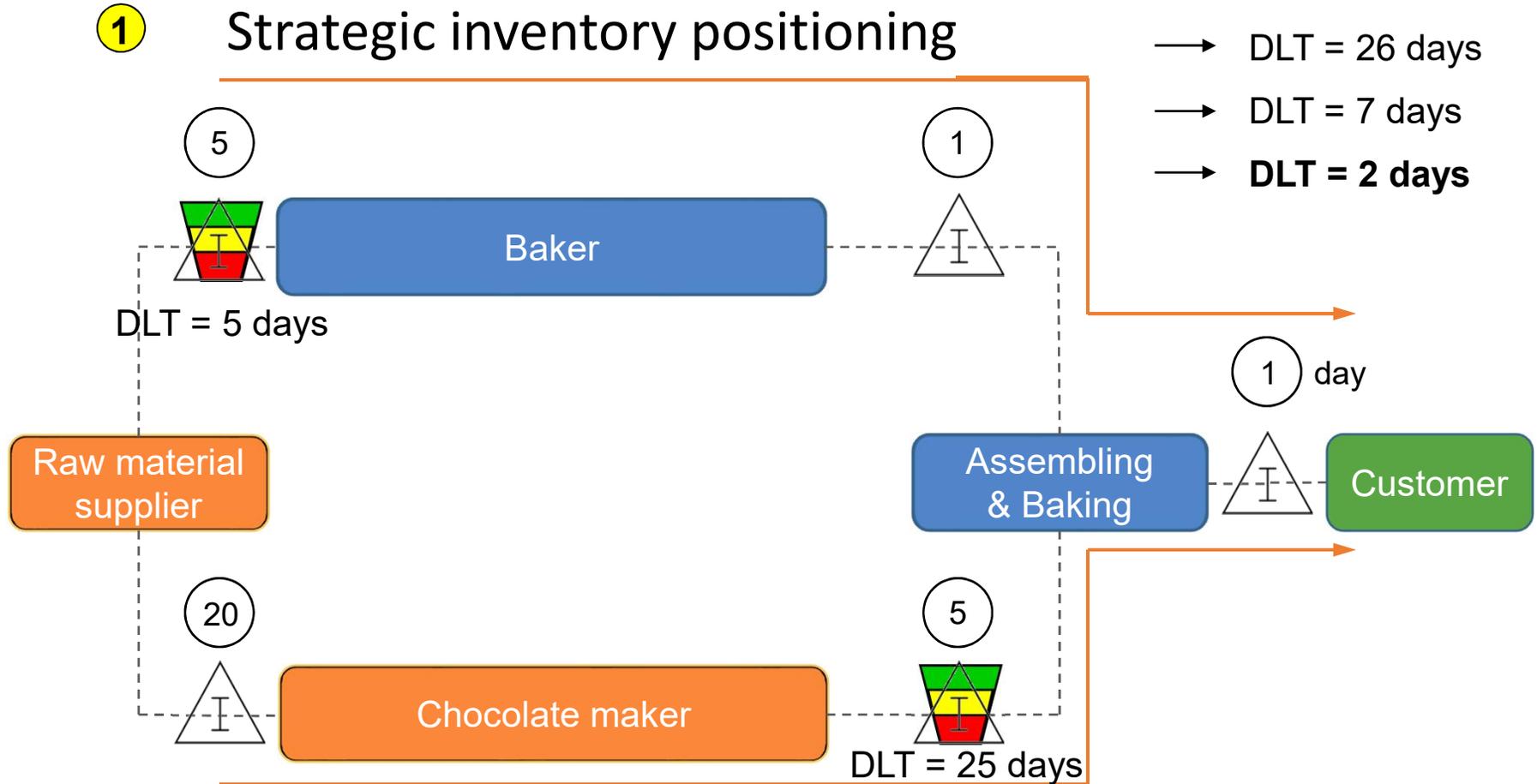


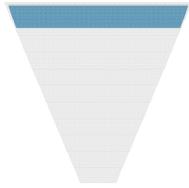
Ptak, Carol, and Chad Smith. *Demand Driven Material Requirements Planning (DDMRP)*. Industrial Press, Inc., 2016.



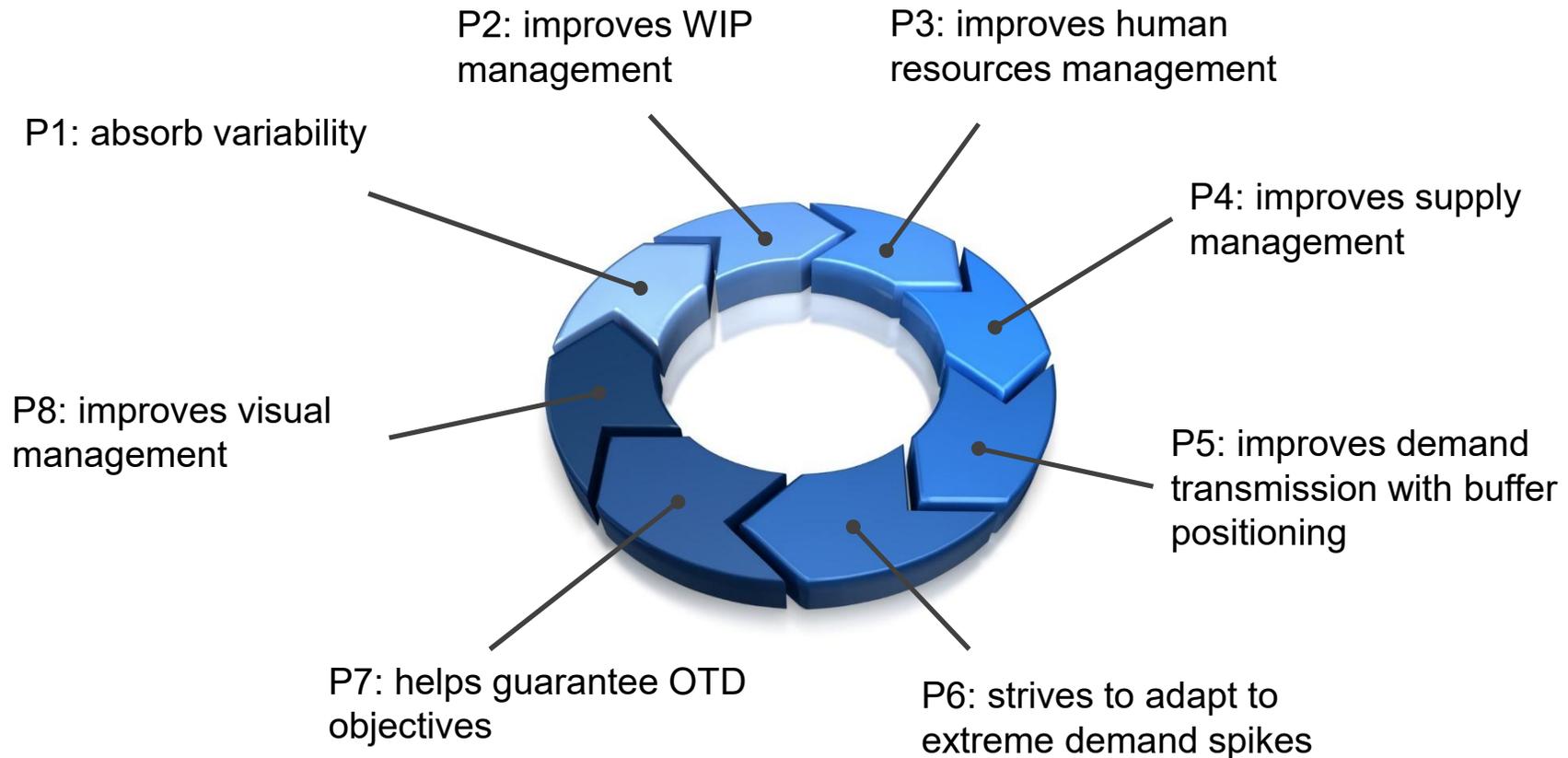
# DDMRP Description

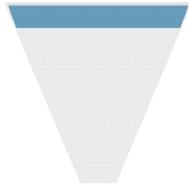
## 1 Strategic inventory positioning





# DDMRP Promise to challenge

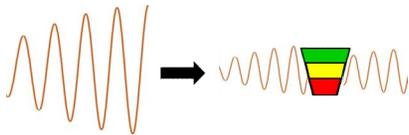




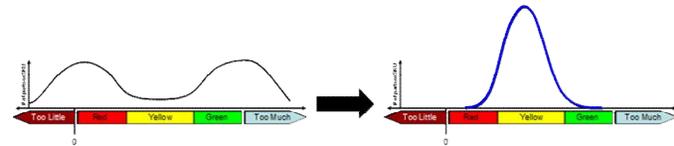
# 4 main promises challenged



**P1: absorb variability**



**P2: improves WIP management**



**P3: improves human resources management**

**P4: improves supply management**

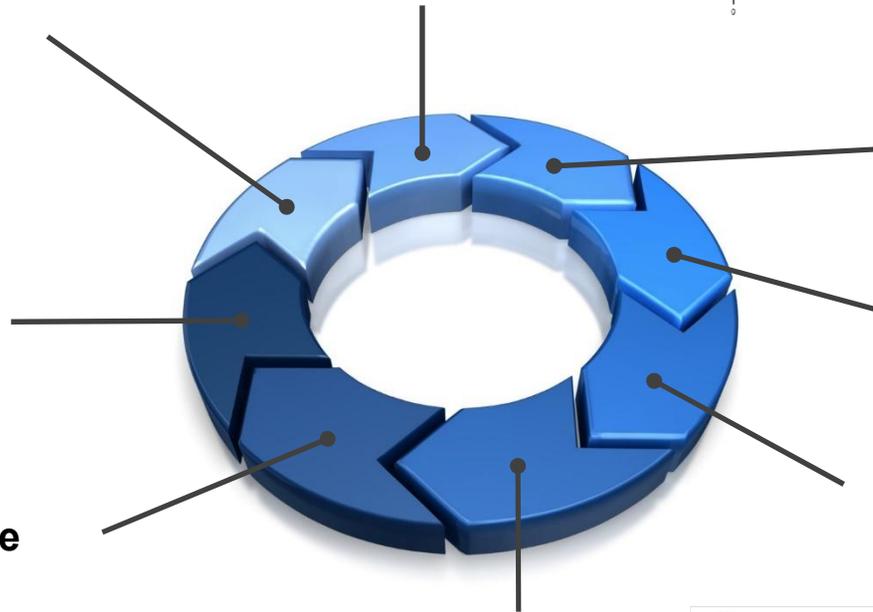
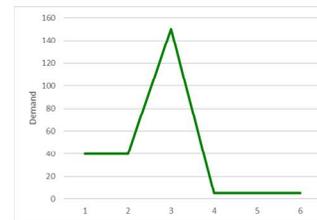
**P5: improves demand transmission with buffer positioning**

**P8: improves visual management**

**P7: helps guarantee OTD objectives**



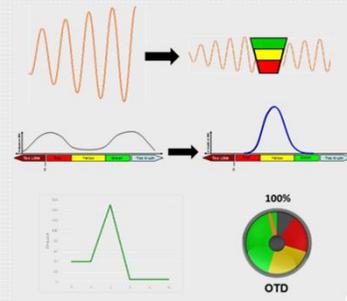
**P6: strives to adapt to extreme demand spikes**



