

Margin Optimization

Moving beyond traditional sales forecasting and manual supply planning, Margin Optimization can match supply capabilities to market demand in whole new ways. Industry leaders turn to Margin Optimization as a way to develop sourcing, production, distribution, and sales plans that maximize overall margin to the business.

Margin Optimization is a configuration of the WAM Enterprise Planning module—part of the WAM Supply Chain Planning Solution—providing a simulation and optimization environment to create a balanced set of plans. These plans take into account customer demands and related pricing, inventory targets, distribution and manufacturing costs and capacities, supply availability and vendor pricing.

Optimization comes in the form of a flexible engine that can evaluate any number of objectives or combinations of objectives such as lowest cost, highest margin, or incorporating working capital constraints. As an example, the optimization engine can provide a means of rapidly determining not only what portion of a forecast is feasible to produce, but what product mix is most profitable to produce. In situations where capacity exceeds demand, the optimization tool identifies

opportunities to increase profits by highlighting the most advantageous products and markets upon which to focus sales efforts.

And, like all of the WAM modules, Enterprise Planning presents its results in an easy-to-understand user interface. The user can explore the solution interactively, and can modify the analysis to include qualitative considerations that were not mathematically modeled.

The WAM Enterprise Planning module blends the best of shrink-wrap software with the flexibility of a programming language. Since it was built for the process industry, the solution easily handles complex, multi-site supply chain problems with minimal configuration. When unique problems arise, it uses the power of WAM's model formulation language combined with the optimization engine to quickly generate solutions.

Importantly, the Margin Optimization Solution can be integrated with your ERP system to provide accurate, timely data essential for useful results. It also means that a business plan can be reoptimized at any time incorporating changing market dynamics and supply capabilities.



Margin Optimization FAQs

What economic characteristics can be used to represent the financial model of my supply chain?

Margin Optimization's financial model can include:

- time-varying sales pricing
- distribution costs by lane and mode
- production costs at material/line level
- energy and resource costs
- inventory carrying costs
- penalty costs for variance around inventory targets
- tariffs and related taxes for import/export
- spot and contract purchases (for finished goods, intermediates and raw materials)
- spot and contract sales

What optimization or solving technology is used to automatically generate plans based on constraints?

WAM can quickly solve LP or MIP model formulations allowing fixed and tiered costing models. Users can set min and max values on any transaction, and configure the system for all constraints. Multiple, integrated models (objective functions, constraints, bounds) can be maintained allowing users to answer different types of questions without having to build new, standalone models.

What standard planning time-periods are provided with the application?

Time buckets can be defined with any combination of days, weeks, months, quarters, or years

How can my planners monitor plan vs. scheduled performance and track current month progress against plan on a daily or ad-hoc basis?

All these data are available to WAM's standard planning model allowing side-by-side comparisons of plan, schedule, and actual performance.



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