

The Right Flow  
the online supply chain newsletter  
to help you simplify supply chain planning  
by Mike Doherty & Jeff Harrop of Demand Clarity Inc.

Sent to the greatest people on earth the 1st Wednesday of each month. Please pass on The Right Flow to those in your network. To unsubscribe or change address, follow instructions at bottom.

"Begin with the end in mind."

- Steven Covey

February 2011 Issue

Backward Thinking

It's 1908 and Americans are fascinated with the automobile. Everyone wants one. And many entrepreneurs wanted to make them. In fact, almost 2,000 budding car-makers tried and failed.

In 1908, the going rate for a car was about 2,500 bucks - a wallet-burner for virtually all Americans at that time. Consequently very few cars sold and only the very rich were buying them. Every car maker was asking himself the same product focused question: "How can I build a better car"?

Another chap asked himself a different question. Instead of thinking about the product, he thought about the customer. Rather than trying to push a "better product" into a crowded marketplace, he decided to tackle the problem from the opposite direction. "At what price would customers buy tons of cars?" he mused.

His answer: \$849

Designs A through S were complete failures and were subsequently scrapped. Design T, however, became the best-selling car of all time. Henry Ford's Model T put smiles on the faces of 15 million Americans. By comparison, the top selling car today sells about 400,000 units a year.

He may have figured out how to sell 15 million cars, but you can't sell what you don't have. The bigger problem was how to MAKE 15 million cars in order to sell them!

In those days, cars were assembled pretty much by hand by small teams of artisans building one car at a time. A far greater innovation of Ford than the Model T was the moving assembly line - also developed through the creative use of backwards thinking.

While at a large meat-packing plant in Chicago, Henry was blown away with how efficient their "disassembly line" was. Pig carcasses would hang from a moving overhead cable that

would carry it from worker to worker. Each meat cutter would perform a single task repeatedly and in expert fashion with the disassembly line defining the correct sequence. A pig could be cleaned in less than 2 minutes.

"Instead of using a rail overhead to move the pig, I'll have a conveyor belt. And instead of cutting something off, my workers will add something. Instead of ending with a skeleton, we'll begin with a skeleton."

By 1920, a new Model T rolled off the production line in Detroit every 60 seconds and 1 out of every 2 cars on earth was a Model T.

Henry Ford was a visionary. He understood that the supply chain begins and ends with the customer. Instead of thinking about production, he thought about sales.

Sam Walton was essentially Henry Ford in different clothes. Sam taught his team to look at an item and ask a simple question, "At what price could we sell loads of these?" Sam was focused on selling, not buying. Then if the item could be bought for less than that amount, the buyer was told to buy a boatload of them.

Legend has it that years ago a product manager was trying to explain a new product to Wal-Mart and a number of other retailers. The Wal-Mart buyer turned to another prospective retail buyer and asked, "How much do you think we could sell these for and how many"?

The other retailer asked "What's the cost"?

To which the Wal-Mart buyer responded, "What's that got to do with anything"?

Both Henry and Sam thought about sales, not production.

That's backwards thinking for most supply chain professionals. It manifests itself in many organizations worrying more about how much they have on order or will produce, versus how much they will sell.

Flowcasting is backwards thinking on steroids. It starts with the customer and drives everything from a sales forecast to the end consumer. How much you need to buy, make, move, store, ship and pay for can be answered with alarming clarity by answering a simple question:

"How much will I sell"?

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More Stuff for You

To better understand Henry Ford's legacy and impact on thinking, check out this book:

[http://www.amazon.com/Wheels-World-Company-Century-Progress/dp/B000BZ99PQ/ref=pd\\_sim\\_b\\_5](http://www.amazon.com/Wheels-World-Company-Century-Progress/dp/B000BZ99PQ/ref=pd_sim_b_5)

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If you haven't ordered your copy of "Flowcasting the Retail Supply Chain" yet, or if you still want to learn more about Flowcasting before you buy, please visit our book website:

<http://www.flowcastingbook.com/>

Once there, you can learn more and download the first 2 chapters of the book for free (don't forget to tell your friends and colleagues!) or if you're ready to buy, you can link to the ordering page.

If you're looking to buy an individual copy, you can also get it for a good price on amazon.com. They keep running out of stock, so you may need to wait (they should probably READ the book instead of just selling it!):

<http://www.amazon.com/Flowcasting-Retail-Supply-Chain-Martin/dp/0977896307/>

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Until next month, all the best,

Mike Doherty & Jeff Harrop - Demand Clarity, Inc.

helping you simplify supply chain planning

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