Generic

**DDMRP**

Points to challenge :  
8 promises

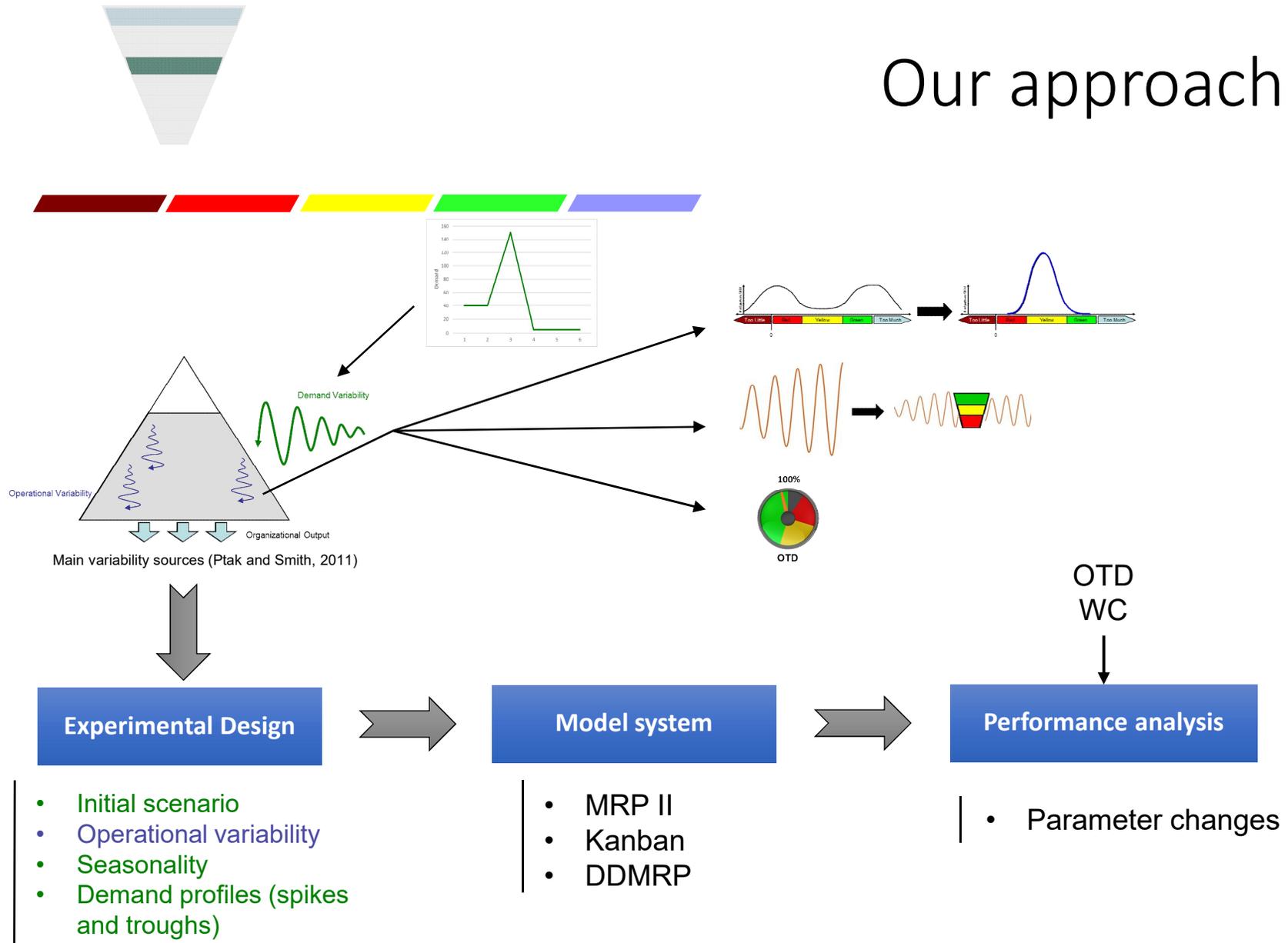


**Means of challenging promises**

Granularity

Specific

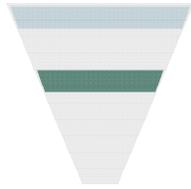
# Our approach



# Agenda



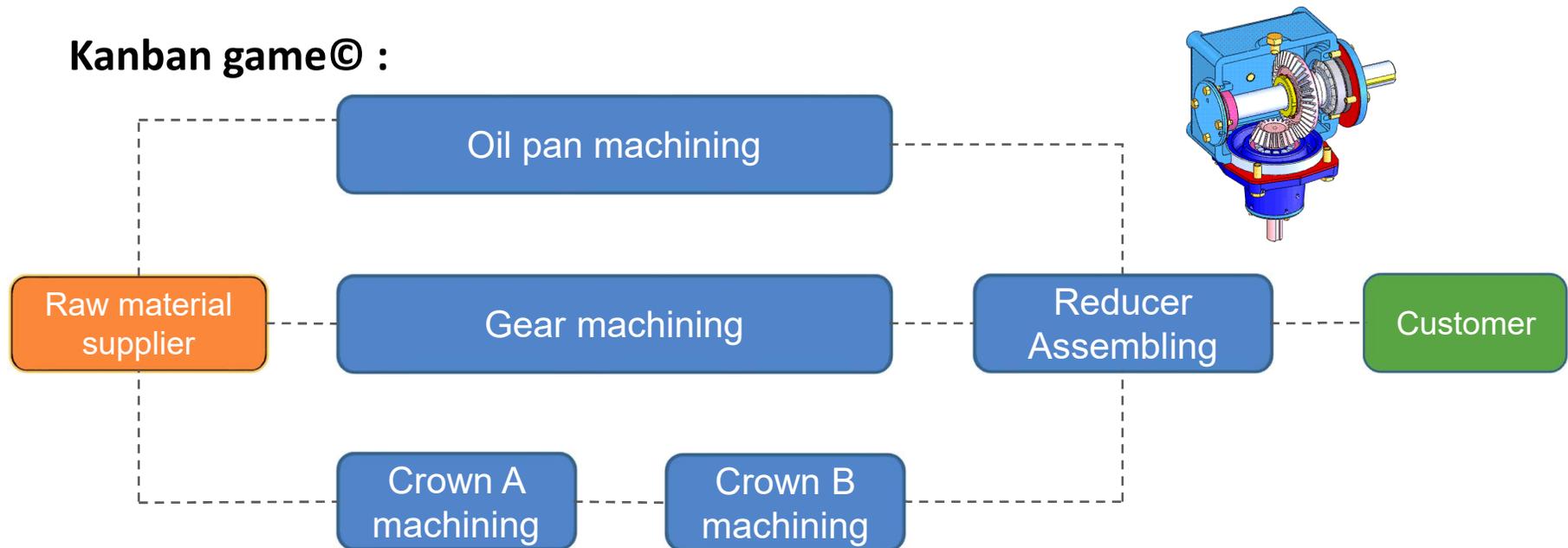
- 1 Context
- 2 Material management methods
- 3 Case study – design of experiments
- 4 Case study – simulation replications
- 5 Case study – buffer sizing optimisation
- 6 Conclusion & Perspectives



# Academic case study



## Kanban game© :

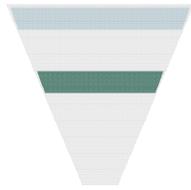


### Representative case reality:

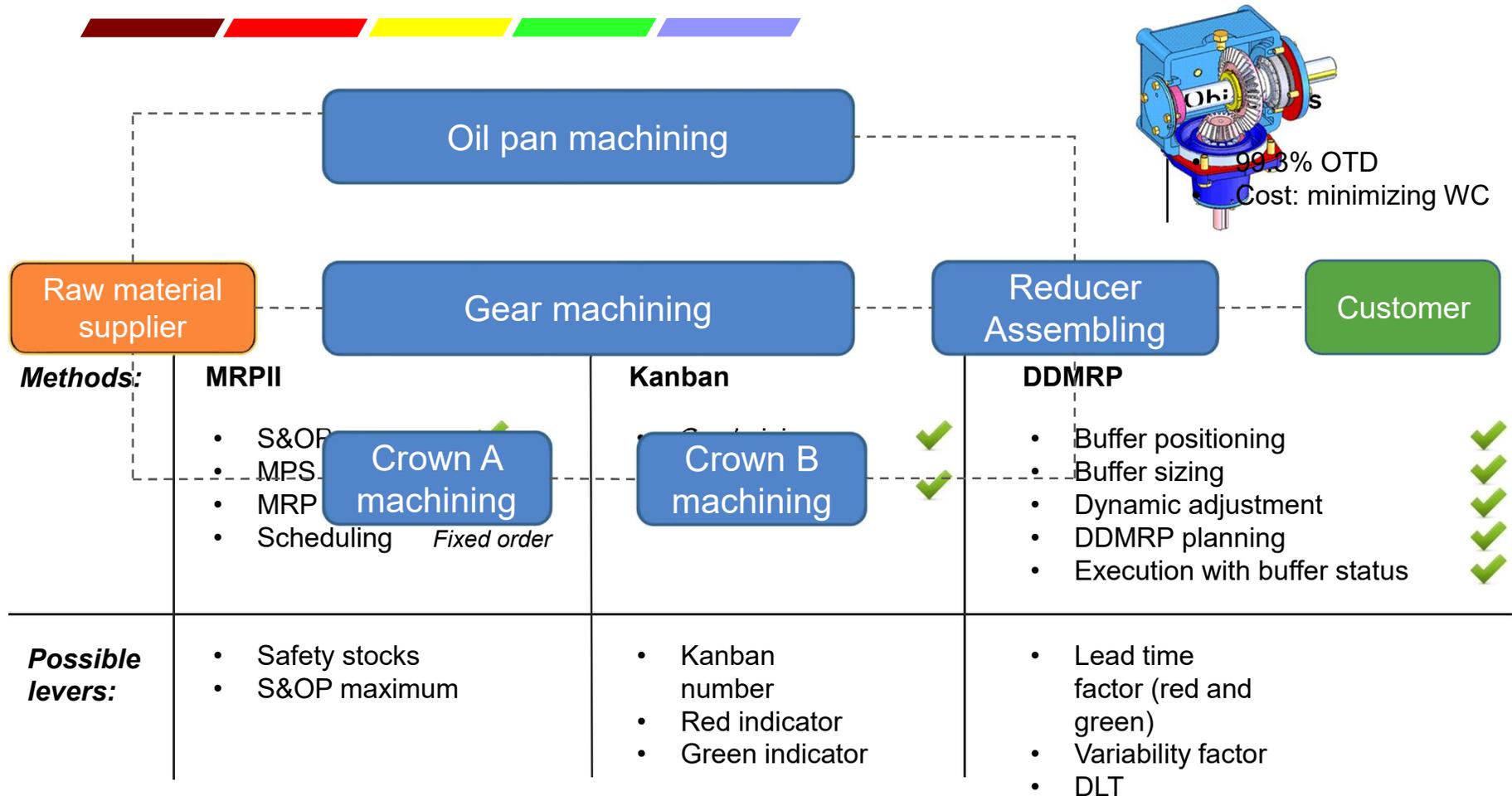
- Assembling operation (3 BOM levels)
- 16 references (6 finished products)
- 4 machining operations
- Machine breakdowns

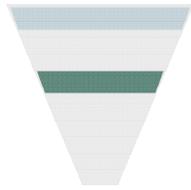
### Limits:

- One activity for each routing
- Significant setting up times
- Operation cycle time similar for each activity

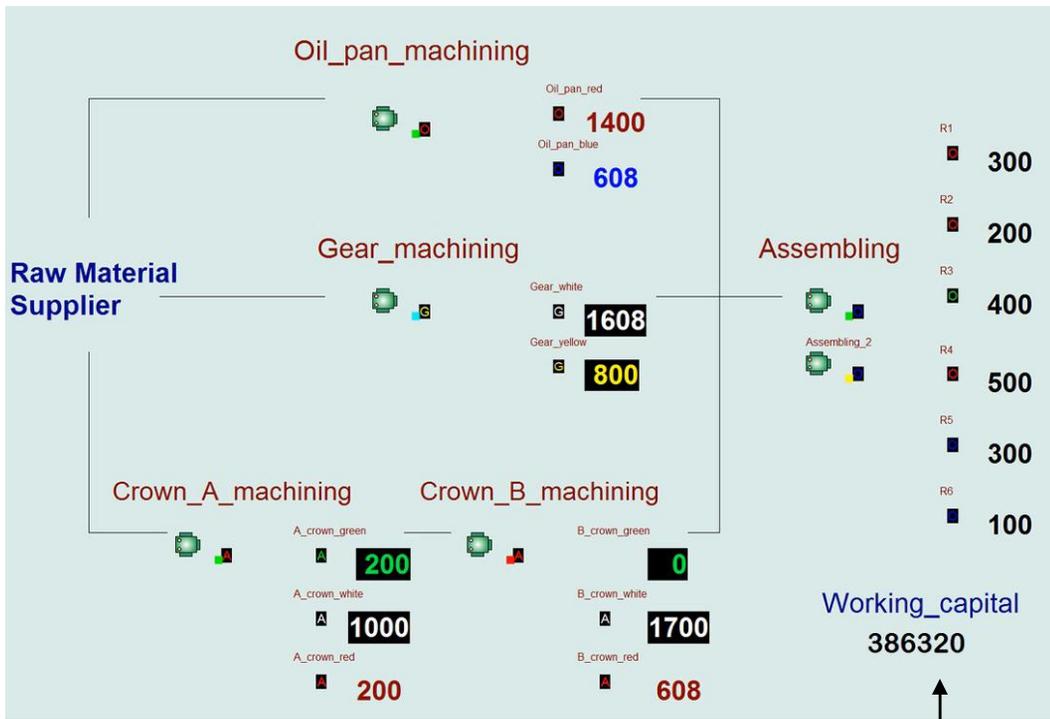


# Academic case study





# Simulation model



Detailed Output :				Initialise statistics		
	R1			R2		
Period	Orders	Deliveries	Missing	Orders	Deliveries	Missing
5	Init		0			0
6	0	200	200	0		0
7	1	100	100	0		0
8	2	0	0	0		0
9	3	200	200	100	100	0
10	4	200	200	0		0
11	1	100	100	0		0
12	2	200	200	0		0
13	3	0	0	0		0
14	4	100	100	0		0
15	5	200	200	0		0
16	1	100	100	100		100
17	2	200	200	100		200
18	3	0	0	0		200
19	4	100	100	0		200
20	5	200	200	0		200
21	1	200	200	0		200
22	2	100	100	0		200
23	3	0	0	0		200
24	4	200	200	100		300
25	5	200	200	0		300
26	1	100	100	0		300
27	2	200	200	0		300
28	3	0	0	0		300
29	4	100	100	0		300
30	5	200	200	0		300
31	1	100	100	100		400

