

Module 3
Section A: Demand Management

Term
Abnormal demand

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Demand in any period that is outside the limits established by management policy. This demand may come from a new customer or from existing customers whose own demand is increasing or decreasing. Care must be taken in evaluating the nature of the demand: Is it a volume change? Is it a change in product mix? Is it related to the timing of the order? See: outlier.

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Term
Capable-to-promise (CTP)

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The process of committing orders against available capacity as well as inventory. This process may involve multiple manufacturing or distribution sites. Used to determine when a new or unscheduled customer order can be delivered. Employs a finite-scheduling model of the manufacturing system to determine when an item can be delivered. Includes any constraints that might restrict the production, such as availability of resources, lead times for raw materials or purchased parts, and requirements for lower-level components or subassemblies. The resulting delivery date takes into consideration production capacity, the current manufacturing environment, and future order commitments. The objective is to reduce the time spent by production planners in expediting orders and adjusting plans because of inaccurate delivery-date promises.

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Section A: Demand Management

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Consuming the forecast

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The process of reducing the forecast by customer orders or other types of actual demands as they are received. The adjustments yield the value of the remaining forecast for each period. Syn.: forecast consumption.

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Customer relationship management (CRM)

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A marketing philosophy based on putting the customer first. Involves the collection and analysis of information designed for sales and marketing decision support (in contrast to enterprise resources planning information) to understand and support existing and potential customer needs. Includes account management, catalog and order entry, payment processing, credits and adjustments, and other functions. Syn.: customer relations management.

Module 3
Section A: Demand Management

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Customer satisfaction

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The results of delivering a good or service that meets customer requirements.

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Section A: Demand Management

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Customer service life cycle

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In information systems, a model that describes the customer relationship as having four phases: requirements, acquisition, ownership, and retirement.

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Section A: Demand Management

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Customer service ratio

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1) A measure of delivery performance of finished goods or other cargo, usually expressed as a percentage. In a make-to-stock company, this percentage usually represents the number of items or dollars (on one or more customer orders) that were shipped on schedule for a specific time period, compared to the total that were supposed to be shipped in that time period. Syn.: customer service level, fill rate, order-fill ratio, percent of fill. Ant: stockout percentage. 2) In a make-to-order company, usually some comparison of the number of jobs or dollars shipped in a given time period (e.g., a week) compared with the number of jobs or dollars that were supposed to be shipped in that time period. Syn.: fill rate.

Module 3
Section A: Demand Management

Term
Demand management

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1) The function of recognizing all demands for goods and services to support the marketplace. It involves prioritizing demand when supply is lacking. [This] facilitates the planning and use of resources for profitable business results. 2) In marketing, the process of planning, executing, controlling, and monitoring the design, pricing, promotion, and distribution of products and services to bring about transactions that meet organizational and individual needs. Syn.: marketing management. See: demand planning.

Module 3
Section A: Demand Management

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Design for manufacturability

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Simplification of parts, products, and processes to improve quality and reduce manufacturing costs.

Module 3
Section A: Demand Management

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Design for manufacture and assembly (DFMA)

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A product development approach that involves the manufacturing function in the initial stages of product design to ensure ease of manufacturing and assembly. See: early manufacturing involvement.

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Section A: Demand Management

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Design for service

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Simplification of parts and processes to improve the after-sale service of a product. Syn.: design for maintainability.

Module 3
Section A: Demand Management

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Early manufacturing involvement

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The process of involving manufacturing personnel early in the product design activity and drawing on their expertise, insights, and knowledge to generate better designs in less time and to generate designs that are easier to manufacture. Early involvement of manufacturing, field service, suppliers, customers, and so on means drawing on their expertise, knowledge, and insight to improve the design. Benefits include increased functionality, increased quality, ease of manufacture and assembly, ease of testing, better testing procedures, ease of service, decreased cost, and improved aesthetics. See: design for manufacture and assembly, participative design/engineering.

Module 3
Section A: Demand Management

Term
Early supplier involvement (ESI)

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The process of involving suppliers early in the product design activity and drawing on their expertise, insights, and knowledge to generate better designs in less time and designs that are easier to manufacture with high quality. See: participative design/engineering.

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Section A: Demand Management

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Form-fit-function

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A term used to describe the process of designing a part or product to meet or exceed the performance requirements expected by customers.

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Section A: Demand Management

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Order fulfillment lead time

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The average amount of time between the customer's order and the customer's receipt of delivery; this includes every manufacturing or processing step in between.

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Section A: Demand Management

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Plan-do-check-action (PDCA)

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A four-step process for quality improvement. In the first step (plan), a plan to effect improvement is developed. In the second step (do), the plan is carried out, preferably on a small scale. In the third step (check), the effects of the plan are observed. In the last step (action), the results are studied to determine what was learned and what can be predicted. The plan-do-check-action cycle is sometimes referred to as the Shewhart cycle (because Walter A. Shewhart discussed the concept in his book, "Statistical Method from the Viewpoint of Quality Control") or as the Deming circle (because W. Edwards Deming introduced the concept in Japan, and the Japanese subsequently called it the Deming circle). Syns.: plan-do-check-act cycle, Shewhart circle of quality, Shewhart cycle. See: Deming circle.

Module 3
Section A: Demand Management

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Probability

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Mathematically, a number between 0 and 1 that estimates the fraction of experiments (if the same experiment were being repeated many times) in which a particular result would occur. This number can be either subjective or based upon the empirical results of experimentation. It can also be derived for a process to give the probable outcome of experimentation.

Module 3
Section A: Demand Management

Term
Stockout probability

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The percentage chance of a product not being in stock when an order is placed. Syn.: cycle service level.

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Section A: Demand Management

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Trend forecasting models

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Methods for forecasting sales data when a definite upward or downward pattern exists. Models include double exponential smoothing, regression, and triple smoothing. See: trend analysis.

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Section A: Demand Management

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Value perspective

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A quality perspective that holds that quality must be judged, in part, by how well the characteristics of a particular product or service align with the needs of a specific user.