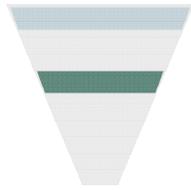
Witness® simulation model



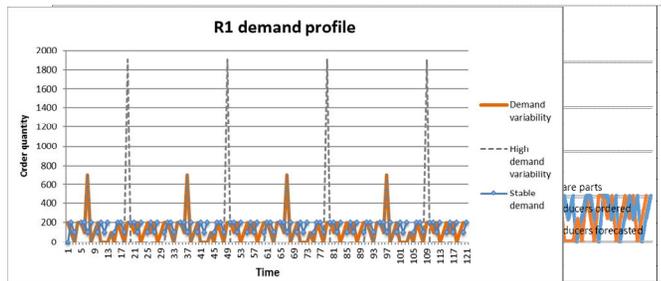
- 5 minutes for 1 year
- 6 months warm up
- 6 months statistics

Working Capital (WC)

Excel® spreadsheet for delivery orders

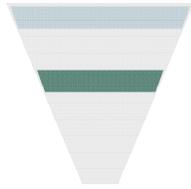


# Design of experiments

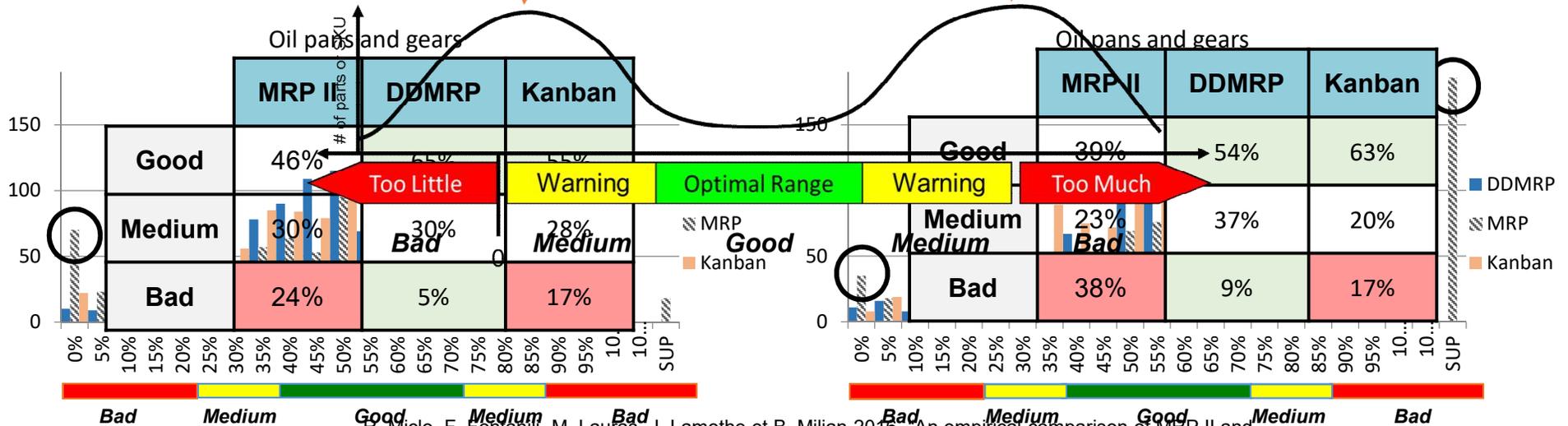
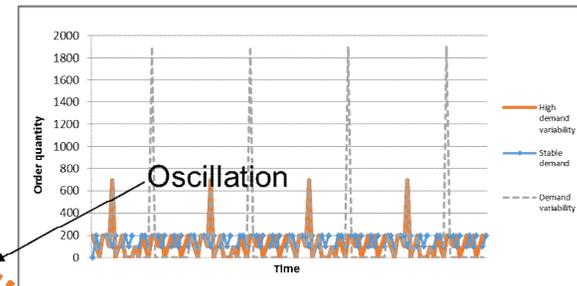
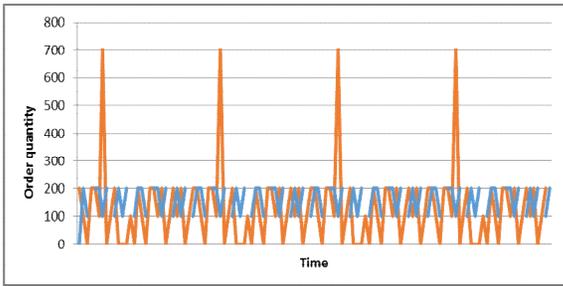


	MRP				DDMRP				Kanban			
	WC (%)	OTD (%)	Safety Stock		WC (%)	OTD (%)	Buffer Zone		WC (%)	OTD (%)	Kanban Number	
			Red	Comp			Red	Comp			Red	Comp
1 - Initial state (stable demand)	100% 😊	99.3% 😊	100%	100%	101% 😊	100% 😊	100%	100%	100% 😊	100% 😊	100%	100%
2 - External variability	125% 😞	99.5% 😊	145%	107%	105% 😊	99.8% 😊	105%	87%	111% 😊	99.8% 😊	116%	102%
3 - Seasonality	138% 😞	99.8% 😊	175%	116%	116% 😊	99.4% 😊	111%	102%	121% 😊	99.4% 😊	98%	81%
4 - External variability sharply increased with 5 days of frozen demand	197% 😞	94.5% 😞	180%	141%	158% 😞	99.8% 😊	126%	90%	134% 😊	95.4% 😞	139%	111%

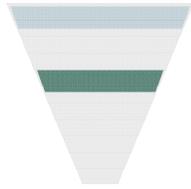
R. Miclo, F. Fontanili, M. Lauras, J. Lamothe et B. Milian 2016. "An empirical study of Demand-Driven MRP"  
6th International Conference on Information Systems, Logistics and Supply Chain (ILS Conference)



# Inventory distribution



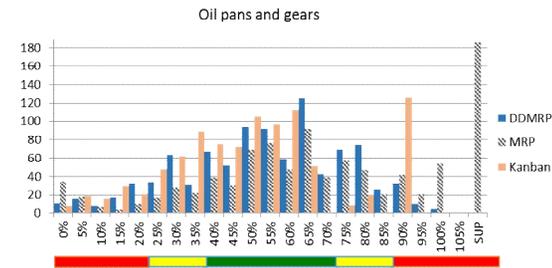
R. Miclo, F. Fontanili, M. Lauras, J. Lamothe et B. Milian 2016. "An empirical comparison of MRP II and Demand-Driven MRP" 8th IFAC on Manufacturing Modelling, Management & Control (MIM conference)



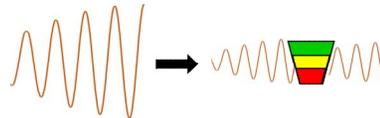
# Promises overview



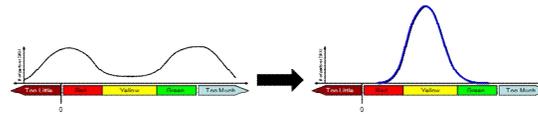
	MRP		DDMRP		Kanban	
	WC (%)	OTD (%)	WC (%)	OTD (%)	WC (%)	OTD (%)
1 - Initial state (stable demand)	100%	99.3%	101%	100%	100%	100%
3 - External variability	125%	99.5%	105%	99.8%	111%	99.8%
4 - Seasonality	138%	99.8%	116%	99.4%	121%	99.4%
5' - External variability sharply increased with 5 days of frozen demand - V2 Kanban	197%	94.5%	158%	99.8%	134%	95.4%



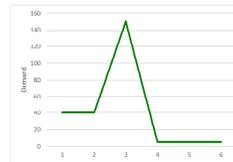
P1:



P2:



P6:



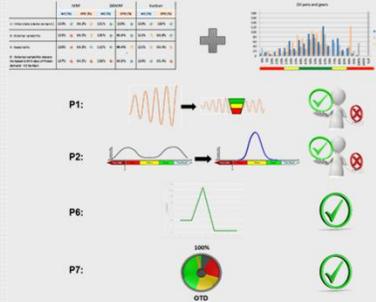
P7:



Generic

DDMRP

Design of experiments



Granularity

Specific

# Agenda



- 1 Context
- 2 Material management methods
- 3 Case study – design of experiments
- 4 Case study – simulation replications
- 5 Case study – buffer sizing optimisation
- 6 Conclusion & Perspectives

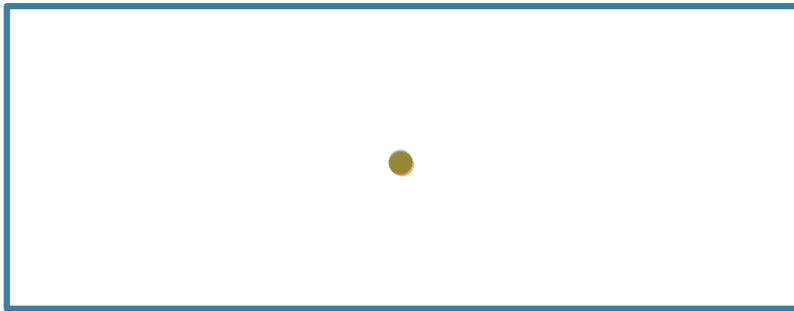


# Comparison method

DDMRP

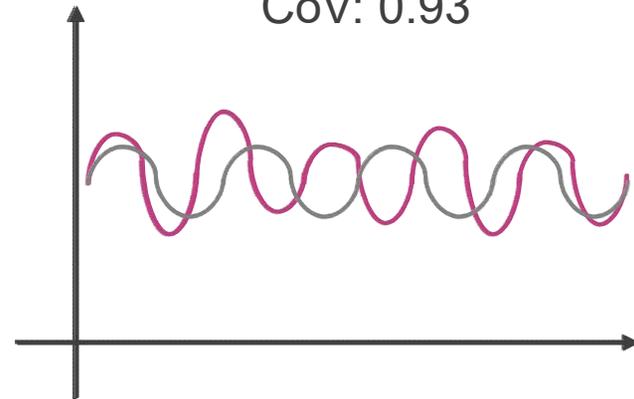
MRP II

Kanban



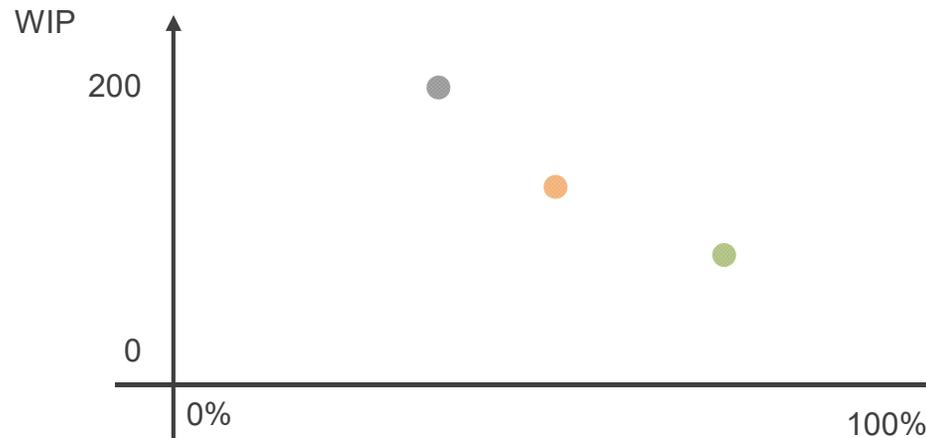
Demand variability:

CoV: 0.93

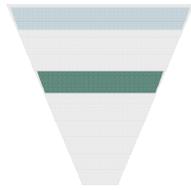


Beta Distribution law

Results:

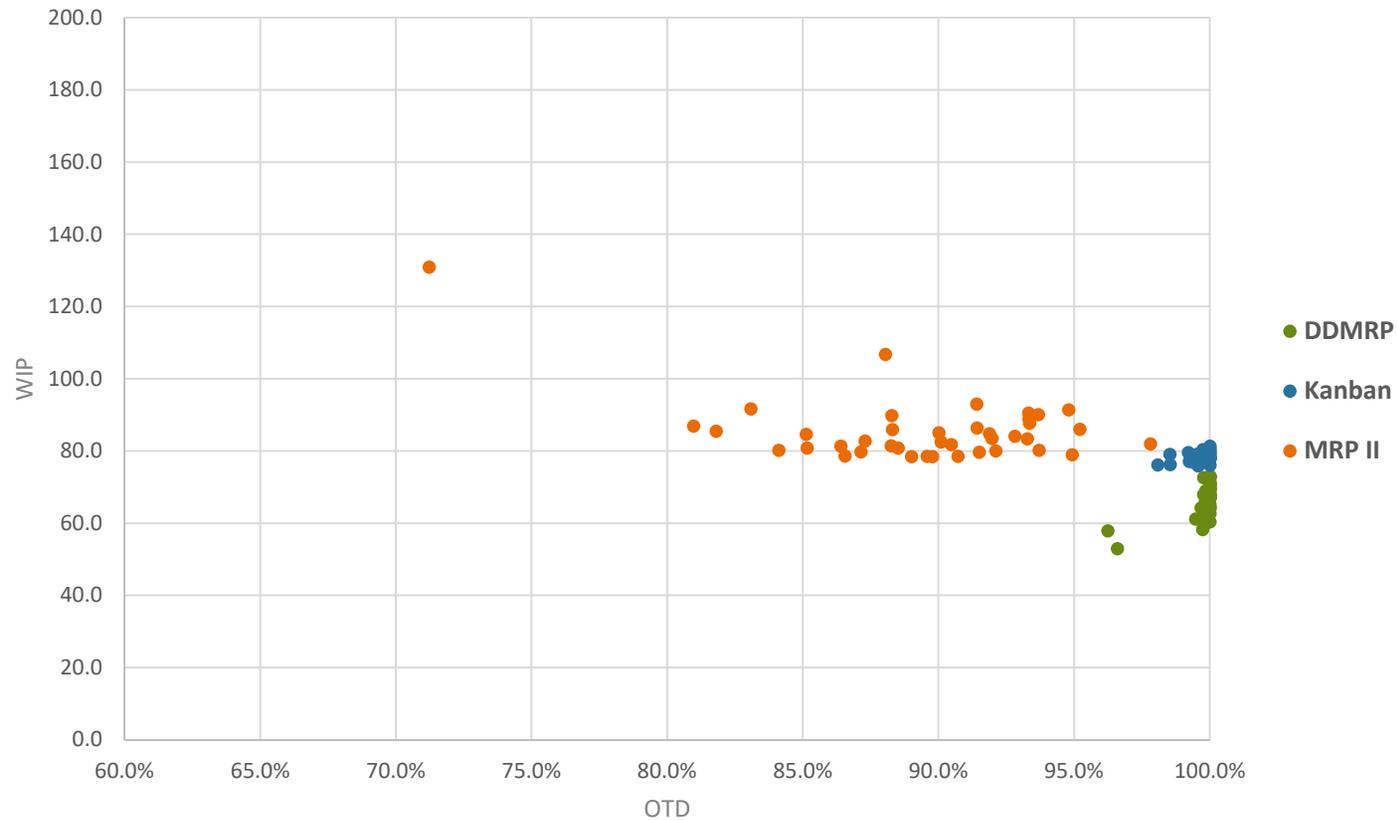


OTD

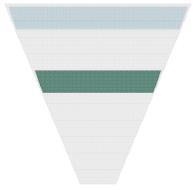


# Results with low variability

WIP compared to OTD for each simulation replication:



And if demand variability was higher?



DDMRP

MRP II

Kanban



WIP

Results:

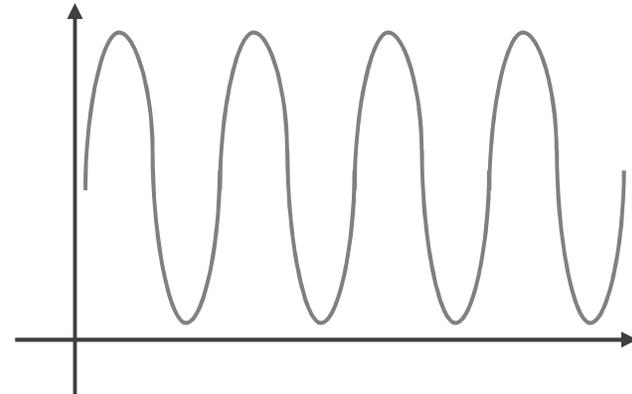


OTD

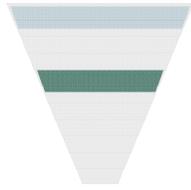
# High variability

Demand variability:

CoV: 2.45

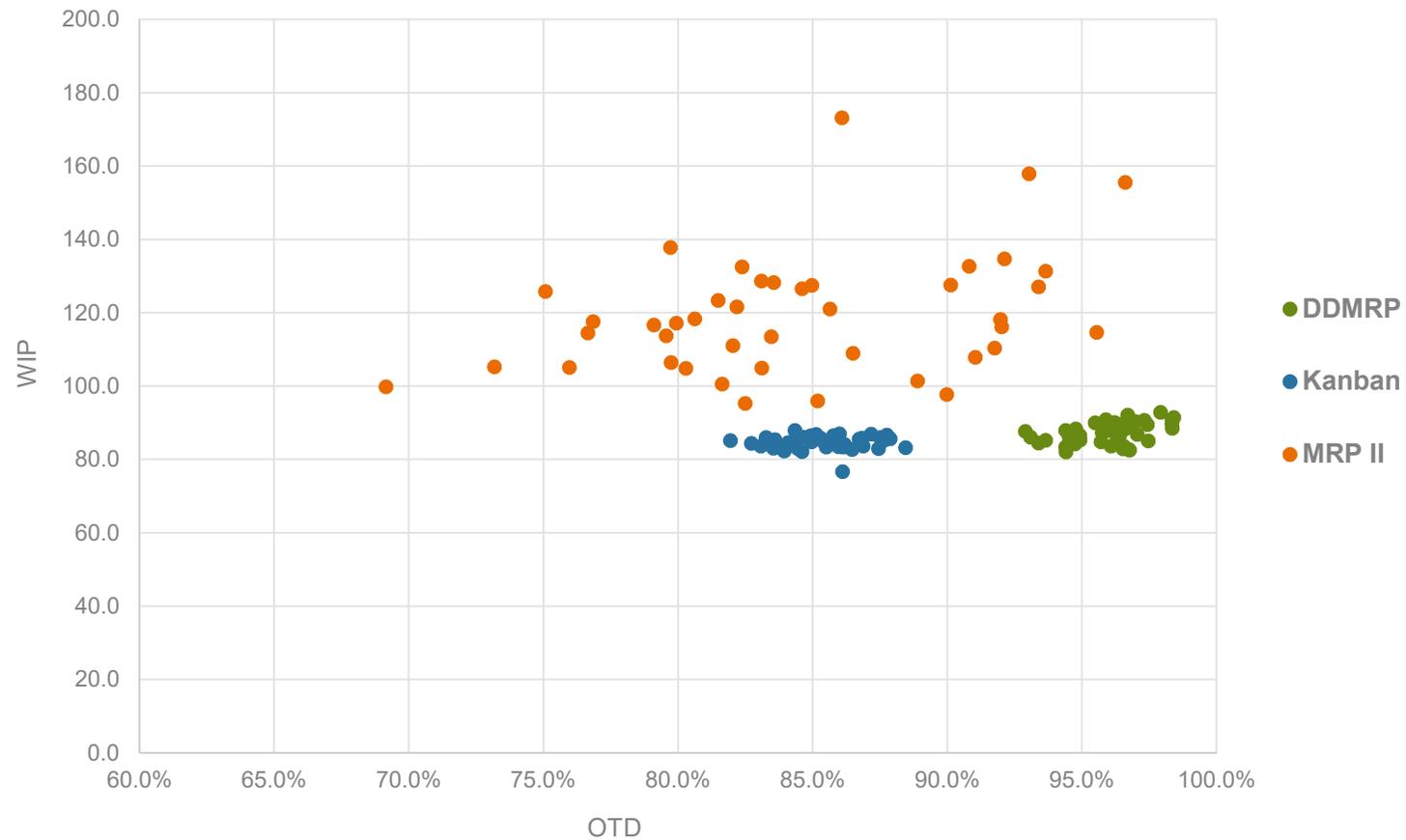


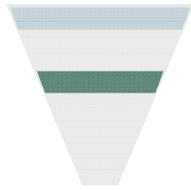
Beta Distribution law



# Results with high variability

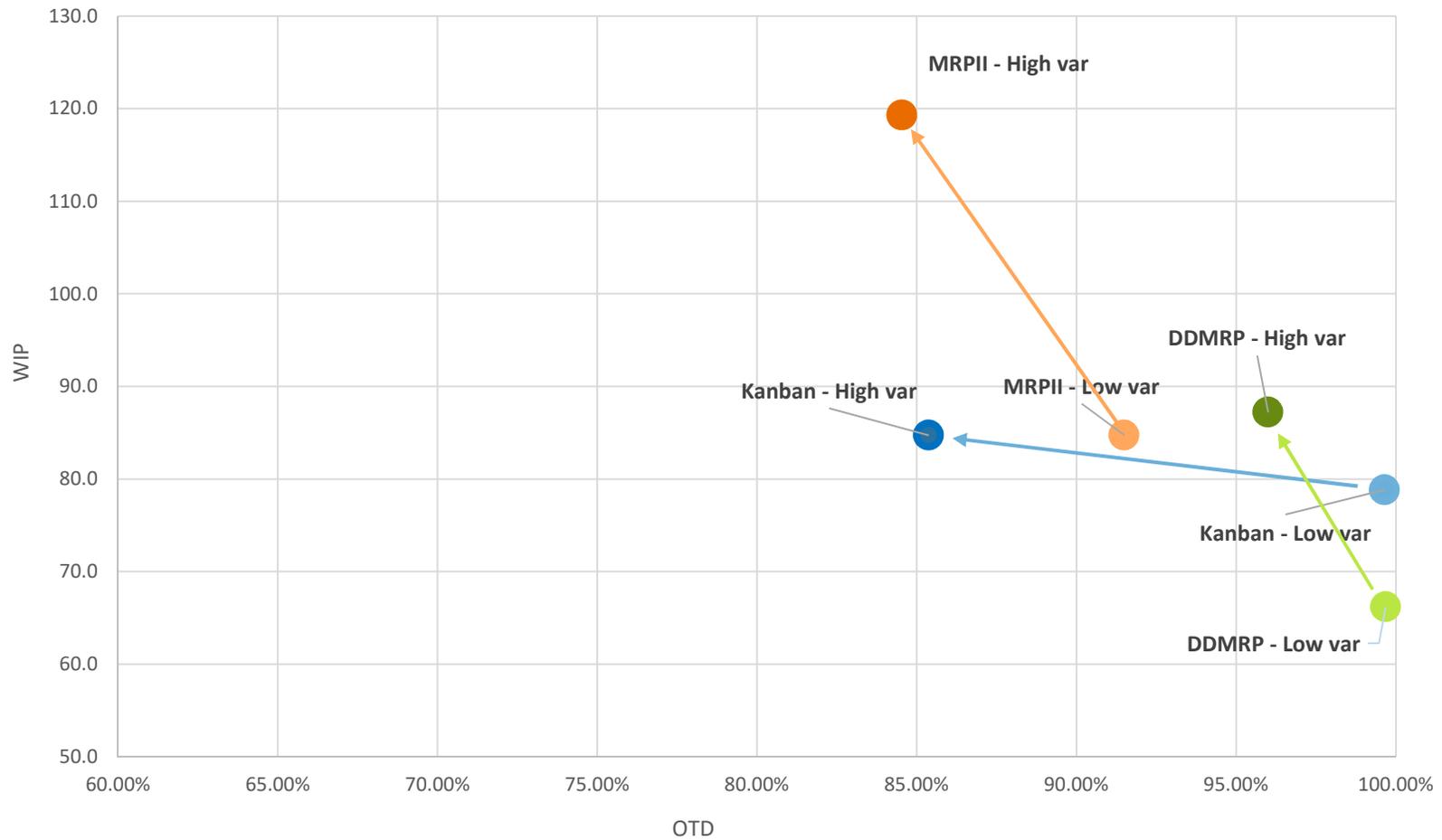
WIP compared to OTD for each simulation replication:

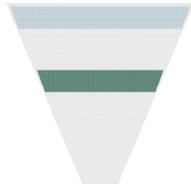




# Conclusion

WIP distribution vs On Time Delivery:





# Conclusion



## DDMRP

- Very reliable performances
- Satisfactory for On Time Delivery and WIP

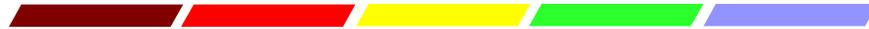
## Kanban

- With pull flow vision, able to absorb some variability and guarantee good performance
- Significantly breaks when variability raises (equivalent average OTD as MRP II)

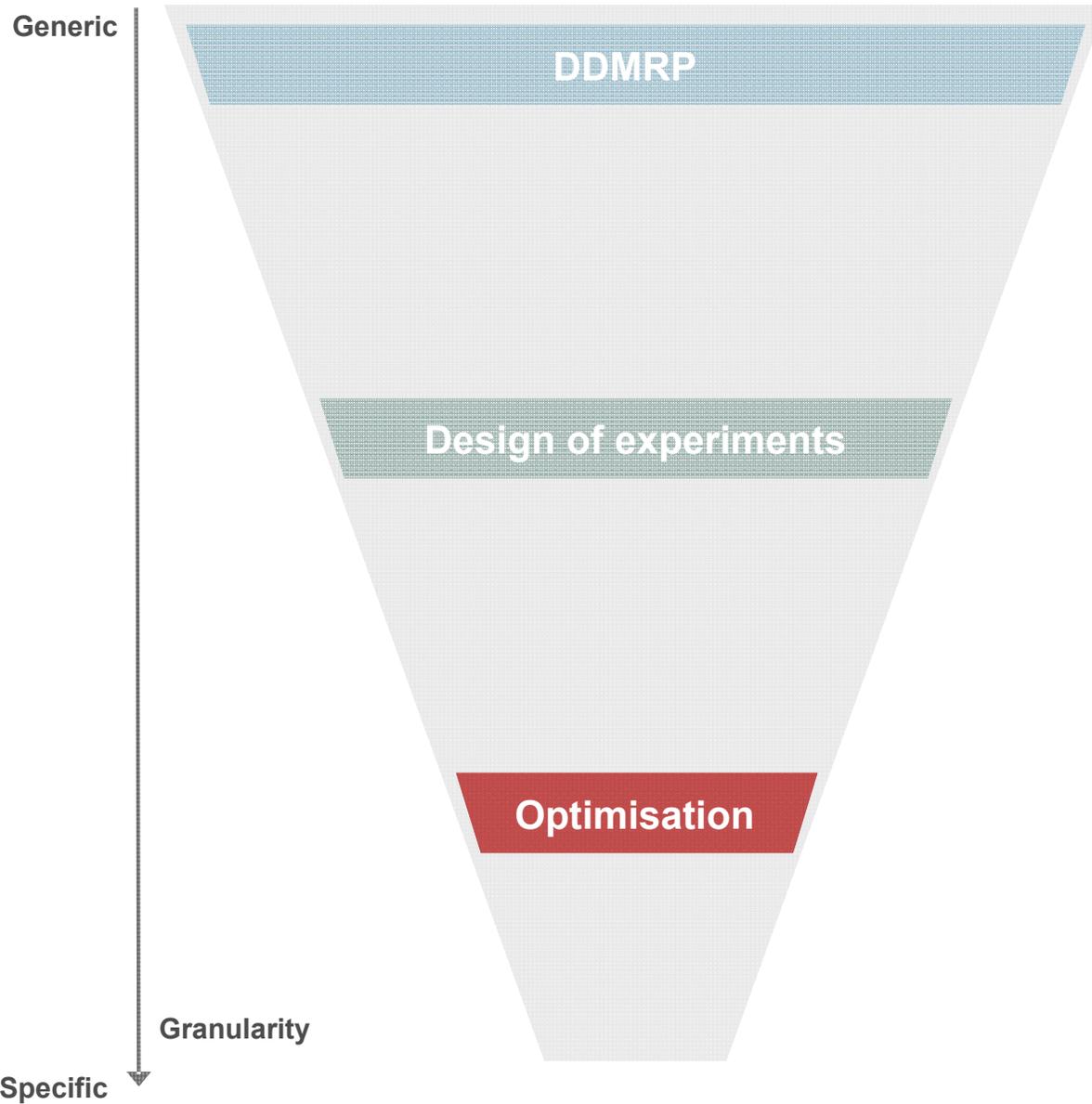
## MRP II

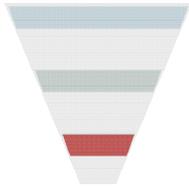
- Unstable AND unsatisfying performances
- More true as variability is increasing

# Agenda



- 1 Context
- 2 Material management methods
- 3 Case study – design of experiments
- 4 Case study – simulation replications
- 5 Case study – buffer sizing optimisation
- 6 Conclusion & Perspectives



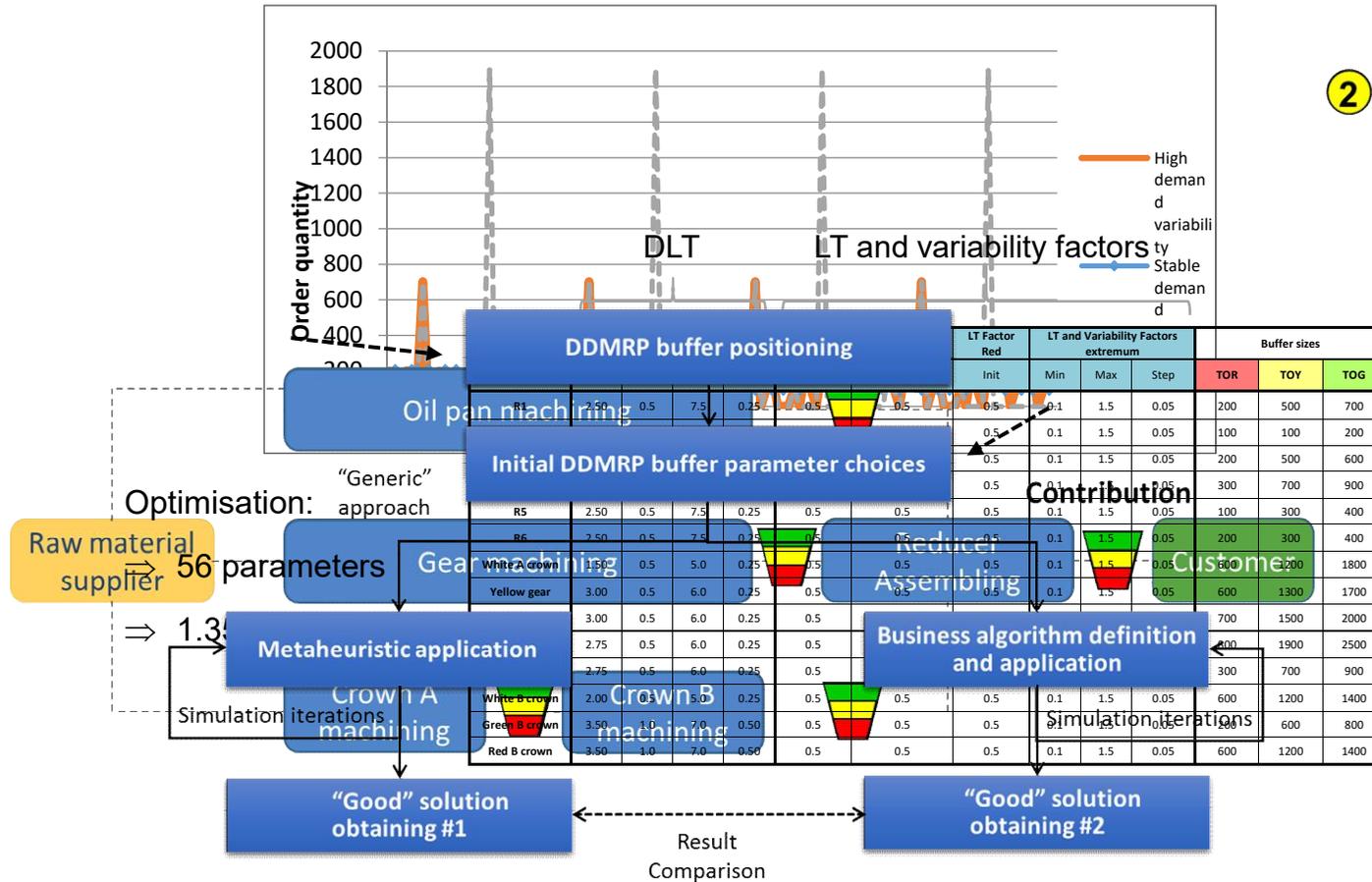


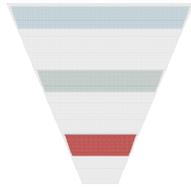
# Our approach



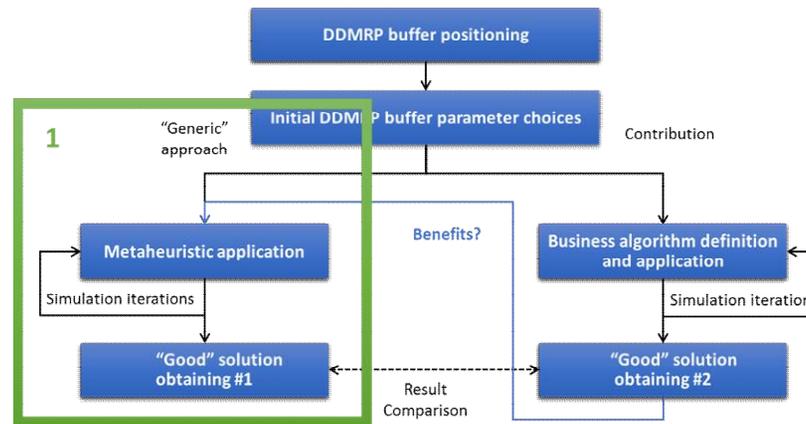
1

2





# Simulated annealing application



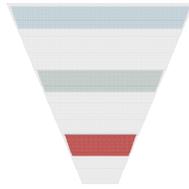
## Simulated Annealing algorithm:

- in order to try to rapidly find a good solution
- with a goal programming objective function

## Parameters

- Initial temperature: 100
- Cooling rate: 0.91
- Cooling step: 25

$$Objective\ function = \underbrace{Min\{WC\}}_{\text{Minimising WC}} + \underbrace{Max(0 ; 100,000,000 \times [0.993 - OTD])}_{\text{Reaching OTD objective}}$$



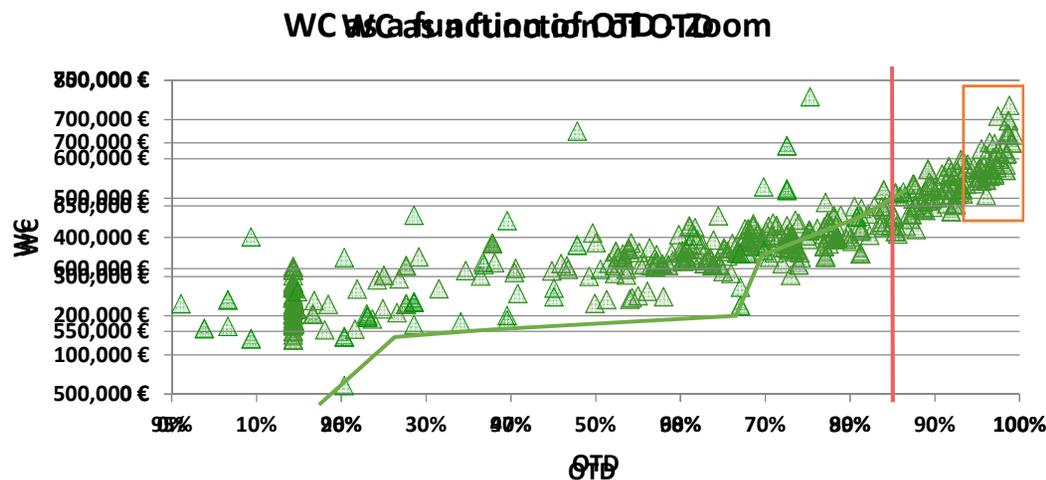
# Simulated annealing results

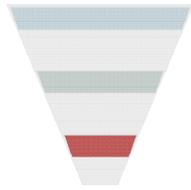


Scenario number	559
Scenarios with OTD < 50%	421 (75.3%)
Scenarios with OTD > 99.3%	1 (0.2%)
Scenarios with WC > 1m€	0 (0.0%)
Scenarios with WC <1m€ and OTD > 99.3%	1 (0.2%)

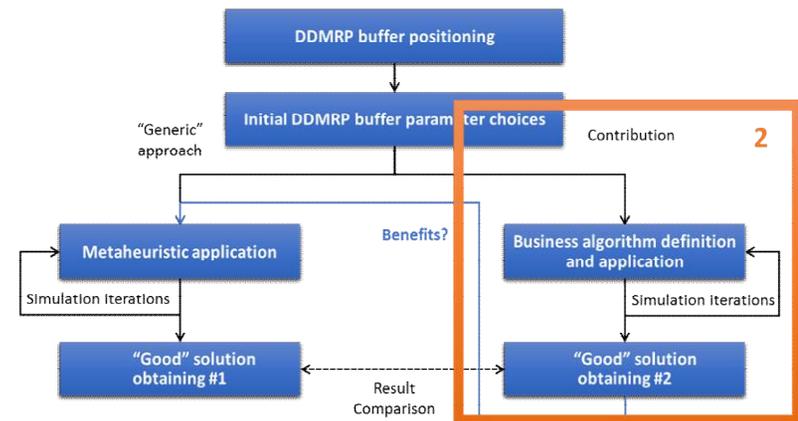
Difficult to find a good solution

Optimisation duration:  
48 hours



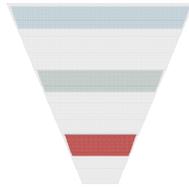


# Business algorithm definition



## Business algorithm sliced into 4 blocks:

- 3 first to reach OTD objective
- 4<sup>th</sup> to minimise WC



# Business algorithm: OTD objective



**Block #1:** `While OTD < 99,3% "This part goal is to achieve OTD objective"`

```
// Block 1
If in the second semester nb_delay > 6 AND counter ≠ 3 AND counter_2 ≠ 4
For all reducers
  Initial_green_zone (ref)=Green_zone (ref)
  If nb_delay(ref) >=2
    Reducer (ref)=1
    Green_zone (ref)=green_zone (ref)+100
  Counter = counter + 1
  Counter_2 = counter_2 + 1
Next reducer
SIMULATE()
Iteration = iteration + 1
```

**Goal:**

- Sizing reducers green zones (LT factor)

**Block #2:**

```
// Block 2
Else If counter=3 and nb_delay > 6
If OTD (iteration) > OTD (iteration-1)
  // Block 2.1
  For all reducers
    If reducer (ref)=1
      Green_zone (ref)=green_zone (ref)-100
      DLT (ref) = DLT (ref) + 0.5 day
    End If
  Next reducer
  SIMULATE()
  Iteration = iteration + 1
Else
  // Block 2.2
  For all reducers
    If reducer (ref) = 1
      Green_zone (ref) = initial_green_zone (ref)
      DLT (ref) = DLT (ref) + 0.5 day
    End If
  Next reducer
  SIMULATE()
  Iteration = iteration + 1
  Counter = 0
End If
```

**Goal:**

- Sizing the whole reducer buffers (DLT)

**Block #3:**

```
//Block 3
Else If counter_2 = 4 and nb_delay > 6
For all components
  DLT (ref) = DLT (ref) - 0.5 day
  Counter_2=0
Next component
SIMULATE()
Iteration = iteration + 1
End If
End While
```

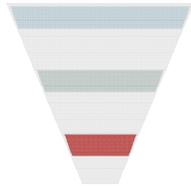
**Goal:**

- Sizing components buffers (which reached zero inventory in the simulation)

**Block #4:**

```
// Block 4
While OTD > 99,3% "This part goal is to reduce WC when OTD objective is reached"
For all references
  If min_WIP (ref) > 0
    DLT (ref) = DLT (ref) - 0.5 day
  End If
Next reference
SIMULATE()
Iteration = iteration + 1
End While
```





# Business algorithm: WC objective and results

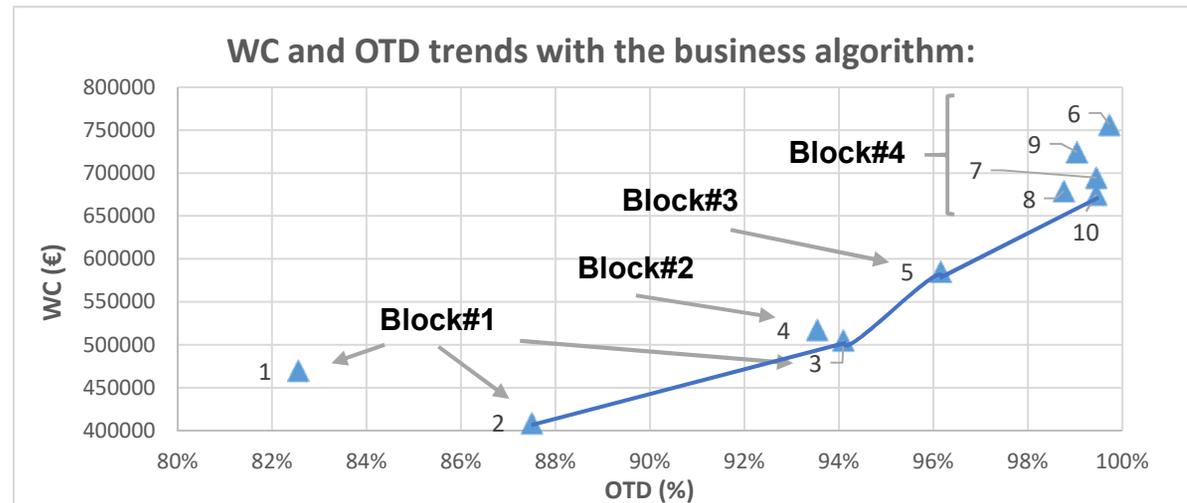
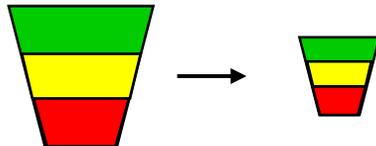


## Block #4:

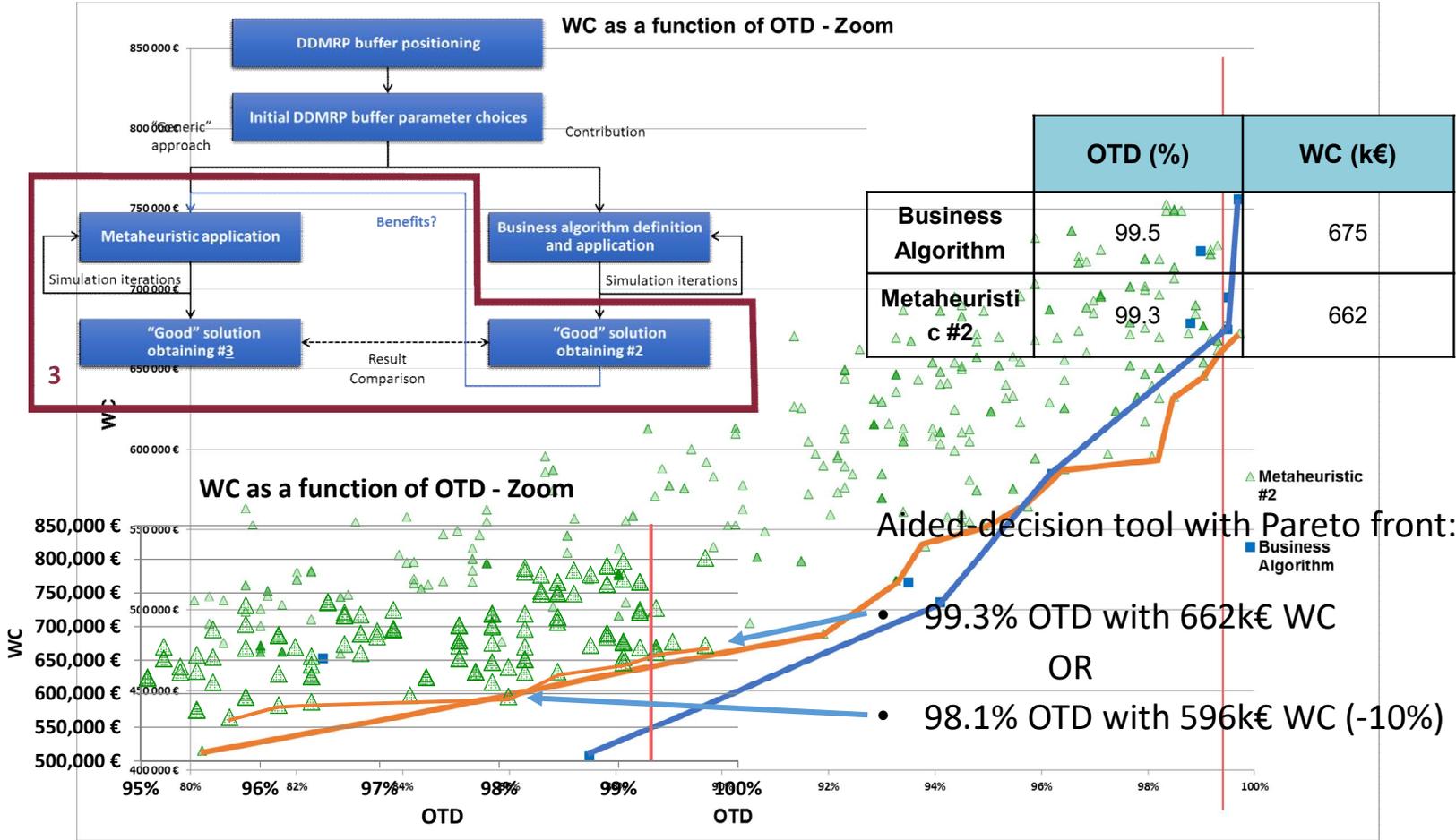
### Goal:

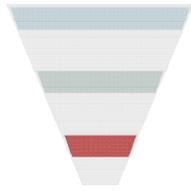
- As soon as OTD objective is reached: minimise WC
- DLT reduction for all references that never reached zero inventory

Simulation: 1 hour  
For the 10 iterations

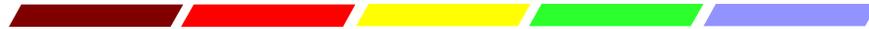


# Simulated annealing #2





# Optimisation overview



## DDMRP buffer sizing:

- indeed a critical subject

## Discrete Event Simulation helps to choose appropriate parameters:

- Simulated annealing approach
- The business algorithm proposed



With fewer iterations

Generic

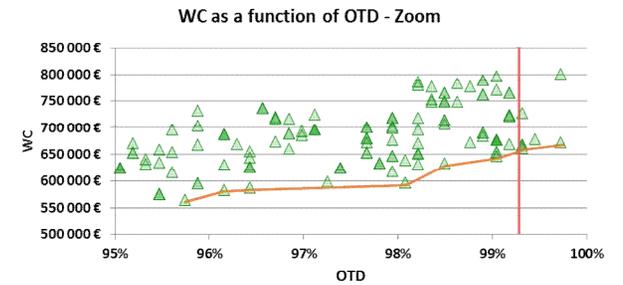
DDMRP

Design of experiments

Optimisation

Granularity

Specific



# Agenda



- 1 Context
- 2 Material management methods
- 3 Case study – design of experiments
- 4 Case study – simulation replications
- 5 Case study – buffer sizing optimisation
- 6 Conclusion & Perspectives



# Common Laboratory: AGIRE



## AGIRE: AGIle and Resilient Enterprise

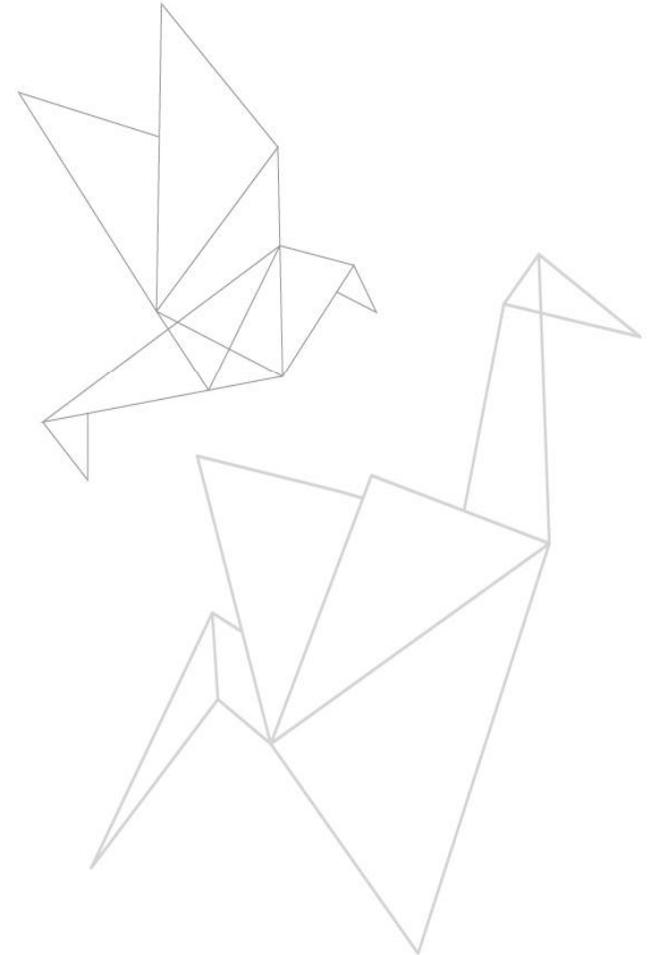
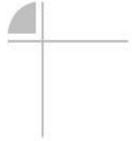
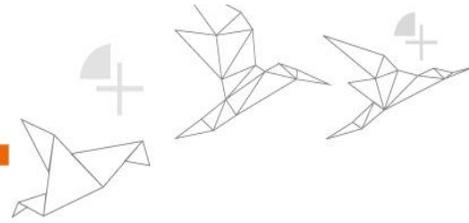


- An industrial transposition tool from research world to industrial one
- From 2017 to 2021
- 5 full-time equivalent: PhD students / research engineer / professors...
- Budget: 2M€

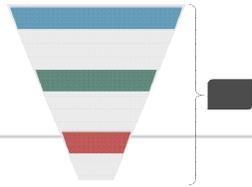
# Common Laboratory: AGIRE



- Work with Polytechnique Montréal / Michigan state university / University of Amsterdam
- DDMRP with its perspectives:
  - Semi-aided tool for positioning buffer
  - Semi-aided tool for sizing strategic buffers
  - Challenge time and capacity buffers
  - DDMRP resilience (compared to other methods)
  - ...







## Future research works

### Industrial:

- > Next steps (DDMRP interest)



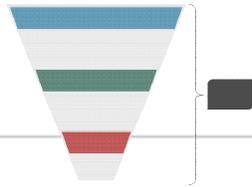
- > : real interest to semi-automatically position and size DDMRP strategic buffers.



- > : generalisation and applicability for different sector activity

- > Generic DDMRP simulation modules : Dynamism

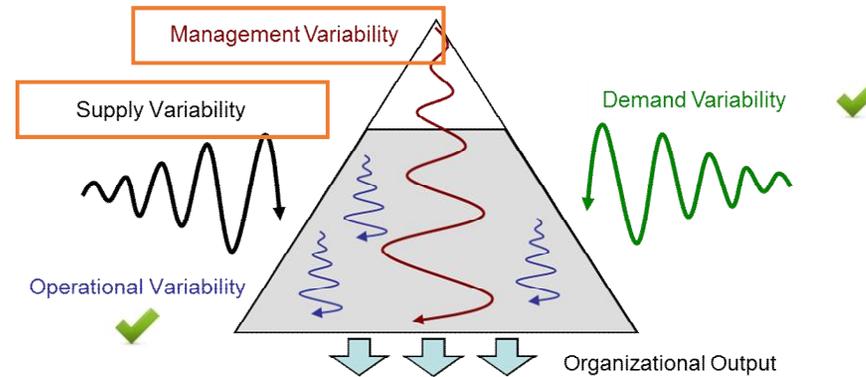




# Future research works

## Short term:

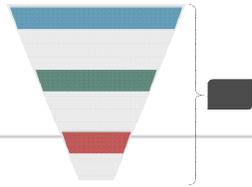
>



> Sensitivity analysis : DDMRP breaking points

> **Design of experiments** and/or **Optimisation** with a “non-theoretical compliant” buffer positioning

> Case study limits to investigate



## Future research works

### Long term:

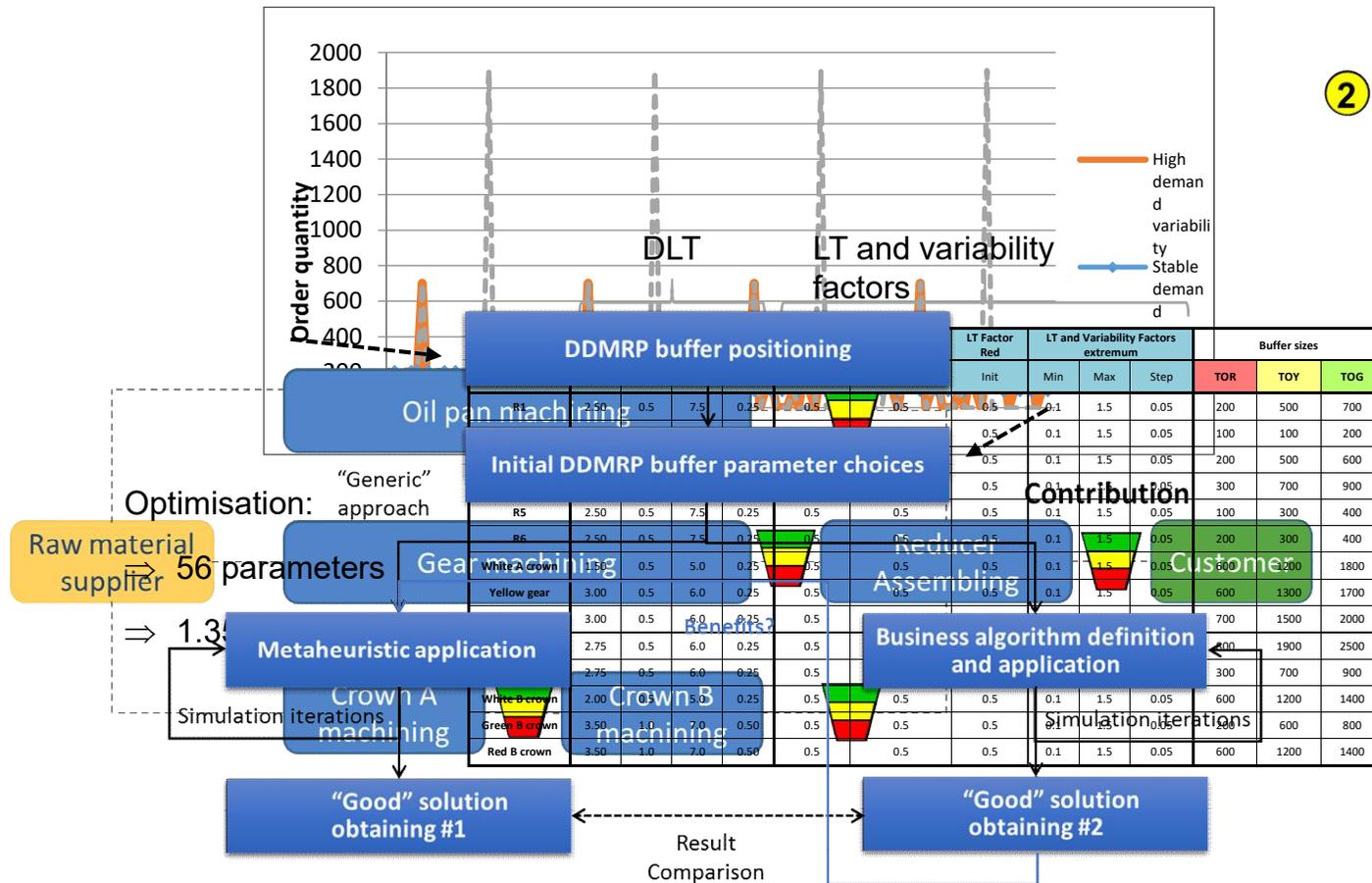
- > **Decision-aided tool to semi-automatically:**
  - position DDMRP buffers
  - size DDMRP buffers
  
- > **DDMRP investigations with a distribution scope**
  
- > **DDMRP resilience compared to a significant crisis**
  
- > **Another PhD work next year on this topic (AGILEA in collaboration with Mines Albi).**

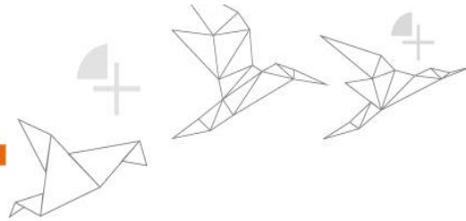


# Our approach

1

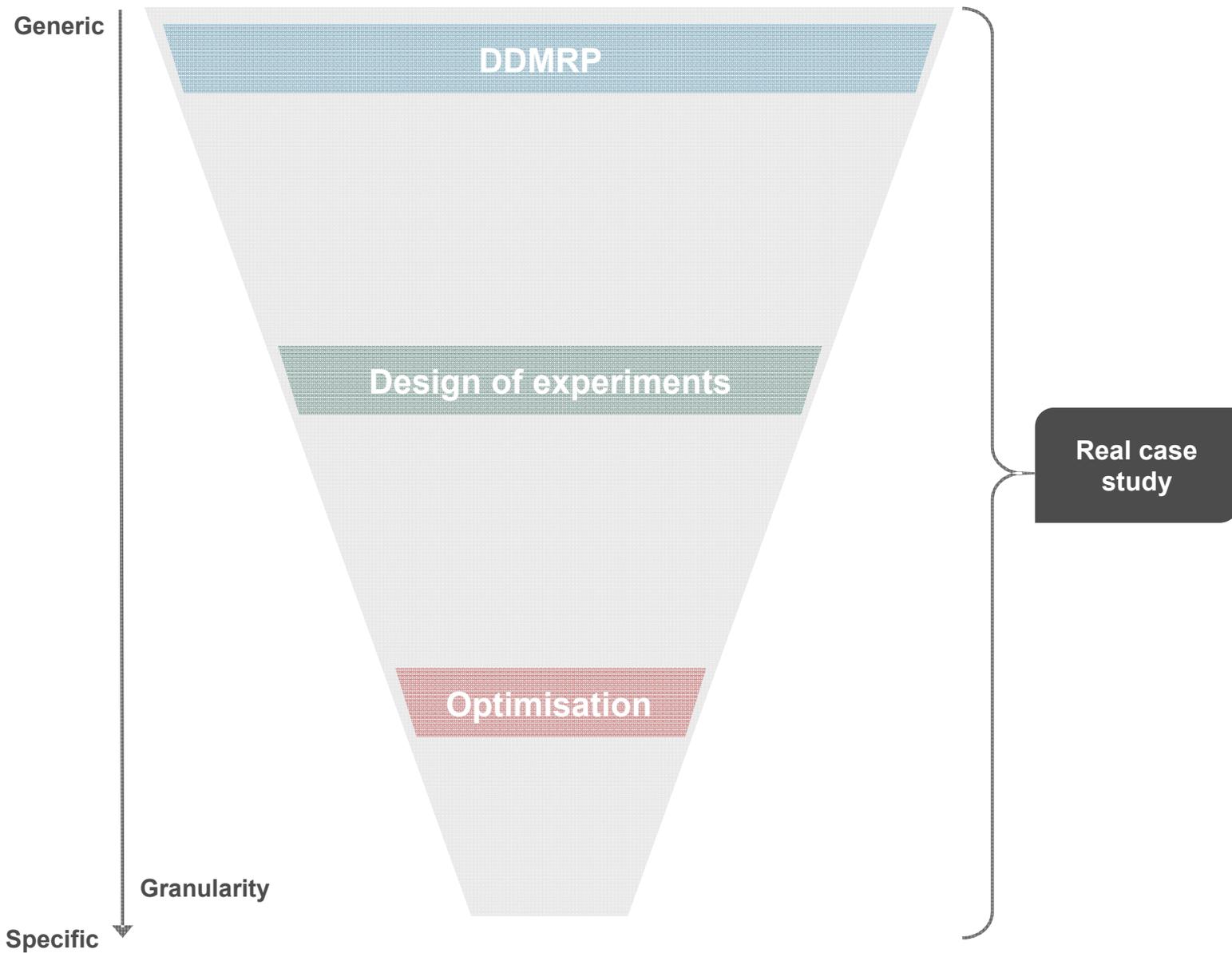
2

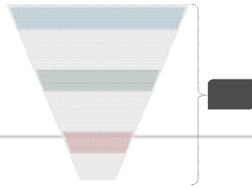




- 
- 1 Context
  - 2 Material management methods
  - 3 Academic case study – part #1
  - 4 Academic case study – part #2
  - 5 Real case study
  - 6 Conclusion & Perspectives







## JV Group introduction

### DDMRP implementation to a French company in Saintes

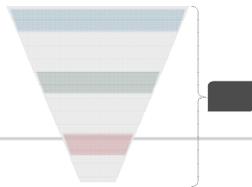
:

> JV Group



> Finished or subassembly products for aeronautical, railway, nuclear and leisure.



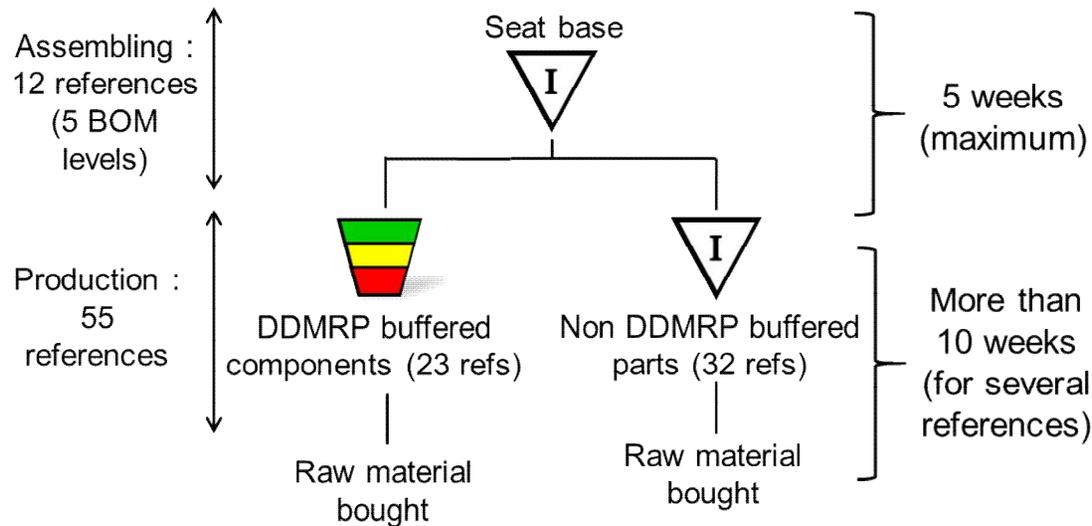


# DDMRP implementation

## DDMRP implementation to a French company in Saintes : JV Group

> Buffer positioning

1



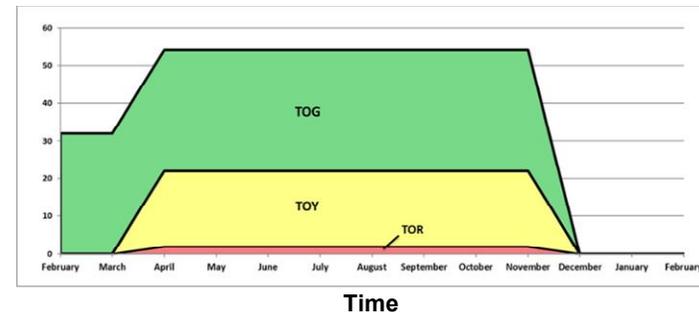
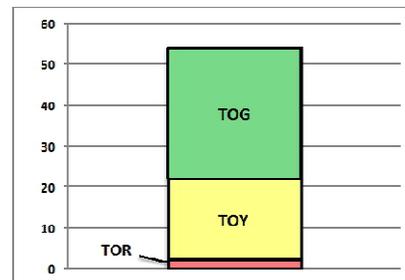
- Up to 15 activities for components
- Subcontracting operations
- Different operating cycle times

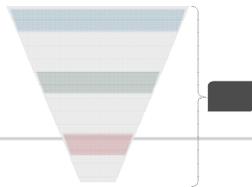
> Buffer sizing and dynamically adjusted

2

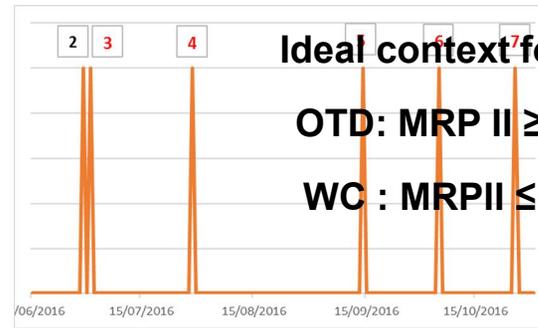
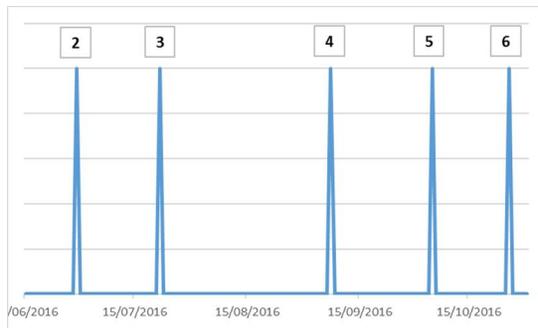
&

3





# Our approach



Ideal context for MRP II:

OTD:  $MRP II \geq DDMRP$

Delivery date

WC:  $MRP II \leq DDMRP$

Availability

**SEAT BASE**

**Other products**

MRP

DDMRP

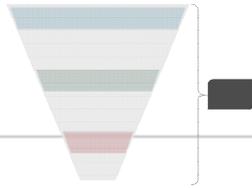
MRP Production orders

**FLOW SIMULATION**

Performance analysis



- OTD
- WC



# Demand variability results

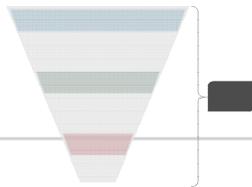
**Delivery date variability: 3 weeks in advance**

MRP II Delivery date	On time ?
05/29/2016	✘
06/18/2016	✔
07/05/2016	✘
07/19/2016	✔
08/25/2016	✔
10/04/2016	✔
10/16/2016	✔
12/19/2016	✔
01/16/2017	✔
02/16/2017	✔

<b>OTD (%)</b>	80
<b>Average seat base WC (€)</b>	99,000

DDMRP Delivery date	On time ?
05/12/2016	✔
06/19/2016	✔
06/28/2016	✔
07/19/2016	✔
08/31/2016	✔
10/04/2016	✔
10/10/2016	✔
12/19/2016	✔
01/16/2017	✔
02/16/2017	✔

<b>OTD (%)</b>	100
<b>Average seat base WC (€)</b>	97,000

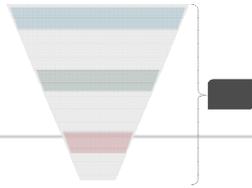


# Limit of DDMRP variability absorption

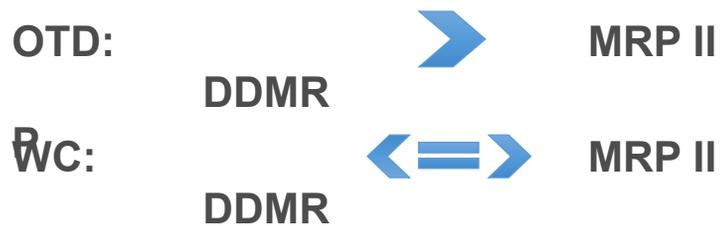
Demand variability: <u>3 weeks</u>		Demand variability: <u>4 weeks</u>		Demand variability: <u>5 weeks</u>	
Delivery date	On time ?	Delivery date	On time ?	Delivery date	On time ?
05/12/2016	✓	05/12/2016	✓	05/12/2016	✓
06/19/2016	✓	06/18/2016	✓	06/18/2016	✓
06/28/2016	✓	06/26/2016	✓	06/26/2016	✓
07/19/2016	✓	07/17/2016	✓	07/03/2016	✓
08/31/2016	✓	09/01/2016	✓	09/04/2016	✗
10/04/2016	✓	09/28/2016	✗	09/25/2016	✗
10/10/2016	✓	10/04/2016	✓	09/29/2016	✓
12/01/2016	✓	11/21/2016	✓	11/14/2016	✓
01/02/2017	✓	12/19/2016	✓	12/12/2016	✓
01/26/2017	✓	01/19/2017	✓	01/12/2017	✓

## LESSONS

- **100% OTD with 3 weeks delay**
- It is the limit delay that DDMRP can theoretically absorb.



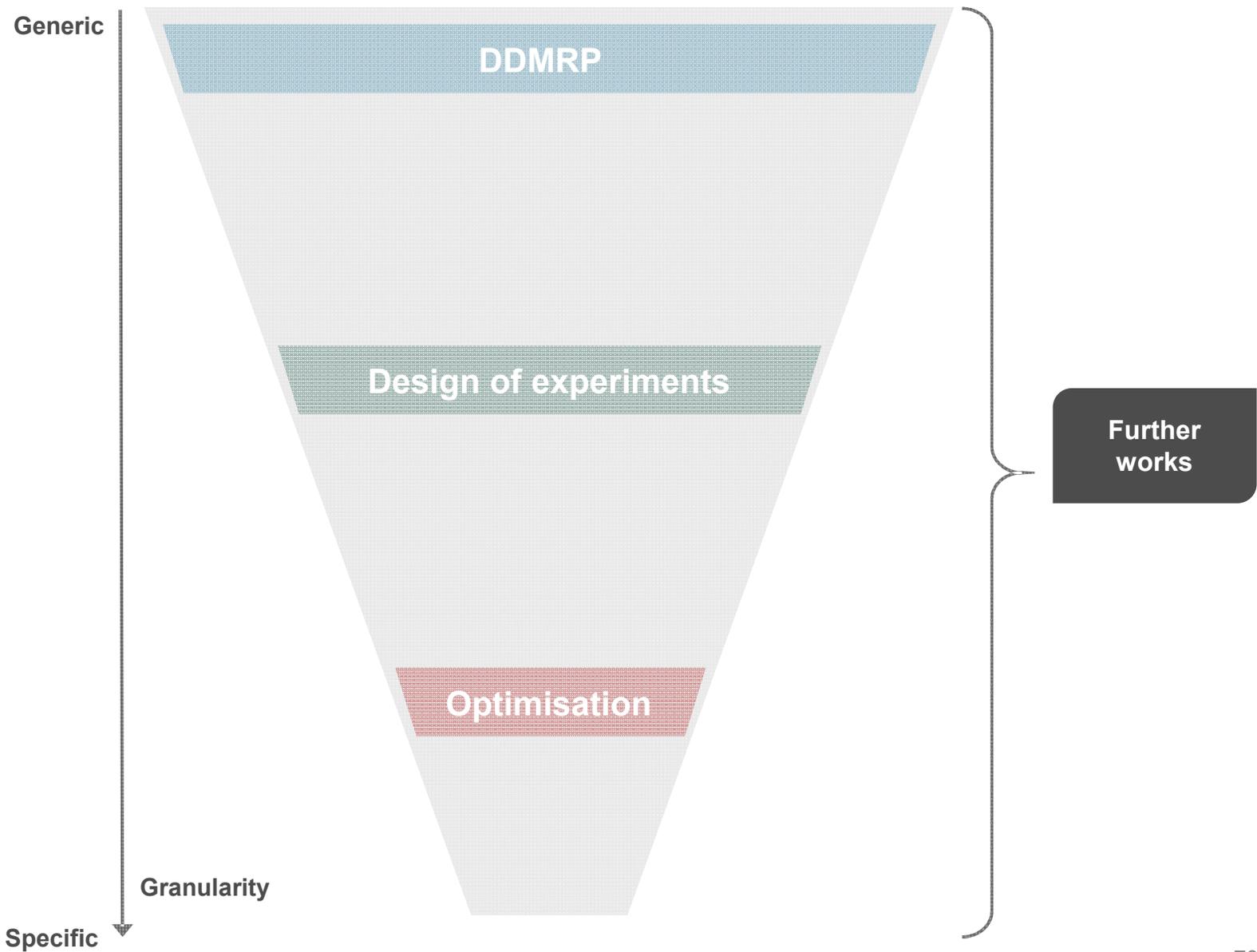
### DDMRP implementation in JV Group:

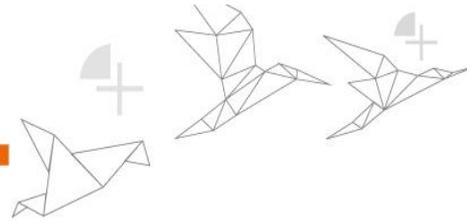


### <sup>P</sup> In reality:

- > From the 5th plane, 5 weeks demand in advance.
  - DDMRP manages to deliver customer with an emergency execution.
  
- > JV Group wants to implement DDMRP on other products and other sites.

DDMRP





- 1 Context
- 2 Material management methods
- 3 Academic case study – part #1
- 4 Academic case study – part #2
- 5 Real case study
- 6 Conclusion & Perspectives

# Conferences

- **Romain Miclo, Matthieu Luras, Franck Fontanili, Jacques Lamothe, Philippe Bornert, Guillaume Revenu** 2014. Enhancing Collaborations by Assessing the Expected Financial Benefits of Improvement Projects *Enterprise Interoperability VI Proceedings of the I-ESA Conferences, 2014, Volume 7, pp 189-200*
- **Romain Miclo, Matthieu Luras, Franck Fontanili, Jacques Lamothe, Philippe Bornert, Guillaume Revenu** 2014. Working-Capital Improvement through Value Stream Mapping Costing and Discrete-Event Simulation *Proceedings of the 5th International Conference on Information Systems, Logistics and Supply Chain CONNECTING WORLDS ILS 2014 - Breda (Netherlands), August 24-27*
- **Romain Miclo, Franck Fontanili, Philippe Bornert et Pascal Foliot** 2014. Working Capital Reduction in a Complex System through Discrete-Event Simulation *Winter Simulation Conference*
- **Miclo, R., F. Fontanili, G. Marquès, P. Bomert, and M. Luras.** 'RTLS-Based Process Mining: Towards an Automatic Process Diagnosis in Healthcare'. In *2015 IEEE International Conference on Automation Science and Engineering (CASE)*, 1397–1402, 2015.
- **F. Fontanili, E. Lamine, M. Luras, R. Miclo et H. Pingaud** 2016. Une démarche outillée à base de RTLS, Process Mining et simulation pour le diagnostic organisationnel des parcours patients en établissement hospitalier. *11è Conférence Francophone d'Optimisation et Simulation - MOSIM 16*